

the Commission determined that the purchase price for the Eagle Creek Wastewater System (System) would be \$613,623, which reflects the Asset Purchase Agreement provision for a \$250,000 price plus capital costs paid by Sandler between the Asset Purchase Agreement (APA) execution date and the closing, provided that such costs are approved by Currituck and the Commission.

Ordering Paragraph 11 of the Transfer Order also states that “Currituck shall receive rate base treatment of \$424,779” for purchase of the system, but that “this amount of rate base may be increased by any reasonable and prudent capital costs that may be incurred by Sandler prior to closing and does not include any amount for Materials and Supplies that may be included by Currituck in rate base as part of Working Capital for approval by the Commission in the next rate case.”

On November 1, 2022, Sandler filed a Motion for a Supplemental Order Approving Adjustment of the Recognized Purchase Price (Motion) requesting a supplemental order approving an adjustment to the recognized purchase price. In its Motion, Sandler states that the Settlement Agreement filed on June 6, 2022, reflects capital costs incurred by Sandler prior to May 26, 2022, and since then, it has incurred reasonable and prudent capital costs for the System totaling \$143,745.94. Sandler notes that closing has not yet taken place and provides a breakdown of the costs with corresponding descriptions for each expenditure.

On November 10, 2022, the Commission issued an order requesting comments and reply comments addressing the additional increase of the purchase price by \$143,745.94 for Sandler’s capital costs incurred since May 26, 2022, and stating the parties’ positions on whether these additional capital costs should receive rate base

treatment as part of the purchase price in accordance with Ordering Paragraph 11 of the Transfer Order.

Based upon its review, the Public Staff has the following comments regarding Sandler's Motion:

- (1) Items 10, 11 and 12 of the motion do not match the information provided in Exhibit 1, page 1 of the Motion.
- (2) The additional capital costs provided in Sandler's motion are reasonable and prudent and should receive rate base treatment as part of the purchase price with the following adjustments:
 - a. The purchase and installation of 15 controllers shown on Envirolink invoice 00308982-IN require the removal of 15 installed controllers from the current plant in service amount provided in the Settlement Agreement and Stipulation, Settlement Exhibit I, Schedule 4, filed with the Commission on June 7, 2022, in these dockets, upon which the Commission approved purchase price is based. A similar adjustment for the 3" valves identified in Envirolink invoice 00308982-IN is not required because the valves replaced have been fully depreciated.
 - b. In accordance with Public Staff Accounting practices, the additional capital costs should include one full year of depreciation.
- (3) A revised Settlement Exhibit I, Schedule 4 is included with these comments. The following changes from the previous Settlement Exhibit schedule were made:

- a. Plant addition item titled "45 FloVac Controllers and Shipping" in the amount of \$2,762 was removed. With the addition of 15 new FloVac controllers, the 13 controllers remaining in this capital expense item were retired.
 - b. Plant addition item titled "30 New Controllers" was reduced by \$424 to retire the remaining two controllers added by the 15 new FloVac controller capital expense.
 - c. One year depreciation was added for the additional capital cost items with service lives comparable to similar capital costs.
- (4) A revised Settlement Exhibit I, Schedule 2 is provided with these comments. It shows capital costs incurred since May 26, 2022, including depreciation as \$127,995, thus increasing the purchase price amount to \$741,618.
- (5) A revised Settlement Exhibit I, Schedule 1 is provided with these comments. It shows an increase in net plant in service amounts from \$424,779 to \$550,500.
- (6) No update is required for Settlement Exhibit I, Schedule 3.

In conclusion, the Public Staff recommends \$127,995 in additional capital costs since May 26, 2022, resulting in a revised purchase price of \$741,618.

This concludes the Public Staff's comments.

Respectfully submitted this the 5th day of December, 2022.

PUBLIC STAFF
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Electronically submitted
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CERTIFICATE OF SERVICE

I certify that I have this day served a copy of the foregoing Public Staff Comments upon each of the parties of record in this proceeding or their attorneys of record by emailing them an electronic copy 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 5th day of December, 2022.

