

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**STAFF CONFERENCE AGENDA
January 18, 2022**

***IMPORTANT NOTE: STAFF CONFERENCE
WILL BE CONDUCTED VIA WEBEX.
INSTRUCTIONS FOR PARTICIPATION AND A LINK TO VIEW THE
MEETING WILL BE POSTED ON THE COMMISSION'S WEBSITE,
NCUC.NET***

COMMISSION STAFF

NO AGENDA ITEMS

PUBLIC STAFF

C. COMMUNICATIONS

- P1. FILING OF INTERCONNECTION AGREEMENT AMENDMENTS BY AT&T
NORTH CAROLINA AND FRONTIER

E. WATER

- P1. DOCKET NO. W-218, SUB 526A – AQUA NORTH CAROLINA, INC. –
APPLICATION FOR APPROVAL OF WATER AND SEWER SYSTEM
IMPROVEMENT RATE ADJUSTMENTS **EXHIBIT NO. P-1**
- P2. DOCKET NO. W-354, SUB 366 – CAROLINA WATER SERVICE, INC. OF
NORTH CAROLINA – NOTIFICATION OF INTENTION TO BEGIN
WASTEWATER UTILITY OPERATIONS IN CONTIGUOUS SERVICE AREA
EXHIBIT NO. P-2
- P3. DOCKET NO. W-354, SUB 367 – CAROLINA WATER SERVICE, INC. OF
NORTH CAROLINA – NOTIFICATION OF INTENTION TO BEGIN
WASTEWATER UTILITY OPERATIONS IN CONTIGUOUS SERVICE AREA
EXHIBIT NO. P-3
- P4. DOCKET NO. W-354, SUB 376 – CAROLINA WATER SERVICE, INC. OF
NORTH CAROLINA – NOTIFICATION OF INTENTION TO BEGIN WATER
UTILITY OPERATIONS IN CONTIGUOUS SERVICE AREA **EXHIBIT NO. P-4**

TO: Agenda – Commission Conference – January 18, 2022

FROM: PUBLIC STAFF – North Carolina Utilities Commission

C. COMMUNICATIONS

P1. FILING OF INTERCONNECTION AGREEMENT AMENDMENTS BY AT&T NORTH CAROLINA AND FRONTIER

EXPLANATION: The following interconnection agreement amendments were filed for Commission approval between October 21, 2021, and October 29, 2021:

BellSouth Telecommunications, LLC, d/b/a AT&T North Carolina

Docket No. P-55, Sub 1948 – Amendment filed on October 21, 2021, to an existing interconnection agreement with Teliix, Inc. (Teliix), which the Commission approved on October 6, 2021. The amendment allows Teliix to interconnect VoIP providers to the Public Switched Telephone Network (PSTN), and deliver and receive traffic from AT&T on behalf of those interconnected VoIP providers, in connection with the 2015 VoIP Number Access Order approved by the Federal Communications Commission (FCC) in WC Docket No. 13-97.

Frontier Communications of the Carolinas LLC

Docket No. P-1488, Sub 47 – Amendment filed on October 22, 2021, to an existing interconnection agreement with Level 3 Communications, LLC, originally approved in Docket No. P-19, Sub 399, on April 25, 2001. The amendment implements the changes mandated by the FCC in two orders issued in WC Docket No. 18-141, the UNE Transport Forbearance Order, released on July 12, 2019, and the UNE Loop-Resale Order, released on August 2, 2019 (collectively, the FCC Forbearance Orders).

Docket No. P-1488, Sub 50 – Amendment filed on October 29, 2021, to an existing interconnection agreement with Level 3 Telecom of North Carolina, LP, originally approved in Docket No. P-19, Sub 381, on August 23, 2000, when Level 3 Telecom of North Carolina, LP, operated as Time Warner Telecom of North Carolina, LP. The amendment implements the changes mandated by the FCC Forbearance Orders.

These filings were made in compliance with Commission Rule R17-4(d) and Sections 252(e) and 252(i) of the Telecommunications Act of 1996. The Act provides for the filing of such agreements and amendments with the state commission and approval or rejection by the state commission within 90 days after filing. On June 18, 1996, the Commission issued an Order in Docket No. P-100, Sub 133, allowing interim operation under negotiated agreements filed as public records prior to Commission approval of the

agreements.

The Public Staff has reviewed the filings and recommends Commission approval.

RECOMMENDATION: (Proffitt/Coxton) That orders be issued approving the interconnection agreement amendments effective on the date they were filed. The Public Staff has provided proposed orders to the Commission Staff.

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E. WATER

P1. DOCKET NO. W-218, SUB 526A – AQUA NORTH CAROLINA, INC. – APPLICATION FOR APPROVAL OF WATER AND SEWER SYSTEM IMPROVEMENT RATE ADJUSTMENTS

EXPLANATION: On November 1, 2021, Aqua North Carolina, Inc. (Aqua NC or the Company), filed an application requesting authority to adjust its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective January 1, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39(f) and R10-26(f) (Application).

On December 22, 2021, the Public Staff filed its Notice of Public Staff's Plan to Present Comments and Recommendations at the Commission's January 10, 2022 Regular Staff Conference (Notice).

Aqua NC's WSIC and SSIC percentages were reset to zero as of October 26, 2020, the effective date of Aqua NC's new base rates in its general rate case in Docket No. W-218, Sub 526 (Sub 526 Rate Case). This is Aqua NC's third filing to implement charges under the WSIC and SSIC mechanisms since the conclusion of the Sub 526 Rate Case.

The Commission approved Aqua NC's request to utilize the WSIC and SSIC mechanisms on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC's rates every January 1 and July 1 based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request.

Aqua NC requests authority to impose the following WSIC and SSIC percentages effective for service rendered on and after January 1, 2022:

	<u>Previously Approved WSIC/SSIC Percentage</u>	<u>Net Proposed Change To WSIC/SSIC Percentage</u>	<u>Cumulative WSIC/SSIC Percentage</u>
Aqua NC water	1.70%	1.66%	3.36%
Aqua NC sewer	3.06%	0.20%	3.26%
Fairways/Beau Rivage water	5.00%	0.25%	5.25%
Fairways/Beau Rivage sewer	0.55%	0.12%	0.67%
Brookwood/LaGrange water	0.60%	0.35%	0.95%

The WSIC and SSIC percentages above do not include the Experience Modification Factor (EMF) adjustments from the 2020 annual WSIC and SSIC revenue review, which went into effect on July 1, 2021. The impacts of the 2020 EMF on Aqua NC's requested WSIC and SSIC percentages are as follows:

	<u>WSIC/SSIC Percentage</u>	<u>2020 Experience Modification Factor</u>	<u>Cumulative WSIC/SSIC Percentage</u>
Aqua NC water	3.36%	-0.040%	3.320%
Aqua NC sewer	3.26%	0.005%	3.265%
Fairways/Beau Rivage water	5.25%	0.100%	5.350%
Fairways/Beau Rivage sewer	0.67%	0.040%	0.710%
Brookwood/LaGrange water	0.95%	0.030%	0.980%

The cumulative WSIC and SSIC revenue requirements after Aqua NC's proposed increases/decreases are as follows:

	<u>Previously Approved WSIC/SSIC Revenue Requirement</u>	<u>Net Change to WSIC/SSIC Revenue Requirement</u>	<u>Cumulative WSIC/SSIC Revenue Requirement</u>
Aqua NC water	\$651,586	\$698,562	\$1,350,148
Aqua NC sewer	\$529,673	\$39,067	\$568,740
Fairways/Beau Rivage water	\$66,351	\$0	\$66,351
Fairways/Beau Rivage sewer	\$11,988	\$3,526	\$15,514
Brookwood/LaGrange water	\$38,476	\$22,270	\$60,746

Pursuant to N.C.G.S. § 62-133.12(g), as amended by Session Law 2021-149, as of September 10, 2021, the cumulative WSIC and SSIC percentages are capped at 7.5% of total annual service revenues, instead of the original 5% of total annual service revenues approved by the Commission in the Sub 526 Rate Case. The resulting maximum revenue requirements for water and sewer operations are as follows:

	<u>Sub 526 Annual Service Revenues</u>	<u>Maximum WSIC/SSIC Percentage</u>	<u>Maximum WSIC/SSIC Revenue Requirement</u>
Aqua NC water	\$38,546,489	x 7.5% =	\$2,890,987
Aqua NC sewer	\$16,426,070	x 7.5% =	\$1,231,955
Fairways/Beau Rivage water	\$1,159,708	x 7.5% =	\$86,978
Fairways/Beau Rivage sewer	\$2,152,586	x 7.5% =	\$161,444
Brookwood/LaGrange water	\$6,433,919	x 7.5% =	\$482,544

As shown above, Aqua NC's proposed WSIC and SSIC revenue requirements do not exceed the maximum WSIC and SSIC revenue requirement for water and sewer operations.

