

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 411
DOCKET NO. W-1148, SUB 22
DOCKET NO. W-1148, SUB 20

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-354, SUB 411)	
DOCKET NO. W-1148, SUB 22)	
)	
In the Matter of)	
Application by Carolina Water Service, Inc.)	
of North Carolina, and Mountain Air Utilities)	ORDER APPROVING
Corporation for Authority to Transfer the)	IMPLEMENTATION OF WATER
Mountain Air Water and Wastewater Utility)	AND WASTEWATER
Systems and Public Utility Franchise in)	CUSTOMER SURCHARGES
Yancey County, North Carolina, and for)	AND REQUIRING CUSTOMER
Approval of Rates)	NOTICE
)	
DOCKET NO. W-1148, SUB 20)	
)	
In the Matter of)	
Petition by Mountain Air Utilities Corporation)	
for Appointment of Emergency Operator)	

BY THE COMMISSION: On May 4, 2021, in Docket No. W-1148, Sub 20, the Commission issued an Order Appointing Emergency Operator and Requiring Customer Notice (EO Order) appointing Carolina Water Service, Inc. of North Carolina (CWSNC or the Company) as emergency operator (EO) of the water and wastewater utility systems serving the Mountain Air Development in Yancey County, North Carolina (Mountain Air Development) effective May 10, 2021.

On September 26, 2022, CWSNC and Mountain Air Utilities Corporation (MAUC) filed with the Commission in Docket Nos. W-354, Sub 411, and W-1148, Sub 22, a Joint Application for Transfer of Public Utility Franchise and for Approval of Rates seeking authority to transfer the water and wastewater utility systems and public utility franchise serving the Mountain Air Development in Yancey County, North Carolina, from MAUC to CWSNC and approval of rates. (Transfer Dockets).

On November 14, 2023, the Commission entered an Order Approving Stipulation, Approving Transfer, Granting Franchise, Approving Rates, and Requiring Customer Notice (Transfer Approval Order) in the Transfer Dockets. Ordering Paragraph Nos. 12 and 13 of the Commission's Transfer Approval Order required the Company to

file within 60 days of closing on the transfer the Company's accounting in the EO Docket (Docket No. W-1148, Sub 20) and to request the Commission to establish the surcharges to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve.

On March 21, 2024, CWSNC filed a Notice in these dockets that the transfer was closed effective March 15, 2024.

On May 17, 2024, CWSNC filed its Transfer Order Compliance Filing (Verified Compliance Filing) as required by Ordering Paragraph Nos. 12 and 13 of the Commission's Transfer Approval Order. Appendix C to the filing set forth the Company's proposed, red-lined tariff, including the monthly surcharges. Appendix D to the filing contained CWSNC's proposed Notice to Customers concerning the proposed monthly surcharges, submitted for approval by further order of the Commission.

On July 16, 2024, CWSNC filed a Proposed Order in these dockets for consideration and approval by the Commission. It included a revised proposed Customer Notice. CWSNC further represented that the Public Staff of the North Carolina Utilities Commission (Public Staff) agreed with the information supplied in the Compliance Filing and supported issuance of the Proposed Order.

On July 22, 2024, the Public Staff presented this matter at the Commission's Regular Staff Conference and recommends that the Commission issue an order approving implementation of monthly water and wastewater customer surcharges and requiring customer notice.

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

FINDINGS OF FACT

1. CWSNC is a corporation duly organized under the laws of the State of North Carolina and is authorized to do business in North Carolina as a franchised, Commission-regulated water and wastewater public utility.

2. CWSNC was initially appointed to serve as Emergency Operator (EO) of the water and wastewater utility systems serving the Mountain Air Development in Docket No. W-1148, Sub 20, effective May 10, 2021. There were various operational problems and circumstances that led to the Commission's appointment of CWSNC as EO. The Commission's Order Appointing Emergency Operator and Requiring Customer Notice includes descriptions of permit violations; system ownership issues; the need for immediate extensive system renovations and replacements in order to materially improve the operation, reliability, and compliance record of the MAUC water and wastewater utility systems; and service difficulties – all of which, collectively, caused the Commission to declare that a real emergency existed with regard to the MAUC systems and to find, "the imminent danger of losing adequate water or sewer utility service or the actual loss thereof."

3. CWSNC's final financial accounting report regarding its EO operations, as set forth in Appendix A to the Verified Compliance Filing in these dockets, indicates that the Company experienced an operating revenue deficit totaling \$527,552 from its operation of the Mountain Air water and wastewater systems through March 15, 2024, when the transaction closed.

