

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-100, SUB 63

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Rulemaking Proceeding to Implement)	ORDER ADOPTING REVISIONS
Session Law 2021-149 (Senate Bill 211))	TO COMMISSION RULE R1-17A
)	AND NCUC FORM W-1

BY THE COMMISSION: On January 7, 2022, the Commission issued an Order Adopting Commission Rule R1-17A in the above-captioned docket. In that order, the Commission adopted Rule R1-17A to implement the new Water and Sewer Investment Plan (WSIP) rate-making mechanism authorized under N.C. Gen. Stat. § 62-133.1B (WSIP Statute). The order requested the parties to propose a template notice to customers and any additional information to be included on the NCUC Form W-1 in conformity with Commission Rule R1-17A. The order further requested the parties to file comments regarding subsection (c) of the WSIP Statute related to unplanned emergency capital additions.

On February 15, 2022, Aqua North Carolina, Inc. (Aqua), and Carolina Water Service, Inc., of North Carolina (CWSNC, together the Companies) filed a joint response to the order regarding the template for customer notice and proposed changes to the NCUC Form W-1. On that same date, the Public Staff filed a letter in the docket noting that the Public Staff and the Companies reached consensus on a template notice to customers but were unable to reach complete agreement concerning the revisions to the NCUC Form W-1. Attached to the Public Staff's letter was the agreed upon template for customer notice and the Public Staff's proposed changes to the NCUC Form W-1.

On March 1, 2022, the Companies filed comments regarding subsection (c) of the WSIP Statute related to unplanned emergency capital additions. On that same date, the Public Staff also filed comments on the same issue.

On March 4, 2022, the Companies filed a joint response to the Public Staff's proposed changes to the NCUC Form W-1. On that same date, the Public Staff filed additional comments on revisions to the NCUC Form W-1.

On March 11, 2022, the Companies and the Public Staff filed reply comments on the issue of unplanned emergency capital additions.

Public Notice

In their February 15, 2022 joint comments, the Companies noted that they had come to an agreement with the Public Staff on the terms of the public notice to be included with a WSIP application. On that same date, the Public Staff filed the agreed upon proposed notices. The Commission determines that the proposed template notices are

reasonable and incorporates the notices into Commission Rule R1-17A, as shown in Appendices A and B to this order.

Revisions to NCUC Form W-1 and Associated Rule Revisions

In their respective comments filed on February 15, 2022, the Companies and the Public Staff noted that although they were able to agree on certain proposed revisions to the NCUC Form W-1 for a utility applying for a WSIP, the parties were unable to reach a comprehensive agreement. The Companies and the Public Staff separately filed proposed changes to the NCUC Form W-1, and requested that the Commission provide additional time for the parties to comment on those proposals.

On March 4, 2022, the Companies filed comments on the proposed changes to the NCUC Form W-1. The Companies stated that they view the NCUC Form W-1 as a set of minimum filing requirements that are an extension of existing requirements in Commission Rules R1-17 and R1-17A. The Companies also assert that their proposed revisions to the NCUC Form W-1 are comprehensive, consistent with other filing requirements, and efficient in the provision of information to the Commission.

In their May 4, 2022 comments as part of their proposed NCUC Form W-1 revisions, the Companies propose four new line items it identifies as Item 27, Item 28, Item 29, and Item 30.¹ For Item 27, the Companies identify two pieces of information that were not required in the Commission's Rule R1-17A(c)(2). First, the Companies propose that the capital investment plan required under R1-17A(c)(2) should include estimated costs and estimated retirement dates for each proposed capital project. Second, the Companies propose a definition for "Capital Investment Project" to clarify that the capital projects included in a WSIP can include those projects that are not conducive to being presented as individual line items. The Companies note that the specific term "project" is not used to describe capital investments within the WSIP Statute. The Companies explain that projects that are small dollar, but high-volume activities that are reasonably known and measurable, recurring, and routine can be eligible investments if presented as a group. The Companies assert that this type of capital investment is authorized by the WSIP Statute which allows recovery for "reasonably known and measurable capital investments." The Companies further assert that the WSIP Statute directs the Commission to consider whether the application "is representative of the utility's operations over the plan term" and not allowing these types of investments would mean any application would not meet this standard. The Companies alternatively propose that the Commission revise Rule R1-17A to include the definition of "Capital Investment Project" if the definition is not included in the NCUC Form W-1.

The Companies proposed Item 28 includes billing determinants by rate year, detailed descriptions of proposed rate designs, and calculations supporting forecasted balances of each cost of capital component. However, the Companies assert that a WSIP applicant's responses to its proposed Item 28 would likely be consolidated within the

¹ The Companies filed a proposed NCUC Form W-1 on February 15, 2022. The March 4, 2022 filing did not include a new filing of the proposed NCUC W-1, but proposed changes to the February 15, 2022 filing including renumbering the proposed Items.

current Item 10 of the NCUC Form W-1. The Companies proposed Item 29 includes calculations supporting forecasted composite costs of each cost of capital component and the balances of each cost of capital component. The Companies proposed Item 30 provides information on previously authorized or currently proposed performance-based metrics.

The Companies comment that many of the Public Staff's proposed revisions to the NCUC Form W-1 reiterate Commission Rule R1-17A and are unnecessary. Public Staff's proposed Item 28(a) provides that the Company must provide information on capital investment projects for the period that starts at the end of the test year through the end of the Plan term. The Companies object to this provision and assert it materially modifies the intent of Commission Rule R1-17A(c)(2)a. The Companies state that the Rule provides the period applicable for capital investment projects under the Plan starts immediately after the date through which the Company can update expenses for a rate case, not the end of the test year. However, the Companies assert that the date for which a utility filing a rate case can provide updates cannot be "specified by the Commission" at the time of the filing of a WSIP because this date is generally determined after the application is submitted. The Companies request that the Commission clarify the start date for the period of capital investments under a proposed Plan and clarify that the term "specified by the Commission" can be interpreted to mean the date estimated by the applicant. Alternatively, the Companies recommend replacing the term "end date specified by the Commission for the update of the utility plan in service" with "last day of the calendar month ending on or before the 90th day after the filing date." The Companies assert this change would provide a firm cutoff date for capital investments to be included in the general rate case portion of the application (as opposed to the WSIP).

The Companies also assert that the Public Staff Item 36 that proposes an earnings test utilizing both the test year and the 12-month period directly before the test year, does not add value to the WSIP application, would require additional effort with no identifiable benefit, and would be duplicative of current Rule requirements if a WSIP application is filed directly after the end of an approved WSIP period.

On March 4, 2022, the Public Staff also filed comments on the proposed changes to the NCUC Form W-1. The Public Staff states that its proposed changes to the NCUC Form W-1 are intended to aid in the review of the application, ensure the application is complete when filed, and provide easier references that distinguish a WSIP application from an application for a general rate case. The Public Staff also asserts that the information for a WSIP application and a general rate case application should be clearly delineated to allow the Public Staff, other parties, and the Commission the ability to easily identify the information required of a general rate case and the WSIP. The Public Staff also asserts that the information required in their proposed changes to the NCUC Form W-1 are necessary to support an application for a WSIP, and that all of the information required in the Public Staff's proposed NCUC Form W-1 will be required by the Public Staff to audit the proposed rates of a WSIP applicant.

The Public Staff states that its proposed Item 36 that proposes an earnings test utilizing both the test year and the 12-month period directly before the test year, is

necessary to provide information necessary for future annual reviews of the WSIP and for the determination of whether the proposed WSIP is in the public interest.

Regarding the Companies' proposed changes to the NCUC Form W-1, the Public Staff asserts that the Companies' "minimum filing requirements" form would make distinguishing between the information included for a general rate case and the WSIP difficult. The Public Staff also objects to the Companies' proposal for clarification on the definition of "Capital Investment Project" and inclusion of projects that are not identified as line items. The Public Staff asserts that the Companies' proposed definition could mean a single project could be composed of hundreds of individual investments and could include "reactionary" projects as well as planned projects. The Public Staff states that grouping these projects would make it difficult for the Public Staff to investigate the WSIP application. The Public Staff asserts that neither the WSIP Statute nor the Commission's Rule supports the Companies' proposed definition and is inconsistent with the detailed information on projects required by Commission Rule R1-17A.

