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August 29, 2022

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street, Room 5063
Raleigh, NC 27603

Via Electronic Submittal

**Re: In the Matter of Joint Application by Pluris Hampstead, LLC for Authority to Acquire the Sewer Utility Systems Serving Majestic Oaks and Hampstead Shopping Center, Southside Commons (formerly Grey Bull), Majestic Oaks West, and Salter's Haven at Lea Marina in Pender County, North Carolina, from Old North State Water Company, Inc. and Approval of Rates
Docket Nos. W-1300, Sub 69 and W-1305, Sub 29
Settlement Agreement and Stipulation (Public – Redacted)**

Dear Ms. Dunston:

On behalf of Old North State Water Company (ONSWC), Pluris Hampstead, LLC (Pluris) and Public Staff - North Carolina Utilities Commission (Public Staff), I herewith submit the Public – Redacted Settlement Agreement and Stipulation in the above referenced matter and docket.

If you should have any questions concerning this filing, please let me know.

Thank you and your staff for your assistance.

Sincerely,
/s/ David T. Drooz
David T. Drooz
Attorney for
Old North State Water Company, Inc.

pbb

A Pennsylvania Limited Liability Partnership

California Colorado Delaware District of Columbia Florida Georgia Illinois Minnesota Nevada
New Jersey New York North Carolina Pennsylvania South Carolina Texas Virginia Washington

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Sep 15 2022



Fox Rothschild LLP
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Ms. A. Shonta Dunston
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Enclosure

cc: Parties and Counsel of Record
NC Public Staff

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Sep 15 2022

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

Docket No. W-1300, Sub 69

Docket No. W-1305, Sub 29

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Joint Application by Pluris Hampstead,)	
LLC 5950 Berkshire Lane, Suite 800,)	
Dallas, Texas, 75225, for Authority to)	
Acquire the Sewer Utility Systems)	PUBLIC - REDACTED
Serving Majestic Oaks and Hampstead)	SETTLEMENT AGREEMENT AND
Shopping Center, Southside Commons)	STIPULATION
(formerly Grey Bull) Majestic Oaks)	
West, and Salter's Haven at Lea Marina)	
in Pender County, North Carolina, from)	
Old North State Water Company, LLC,)	
and Approval of Rates)	

Pluris Hampstead, LLC (Pluris), Old North State Water Company, Inc. (ONSWC)¹, and the Public Staff – North Carolina Utilities Commission (Public Staff) (collectively, the Stipulating Parties), through counsel and pursuant to N.C. Gen. Stat. § 62-69 and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), respectfully submit the following Settlement Agreement and Stipulation (Stipulation) for consideration by the Commission in this proceeding. The Stipulating Parties hereby stipulate and agree as follows:

I. BACKGROUND

1. On October 9, 2020, ONSWC and Pluris filed an Application for Transfer of Public Utility Franchises and for Approval of Rates (Joint Application). The Joint

¹ ONSWC was a limited liability company at the time Pluris and ONSWC entered into the original Asset Purchase Agreement relating to the transaction that is the subject of these dockets. ONSWC converted from a limited liability company to a corporation in July 2022.

Application relates to the transfer of sewer utility service areas consisting of the real estate developments commonly known as Majestic Oaks, Majestic Oaks West, Forest Sound (f/k/a Southside Commons f/k/a Grey Bull), and Salter's Haven at Lea Marina, all of which are located in Pender County, North Carolina. ONSWC serves the Majestic Oaks development and Hampstead Shopping Center (collectively, Majestic Oaks) pursuant to the Certificate of Public Convenience and Necessity (CPCN) issued to it in Docket No. W-1300, Sub 0, as amended in Docket No. W-1300, Sub 3; ONSWC serves the Majestic Oaks West development (Majestic Oaks West) pursuant to ONSWC's Notification of Intention To Begin Operations In Area Contiguous to Present Service Area (Notification of Contiguous Extension), and the Commission's Order Recognizing Contiguous Extension in Docket No. W-1300, Sub 30; ONSWC serves the Salters Haven at Lea Marina development, Phases 1 and 2 (Salter's Haven), pursuant to ONSWC's Notification of Contiguous Extension and the Commission's Order Recognizing Contiguous Extension in Docket No. W-1300, Sub 56; and ONSWC serves the Forest Sound (f/k/a Southside Commons f/k/a Grey Bull) (Forest Sound) development pursuant to the CPCN issued to it in Docket No. W-1300, Sub 20. The Majestic Oaks, Majestic Oaks West, Salter's Haven Phases 1 and 2, and Forest Sound developments are collectively referred to as the "Transfer Areas."