4. The Company's Compliance Filing proposed the following monthly water surcharges, per Equivalent Residential Connection (ERC), for approval by the Commission:

Unrecovered Operating Reserve	\$ 9.49
Due Diligence and Transaction Costs	\$ 0.88
Lien Release Regulatory Asset	\$ 9.01

5. The Company also proposed the following monthly wastewater surcharges, per Single Family Equivalent (SFE), for Commission approval:

Unrecovered Operating Reserve	\$ 8.73
Due Diligence and Transaction Costs	\$ 0.45
Lien Release Regulatory Asset	\$ 4.67

6. The rates charged by the Company in its capacity as EO were inadequate as demonstrated by its operating revenue deficit totaling \$527,552 from its operation of the Mountain Air water and wastewater systems through March 15, 2024. This amount will be offset in part by \$30,000 in forfeited bonds, which will be transferred to CWSNC to reduce this operating revenue deficit, resulting in recovery from customers of \$497,552.

7. The Company's proposed monthly water and wastewater customer surcharges are reasonable and appropriate as filed and are consistent with the Commission's findings of fact and conclusions set forth in the Transfer Approval Order.

8. Implementation of the new monthly water and wastewater customer surcharges will affect customers as follows: The average water bill for a Mountain Air Development customer using 2,520 gallons of water per month will increase from \$56.86 per month to \$76.24 per month. The flat rate wastewater bill for a residential customer will increase from \$87.27 per month to \$101.12 per month.

CONCLUSIONS

Based on the foregoing and the recommendations of the Public Staff, the Commission concludes that the three requested monthly customer surcharges for water and wastewater services should be granted. Approval of the applicable customer surcharges ensures that the customers directly benefiting from the transfer are assigned the costs of the transfer through rates and surcharges. The proposed monthly water and wastewater customer surcharges are fair and reasonable, in the public interest, and supported by the evidentiary record in this case.

IT IS, THEREFORE, ORDERED as follows:

1. That the final financial accounting report regarding CWSNC's EO operations of the Mountain Air Development service areas, as set forth in Appendix A to the Verified Compliance Filing filed on May 17, 2024, in these dockets, which has been reviewed and accepted by the Public Staff, is hereby accepted and approved as filed;
2. That the Commission's Bond Administrator is hereby authorized to release to CWSNC the \$30,000 in forfeited bond funds from Mountain Air Development Corporation thereby reducing the operating revenue deficit incurred by CWSNC as EO to \$497,552 for recovery from customers;
3. That CWSNC's Proposed Schedule of Water and Sewer Rates is approved as set forth in the Schedule of Rates attached hereto as Appendix A, effective for water and wastewater utility service rendered on and after the date of this Order;
4. That the Schedule of Water and Sewer Rates is deemed filed with the Commission pursuant to N.C.G.S. § 62-138 and are approved as filed; and
5. That the Notice to Customers attached hereto as Appendix B, and the Schedule of Rates, attached hereto as Appendix A, shall be mailed with sufficient postage or hand delivered to all affected customers in the Mountain Air Development service area in conjunction with the next regularly scheduled billing process and that the Company shall submit to the Commission the attached Certificate of Service, properly signed and notarized, no later than ten days after the date of the next billing.

ISSUED BY ORDER OF THE COMMISSION.

This the 24th day of July, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "A. Shonta Dunston". The signature is fluid and cursive, with the first name "A." and last name "Dunston" clearly distinguishable.

A. Shonta Dunston, Chief Clerk

DOCKET NO. W-354, Sub 411
DOCKET NO. W-1148, Sub 20
DOCKET NO. W-1148, Sub 22

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service in

MOUNTAIN AIR DEVELOPMENT

Yancey County, North Carolina

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$ 25.91
1" meter	\$ 64.78
1 1/2" meter	\$ 129.55
2" meter	\$ 207.28
3" meter	\$ 388.65
4" meter	\$ 647.75
6" meter	\$1,295.50
8" meter	\$2,072.80

Usage Charge:

\$ 12.28

A. Treated Water/1,000 gallons

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

Monthly Flat Rate Service: (Billed in Arrears)

\$ 72.20

Monthly Surcharges, per Equivalent Residential Connection (ERC):

Unrecovered Operating Reserve	\$ 9.49
Due Diligence and Transaction Costs	\$ 0.88
Lien Release Regulatory Asset	\$ 9.01

Meter Testing Fee:¹ \$ 20.00

New Water Customer Charge: \$ 27.00

Reconnection Charge: ²

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

Reconnection Charge: ³ (Flat-rate water customers)

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

Meter Fee:

For <1" meters	\$ 50.00
For meters 1" or larger	Actual Cost

Irrigation Meter Installation: Actual Cost

Water Tap on Fee: \$ 500.00

SEWER RATES AND CHARGES

Monthly Flat Rate Service, per SFE or REU: \$ 87.27

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 87.27

¹ If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

² Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

³ The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice.

