

**NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

Docket No. W-1300, Sub 9
Docket No. W-1230, Sub 1

Exceptions Due on or Before May 5, 2015

NOTICE TO PARTIES

Parties to the above proceeding may file exceptions to the report and Recommended Order hereto attached on or before the day above shown as provided in G.S. 62-78. Exceptions, if any, must be filed (original and thirty (30) copies) with the North Carolina Utilities Commission, Raleigh, North Carolina, and a copy thereof mailed or delivered to each party of record, or to the attorney for such party, as shown by appearances noted. Each exception must be numbered and clearly and specifically stated in one paragraph without argument. The grounds for each exception must be stated in one or more paragraphs, immediately following the statement of the exception, and may include any argument, explanation, or citations the party filing same desires to make. In the event exceptions are filed, as herein provided, a time will be fixed for oral argument before the Commission upon the exceptions so filed, and due notice given to all parties of the time so fixed; provided, oral argument will be deemed waived unless written request is made therefor at the time exceptions are filed. If exceptions are not filed, as herein provided, the attached report and recommended decision will become effective and final on May 6, 2015 unless the Commission, upon its own initiative, with notice to parties of record modifies or changes said Order or decision or postpones the effective date thereof.

The report and Recommended Order attached shall be construed as tentative only until the same becomes final in the manner hereinabove set out.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1300, SUB 9
DOCKET NO. W-1230, SUB 1

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Old North State Water)	RECOMMENDED ORDER
Company, LLC, and Briar Chapel Utilities, LLC,)	APPROVING TRANSFER,
for Authority to Transfer Sewer Franchise in)	GRANTING FRANCHISE,
Briar Chapel Subdivision in Chatham County,)	APPROVING RATES AND
North Carolina, to Old North State Water)	REQUIRING CUSTOMER
Company, LLC, and for Approval of Rates)	NOTICE

HEARD IN: Briar Chapel Clubhouse, 1600 Briar Chapel Parkway, Chapel Hill, North Carolina 27516, on Tuesday, March 31, 2015, at 7:00 p.m.

BEFORE: Ronald D. Brown, Hearing Examiner

APPEARANCES:

For Old North State Water Company, LLC:
Laurence A. Cobb, Nexsen Pruet, PLLC, 4141 Parklake Ave., Suite 200,
Raleigh, North Carolina 27612

For Briar Chapel Utilities, LLC:
Karen M. Kemerait, Styers & Kemerait, PLLC, 1101 Haynes Street,
Suite 101, Raleigh, North Carolina 27604

For the Using and Consuming Public:
William E. Grantmyre, Staff Attorney, Public Staff – North Carolina Utilities
Commission, 4326 Mail Service Center, Raleigh, North Carolina
27699-4326.

BROWN, HEARING EXAMINER: On November 7, 2014, Old North State Water Company, LLC (ONSWC), and Briar Chapel Utilities, LLC (BCU), filed an application seeking authority to transfer the wastewater utility system assets and franchise to provide wastewater utility service in the Briar Chapel Subdivision (Briar Chapel), including the Herndon Woods Subdivision, in Chatham County, North Carolina, from BCU to ONSWC, and for approval of rates. ONSWC did not apply to revise the rates.

On February 23, 2015, the Commission issued an Order Requiring Customer Notice and Scheduling Hearing.

On March 2, 2015, BCU filed the required Certificate of Service, indicating that customer notice had been given in accordance with the Commission's Order Requiring Customer Notice and Scheduling Hearing.

On March 25, 2015, the Public Staff filed the Testimony of Laura B. Bradley, Staff Accountant, Water Section, Accounting Division.

On March 25, 2015, the Public Staff filed the Testimony of Babette McKemie, Utilities Engineer, Water Division.

On March 25, 2015, the Public Staff filed the Notice of Affidavit and Affidavit of Calvin C. Craig, III, Financial Analyst, Economic Research Division.

On March 31, 2015, the evidentiary hearing was held as scheduled in the Briar Chapel Clubhouse in Briar Chapel. Five customers attended the hearing, and one customer provided testimony at the hearing. The Public Staff presented the testimony of Public Staff Accountant Laura D. Bradley, the testimony of Public Staff Utilities Engineer Babette McKemie, and the affidavit of Public Staff Financial Analyst Calvin C. Craig, III. ONSWC presented the testimony of Michael Myers, Manager of ONSWC, that BCU had provided customer notice to all affected customers of the requested rates and the evidentiary hearing in accordance with the Commission's Order Requiring Customer Notice and Scheduling Hearing. BCU presented the affidavit of Michael Mehringer, Project Manager for Homes by Dickerson for the Briar Chapel Development.