2. On January 8, 2021, Pluris amended the Joint Application to confirm that Pluris requests approval to use ONSWC's current residential wastewater flat rate of \$56.40 per month, as approved by the Commission in Docket Nos. W-1300, Sub 11 and M-100, Sub 138, and provided additional documentation in support of the Joint Application.

3. On January 27, 2021, Pluris filed supplemental documents in support of the Joint Application, including the Asset Purchase Agreement (APA) between Pluris and

ONSWC entered into on September 11, 2020. The APA provides that Pluris will purchase from ONSWC specific wastewater utility assets that are or will be used to serve the properties in the Transfer Areas.

4. On February 9, 2021, the Commission issued its Order Requiring Customer Notice in these dockets (Notice Order). In the Notice Order, the Commission concluded that the notice to customers required by that Order would communicate to customers that the Commission may decide this matter on the filings and approve the franchise transfers without scheduling a hearing, if no significant protests are filed with the Commission.

5. On February 19, 2021, Pluris filed its notarized Certificate of Service with the Commission, which documented that the required notice to customers was mailed to all customers, as required by the Notice Order, on February 18, 2021.

6. On March 8, 2021, WLI Investments, LLC (WLI) petitioned to intervene in these dockets based on its dispute as to certain terms in the Agreement between ONSWC and WLI entered into in December of 2018, and filed in Docket No. W-1300, Sub 56. WLI was allowed to intervene by Commission Order issued on March 11, 2021.

7. On March 12, 2021, an ONSWC customer, Mr. Jim Hutchinson, emailed the Public Staff pursuant to the Notice Order to “officially protest the rate increase for my sewer service in Majestic Oaks West, Hampstead NC.” No other customer protests have been filed with the Commission relating to the Joint Application or these dockets.

8. On March 17, 2021, ONSWC filed a Motion to Allow Bulk Wastewater Treatment, requesting that the Commission allow Pluris to provide bulk wastewater treatment service to ONSWC for the Transfer Areas due to environmental regulatory

compliance issues with ONSWC's existing Majestic Oaks wastewater treatment plant (Majestic Oaks WWTP) serving the Transfer Areas.

9. On March 23, 2021, ONSWC filed a response to WLI's Petition to Intervene.

10. On April 6, 2021, the Commission issued its Order Granting Motion and Approving Bulk Service Rate, whereby it granted ONSWC's motion and approved ONSWC's request that Pluris be allowed to provide bulk wastewater treatment to ONSWC for the Transfer Areas and approved the proposed rate for provision of such service by Pluris.

11. On April 7, 2021, WLI responded to ONSWC's filing regarding WLI's petition to intervene and the underlying contractual dispute.

12. On April 15, 2021, Pluris filed a letter regarding the WLI contractual dispute.

13. On April 19, 2021, ONSWC made a second filing regarding the WLI contractual dispute.

14. On June 21, 2021, Pluris made a filing informing the Commission that pursuant to the Commission's April 6, 2021 Order, Pluris had begun providing bulk wastewater treatment to ONSWC for the Transfer Areas as of May 25, 2021.

15. On September 28, 2021, the Commission issued its Order Recognizing Contiguous Extension and Approving Rates as to ONSWC's Notification of Contiguous Extensions in Docket Nos. W-1300, Subs 30 (Majestic Oaks West) and 56 (Salter's Haven, Phases 1 and 2).

16. Also on September 28, 2021, the Commission issued its Order Granting Franchise and Approving Rates to ONSWC for the Forest Sound service area in Docket No. W-1300, Sub 20.