Electronically submitted
/s/ John D. Little

CURRITUCK WATER AND SEWER, LLC
 Docket No. W-1333, Sub 0
UPDATED CALCULATION OF NET PLANT IN SERVICE
 As of September 30, 2022

Updated Settlement Exhibit I
 Schedule 1

Line No.	<u>Item</u>	Amount Per Sub 8 Rate Case <u>(a)</u>	Additions Since Sub 8 Rate Case <u>(b)</u>	Total Net Plant In Service <u>(c)</u> [6]
1	Plant in service	\$2,206,202 [1]	\$655,880 [4]	\$2,862,082
2	Accumulated depreciation	(268,603) [2]	(\$105,380) [5]	(373,983)
3	Contributions in aid of construction	<u>(1,937,599) [3]</u>	<u>0</u>	<u>(1,937,599)</u>
4	Net plant in service (Sum of L1 thru L3)	<u><u>\$0</u></u>	<u><u>\$550,500</u></u>	<u><u>\$550,500</u></u>

[1] Updated Settlement Exhibit I, Schedule 3, Column (a), Line 111.
 [2] Updated Settlement Exhibit I, Schedule 3, Column (f), Line 111.
 [3] Updated Settlement Exhibit I, Schedule 3, Column (a), Line 43.
 [4] Updated Settlement Exhibit I, Schedule 4, Column (a), Line 57.
 [5] Updated Settlement Exhibit I, Schedule 4, Column (f), Line 57.
 [6] Column (a) + Column (b).

CURRITUCK WATER AND SEWER, LLC
 Docket No. W-1333, Sub 0
UPDATED CALCULATION OF PURCHASE PRICE
 As of September 30, 2022

Updated Settlement Exhibit I
 Schedule 2

Line No.	<u>Item</u>	<u>Amount</u>
1	Purchase price	<u>\$250,000</u> [1]
2	Post April 2021 plant additions	413,590 [2]
3	Post April 2021 plant additions accumulated depreciation	<u>(49,967)</u> [3]
4	Post April 2021 net plant in service (L2 + L3)	<u>363,623</u>
5	June 2022 thru September 2022 plant additions	143,246 [4]
6	June 2022 thru September 2022 plant additions accumulated depreciation	<u>(15,251)</u> [5]
7	June 2022 thru September 2022 net plant in service (L5 + L6)	<u>127,995</u>
5	Total purchase price (L1 + L4 + L7))	<u><u>\$741,618</u></u>

[1] Per Asset Purchase Agreement.
 [2] Updated Settlement Exhibit I, Schedule 4, Column (a), Line 45.
 [3] Updated Settlement Exhibit I, Schedule 4, Column (f), Line 45.
 [4] Updated Settlement Exhibit I, Schedule 4, Column (a), Line 56.

CURRITUCK WATER AND SEWER, LLC
 Docket No. W-1333, Sub 0
**UPDATED CALCULATION OF PLANT IN SERVICE,
 ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
 POST RATE CASE ADDITIONS**
 As of September 30, 2022

Updated Settlement Exhibit I
Schedule 4

Line No.	Item	Plant In Service Per Public Staff [1] (a)	Year Placed In Service [1] (b)	Life [2] (c)	Years in Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
<u>Plant additions since Sub 8 rate case proceeding</u>							
1	Isolation valve installation	\$4,200	2016	7	6.0	\$600	\$3,600
2	Isolation valve installation	4,800	2016	7	6.0	686	4,116
3	UV System repair	6,392	2016	7	6.0	913	5,478
4	Gravel roadway to plant	2,381	2016	15	6.0	159	954
5	Grading and gravel entrance to plant	1,665	2016	15	6.0	111	666
6	Hurrican Matthew - 4 pits replacement	6,000	2016	10	6.0	600	3,600
7	EQ pump and cable replacement	2,061	2017	7	5.0	294	1,470
8	Back up motor for vac pumps	1,241	2017	7	5.0	177	885
9	Ditch pump repair	9,669	2018	7	4.0	1381	5,524
10	Replace Pit @ 304 GVR	2,566	2020	10	2.0	257	514
11	Controllers, labor, pumps & motor miscellaneous items	7,618	2020	7	2.0	1088	2,176
12	Reconditioned HP vacuum pump & 1 Baldor 25HP motor	1,951	2020	7	2.0	279	558
13	New cornell pump furnish and installation	7,008	2020	7	2.0	1001	2,002
14	HP motor	500	2020	7	2.0	71	142
15	Additional taxes due on invoices 4989/4990/4991	350	2020	7	2.0	50	100
16	30 New Controllers	5,939	2020	7	2.0	848	1,696
17	26 Controllers, 10 FloVac 3" valve piston type & parts/install	10,747	2020	7	2.0	1535	3,070
18	Sewer plant, pump renew and replace	855	2020	7	2.0	122	244
19	57 FloVac Controllers, 20 New & 37 Rebuilt	4,734	2020	7	2.0	676	1,352
20	Complete pits	8,808	2021	10	1.0	881	881
21	Engineering System - ditch motor	4,168	2021	7	1.0	595	595
22	E Haddock Enterprises - excavate pit for sewer tank	5,391	2021	10	1.0	539	539
23	Plant additions through April 2021 (Sum of L1 thru L23)	<u>99,044</u>				<u>12,863</u>	<u>40,162</u>
24	HP Ebara sewage pump	4,822	2021	7	1.0	689	689
25	Check valve furnish and installation	6,929	2021	7	1.0	990	990
26	Pole mount lock box for controllers	10,595	2021	10	1.0	1060	1,060
27	30 Flovac controllers	9,607	2021	7	1.0	1372	1,372
28	263 GVR - replace pit	4,830	2021	10	1.0	483	483
29	35 Flovac controllers	13,375	2021	7	1.0	1911	1,911
30	Remote mounting kits	23,952	2021	7	1.0	3422	3,422
31	Controllers, valves & rebuild service	21,777	2021	7	1.0	3111	3,111
32	Wireless monitoring system	32,025	2021	7	1.0	4575	4,575
33	Monitoring kit	1,586	2021	7	1.0	227	227
34	Filter kit for vacuum pit	1,601	2021	7	1.0	229	229
35	50 tons of rock driveway repair	10,350	2021	7	1.0	1479	1,479
36	Monitoring system	183,775	2022	10	1.0	18378	18,378
37	Remote Monitoring Kits 3rd Shipment of 56	21,937	2022	7	1.0	3134	3,134

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 As of September 30, 2022

Updated Settlement Exhibit I
Schedule 4

Line No.	Item	Plant In Service Per Public Staff [1] (a)	Year Placed In Service [1] (b)	Life [2] (c)	Years in Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
38	Vacuum Pump	17,080	2022	7	1.0	2440	2,440
39	Ultrasonic Flowmeter	3,635	2022	7	1.0	519	519
40	26 Additional Pedestal Mounted Controllers	12,730	2022	7	1.0	1819	1,819
41	Exchange Vacuum Pump	19,371	2022	7	1.0	2767	2,767
42	Failed Pit Replacement	5,046	2022	10	1.0	505	505
43	Failed Pit Replacement	4,967	2022	10	1.0	497	497
44	Construct 3 Monitoring Wells & Submit Completion Report	3,600	2022	10	1.0	360	360
45	Post April 2021 plant additions (Sum of L24 thru L45)	<u>413,590</u>				<u>49,967</u>	<u>49,967</u>
46	Solitax Turbidity Meter	8,358	2022	7	1.0	1,194	1,194
47	15 - 3" Valves and Controllers	35,236	2022	7	1.0	5,034	5,034
48	Hach Composite Sampler	8,334	2022	7	1.0	1,191	1,191
49	223 GVR - replace pit	6,456	2022	10	1.0	646	646
50	8 - Quartz Sleeves	607	2022	7	1.0	87	87
51	8 - Ultraviolet Lights	552	2022	7	1.0	79	79
52	Failed Pit Parts	3,609	2022	10	1.0	361	361
53	40 Remote Pedestals	16,556	2022	10	1.0	1,656	1,656
54	Road Work - Shave and shape roadway; pack new rock	40,538	2022	15	1.0	2,703	2,703
55	Remove/Install new vacuum units at 290 and 306 GVR	23,000	2022	10	1.0	2,300	2,300
56	June 2022 through September 2022 plant additions (Sum of L47 thru L56)	<u>143,246</u>				<u>15,251</u>	<u>15,251</u>
57	Total plant in service since the last rate case (L23 + L45 + L56)	<u>\$655,880</u>				<u>\$78,081</u>	<u>\$105,380</u>

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 As of September 30, 2022

Updated Settlement Exhibit I
 Schedule 4

<u>Line No.</u>	<u>Item</u>	<u>Plant In Service Per Public Staff</u> [1] (a)	<u>Year Placed In Service</u> [1] (b)	<u>Life</u> [2] (c)	<u>Years in Service</u> [3] (d)	<u>Annual Depreciation</u> [4] (e)	<u>Accumulated Depreciation</u> [5] (f)
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- [1] Per examination of Company's financial records.
- [2] Provided by Public Staff Engineer Franklin.
- [3] Based on year placed in service using half year convention.
- [4] Column (a) divided by Column (c), unless fully depreciated.
- [5] Column (d) x Column (e), unless fully depreciated.