The Commission agrees with the Companies' proposal to address two key pieces of information that were not required in Commission Rule R1-17A: (1) estimated costs and retirements in subsection (c)(2), and (2) inclusion of a definition for the term "capital investment project." The Commission finds that Rule R1-17A should be amended to address both points raised by the Companies. First, the Commission amends Rule R1-17A(c)(2)(a) and (c)(2)(c) as follows:

a. The estimated costs for all ~~All~~ proposed capital investment projects expected to be placed in service in the period starting on the date immediately following the end date specified by the Commission for the update of utility plant in service and continuing through the conclusion of the Plan for which the utility seeks cost recovery through the Plan mechanism.

...

c. The estimated in-service date of each proposed capital investment project and the related estimated retirements, if applicable.

The Commission notes that the Public Staff included a similar proposal in its proposed NCUC Form W-1 Item 28(c) "...and, if applicable, associated retirements of each proposed capital investment project."

Second, with respect to the Companies definition of "Capital Investment Project" in its proposed Item 27, the Commission finds the proposed definition reasonable. The Commission agrees with the Companies that small dollar, but high-volume activities can be eligible investments if presented as a group. The Commission acknowledged in the Order Adopting Commission Rule R1-17A that "that water and sewer utilities' capital plans typically consist of a high volume of small to medium scope and dollar projects that are regularly reprioritized as necessary to best and efficiently serve customers' needs." The

Commission agrees that these costs can be included in a proposed WSIP and thus amends Rule R1-17A(b) to add the following definition:

- (6) “Capital Investment Project” shall mean discrete, stand-alone capital investments or sub-project-level capital activities that have identical attributes for both of the following:
 - a. A detailed description, including the reason for and scope of, each proposed capital investment project; and
 - b. The asset account per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts and the annual depreciation rate for each proposed capital investment project.

The Commission is persuaded that the Companies’ proposed revisions to Items 28 through 30 of the NCUC Form W-1 are reasonable and should be included in the NCUC Form W-1 as Items 27 through 29. The Commission notes that these items are consistent with the Public Staff’s proposed Items 32(a), 37(a), 37(b), and Item 38 as filed by the Public Staff on March 4, 2022 as Exhibit A to its comments. The Commission agrees with the Companies that the NCUC Form W-1 is a set of minimum filing requirements that is an extension of the existing requirements in Commission Rules R1-17 and R1-17A; consequently, certain filing requirements specified in Rule R1-17A should not be repeated in the NCUC Form W-1. The Commission determines that the minimum filing requirements approach to the NCUC Form W-1 provides the information needed for a WSIP filing while encouraging efficiency. Further, the Commission understands that the utility may choose to consolidate certain responses related to the new NCUC Form W-1 requirements into the existing NCUC Form W-1 Item 10 for ease of filing preparation and presentation. However, to easily distinguish between the information required for a general rate case application versus a WSIP application, the utility should clearly mark WSIP application workpapers included in its Item 10 presentation.

The Commission also agrees with the Companies that Commission Rule R1-17A provides the period applicable for capital investment projects under the Plan starts immediately after the date through which the Company can update expenses for a rate case, not the end of the test year. However, the Commission is not persuaded that the Rule needs to be modified. Typically, when a utility files a general rate case application the utility will estimate a date through which updates occur. This date is later confirmed or specified by the Commission. The Commission agrees that the Companies’ interpretation of this provision is correct but does not agree that the Rule needs to be modified and declines to modify the Rule.

Finally, the Commission is not persuaded to adopt the Public Staff’s proposed Item 36 concerning the provision of calculations pertaining to the utility’s actual earned rate of return on equity for the test year and the prior 12-month period. The Companies stated they presently include their test year per book and pro forma present rates of return in their respective general rate case application exhibits and schedules. The Public Staff asserts that the information contained in its proposed Item 36 would provide important information about how the utility would calculate earnings in the annual review of the WSIP as well as whether the WSIP is in the public interest. The Commission determines

that the additional information is not a necessary minimum filing requirement for a WSIP application and the NCUC Form W-1 should not be modified to include the Public Staff's proposed Item 36.

Unplanned Emergency Capital Additions

The January 7, 2022 Order Adopting Commission Rule R1-17A noted that the initial round of comments on the WSIP Statute did not address the provision in subsection (c) of the Statute that provides that the Commission may consider certain unplanned investments during the period of an approved WSIP. Subsection (c) of the WSIP Statute provides, in part, the following:

Upon a petition to the Commission, the Commission may consider the addition of unplanned emergency capital investments that must be undertaken during a plan term to address risk of noncompliance with primary drinking water or effluent standards, or to mitigate cyber or physical security risks, even if such expenditures would cause the above-referenced cap to be exceeded.

In their comments filed March 1, 2022, the Companies state they do not foresee this provision being utilized often. If necessary, the Companies anticipate this provision would be invoked in response to a storm, material changes in regulation, or identification of a need for enhanced security designed to mitigate cyber or physical risks to the utility system. The Companies assert that since the provision addresses "unplanned emergency capital investments" overly prescriptive rules would be premature and unnecessary at this time, and any application on this provision should be considered on a case-by-case basis.

The Companies further assert that any application submitted pursuant to this provision, would be made within the context of N.C.G.S. § 62-133.1B(b) which provides that a WSIP application "(i) establishes rates that are fair both to the customer and to the water or sewer utility, (ii) reasonably ensures the continuation of safe and reliable utility services, (iii) will not result in sudden substantial rate increases to customers annually or over the term of the plan, (iv) is representative of the utility's operations over the plan term, and (v) is otherwise in the public interest." The Companies propose that the recovery of unplanned emergency capital additions would occur through the annual review process.

In its comments filed March 1, 2022, the Public Staff notes that a potential application under this provision could be administratively burdensome and advocates for setting parameters around the magnitude or nature of the investments sought to be added to rates approved as part of a WSIP. The Public Staff also asserts that the review of these expenditures should be as rigorous as the established methods for deferral accounting treatment and further notes that unlike deferrals, the WSIP Statute contemplates adding the increased recovery into rates immediately.

To guard against rate shock, the Public Staff also proposes that the capital expenditures for unplanned emergency additions should be netted against unspent planned capital expenditures previously approved in the WSIP. Public Staff also highlights

that several terms used in Subsection (c) are not specifically defined and provides how the Public Staff would interpret those terms.

The Public Staff agrees that some of its concerns may be appropriately handled on a case-by-case basis, but it argues some revisions to Rule R1-17A are necessary prior to an application by a utility under this provision. The Public Staff proposes amendments to the Rule R1-17A, including a definition of “Unplanned Emergency Capital Investments” and a proposed timeline and procedure for filing. The Public Staff proposed rule would require a petition for recovery of unplanned emergency capital investments to be filed at least 60 days before the beginning of rate years two and three. The Public Staff proposed rule also provides that the Public Staff would provide a recommendation for the Commission to accept, modify or reject the Company’s request at a regularly scheduled Staff Conference. The Public Staff’s revised rule is attached as Exhibit A to its comments.

In their comments filed March 11, 2022, the Companies note that the parties generally agree on the review and filing procedures for petitions and that petitions should be reviewed and considered on a case-by-case basis. The Companies also note that the parties agree on the definition for “Unplanned Emergency Capital Investment.”

However, the Companies assert petitions for unplanned emergency additions would not fall within the general standard used by the Commission for requests for deferral accounting treatment. The Companies assert that the WSIP does not require consideration of material financial impact, nor does it require that the expenditures be unusual or extraordinary in nature. Rather, the WSIP Statute addresses investments that could not have been foreseen in approval of a WSIP and which address emergent compliance or security risks. The Companies note that the Commission has the discretion to deny recovery of imprudent costs, and these costs will be reviewed on a case-by-case basis. Further, the Companies oppose offsetting any unplanned emergency additions with expenditures unfinished but previously approved in a WSIP, noting that this proposal is a one-way ratchet that only reduces recovery, and there is no corresponding increase in recovery if a utility spends more than previously approved under the WSIP.

Regarding the Public Staff’s comments that provide an interpretation of certain terms that are not defined in the WSIP Statute, the Companies argue these Public Staff’s interpretations may be inappropriate at times and assert that the Commission should not make a determination on these items at this time.

On March 11, 2022, attached as Exhibit A to its Joint Reply Comments, the Companies filed its proposed revisions to Rule R1-17A regarding unplanned emergency capital investments. The Companies agree with the Public Staff’s definition of “Unplanned Emergency Capital Investment.” However, the Companies propose that a petition to file for recovery of unplanned emergency additions can be filed as soon as possible following completion of the investments. The Companies also propose that these costs would be recovered through a surcharge rather than an adjustment to the approved WSIP base rates.