17. Also on September 28, 2021, the Public Staff filed recommendations regarding conditions for the decommissioning of the wastewater effluent infiltration ponds, to which ONSWC has agreed, and the amount of bond to be posted by Pluris for the Transfer Areas.

18. On December 9, 2021, WLI filed a Case Status Report and Motion to Stay Proceedings as to the Joint Application in these dockets.

19. On January 3, 2022, WLI filed a Complaint and Petition for Declaratory Ruling against Pluris and ONSWC in Docket Nos. W-1305, Sub 35 and W-1300, Sub 77 (WLI Complaint Proceeding).

20. On January 4, 2022, WLI filed a Petition to Intervene and Motion for Reconsideration in Docket No. W-1300, Sub 56, which sought reconsideration of the Commission's Order recognizing ONSWC's Notification of Contiguous Extension as to Salter's Haven, Phases 1 and 2, issued in that docket on September 28, 2021.

21. On January 11, 2022, the Commission *sua sponte* issued its Order Denying WLI's Petition to Intervene and Finding Motion for Reconsideration Moot in Docket No. W-1300, Sub 56.

22. On January 18, 2022, Pluris and ONSWC filed their Joint Response to Status Report and Motion to Stay and Joint Motion for Approval of Transfer in these dockets.

23. Also on January 18, 2022, Pluris and ONSWC filed their Answer and Motion to Dismiss as to WLI's Complaint and Petition for Declaratory Ruling against Pluris and ONSWC in Docket Nos. W-1305, Sub 35 and W-1300, Sub 77.

24. On February 17, 2022, the Public Staff filed with the Commission a letter received by the Public Staff dated February 14, 2022 from Morella Sanchez King, PhD, P.E., Regional Supervisor for the Division of Water Resources, Water Quality Regional Operations Section of the North Carolina Department of Environmental Quality (NCDEQ), attached hereto as Exhibit 1 and incorporated herein by reference. That letter notified the Public Staff that "NCDEQ strongly supports approval of this acquisition by Pluris, due to the condition of this aged ONSWC WWTP and its related facilities, including existing disposal ponds onsite, all located within this residential community." In addition, that letter states that the Majestic Oaks WWTP "has been the subject of numerous violations and NCDEQ considers this to be a troubled system."

25. On August 11, 2022, ONSWC and Pluris supplemented the support for the Joint Application by filing an Amended Asset Purchase Agreement (Amended APA). The Amended APA amends the amount of the purchase price and the terms for conveyance of the connection fees in the APA. Specifically, the Amended APA provides that the purchase price to be paid by Pluris to ONSWC at closing for the purchased wastewater utility assets is [REDACTED] and that ONSWC shall deliver to Pluris at closing all connection fees received by ONSWC after February 22, 2022, relating to the Transfer Areas.

II. STIPULATION AND AGREEMENT OF THE STIPULATING PARTIES

The Stipulating Parties agree and stipulate as follows:

A. Pursuant to the APA and Amended APA, ONSWC will retain ownership of the Majestic Oaks WWTP, the land where the Majestic Oaks WWTP is located (except for the Lift Station Tract and easements for utility facilities to be conveyed to Pluris), all adjacent structures, and all ponds associated with the Majestic Oaks WWTP and its operation located on land owned by ONSWC, including upset ponds, high-rate infiltration ponds, and other ponds. Under the APA and Amended APA, ONSWC is responsible for decommissioning and removing the Majestic Oaks WWTP and the site where it is located, as well as all associated ponds, basins, and property.

B. Pluris constructed, owns, and operates an advanced Membrane Bio-Reactor (MBR) wastewater treatment plant in Hampstead, North Carolina. Pluris plans to treat all wastewater from the Transfer Areas at its MBR plant. Due to environmental compliance issues at the Majestic Oaks WWTP, and for the reasons set forth in ONSWC's Motion to Allow Bulk Wastewater Treatment, Pluris expedited its construction of the lift station and interconnection facilities necessary to deliver wastewater from the Transfer Areas to Pluris' MBR plant for treatment. Pursuant to the Order Granting Motion and Approving Bulk Service Rate issued in these dockets, Pluris has been receiving and treating all wastewater generated in the Transfer Areas since May 25, 2021.