Aqua NC's additional WSIC and SSIC revenue requirements are comprised of the calculated WSIC and SSIC revenue requirements for the current review period plus updates to the previously approved WSIC and SSIC revenue requirements that became effective on January 1, 2021, and July 1, 2021. The updates include the anticipated non-WSIC and non-SSIC annual service revenues based on Aqua NC's calendar year 2022 projection.

In its application, Aqua NC proposes the above increases in the WSIC and SSIC in order to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from April 1, 2021, through September 30, 2021:

Main installation	\$ 56,000
Meters and/or appurtenances replacement	3,209,970
Primary drinking standards	331,479
Secondary drinking water standard	2,879,150
Pumping equipment replacement	15,005
Distribution valves replacement	17,309
Total WSIC plant additions	<u><u>\$ 6,508,913</u></u>
Pumping equipment replacement	\$ 181,465
Pumping equipment and wastewater treatment plants replacement	139,265
Total SSIC plant additions	<u><u>\$ 320,730</u></u>

Under N.C.G.S. § 62-133.12(c), eligible water system improvements include "equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards." During the six months ended September 30, 2021, Aqua NC installed seven iron and manganese filter projects in the following subdivisions at a total cost of \$2,879,150:

WSIC Whitetail Farm FeMn Filter, Well #1	\$ 236,325
WSIC Shannon Wds FeMn Filter, Well #4	410,279
WSIC Carlyle Manor FeMn Filter, Well #1 and Well #7	976,817
WSIC Enclave BCB FeMn Filter P75, Well #18	288,084
WSIC High Meadows Fe/Mn Filter, Well #2 and Well #3	303,710
WSIC Royal Senter FeMn Filter, Well #2 and Well #3	383,722
WSIC Royal Senter Rdg #1 FeMn Filter, Well #1	280,213
Total FeMn filter projects	<u><u>\$ 2,879,150</u></u>

The Commission authorized the implementation of these filtration projects in its Order Approving Secondary Water Quality Improvement Projects issued on April 3, 2020, in

Docket No. W-218, Sub 497A and on January 8, 2021, March 16, 2021, and September 7, 2021, in Docket No. W-218, Sub 526A. ¹

In its Order adopting Commission Rules R7-39 and R10-26 issued on June 6, 2014, in Docket No. W-100, Sub 54, the Commission stated that the Public Staff is to review all infrastructure improvement projects proposed for recovery for eligibility and reasonableness prior to making its recommendations to the Commission on WSIC or SSIC rate adjustments. The Commission further stated that any WSIC or SSIC rate adjustments outside of a general rate case will be allowed to become effective, but not unconditionally approved, and may be disallowed in the next general rate case proceeding if found to be unreasonable or imprudent upon review of the Public Staff and the Commission.

The Public Staff has reviewed Aqua NC's WSIC and SSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications, and other accounting records. Based on this review, the Public Staff recommends the following adjustments to Aqua NC's WSIC and SSIC revenue requirements:

(1) Correction to accumulated deferred income tax (ADIT) – The ADIT calculation for Brookwood LaGrange Water was inadvertently understated due to the exclusion of Utility Account 346000 Communication Equipment in the calculation of ADIT. The Public Staff included the costs for Utility Account 346000 in the calculation of ADIT. This adjustment does not change the revenue requirement and percentages required by the Company. The Company agrees with this adjustment.

(2) Reclassification of monthly project charges – For some CWIP projects, the Company recorded charges, including allocation from the parent company, in one month and then reversed the charges in a subsequent month. The Public Staff believes recording charges in one month and reversing them in a subsequent month results in the overstatement of the AFUDC calculation. AFUDC is calculated by multiplying interest rates by the sum of three components: half of the current month's charges, accumulated monthly charges from all prior months, and accumulated AFUDC calculated from all prior months. If certain charges were recorded earlier than they should have been, the current month's project costs would be overstated and, thus, AFUDC would be overstated in that month. In a subsequent month, even though the project costs are reversed, the AFUDC would be calculated again because the reversal of the project costs will only reflect the current half month's costs but the other two components, accumulated monthly charges from all prior months and accumulated AFUDC calculated from all prior months, will be mistakenly included in the basis of AFUDC calculation in that month. Therefore, the total AFUDC from both months would be mistakenly calculated multiple times. To remove this overstatement of AFUDC, the Public Staff adjusted the CWIP project monthly charges by removing costs from the

¹ The WSIC Blue Water Cove OCCT project was authorized by the Commission for implementation of a filtration project to address secondary water quality; however, in addition to the system removing iron, the system also adjusts pH to maintain primary water quality compliance for lead.

month in which they were recorded and adding them back in the month in which they were reversed by the Company. The total project charges will be reduced after the correction of the AFUDC calculation.

(3) Imputation of 2% invoice discount for well meter purchasing – Based on its review of invoices for project FP35800018686 WSIC Well Meter Replace – Central, the Public Staff determined that Aqua NC did not pay invoices in a timely manner, which would have qualified the Company to receive a 2% discount on well meter costs from the supplier. The Public Staff does not believe customers should pay for the non-discounted cost of this project due to the Company’s failure to make payments in a timely manner. Accordingly, the Public Staff imputed the 2% discount on the well meter costs, resulting in a reduction of \$5,146.

(4) Removal of WSIC Cold Springs Water Main Extension – In its corrected Appendix B, Schedule ANCW-5, which it provided in response to a data request by the Public Staff, Aqua NC described this project as a “Main extension installed to serve properties included in the franchised service territory where it had not been installed by the developer. G.S.62-133.12(c)(2) Eligible Water System Improvements.” N.C.G.S. § 62-133.12.(c)(2) states, “Main extensions installed to eliminate dead ends and to implement solutions to regional water supply in order to comply with primary and, upon specific Commission approval, secondary drinking water standards.” The Public Staff believes that this is a new line to serve new customers and does not meet the statutory definition of eligible water system improvement. Accordingly, the Public Staff removed the project cost in the amount of \$56,000. The Company does not oppose this adjustment.

In its Notice, the Public Staff recommended an adjustment to update monthly interest rates used to calculate AFUDC based on documentation provided by the Company. Subsequent to the filing of its Notice, the Public Staff determined it was appropriate to continue to investigate the issue of AFUDC interest rates and to withdraw its recommendation for the purposes of Aqua NC’s November 1, 2021 application.

The impact of the adjustments discussed in items (1) through (4) above decreases the overall revenue requirement for Aqua NC water operations and Brookwood/LaGrange water operations. The overall revenue requirement for Aqua Water operations is decreased to \$691,268. The overall revenue requirement for Brookwood/LaGrange water operations is decreased to \$22,266. The proposed WSIC percentage for Aqua Water operations dropped from 3.32% to 3.31% after consideration of EMF impact, but the proposed WSIC percentage for Brookwood/LaGrange water operations did not change based on the projected 2022 non-SSIC and non-WSIC revenues.