In its comments filed March 11, 2022, Public Staff asserts that the nature of the unplanned capital expenditures require rules to address minimum filing requirements, and a procedure for consideration and determination of the petitions. The Public Staff asserts

that the WSIP Statute supports recovery of these cost in the WSIP approved rates, as the WSIP Statute authorizes annual rate changes. The Public Staff further asserts that after the end of WSIP Rate Year 3, petitions for recovery of unplanned capital additions should be no longer allowed as the WSIP Statute provides that the unplanned capital additions must be “undertaken during a plan term.”

The Commission agrees with the parties that these matters should be handled on a case-by-case basis, but some parameters concerning unplanned emergency capital investment should be included in Commission Rule R1-17A. The Commission determines that the definition proposed by the parties for “Unplanned Emergency Capital Investment” is reasonable and conforms with the WSIP Statute. The Commission is not persuaded that the Public Staff interpretation of additional terms in the subsection (c) of the WSIP Statute that the Public Staff provides in its March 1, 2022 comments are necessary to define at this time. The Commission further notes that for the Public Staff’s interpretation of these terms to be used in future determinations on this matter, the Public Staff’s interpretations should be set forth at that time or distilled into defined terms to be included in the Commission’s Rule.

The Commission agrees with the Companies that if a utility petitions for the recovery of an Unplanned Emergency Capital Investment as provided by the WSIP Statute, the Commission is not required to apply the deferral accounting standard. As noted in the Commission’s Order Adopting Commission Rule R1-17A the WSIP Statute does not address special accounting orders during the WSIP period, and evaluation of requests for special accounting treatment made while a Plan is in effect will proceed in accordance with the Commission’s established practices related to special accounting orders. The consideration of a petition for recovery of an Unplanned Capital Investment is authorized by the WSIP Statute, but the standard for the review of a petition is not set forth. The Commission determines that there is insufficient information at this time to determine what specific standard will be applicable to these petitions.

The Commission is not persuaded that recovery for the Unplanned Emergency Capital Investments should offset any unfinished capital expenditures previously approved in a WSIP. In the Order Adopting Commission Rule R1-17A, the Commission declined to adopt the Public Staff’s proposal to annually adjust the rates under a WSIP to reflect the cancelation or postponement of capital projects previously approved in the WSIP. The Commission also declines to offset recovery for approved Unplanned Emergency Capital Investments with canceled or postponed projects.

The Commission is persuaded by the Public Staff that if these types of costs are approved, recovery should be allowed in rates approved under the WSIP and not through a surcharge. The Commission further agrees that the WSIP Statute only contemplates these applications during the three-year plan period. Therefore, the Commission determines that the Public Staff’s proposed procedure to require petitions for recovery of these costs to be filed no less than 60 days before the beginning of Rate Year 2 or Rate Year 3, and to schedule the request for these petitions at the Commission’s regularly scheduled staff conferences prior to the change in rates for the appropriate Rate Year is reasonable.

Potential Further Revisions to Rule R1-17A and NCUC Form W-1

The Commission acknowledges that further revisions to Commission Rule R1-17A and NCUC Form W-1 may be required after the filing and review of the initial WSIP applications filed by the Companies. The Commission notes that in late May 2022, the Companies filed their respective 30-day Letter of Intent required by Commission Rule R1-17(a). (Aqua on May 27, 2022, in Docket No. W-218, Sub 573 and CWSNC on May 25, 2022, in Docket No. W-354, Sub 400.) The Commission encourages the Companies, the Public Staff, or any other party to bring such recommendations for further revisions to Commission Rule R1-17A and NCUC Form W-1 to the Commission at the appropriate time for review and consideration.

IT IS, THEREFORE, ORDERED as follows:

1. That Commission Rule R1-17A is hereby amended as shown in Appendix A with revisions in strikethrough and underline, and Appendix B as a clean copy. The amended Commission Rule R1-17A is approved and effective as of the date of this order; provided, however, the revisions to the rule regarding the filing requirements do not apply for any WSIP application for which the utility filed the required notice of intent pursuant to Commission Rule R1-17(a) prior to the date of this order; and

2. That the NCUC Form W-1 for Class A water and sewer utilities is hereby amended as shown in Appendix C with revisions in strikethrough and underline, and Appendix D as a clean copy. The amended NCUC Form W-1 is approved and effective as of the date of this order; provided, however, the changes to the NCUC Form W-1 in this order shall not apply for any WSIP application for which the utility filed the required notice of intent pursuant to Commission Rule R1-17(a) prior to the date of this order.

ISSUED BY ORDER OF THE COMMISSION.

This the 30th day of June, 2022.

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

Commissioners Daniel G. Clodfelter, Floyd B. McKissick Jr., and Karen M. Kemerait did not participate in this decision.

**Rule R1-17A PROCEDURE FOR WATER AND SEWER INVESTMENT PLAN
RATE ADJUSTMENTS UNDER G.S. 62-133.1B.**

(a) Purpose. – This rule provides the procedures for the approval and administration of the Water and Sewer Investment Plan mechanism authorized under G.S. 62-133.1B.

(b) Definitions. – As used in this rule, the following definitions shall apply:

- (1) “Performance-based metrics” shall mean standards to measure utility operations and management, including the management of capital investment projects, intended to benefit customers by ensuring the provision of safe, reliable, and cost-effective service by the utility. Metrics may also be standards that are intended to drive utility performance or support Commission policy goals provided that they benefit customers by ensuring the provision of safe, reliable, and cost-effective service. In establishing performance-based metrics, the Commission may consider, at a minimum, operational compliance, customer service, service reliability, and workplace health and safety. Performance-based metrics shall be clearly defined, measurable, and easily verified by stakeholders. The Commission may approve penalties or incentives based on the results of approved metrics. Some metrics may be tracking metrics with or without targets or benchmarks to measure utility achievement.
- (2) “Test Year” or “Base Year” shall mean the 12-month period consistent with the term “Operating Experience” as defined in sub-section (b)(8) of Rule R1-17.
- (3) “Rate Year” shall mean each of the three 12-month periods as approved in a Water and Sewer Investment Plan.
- (3a) “Unplanned Emergency Capital Investments” shall mean capital investments used and useful during a Plan term to address risk of noncompliance with primary drinking water or effluent standards, or to mitigate cyber or physical security risks.
- (4) “Utility” shall mean a water, sewer, or water and sewer public utility.
- (5) “Water and Sewer Investment Plan” or “Plan” shall mean a plan under which the Commission sets base rates and revenue requirements through the banding of authorized returns, and authorizes annual rate changes for a three-year period based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the plan without the need for a base rate proceeding during the plan period.
- (6) “Capital Investment Project” shall mean discrete, stand-alone capital investments or sub-project-level capital activities that have identical attributes for both of the following:
 - a. A detailed description, including the reason for and scope of, each proposed capital investment project; and
 - b. The asset account per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts

and the annual depreciation rate for each proposed capital investment project.

(c) Filing Requirements. – A request for a Water and Sewer Investment Plan must be consistent with Rule R1-17 unless otherwise noted in this Section. A utility's application for a Water and Sewer Investment Plan must include the following:

- (1) Identification of the Test Year and three Rate Year periods. The first Rate Year shall begin no later than the first day of the month which includes the end of the statutory suspension period under G.S. 62-134.
- (2) A three-year capital investment plan by rate division that includes the following:
 - a. The estimated costs for all proposed capital investment projects expected to be placed in service in the period starting on the date immediately following the end date specified by the Commission for the update of utility plant in service and continuing through the conclusion of the Plan for which the utility seeks cost recovery through the Plan mechanism.
 - b. A detailed description, including the reason for and scope of, each proposed capital investment project.
 - c. The estimated in-service date of each proposed capital investment project and the related estimated retirements, if applicable.
 - d. The asset account per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts and the annual depreciation rate for each proposed capital investment project.
- (3) Calculations of rate base, as included for Rate Year revenue requirements, by rate division, with exhibits setting forth the specific method utilized for the calculations.
- (4) All proposed expenses expected to be incurred during each Rate Year by rate division including the following:
 - a. Any forecasts, including all calculations and assumptions, of changes in each expense account.
 - b. Justification for any variation from expense levels proposed in the utility's rate case application.
- (5) To the extent an inflation factor is used to forecast costs included in Rate Year revenue requirements, identification of the GDP index and the inflation rate used in such forecasts.
- (6) Proposed revenue requirements, pro forma revenues, and base rates for each Rate Year by rate division, including supporting calculations and exhibits.
- (7) Proposed Schedule of Rates by rate division for each Rate Year.
- (8) A calculation of the proposed percent increase for each Rate Year, if applicable.
- (9) A proposed banding range for the utility's requested rate of return on equity.
- (10) At least one proposed performance-based metric in each of the following categories:
 - a. Operational compliance.
 - b. Customer service.