C. Due to the large amount of the connection fees/contributions in aid of construction (CIAC) collected by ONSWC from the Transfer Areas since the Joint Application was filed about two and one-half years ago, the residual original cost net

investment in the facilities relating to the Transfer Areas to be acquired by Pluris has been reduced so that there is no rate base in the facilities.

D. Pursuant to Section 2.04 of the Amended APA and as a result of arm's length negotiations between ONSWC and Pluris, Pluris is purchasing the wastewater utility assets described in Section 2.02 of the Amended APA for [REDACTED]

[REDACTED] As a general proposition, when a public utility buys assets that have previously been dedicated to public service as utility property, the acquiring utility is entitled to include in rate base the lesser of the purchase price or the net original cost of the acquired facilities owned by the seller at the time of the transfer. *See* Order Approving Transfer and Denying Acquisition Adjustment issued on January 6, 2000 in Docket No. W-1000, Sub 5; *see also* In re Carolina Water Service, Inc., of North Carolina, Docket Nos. W-354, Subs 74, 79, 81. The Stipulating Parties recognize that the Commission has indicated "a strong general policy against the inclusion of acquisition adjustments in rate base subject to exceptions in appropriate cases." *See* Order Approving Transfer and Denying Acquisition Adjustment issued on January 6, 2000 in Docket No. W-1000, Sub 5. The Stipulating Parties agree that the transfer of the Transfer Areas from ONSWC to Pluris presents an exceptional situation that warrants an exception to the general policy against including acquisition adjustments in rate base. ONSWC and Pluris have demonstrated that an acquisition adjustment of \$228,770 in the facilities relating to the Transfer Areas to be acquired by Pluris is prudent, appropriate, and in the public interest. Specifically, the acquisition adjustment of \$228,700 is prudent, appropriate, and in the public interest because the Majestic Oaks WWTP, which served all Transfer Areas, is a significantly troubled system; the acquisition adjustment will provide substantial

benefits to all customers and the Transfer Areas, and those benefits outweigh the cost of including a portion of the acquisition premium in rate base; and the agreement as to the acquisition adjustment is the result of arm's length bargaining among the Stipulating Parties.² The Stipulating Parties provide the following information demonstrating that the \$228,770 acquisition adjustment is prudent, appropriate, and in the public interest, such

² In the Commission's Order Approving Transfer, Acquisition Adjustment, and Maintaining Current Rates issued on April 30, 1997 for Heater Utilities, Inc.'s acquisition of the Hardscrabble Plantation water utility system in Docket No. W-274, Sub 12, the Commission found and concluded that the test for determining whether an acquisition adjustment should be allowed in rate base is the following three-prong test: (1) the benefit to ratepayers should outweigh the cost of inclusion in rate base of the excess purchase price; (2) system deficiencies would go unaddressed if not for the acquisition of the acquiring company; and (3) the acquisition is the result of arm's length bargaining. The Commission also noted that it is the Commission's policy to encourage the orderly transfer of water and wastewater systems from developers and small owners to reputable water and wastewater utilities.

In the Commission's Order Approving Transfer and Denying Acquisition Adjustment issued on January 6, 2000 for the transfer of North Topsail Water and Sewer, Inc.'s wastewater system to Utilities, Inc., the Commission discussed the circumstances when the rate base treatment of acquisition adjustments should be deemed proper. On page 27, the Commission stated the following:

As should be apparent from an analysis of the Commission's previous Orders concerning this subject, a wide range of factors have been considered relevant in attempting to resolve this question, including the prudence of the purchase price paid by the acquiring utility; the extent to which the size of the acquisition adjustment resulted from an arm's length transaction; the extent to which the selling utility is financially or operationally "troubled;" the extent to which the purchase will facilitate system improvements; the size of the acquisition adjustment; the impact of including the acquisition adjustment in rate base on the rates paid by customers of the acquired and acquiring utilities; the desirability of transferring small systems to professional operators; and a wide range of other factors, none of which have been deemed universally dispositive. Although the number of relevant considerations seems virtually unlimited, all of them apparently relate to the question of whether the acquiring utility paid too much for the acquired utility and whether the customers of both the acquired and acquiring utilities are better off after the transfer than they were before that time. This method of analysis is consistent with sound regulatory policy since it focuses on the two truly relevant questions which ought to be considered in any analysis of acquisition adjustment issues. It is also consistent with the construction of G.S. 62-111 (a) adopted in *State ex rel. Utilities Commission v. Village of Pinehurst*, 99 N.C App. 224, 393 S.E.2d 111 (1990), *aff'd* 331 N.C. 278, 415 S.E.2d 199 (1992), which seems to indicate that all relevant factors must be considered in analyzing the appropriateness of utility transfer applications. As a result, . . . the Commission should refrain from allowing rate base treatment of an acquisition adjustment unless the purchasing utility establishes, by the greater weight of the evidence, that the price the purchaser agreed to pay for the acquired utility was prudent and that both the existing customers of the acquiring utility and the customers of the acquired utility would be better off [or at least no worse off] with the proposed transfer, including rate base treatment of any acquisition adjustment, than would otherwise be the case.

that the resulting rate base in the assets to be acquired by Pluris will be \$200,000 at the time of transfer.³

1. The acquisition adjustment will resolve substantial environmental and regulatory problems with ONSWC's Majestic Oaks WWTP.

ONSWC's Majestic Oaks wastewater treatment facility is a troubled system that is plagued with serious environmental, regulatory, and operational issues that need to be resolved as soon as possible. The acquisition adjustment will allow the Transfer Areas to be transferred from ONSWC to Pluris so that the wastewater from the Transfer Areas can be treated in Pluris' advanced MBR wastewater treatment plant in Hampstead. Once the Transfer Areas are transferred to Pluris, ONSWC will decommission the Majestic Oaks WWTP, as well as the associated ponds and basins, and remove them from the Majestic Oaks neighborhood. Once ONSWC has decommissioned the Majestic Oaks WWTP, and the ponds and basins, the significant environmental and regulatory problems with the Majestic Oaks wastewater treatment facility, including odor issues that affect the homes surrounding the WWTP, will be resolved.

ONSWC has received a number of Notices of Violation (NOVs), Letters of Intent to Issue Civil Penalty, and an Assessment of Civil Penalties for the Majestic Oaks WWTP from NCDEQ. By letter dated February 14, 2022, Dr. Sanchez-King Regional Supervisor for the Division of Water Resources in NCDEQ's Water Quality Regional Operations Section, stated that the transfer of the assets to Pluris is in the public interest. Dr. Sanchez-King stresses the importance of having the wastewater from the Majestic Oaks subdivision

³ Connection fees subsequently collected by Pluris, or collected by ONSWC from future customers in the Transfer Areas after February 22, 2022 and transferred to Pluris at closing, will further offset Pluris' plant investment and reduce rate base as part of Pluris' next general rate case.

and the Transfer Areas treated in Pluris' MBR plant, as opposed to the Majestic Oaks WWTP, and the need to decommission the Majestic Oaks wastewater treatment facility.

Dr. Sanchez-King states:

I am writing to you regarding the Old North State Water Company ("ONSWC") wastewater treatment plant ("WWTP") located in the Majestic Oaks development in Pender County. I understand that ONSWC is attempting to transfer certain of the assets used by ONSWC to provide wastewater treatment service in several developments served by that WWTP to Pluris Hampstead, LLC ("Pluris"). The NCDEQ strongly supports approval of this acquisition by Pluris, due to the condition of this aged ONSWC WWTP and its related facilities, including existing disposal ponds onsite, all located within this residential community.

Due to an eminent concern some months ago regarding wastewater seepage noted through the sidewalls of the disposal ponds, a by-pass system was installed as an interim fix, allowing wastewater to be treated by Pluris at its MBR facility in Hampstead, outside the Majestic Oaks residential community. This allowed the ponds to be lowered pending the potential acquisition of the system by Pluris.