Monthly Surcharges, per SFE:

Unrecovered Operating Reserve	\$ 8.73
Due Diligence and Transaction Costs	\$ 0.45
Lien Release Regulatory Asset	\$ 4.67

New Sewer Customer Charge: ⁴ \$ 27.00

Reconnection Charge: ⁵

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

Sewer Tap on Fees (based on meter size):

<u>Meter Size</u>	<u>Fee</u>
3/4 inch	\$ 4,310
1 inch	\$ 5,650
2 inch	\$11,480
4 inch	\$29,500
6 inch	\$66,600
8 inch	\$76,600
10 inch	\$89,600
12 inch	\$96,600

MISCELLANEOUS UTILITY MATTERS ⁶

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

⁴ This charge shall be waived if customer is also a water customer within the same service area.

⁵ The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice. This charge will be waived if customer also receives water service from Carolina Water Service within the same service area. Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

⁶ All nondomestic and industrial waste is subject to the Sewer Use Rule. The Sewer Use Rule can be accessed at <https://www.myutility.us/docs/default-source/carolinawater/sewer-use-tariff.pdf> and is also available upon request. The Sewer Use Rule requires Users (utility customers) to provide advance notice of any nondomestic or industrial waste discharge into the Utility's sanitary sewer systems, and to meet certain effluent limitations and pretreatment requirements. Violations of the Sewer Use Rule may result in disconnection. Reconnection will require reimbursement of the Utility's actual costs incurred as a result of the violation. Repeat violations may result in permanent disconnection.

As part of the Sewer Use Rule, the Utility may require installation and/or proper operation of grease traps or other pre-treatment devices on grease producing commercial facilities. Failure to properly operate grease traps will result in disconnection of service pursuant to Commission Rule R10-16.

<u>Bills Past Due:</u>	21 days after billing date
<u>Billing Frequency:</u>	Bills shall be rendered monthly in all service areas.
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

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DOCKET NO. W-1148, Sub 22

NOTICE TO CUSTOMERS

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

On March 21, 2024, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) informed the North Carolina Utilities Commission (NCUC or Commission) that the Company and Mountain Air Utilities Corporation (Mountain Air or MAUC) had closed on the transfer of the MAUC systems to CWSNC. This transfer was authorized by the Commission in its Order of November 14, 2023 (Transfer Order). The closing and transfer took place on Friday, March 15, 2024.

The Commission's Transfer Order required CWSNC to file (1) a final accounting with the Commission in the Emergency Operator (EO) Docket within 60 days of closing on the transfer to reconcile the operating balance as EO, net of \$30,000 in bond funds, as stipulated and (2) a request to establish surcharges to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve.

On May 17, 2024, CWSNC made the required filing with the Commission and by order dated July 24, 2024, the NCUC authorized CWSNC to charge the following monthly surcharges to the customers in the Mountain Air Development in Yancey County, North Carolina, effective for water and sewer utility service rendered on and after July 24, 2024:

Water

Monthly Surcharges, per Equivalent Residential Connection (ERC):

Unrecovered Operating Reserve	\$	9.49
Due Diligence and Transaction Costs	\$	0.88
Lien Release Regulatory Asset	\$	9.01

Sewer

Monthly Surcharges, per SFE:

Unrecovered Operating Reserve	\$	8.73
Due Diligence and Transaction Costs	\$	0.45
Lien Release Regulatory Asset	\$	4.67

Implementation of the new monthly water and wastewater customer surcharges will affect customers as follows: The average water bill for a Mountain Air Development customer using 2,520 gallons of water per month will increase from \$56.86 per month to \$76.24 per month. The flat rate wastewater bill for a residential customer will increase from \$87.27 per month to \$101.12 per month.

Customers may review the complete Commission Order which approved the surcharges applicable to the Mountain Air customers on the NCUC's website (www.ncuc.gov), by clicking on Docket Search under Dockets portal; then for Docket Number, entering W-354 Sub 411, and clicking on Documents to locate the order dated July 24, 2024.

A copy of the Company's newly authorized Schedule of Water and Sewer Rates (Appendix A) is attached to this Notice.

The telephone number to call CWSNC for service issues and billing questions is 800-525-7990.

ISSUED BY ORDER OF THE COMMISSION.

This the 24th day of July, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "A. Shonta Dunston". The signature is written in a cursive, flowing style.

A. Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers and Schedule of Rates issued by the North Carolina Utilities Commission in Docket Nos. W-354, Sub 411, W-1148, Subs 20 and 22, was mailed or hand delivered by the date specified in the Order.

This the _____ day of _____, 2024.

By:

Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers and Schedule of Rates was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket Nos. W-354, Sub 411, W-1148, Subs 20 and 22.

Witness my hand and notarial seal, this the _____ day of _____, 2024.

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date