- c. Service reliability.
- d. Workplace health and safety.

(d) Establishment of Annual Revenue Requirement. – The Commission shall establish the annual revenue requirement for each Rate Year of a Water and Sewer Investment Plan. The annual revenue requirement for each Rate Year may include reasonably known and measurable capital investments and anticipated reasonable and prudent expenses, provided the Commission finds the Plan results in rates that are just and reasonable and are in the public interest, and meets the other criteria of G.S. 62-133.1B.

(e) Banding of Authorized Rate of Return on Equity. – The Commission will authorize a rate of return on equity for each Rate Year revenue requirement calculation consistent with the evidence in the record and will set high and low bands for earned rates of return on equity consistent with G.S. 62-133.1B(g). In setting an authorized rate of return on equity for banding of authorized returns pursuant to this Section, the Commission may consider any decreased or increased risk to a utility that may result from having an approved Plan. A utility with an approved Plan may not apply for a general rate increase pursuant to G.S. 62-133 or G.S. 62-133.1 to be effective before the end of the Plan unless the utility's earned rate of return on equity falls below the low-end range of the band established by the Commission.

(f) Modification. – The Commission may, for good cause shown and after an opportunity for hearing, modify or terminate an existing Water and Sewer Investment Plan for circumstances unforeseen at the time the Plan was established if the Commission determines it is in the public interest. Should a Plan modification be authorized that adjusts previously approved tariff rates, the Commission shall prescribe the form of Notice to Customers.

(g) Annual Review. – The Plan shall be subject to the following:

- (1) Within 45 days after the end of each Rate Year, each utility shall file a report, containing the following information for the preceding Rate Year:
 - a. A report of refunds or credits disbursed to customers by month and reconciliation of EMF activity by month during the Rate Year by rate division and rate type, if applicable.
 - b. An analysis, including results, of the performance-based metrics established by the Commission, and the calculation of any applicable incentives or penalties.
 - c. A statement that the utility's earnings during the subject Rate Year of the Plan fell within, exceeded the high-end, or fell below the low-end of the band of authorized rate of returns established by the Commission.
 - d. A statement of rate base based on North Carolina ratemaking depicting a 13-month average balance for the completed Rate Year.
 - e. A calculation of earned rate of return on equity based on a 13-month average of the actual cost of debt applicable to the utility for the completed Rate Year, and the authorized ratios of capital

- components approved in the utility's last general rate case proceeding.
- f. A schedule of the estimated capital investment projects to be placed in-service during the remaining Rate Years of the Plan, including: total in-service costs, in-service date, applicable rate division, NARUC asset account, and annual depreciation rate.
- (2) The Public Staff shall review the utility's report and shall file a report detailing its findings and recommendations no later than four months after the end of each Rate Year of the Plan. The utility may respond to the Public Staff's report within 15 days after such filing.
 - (3) When determining the utility's earned rate of return on equity, the Commission may consider pro forma adjustments to the utility's per books capital expenditures, expenses, and revenues. For the purpose of determining whether the rate of return on equity for any Rate Year falls outside of the high and low bands, the earned return on equity shall be calculated based on the capital structure established in the utility's last general rate case, and on a 13-month average of the actual cost of debt.
 - a. If the utility's earned rate of return on equity exceeds the high-end range of the band established by the Commission, the excess earnings shall be refunded to customers as provided in subsection (i) of this rule.
 - b. If the utility's earned rate of return on equity falls below the low-end range of the band established by the Commission, the utility may apply for a general rate increase pursuant to G.S. 62-133 or G.S. 62-133.1.
 - (4) The Commission shall issue an order addressing its findings and making effective any reconciliation or adjustment to the Plan it deems appropriate. Any reconciliation or adjustment ordered by the Commission, including any credit to customers of excess earnings above the high end of the banding of authorized rates of returns on equity established by the Commission, shall remain effective for a 12-month period. Any refund or credit shall be included on customer bills as a separate line item and will not be included in the calculation of earnings performed for annual audit and reconciliation filings.
- (h) Experience Modification Factor. – The experience modification factor (EMF) shall be established when applicable to reconcile the difference between the credit ordered by the Commission pursuant to subsection (i) of this section and the actual credit amount applied to customer bills. If the effective date of Rate Year One is before the date of the Commission's Order approving the Plan, the Commission may establish an EMF to account for a delay between the implementation of Rate Year One tariff rates and the effective date of Rate Year One. The EMF shall remain in effect for the 12-month period unless the true up is included in the excess earnings credit calculation.
- (i) Credit for Excess Earnings. – If the Annual Review determines that the utility earned higher than the authorized high band rate of return on equity for a Rate Year, the Commission will authorize a credit to applicable utility customers.

- (1) The credit shall be included on customer bills as a separate line item and will not be included in the calculation of earnings performed for Annual Review filings.
 - (2) The credit shall be expressed as a percentage carried to two decimal places and shall be applied to the total utility bill of each customer under the utility's applicable service rates and charges.
 - (3) Pursuant to G.S. 62-130(e), any amount to be credited to a utility's customers shall include an amount of interest at such rate as the Commission determines to be just and reasonable, not to exceed the maximum statutory rate.
 - (4) The credit percentage shall be computed by dividing the Total Service Revenues for the following 12 months for which the credit will be in effect by the amount to be credited to customers, inclusive of interest. The credit will be effective no later than the first day of the second month following the Commission order authorizing the credit.
 - (5) In its order authorizing a credit for excess earnings, the Commission shall include a form of Notice to Customers to be issued with customer bills in the first billing cycle the credit is effective.
- (j) Reporting Requirements. – The utility shall make filings addressing each three-month period within the Plan period. The first filing shall be made no later than 45 days after the first three-month period, and subsequent reports shall be made every three months thereafter. Each filing shall contain the following:
- (1) An earnings report consisting of the following:
 - a. A balance sheet and income statement for the three months and twelve months to date for the utility.
 - b. A statement of the per books net operating income for the three months and twelve months to date for each rate division of the utility based on North Carolina ratemaking.
 - c. A statement of rate base at the end of the three months for each rate division of the utility based on North Carolina ratemaking.
 - d. The number of customers, gallons sold, and service revenue for the three months for each rate division by rate type (meter size, flat rate, etc.).
 - (2) A status report which includes by rate division the following information for each capital investment project:
 - a. The costs incurred during the three months.
 - b. The cumulative amount incurred.
 - c. The original and revised estimated total cost for each project.
 - d. The in-service date estimated in the Plan.
 - e. The actual date placed in service or, if not yet placed in service the current estimated placed in-service date.
 - f. A schedule of all changes to the capital investment projects approved in the Plan for the remainder of the Plan period, including the information outlined in subsections (c)(2)(b)-(d) of this Rule for any capital investment project not approved in the original Plan.

- (3) The number of utility customers disconnected for nonpayment for the three-month period and cumulative rate-year to date.

(k) Continuation of Rates. – If the utility does not have a new general rate case effective at the end of Rate Year Three, the rates in effect at the end of Rate Year Three shall remain in effect, and the utility shall continue to file the reports required under subsection (j) of this rule, until further order of the Commission.

(l) Petition for Addition of Unplanned Emergency Capital Investments – Once a Water and Sewer Investment Plan is approved, the utility may file a petition with the Commission for consideration of the addition of certain Unplanned Emergency Capital Investments to be effective no less than 60 days before the beginning of Rate Year 2 or Rate Year 3. Prior to the effective date of the change in rates for Rate Year 2 or Rate Year 3, the Public Staff shall schedule the request for Commission consideration at the regularly scheduled staff conference and recommend that the Commission issue an order approving, modifying and approving, or rejecting the addition of the Unplanned Emergency Capital Investments to the Plan. A utility's petition must include the following:

- (1) A detailed description including the reason for and scope of each capital investment project.
- (2) The estimated in-service date of each capital investment project.
- (3) The asset account per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts and the annual depreciation rate for each proposed capital investment project.
- (4) Calculations of rate base, as included for Rate Year revenue requirements, by affected rate division, with exhibits setting forth the specific method utilized for the calculations.
- (5) Proposed revenue requirements, pro forma revenues, and base rates for each affected Rate Year by rate division, including supporting calculations and exhibits.
- (6) Proposed Schedule of Rates by affected rate division for each Rate Year.
- (7) A calculation of the proposed percent increase for each Rate Year, if applicable.