This wastewater treatment plant has been the subject of numerous violations and NCDEQ considers this to be a troubled system and a plausible candidate for the proposed transfer. Should the acquisition by Pluris not be completed, ONSWC would have to expand the WWTP to more than double its size within a confined space, creating additional concern.

As the NCDEQ and North Carolina Utilities Commission ("Commission") know, this would not be the first troubled system for which Pluris has resolved environmental and utility regulatory issues.

2. ONSWC's decommissioning of the Majestic Oaks wastewater treatment facility will benefit the Majestic Oaks customers and will have no impact on their rates.

The cost to decommission the Majestic Oaks WWTP and the disposal ponds is estimated to be approximately \$215,000. ONSWC agrees to decommission the Majestic Oaks wastewater treatment facility at ONSWC's sole cost and commits that the cost of doing so will not be recovered from the ratepayers.

3. The acquisition adjustment will benefit all customers in the Transfer Areas because ONSWC will not need to construct a new wastewater treatment facility in the Majestic Oaks subdivision.

The transfer of the facilities to Pluris will not just benefit the Majestic Oaks customers, but will also provide substantial benefits to the other customers in the Transfer Areas. If the APA was terminated and the facilities were not transferred to Pluris, ONSWC would have to install a new and larger wastewater treatment plant and additional disposal ponds in the Majestic Oaks neighborhood to treat the wastewater from the Majestic Oaks subdivision and the other Transfer Areas. There would be significant issues if the transfer did not occur and ONSWC had to construct a new wastewater treatment facility in the Majestic Oaks subdivision: the wastewater treatment facility would continue to be located in close proximity to homes in the Majestic Oaks subdivision, and the substantial cost of the new wastewater treatment facility would be able to be recovered in rates from all customers in the Transfer Areas.

First, it is a better solution to have the wastewater from the Transfer Areas treated in Pluris' off-site MBR plant, rather than to have a new and larger capacity wastewater treatment facility located within the residential Majestic Oaks community. Second, the cost to construct a new wastewater treatment facility in the Majestic Oaks neighborhood would be in excess of \$2.2 million. That multi-million-dollar cost for the new wastewater treatment facility would be recoverable in rates from all customers in the Transfer Areas if all the costs were determined by the Commission to be reasonable and prudent in ONSWC's next general rate case proceeding. The Majestic Oaks customers will benefit by having their wastewater treated off-site at Pluris' MBR plant, and all customers in the

Transfer Areas will benefit because ONSWC will not have to construct a new wastewater treatment facility. Therefore, all of the customers of the Transfer Areas—the existing and future customers of Majestic Oaks, Majestic Oaks West, Forest Sound (f/ka Southside Commons f/k/a Grey Bull), and Salter’s Haven at Lea Marina—will be better off (and certainly not worse off) with an acquisition adjustment of \$228,700 included in rate base as the acquisition adjustment will allow the Transfer Areas to be transferred to Pluris.

4. The acquisition adjustment agreement is the result of arm’s length negotiations.

The agreement of the Stipulating Parties that an acquisition adjustment of \$228,700 is prudent, appropriate, and in the public interest is a product of a “give-and-take” settlement of a contested issue among the Stipulating Parties. The Stipulating Parties recognized the significantly troubled nature of the Majestic Oaks wastewater system, the significant benefits that the Majestic Oaks customers will receive from decommissioning the Majestic Oaks wastewater system at ONSWC’s sole cost, and the fact that the transfer of these systems to Pluris will allow customers in the Transfer Areas to avoid the cost of ONSWC having to construct a new and larger wastewater treatment facility in the Majestic Oaks neighborhood. The Stipulating Parties agree that all of the customers in the Transfer Areas would be better off with an acquisition adjustment of \$228,700 that allows the transfer to occur.