On the basis of the application, the testimony at the March 31, 2015, evidentiary hearing, and the affidavits presented at the March 31, 2015, evidentiary hearing, the Hearing Examiner makes the following

FINDINGS OF FACT

1. The covered service area territory is shown on the map filed in Docket No. W-1230, Sub 1, and Docket W-1300, Sub 9. At the time of the filing of the application, there were approximately 669 active customers on the Briar Chapel wastewater system.

2. The North Carolina Department of Environment and Natural Resources, Division of Water Quality, has approved the wastewater collection and treatment systems and reuse spray irrigation systems under permit numbers WQ0029867, WQ0028522, and WQCS00372.

3. ONSWC owns and operates wastewater utility systems in North Carolina, pursuant to Certificates of Public Convenience and Necessity issued by the Commission. ONSWC provides adequate service for those utility systems.

4. The Contract Operator of the BCU wastewater utility system is Envirolink, Inc. (Envirolink). Envirolink is providing adequate maintenance and service to the system. Envirolink will continue to operate the wastewater system after ONSWC takes ownership of the system.

5. Currently, there are fifteen (15) grinder pumps in the Herndon Woods Subdivision that are maintained by BCU. After the transfer, ONSWC will assume responsibility for the operation, maintenance, repair, and replacement of the Herndon Woods grinder pumps.

6. Additionally, there are forty-one (41) grinder pumps in the Briar Chapel Subdivision, and the homeowners own and maintain those grinder pumps. Homes by Dickerson, which is the primary builder of homes in Briar Chapel, provides information and documentation to property owners with grinder pumps in Briar Chapel that they own the grinder pumps and are responsible for the maintenance and upkeep of the grinder pumps. During the pre-closing walk-through of homes, Homes by Dickerson explains to homeowners with grinder pumps that they will own and be responsible for the grinder pumps.

7. The responsibility for the operation, maintenance, repair, and replacement of the grinder pumps will remain with the homeowners in Briar Chapel.

8. BCU, NNP-Briar Chapel, LLC (NNP-Briar Chapel), and ONSWC entered into an Asset Purchase Agreement (APA) dated October 31, 2014. BCU is a wholly-owned subsidiary of NNP-Briar Chapel, the developer of the Briar Chapel Subdivision. The purchase price for the Briar Chapel wastewater utility system under the APA is \$1,500 per residential equivalent unit (REU) for each new connection and the future expansion of the existing 250,000 gallons per day (GPD) wastewater treatment plant (WWTP). ONSWC will pay the collected connection fees to BCU on a quarterly basis. The current planned buildout of the wastewater utility system is 2,516 connections. The APA provides that NNP-Briar Chapel, as a contribution in aid of construction, will pay for all installation costs of the collection system extensions and, if necessary, the additional upset pond, effluent storage pond, and reuse spray irrigation facilities, and NNP-Briar Chapel will convey those components to ONSWC at no cost.

9. The rate base of the Briar Chapel sewer system at the time of transfer is established at \$0.00, as ONSWC is not paying a purchase price at closing.

10. ONSWC has requested approval of the Commission approved monthly flat rate for wastewater service of \$42.30 per REU. By Order issued on February 13, 2015, in Docket No. W-1230, Sub 2, the Commission reduced the monthly flat rate for wastewater service to \$42.30 per REU for BCU to reflect the repeal of the gross receipts tax.

11. ONSWC has also requested approval of the Commission approved \$1,500 per REU connection fee.

12. ONSWC has the technical, managerial and financial capacity to provide adequate wastewater service in the Briar Chapel service area.

13. The transfer will not cause any immediate rate or service impact on the wastewater customers in the Briar Chapel service area.

14. The Public Staff recommended that ONSWC post a \$50,000 bond. ONSWC currently has \$250,000 of bonds posted with the Commission. Of this amount, \$90,000 of bond surety is assigned to specific subdivisions and \$160,000 of bond surety is unassigned.