(m) Customer Notice. – The notice to customers of the utility's general rate increase application shall include the proposed WSIP and the estimated impact of the charges under the mechanism on the utility's monthly service rates. The notice may be modified if the utility files a Plan only its water or sewer system to reflect that change. The notice shall include the following:

Water and Sewer Investment Plan

This filing also includes a request for approval of a Water and Sewer Investment Plan (WSIP) pursuant to G.S. 62-133.1B and Commission Rule R1-17A. This rate-making mechanism will allow the Company to recover the reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the WSIP. In support of this request, the Company has filed a three-year plan with its application which lists proposed water and sewer capital investment projects, anticipated water and sewer expenses, and the proposed rates to be effective in each year of the WSIP. By law, any rate adjustment allowed under an approved WSIP shall not, on an annual basis for years two and three of the WSIP, exceed five percent of the utility's North Carolina retail jurisdictional gross revenues for the preceding plan year. The Commission may, however, consider the addition of certain unplanned emergency capital investments even if such expenditures would cause the cap to be exceeded.

In this WSIP, the Company has requested that the Commission allow it to recover water service revenues of \$ _____ in year one, \$ _____ in year two, and \$ _____ in year three. If the WSIP is approved without modifications, the average monthly water bill for a typical residential customer (based upon monthly water usage of _____ gallons) would be \$ _____ in year one, \$ _____ in year two, and \$ _____ in year three.

In this WSIP, the Company has requested that the Commission allow it to recover sewer service revenues of \$ _____ in year one, \$ _____ in year two, and \$ _____ in year three. If the WSIP is approved without modifications, the average monthly sewer bill for a typical residential customer (based upon monthly water usage of _____ gallons) would be \$ _____ in year one, \$ _____ in year two, and \$ _____ in year three.

The Commission may eliminate or modify any WSIP approved in this case if it determines that elimination or modification is in the public interest.

**Rule R1-17A PROCEDURE FOR WATER AND SEWER INVESTMENT PLAN
RATE ADJUSTMENTS UNDER G.S. 62-133.1B.**

(a) Purpose. – This rule provides the procedures for the approval and administration of the Water and Sewer Investment Plan mechanism authorized under G.S. 62-133.1B.

(b) Definitions. – As used in this rule, the following definitions shall apply:

- (1) “Performance-based metrics” shall mean standards to measure utility operations and management, including the management of capital investment projects, intended to benefit customers by ensuring the provision of safe, reliable, and cost-effective service by the utility. Metrics may also be standards that are intended to drive utility performance or support Commission policy goals provided that they benefit customers by ensuring the provision of safe, reliable, and cost-effective service. In establishing performance-based metrics, the Commission may consider, at a minimum, operational compliance, customer service, service reliability, and workplace health and safety. Performance-based metrics shall be clearly defined, measurable, and easily verified by stakeholders. The Commission may approve penalties or incentives based on the results of approved metrics. Some metrics may be tracking metrics with or without targets or benchmarks to measure utility achievement.
- (2) “Test Year” or “Base Year” shall mean the 12-month period consistent with the term “Operating Experience” as defined in sub-section (b)(8) of Rule R1-17.
- (3) “Rate Year” shall mean each of the three 12-month periods as approved in a Water and Sewer Investment Plan.
- (3a) “Unplanned Emergency Capital Investments” shall mean capital investments used and useful during a Plan term to address risk of noncompliance with primary drinking water or effluent standards, or to mitigate cyber or physical security risks.
- (4) “Utility” shall mean a water, sewer, or water and sewer public utility.
- (5) “Water and Sewer Investment Plan” or “Plan” shall mean a plan under which the Commission sets base rates and revenue requirements through the banding of authorized returns, and authorizes annual rate changes for a three-year period based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the plan without the need for a base rate proceeding during the plan period.
- (6) “Capital Investment Project” shall mean discrete, stand-alone capital investments or sub-project-level capital activities that have identical attributes for both of the following:
 - a. A detailed description, including the reason for and scope of, each proposed capital investment project; and
 - b. The asset account per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts and the annual depreciation rate for each proposed capital investment project.

(c) Filing Requirements. – A request for a Water and Sewer Investment Plan must be consistent with Rule R1-17 unless otherwise noted in this Section. A utility's application for a Water and Sewer Investment Plan must include the following:

- (1) Identification of the Test Year and three Rate Year periods. The first Rate Year shall begin no later than the first day of the month which includes the end of the statutory suspension period under G.S. 62-134.
- (2) A three-year capital investment plan by rate division that includes the following:
 - a. The estimated costs for all proposed capital investment projects expected to be placed in service in the period starting on the date immediately following the end date specified by the Commission for the update of utility plant in service and continuing through the conclusion of the Plan for which the utility seeks cost recovery through the Plan mechanism.
 - b. A detailed description, including the reason for and scope of, each proposed capital investment project.
 - c. The estimated in-service date of each proposed capital investment project and the related estimated retirements, if applicable.
 - d. The asset account per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts and the annual depreciation rate for each proposed capital investment project.
- (3) Calculations of rate base, as included for Rate Year revenue requirements, by rate division, with exhibits setting forth the specific method utilized for the calculations.
- (4) All proposed expenses expected to be incurred during each Rate Year by rate division including the following:
 - a. Any forecasts, including all calculations and assumptions, of changes in each expense account.
 - b. Justification for any variation from expense levels proposed in the utility's rate case application.
- (5) To the extent an inflation factor is used to forecast costs included in Rate Year revenue requirements, identification of the GDP index and the inflation rate used in such forecasts.
- (6) Proposed revenue requirements, pro forma revenues, and base rates for each Rate Year by rate division, including supporting calculations and exhibits.
- (7) Proposed Schedule of Rates by rate division for each Rate Year.
- (8) A calculation of the proposed percent increase for each Rate Year, if applicable.
- (9) A proposed banding range for the utility's requested rate of return on equity.
- (10) At least one proposed performance-based metric in each of the following categories:
 - a. Operational compliance.
 - b. Customer service.
 - c. Service reliability.
 - d. Workplace health and safety.

(d) Establishment of Annual Revenue Requirement. – The Commission shall establish the annual revenue requirement for each Rate Year of a Water and Sewer Investment Plan. The annual revenue requirement for each Rate Year may include reasonably known and measurable capital investments and anticipated reasonable and prudent expenses, provided the Commission finds the Plan results in rates that are just and reasonable and are in the public interest, and meets the other criteria of G.S. 62-133.1B.

(e) Banding of Authorized Rate of Return on Equity. – The Commission will authorize a rate of return on equity for each Rate Year revenue requirement calculation consistent with the evidence in the record and will set high and low bands for earned rates of return on equity consistent with G.S. 62-133.1B(g). In setting an authorized rate of return on equity for banding of authorized returns pursuant to this Section, the Commission may consider any decreased or increased risk to a utility that may result from having an approved Plan. A utility with an approved Plan may not apply for a general rate increase pursuant to G.S. 62-133 or G.S. 62-133.1 to be effective before the end of the Plan unless the utility's earned rate of return on equity falls below the low-end range of the band established by the Commission.

(f) Modification. – The Commission may, for good cause shown and after an opportunity for hearing, modify or terminate an existing Water and Sewer Investment Plan for circumstances unforeseen at the time the Plan was established if the Commission determines it is in the public interest. Should a Plan modification be authorized that adjusts previously approved tariff rates, the Commission shall prescribe the form of Notice to Customers.

(g) Annual Review. – The Plan shall be subject to the following:

- (1) Within 45 days after the end of each Rate Year, each utility shall file a report, containing the following information for the preceding Rate Year:
 - a. A report of refunds or credits disbursed to customers by month and reconciliation of EMF activity by month during the Rate Year by rate division and rate type, if applicable.
 - b. An analysis, including results, of the performance-based metrics established by the Commission, and the calculation of any applicable incentives or penalties.
 - c. A statement that the utility's earnings during the subject Rate Year of the Plan fell within, exceeded the high-end, or fell below the low-end of the band of authorized rate of returns established by the Commission.
 - d. A statement of rate base based on North Carolina ratemaking depicting a 13-month average balance for the completed Rate Year.
 - e. A calculation of earned rate of return on equity based on a 13-month average of the actual cost of debt applicable to the utility for the completed Rate Year, and the authorized ratios of capital components approved in the utility's last general rate case proceeding.