The Public Staff continues to be concerned about the prudence and reasonableness of the installation costs for Aqua NC’s Meter Exchange Projects, which increased approximately 40% since Aqua NC’s rate case in Docket No. W-218, Sub 497 (Sub 497 Rate Case). Given the extensive record regarding this matter in Aqua NC’s Sub 497 Rate Case, the complexity of the issue, and the absence of the Meter Exchange Project

from Aqua NC's previous three-year plans, the Commission has concluded that the proper proceeding in which to address the Public Staff's concerns regarding the costs of Aqua NC's Meter Exchange Projects, after further investigation, is Aqua NC's next general rate case. ²

Based on the adjustments described above, the Public Staff recommends the following adjustments to the WSIC and SSIC revenue requirements and percentages proposed by Aqua NC:

	WSIC/SSIC Percentage Per Aqua NC	WSIC/SSIC Revenue Requirement Per Public Staff	Impact of Public Staff Adjustments	WSIC/SSIC Percentage Per Public Staff
Aqua NC water	3.32%	\$1,342,853	-0.01%	3.31%
Aqua NC sewer	3.27%	\$568,741	0.00%	3.27%
Fairways/Beau Rivage water	5.35%	\$66,351	0.00%	5.35%
Fairways/Beau Rivage sewer	0.71%	\$15,514	0.00%	0.71%
Brookwood/LaGrange water	0.98%	\$60,740	0.00%	0.98%

The Public Staff recommends that Aqua NC be allowed to implement the Public Staff's proposed WSIC and SSIC percentages effective for service rendered on or after January 1, 2022, subject to true-up. The Public Staff will continue to review the justness, prudence, and reasonableness of these improvements during its review of Aqua NC's future WSIC and SSIC filings and in Aqua NC's next general rate case.

EXHIBIT: A proposed order is attached as [Exhibit No. P-1](#).

RECOMMENDATION: (Feasel/Junis/Jost) That the Commission issue the proposed order approving the Public Staff's proposed water and sewer system improvement charges effective for service rendered on or after January 1, 2022, subject to true-up, and requiring customer notice.

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² Order Approving Water and Sewer System Improvement Charges on a Provisional Basis and Requiring Customer Notice, Docket No. W-218, Sub 526A, at 13 (November 1, 2021).

P2. DOCKET NO. W-354, SUB 366 – CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA – NOTIFICATION OF INTENTION TO BEGIN WASTEWATER UTILITY OPERATIONS IN CONTIGUOUS SERVICE AREA

EXPLANATION: On September 23, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide wastewater utility service in the 14732 Lancaster Highway development, in Mecklenburg County, North Carolina. 14732 Lancaster Highway is contiguous to CWSNC's Bridle Stone subdivision service area. CWSNC proposes to charge the rates currently approved for that service area.

CWSNC presently serves one commercial wastewater customer in 14732 Lancaster Highway. CWSNC expects to eventually serve two commercial wastewater customers in 14732 Lancaster Highway. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Water Quality Permitting Section, has issued permit number WQ0038291, dated February 23, 2016, for the construction and operation of the gravity wastewater collection system for a total of 26 apartments and office/mixed space as part of the Lancaster Highway Mixed-Use project, and authorizes the discharge of 36,960 gallons per day of collected domestic wastewater into CWSNC's existing sewerage system.

CWSNC has entered into an Agreement for Sewer Service dated September 19, 2019, with LH Developer, LLC (Developer), under which the Developer shall construct and install the wastewater utility system at no cost to CWSNC. The Developer agrees to convey the wastewater systems to CWSNC and pay to CWSNC its approved uniform wastewater connection fee/tap fee.

CWSNC presently holds water franchises serving approximately 30,856 customers and wastewater franchises serving approximately 19,788 customers in North Carolina. CWSNC's record of service is satisfactory.

CWSNC has requested a waiver of filing the five-year projected income and cash flow statements, because only two customers are being added, which CWSNC contends will not have a significant impact on CWSNC's revenues and expenses. The Public Staff does not agree that the customers will not have a significant impact on CWSNC's revenues and expenses. The Public Staff, however, supports CWSNC's waiver request because these customers were incorporated into CWSNC's most recent rate case, in Docket No. W-354, Sub 384.

CWSNC has filed all exhibits required with the Notification, except for the five-year projected income and cash flow statements.

Based on the foregoing, the Public Staff is of the opinion that CWSNC has the technical, managerial, and financial capacity to provide wastewater utility service in this

contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension of 14732 Lancaster Highway. CWSNC currently has \$4,020,000 of bonds posted with the Commission. Of this amount, \$3,780,000 of bond surety is assigned to specific subdivisions, and \$240,000 of bond surety is unassigned.

EXHIBIT: A proposed order is attached as [Exhibit No. P-2](#).

RECOMMENDATION: (Darden/Allison/Holt) That the Commission issue the proposed order recognizing the contiguous extension and approving rates.

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P3. DOCKET NO. W-354, SUB 367 – CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA – NOTIFICATION OF INTENTION TO BEGIN WASTEWATER UTILITY OPERATIONS IN CONTIGUOUS SERVICE AREA

EXPLANATION: On November 12, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide wastewater utility service in the Lancaster Townhomes development, in Mecklenburg County, North Carolina. Lancaster Townhomes is contiguous to CWSNC's Bridle Stone subdivision service area. CWSNC proposes to amend its tariff to include an 8-inch commercial meter and charge the rates currently approved for that service area.

CWSNC presently serves one commercial wastewater customer in Lancaster Townhomes. CWSNC is approved to serve one commercial wastewater customer in Lancaster Townhomes. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Water Quality Permitting Section, has issued permit number WQ0041354, dated January 7, 2020, for the construction and operation of the gravity wastewater collection system for the Lancaster Townhomes project, and authorizes the discharge of 32,755 gallons per day of collected domestic wastewater into CWSNC's existing sewerage system.

CWSNC has entered into an Agreement for Sewer Service dated November 1, 2019, with NR Lancaster Property Owner LP (Developer), under which the Developer shall construct and install the wastewater utility system at no cost to CWSNC. The Developer agrees to convey the wastewater system to CWSNC and pay to CWSNC its approved uniform wastewater connection fee/tap fee.

CWSNC presently holds water franchises serving approximately 30,856 customers and wastewater franchises serving approximately 19,788 customers in North Carolina. CWSNC's record of service is satisfactory.

CWSNC has requested a waiver of filing the five-year projected income and cash flow statements, because only one customer is being added, which CWSNC contends will not have a significant impact on CWSNC's revenues and expenses. The Public Staff does not agree that the customer will not have a significant impact on CWSNC's revenues and expenses. The Public Staff, however, supports CWSNC's waiver request because this customer was incorporated into CWSNC's most recent rate case, in Docket No. W-354, Sub 384.

CWSNC has filed all exhibits required with the Notification except for the five-year projected income and cash flow statements.

Based on the foregoing, the Public Staff is of the opinion that CWSNC has the technical, managerial, and financial capacity to provide wastewater utility service in this

contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension of Lancaster Townhomes. CWSNC currently has \$4,020,000 of bonds posted with the Commission. Of this amount, \$3,780,000 of bond surety is assigned to specific subdivisions, and \$240,000 of bond surety is unassigned.

EXHIBIT: A proposed order is attached as [Exhibit No. P-3](#).

RECOMMENDATION: (Darden/Allison/Holt) That the Commission issue the proposed order recognizing the contiguous extension and approving rates.

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P4. DOCKET NO. W-354, SUB 376 – CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA – NOTIFICATION OF INTENTION TO BEGIN WATER UTILITY OPERATIONS IN CONTIGUOUS SERVICE AREA

EXPLANATION: On November 12, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in the Saylor's Watch subdivision, in Iredell County, North Carolina. Saylor's Watch is contiguous to CWSNC's Harbour Point subdivision service area. CWSNC proposes to charge the rates currently approved for that service area.

CWSNC presently serves one residential water customer in Saylor's Watch. CWSNC expects to eventually serve 11 residential water customers in Saylor's Watch. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Saylor's Watch, part of Water System No. NC0149185. The plans are approved under serial number 20-00611, dated September 22, 2020.

CWSNC has entered into an Agreement for Water Service, dated June 16, 2020, with South Creek Construction, Inc. (Developer), under which the Developer shall construct and install the water distribution facility within the property at no cost to CWSNC and convey the water system to CWSNC.

CWSNC presently holds water franchises serving approximately 30,856 customers and wastewater franchises serving approximately 19,788 customers in North Carolina. CWSNC's record of service is satisfactory.

CWSNC has filed all exhibits required with the Notification except for the five-year projected income and cash flow statements. CWSNC has requested a waiver of filing the five-year projected income and cash flow statements, because only 11 residential water customers are being added, which CWSNC contends will not have a significant impact on CWSNC's revenues and expenses. The Public Staff agrees that the addition of 11 customers will not have a significant impact on CWSNC's revenues under its current rates and therefore does not object to CWSNC's request.

