

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE

July 26, 2021

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, July 26, 2021, at 10:00 a.m., with Chair Mitchell, presiding.

The following were present:

COMMISSIONERS

Commissioner Brown-Bland
Commissioner Gray
Commissioner Clodfelter
Commissioner Duffley
Commissioner McKissick

COMMISSION STAFF: Mr. Watson, Ms. Fennell, Mr. Mertz, Ms. Hilburn, Mr. Rhodes, Ms. Needham, Mr. McCoy

PUBLIC STAFF: Mr. Ayers, Ms. Jost, Mr. Creech, Mr. Grantmyre, Ms. Coxton, Mr. Magarira, Ms. Darden, Mr. Junis, Ms. Proffitt, Mr. Franklin

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

C. COMMUNICATIONS**P1. FILING OF INTERCONNECTION AGREEMENT AND AMENDMENTS BY FRONTIER COMMUNICATIONS, VERIZON SOUTH, AND CENTURYLINK**

The following interconnection agreement and amendments were filed for Commission approval between May 5, 2021, and June 1, 2021:

Frontier Communications of the Carolinas LLC

Docket No. P-1488, Sub 33 – Amendment filed on May 5, 2021, replaced by a filing on May 7, 2021, to an existing interconnection agreement with CenturyLink Communications, LLC (formerly Qwest Communications Company, LLC d/b/a CenturyLink QCC), approved on May 15, 2013. The amendment implements the changes mandated by the Federal Communications Commission (FCC) in two orders issued in WC Docket No. 18-141, specifically: FCC 19-66, released on July 12, 2019, and FCC 19-72, released on August 2, 2019 (collectively, FCC UNE and Resale Forbearance Order).

Docket No. P-1488, Sub 2 – Amendment filed on June 1, 2021, to an existing interconnection agreement with Global Crossing Local Services, Inc., approved on January 25, 2011. The amendment implements the changes mandated by the FCC UNE and Resale Forbearance Order.

Verizon South Inc. (Verizon South)

Docket No. P-19, Sub 524 – Amendment filed on May 6, 2021, to an existing interconnection agreement with PNG Telecommunications, Inc. (d/b/a PowerNet Global Communications), approved on August 8, 2008. The amendment implements changes mandated by the Federal Communications Commission (FCC) in FCC 20-152, released on October 28, 2020, in WC Docket No. 19-308 (FCC 2020 UNE Order). The FCC 2020 UNE Order eliminates legacy unbundling of certain network elements, subject to certain conditions and multiyear transition periods, and resale rules where they stifle technology transitions and broadband deployment.

Docket No. P-19, Sub 409 – Amendment filed on May 6, 2021, to an existing interconnection agreement with Matrix Telecom, LLC (d/b/a Matrix Business Technologies), approved on August 22, 2001, when Matrix Telecom, LLC, operated as Z-Tel Telecommunications, Inc. The amendment implements the changes mandated by the FCC 2020 UNE Order.

Docket No. P-19, Sub 427 – Amendment filed on May 6, 2021, to an existing interconnection agreement with Matrix Telecom, LLC (d/b/a Vartec Telecom), formerly Vartec Telecom, Inc., which the Commission approved on January 25, 2002. The amendment implements the changes mandated by the FCC 2020 UNE Order.

Docket No. P-19, Sub 437 – Amendment filed on May 6, 2021, to an existing interconnection agreement with Matrix Telecom, LLC (d/b/a Excel Telecommunications), formerly Excel Telecommunications, Inc., which the Commission approved on June 27, 2002. The amendment implements the changes mandated by the FCC 2020 UNE Order.

Docket No. P-19, Sub 503 – Amendment filed on May 24, 2021, to an existing interconnection agreement with Time Warner Cable Information Services (North Carolina), LLC, approved on January 10, 2001. The amendment implements the changes mandated by the FCC 2020 UNE Order.

Docket No. P-19, Sub 511 – Amendment filed on May 28, 2021, to an existing interconnection agreement with DukeNet Communications, LLC, approved on September 22, 2006. The amendment implements the changes mandated by the FCC 2020 UNE Order.

Mehtel, Inc. d/b/a CenturyLink

Docket No. P-35, Sub 152 – Agreement with Frontier Communications of America, Inc., filed on May 13, 2021, subsequently replaced by the agreement filed on July 1, 2021, to provide a corrected Table 1.

These filings were made in compliance with Commission Rule R17-4(d) and Sections 252(e) and 252(i) of the Telecommunications Act of 1996. The Act provides for the filing of such agreements and amendments with the state commission and approval or rejection by the state commission within 90 days after filing. On June 18, 1996, the Commission issued an Order in Docket No. P-100, Sub 133, allowing interim operation under negotiated agreements filed as public records prior to Commission approval of the agreements.

The Public Staff has reviewed the filings and recommends Commission approval.

The Public Staff recommended that orders be issued approving the agreement and amendments effective on the date they were filed.

It was moved and passed that the Public Staff's recommendation be adopted.

D. ELECTRIC**P1. APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITY**

The following application is for an amended certificate of public convenience and necessity for construction of a solar photovoltaic (PV) electric generating facility, pursuant to N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-64.

