

SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law

July 1, 2022

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Via Electronic Delivery

Re: Application by Carolina Water Service, Inc. of North Carolina for Authority to Adjust and Increase Rates and Charges for Water and Sewer Utility Service in All Service Areas in North Carolina, Including for Approval of a Water and Sewer Investment Plan
Docket No. W-354, Sub 400

Dear Ms. Dunston:

Carolina Water Service, Inc. of North Carolina, Inc. (CWSNC or Company) submits for electronic filing in the above-referenced docket its general rate case application, along with electronic payment of the filing fee of \$500.00, which is required for a Class A water and sewer company.

Additionally, within one business day, as required by Commission Rule R1-28(e)(1), CWSNC will file fifteen (15) paper copies of the Application and fifteen (15) paper copies of the NCUC Form W-1.

All confidential documents will be marked "CONFIDENTIAL." Paper copies of confidential documents will be sealed in a separate envelope for filing. For purposes of the electronic public filings, the confidential materials are redacted. Unredacted versions will be electronically filed using the "confidential" filing function in the Commission's docket portal.

CWSNC's filing in this case is based on a test year of the twelve months ended March 31, 2022, updated for anticipated changes in the Company's cost of service, including rate base. The Company reserves the right to further update its cost of service, consistent with North Carolina law, up through the close of the evidentiary hearing in this matter, and has appropriately designated certain post-test year changes and additions in the Application.

Unless suspended by the Commission, CWSNC's new rates are proposed to become effective for service rendered on and after July 31, 2022.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted

/s/Jo Anne Sanford

State Bar No. 6831

Attorney for Carolina Water Service, Inc. of
North Carolina

c: Lucy Edmondson, Chief Counsel, Public Staff
Gina Holt, Manager, Legal Division, Natural Gas, Water, Sewer,
Telephone, & Transportation Sections, Public Staff
Charles Junis, Director, Water, Sewer, and Telephone Division,
Public Staff

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-354, SUB 400

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application by Carolina Water Service,)	APPLICATION FOR A
Inc. of North Carolina for Authority to)	GENERAL INCREASE IN
Adjust and Increase Rates and Charges)	RATES AND APPROVAL OF A
for Water and Sewer Utility Service in All)	THREE-YEAR WATER AND
Service Areas of North Carolina and)	SEWER INVESTMENT PLAN
Approval of a Three-Year Water and)	
Sewer Investment Plan)	

July 1, 2022

NOW COMES Carolina Water Service, Inc. of North Carolina (CWSNC or Company), by and through counsel and pursuant to the provisions of N.C. Gen. Stat. (N.C.G.S.) § 62-130 *et seq.*, N.C.G.S. § 62-133.1B, and North Carolina Utilities Commission (Commission or NCUC) Rules R1-15, R1-17, and R1-17A, and respectfully requests that the Commission approve a general rate increase reflecting the Company's proposed three-year Water and Sewer Investment Plan (WSIP) for all of its North Carolina service territories, with base rate increases for three successive years. In the event the Commission does not approve a WSIP for CWSNC, CWSNC respectfully requests that the Commission approve an increase to base rates for all its North Carolina service territories based on adjusted test year results pursuant to N.C.G.S. § 62-133. Finally, consistent with the existing statutory requirements, CWSNC gives notice herein of its intent to change base rates effective July 31, 2022, unless the Commission suspends this Application.

The Water and Sewer Investment Plan

The Mechanism. A WSIP is a performance-based plan

“...under which the Commission sets water or sewer base rates, revenue requirements through banding of authorized returns as provided in this section, and authorizes annual rate changes for a three-year period based on reasonably known and measurable capital investments and anticipated reasonable and prudent expenses approved under the plan without the need for a base rate proceeding during the plan period. N.C.G.S. § 62-133.1B(a).

Public Interest Requirement. N.C.G.S § 62-133.1B(b) sets forth the core findings of public interest that are required prior to Commission approval of a WSIP.

The Commission may approve a Water and Sewer Investment Plan proposed by a water or sewer utility only upon a finding by the Commission that the plan results in rates that are just and reasonable and are in the public interest. In reviewing any application under this section, the Commission shall consider whether the water or sewer utility's application, as proposed, (i) establishes rates that are fair both to the customer and to the water or sewer utility, (ii) reasonably ensures the continuation of safe and reliable utility services, (iii) will not result in sudden substantial rate increases to customers annually or over the term of the plan, (iv) is representative of the utility's operations over the plan term, and (v) is otherwise in the public interest. In approving an application submitted under this section, the Commission may impose any conditions in the implementation of a Water and Sewer Investment Plan that the Commission considers necessary to ensure that the utility complies with the plan, and that the plan and associated rates are just, reasonable, and in the public interest, and the plan reasonably ensures the provision of safe, reliable, and cost-effective service to customers.

Support for Use of WSIP. These requested rate increases and the need for a WSIP are driven by persistent and significant capital investments and increased operating expenses incurred to enable the Company to continue to provide reliable, safe, and compliant water and wastewater services to its customers. The investments are required to replace and rehabilitate aging infrastructure and to modernize and increase efficiencies in the Company's systems. More specifically, since its last general rate case, CWSNC has made (or is in the process of making) over \$17.3 million in water and wastewater system investments in North Carolina and is expected to make over \$95 million in system investments in its North Carolina water and wastewater systems by the end of the

three-year WSIP period. These investments, along with associated operating and maintenance expenses, enable CWSNC to improve water and wastewater service to its North Carolina customers by more efficiently deploying resources and alleviating environmental concerns. In an environment of persistently increasing investment requirements – due both to failure and expansion of infrastructure and upward pressure across the board on operating expenses – revenue adjustments are required to keep pace with the increasing levels of investment. Cost recovery mechanisms should be as efficient as possible and repetitive rate cases are expensive and inefficient. CWSNC makes the case herein for approval of a sound, prudent WSIP mechanism that will include strong regulatory oversight and that will avoid some of the unproductive expense and processes associated with sequential general rate cases. This is particularly important in light of the fact that these general rate cases are nearly becoming an annual event, driven by upward pressure on prudent investments and expenditures.