Based on the foregoing, the Public Staff is of the opinion that CWSNC has the technical, managerial, and financial capacity to provide water utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension of Saylor's Watch. CWSNC currently has \$4,020,000 of bonds posted with the Commission. Of this amount, \$3,780,000 of bond surety is assigned to specific subdivisions, and \$240,000 of bond surety is unassigned.

EXHIBIT: A proposed order is attached as [Exhibit No. P-4](#).

RECOMMENDATION: (Darden/Allison/Holt) That the Commission issue the proposed order recognizing the contiguous extension and approving rates.

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,) ORDER APPROVING WATER AND
202 MacKenan Court, Cary, North) SEWER SYSTEM IMPROVEMENT
Carolina 27511, for Approval of Semi-) CHARGES ON A PROVISIONAL
Annual Adjustments to Water and) BASIS AND REQUIRING CUSTOMER
Sewer System Improvement Charges) NOTICE
pursuant to N.C. Gen. Stat. § 62-133.12)

BY THE COMMISSION: On November 1, 2021, Aqua North Carolina, Inc. (Aqua NC or the Company), filed an application requesting authority to adjust its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective January 1, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39(f) and R10-26(f) (Application).

On December 22, 2021, the Public Staff filed its Notice of Public Staff's Plan to Present Comments and Recommendations at the Commission's January 10, 2022, Regular Staff Conference (Notice).

On January 18, 2022, the Public Staff presented this matter to the Commission at its Regular Staff Conference.

On the basis of the Application, the records of the Commission, and the comments and recommendations of the Public Staff, the Commission makes the following

FINDINGS OF FACT

1. Aqua NC is a corporation duly organized under the laws of and is authorized to do business in the State of North Carolina. Aqua NC is a franchised public utility providing water and sewer utility service to customers in North Carolina.
2. Aqua NC's WSIC and SSIC percentages were reset to zero as of October 26, 2020, the effective date of Aqua NC's new base rates in its general rate case in Docket No. W-218, Sub 526 (Sub 526 Rate Case). This is Aqua NC's third filing to implement charges under the WSIC and SSIC mechanisms since the Sub 526 Rate Case.

3. The Commission approved Aqua NC's request to utilize the WSIC and SSIC mechanisms on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC's rates every January 1 and July 1 based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request.

4. Aqua NC requested authority to impose the following WSIC and SSIC percentages effective for service rendered on and after January 1, 2022:

	Previously Approved WSIC/SSIC Percentage	Net Proposed Change To WSIC/SSIC Percentage	Cumulative WSIC/SSIC Percentage
Aqua NC water	1.70%	1.66%	3.36%
Aqua NC sewer	3.06%	0.20%	3.26%
Fairways/Beau Rivage water	5.00%	0.25%	5.25%
Fairways/Beau Rivage sewer	0.55%	0.12%	0.67%
Brookwood/LaGrange water	0.60%	0.35%	0.95%

5. The WSIC and SSIC percentages above do not include the Experience Modification Factor (EMF) adjustments from the 2020 annual WSIC and SSIC revenue review which went into effect on July 1, 2021. The impacts of the 2020 EMF on Aqua NC's requested WSIC and SSIC percentages are as follows:

	WSIC/SSIC Percentage	2020 Experience Modification Factor	Cumulative WSIC/SSIC Percentage
Aqua NC water	3.36%	-0.040%	3.320%
Aqua NC sewer	3.26%	0.005%	3.265%
Fairways/Beau Rivage water	5.25%	0.100%	5.350%
Fairways/Beau Rivage sewer	0.67%	0.040%	0.710%
Brookwood/LaGrange water	0.95%	0.030%	0.980%

6. The cumulative WSIC and SSIC revenue requirements after Aqua NC's proposed increases/decreases are as follows:

	Previously Approved WSIC/SSIC Revenue Requirement	Net Change to WSIC/SSIC Revenue Requirement	Cumulative WSIC/SSIC Revenue Requirement
Aqua NC water	\$651,586	\$698,562	\$1,350,148
Aqua NC sewer	\$529,673	\$39,067	\$568,740
Fairways/Beau Rivage water	\$66,351	\$0	\$66,351
Fairways/Beau Rivage sewer	\$11,988	\$3,526	\$15,514
Brookwood/LaGrange water	\$38,476	\$22,270	\$60,746

7. Pursuant to N.C.G.S. § 62-133.12(g), as amended by Session Law 2021-149, as of September 10, 2021, the cumulative WSIC and SSIC percentages are capped at 7.5% of total annual service revenues, instead of the original 5% of total annual service revenues approved by the Commission in the Sub 526 Rate Case. The resulting maximum revenue requirements for water and sewer operations are as follows:

	Sub 526 Annual Service Revenues	Maximum WSIC/SSIC Percentage	Maximum WSIC/SSIC Revenue Requirement
Aqua NC water	\$38,546,489	x 7.5% =	\$2,890,987
Aqua NC sewer	\$16,426,070	x 7.5% =	\$1,231,955
Fairways/Beau Rivage water	\$1,159,708	x 7.5% =	\$86,978
Fairways/Beau Rivage sewer	\$2,152,586	x 7.5% =	\$161,444
Brookwood/LaGrange water	\$6,433,919	x 7.5% =	\$482,544

As shown above, Aqua NC's proposed WSIC and SSIC revenue requirements do not exceed the maximum WSIC and SSIC revenue requirement for water and sewer operations.

8. Aqua NC's additional WSIC and SSIC revenue requirements are comprised of the calculated WSIC and SSIC revenue requirements for the current review period plus updates to the previously approved WSIC and SSIC revenue requirements that became effective on January 1, 2021, and July 1, 2021. The updates include the anticipated non-WSIC and non-SSIC annual service revenues based on Aqua NC's calendar year 2022 projection.

9. In its application, Aqua NC proposes the above increases in the WSIC and SSIC in order to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from April 1, 2021, through September 30, 2021:

Main installation	\$ 56,000
Meters and/or appurtenances replacement	3,209,970
Primary drinking standards	331,479
Secondary drinking water standard	2,879,150
Pumping equipment replacement	15,005
Distribution valves replacement	17,309
Total WSIC plant additions	<u>\$ 6,508,913</u>
Pumping equipment replacement	\$ 181,465
Pumping equipment and wastewater treatment plants replacement	139,265
Total SSIC plant additions	<u>\$ 320,730</u>

10. Under N.C.G.S. § 62-133.12(c), eligible water system improvements include “equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards.” During the six months ended September 30, 2021, Aqua NC installed seven iron and manganese filter projects in the following subdivisions at a total cost of \$2,879,150:

WSIC Whitetail Farm FeMn Filter, Well #1	\$ 236,325
WSIC Shannon Wds FeMn Filter, Well #4	410,279
WSIC Carlyle Manor FeMn Filter, Well #1 and Well #7	976,817
WSIC Enclave BCB FeMn Filter P75, Well #18	288,084
WSIC High Meadows Fe/Mn Filter, Well #2 and Well #3	303,710
WSIC Royal Senter FeMn Filter, Well #2 and Well #3	383,722
WSIC Royal Senter Rdg #1 FeMn Filter, Well #1	280,213
Total FeMn filter projects	<u>\$ 2,879,150</u>

The Commission authorized the implementation of these filtration projects in its Orders Approving Secondary Water Quality Improvement Projects issued April 3, 2020, in Docket No. W-218, Sub 497A, and on January 8, 2021, March 16, 2021, and September 7, 2021, in Docket No. W-218, Sub 526A.³

³ The WSIC Blue Water Cove OCCT project was authorized by the Commission for implementation of a filtration project to address secondary water quality; however, in addition to the system removing iron, the system also adjusts pH to maintain primary water quality compliance for lead.

11. In its Order adopting Commission Rules R7-39 and R10-26 issued on June 6, 2014, in Docket No. W-100, Sub 54, the Commission stated that the Public Staff is to review all infrastructure improvements proposed for recovery for eligibility and reasonableness prior to making its recommendations to the Commission on WSIC or SSIC rate adjustments. The Commission further stated that any WSIC or SSIC rate adjustments outside of a general rate case will be allowed to become effective, but not unconditionally approved, and may be disallowed in the next general rate case proceeding if found to be unreasonable or imprudent upon review of the Public Staff and the Commission.

