

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1141, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by 904 Georgetown Treatment)
Plant, LLC, for Authority to Adjust and)
Increase Rates for Providing Sewer Utility)
Service in Sandpiper Bay Golf and Country)
Club in Brunswick County, North Carolina)

**SETTLEMENT AGREEMENT
AND STIPULATION**

904 Georgetown Treatment Plant, LLC (Georgetown or Company), 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

A. On July 7, 2023, Georgetown filed an application with the Commission (Application) pursuant to N.C.G.S. §§ 62-133 and 62-134 and Commission Rules R1-4, R1-5, and R1-17, along with the direct testimony and exhibits of Julie Perry and Timothy P. Tilma. In the Application, Georgetown requested an increase in rates for providing sewer utility service in its service area

in Brunswick County, North Carolina. Georgetown serves approximately 795 residential flat rate sewer customers in Brunswick County, North Carolina.

B. On July 31, 2023, the Commission issued an Order Establishing General Rate Case and Suspending Rates.

C. On August 21, 2023, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice. That Order set a Public Witness Hearing for 7:00 p.m. on Wednesday, September 27, 2023, to be held at the Brunswick County Courthouse. That Order also scheduled an expert witness hearing for 1:00 p.m. on November 13, 2023, for the purpose of receiving expert witness testimony from Georgetown, the Public Staff, and any other party of record.

D. Subsequent to the filing of the Company's Application in this docket, the Public Staff engaged in substantial discovery to Georgetown regarding the matters addressed in the Company's Application, its testimony, its exhibits, and its updates, including but not limited to further examining the relevant books and records of Georgetown, sending out data requests and reviewing the responses thereto, and holding multiple meetings to further investigate and discuss matters of interest in the Application. The Public Staff also conducted a field inspection of Georgetown's system.

E. On September 22, 2023, the Public Staff filed a Motion and Proposed Order to Cancel the Public Witness Hearing, stating that no significant protest had been received.

F. On September 22, 2023, the Commission issued its Order Canceling Public Witness Hearing and Requiring Customer Notice.

G. On October 6, 2023, Georgetown filed a Request for Approval of Affiliate Lease Agreement.

H. On October 17, 2023, the Public Staff filed direct testimony and a Notice of Affidavit, consisting of testimony and/or exhibits by the following witnesses:

(i) Direct Testimony of Evan M. Houser, Utilities Engineer; Water, Sewer, and Telephone Division;

(ii) Direct Testimony of Iris Morgan, Public Utilities Regulatory Analyst, Accounting Division; and

(iii) Affidavit of John R. Hinton, Director, Economic Research Division.

I. On November 1, 2023, Georgetown filed the Rebuttal Testimony and Exhibit of Julie Perry.

J. The Stipulating Parties participated in extensive and multiple rounds of settlement discussions following the Public Staff's investigation of the Company's Application and accompanying documents, meetings discussing

matters of interest, reviewing the results of its examination of the Company's books and records, reviewing the Company's responses to the Public Staff's verbal and written Data Requests, and the filing of the Public Staff's direct testimony and the Company's rebuttal testimony.

K. After settlement negotiations, in which certain concessions from their respective litigation positions were made by both Stipulating Parties, the Stipulating Parties were ultimately able to arrive at a joint settlement proposal, the terms of which are reflected in the following sections of this Stipulation and supported by the joint settlement testimony of Public Staff witnesses Morgan and Houser.

II. STIPULATION AND AGREEMENT OF THE STIPULATING PARTIES

The Stipulating Parties have reached an agreement regarding resolution of all issues in this case, and they hereby agree and stipulate as follows:

A. Rate Case Expense

- (i) Audited actual rate case expense through the close of hearing will be included in the calculation of final revenue requirement in the accounting schedules to be filed upon the completion of the audit. The Stipulating parties agree that the rate case expense in the current proceeding will be amortized over a 4-year period.

B. Other Settled Expenses

(i) The Company has agreed to the expense amounts recommended by the Public Staff in Morgan Exhibit 1 Schedule 3 with the exception of the following, which the parties have agreed are a reasonable ongoing level:

1. Maintenance and Repair - \$23,685, and

2. Landscape Mowing and Effluent - \$31,175.

i. The total effluent expenses of \$19,403 that make up the Effluent Charge is made up of the following expense items: Certified Spray Operator of \$5,250, Land Lease Water Application of \$4,500, and Electric Power for Irrigation of \$7,217, and Irrigation Pump Maintenance of \$2,436.

3. Rate Case Expenses, which will be updated as noted above

(ii) The Expense accounts listed above will be described in greater detail in the Joint Settlement Testimony of Public Staff Witnesses Houser and Morgan.

C. Affiliate Lease Agreement

- (i) The Public Staff agrees to recommend approval of the Office Lease Agreement as filed of \$1,100 per month.

D. Effluent Agreement

- (i) The Stipulating Parties agree that an annual effluent charge of \$19,403 is reasonable.
- (ii) The Stipulating Parties agree to request and recommend approval of the Effluent Easement and Irrigation Agreement with the following modifications:
 1. \$2,518.05 in Paragraph 13, sentence two, is replaced with the Effluent Charge of \$1,616.92.
 2. Paragraph 13, sentence three, is revised to read, "The amount of the charge may be revised on an annual basis beginning on January 1, 2025, pursuant to contract, but will not be reflected in the rates charged to customers of 904 unless approved by the NCUC."

E. RATE BASE

(i) The Stipulating Parties agree that the two budgeted projects that were included in the Company's original application should be removed from the rate base as they are not complete and placed in service during the review period.

(ii) The Stipulating Parties agree with the rest of the adjustments in rate base reflected in Public Staff in Morgan Exhibit 1 Schedule 2, with cash working capital subject to change based on the updated rate case expense.

(iii) The original cost rate base used and useful in providing service to the Company's customers is \$146,393, consisting of plant in service of \$272,891, and cash working capital of \$35,371 reduced by accumulated depreciation of \$160,921 and average tax accruals of \$948.

F. RATE OF RETURN

The stipulation parties agreed that the Company should be granted a 7.00% margin on operating expenses based on operating ratio methodology as allowed under N.C.G.S. § 62-133.1 and recommended by Public Staff Witness Hinton.

G. REVENUE REQUIREMENT AND RATES.

(i) No Stipulating Party waives any right to assert a position in any future proceeding or docket before the Commission or in any court, as the adjustments

agreed to in this Stipulation are strictly for purposes of compromise and are intended to show a rational basis for reaching the agreed-upon revenue requirement adjustments without either party conceding any specific adjustment. The Stipulating Parties agree that settlement on these issues will not be used as a rationale for future arguments on contested issues brought before the Commission.

(ii) The revenue requirement effects of this Stipulation provide sufficient support for the annual revenue required on the issues agreed to in this Stipulation.

(iii) The Public Staff, after consultation and agreement with the Company, will file accounting schedules detailing the final revenue requirement prior to filing the Joint Proposed Order, Schedule of Rates, and Notice to Customers.

III. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER.

A. The Stipulating Parties 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. 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. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties but reflect instead the compromise and settlement between the Stipulating Parties as to all of the issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties regarding any issue in any other proceeding or docket before this Commission or in any court.

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

IV. INTRODUCTION OF TESTIMONY AND WAIVER OF CROSS EXAMINATION.

The pre-filed testimony and exhibits of the Stipulating Parties may be received in evidence without objection, and each Party waives all right to cross-examine any witness with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner or Hearing Examiner, or if questions are asked or positions are taken by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits.

V. 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 either of the Stipulating 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 Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating 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.

VI. 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.

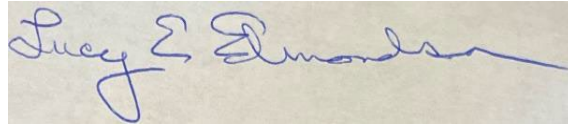
The foregoing is agreed and stipulated to this the 13th day of November, 2023.

904 Georgetown Treatment Plant, LLC



Timothy P. Tilma, Manager

Public Staff - North Carolina Utilities Commission



Lucy E. Edmondson
Chief Counsel