Additional Components of Application

In addition to CWSNC's request for approval of a three-year WSIP – or, alternatively, a general increase in rates – items pertinent to this Application and proceeding include, but are not limited to, the following:

- Pursuant to N.C.G.S. § 62-133.11, CWSNC requests continued recognition of its authority to pass through in rates any documented increases in the bulk cost of purchased water or wastewater service incurred by the Company in order to serve its retail customers;

- The Company's Commission-approved Water and Sewer System Improvement Charge mechanisms (WSIC/SSIC), after being reset to zero in this proceeding, will be discontinued during the three-year term of an approved WSIP¹. The Company requests the WSIC/SSIC mechanisms be made available for use on the first day following the end of the WSIP period;
- The Company requests continued authorization to implement the Water Efficiency Program as approved in Docket No. W-354, Sub 384, including deferral of rebates applied to customer bills;
- Approval is requested of ratemaking and tariff treatment of the pending acquisition of Water Resource Management, Inc.'s Echota and Seven Devils systems in Watauga County per Docket No. W-354, Sub 396; and
- CWSNC requests approval of a newly proposed Sewer Use Rule and accompanying new tariff wording that is intended to protect its wastewater systems from damaging industrial and nondomestic contaminants.

Accordingly, CWSNC states the following in support of this Application.

¹ However, in the event the Commission does not approve the WSIP, CWSNC requests continued use of the WSIC and SSIC mechanisms to allow for Commission consideration of surcharge cost recovery of future eligible water and sewer system improvement projects that have not previously been reflected in CWSNC's rates. In either alternative, existing WSIC/SSIC rates will be reset to zero with the effective date of an NCUC final order in this proceeding.

1. CWSNC is a public utility operating in North Carolina engaged in the provision of water and sewer utility service to the public for compensation. The Company's business address is 4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina 28217. The contact person for CWSNC in this matter is Philip J. Drennan at Phil.Drennan@Corixgroup.com. CWSNC is a wholly-owned subsidiary of Corix Regulated Utilities, Inc., which owns and operates water and wastewater facilities in 17 states.

2. CWSNC is an investor-owned public utility pursuant to N.C.G.S. § 62-3, does business as a regulated water and sewer utility in North Carolina, and is subject to the regulatory oversight of this Commission. The Company presently serves approximately 34,565 water customers² and 21,469 sewer customers in North Carolina and operates approximately 93 water systems and 38 sewer systems in the state. The Company's service territory spans 38 counties in North Carolina, from Corolla in Currituck County to Bear Paw in Cherokee County.

3. CWSNC hereby applies for approval of a three-year WSIP for all of its service areas in North Carolina. Alternatively, in the event that the Commission does not approve a WSIP for the Company, CWSNC requests that the Commission authorize it to increase its base water and sewer rates and charges based on adjusted test year results.

² As of the March 31, 2022 Test Year, there are 31,242 active water customers, 3,323 water availability customers, 20,330 active sewer customers, and 1,139 sewer availability customers.

4. The attorney for CWSNC, on whom all pleadings and notices should be served, is:

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Post Office Box 28085
Raleigh, North Carolina 27611-8085
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5. CWSNC's last general rate case was decided by NCUC Order (2022 Rate Case Order) entered on April 8, 2022, in Docket No. W-354, Sub 384.

6. This is the fifth general rate case filed by CWSNC since the Commission approved a merger of all the Company's North Carolina systems on August 17, 2016 in Docket No. W-354, Sub 350. This consolidation was a significant step by the Company towards greater efficiency in its North Carolina operations – particularly in its level of regulatory engagement. In the rate case application filed in the Sub 356 docket, CWSNC proposed and was allowed by the Commission to establish the following four Rate Divisions for ratemaking purposes:

CWSNC Uniform Water (Uniform Water)
CWSNC Uniform Sewer (Uniform Sewer)
Bradfield Farms/Fairfield Harbour/Treasure Cove Water³
(BF/FH/TC Water)
Bradfield Farms/Fairfield Harbour/Treasure Cove
Sewer (BF/FH/TC Sewer)

7. The CWSNC Uniform Water and Sewer Rate Divisions consist of all water and sewer systems currently owned and operated by the Company,

³ Bradfield Farms is located in Mecklenburg County, Fairfield Harbour is located in Craven County, and Treasure Cove is located in New Hanover County.

excluding the Bradfield Farms, Fairfield Harbour, and Treasure Cove (BF/FH/TC) service areas. The Bradfield Farms, Fairfield Harbour, and Treasure Cove water and sewer service areas were combined into separate Water and Sewer Rate Divisions for purposes of the Sub 356 rate case with consolidated water and sewer rates within each Rate Division. CWSNC's ultimate goal in future general rate cases continues to be to migrate Bradfield Farms, Fairfield Harbour, and Treasure Cove into the CWSNC Uniform Water and Sewer Rate Divisions. The requested rate levels in this proceeding for WSIP Rate Year 1 for the BF/FH/TC rate division are currently 35% lower than CWSNC's Uniform Water rates and 35% lower than CWSNC's Uniform Sewer rates.

8. The Test Year for this case is the 12 months ended March 31, 2022. This is the most recent 12 months of data available. WSIP Rate Year 1 consists of the 12 months ending March 31, 2024; WSIP Rate Year 2 consists of the 12 months ending March 31, 2025; and WSIP Rate Year 3 consists of the 12 months ending March 31, 2026.

9. CWSNC's currently authorized overall rate of return on rate base is 7.14%, which is based on an authorized rate of return on common equity of 9.40% established by the Commission in its 2022 Rate Case Order. CWSNC's Test Year overall return on rate base for the Company's combined pro forma water and sewer operations was 5.59%.

10. Without rate relief, CWSNC's overall return on rate base for the Company's combined pro forma water and sewer operations during the term of the proposed WSIP is projected to range from 4.88% to 4.14%.