5. The acquisition adjustment will positively impact (and certainly will not harm) Pluris’ existing customers.

The acquisition adjustment agreed upon by the Stipulating Parties will result in a lower net plant in service than the alternative for both Pluris’ existing customers and the

ONSWC customers in the Transfer Areas. The net plant in service established in Pluris' 2020 rate case⁴ was \$1,964,526. The number of Pluris customers at that time was 505, resulting in net plant investment per customer of \$3,890. The current number of customers served by Pluris is approximately 1,100. As of April 8, 2022, if ONSWC's 306 customers and its additional 121 future customers, whose homes are under construction and who have paid connection fees, are included at \$468 of net plant investment per customer, then Pluris' net plant investment per customer would be lowered.

E. The various issues raised by WLI in its intervention relating to its contractual dispute regarding its Development Agreement with ONSWC concerning whether it has the right to install a low-pressure collection system in an area outside the Salter's Haven development have no bearing on the fitness of Pluris to acquire the subject assets and service areas, and the Stipulating Parties agree that transfer to Pluris will be in the public interest. The WLI Complaint Proceeding presents WLI's contractual dispute and those issues are more appropriately heard by the Commission in that separate proceeding rather than in these transfer dockets.

III. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER.

A. The Stipulating Parties, and their agents, witnesses, and representatives, will act in good faith to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket; provided, however, that the settlement of any issue pursuant to this Stipulation shall not be cited as precedent by any of the Stipulating Parties in any other proceeding or docket before this Commission or on appeal before the North Carolina Court of Appeals or the North Carolina Supreme Court.

⁴ Docket No. W-1305, Sub 12.

The provisions of this Stipulation do not necessarily reflect any position asserted by any of the Stipulating Parties. Rather, they reflect the settlement among the Stipulating Parties as to all issues, and, notwithstanding the items agreed and stipulated to in Section II.A.-D. above in this proceeding and both Companies' next general rate cases, no Stipulating Party waives the right to assert any position on any issue in any future docket before the Commission. The Stipulating Parties further agree that this Stipulation is in the public interest, because it reflects a give-and-take settlement of contested issues.

B. This Stipulation is a product of negotiation among the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

IV. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on any of the Parties unless the entire Settlement Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, each Party retains the right to seek additional procedures before the Commission, including cross-examination of

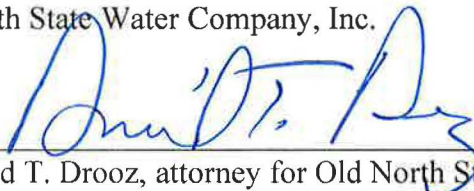
witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

V. COUNTERPARTS

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 29th day of August, 2022.

Old North State Water Company, Inc.

By: 
David T. Drooz, attorney for Old North State Water Co.

Pluris Hampstead, LLC

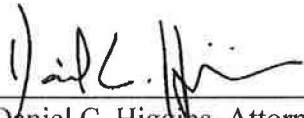
By: _____
Daniel C. Higgins, attorney for Pluris Hampstead, LLC

Public Staff – North Carolina Utilities Commission

By: _____
Gina C. Holt

Title: Manager, Legal Division, Natural Gas, Water,
Sewer, Telephone and Transportation Sections

Pluris Hampstead, LLC

By: 
Daniel C. Higgins, Attorney for Pluris Hampstead, LLC

Public Staff – North Carolina Utilities Commission

By: _____
Gina C. Holt

Title: Manager, Legal Division, Natural Gas, Water, Sewer,
Telephone and Transportation Sections

Pluris Hampstead, LLC

By: _____
Daniel C. Higgins, attorney for Pluris Hampstead

Public Staff – North Carolina Utilities Commission

By:  _____
Gina C. Holt

Title: Manager, Legal Division, Natural Gas, Water,
Sewer, Telephone and Transportation Sections

EXHIBIT 1 TO SETTLEMENT AGREEMENT AND STIPULATION

DOCKET NOS. W-1300, SUB 69 AND W-1305, SUB 29

From: [King, Morella s](#)
To: [Holt, Gina](#)
Cc: [Tharrington, Tom](#); [Grzyb, Julie](#); [Smith, Danny](#)
Subject: DEQ Statement of Support for approval of transfer (Majestic Oaks to Pluris)
Date: Wednesday, February 16, 2022 10:52:04 AM
Attachments: [Utility Commision- Pluris Acquisition of Majestic Oaks- 02 14 2022 ltr.d....pdf](#)
[image006.png](#)

Dear Gina,

Please find enclosed a letter from our office supporting to transfer certain of the assets used by Old North State Water Company to provide wastewater treatment service in several developments served by that WWTP to Pluris Hampstead, LLC.

Please contact me if any questions.

Thank you,

Morella Sanchez King

Morella Sanchez King, PhD, PE

Regional Supervisor, Water Quality Regional Operations Section

Wilmington Regional Office: 127 Cardinal Drive Extension; Wilmington, NC 28405

910-796-7218; state cell: 910 530 0079- morella.sanchez-king@ncdenr.gov



Email correspondence to and from this address is subject to the North Carolina Public Records Law and may be disclosed to third parties.

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Feb 17 2022
Sep 15 2022

ROY COOPER

Governor

ELIZABETH S. BISER

Secretary

S. DANIEL SMITH

Director



February 14, 2022

Gina C. Holt via email to gina.holt@psncuc.nc.gov
Staff Attorney
Public Staff- NCUC
4326 Mail Service Center
Raleigh, NC 27699-4326

Re: Old North State Water Company's Majestic Oaks Wastewater Treatment Plant, Pender County and Statement of Support Letter for Approval of Transfer to Pluris Hampstead

Dear Gina,

I am the Regional Supervisor for the Division of Water Resources, Water Quality Regional Operations Section of the North Carolina Department of Environmental Quality ("NCDEQ") in Wilmington, NC. I am writing to you regarding the Old North State Water Company ("ONSWC") wastewater treatment plant ("WWTP") located in the Majestic Oaks development in Pender County. I understand that ONSWC is attempting to transfer certain of the assets used by ONSWC to provide wastewater treatment service in several developments served by that WWTP to Pluris Hampstead, LLC ("Pluris"). The NCDEQ strongly supports approval of this acquisition by Pluris, due to the condition of this aged ONSWC WWTP and its related facilities, including existing disposal ponds onsite, all located within this residential community.

Due to an eminent concern some months ago regarding wastewater seepage noted through the sidewalls of the disposal ponds, a by-pass system was installed as an interim fix, allowing wastewater to be treated by Pluris at its MBR facility in Hampstead, outside the Majestic Oaks residential community. This allowed the ponds to be lowered pending the potential acquisition of the system by Pluris.

This wastewater treatment plant has been the subject of numerous violations and NCDEQ considers this to be a troubled system and a plausible candidate for the proposed transfer. Should the acquisition by Pluris not be completed, ONSWC would have to expand the WWTP to more than double its size within a confined space, creating additional concern.

As the NCDEQ and North Carolina Utilities Commission ("Commission") know, this would not be the first troubled system for which Pluris has resolved environmental and utility regulatory issues.



North Carolina Department of Environmental Quality | Division of Water Resources
Wilmington Regional Office | 127 Cardinal Drive Extension | Wilmington, North Carolina 28405
910.796.7215

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The acquisition by Pluris is in the public interest and should you have any questions regarding the NCDEQ's support for this transfer, please do not hesitate to contact me to discuss further. I may be reached in the Wilmington office at (910) 796-7218.

Sincerely,

DocuSigned by:
Morella Sanchez King
E3ABA14AC7DC434...

Morella Sanchez-King, PhD, PE
North Carolina Department of Environmental Quality
Regional Supervisor Wilmington Regional Office



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CERTIFICATE OF SERVICE

I do hereby certify that I have served a copy of the foregoing Public – Redacted Settlement Agreement and Stipulation upon parties and counsel of record in this proceeding and upon the Public Staff – North Carolina Utilities Commission by e-mailing an electronic copy of same or by causing a paper copy of the same to be hand-delivered or deposited in the United States Mail, postage prepaid, properly addressed to each.

This the 29th day of August, 2022.

David T. Drooz

David T. Drooz