Duke Energy Carolinas:

- Docket No. SP-19877, Sub 0 – Application of Healing Springs Solar, LLC, for an amended certificate of public convenience and necessity to construct a 55-MW solar PV generating facility in Davidson County, North Carolina. An amendment is requested because land has been added to the facility. (no registration statement)

The Public Staff has reviewed the application and determined that it complies with the requirements of N.C.G.S. § 62-110.1 and Commission Rule R8-64.

The original CPCN was issued on March 9, 2020, and expires five years thereafter if construction has not begun unless it is revoked, pursuant to Commission Rule R8-64(d)(1), or renewed, pursuant to Commission Rule R8-64(d)(2). The requested amendment will not extend, or otherwise alter, the term of the CPCN.

The Public Staff recommended that the Commission issue an order approving the application and issuing the requested amended certificate for the facility. A proposed order has been provided to the Commission Staff.

It was moved and passed that the Public Staff's recommendation be adopted.

E. WATER**P1. DOCKET NO. W-354, Sub 384 – APPLICATION OF CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA, FOR A GENERAL INCREASE IN RATES AND CHARGES**

On July 2, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC) filed an application with the Commission seeking authority to increase its rates for providing water and sewer utility service in all of its service areas in North Carolina. CWSNC serves approximately 34,229 water customers and 20,995 sewer customers in 38 counties throughout the State of North Carolina.

CWSNC’s uniform water and sewer rates, and Bradfield Farms/Fairfield Harbour/Treasure Cove water and sewer rates have been in effect since March 31, 2020, pursuant to the Commission’s Order in Docket No. W-354, Sub 364.

The Public Staff recommends that an order be issued establishing a general rate case and suspending rates. A proposed order scheduling public hearings and requiring customer notice will be brought before the Commission at a later date.

The Public Staff recommended that the Commission issue the proposed order establishing a general rate case and suspending rates.

It was moved and passed that the Public Staff’s recommendation be adopted.

P2. DOCKET NO. W-1021, SUB 17 – WATERCREST ESTATES – REQUEST FOR TARIFF REVISION

On June 30, 2021, Watercrest Estates (Watercrest) filed a verified petition with the Commission requesting authority to amend its tariff for the purpose of passing along to its customers in Watercrest Estates Mobile Home Park in Iredell County, North Carolina, the increases in costs of purchasing water and sewer services from the City of Statesville (City).

Effective July 1, 2021, the City increased its rates to Watercrest from \$8.26 per 1,000 gallons to \$9.92 per 1,000 gallons for water usage and from \$13.77 per 1,000 gallons to \$16.52 per 1,000 gallons for sewer usage. The City increased the base charge from \$20.91 to \$25.09 for water service and from \$31.33 to \$37.60 for sewer service.

Watercrest’s current rates have been in effect since July 13, 2020, when they were approved by the Commission in its Order Approving Tariff Revision and Requiring Customer Notice issued in Docket No. W-1021, Sub 16.

The Public Staff has reviewed Watercrest’s request and recommends that Watercrest be allowed to increase its rates as shown below:

<u>Metered Water Rates:</u>	<u>Present</u>	<u>Recommended</u>
Base Charge, zero usage	\$ 3.47	\$ 3.52
Usage Charge, per 1,000 gallons	\$ 8.88	\$10.54
<u>Metered Sewer Rates:</u>		
Base Charge, zero usage	\$ 3.40	\$ 3.86
Usage Charge, per 1,000 gallons	\$14.62	\$17.37

Under the new rates, the average residential customer's monthly water and sewer bill will increase by \$12.86, from \$72.67 to \$85.53 based upon 2,800 gallons usage. Watercrest agrees with the Public Staff's recommendation.

The Public Staff recommended that the Commission issue the proposed order approving the tariff revision at the rates recommended by the Public Staff.

It was moved and passed that the Public Staff's recommendation be adopted.

P3. DOCKET NO. W-1300, SUB 60 – OLD NORTH STATE WATER COMPANY, LLC – APPLICATION FOR RATE INCREASE

On June 29, 2021, Old North State Water Company, LLC (ONSWC), filed an application with the Commission seeking authority to adjust and increase its rates for providing water utility service in all of its service areas in North Carolina. ONSWC serves approximately 1,576 water customers in eight counties in the state. This is the first time ONSWC has come before the Commission requesting an adjustment and increase in its rates.

ONSWC was first granted a certificate of public convenience and necessity to provide water utility service in Leone Landing Subdivision by Commission order issued on July 21, 2014, in Docket No. W-1300, Sub 4. Since that time, ONSWC has acquired 36 water systems and been approved to charge rates that vary by system. In its application, ONSWC requests uniform rates for all its water service areas in North Carolina.

The Public Staff recommends that the Commission issue an order establishing a general rate case and suspending rates. The Public Staff will provide the Commission with a proposed order establishing discovery guidelines, scheduling hearings, and requiring customer notice at a later date.

The Public Staff recommended that the Commission issue the proposed order establishing a general rate case and suspending rates.

