

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-100, SUB 67

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Investigation Regarding Consolidation of Water and Wastewater Utilities and the Utilization of Uniform Rates)))))	ORDER ESTABLISHING QUARTERLY TECHNICAL CONFERENCES AND SCHEDULING FIRST QUARTERLY CONFERENCE
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BY THE PRESIDING COMMISSIONER: On September 18, 2023, the Commission issued an Order Scheduling Technical Conference (Order) in the above-referenced docket, in which the Commission stated that it has generally considered consolidation of separate water and wastewater systems into one single cost of service utilizing uniform rates to be in the public interest, and that the Commission believes it appropriate, at this time, to consider whether the uniform rate paradigm continues to serve the public interest. In the Order, the Commission made the Public Staff, Aqua North Carolina, Inc. (Aqua), and Carolina Water Service, Inc. of North Carolina (CWSNC) parties to the proceeding. On September 22, 2023, Red Bird Operating Company, LLC (Red Bird) filed a petition to intervene which was granted by Commission order issued on December 4, 2023.

In the Order, the Commission scheduled a technical conference for October 11, 2023, for the purpose of receiving presentations from the Public Staff, Aqua, and CWSNC to address the following issues, along with any other matters relevant to the uniform rate policy that the Commission should consider:

1. Whether the uniform rate paradigm continues to serve the public interest in North Carolina; and
2. Whether the path to uniformity should or must change in light of the challenges faced by the water and wastewater utilities in North Carolina, including consideration of:
 - a. Whether the availability of the Water and Sewer Investment Plan (WSIP) ratemaking mechanism, N.C.G.S., § 62-133.1B, affects the analysis of whether uniform rates or stand-alone rates are appropriate at the time of approval of a request to transfer a utility franchise;

- b. How rate shock and rate gradualism should be balanced during any migration to uniform rates in a rate case proceeding or WSIP for systems acquired since the last rate case proceeding or WSIP;
- c. Whether, and under what circumstances, the commitment of resources, both utility and Public Staff/Commission, to reviewing and maintaining a stand-alone rate paradigm for regulatory treatment is justified;
- d. Whether, and under what circumstances, the justification for uniform rates in a transfer proceeding should deviate from a traditional historical cost-of-service analysis;
- e. Whether and how those situations where a system to be acquired has rates that do not fully reflect the cost to provide utility service impact the consideration of whether a uniform rate paradigm is appropriate;
- f. Whether, and under what circumstances, stepped-in rate increases to the acquiring utility's uniform rates should be considered when uniform rates are not supported by the historical cost-of-service analysis at the time of transfer, including:
 - i. Whether the Commission is authorized to consider planned capital improvements over the stepped-in rate period under N.C.G.S. § 62-133; and
 - ii. If so, whether the acquiring utility should be required to provide supporting documentation to the Public Staff and Commission of in-service dates prior to stepping up the rates to the next level; and
- g. Whether and how the existing stand-alone rate divisions currently in place for Aqua, CWSNC, and any other intervenor would eventually be consolidated into one unified rate structure.

On October 17, 2023, the Commission issued an order rescheduling the technical conference to December 6, 2023.

On December 1, 2023, the Public Staff, Aqua, and CWSNC filed their respective presentations, including a list of the presenters.

On December 6, 2023, the Commission held a technical conference in Raleigh, North Carolina in which the Public Staff, Aqua, and CWSNC made presentations to the Commission. Red Bird attended the technical conference but did not make a presentation.

During the technical conference, in addition to the matters noted above that the Commission required the presenting parties to address, the parties posed the following questions, among others, for further discussion regarding the uniform rate paradigm for water and wastewater utilities:

1. Whether water and wastewater systems should be grouped based on similar costs of service or other similar characteristics to address the unique differences of each system without performing individual system cost of service studies when establishing rates?
2. Whether a transferred system can be incorporated into an existing WSIP multi-year rate plan to avoid increasing the number of standalone rate entities between WSIP periods?
3. How should the Commission address the affordability issue for low-income customers when migrating to uniform rates? What tools, if any, are available within the North Carolina General Statutes and Commission rules to address the affordability issue?

Based upon the information presented at the technical conference, the Presiding Commissioner considers that the following additional matters warrant further discussion:

4. Whether acquired systems that have a cost of service less than the utility's uniform rate cost of service should be included in uniform rates at the time of transfer. In what circumstances, if any, would the Public Staff recommend that these systems not be charged the uniform rates at the time of transfer and receive standalone rates?
5. Should the Commission consider it appropriate ongoing policy that the determination of whether uniform rates are appropriate at the time of transfer will be made on a case-by-case basis regardless of whether the cost of service for the standalone system supports such approval?
6. What mechanisms would facilitate efficient transfer of small water and wastewater systems to the larger utilities? For example, for administrative efficiency, should an acquiring utility be permitted to combine several acquisitions into a single consolidated application for Commission approval? If so, what changes should be made to the existing transfer application to create a more efficient process for all parties and the Commission?
7. Should the rate base of the acquired systems be established in the transfer proceeding, rather than having the rate base determination deferred to a future general rate case proceeding? If so, are there any exceptions in

which the rate base determination should be deferred to a future rate case proceeding?

The Presiding Commissioner finds that the technical conference was informative and that these discussions should be continued both separately by the parties in stakeholder meetings and in the form of continuing updates to the Commission. Consequently, the Presiding Commissioner finds good cause to hold technical conferences on a quarterly basis in Year 2024, with the first quarterly conference being held on March 11, 2024, to continue the discussion of the matters outlined herein.

The Presiding Commissioner determines that 20 minutes will be allocated for each party to make a presentation to the Commission. There will also be a 20-minute timeframe allotted for the spokesperson(s) for the stakeholder meetings to update the Commission on those meetings and to identify the specific points of consensus and disagreement between the parties. The Commission will ask questions of the parties during the individual presentations as well as during the summary provided by the spokesperson(s) for the stakeholder meetings.

IT IS, THEREFORE, SO ORDERED as follows:

1. That the first Year 2024 quarterly technical conference for the purpose of receiving separate presentations by Public Staff, Aqua, and CWSNC is scheduled for Monday, March 11, 2024, starting at 1:00 p.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina;
2. That the Public Staff, Aqua, and CWSNC, shall appear and participate at the technical conference on March 11, 2024. Presentations shall include an update to the Commission regarding the stakeholder meetings that have been held, any consensus items that have been reached, and the remaining issues of disagreement between the parties;
3. That Red Bird may appear and participate, if desired, at the technical conference on March 11, 2024;
4. That other interested parties shall file petitions to intervene in the proceeding on or before Wednesday, February 21, 2024;
5. That the Public Staff, Aqua, CWSNC, and any other presenting intervenor shall file with the Commission a list of the individuals who will appear at the technical

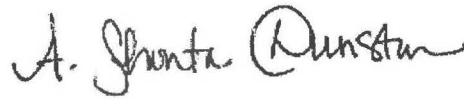
conference, as well as presentation materials to be used, on or before Tuesday, March 5, 2024;

6. That the remaining quarterly technical conferences for Year 2024 shall be scheduled by further order of the Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the 21st day of December, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "A. Shonta Dunston". The signature is written in a cursive style with a large, looped "D" at the end.

A. Shonta Dunston, Chief Clerk

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