11. CWSNC's requested rate increase in this general rate case is premised on a proposed return on equity of 10.70% and an overall rate of return on the Company's rate base for its combined water and sewer operations of 7.67% during the three-year term of the proposed WSIP. In the event the Commission does not approve a WSIP for CWSNC, CWSNC's requested base rate increase in this general rate case is premised on a proposed return on equity of 10.45% and an overall rate of return of 7.55%.

12. N.C.G.S. § 62-133.1B(g) requires the Commission to establish banding of authorized returns on equity for any approved Water and Sewer Investment Plan. "Banding of authorized returns," in this context, means a rate mechanism under which the Commission first sets an authorized return on equity for a water or sewer utility that acts as a midpoint and then applies a low and high-end range of returns to that midpoint under which a water or sewer utility will not over earn if within the high-end range and will not underearn if within the low-end range. Any banding of the water or sewer utility's authorized return cannot exceed 100 basis points above or below the midpoint.

13. In accordance with N.C.G.S. § 62-133.1B(g), CWSNC is proposing banding in the WSIP of 100 basis points above and below the proposed return on equity. Based on the proposed return on equity of 10.70%, the resulting proposed

low band is 9.70% and the proposed high band is 11.70%. Discussion of the proposed return on equity bands is included in the testimony of Witness D'Ascendis.

14. Consistent with the referenced requirements of N.C.G.S § 62-133.1B(g), the Company's proposed overall rate of return during the term of the WSIP is based upon a capital structure and cost of capital as follows:

	Rate Year 1	Rate Year 2	Rate Year 3
Equity %	50%	50%	50%
Debt %	50%	50%	50%
Cost of Debt	4.64%	4.64%	4.64%
ROE	10.70%	10.70%	10.70%
Rate of Return	7.67%	7.67%	7.67%
ROE Band - High	11.70%	11.70%	11.70%
ROE Band - Low	9.70%	9.70%	9.70%

15. In the event the Commission does not approve a WSIP for CWSNC, CWSNC's requested rate increase is based upon a capital structure consisting of 50% equity, 50% debt, a cost of equity of 10.45%, and a cost of debt of 4.64%.

16. In accordance with the provisions of N.C.G.S. § 62-134 and NCUC Rule R1-17, CWSNC herewith files three sets of revised, proposed WSIP tariffs for WSIP Rate Years 1, 2, and 3. Copies of the three sets of WSIP tariffs are attached as Appendix 7 to the NCUC Form Application, Schedule F 3 through 5. CWSNC also files herewith one set of revised, proposed tariffs for its alternative base rate increase proposal, Appendix 7, Schedule F-2. The proposed WSIP Rate Year 1 tariffs will be placed into effect on July 31, 2022 unless suspended by the Commission.

17. The proposed WSIP tariffs are designed to produce additional service revenues on a company-wide basis as follows:

	Rate Year 1	Rate Year 2	Rate Year 3
Total increase / % increase over current authorized revenues	\$8,847,255 (19.70%)	\$2,682,335 (4.99%)	\$2,620,032 (4.64%)
Uniform Water increase / % increase over current authorized revenues	\$3,672,513 (16.09%)	\$1,056,012 (3.99%)	\$1,052,076 (3.82%)
Uniform Sewer increase / % increase over current authorized revenues	\$3,920,924 (22.35%)	\$1,230,833 (5.73%)	\$1,329,317 (5.86%)
BF/FH/TC Water increase / % increase over current authorized revenues	\$613,607 (32.62%)	\$142,391 (5.71%)	\$103,315 (3.92%)
BF/FH/TC Sewer increase / % increase over current authorized revenues	\$640,211 (24.31%)	\$253,099 (7.73%)	\$135,324 (3.84%)

In the event the Commission does not approve a WSIP for CWSNC, the alternative proposed tariffs are designed to produce additional service revenues on a company-wide basis as follows: \$4,069,409 (a 9.07% increase over the service revenue level generated by rates currently in effect for CWSNC). Under this alternative proposal for the Uniform Water Rate Division, the proposed tariffs are designed to produce additional service revenues of \$1,668,856 which is a 7.31% increase over the service revenue level generated by the rates currently in effect for that Rate Division. Under this alternative proposal for the Uniform Sewer Rate Division, the proposed tariffs are designed to produce additional service revenues of \$1,766,491, which is a 10.07% increase over the service revenue level generated by the rates currently in effect for that Rate Division. Under this alternative proposal for the BF/FH/TC Water Rate Division, the proposed tariffs are

designed to produce additional service revenues of \$236,751 which is a 12.59% increase over the service revenue level generated by the rates currently in effect for that Rate Division. Under this alternative proposal for the BF/FH/TC Sewer Rate Division, the proposed tariffs are designed to produce additional service revenues of \$397,311 which is a 15.09% increase over the service revenue level generated by the rates currently in effect for that Rate Division. Under this alternative proposal, CWSNC requires increased revenues at this level to earn a fair return on its company-wide investment of \$153,515,313.

18. Pursuant to the provisions of N.C.G.S. § 62-135, CWSNC hereby notifies the Commission that the Company intends to implement rates, on a temporary, partial, interim basis subject to refund effective upon the expiration of six months after the date when such rate or rates would have become effective, if not so suspended. This assumes that the Commission: (a) suspends the operation of the Company's proposed rates as requested in this Application; and (b) has not entered a final order by that date.

19. Consistent with the customer notice provisions of N.C.G.S. § 62-135(a), CWSNC further requests that the Notices to Customers attached to the NCUC scheduling order hereafter issued in this docket include a specific provision notifying customers that the Company intends to implement temporary rates under bond effective upon the expiration of six months after the date when such rate or rates would have become effective, if not so suspended.