It was moved and passed that the Public Staff's recommendation be adopted.

P4. DOCKET NO. W-1328, SUB 7 – RED BIRD UTILITY OPERATING COMPANY, LLC – ORDER REQUIRING CUSTOMER NOTICE

On November 5, 2020, Red Bird Utility Operating Company, LLC (Red Bird), filed with the North Carolina Utilities Commission (Commission) an Application for a Certificate of Public Convenience and Necessity and for Approval of Rates (Application) to provide wastewater utility service to the Ocean Terrace, Pine Knoll Townes I, Pine Knoll Townes II, and Pine Knoll Townes III townhome communities in Carteret County, North Carolina.

Red Bird filed with the Commission supplemental and additional materials in support of its Application on February 19, February 22, and May 13, 2021.

Each of Ocean Terrace, and Pine Knoll Townes I, II, and III has a separate wastewater utility system owned by its homeowner's association. The Ocean Terrace wastewater utility system serves 32 residences and the Pine Knoll Townes I, II, and III wastewater utility systems serve 46 residences each, for a combined total of 170 residences. Presently, these wastewater systems are exempt from Commission regulation. The homeowner's associations for each of these properties voted to sell their respective wastewater utility systems to Red Bird. Red Bird plans to purchase the four wastewater utility systems and to bill the Ocean Terrace and Pine Knoll Townes I, II, and III homeowner's associations for the cost of wastewater utility service.

Ocean Terrace had an activated sludge treatment plant that was significantly damaged by a fire in 2020 and is no longer operable. Pine Knoll Townes II has an activated sludge treatment plant. Pine Knoll Townes I and III have simple septic systems that discharge to subsurface drain fields.

Upon acquisition of the four systems, Red Bird plans to make capital improvements including installation of a centralized wastewater treatment plant (WWTP) located at the existing Ocean Terrace treatment facility, which would require approval by the North Carolina Department of Health and Human Services and Carteret County. This new WWTP would receive raw wastewater from Ocean Terrace and all three Pine Knoll Townes collection systems. Once treated, Red Bird intends to evenly distribute the effluent to each of the four existing subsurface drainage systems. This would eliminate the current need for pumping and hauling at Ocean Terrace and the treatment facility at Pine Knoll Townes II and would provide improved wastewater treatment at Pine Knoll Townes I and III. Red Bird estimates the costs of these upgrades to the wastewater system to be approximately \$1,141,000. Based on these estimated costs, the approximate annual revenue requirement associated with the planned capital improvements is \$145,528, which equates to \$71.34 per month per residence for 25 years.

Ocean Terrace currently has a contract with a vendor to pump and haul wastewater at a cost of \$1,600 per month, which equates to \$50 per residence. Pine Knoll Townes II contracts with a different vendor to operate, monitor and maintain their wastewater treatment plant at a cost of approximately \$1,800 per month, which equates to approximately \$39 per month per residence. The monthly wastewater charges for Ocean Terrace and Pine Knoll Townes II do not include the costs of any repairs. Pine Knoll Townes I and III are simple septic systems and do not currently incur routine expenses for wastewater system operation.

In its Application, Red Bird proposes charging monthly flat rates of \$60 per residence, or a total of \$1,920, to the Ocean Terrace homeowner's association, \$40 per residence, or a total of \$1,840 to the Pine Knoll Townes II homeowner's association, and \$20 per residence, or a total of \$920 to each of the Pine Knoll Townes I and III homeowner's

associations. Based on the above, upon acquisition, the initial wastewater utility services rates proposed by Red Bird are as shown in the below table.

Red Bird states that a monthly wastewater flat rate increase to \$92.46 per residence is assumed to be implemented approximately 14 months post-acquisition subject to Commission approval.

Subject to Commission approval, the present rates and the effect of increased rates proposed by Red Bird are as follows:

Current and Projected Monthly Wastewater Flat Rate for Each Homeowner's Association as Proposed by Red Bird

<u>Timeframe</u>	<u>Ocean Terrace</u>	<u>PKT¹ I</u>	<u>PKT II</u>	<u>PKT III</u>
Present	\$1,600	\$ 0	\$1,800	\$ 0
Year 1	\$1,920	\$ 920	\$1,840	\$ 920
Year 2 ²	\$2,786	\$3,698	\$3,851	\$3,698
Years 3 through 5	\$2,959	\$4,253	\$4,253	\$4,253

The Public Staff recommends that the matter be decided without a public hearing if no significant protests are received subsequent to customer notice.

The Public Staff recommended that the Commission issue the proposed order requiring customer notice.

It was moved and passed that the Public Staff's recommendation be adopted.

Minutes of the Regular Commission Staff Conference of July 12, 2021, were approved.

Minutes prepared by Portia Barnes.

¹ PKT I refers to Pine Knoll Townes I, PKT II to Pine Knoll Townes II, etc.

² Red Bird has indicated it intends to request approval of a rate increase approximately 14 months post-acquisition. Values are based on 2 months at Year 1 rates and 10 months at the higher proposed rate of \$92.46 per residence.