12. The Public Staff reviewed Aqua NC's WSIC and SSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications, and other accounting records. Based on this review, the Public Staff recommended the following adjustments to Aqua NC's WSIC and SSIC revenue requirements:

(1) Correction to accumulated deferred income tax (ADIT) – The ADIT calculation for Brookwood LaGrange Water was inadvertently understated due to the exclusion of Utility Account 346000 Communication Equipment in the calculation of ADIT. The Public Staff included the costs for Utility Account 346000 in the calculation of ADIT. This adjustment does not change the revenue requirement and percentages required by the Company. The Company agrees with this adjustment.

(2) Reclassification of monthly project charges – For some CWIP projects, the Company recorded charges, including allocation from the parent company, in one month and then reversed the charges in a subsequent month. The Public Staff believes recording charges in one month and reversing them in a subsequent month results in the overstatement of the AFUDC calculation. AFUDC is calculated by multiplying interest rates by the sum of three components: half of the current month's charges, accumulated monthly charges from all prior months, and accumulated AFUDC calculated from all prior months. If certain charges were recorded earlier than they should have been, the current month's project costs would be overstated and, thus, AFUDC would be overstated in that month. In a subsequent month, even though the project costs are reversed, the AFUDC would be calculated again because the reversal of the project costs will only reflect the current half month's costs, but the other two components, accumulated monthly charges from all prior months and accumulated AFUDC calculated from all prior months, will be mistakenly included in the basis of AFUDC calculation in that month. Therefore, the total AFUDC from both months would be mistakenly calculated multiple times. To remove this overstatement of AFUDC, the Public Staff adjusted the CWIP project monthly charges by removing costs from the month in which they were recorded and adding them back in the month in which

they were reversed by the Company.

The total project charges will be reduced after the correction of the AFUDC calculation.

(3) Imputation of 2% invoice discount for well meter purchasing – Based on its review of invoices for project FP35800018686 WSIC Well Meter Replace – Central, the Public Staff determined that Aqua NC did not pay invoices in a timely manner, which would have qualified the Company to receive a 2% discount on well meter costs from the supplier. The Public Staff does not believe customers should pay for the non-discounted cost of this project due to the Company's failure to make payments in a timely manner. Accordingly, the Public Staff imputed the 2% discount on the well meter costs, resulting in a reduction of \$5,146.

(4) Removal of WSIC Cold Springs Water Main Extension – In its corrected Appendix B, Schedule ANCW-5, which it provided in response to a data request by the Public Staff, Aqua NC described this project as a "Main extension installed to serve properties included in the franchised service territory where it had not been installed by the developer. G.S.62-133.12(c)(2) Eligible Water System Improvements." N.C.G.S. § 62-133.12.(c)(2) states, "Main extensions installed to eliminate dead ends and to implement solutions to regional water supply in order to comply with primary and, upon specific Commission approval, secondary drinking water standards." The Public Staff believes that this is a new line to serve new customers and does not meet the statutory definition of eligible water system improvement. Accordingly, the Public Staff removed the project cost in the amount of \$56,000. The Company does not oppose this adjustment.

In its Notice, the Public Staff recommended an adjustment to update monthly interest rates used to calculate AFUDC based on documentation provided by the Company. Subsequent to the filing of its Notice, the Public Staff determined it was appropriate to continue to investigate the issue of AFUDC interest rates and to withdraw its recommendation for the purposes of Aqua NC's November 1, 2021, application.

13. The impact of the adjustments discussed in items (1) through (4) above decreases the overall revenue requirement for Aqua NC water operations and Brookwood/LaGrange water operations. The overall revenue requirement for Aqua Water operations is decreased to \$691,268. The overall revenue requirement for Brookwood/LaGrange water operations is decreased to \$22,266. The proposed WSIC percentage for Aqua Water operations dropped from 3.32% to 3.31% after consideration of EMF impact, but the proposed WSIC percentage for Brookwood/LaGrange water operations did not change based on the projected 2022 non-SSIC and non-WSIC revenues.

14. The Public Staff continues to be concerned about the prudence and reasonableness of installation costs for Aqua NC’s Meter Exchange Projects, which the Public Staff stated have increased approximately 40% since Aqua NC’s rate case in Docket No. W-218, Sub 497 (Sub 497 Rate Case). Given the extensive record regarding this matter in Aqua NC’s Sub 497 Rate Case, the complexity of the issue, and the absence of the Meter Exchange Project from Aqua NC’s previous three-year plans, the Commission has concluded that the proper proceeding in which to address the Public Staff’s concerns regarding the costs of Aqua NC’s Meter Exchange Projects, after further investigation, is Aqua NC’s next general rate case.⁴

15. Based on the adjustments described above, the Public Staff recommended the following adjustments to the WSIC and SSIC revenue requirements and percentages proposed by Aqua NC:

	WSIC/SSIC Percentage Per Aqua NC	WSIC/SSIC Revenue Requirement Per Public Staff	Impact of Public Staff Adjustments	WSIC/SSIC Percentage Per Public Staff
Aqua NC water	3.32%	\$1,342,853	-0.01%	3.31%
Aqua NC sewer	3.27%	\$568,741	0.00%	3.27%
Fairways/Beau Rivage water	5.35%	\$66,351	0.00%	5.35%
Fairways/Beau Rivage sewer	0.71%	\$15,514	0.00%	0.71%
Brookwood/LaGrange water	0.98%	\$60,740	0.00%	0.98%

16. Based on its investigation to date, the Public Staff recommended that Aqua NC be allowed to implement the Public Staff’s proposed WSIC and SSIC percentages effective for service rendered on or after January 1, 2022, subject to true-up. The Public Staff will continue to review the justness, prudence, and reasonableness of these improvements during its review of Aqua NC’s future WSIC and SSIC filings and in Aqua NC’s next general rate case.

CONCLUSIONS

Based upon the foregoing, the Commission concludes that Aqua NC should be allowed to implement the increases in the WSIC and SSIC percentages recommended by the Public Staff effective for service rendered on and after January 1, 2022. These WSIC or SSIC rate adjustments, while allowed to become effective, are not unconditionally approved and will be subject to further examination for justness and

⁴ Order Approving Water and Sewer System Improvement Charges on a Provisional Basis and Requiring Customer Notice, Docket No. W-218, Sub 526A, at 13 (November 1, 2021).

reasonableness in the WSIC and SSIC annual review and reconciliation and in Aqua NC's next general rate case.

Finally, with respect to the Public Staff's concern regarding the prudence and reasonableness of installation costs for Aqua NC's Meter Exchange Projects, which the Public Staff states have increased approximately 40% since Aqua NC's Sub 497 Rate Case, the Commission concludes that given the extensive record regarding this matter in Aqua NC's Sub 497 Rate Case, the complexity of the issue, and the absence of the Meter Exchange Project from Aqua NC's previous three-year plans, the proper proceeding in which to address the Public Staff's concerns, after further investigation, is Aqua NC's next general rate case.

IT IS, THEREFORE, ORDERED as follows:

1. That Aqua NC is authorized to implement the recommended Water and Sewer System Improvement Charges set forth in the attached Appendix A-4 to Aqua NC's Schedule of Rates effective for service rendered on and after January 1, 2022, subject to true-up. The rates contained therein are provisional and subject to review in the WSIC and SSIC annual review and reconciliation and in Aqua NC's next general rate case;
2. That the attached Appendix A-4 is approved and is deemed filed with the Commission pursuant to N.C.G.S. § 62-138; and
3. That Aqua NC shall mail to each of its customers with the next regularly scheduled customer billing the Commission-approved customer notice, and Aqua NC shall file the attached Certificate of Service, properly signed and notarized, not later than 45 days after the issuance of this Order.⁵

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

⁵ Three separate customer notices are attached hereto as Attachments A, B, and C, respectively. The separate customer notices are intended to minimize customer confusion. Aqua NC shall mail the appropriate customer notice to each of its customers with the next regular customer billing.