20. In accordance with NCUC Rules R1-17(b) and R1-17A and following the prescription of the Commission's Application for Rate Case form, CWSNC attaches hereto and incorporates herein by reference a completed form application along with the schedules to support the requested adjustments in rates. The schedules include:

Summary of All Increases and Changes Affecting Customers (Appendix 1)

Calculation of Rate Base and Rate of Return (Appendix 2 - Schedule A)

Income Statement for the Twelve Months Ended March 31, 2022 (Appendix 3 - Schedule B)

Balance Sheet as of March 31, 2022 (Appendix 4 - Schedule C)

Required Return and Cost of Debt (Appendix 5 - Schedule D-1)

Calculation of Revenues Under Present Rates, Proposed Rates, and Average Bill Calculations (Appendix 6 - Schedule E)

Current Tariff, Proposed Tariff, and WSIP Rate Years 1-3 Tariffs (Appendix 7 - Schedule F-1 – F-5)

Proposed Sewer Use Tariff (Appendix 7 - Schedule F-6)

List of Counties Served with Water and Sewer (Appendix 8 - Schedule G)

WSIC/SSIC 3-Year Plan (Appendix 9 - Schedule H)

Identification of the Test Year and three Rate Year periods (Appendix 10 – Schedule I – R1-17A(c)(1))

Three-year capital investment plan by rate division (Appendix 11 – Schedule J – R1-17A(c)(2))

Calculation of the proposed percent increase for each Rate Year (Appendix 12 – Schedule K - R1-17A(c)(8))

Proposed banding range for requested rate of return on equity

(Appendix 13 – Schedule L - R1-17A(c)(9))

References to R1-17A(c)-(k) WSIP Requirements (Appendix 14 – Schedule M)

Direct Testimony of:

Donald H. Denton III
Dana Hill
Philip J. Drennan
Matthew P. Schellinger
Dylan D'Ascendis

21. **Benefits of and Justification for a WSIP.** Pursuant to N.C.G.S. § 62-133.1B, CWSNC is proposing the WSIP in an effort to provide rate clarity and transparency that benefits customers. The WSIP will provide predictability for all to the cost-recovery process, and it will moderate the pace and the administrative costs of rate increase reviews. It will: provide a longer-term view of costs and investments for customers, regulators, and stakeholders; facilitate investments that support state policy goals; and preserve the basic regulatory bargain among utilities, regulators, and customers. The WSIP proposed by CWSNC is consistent with G.S. 62-133.1B(b), in that it: (1) establishes rates that are fair both to the customer and to the water or sewer utility; (2) reasonably ensures the continuation of safe and reliable utility services; (3) will not result in sudden substantial rate increases to customers annually or over the term of the plan; (4) is representative of the utility's operations over the plan term; and (5) is otherwise in the public interest. The proposed WSIP rates requested by CWSNC are necessary and are justified by the evidence contained in this Application and attendant schedules, attachments, exhibits, and testimony. The Company's request therefore includes

reasonably known and measurable capital investments and anticipated reasonable and prudent expenses based on information available at the time of filing of this Application.

22. **Performance Metrics.** In accordance with NCUC Rule R1 - 1 7A(c)(10), CWSNC is proposing at least one performance metric in each of the following areas: (1) operational compliance; (2) customer service; (3) service reliability; and (4) workplace health and safety. The Company's proposed performance metrics are:

- % of days in compliance;
- telephone service factor;
- customer service complaints;
- unplanned water service disruptions;
- sanitary service overflows;
- OSHA incident rate; and
- hours of employee training.

These performance metrics are consistent with the WSIP requirements and focus on the most important issues for our stakeholders – being environmentally compliant; providing high quality customer service; providing reliable utility service; and ensuring a safe workplace environment for our employees. These metrics will allow the Company to evaluate its operational efficiency and identify areas of possible improvement as well as demonstrate our effectiveness to the Commission. Specifics of the Company's proposed performance metrics can be

found in Witness Denton's testimony as well as attached to this application in response to W-1 Item #30.

22. **Pass Through of Purchased Water and Wastewater Service Costs.** Pursuant to N.C.G.S. § 62-133.11, the Commission previously found it to be in the public interest to authorize CWSNC (and others) to adjust water and wastewater rates outside of a general rate case process to reflect changes in costs based upon unavoidable changes in rates imposed by third party suppliers. CWSNC will continue to implement these pass-through mechanisms to reflect changes in costs resulting from changes in third-party supplier rates.

23. **WSIC and SSIC Mechanisms.** Pursuant to N.C.G.S. § 62-133.12 and Commission Rules R7-39 and R10-26, the Commission found it to be in the public interest to authorize CWSNC as part of the Company's 2013, 2015, 2017, 2018, 2019, and 2021 general rate cases⁴ to implement WSIC/SSIC mechanisms. Pursuant to these mechanisms, the Company is allowed to recover the annual incremental depreciation expense and capital carrying costs of eligible water and sewer system improvements which are completed and placed in-service but not captured in base rates through rate cases. Recovery is only allowed after thorough examination and audit by the Public Staff at least equivalent to the level of examination afforded projects in a general rate case inquiry – and after careful review and determination by the NCUC. Consistent with NCUC Rules R7-39(k) and R10-26(k), CWSNC's Commission-authorized WSIC

⁴ Respectively, Docket Nos. W-354, Subs 336, 344, 356, 360, 364, and 384.

and SSIC surcharges will be reset to zero as of the effective date of new base rates established in this general rate case.

Consistent with N.C.G.S. § 62-133.1B(d), if the Commission approves a WSIP for CWSNC, CWSNC will discontinue the operation of its WSIC and SSIC mechanisms during the term of the three-year WSIP period.

In the event the Commission does not approve a WSIP for CWSNC, the Company will continue to utilize its WSIC and SSIC mechanisms. Accordingly, in support of this alternative request, and consistent with NCUC Rules R7-39(c)(1) and R10-26(c)(1), CWSNC has included its Company's Ongoing Three-Year WSIC/SSIC Plan as part of this Rate Case Application, as Appendix 9 hereto. Under this alternative, after the WSIC and SSIC mechanisms have been reset to zero in this case, only the incremental depreciation expense and capital costs of new eligible water and sewer system improvements that have not previously been reflected in the Company's rates will be recoverable through the WSIC/SSIC mechanisms on a going-forward basis.