- f. A schedule of the estimated capital investment projects to be placed in-service during the remaining Rate Years of the Plan, including: total in-service costs, in-service date, applicable rate division, NARUC asset account, and annual depreciation rate.
 - (2) The Public Staff shall review the utility's report and shall file a report detailing its findings and recommendations no later than four months after the end of each Rate Year of the Plan. The utility may respond to the Public Staff's report within 15 days after such filing.
 - (3) When determining the utility's earned rate of return on equity, the Commission may consider pro forma adjustments to the utility's per books capital expenditures, expenses, and revenues. For the purpose of determining whether the rate of return on equity for any Rate Year falls outside of the high and low bands, the earned return on equity shall be calculated based on the capital structure established in the utility's last general rate case, and on a 13-month average of the actual cost of debt.
 - a. If the utility's earned rate of return on equity exceeds the high-end range of the band established by the Commission, the excess earnings shall be refunded to customers as provided in subsection (i) of this rule.
 - b. If the utility's earned rate of return on equity falls below the low-end range of the band established by the Commission, the utility may apply for a general rate increase pursuant to G.S. 62-133 or G.S. 62-133.1.
 - (4) The Commission shall issue an order addressing its findings and making effective any reconciliation or adjustment to the Plan it deems appropriate. Any reconciliation or adjustment ordered by the Commission, including any credit to customers of excess earnings above the high end of the banding of authorized rates of returns on equity established by the Commission, shall remain effective for a 12-month period. Any refund or credit shall be included on customer bills as a separate line item and will not be included in the calculation of earnings performed for annual audit and reconciliation filings.
- (h) Experience Modification Factor. – The experience modification factor (EMF) shall be established when applicable to reconcile the difference between the credit ordered by the Commission pursuant to subsection (i) of this section and the actual credit amount applied to customer bills. If the effective date of Rate Year One is before the date of the Commission's Order approving the Plan, the Commission may establish an EMF to account for a delay between the implementation of Rate Year One tariff rates and the effective date of Rate Year One. The EMF shall remain in effect for the 12-month period unless the true up is included in the excess earnings credit calculation.
- (i) Credit for Excess Earnings. – If the Annual Review determines that the utility earned higher than the authorized high band rate of return on equity for a Rate Year, the Commission will authorize a credit to applicable utility customers.

- (1) The credit shall be included on customer bills as a separate line item and will not be included in the calculation of earnings performed for Annual Review filings.
 - (2) The credit shall be expressed as a percentage carried to two decimal places and shall be applied to the total utility bill of each customer under the utility's applicable service rates and charges.
 - (3) Pursuant to G.S. 62-130(e), any amount to be credited to a utility's customers shall include an amount of interest at such rate as the Commission determines to be just and reasonable, not to exceed the maximum statutory rate.
 - (4) The credit percentage shall be computed by dividing the Total Service Revenues for the following 12 months for which the credit will be in effect by the amount to be credited to customers, inclusive of interest. The credit will be effective no later than the first day of the second month following the Commission order authorizing the credit.
 - (5) In its order authorizing a credit for excess earnings, the Commission shall include a form of Notice to Customers to be issued with customer bills in the first billing cycle the credit is effective.
- (j) Reporting Requirements. – The utility shall make filings addressing each three-month period within the Plan period. The first filing shall be made no later than 45 days after the first three-month period, and subsequent reports shall be made every three months thereafter. Each filing shall contain the following:
- (1) An earnings report consisting of the following:
 - a. A balance sheet and income statement for the three months and twelve months to date for the utility.
 - b. A statement of the per books net operating income for the three months and twelve months to date for each rate division of the utility based on North Carolina ratemaking.
 - c. A statement of rate base at the end of the three months for each rate division of the utility based on North Carolina ratemaking.
 - d. The number of customers, gallons sold, and service revenue for the three months for each rate division by rate type (meter size, flat rate, etc.).
 - (2) A status report which includes by rate division the following information for each capital investment project:
 - a. The costs incurred during the three months.
 - b. The cumulative amount incurred.
 - c. The original and revised estimated total cost for each project.
 - d. The in-service date estimated in the Plan.
 - e. The actual date placed in service or, if not yet placed in service the current estimated placed in-service date.
 - f. A schedule of all changes to the capital investment projects approved in the Plan for the remainder of the Plan period, including the information outlined in subsections (c)(2)(b)-(d) of this Rule for any capital investment project not approved in the original Plan.

- (3) The number of utility customers disconnected for nonpayment for the three-month period and cumulative rate-year to date.

(k) Continuation of Rates. – If the utility does not have a new general rate case effective at the end of Rate Year Three, the rates in effect at the end of Rate Year Three shall remain in effect, and the utility shall continue to file the reports required under subsection (j) of this rule, until further order of the Commission.

(l) Petition for Addition of Unplanned Emergency Capital Investments – Once a Water and Sewer Investment Plan is approved, the utility may file a petition with the Commission for consideration of the addition of certain Unplanned Emergency Capital Investments to be effective no less than 60 days before the beginning of Rate Year 2 or Rate Year 3. Prior to the effective date of the change in rates for Rate Year 2 or Rate Year 3, the Public Staff shall schedule the request for Commission consideration at the regularly scheduled staff conference and recommend that the Commission issue an order approving, modifying and approving, or rejecting the addition of the Unplanned Emergency Capital Investments to the Plan. A utility's petition must include the following:

- (1) A detailed description including the reason for and scope of each capital investment project.
- (2) The estimated in-service date of each capital investment project.
- (3) The asset account per the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts and the annual depreciation rate for each proposed capital investment project.
- (4) Calculations of rate base, as included for Rate Year revenue requirements, by affected rate division, with exhibits setting forth the specific method utilized for the calculations.
- (5) Proposed revenue requirements, pro forma revenues, and base rates for each affected Rate Year by rate division, including supporting calculations and exhibits.
- (6) Proposed Schedule of Rates by affected rate division for each Rate Year.
- (7) A calculation of the proposed percent increase for each Rate Year, if applicable.

(m) Customer Notice. – The notice to customers of the utility's general rate increase application shall include the proposed WSIP and the estimated impact of the charges under the mechanism on the utility's monthly service rates. The notice may be modified if the utility files a Plan only its water or sewer system to reflect that change. The notice shall include the following:

Water and Sewer Investment Plan

This filing also includes a request for approval of a Water and Sewer Investment Plan (WSIP) pursuant to G.S. 62-133.1B and Commission Rule R1-17A. This rate-making mechanism will allow the Company to recover the reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the WSIP. In support of this request, the Company has filed a three-year plan with its application which lists proposed water and sewer capital investment projects, anticipated water and sewer expenses, and the proposed rates to be effective in each year of the WSIP. By law, any rate adjustment allowed under an approved WSIP shall not, on an annual basis for years two and three of the WSIP, exceed five percent of the utility's North Carolina retail jurisdictional gross revenues for the preceding plan year. The Commission may, however, consider the addition of certain unplanned emergency capital investments even if such expenditures would cause the cap to be exceeded.

In this WSIP, the Company has requested that the Commission allow it to recover water service revenues of \$_____ in year one, \$_____ in year two, and \$_____ in year three. If the WSIP is approved without modifications, the average monthly water bill for a typical residential customer (based upon monthly water usage of _____ gallons) would be \$_____ in year one, \$_____ in year two, and \$_____ in year three.

In this WSIP, the Company has requested that the Commission allow it to recover sewer service revenues of \$_____ in year one, \$_____ in year two, and \$_____ in year three. If the WSIP is approved without modifications, the average monthly sewer bill for a typical residential customer (based upon monthly water usage of _____ gallons) would be \$_____ in year one, \$_____ in year two, and \$_____ in year three.

The Commission may eliminate or modify any WSIP approved in this case if it determines that elimination or modification is in the public interest.

NCUC FORM W-1
RATE CASE INFORMATION REPORT

1. In comparative form, a total company income statement, and a balance sheet for the test year and the 12-month period immediately preceding the test year.
2. A trial balance as of the last day of the test year. All income statement accounts should show activity for twelve (12) months showing account number, account title, and amount. Clearly identify accounts maintained on a total company basis and accounts maintained on a jurisdictional basis (indicate jurisdiction). Show the balance in each control account and all underlying subaccounts per company books. Any differences between the amounts contained in this item and Item 1 should be reconciled and explained in sufficient detail.
3.
 - (a) The balances of long-term debt, preferred stock, and common equity capital for each month of the test year.
 - (b) A calculation of the end-of-period long-term debt composite interest and preferred stock costs. Supporting details underlying calculations should be provided.
 - (c) Calculate the average and end-of-period short-term composite interest cost rates. Supply supporting calculations.
 - (d) If the water utility is a wholly-owned subsidiary, please provide the information requested in 3(a), (b), and (c) above, for the subsidiary company, the parent company, and the consolidated company.
4. List each general office account (asset, reserve, and expense accounts) covering the 12 months of the test year. Show the amount allocated to each jurisdiction and a calculation of the factor used to allocate each amount (to be completed by companies operating in more than one state).
5. The following monthly account balances for the test year for total Company and North Carolina:
 - (a) Plant in service (Account 101)
 - (b) Utility plant leased to others (Account 102)
 - (c) Property held for future use (Account 103)
 - (d) Utility plant purchased or sold (Account 104)
 - (e) Construction work in progress (Account 105)
 - (f) Completed construction not classified (Account 106)

- (g) Depreciation reserve (Account 108)
- (h) Plant acquisition adjustment (Account 114)
- (i) Amortization of utility plant acquisition adjustment (Account 115)
- (j) Unamortized investment credit - Pre-Revenue Act of 1971
- (k) Unamortized investment credit - Revenue Act of 1971
- (l) Accumulated deferred income taxes
- (m) Balance in Accounts Payable applicable to amounts included in utility plant in service *
- (n) Balance in Accounts Payable applicable to amounts included in plant under construction*
- (o) Short-term borrowing
- (p) Interest on short-term borrowing (expense)
- (q) Contributions in aid of construction (Account 271)
- (r) Accumulated amortization of CIAC (Account 272)

* If actual is not determinable, provide reasonable estimate.