**AQUA NORTH CAROLINA, INC.
WATER AND SEWER SYSTEM IMPROVEMENT CHARGES**

WATER SYSTEM IMPROVEMENT CHARGE

All Aqua NC water systems except as noted below	3.31% ^{1/} ^{2/}
Water systems in Brookwood and LaGrange service areas	0.98% ^{1/} ^{2/}
Water systems in Fairways and Beau Rivage service areas	5.35% ^{1/} ^{2/}

SEWER SYSTEM IMPROVEMENT CHARGE

All Aqua NC sewer systems except as noted below	3.27% ^{3/} ^{4/}
Sewer systems in Fairways and Beau Rivage service areas	0.71% ^{3/} ^{4/}

^{1/} The Water System Improvement Charge will be applied to the total water utility bill of each customer under the Company's applicable rates and charges.

^{2/} The Water System Improvement Charge includes the Experience Modification Factor that went in effect on July 1, 2021, and will cease on June 30, 2022.

^{3/} The Sewer System Improvement Charge will be applied to the total sewer utility bill of each customer under the Company's applicable rates and charges.

^{4/} The Sewer System Improvement Charge includes the Experience Modification Factor that went in effect on July 1, 2021, and will cease on June 30, 2022.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,)
202 MacKenan Court, Cary, North)
Carolina 27511, for Approval of Semi-)
Annual Adjustments to Water and Sewer)
System Improvement Charges pursuant)
to N.C. Gen. Stat. § 62-133.12)

NOTICE TO CUSTOMERS IN
BROOKWOOD / LAGRANGE
SERVICE AREAS

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated January __, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua NC), to adjust its Water System Improvement Charge (WSIC) effective for service rendered on and after January 1, 2022, in Aqua NC’s Brookwood/LaGrange service areas in Cumberland and Hoke Counties in North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua NC’s request, pursuant to N.C.G.S. § 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in Aqua NC’s last general rate case. WSIC and SSIC charges for Aqua NC were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC’s rates every January 1 and July 1.

The Public Staff – North Carolina Utilities Commission (Public Staff) has carefully reviewed Aqua NC’s stated WSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications, and other accounting records. On December 22, 2021, the Public Staff filed its Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 18, 2022, Regular Staff Conference (Notice).

Based on the application filed by Aqua NC and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC charge for the Brookwood and LaGrange service areas, effective for service rendered on and after January 1, 2022:

	<u>Aqua NC Proposed Percentage</u>	<u>Public Staff Recommended Percentage</u>	<u>Commission Approved Percentage</u>
WSIC	0.98%	0.98%	0.98%

The WSIC percentage of 0.98% will be applied to the water utility bill of each customer under Aqua NC’s applicable service rates and charges.

The 0.98% WSIC percentage will result in an increase of \$0.38 to the monthly average residential bill for a customer using the average of 5,069 gallons per month.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order issued May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12 issued June 6, 2014, in Docket No. W-100, Sub 54, Aqua NC’s WSIC/SSIC application filed on November 1, 2021, the Public Staff’s Notice filed December 22, 2021, and the Commission’s Order issued January __, 2022, in Docket No. W-218, Sub 526A, all of which can be accessed from the Commission’s website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 526A).

Parties interested in receiving notice of these filings may subscribe to the Commission's electronic notification system through the Commission's website at www.ncuc.net.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,)
202 MacKenan Court, Cary, North)
Carolina 27511, for Approval of Semi-)
Annual Adjustments to Water and Sewer)
System Improvement Charges pursuant)
to N.C. Gen. Stat. § 62-133.12)
NOTICE TO CUSTOMERS IN
FAIRWAYS AND BEAU RIVAGE
SERVICE AREAS

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated January __, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua NC), to adjust its Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) effective for service rendered on and after January 1, 2022, in Aqua NC’s Fairways and Beau Rivage service areas in New Hanover County, North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua NC’s request, pursuant to N.C.G.S. § 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in Aqua NC’s last general rate case. WSIC and SSIC charges for Aqua NC were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC’s rates every January 1 and July 1.

The Public Staff – North Carolina Utilities Commission (Public Staff) has reviewed Aqua NC’s WSIC and SSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. On December 22, 2021, the Public Staff filed its Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 18, 2022, Regular Staff Conference (Notice).

Based on the application filed by Aqua NC and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC and SSIC charges for Aqua NC’s Fairways and Beau Rivage service areas, effective for service rendered on and after January 1, 2022:

	<u>Aqua NC Proposed Percentage</u>	<u>Public Staff Recommended Percentage</u>	<u>Commission Approved Percentage</u>
WSIC	5.35%	5.35%	5.35%
SSIC	0.71%	0.71%	0.71%

The WSIC percentage of 5.35% will be applied to the water utility bill of each customer, and the SSIC percentage of 0.71% will be applied to the sewer utility bill of each customer, under Aqua NC’s applicable service rates and charges.

The approved 5.35% WSIC percentage will result in an increase of \$1.05 to the monthly average residential bill for a customer using the average of 7,151 gallons per month. The 5.35% WSIC percentage will also apply to the monthly bills for customers on water systems for which Aqua NC purchases bulk water.

The 0.71% SSIC percentage will result in a \$0.38 increase to the monthly residential customer flat rate sewer bill.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order issued May 2, 2014, in Docket No. W-218, Sub 363, the Commission's Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12 issued June 6, 2014, in Docket No. W-100, Sub 54, Aqua NC's WSIC/SSIC application filed on November 1, 2021, the Public Staff's Notice filed December 22, 2021, and the Commission's Order issued January ____, 2022, in Docket No. W-218, Sub 526A, all of which can be accessed from the Commission's website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 526A).

Parties interested in receiving notice of these filings may subscribe to the Commission's electronic notification system through the Commission's website at www.ncuc.net.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Aqua North Carolina, Inc.,)
202 MacKenan Court, Cary, North	) NOTICE TO CUSTOMERS
Carolina 27511, for Approval of Semi-	) IN AQUA NORTH CAROLINA
Annual Adjustments to Water and Sewer	) UNIFORM RATES SERVICE AREAS
System Improvement Charges pursuant)
to N.C. Gen. Stat. § 62-133.12)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated January __, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua NC), to adjust its Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) effective for service rendered on and after January 1, 2022, in its service areas in North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua NC’s request, pursuant to N.C.G.S. § 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in Aqua NC’s last general rate case. WSIC and SSIC for Aqua NC were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC’s rates every January 1 and July 1.

The Public Staff – North Carolina Utilities Commission (Public Staff) has carefully reviewed Aqua NC’s stated WSIC and SSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. On December 22, 2021, the Public Staff filed its Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 18, 2022, Regular Staff Conference (Notice).

Based on the application filed by Aqua NC and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC and SSIC charges for Aqua NC’s uniform service areas, effective for service rendered on and after January 1, 2022:

	<u>Aqua NC Proposed Percentage</u>	<u>Public Staff Recommended Percentage</u>	<u>Commission Approved Percentage</u>
WSIC	3.32%	3.31%	3.31%
SSIC	3.27%	3.27%	3.27%

The WSIC percentage of 3.31% will be applied to the water utility bill of each customer, and the SSIC percentage of 3.27% will be applied to the sewer utility bill of each customer, under Aqua NC’s applicable service rates and charges.

The approved 3.31% WSIC percentage will result in a \$1.71 increase to the monthly average residential bill for a customer using the average of 4,871 gallons per month. The 3.31% WSIC percentage will also apply to the monthly bills for customers on water systems for which Aqua NC purchases bulk water.

The approved 3.27% SSIC percentage will result in a \$2.46 increase to the monthly residential flat rate sewer bill. The 3.27% SSIC percentage will also apply to the monthly metered bills for customers on sewer systems for which Aqua NC purchases bulk sewer treatment.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order issued May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12 issued June 6, 2014, in Docket No. W-100, Sub 54, Aqua NC’s WSIC/SSIC application filed November 1, 2021, the Public Staff’s Notice filed December 22, 2021, and the Commission Order issued January ____, 2022, in Docket No. W-218, Sub 526A, all of which can be accessed from the Commission’s website at www.ncuc.net, under Docket Portal, using the Docket

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ATTACHMENT C
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Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 526A).