IT IS, THEREFORE, ORDERED as follows:

1. That \$50,000 of the \$160,000 unassigned bond surety shall be assigned to Briar Chapel Subdivision. The remaining unassigned bond surety shall be \$110,000.

2. That the transfer of the wastewater utility assets and the franchise to provide wastewater service in the Briar Chapel Subdivision (including the Herndon Woods Subdivision) in Chatham County, North Carolina, from BCU to ONSWC is hereby approved.

3. That Appendix A shall constitute the Certificate of Public Convenience and Necessity, which shall become effective upon the closing of the transfer of the wastewater system to ONSWC.

4. That the Schedule of Rates, attached as Appendix B, is hereby approved and is deemed filed with the Commission pursuant to G.S. 62-138.

5. That the rate base at the time of closing shall be \$0.00.

6. That the Certificate of Public Convenience and Necessity granted to BCU, in Docket No. W-1230, Sub 0, is cancelled effective on the date of closing of the transfer of the wastewater utility system to ONSWC.

7. That ONSWC shall provide written notification to the Commission within five days after the closing that the transfer has occurred.

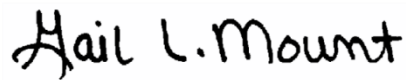
8. The \$50,000 bond previously filed by BCU will be released by the Commission to BCU upon receipt of written notification that closing has occurred.

9. That a copy of the Notice to Customers, attached as Appendix C, shall be mailed with sufficient postage or hand delivered by ONSWC to all customers affected by the transfer no later than ten days after the date of the closing of the transfer of the wastewater system to ONSWC, and that ONSWC shall submit to the Commission the attached Certificate of Service properly signed and notarized no later than 15 days after the date of the closing.

ISSUED BY ORDER OF THE COMMISSION.

This the 20th day of April, 2015.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written in a cursive, flowing style.

Gail L. Mount, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

APPENDIX A

DOCKET NO. W-1300, SUB 9

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

OLD NORTH STATE WATER COMPANY, LLC

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide sewer utility service

in

BRIAR CHAPEL SUBDIVISION SERVICE AREA
(including HERNDON WOODS SUBDIVISION)

Chatham County, North Carolina

subject to any orders, rules, regulations,
and conditions now or hereafter lawfully made
by the North Carolina Utilities Commission

ISSUED BY ORDER OF THE COMMISSION.

This the 20th day of April, 2015.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Chief Clerk

SCHEDULE OF RATES

for

OLD NORTH STATE WATER COMPANY, LLC

for providing sewer utility service in

BRIAR CHAPEL SUBDIVISION SERVICE AARE
(including HERNDON WOODS SUBDIVISION)

Chatham County, North Carolina

Monthly Flat Rate for Sewer Service: \$42.30 per REU ^{1/}

Connection Fee: \$1,500 per REU

Reconnection Charges:

If sewer service is cut off by utility for good cause \$15.00

Returned Check Charge: \$20.00

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency: Shall be monthly for service arrears

Finance Charges for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 15 days after billing date

^{1/} REU is one Residential Equivalent Unit

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1300, Sub 9, on this 20th day of April, 2015.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

APPENDIX C

DOCKET NO. W-1300, SUB 9
DOCKET NO. W-1230, SUB 1

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order approving the transfer of the franchise for providing sewer utility service in the Briar Chapel Subdivision service area, including the Herndon Woods Subdivision, in Chatham County, North Carolina, from Briar Chapel Utilities, LLC, to Old North State Water Company, LLC. The service rates for sewer utility service **have not changed** and are as follows:

Monthly Flat Rate for Sewer Service: \$42.30 per REU ^{1/}

Connection Fee: \$1,500 per REU

Reconnection Charges:

If sewer service is cut off by utility for good cause \$15.00

Returned Check Charge: \$20.00

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency: Shall be monthly for service arrears

Finance Charges for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 15 days after billing date

^{1/} REU is one Residential Equivalent Unit

ISSUED BY ORDER OF THE COMMISSION.

This the 20th day of April, 2015.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Chief Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket Nos. W-1300, Sub 9, and W-1230, Sub 1, and the Notice was mailed or hand delivered by the date specified in the Order.

This the _____ day of _____, 2015.

By:

Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket No. W-1300, Sub 9, and W-1230, Sub 1.

Witness my hand and notarial seal, this the _____ day of _____, 2015.

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date