- 6. A description of the method and frequency of computing and recording interest on customer deposits and the method and frequency of refunding customer deposits.
- 7. The following information for each subdivision or utility system acquired or operated, whether owned or not, since the last rate case:
 - (a) Description of system,
 - (b) Location,
 - (c) Date purchased,
 - (d) Cost,
 - (e) Number of customers currently being served,
 - (f) Maximum number of customers that can be served by wells in place,
 - (g) Maximum number of customers that can be served by water mains in place,

- (h) Maximum number of customers that can be served by storage tanks in place,
 - (i) Maximum number of customers that can be served by sewer mains in place,
 - (j) Maximum number of customers that can be served by sewer treatment plant in place,
 - (k) State whether owned or managed.
8. (a) Schedules in comparative form showing by months for the test year the total company balance in each utility plant and reserve account, or subaccount included in the applicant's chart of accounts as shown in Format 8.
9. (a) The journal entries relating to the purchase of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise since the end of the test period in the last rate case. Also, provide a schedule showing the calculation of the acquisition adjustment at the date of purchase of each item of utility plant, the amortization period, and the unamortized balance at the end of the test year.
- (b) A brief explanation of plant acquisition adjustments currently being amortized to utility operations.
10. (a) The detailed workpapers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate case application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, or proposed rate adjustment which it supports.
- (b) The derivation for end-of-period rates by rate class.
- (c) All the necessary data from which growth factors were derived.
- (d) The backup data from which annual usage was derived for purposes of generating end-of-period revenues.

Note: Any workpapers, calculations, and data provided in Item 10 related to a Water and Sewer Investment Plan under N.C.G.S. § 62-133.1B should be clearly distinguishable from the filing requirements provided for a general rate case under N.C.G.S. § 62-133.1.

11. (a) A schedule showing a comparison of the balance in the North Carolina revenue accounts for each month of the test year to the same month of the preceding year for each revenue account or subaccount included in the applicant's chart of accounts. Include appropriate footnotes to show the month each rate increase was granted and the month the full increase was recorded in the accounts. See Format 11.
12. (a) A schedule showing a comparison of the balance in the North Carolina operating expense accounts for each month of the test year to the same month of the preceding year for each account or subaccount included in the applicant's chart of accounts. See Format 11.

(b) A schedule in comparative form showing the North Carolina operating expense account balance for the test year and each of the three years preceding the test year.
13. The following tax data for the test year for total company and North Carolina:
 - (a) Income taxes:
 1. Reconciliation of book to taxable income and a calculation of the book Federal and state income tax expense for the test year using book taxable income as the starting point.
 2. A copy of Federal and state income tax returns for the taxable year ended during the test year including supporting schedules.
 3. The quarterly gross receipts tax returns for each quarter during the test year.
 - (b) An analysis of North Carolina other operating taxes in the format as shown in Format 13(b) to this request.
 - (c) The calculation of deferred income taxes for the test year. See Format 13(c).
 - (d) A reconciliation of beginning and ending test year accumulated deferred income taxes. See Format 13(d).
 - (e) A calculation of investment tax credits for the test year.
14. (a) A statement describing the applicant's lobbying activities and a schedule showing the name of the individual, his salary, and all company-paid or reimbursed expenses or allowances, and the account charged for all personnel for whom a principal function is that of lobbying, whether it be lobbying on the local, state, or national level.

- (b) A schedule showing the following information regarding the applicant's investments in subsidiaries, joint ventures and, nonutility divisions for the test year and the year preceding the test year with each year shown separately.
1. Name of subsidiary, joint venture or division
 2. Date of initial investment
 3. Amount and type of investment made for each of the two (2) years included in this report.
 4. Balance sheet and income statement for the test year and the year preceding the test year. (Where only internal statements are prepared, furnish copies of these.)
 5. On a separate schedule all dividends or income of any type received by the applicant from its subsidiaries or joint ventures for each of the two (2) year report periods and indicate how this income is reflected in the reports filed with the Commission and the stockholders.
 6. Name of officers of the subsidiaries and joint ventures, officers annual compensation, and portion of compensation charged to the subsidiary or joint venture. Indicate the position each officer holds with the applicant and the compensation received from the applicant.
- (c) A schedule by account of investment, reserves, assets, liabilities, and expenses which are applicable to both utility and nonutility operations. Provide a description of the basis of allocation or assignment of the total amount to utility operations. Provide copies of workpapers showing the calculation of the factors used to allocate or assign total amounts to utility operations. (See Format 14c).
15. A detailed analysis of the retained earnings account for the test period and 12-month period immediately preceding the test period.
 16. The three (3) most recent annual reports to stockholders and subsequent quarterly reports to stockholders.
 17. Employee data for the test year in Format 17 to this request.
 18. The information, as soon as it is known, which would have a material effect on net operating income, rate base, and cost of capital which occurred after the test year and was not incorporated in the filed testimony and exhibits.
 19. A detailed monthly income statement for each month after the test period including the month in which the hearing ends, as they become available.

20. Provide copies of any contracts with developers not already on file with the Commission regarding water or sewer service for new subdivisions or expansions of existing systems.
21. A summary by system of customer or connections since last rate case and tap fees or connection fees collected (summary should be year by year).
22. A summary by system of CIAC other than tap fees or connection fees collected since last rate case (summary should be year by year).
23. A year-by-year summary of any reimbursements or payments made to developers for plant serving new customers.
24. An organizational chart showing office and field personnel.
25. A list of the water and/or sewer systems operated by each field operator.
26. Provide (a) an individual spreadsheet for each service area, which shows the number of actual customers served for each meter type, and the actual usage for each meter type for each month for the 12-month test period specified in its application and (b) a spreadsheet summarizing the total number of active customers and total usage for each billing type for each month for the 12-month test period specified in the application.

If the utility is requesting a Water and Sewer Investment Plan per N.C.G.S. 62-133.1B, the following additional information shall be provided in addition to the information which the utility is required to file by Commission Rule R1-17A as part of an application for approval of a Water and Sewer Investment Plan:

27. (a) Billing determinants for each Rate Year, including supporting calculations and assumptions for growth and consumption adjustments.
- (b) A detailed description of the proposed rate design, including the reason for any variation from the base charges to usage charges ratio the present rates(a).
28. (a) Calculations supporting forecasted composite costs of each cost of capital component.
- (b) Calculations supporting forecasted balances of each cost of capital component.
29. For each performance-based metric authorized in the most recent Plan or proposed in the current application:

- (a) Statement of the category the metric falls within (i.e., operational compliance, customer service, service reliability, or workplace health and safety).
- (b) Explanation of how the metric will ensure the provision of safe, reliable, and cost-effective service by the utility.
- (c) Demonstration of the calculation formula for the metric.
- (d) Results for the Test Year and each of the two prior 12-month periods.

NCUC FORM W-1
RATE CASE INFORMATION REPORT

1. In comparative form, a total company income statement, and a balance sheet for the test year and the 12-month period immediately preceding the test year.
2. A trial balance as of the last day of the test year. All income statement accounts should show activity for twelve (12) months showing account number, account title, and amount. Clearly identify accounts maintained on a total company basis and accounts maintained on a jurisdictional basis (indicate jurisdiction). Show the balance in each control account and all underlying subaccounts per company books. Any differences between the amounts contained in this item and Item 1 should be reconciled and explained in sufficient detail.
3.
 - (a) The balances of long-term debt, preferred stock, and common equity capital for each month of the test year.
 - (b) A calculation of the end-of-period long-term debt composite interest and preferred stock costs. Supporting details underlying calculations should be provided.
 - (c) Calculate the average and end-of-period short-term composite interest cost rates. Supply supporting calculations.
 - (d) If the water utility is a wholly-owned subsidiary, please provide the information requested in 3(a), (b), and (c) above, for the subsidiary company, the parent company, and the consolidated company.
4. List each general office account (asset, reserve, and expense accounts) covering the 12 months of the test year. Show the amount allocated to each jurisdiction and a calculation of the factor used to allocate each amount (to be completed by companies operating in more than one state).
5. The following monthly account balances for the test year for total Company and North Carolina:
 - (a) Plant in service (Account 101)
 - (b) Utility plant leased to others (Account 102)
 - (c) Property held for future use (Account 103)
 - (d) Utility plant purchased or sold (Account 104)
 - (e) Construction work in progress (Account 105)
 - (f) Completed construction not classified (Account 106)

- (g) Depreciation reserve (Account 108)
- (h) Plant acquisition adjustment (Account 114)
- (i) Amortization of utility plant acquisition adjustment (Account 115)
- (j) Unamortized investment credit – Pre-Revenue Act of 1971
- (k) Unamortized investment credit – Revenue Act of 1971
- (l) Accumulated deferred income taxes
- (m) Balance in Accounts Payable applicable to amounts included in utility plant in service *
- (n) Balance in Accounts Payable applicable to amounts included in plant under construction*
- (o) Short-term borrowing
- (p) Interest on short-term borrowing (expense)
- (q) Contributions in aid of construction (Account 271)
- (r) Accumulated amortization of CIAC (Account 272)

* If actual is not determinable, provide reasonable estimate.

- 6. A description of the method and frequency of computing and recording interest on customer deposits and the method and frequency of refunding customer deposits.
- 7. The following information for each subdivision or utility system acquired or operated, whether owned or not, since the last rate case:
 - (a) Description of system,
 - (b) Location,
 - (c) Date purchased,
 - (d) Cost,
 - (e) Number of customers currently being served,
 - (f) Maximum number of customers that can be served by wells in place,
 - (g) Maximum number of customers that can be served by water mains in place,

- (h) Maximum number of customers that can be served by storage tanks in place,
 - (i) Maximum number of customers that can be served by sewer mains in place,
 - (j) Maximum number of customers that can be served by sewer treatment plant in place,
 - (k) State whether owned or managed.
8. (a) Schedules in comparative form showing by months for the test year the total company balance in each utility plant and reserve account, or subaccount included in the applicant's chart of accounts as shown in Format 8.
9. (a) The journal entries relating to the purchase of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise since the end of the test period in the last rate case. Also, provide a schedule showing the calculation of the acquisition adjustment at the date of purchase of each item of utility plant, the amortization period, and the unamortized balance at the end of the test year.
- (b) A brief explanation of plant acquisition adjustments currently being amortized to utility operations.
10. (a) The detailed workpapers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate case application to revenue, expense, investment, and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment, including the reason why each adjustment is required. Explain all components used in each calculation. Index each calculation to the accounting, pro forma, end-of-period, or proposed rate adjustment which it supports.
- (b) The derivation for end-of-period rates by rate class.
- (c) All the necessary data from which growth factors were derived.
- (d) The backup data from which annual usage was derived for purposes of generating end-of-period revenues.

Note: Any workpapers, calculations, and data provided in Item 10 related to a Water and Sewer Investment Plan under N.C.G.S. § 62-133.1B should be clearly distinguishable from the filing requirements provided for a general rate case under N.C.G.S. § 62-133.1.

11. (a) A schedule showing a comparison of the balance in the North Carolina revenue accounts for each month of the test year to the same month of the preceding year for each revenue account or subaccount included in the applicant's chart of accounts. Include appropriate footnotes to show the month each rate increase was granted and the month the full increase was recorded in the accounts. See Format 11.
12. (a) A schedule showing a comparison of the balance in the North Carolina operating expense accounts for each month of the test year to the same month of the preceding year for each account or subaccount included in the applicant's chart of accounts. See Format 11.

(b) A schedule in comparative form showing the North Carolina operating expense account balance for the test year and each of the three years preceding the test year.
13. The following tax data for the test year for total company and North Carolina:
 - (a) Income taxes:
 1. Reconciliation of book to taxable income and a calculation of the book Federal and state income tax expense for the test year using book taxable income as the starting point.
 2. A copy of Federal and state income tax returns for the taxable year ended during the test year including supporting schedules.
 3. The quarterly gross receipts tax returns for each quarter during the test year.
 - (b) An analysis of North Carolina other operating taxes in the format as shown in Format 13(b) to this request.
 - (c) The calculation of deferred income taxes for the test year. See Format 13(c).
 - (d) A reconciliation of beginning and ending test year accumulated deferred income taxes. See Format 13(d).
 - (e) A calculation of investment tax credits for the test year.
14. (a) A statement describing the applicant's lobbying activities and a schedule showing the name of the individual, his salary, and all company-paid or reimbursed expenses or allowances, and the account charged for all personnel for whom a principal function is that of lobbying, whether it be lobbying on the local, state, or national level.

- (b) A schedule showing the following information regarding the applicant's investments in subsidiaries, joint ventures and, nonutility divisions for the test year and the year preceding the test year with each year shown separately.
1. Name of subsidiary, joint venture or division
 2. Date of initial investment
 3. Amount and type of investment made for each of the two (2) years included in this report.
 4. Balance sheet and income statement for the test year and the year preceding the test year. (Where only internal statements are prepared, furnish copies of these.)
 5. On a separate schedule all dividends or income of any type received by the applicant from its subsidiaries or joint ventures for each of the two (2) year report periods and indicate how this income is reflected in the reports filed with the Commission and the stockholders.
 6. Name of officers of the subsidiaries and joint ventures, officers annual compensation, and portion of compensation charged to the subsidiary or joint venture. Indicate the position each officer holds with the applicant and the compensation received from the applicant.
- (c) A schedule by account of investment, reserves, assets, liabilities, and expenses which are applicable to both utility and nonutility operations. Provide a description of the basis of allocation or assignment of the total amount to utility operations. Provide copies of workpapers showing the calculation of the factors used to allocate or assign total amounts to utility operations. (See Format 14c).
15. A detailed analysis of the retained earnings account for the test period and 12-month period immediately preceding the test period.
 16. The three (3) most recent annual reports to stockholders and subsequent quarterly reports to stockholders.
 17. Employee data for the test year in Format 17 to this request.
 18. The information, as soon as it is known, which would have a material effect on net operating income, rate base, and cost of capital which occurred after the test year and was not incorporated in the filed testimony and exhibits.
 19. A detailed monthly income statement for each month after the test period including the month in which the hearing ends, as they become available.

20. Provide copies of any contracts with developers not already on file with the Commission regarding water or sewer service for new subdivisions or expansions of existing systems.
21. A summary by system of customer or connections since last rate case and tap fees or connection fees collected (summary should be year by year).
22. A summary by system of CIAC other than tap fees or connection fees collected since last rate case (summary should be year by year).
23. A year-by-year summary of any reimbursements or payments made to developers for plant serving new customers.
24. An organizational chart showing office and field personnel.
25. A list of the water and/or sewer systems operated by each field operator.
26. Provide (a) an individual spreadsheet for each service area, which shows the number of actual customers served for each meter type, and the actual usage for each meter type for each month for the 12-month test period specified in its application and (b) a spreadsheet summarizing the total number of active customers and total usage for each billing type for each month for the 12-month test period specified in the application.

If the utility is requesting a Water and Sewer Investment Plan per N.C.G.S. 62-133.1B, the following additional information shall be provided in addition to the information which the utility is required to file by Commission Rule R1-17A as part of an application for approval of a Water and Sewer Investment Plan:

27.
 - (a) Billing determinants for each Rate Year, including supporting calculations and assumptions for growth and consumption adjustments.
 - (b) A detailed description of the proposed rate design, including the reason for any variation from the base charges to usage charges ratio the present rates(a).
28.
 - (a) Calculations supporting forecasted composite costs of each cost of capital component.
 - (b) Calculations supporting forecasted balances of each cost of capital component.
29. For each performance-based metric authorized in the most recent Plan or proposed in the current application:

- (a) Statement of the category the metric falls within (i.e., operational compliance, customer service, service reliability, or workplace health and safety).
- (b) Explanation of how the metric will ensure the provision of safe, reliable, and cost-effective service by the utility.
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