Parties interested in receiving notice of these filings may subscribe to the Commission's electronic notification system through the Commission's website at www.ncuc.net.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

[Back to Agenda](#)

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 366

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Notification by Carolina Water Service, Inc. of)	
North Carolina, 4944 Parkway Plaza Boulevard,	)	ORDER RECOGNIZING
Suite 375, Charlotte, North Carolina 28217, of	)	CONTIGUOUS
Intention to Begin Operations in Contiguous	)	EXTENSION AND
Service Area to Provide Wastewater Utility Service	)	APPROVING RATES
in the 14732 Lancaster Highway Development in)	
Mecklenburg County, North Carolina, and for)	
Approval of Rates)	

BY THE COMMISSION: On September 23, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide wastewater utility service in the 14732 Lancaster Highway development, in Mecklenburg County, North Carolina. 14732 Lancaster Highway is contiguous to CWSNC’s Bridle Stone subdivision service area. CWSNC proposes to charge the rates currently approved for that service area.

The Public Staff presented this matter at the Commission’s Staff Conference on January 18, 2022. The Public Staff recommended that the Commission issue an order recognizing the contiguous extension and approving the requested rates.

Based upon the verified Notification, and the entire record in this matter, the Commission makes the following

FINDINGS OF FACT

1. CWSNC presently holds water franchises serving approximately 30,856 customers and wastewater franchises serving approximately 19,788 customers in North Carolina. CWSNC’s record of service is satisfactory.
2. CWSNC presently serves one commercial wastewater customer in 14732 Lancaster Highway. CWSNC expects to eventually serve two commercial wastewater customers in 14732 Lancaster Highway. The service area is shown on plans filed with the Notification.

3. The North Carolina Department of Environmental Quality, Division of Water Resources, Water Quality Permitting Section, has issued permit number WQ0038291, dated February 23, 2016, for the construction and operation of the gravity wastewater collection system for a total of 26 apartments and office/mixed space as part of the Lancaster Highway Mixed-Use project, and authorizes the discharge of 36,960 gallons per day of collected domestic wastewater into CWSNC's existing sewerage system.

4. CWSNC has entered into an Agreement for Sewer Service dated September 19, 2019, with LH Developer, LLC (Developer), under which the Developer shall construct and install the wastewater utility system at no cost to CWSNC. The Developer agrees to convey the wastewater systems to CWSNC and pay to CWSNC its approved uniform wastewater connection fee/tap fee.

5. Pursuant to the Commission's August 26, 2019 Order in Docket No. W-100, Sub 57, a utility is required to collect income tax on contributions in aid of construction (CIAC) from a contributor when contributions were contracted for on or after October 5, 2018. Notwithstanding the Commission's August 26, 2019 Order, in accordance with N.C. Gen. Stat. § 62-133.12B, beginning July 2, 2021, a "water or wastewater public utility is solely responsible for funding the income taxes on taxable CIAC and customer advances for construction and shall record the income taxes the water or wastewater utility pays in accumulated deferred income taxes for accounting and rate-making purposes." Based on the foregoing, CWSNC must collect income tax on taxable CIAC received prior to July 2, 2021, from the contributor. Income taxes on taxable CIAC received on or after July 2, 2021, must be handled in accordance with N.C.G.S. § 62-133.12B.

6. CWSNC has requested a waiver of filing the five-year projected income and cash flow statements, because only two customers are being added, which CWSNC contends will not have a significant impact on CWSNC's revenues and expenses. The Public Staff does not agree that the customers will not have a significant impact on CWSNC's revenues and expenses. The Public Staff, however, supports CWSNC's waiver request because these customers were incorporated into CWSNC's most recent rate case, in Docket No. W-354, Sub 384, and the Commission finds it reasonable.

7. CWSNC has filed all exhibits required with the Notification, except for the five-year projected income and cash flow statements as noted above.

8. CWSNC has the technical, managerial, and financial capacity to provide wastewater utility service in this franchise location.

9. CWSNC proposes to charge the wastewater utility services rates approved by the Commission on March 31, 2020, in Docket No. W-354, Subs 363, 364 and 365.

10. The Public Staff recommended that CWSNC be required to post a \$10,000 bond for 14732 Lancaster Highway. CWSNC currently has \$4,020,000 of bonds posted with the Commission. Of this amount, \$3,780,000 of bond surety is assigned to specific subdivisions, and \$240,000 of bond surety is unassigned.

CONCLUSIONS

Based on the foregoing and the recommendation of the Public Staff, the Commission concludes that \$10,000 of CWSNC's unassigned bond surety should be assigned to the contiguous extension; that the contiguous extension by CWSNC in 14732 Lancaster Highway should be recognized as meeting the Commission's criteria for the extension; and the requested rates should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That \$10,000 of Carolina Water Service Inc., of North Carolina's unassigned surety bond is assigned to 14732 Lancaster Highway. The remaining unassigned bond surety shall be \$210,000 (a total of \$30,000 is being assigned concurrently in Docket No. W-354, Subs 366, 367, and 376);

2. That the contiguous extension of wastewater utility service from 14732 Lancaster Highway into Bridle Stone subdivision in Mecklenburg County, North Carolina, is recognized as meeting the Commission's criteria for the extension pursuant to N.C.G.S. § 62-110(a), and Appendix A, attached hereto, constitutes Carolina Water Service Inc., of North Carolina's Certificate of Public Convenience and Necessity covering the contiguous extension; and

3. That the Schedule of Rates approved for CWSNC by Order dated March 31, 2020 in Docket No. W-354, Subs 363, 364, and 365, is recognized as being applicable for service and is approved for service at 14732 Lancaster Highway, Mecklenburg County, North Carolina.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 366

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
CAROLINA WATER SERVICE INC. OF NORTH CAROLINA

is given this acknowledgement of
contiguous extension to CWSNC's
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
pursuant to N.C. Gen. Stat. § 62-110(a)

to provide wastewater utility service

in

14732 LANCASTER HIGHWAY DEVELOPMENT

Mecklenburg County, North Carolina,

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

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 367

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Notification by Carolina Water Service, Inc. of)	
North Carolina, 4944 Parkway Plaza Boulevard,	)	ORDER RECOGNIZING
Suite 375, Charlotte, North Carolina 28217, of	)	CONTIGUOUS
Intention to Begin Operations in Contiguous	)	EXTENSION AND
Service Area to Provide Wastewater Utility Service	)	APPROVING RATES
in the Lancaster Townhomes Development in)	
Mecklenburg County, North Carolina, and for)	
Approval of Rates)	

BY THE COMMISSION: On November 12, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide wastewater utility service in the Lancaster Townhomes development, in Mecklenburg County, North Carolina. Lancaster Townhomes is contiguous to CWSNC’s Bridle Stone subdivision service area. CWSNC proposes to amend its tariff to include an 8-inch commercial meter and charge the rates currently approved for that service area.

The Public Staff presented this matter at the Commission’s Staff Conference on January 18, 2022. The Public Staff recommended that the Commission issue an order recognizing the contiguous extension and approving the requested rates.

Based upon the verified Notification, and the entire record in this matter, the Commission makes the following

FINDINGS OF FACT

1. CWSNC presently holds water franchises serving approximately 30,856 customers and wastewater franchises serving approximately 19,788 customers in North Carolina. CWSNC’s record of service is satisfactory.
2. CWSNC presently serves one commercial wastewater customer in Lancaster Townhomes. CWSNC is approved to serve one commercial wastewater customer in Lancaster Townhomes. The service area is shown on plans filed with the Notification.

3. The North Carolina Department of Environmental Quality, Division of Water Resources, Water Quality Permitting Section, has issued permit number WQ0041354, dated January 7, 2020, for the construction and operation of the gravity wastewater collection system for the Lancaster Townhomes project, and authorizes the discharge of 32,755 gallons per day of collected domestic wastewater into CWSNC's existing sewerage system.

4. CWSNC has entered into an Agreement for Sewer Service dated November 1, 2019, with NR Lancaster Property Owner LP (Developer), under which the Developer shall construct and install the wastewater utility system at no cost to CWSNC. The Developer agrees to convey the wastewater system to CWSNC and pay to CWSNC its approved uniform wastewater connection fee/tap fee.

5. Pursuant to the Commission's August 26, 2019 Order in Docket No. W-100, Sub 57, a utility is required to collect income tax on contributions in aid of construction (CIAC) from a contributor when contributions were contracted for on or after October 5, 2018. Notwithstanding the Commission's August 26, 2019 Order, in accordance with N.C. Gen. Stat. § 62-133.12B, beginning July 2, 2021, a "water or wastewater public utility is solely responsible for funding the income taxes on taxable CIAC and customer advances for construction and shall record the income taxes the water or wastewater utility pays in accumulated deferred income taxes for accounting and rate-making purposes." Based on the foregoing, CWSNC must collect income tax on taxable CIAC received prior to July 2, 2021, from the contributor. Income taxes on taxable CIAC received on or after July 2, 2021, must be handled in accordance with N.C.G.S. § 62-133.12B.

