

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE

June 21, 2021

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, June 21, 2021, at 10:00 a.m., with Chair Mitchell, presiding. The remote meeting was conducted by use of simultaneous communication (via Webex) pursuant to N.C. Gen. Stat. § 166A-19.24, streamed live online, and available to the public.

The following were present during the entirety of the remote meeting:

COMMISSIONERS

Commissioner Brown-Bland
Commissioner Gray
Commissioner Clodfelter
Commissioner Duffley
Commissioner Hughes
Commissioner McKissick

COMMISSION STAFF: Ms. Fennell, Ms. Jarvis, Ms. Webb-Shackleford, Ms. Duffy, Ms. Barnes, Ms. Hilburn, Ms. Paschal, Ms. Zhang, Ms. Jayasheela, Ms. Burns, Ms. Needham, Mr. Hardy, Mr. McCoy, Mr. Myers, Ms. Blue

PUBLIC STAFF: Ms. Downey, Ms. Culpepper, Mr. Creech, Ms. Edmondson, Ms. Coxton, Mr. Josey, Mr. Maness, Ms. Boswell, Ms. Casselberry, Ms. Darden, Ms. Junis, Mr. Franklin

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

D. ELECTRIC**P1. DOCKET NO. E-7, SUBS 487, 828, 1026, AND 1146 – DUKE ENERGY CAROLINAS, LLC – EXISTING DSM PROGRAM COSTS ADJUSTMENT RIDER**

On April 1, 2021, Duke Energy Carolinas, LLC (DEC or the Company), made a filing proposing its annual change to the Existing DSM Program Rider (EDPR), based on the December 31, 2020, legacy demand-side management (DSM) deferral account balance. The Company requested that the new EDPR be effective beginning July 1, 2021.

An EDPR was first approved in DEC's general rate case in Docket No. E-7, Sub 828 (Sub 828 Order), and the Commission has continued to approve the EDPR mechanism in DEC's subsequent general rate cases. The EDPR reflects the inclusion in DEC's approved base rates of a per kilowatt-hour (kWh) amount specifically intended to recover the costs of certain legacy DSM and energy efficiency (EE) programs existing as of the date of the Sub 828 Order. The EDPR is adjusted annually to true up the difference between the applicable base rate amount in effect and the actual cost of the legacy DSM and EE programs incurred during the then most recent calendar year. In its April 1, 2021 filing, DEC indicated that during calendar year 2020, the applicable base rate amount was 0.0067 cents per kWh,¹ as reaffirmed pursuant to the Commission's June 25, 2019, Order in general rate case Docket No. E-7, Sub 1146.

In its April 1, 2021 filing, DEC proposed to replace the existing EDPR decrement rider amount of (0.0007) cents per kWh (excluding the regulatory fee),² with a new decrement rider amount of (0.0019) cents per kWh (excluding the regulatory fee), to be effective on and after July 1, 2021.

The base existing DSM program cost amount of 0.0067 cents per kWh will remain in place following Commission approval of the new EDPR pursuant to the current filing. Adjusting for the regulatory fee does not result in a change to either the base amount or the rider amount proposed in this proceeding. Therefore, the proposed net change to the EDPR, relative to the currently approved amount, including all rate adders, is the difference between the proposed decrement rider, including the regulatory fee, of (0.0019) cents per kWh, and the current decrement rider, including the regulatory fee, of (0.0007) cents per kWh, or a net rate decrease of 0.0012 cents per kWh.

The Public Staff has reviewed DEC's calculation of the amended proposed EDPR, including the supporting workpapers submitted with the filing and information provided by DEC in response to Public Staff data requests. Based on its review, the Public Staff determined that the proposed rate decrement is reasonable. Therefore, the Public Staff recommends that DEC's proposed EDPR be approved, effective for the period July 1, 2021, through June 30, 2022.

¹ Except as otherwise indicated, all rates are excluding the North Carolina regulatory fee.

² The existing EDPR decrement rider was allowed to become effective as of July 1, 2020, pursuant to Commission Order in these dockets.

The Public Staff recommended that the Commission issue the proposed order approving DEC's proposed EDPR effective July 1, 2021, through June 30, 2022.

It was moved and passed that the Public Staff's recommendation be adopted.

P2. DOCKET NO. E-7, SUB 1026 – DUKE ENERGY CAROLINAS, LLC – BPM NET REVENUES AND NON-FIRM POINT-TO-POINT TRANSMISSION REVENUES ADJUSTMENT RIDER

On May 3, 2021, Duke Energy Carolinas, LLC (DEC or the Company), filed a proposed Bulk Power Marketing (BPM) True-up Rider and a BPM Prospective Rider, to be effective for the period July 1, 2021, through June 30, 2022.¹ The purpose of the BPM Prospective Rider and the BPM True-up Rider is to flow back to DEC's North Carolina retail customers their jurisdictionally allocated share of 90% of the Company's BPM Net Revenues and 100% of its Non-Firm Point-to-Point Transmission (NFPTP) Revenues, on a prospective basis and subsequently on a trued-up basis. As reflected in the May 3 filing, the proposed BPM True-up Rider consists of a rate increment of 0.0013 cents per kilowatt-hour (kWh), based on a comparison of DEC's actual BPM Net Revenues and NFPTP Revenues earned in calendar year 2020 with the amounts credited to North Carolina retail customers during 2020 for those two categories. In the filing, DEC also proposed a BPM Prospective Rider consisting of a rate decrement of (0.0127) cents per kWh.

The proposed increment BPM True-up Rider of 0.0013 cents per kWh, if approved, will replace the existing decrement BPM True-up Rider of (0.0049) cents per kWh approved by the Commission in its Order issued June 15, 2020, in Docket No. E-7, Sub 1026. The proposed decrement BPM Prospective Rider of (0.0127) cents per kWh, if approved, will replace the current BPM Prospective Rider decrement of (0.0129) cents per kWh included in base rates. The sum of the proposed BPM Prospective Rider and BPM True-up Rider, including the regulatory fee, is a rate decrement of (0.0114) cents per kWh, which is an increase of 0.0064 cents per kWh from the existing combined rider decrement of (0.0178) cents per kWh, including the regulatory fee, approved in 2020.

A BPM/NFPTP Rider was first approved by the Commission on December 20, 2007, in DEC's general rate case in Docket No. E-7, Sub 828, and the Commission has continued to approve the BPM/NFPTP mechanism in subsequent general rate cases. Under the mechanism, 90% of the allocated North Carolina retail portion of DEC's BPM Net Revenues and 100% of the similarly allocated NFPTP Revenues are flowed through to the benefit of the Company's North Carolina retail customers. The annual rider was established to true up the difference between the actual amounts calculated to be flowed through pursuant to those allocations and percentages and the amounts included in base rates for that purpose, as calculated for the then most recent calendar year.

¹ Except as otherwise indicated, all proposed rates exclude the North Carolina regulatory fee.

In its 2013 general rate case order in Docket No. E-7, Sub 1026 (Sub 1026 Order), the Commission reaffirmed the 90% and 100% allocations, and also reaffirmed that the true-up process would continue. Additionally, the Sub 1026 Order directed that (1) the decrement amounts recovered in base rates would be prospectively implemented in the form of a continuing decrement rider (BPM Prospective Rider), which would be subject to modification in each annual rider adjustment proceeding; (2) the annual true-up for the most recent calendar year (the BPM True-up Rider) would continue; and (3) the return on any over- or under-recovery included as part of the BPM True-up Rider would be calculated using a rate of return equal to 50% of the after-tax rate of return then approved by the Commission. The BPM Prospective Rider is calculated annually based on projected BPM and NFPTP transmission revenues and expected kWh sales.

According to DEC's May 3, 2021 filing, the proposed BPM True-up Rider is calculated by dividing the North Carolina retail BPM and NFPTP Revenues Adjustment of \$735,751 (the difference between 2020 actual BPM and NFPTP revenues and the collected 2020 BPM Prospective Rider decrements, plus a return on deferred revenues) by projected North Carolina retail sales of 58,271,470,000 kWh for the period July 2021 - June 2022. The resulting BPM True-up Rider amount is a rate increment of 0.0013 cents per kWh. The proposed BPM Prospective Rider is calculated by dividing the North Carolina retail BPM and NFPTP forecasted calendar year 2021 revenue to share of \$(7,342,000) by projected North Carolina retail calendar year 2021 sales of 57,928,369,000 kWh.

The Public Staff has reviewed DEC's calculation of the Riders, including the supporting workpapers submitted with the filings and information provided by the Company in response to Public Staff data requests. Based on its review, the Public Staff has determined that the proposed riders are reasonable. Therefore, the Public Staff recommends that DEC's proposed increment BPM True-up Rider of 0.0013 cents per kWh (including the regulatory fee²), and proposed new decrement BPM Prospective Rider of (0.0127) cents per kWh (including the regulatory fee²), be approved, to become effective on July 1, 2021, as proposed.

The Public Staff recommended that the Commission issue the proposed order approving DEC's proposed BPM True-up Rider and BPM Prospective Rider, effective for the period July 1, 2021, through June 30, 2022.

It was moved and passed that the Public Staff's recommendation be adopted.

² Including the North Carolina regulatory fee does not change in the Riders proposed in this case.

E. WATER**P1. DOCKET NO. W-1300, SUB 68 – OLD NORTH STATE WATER COMPANY, LLC – NOTIFICATION OF INTENTION TO BEGIN WATER UTILITY OPERATIONS IN CONTIGUOUS SERVICE AREA**

On July 14, 2020, Old North State Water Company, LLC (Old North State), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in Phases 2 and 3 of Mornington Subdivision, in Wake County, North Carolina. On November 17, 2020, Old North State filed an amendment to the Notification. Phases 2 and 3 of Mornington Subdivision are contiguous to Old North State's Phase 1 of Mornington Subdivision service area, formerly Ellington Meadows Subdivision. Old North State proposes to charge the rates currently approved for the service area.

Old North State does not presently serve any water customers in Phases 2 and 3 of the Mornington Subdivision. Old North State expects to eventually serve 43 residential customers in Phases 2 and 3 of the Mornington Subdivision. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued plan approval letters for Phases 2 and 3 of Mornington Subdivision, part of Water System No. NC4092153. The plans for Phases 2 and 3 of Mornington Subdivision are approved under serial number 19-00619, dated October 2, 2019 and under serial number 20-00034, dated February 25, 2020, respectively.

Old North State has entered into an Agreement for Water Service dated July 7, 2015, with 5908-5909 Rock Service Station Rd, LLC (Developer), under which the Developer is installing the water utility system. Old North State is requesting a meter installation fee of \$70 and a connection fee of \$500 per single family equivalent unit (SFRE) for water service, to be paid one time by the builder or person first requesting service to a particular lot. Old North State is purchasing the water system for \$1,000 per residential equivalent unit (REU) from Developer, payable quarterly based upon the number of water service meters installed during the previous quarter. Pursuant to the Commission's August 26, 2019 Order in Docket No. W-100, Sub 57, a utility is not required to collect income tax on CIAC from a contributor unless contributions were contracted for on or after October 5, 2018.

Old North State presently holds water franchises serving approximately 1,688 customers and wastewater franchises serving approximately 4,404 customers in North Carolina. Old North State's record of service is satisfactory.

Old North State has filed all exhibits required with the application.

Based on the foregoing, the Public Staff is of the opinion that Old North State has the technical, managerial, and financial capacity to provide water utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension of Phases 2 and 3 of Mornington Subdivision. Old North State currently has \$600,000 of bonds posted with the Commission. Of this amount, \$560,000 of bond surety is assigned to specific subdivisions, and \$40,000 of bond surety is unassigned.

The Public Staff recommended that the Commission issue the corrected proposed order recognizing the contiguous extension and approving rates.

It was moved and passed that the Public Staff's recommendation be adopted.

**P2. DOCKET NO. W-1300, SUB 74 – OLD NORTH STATE WATER COMPANY, LLC
– NOTIFICATION OF INTENTION TO BEGIN WATER UTILITY OPERATIONS
IN CONTIGUOUS SERVICE AREA**

On March 29, 2021, Old North State Water Company, LLC (Old North State), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in Phases 2 and 3 of Kanata Mills Subdivision, in Wake County, North Carolina. Phases 2 and 3 of Kanata Mills Subdivision is contiguous to Old North State's Phase 1 of Kanata Mills Subdivision service area. Old North State proposes to charge the rates currently approved for the service area.

Old North State does not presently serve any water customers in Phases 2 and 3 of Kanata Mills Subdivision. Old North State expects to eventually serve 84 residential customers in Phases 2 and 3 of Kanata Mills Subdivision. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Phases 2 and 3 of Kanata Mills Subdivision, part of Water System No. NC4092145. The plans are approved under serial number 16-00928, dated February 20, 2017.

Old North State has entered into an Agreement for Water Service dated March 1, 2016, with GHD-Camp Kanata, LLC (Developer), under which the Developer is installing the water utility system. Old North State is requesting a meter installation fee of \$70 and a connection fee of \$500 per single family equivalent unit (SFRE) for water service, to be paid one time by the builder or person first requesting service to a particular lot. Old North State is purchasing the water system for \$1,000 per residential equivalent unit (REU) from Developer, payable quarterly based upon the number of water service meters installed during the previous quarter. Pursuant to the Commission's August 26, 2019 Order in Docket No. W-100, Sub 57, a utility is not required to collect income tax on CIAC from a contributor unless contributions were contracted for on or after October 5, 2018.

Old North State presently holds water franchises serving approximately 1,688 customers and wastewater franchises serving approximately 4,404 customers in North Carolina. Old North State's record of service is satisfactory.

Old North State has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Old North State has the technical, managerial, and financial capacity to provide water utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension of Phases 2 and 3 of Kanata Mills Subdivision. Old North State currently has \$600,000 of bonds posted with the Commission. Of this amount, \$560,000 of bond surety is assigned to specific subdivisions, and \$40,000 of bond surety is unassigned.

The Public Staff recommended that the Commission issue the corrected proposed order recognizing the contiguous extension and approving rates.

It was moved and passed that the Public Staff's recommendation be adopted.

P3. DOCKET NO. W-1305, SUB 10 – PLURIS HAMPSTEAD, LLC – APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

On August 7, 2018, Pluris Hampstead, LLC (Pluris Hampstead), filed an Application for a Certificate of Public Convenience and Necessity (CPCN) to provide sewer utility service at 16621, 16579, and 16581 US Highway 17 (Live Oak Development), Hampstead, Pender County, North Carolina, and for approval of rates. The service areas are shown on plans filed with the application.

Pluris Hampstead is billing three customers its current commercial rate approved for its other service areas in Docket No. W-1305, Sub 12, effective November 13, 2020.

The North Carolina Department of Environmental Quality, Division of Water Resources has issued Permit No. WQ0040179, dated August 15, 2018, to Live Oak Development, LLC (Developer), for the construction and operation of a 20 gallon per minute (gpm) lift station and wastewater collection extension to serve a warehouse as part of the Live Oak Development project, and for the discharge of 350 gpd of wastewater into Pluris Hampstead's existing sewerage system.

Pluris Hampstead has entered into an Agreement for Sanitary Sewer Service (Agreement), dated November 19, 2019, with the Developer, by which the Developer will construct and install all of the sewer collection facilities at no charge to Pluris Hampstead. The Developer will pay a non-refundable sewer connection fee of \$3,200 per three-bedroom single-family equivalent (SFE) and an additional \$1,067 for each additional bedroom beyond a SFE. The total amount would be \$9,600.

On March 31, 2021, Pluris Hampstead filed an Agreement to Convey Lift Station and Facilities, and Grant Easements, with the Developer, dated July 1, 2020, completing its application.

On August 26, 2019, in Docket No. W-100, Sub 57, the Commission issued its Order Addressing Federal Income Taxes on Contributions in Aid of Construction. Ordering Paragraph No. 2 of that Order provides that "all certificated water and wastewater companies shall collect from contributors the income tax on [Contributions in Aid of Construction] for new contributions contracted for on or after October 5, 2018 using the full gross-up method." The Agreement between Pluris Hampstead and the Developer was executed on November 11, 2019. Developer has paid \$700 in income taxes on Contributions in Aid of Construction, with a remaining balance of \$1,198 to be paid by Developer.

Pluris Hampstead holds wastewater franchises serving approximately 436 residential and 69 commercial customers in North Carolina, and its record of service is satisfactory.

Pluris Hampstead has filed all exhibits required with the application.

The Public Staff is of the opinion that Pluris Hampstead has the technical, managerial, and financial capacity to provide sewer utility service at 16621, 16579, and 16581 US Highway 17, Hampstead, Pender County, North Carolina, and recommends approval of the CPCN.

The Public Staff recommends that the Commission require posting of bond in the amount of \$10,000. Pluris Hampstead currently has \$500,000 of bonds posted with the Commission. Of this amount, \$295,000 of bond surety is assigned to specific subdivisions, and \$205,000 of bond surety is unassigned.

The Public Staff recommended that the Commission issue the modified proposed order granting the franchise and approving Pluris Hampstead's proposed rates.

It was moved and passed that the Public Staff's recommendation be adopted.

P4. DOCKET NO. W-1305, SUB 16 – PLURIS HAMPSTEAD, LLC – APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

On February 3, 2020, Pluris Hampstead, LLC (Pluris Hampstead), filed an Application for a Certificate of Public Convenience and Necessity (CPCN) to provide sewer utility service at 1015 Island Creek Road (Pender County EMS), Rocky Point, Pender County, North Carolina, and for approval of rates. The service area is shown on plans filed with the application.

Pluris Hampstead is proposing to bill the customer the current commercial rate approved for Pluris Hampstead's other service areas in Docket No. W-1305, Sub 12, effective November 13, 2020.

The North Carolina Department of Environmental Quality, Division of Water Resources (DWR) has issued Permit No. WQ0041079, dated September 11, 2019, to Pender EMS, for the construction and operation of a 25 gallon per minute (gpm) lift station and approximately 240 linear feet (LF) of 2-inch force main as part of the Island Creek Fire Station project and the discharge of 350 gpd of collected wastewater into Pluris Hampstead's existing sewerage system.

DWR also issued Permit No. WQ0041078, dated September 11, 2019, to Pluris Hampstead, LLC, for approximately 1,060 LF of 2-inch force main as part of the Island Creek Fire Station project with no discharge (flow allocated in private WQ0041079) of collected wastewater into Pluris Hampstead's existing sewerage system.

Pender EMS has satisfied Pluris Hampstead's requirements for sewer service and was provided a Sewer Service Permit by Pluris Hampstead on September 25, 2019. Pender EMS paid the approved tap fee of \$3,200 per single family equivalent (SFE) for one commercial taps. The lift station is the responsibility of Pender EMS.

On August 26, 2019, in Docket No. W-100, Sub 57, the Commission issued its Order Addressing Federal Income Taxes on Contributions in Aid of Construction. Ordering Paragraph No. 2 of that Order provides that "all certificated water and wastewater companies shall collect from contributors the income tax on [Contributions in Aid of Construction] for new contributions contracted for on or after October 5, 2018 using the full gross-up method." The Sewer Service Permit between Pluris Hampstead and Pender EMS was executed on September 25, 2019, and on October 18, 2019, Pluris Hampstead collected \$949 from Pender EMS for the gross-up taxes on Contributions in Aid of Construction.

Pluris Hampstead holds wastewater franchises serving approximately 436 residential and 69 commercial customers in North Carolina, and its record of service is satisfactory.

Pluris Hampstead has filed all exhibits required with the application.

The Public Staff is of the opinion that Pluris Hampstead has the technical, managerial, and financial capacity to provide sewer utility service at 1015 Island Creek Drive, Rocky Point, Pender County, North Carolina, and recommends approval of the CPCN.

The Public Staff recommends that the Commission require posting of bond in the amount of \$10,000. Pluris Hampstead currently has \$500,000 of bonds posted with the Commission. Of this amount, \$305,000 of bond surety is assigned to specific subdivisions, and \$195,000 of bond surety is unassigned.

The Public Staff recommended that the Commission issue the modified proposed order including the Public Staff's changes granting the franchise and approving Pluris Hampstead's proposed rates.

It was moved and passed that the Public Staff's recommendation be adopted.

Minutes of the Regular Commission Staff Conference of June 14, 2021, were approved.

Minutes prepared by Portia Barnes.