24. Impact of Requested WSIC/SSIC Charges on Rates (Under Alternative Request). By law, the cumulative maximum charges between rate cases that the Company may recover through the use of its Commission-authorized WSIC/SSIC mechanisms cannot exceed 7.5% of the total service revenues that the Commission ultimately approves in this general rate case. See N.C.G.S § 62-133.12(g). In this Application, under its alternative proposal, the Company has requested that the Commission allow it to recover total water service

revenues of \$24,498,816 and total sewer service revenues of \$19,311,653 from Uniform Water and Sewer Rate Division customers, respectively. In addition, under this alternative proposal, the Company has requested that the Commission allow it to recover total water service revenues of \$2,117,863 and total sewer service revenues of \$3,030,965 from BF/FH/TC Water and Sewer Rate Division customers, respectively. Seven and one-half percent of these water revenues under the WSIC mechanism is \$1,837,411 for the Uniform Water Rate Division and \$1,448,374 for the BF/FH/TC Water Rate Division. Seven and one-half percent of these sewer revenues under the SSIC mechanism is \$158,840 for the Uniform Sewer Rate Division and \$227,322 for the BF/FH/TC Sewer Rate Division.

Under this alternative proposal, if the Commission permits the Company to recover the revenue requirements requested in the Application, the Company projects that the average monthly water bill for a typical Uniform Rate Division residential customer (based upon monthly water usage of 3,810 gallons) would be \$74.38 and the average monthly sewer bill for a typical residential customer (based upon monthly water usage of 3,217 gallons) would be \$88.31. In addition, the Company projects the average monthly water bill for a typical BF/FH/TC residential customer (based upon monthly water usage of 4,198 gallons) would be \$50.80 and the average monthly sewer bill for a typical residential customer would be \$70.87.

Based upon these figures, the Company estimates the maximum that the average residential customer's monthly water bill in the Uniform Water Rate Division could be increased by the WSIC mechanism between rate cases is \$5.58 and the maximum that the average residential customer's monthly sewer bill could be increased by the SSIC mechanism between rate cases is \$6.62. The Company further estimates that the maximum that the average residential customer's monthly water bill in the BF/FH/TC Water Rate Division could be increased by the WSIC mechanism between rate cases is \$3.81 and the maximum that the average residential customer's monthly sewer bill could be increased by the SSIC mechanism between rate cases is \$5.32.

25. **Water Efficiency Program and Fee-Free Payment Program.** In its last base rate case (Sub 384), the Commission approved a water efficiency program and a fee-free payment program for CWSNC. CWSNC requests to continue these programs following this case. In this case, the Company is providing testimony updating the Commission and parties about the implementation of such programs to date.

26. **Sewer Use Rule and Tariff.** In an effort to protect its wastewater systems from damaging industrial and nondomestic contaminants, CWSNC is also proposing a Sewer Use Rule and Tariff.

27. **NCUC Form W-1.** The NCUC Form W-1, Rate Case Information Report, as required by Rule R1-17(b)(12)(d), is submitted herewith and incorporated herein by reference. Further, CWSNC provided responses to WSIP

W-1 items 27 – 30 as provided in the Company’s proposed WSIP W-1 requirements, pending final approval in Docket No. W-100, Sub 63.

28. **Impact on Average Residential Water Bills.** Average residential water bills in the CWSNC service areas (except where CWSNC purchases water from a third-party supplier) would increase as follows for the Company’s proposed WSIP:

Entity	Average Usage	Average Bill - Present Rates	Average Bill - WSIP Year 1 Proposed	Average Bill - WSIP Year 2 Proposed	Average Bill - WSIP Year 3 Proposed
CWSNC Uniform	3,810	69.15	80.49	83.22	85.90
BF/FH/TC	4,198	45.12	59.62	62.55	64.51

The impact on average residential water bills under the alternative proposal is discussed above.

29. **Impact on Average Residential Sewer Bills.** Average residential sewer bills across the applicable systems (except where CWSNC sub-contracts the cost of sewer treatment to a third party) would increase as follows for the Company’s proposed WSIP:

Entity	Average Usage	Average Bill - Present Rates	Average Bill - WSIP Year 1 Proposed	Average Bill - WSIP Year 2 Proposed	Average Bill - WSIP Year 3 Proposed
CWSNC Uniform	3,217	78.64	98.58	104.36	110.60
BF/FH/TC	-	61.58	73.05	78.13	80.54

The impact on average residential sewer bills under the alternative proposal is discussed above.

30. **Pro Forma Adjustments.** N.C.G.S. § 62-133(c) states, in pertinent part, that:

[T]he Commission shall consider such relevant, material and competent evidence . . . tending to show actual changes in costs,

s or the cost of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within this State . . . which is based upon circumstances and events occurring up to the time the hearing is closed.

CWSNC includes in this Application pro forma adjustments based upon its estimates of certain changes in costs that are anticipated to occur and are necessary to reflect ongoing operations, and the Company intends to offer evidence to support these changes. As required by Commission Rule R1-17(b), the Company intends to update the following adjustments, as applicable, and reserves the right to propose additional updates to other accounts or adjustments, as appropriate, through the close of the hearing in this case.

- Schedule 2 – Capital Investment Plan
- Schedule 12 – Rate Case Expenses
- Schedule 13 – Deferred Charges and Master Meter Testing Schedule
- Schedule 17 – Purchased Power
- Schedule 18 – Purchased Water and Sewer Treatment
- Schedule 19 – Chemical Expense
- Schedule 21 – Salaries
- Schedule 25 – Insurance
- Schedule 27 – Corporate Cost Allocations

WSIP adjustments were made in order to develop a revenue requirement for the WSIP Rate Years 1 through 3. Supporting narrative can be found in the WSIP Narrative and supporting schedules are provided in W-1 Item #10.

31. **Compliance with Commission Order in Docket No. W-354, Sub 384.** CWSNC has carefully reviewed the Commission's 2022 Rate Case

Order to ensure that the Company has complied with all applicable decretal paragraphs which required Commission-ordered actions. CWSNC hereby confirms that all required actions were taken and implemented as ordered by the Commission in the Company's Sub 384 general rate case.

32. **Water Resource Management, Inc.** CWSNC has before the Commission the proposed acquisition of Water Resource Management, Inc. ("WRM") pending in Docket W-354, Sub 396. Anticipating the acquisition is approved by the Commission and the transaction closes in the near future, CWSNC has incorporated the WRM customers into the Uniform Water and Sewer Rate Divisions. As such, this acquisition system is included for pro forma purposes in the Company's proposed revenue requirement.

33. **Alternative Request.** Should the Commission not approve a WSIP, the Company seeks approval of a base rate increase pursuant to N.C.G.S. § 62-133. In the absence of an approved WSIP, such increased base rates would be necessary due to increased capital investment needs and operating costs and are justified by evidence contained in the Application (and to be provided as updates during the proceeding) and attendant schedules, attachments, exhibits, and testimony.

WHEREUPON CWSNC hereby requests that the Commission approve: (a) the proposed three-year WSIP, including the proposed new rates contained in Appendix 7, effective July 31, 2022; and (b) the other requests set forth in this Application.

Respectfully submitted this 1st day of July 2022.

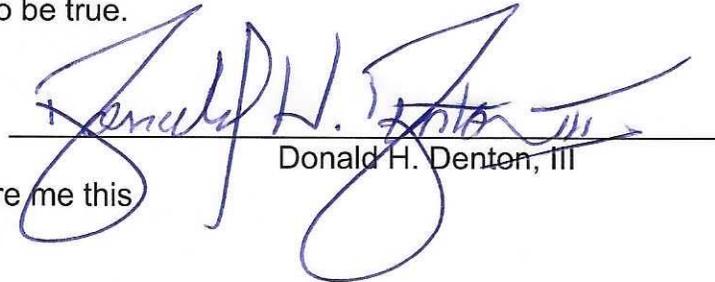
Electronically Submitted
/s/ Jo Anne Sanford

Sanford Law Office, PLLC
Post Office Box 28085
Raleigh, North Carolina 27611-8085
Telephone: 919-210-4900
Email: sanford@sanfordlawoffice.com
North Carolina State Bar No. 6831

**ATTORNEY FOR CAROLINA WATER
SERVICE, INC. OF NORTH
CAROLINA**

VERIFICATION

Donald H. Denton, III, being duly sworn, deposes and says: that he is the State President for Carolina Water Service, Inc. of North Carolina; that he is familiar with the facts set out in the **Application for General Rate Increase** filed by CWSNC in Docket No. W-354 Sub 400; that he has read the foregoing Application and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.



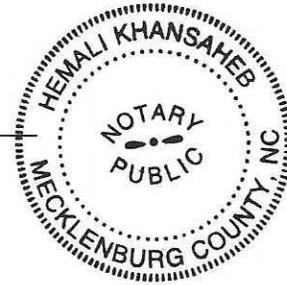
Donald H. Denton, III

Sworn to and subscribed before me this
the 30th day of July, 2022.



Notary Public

My Commission Expires: 08/10/2026
NC, Mecklenburg County



CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing **APPLICATION FOR A GENERAL INCREASE IN RATES AND APPROVAL OF A THREE-YEAR WATER AND SEWER INVESTMENT PLAN** filed by Carolina Water Service, Inc. of North Carolina in Docket No. W-354, Sub 400, has been served on the Public Staff, North Carolina Utilities Commission, by hand-delivery or electronic transmission to Lucy Edmondson, Chief Counsel.

This the 1st day of July, 2022.

**Attorney for Carolina Water Service,
Inc. of North Carolina**

Electronically Submitted
/s/ Jo Anne Sanford
Sanford Law Office, PLLC
P.O. Box 28085
Raleigh, North Carolina 27611-8085
State Bar No. 6831
Tel: 919-210-4900
Email: sanford@sanfordlawoffice.com

DOCKET NO. W-354, SUB 400**APPENDIX 1: Per Rule R1-17(b)(9)f****Summary of All Increases and Changes Affecting Customers**

Carolina Water Service, Inc. of North Carolina (CWSNC or Company), proposes a company-wide rate increase pursuant to the provisions of G.S. § 62-133, G.S. 62-133.1B, and North Carolina Utilities Commission (NCUC or Commission) Rules R1-17 and R1-17A. The rate increase is proposed to take place on July 31, 2022, unless suspended by the Commission. The net additional service revenue which the proposed increase in rates will produce for CWSNC and the proposed impact on customers' rates, under either a Test Year "Base Case" or a "Water and Sewer Investment Plan" (WSIP), if approved, would be as follows:

	Current Revenue at Present Rates	Base Case Proposed Revenue	WSIP Year 1 Proposed Revenue	WSIP Year 2 Proposed Revenue	WSIP Year 3 Proposed Revenue
<u>CWSNC Service Revenue -Water</u>	22,829,960	24,498,816	26,502,473	27,558,485	28,610,561
Increase		1,668,856	3,672,513	1,056,012	1,052,076
<u>CWSNC Service Revenue - Sewer</u>	17,545,162	19,311,653	21,466,085	22,696,918	24,026,236
Increase		1,766,491	3,920,924	1,230,833	1,329,317
<u>BFFHTC Service Revenue -Water</u>	1,881,112	2,117,863	2,494,719	2,637,110	2,740,424
Increase		236,751	613,607	142,391	103,315
<u>BFFHTC Service Revenue - Sewer</u>	2,633,654	3,030,965	3,273,865	3,526,964	3,662,288
Increase		397,311	640,211	253,099	135,324

WATER CUSTOMERS: The average residential water bills in the CWNSC service area rate divisions, based on average usage as shown below, would increase under a Base Case or a WSIP as follows:

Entity	Gallons	Present Rates	Average Residential Customer Bill			
			Base Case Proposed	WSIP Year 1 Proposed	WSIP Year 2 Proposed	WSIP Year 3 Proposed
CWSNC Uniform	3,810	69.15	74.38	80.49	83.22	85.90
BF/FH/TC	4,198	45.12	50.80	59.62	62.55	64.51

SEWER CUSTOMERS: Average residential sewer bills in the CWSNC service area rate divisions, based on average usage as shown below, would increase under a Base Case or a WSIP as follows:

Entity	Gallons	Present Rates	Average Residential Customer Bill			
			Base Case Proposed	WSIP Year 1 Proposed	WSIP Year 2 Proposed	WSIP Year 3 Proposed
CWSNC Uniform	3,217	78.64	88.31	98.58	104.36	110.60
BF/FH/TC	-	61.58	70.87	73.05	78.13	80.54

In addition, pursuant to G.S. 62-133.11, the Company requests approval to pass-through increases in purchased bulk water rates and costs of sewer treatment performed by third parties and billed to CWSNC, upon showing of compliance with proof as required by the statute.

Unless discontinued during the term of an approved WSIP, CWSNC's Commission-authorized water and sewer system improvement charges (WSIC/SSIC) will apply to all customers currently served by the Company. The WSIC/SSIC mechanism allows for recovery, between rate cases and up to a maximum overall 7.5% increase in rates, of qualifying investments in eligible infrastructure, under strict regulatory oversight by the Commission and the Public Staff.

Further, CWSNC is requesting approval of the filed Sewer Use Tariff, applicable to all sewer customers provided service by CWSNC.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

APPLICATION FOR RATE INCREASE

INSTRUCTIONS

Notes or explanations placed in the margins of the application are acceptable. If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable" or cross out the section.

APPLICANT

1. Trade name used for utility business Carolina Water Service, Inc. of North Carolina
2. Name of owner (if different from trade name) Corix Regulated Utilities, Inc.
3. Business mailing address 4944 Parkway Plaza Boulevard, Suite 375
City and state Charlotte, NC 28217
4. Business street address (if different from mailing address) _____
5. Business telephone number (704)319-0502
6. List the counties in which you provide water utility service Please see enclosed Appendix 8 – Schedule G
7. List the counties in which you provide sewer utility service Please see enclosed Appendix 8 – Schedule G

PROPOSED AND PRESENT RATES

	<u>Proposed Rates</u>	<u>Present Rates</u>
8. Metered Residential Service:		
Water:	<u>Please see enclosed Appendix 7 – Schedules F-1 & F-2</u>	_____
Sewer:	_____	_____
9. Flat Rate Residential Service:		
Water:	_____	_____
Sewer:	_____	_____
10. Nonresidential Service (explain):		
Water:	_____	_____
Sewer:	_____	_____
11. Tap-on fees:		
Water:	_____	_____
Sewer:	_____	_____

OTHER PROPOSED RATES

12. Finance charge for late payment: 1.0% per month of the unpaid balance of all bills overdue past 25 days
(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
13. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: \$42.00
14. Reconnection charge if water service discontinued at customer's request: \$42.00
15. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: Actual cost
16. Other charges: NSF Charges \$25.00, New customer account charge \$27.00
17. What date are the proposed rates to become effective? August 1, 2022
18. How long have the present rates been in effect? Since April 8, 2022

PROPOSED BILLING

19. Frequency of billing shall be (monthly, quarterly, etc.) Monthly
20. Billing shall be for service (in advance or arrears) Arrears
21. Bills past due 21 days after the billing dates:
(NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).
22. Will regular billing be by written statement? (yes or no) Yes

REVENUES AND EXPENSES

For 12 Months Ended March 31, 2022

W-354, Sub 400

<u>Revenues Residential</u>	<u>Water</u>	<u>Sewer</u>
1. service (flat rate)	\$ _____	\$ _____
2. Residential service (metered rate)	\$ _____	\$ _____
3. Nonresidential service (flat rate)	\$ _____	\$ _____
4. Nonresidential service (metered rate)	\$ _____	\$ _____
5. Other revenues (describe in remarks below)	\$ _____	\$ _____
6. Total Revenues (Lines 1 thru 5)	\$ _____	\$ _____
7. Total salaries	\$ _____	\$ _____
8. Administrative and office expense (except salaries)	\$ _____	\$ _____
9. Maintenance and repair expense (except salaries)	\$ _____	\$ _____
10. Transportation expenses	\$ _____	\$ _____
11. Electric power for pumping	\$ _____	\$ _____
12. Chemicals for treatment	\$ _____	\$ _____
13. Testing fees	\$ _____	\$ _____
14. Permit fees	\$ _____	\$ _____
15. Purchased water/sewer treatment	\$ _____	\$ _____
16. Annual depreciation	\$ _____	\$ _____
17. Taxes: State income taxes	\$ _____	\$ _____
18. Federal income taxes	\$ _____	\$ _____
19. Gross receipts (or franchise tax)	\$ _____	\$ _____
20. Property taxes	\$ _____	\$ _____
21. Payroll taxes	\$ _____	\$ _____
22. Other taxes	\$ _____	\$ _____
23. Other expenses (describe in remarks below)	\$ _____	\$ _____
24. Total Expenses (Lines 7 thru 23)	\$ _____	\$ _____
25. Net Operating Income (Line 6 minus Line 24)	\$ _____	\$ _____
26. Interest on debt during year	\$ _____	\$ _____
27. Net Income (Line 25 minus Line 26)	\$ _____	\$ _____

Remarks

- 28. Please see attached Appendix 3 - Schedule B.
- 29. _____
- 30. _____
- 31. _____
- 32. _____

NUMBER OF CUSTOMERS SERVED

(at end of month)

	<u>Water</u>			<u>Sewer</u>		
	<u>Flat Rate Customers</u>	<u>Metered Customers</u>	<u>Gallons Sold to Metered Custs.</u>	<u>Flat Rate Customers</u>	<u>Metered Customers</u>	<u>Gallons Sold to Metered Custs.</u>
33. January	<u>Please see Appendix 6 -Schedule E Page 1</u>					
34. February	_____	_____	_____	_____	_____	_____
35. March	_____	_____	_____	_____	_____	_____
36. April	_____	_____	_____	_____	_____	_____
37. May	_____	_____	_____	_____	_____	_____
38. June	_____	_____	_____	_____	_____	_____
39. July	_____	_____	_____	_____	_____	_____
40. August	_____	_____	_____	_____	_____	_____
41. September	_____	_____	_____	_____	_____	_____
42. October	_____	_____	_____	_____	_____	_____
43. November	_____	_____	_____	_____	_____	_____
44. December	_____	_____	_____	_____	_____	_____

ORIGINAL COST OF UTILITY SYSTEM
As of Year Ended March 31, 2022

W-354, Sub 400

Note: List the total original cost to construct and establish the system, whether or not paid for by the Present Owner.

	<u>Utility Property in Service</u>	
	<u>Water</u>	<u>Sewer</u>
1. Land and rights-of-way	\$ _____	\$ _____
2. Structures and site improvement	\$ _____	\$ _____
3. Wells	\$ _____	\$ _____
4. Pumping equipment	\$ _____	\$ _____
5. Treatment equipment	\$ _____	\$ _____
6. Storage tanks	\$ _____	\$ _____
7. Mains (excluding service connections)	\$ _____	\$ _____
8. Service connections	\$ _____	\$ _____
9. Meters (including spare meters)	\$ _____	\$ _____
10. Office furniture and equipment	\$ _____	\$ _____
11. Transportation equipment	\$ _____	\$ _____
12. Other utility property in service (describe in remarks below)	\$ _____	\$ _____
13. Total utility property in service (Lines 1 thru 12)	\$ _____	\$ _____
14. Less: accumulated depreciation	\$ _____	\$ _____
15. Less: accumulated tap fees and other contributions in aid of construction	\$ _____	\$ _____
16. Less: customer advances	\$ _____	\$ _____
17. Net investment in utility property (Line 13 minus 14, 15, & 16)	\$ _____	\$ _____

	<u>Utility Property Not In-Service</u>	
	<u>Water</u>	<u>Sewer</u>
18. Construction work in progress	\$ _____	\$ _____
19. Property held for future use	\$ _____	\$ _____
20. Other (describe in remarks below)	\$ _____	\$ _____

Remarks

- 21. Please see attached Appendix 2 - Schedule A.
- 22. _____
- 23. _____
- 24. _____

ANNUAL DEPRECIATION

- 25. If annual depreciation is claimed using a composite rate for the entire system, show composite rate used:
Water: _____
Sewer: _____
- 26. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: Please see Appendix 2 – Schedule A-1a, and Schedule A-1b

<u>Type of Equipment</u>	<u>Annual Depreciation Rate</u>	<u>Method Used (Straight Line, etc.)</u>	<u>Amount of Annual Depreciation</u>
<u>Please see Appendix 2 – Schedule A-1a and Schedule A-1b</u>	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

CONTRIBUTIONS IN AID OF CONSTRUCTION
(Including Tap Fees)

W-354, Sub 400

OFFICIAL COPY

Jul 01 2022

- 1. Has the utility collected any gross-up on contributions in aid of construction (CIAC), such as contributed plant and tap fees, since the test year of its last rate case? (yes or no) Yes

EMPLOYEE SALARIES
(Including Owner)

Name	Duties	Salaries Paid During Year	Hours Worked During Year
2. _____	_____	\$ _____	_____
3. _____	_____	\$ _____	_____
4. _____	_____	\$ _____	_____

FINANCIAL INFORMATION

Source of Loans (For Utility Purposes)	Interest Rates	Amount Unpaid End of Year
5. N/A _____	_____	\$ _____
6. N/A _____	_____	\$ _____
7. N/A _____	_____	\$ _____

OTHER FINANCIAL INFORMATION

- 8. Stocks issued \$ Appendix 4, Schedule C
- 9. Accumulated (or retained) earnings or losses \$ Appendix 4, Schedule C
- 10. Cash on hand \$ Appendix 4, Schedule C
- 11. Accounts receivable \$ Appendix 4, Schedule C
- 12. Accounts payable \$ Appendix 4, Schedule C
- 13. Customer deposits on hand \$ Appendix 4, Schedule C
- 14. Materials and supplies \$ Appendix 4, Schedule C
- 15. Other investments \$ Appendix 4, Schedule C

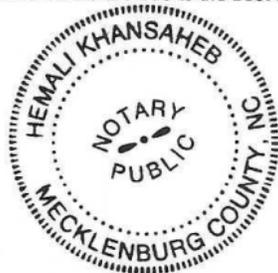
FILING INSTRUCTIONS

- 16. Seven (7) copies of the application and exhibits shall be filed with the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325. **Twenty-five (25) copies of a Class A or B utility company should be filed.** One of these copies must have original signature. (Applicants must make their copies if desired.) Class A and B utility companies are also required to file a written letter of intent to file a general rate case with the Commission thirty (30) days in advance of filing this application. Furthermore, Class A utility companies should file a NCUC Form W-1 along with this rate increase application form as required in Rule R1-17(12)(d).
- 17. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$500 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$250 filing fee. A Class C company (annual revenues less than \$200,000) requires a filing fee of \$100. **MAKE CHECK PAYABLE TO N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.**

SIGNATURE

- 18. Application shall be signed and verified by the Applicant. Donald H. Denton III
Signature
6/30/22
Date

- 19. (Typed or Printed Name) Donald H. Denton III
personally appearing before me and being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.



This the 30th day of June, 2022
Notary Public NC, Mecklenburg County
8508 Park Rd, Charlotte NC
 Address 28210
 My Commission Expires: 08/10/2026
 Date