6. CWSNC has requested a waiver of filing the five-year projected income and cash flow statements, because only one customer is being added, which CWSNC contends will not have a significant impact on CWSNC's revenues and expenses. The Public Staff does not agree that the customer will not have a significant impact on CWSNC's revenues and expenses. The Public Staff, however, supports CWSNC's waiver request because this customer was incorporated into CWSNC's most recent rate case, in Docket No. W-354, Sub 384 and the Commission finds it reasonable.

7. CWSNC has filed all exhibits required with the Notification, except the five-year projected income and cash flow statements as noted above.

8. CWSNC has the technical, managerial, and financial capacity to provide wastewater utility service in this franchise location.

9. CWSNC proposes to charge the wastewater utility services rates approved by the Commission on March 31, 2020, in Docket No. W-354, Subs 363, 364

and 365 amended to add \$4,712.80 base charge for an 8-inch commercial wastewater meter.

10. The Public Staff recommended that CWSNC be required to post a \$10,000 bond for Lancaster Townhomes. CWSNC currently has \$4,020,000 of bonds posted with the Commission. Of this amount, \$3,780,000 of bond surety is assigned to specific subdivisions, and \$240,000 of bond surety is unassigned.

CONCLUSIONS

Based on the foregoing and the recommendation of the Public Staff, the Commission concludes that \$10,000 of CWSNC's unassigned bond surety should be assigned to the contiguous extension; that the contiguous extension by CWSNC in Lancaster Townhomes should be recognized as meeting the Commission's criteria for the extension; and the requested rates should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That \$10,000 of Carolina Water Service Inc., of North Carolina's unassigned surety bond is assigned to Lancaster Townhomes. The remaining unassigned bond surety shall be \$210,000 (a total of \$30,000 is being assigned concurrently in Docket No. W-354, Subs 366, 367, and 376);

2. That the contiguous extension of wastewater utility service from Lancaster Townhomes into Bridle Stone subdivision in Mecklenburg County, North Carolina, is recognized as meeting the Commission's criteria for the extension pursuant to N.C.G.S. § 62-110(a), and Appendix A, attached hereto, constitutes Carolina Water Service Inc., of North Carolina's Certificate of Public Convenience and Necessity covering the contiguous extension; and

3. That the Schedule of Rates approved for CWSNC by Order dated March 31, 2020, in Docket No. W-354, Subs 363, 364, and 365 amended to add \$4,712.80 base charge for an 8-inch commercial wastewater meter is recognized as being applicable for service and is approved for service at Lancaster Townhomes, Mecklenburg County, North Carolina.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 367

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
CAROLINA WATER SERVICE INC. OF NORTH CAROLINA

is given this acknowledgement of
contiguous extension to CWSNC's
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
pursuant to N.C. Gen. Stat. § 62-110(a)

to provide wastewater utility service

in

LANCASTER TOWNHOMES DEVELOPMENT

Mecklenburg County, North Carolina,

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

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 376

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Notification by Carolina Water Service, Inc. of)	
North Carolina, 4944 Parkway Plaza Boulevard,	)	ORDER RECOGNIZING
Suite 375, Charlotte, North Carolina 28217, of	)	CONTIGUOUS
Intention to Begin Operations in Contiguous	)	EXTENSION AND
Service Area to Provide Water Utility Service in the	)	APPROVING RATES
Saylor’s Watch Subdivision in Iredell County, North)	
Carolina, and for Approval of Rates)	

BY THE COMMISSION: On November 12, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in the Saylor’s Watch subdivision, in Iredell County, North Carolina. Saylor’s Watch is contiguous to CWSNC’s Harbour Point subdivision service area. CWSNC proposes to charge the rates currently approved for that service area.

The Public Staff presented this matter at the Commission’s Staff Conference on January 18, 2022. The Public Staff recommended that the Commission issue an order recognizing the contiguous extension and approving the requested rates.

Based upon the verified Notification, and the entire record in this matter, the Commission makes the following

FINDINGS OF FACT

1. CWSNC presently holds water franchises serving approximately 30,856 customers and wastewater franchises serving approximately 19,788 customers in North Carolina. CWSNC’s record of service is satisfactory.

2. CWSNC presently serves one residential water customer in Saylor’s Watch. CWSNC expects to eventually serve 11 residential water customers in Saylor’s Watch. The service area is shown on plans filed with the Notification.

3. The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Saylor's Watch, part of Water System No. NC0149185. The plans are approved under serial number 20-00611, dated September 22, 2020.

4. CWSNC has entered into an Agreement for Water Service, dated June 16, 2020, with South Creek Construction, Inc. (Developer), under which the Developer shall construct and install the water distribution facility within the property at no cost to CWSNC and convey the water system to CWSNC.

5. Pursuant to the Commission's August 26, 2019 Order in Docket No. W-100, Sub 57, a utility is required to collect income tax on contributions in aid of construction (CIAC) from a contributor when contributions were contracted for on or after October 5, 2018. Notwithstanding the Commission's August 26, 2019 Order, in accordance with N.C. Gen. Stat. § 62-133.12B, beginning July 2, 2021, a "water or wastewater public utility is solely responsible for funding the income taxes on taxable CIAC and customer advances for construction and shall record the income taxes the water or wastewater utility pays in accumulated deferred income taxes for accounting and rate-making purposes." Based on the foregoing, CWSNC must collect income tax on taxable CIAC received prior to July 2, 2021, from the contributor. Income taxes on taxable CIAC received on or after July 2, 2021, must be handled in accordance with N.C.G.S. § 62-133.12B.

6. CWSNC has requested a waiver of filing the five-year projected income and cash flow statements, because only 11 residential water customers are being added, which CWSNC contends will not have a significant impact on CWSNC's revenues and expenses. The Public Staff supported this request, and the Commission finds it reasonable.

7. CWSNC has filed all exhibits required with the Notification except for the five-year projected income and cash flow statements as noted above.

8. CWSNC has the technical, managerial, and financial capacity to provide water utility service in this franchise location.

9. CWSNC proposes to charge the water utility services rates approved by the Commission on March 31, 2020, in Docket No. W-354, Subs 363, 364 and 365.

10. The Public Staff recommended that CWSNC be required to post a \$10,000 bond for Saylor's Watch. CWSNC currently has \$4,020,000 of bonds posted with the Commission. Of this amount, \$3,780,000 of bond surety is assigned to specific subdivisions, and \$240,000 of bond surety is unassigned.

CONCLUSIONS

Based on the foregoing and the recommendation of the Public Staff, the Commission concludes that \$10,000 of CWSNC's unassigned bond surety should be assigned to the contiguous extension; that the contiguous extension by CWSNC in Saylor's Watch should be recognized as meeting the Commission's criteria for the extension; and the requested rates should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That \$10,000 of Carolina Water Service Inc., of North Carolina's unassigned surety bond is assigned to Saylor's Watch. The remaining unassigned bond surety shall be \$210,000 (a total of \$30,000 is being assigned concurrently in Docket No. W-354, Subs 366, 367, and 376);

2. That the contiguous extension of water utility service from Saylor's Watch into Harbour Point subdivision in Iredell County, North Carolina, is recognized as meeting the Commission's criteria for the extension pursuant to N.C.G.S. § 62-110(a), and Appendix A, attached hereto, constitutes Carolina Water Service Inc., of North Carolina's Certificate of Public Convenience and Necessity covering the contiguous extension; and

3. That the Schedule of Rates approved for CWSNC by Order on March 31, 2020, in Docket No. W-354, Subs 363, 364, and 365 is recognized as being applicable for service and is approved for service at Saylor's Watch, Iredell County, North Carolina.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 376

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
CAROLINA WATER SERVICE INC. OF NORTH CAROLINA

is given this acknowledgement of
contiguous extension to CWSNC's
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
pursuant to N.C. Gen. Stat. § 62-110(a)

to provide water utility service

in

SAYLOR'S WATCH SUBDIVISION

Iredell County, North Carolina,

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

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk