

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 398
DOCKET NO. W-354, SUB 399

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-354, SUB 398)	
)	
In the Matter of)	
Application by Carolina Water Service, Inc. of)	
North Carolina, 5821 Fairview Road, Suite 401,)	
Charlotte, North Carolina 28209, for)	
Determination of Fair Value of Utility Assets)	
Pursuant to N.C. Gen. Stat. § 62-133.1A and)	ORDER SCHEDULING
Establishing Rate Base for Acquisition of the)	HEARINGS, ESTABLISHING
Carteret County Water System)	DISCOVERY GUIDELINES,
)	AND REQUIRING
DOCKET NO. W-354, SUB 399)	CUSTOMER NOTICE
)	
In the Matter of)	
Application by Carolina Water Service, Inc. of)	
North Carolina, 5821 Fairview Road, Suite 401,)	
Charlotte, North Carolina 28209, for a)	
Certificate of Public Convenience and)	
Necessity to Provide Water Utility Service to)	
the Carteret County Water System, and for)	
Approval of Rates)	

BY THE COMMISSION: On July 26, 2022, Carolina Water Service, Inc. of North Carolina (CWSNC or the Applicant) filed an Application for Determination of Fair Value of Utility Assets Pursuant to N.C. Gen. Stat. § 62-133.1A and Establishing Rate Base for Acquisition of the Carteret County Water System in the above-referenced docket (Fair Value Application).

On August 2, 2022, CWSNC filed in Docket No. W-354, Sub 399 an Application for a Certificate of Public Convenience and Necessity and for Approval of Rates to provide water utility service to the Carteret County Water System in Carteret County, North Carolina (CPCN Application).

On August 5, 2022, the Public Staff notified CWSNC by letter filed with the Commission of its determination that additional enumerated information was necessary to complete its Fair Value Application as required by Commission Rule R7-41 and N.C.G.S. § 62-133.1A.

On August 11, 2022, the Commission issued an Order Finding Application Incomplete requiring the Applicant to file the omitted information and consult with the Public Staff to ensure the completeness of the Fair Value Application. The Commission's Order also required the Public Staff to file, no later than three business days following the Company's filing of supplemental information, a statement as to whether it deems the Fair Value Application to be complete.

On August 11, 2022, CWSNC filed Revised Exhibits supplementing its Fair Value Application.

On August 16, 2022, the Public Staff notified CWSNC by letter filed with the Commission that it had reviewed the supplemental information provided by CWSNC and deemed the Fair Value Application to be complete. Pursuant to N.C.G.S. § 62-133.1A(d), the Commission shall issue its final order, either approving the application by determining the rate base value of the acquired property for ratemaking purposes or denying the application, within six months of the date on which the complete application was filed.

On August 25, 2022, the Public Staff notified CWSNC by letter filed with the Commission of its determination that additional enumerated information was necessary to complete the CPCN Application filing as required by Commission's Form Revised 6/04, including required exhibits.

On August 26, 2022, CWSNC filed a Revised CPCN Application and responses to the deficiencies identified by the Public Staff.

The Carteret County Water System, owned by Carteret County (County or Seller), a municipality or county or an authority or district established under Chapter 162A of the General Statutes, is a "Local Government Utility" as defined by Commission Rule R7-41(b)(1). The Carteret County Water System consists of the two water systems, North River/Mill Creek (PWS ID NC0416197) and Merrimon (PWS ID NC0416198), including over 50 miles of water mains, three elevated storage tanks, one hydropneumatic tank, three wells, three booster pump stations, and a water treatment plant with associated wastewater treatment system (NPDES Permit NC0086975). The County presently serves a total of approximately 1,254 customers in Carteret County.

N.C.G.S. § 62-133.1A states in pertinent parts the following:

- Subpart (b)(1)c. Fair value, for ratemaking purposes under G.S. 62-133, shall be the average of the three appraisals provided for by this subsection.

- Subpart (b)(4) The rate base value of the acquired system, which shall be reflected in the acquiring public utility's next general rate case for ratemaking purposes, shall be the lesser of the purchase price negotiated between the parties to the sale or the fair

value plus the fees and costs authorized in subdivision (3) of this subsection.¹

Subpart (e) Commission's Authority. – The Commission shall retain its authority under Chapter 62 of the General Statutes to set rates for the acquired system in future rate cases, and shall have the discretion to classify the acquired system as a separate entity for ratemaking purposes, consistent with the public interest. If the Commission finds that the average of the appraisals will not result in a reasonable fair value, the Commission may adjust the fair value as it deems appropriate and in the public interest.

On October 18, 2021, CWSNC and the County entered into a utility asset purchase agreement whereby CWSNC agreed to purchase the County’s water utility system assets for a purchase price of \$9,500,000. The average of the three appraisals is \$10,935,667.

The County’s present water utility rates have been in effect since September 21, 2021 and are filed as Exhibit 11 to the Fair Value Application. Upon acquisition of the system, CWSNC proposes to continue to charge the County’s present rates with limited proposed modifications, see Revised Exhibit 12 to the Fair Value and CPCN Applications. The present rates are as follows:

<u>Monthly Metered Water Service:</u>	<u>Present</u>	<u>Proposed</u>
Base Charge		
North River/Mill Creek:		
¾" meter, includes first 1,000 gallons	\$ 40.25	\$ 40.25
1" meter, includes first 1,000 gallons	\$ 55.60	\$ 55.60
2" meter, includes first 15,000 gallons	\$160.90	\$160.90
4" meter, includes first 53,000 gallons	\$497.25	\$497.25
Town of Beaufort (Eastman’s Creek):		
¾" meter, includes first 1,000 gallons	\$ 40.25	\$ 40.25
Merrimon:		
¾" meter, includes first 1,000 gallons	\$ 23.40	\$ 23.40
Usage Charge, per 1,000 gallons over base	\$ 10.10	\$ 10.10

Based on an assumed usage of 4,000 gallons per month, the monthly water utility bill is \$70.55.

¹ Subpart (b)(3) Reasonable fees, as determined by the Commission, paid to utility valuation experts, may be included in the cost of the acquired system, in addition to reasonable transaction and closing costs incurred by the acquiring public utility.

Upon acquisition of the system and as part of its next rate case after the pending case in Docket No. W-354, Sub 400, CWSNC intends to propose that the Carteret County Water System customers be included in and charged the CWSNC Uniform Rates for metered water utility service, subject to Commission approval.² If the full amount of the projected rate increase, including the request for uniform rates, were approved by the Commission in the timeframe projected by CWSNC, the average monthly bill charged to a residential customer for water utility service could be as follows:

<u>Year</u>	<u>Monthly Water Utility Bill</u>	<u>Increase</u>
2023	\$70.55	0.00%
2024	\$70.55	0.00%
2025	\$70.55	0.00%
2026	\$70.55	0.00%
2027	\$98.24	39.25%

Within the first year upon acquisition, CWSNC plans to make tank improvements in the estimated amount of \$125,000. CWSNC states in its Applications that no major improvements or additions are planned in the next ten years.

The Public Staff presented this matter at the Commission’s Staff Conference on September 12, 2022. The Public Staff recommended that the matters be scheduled for a joint public witness hearing for the sole purpose of receiving testimony from customers; the matters also be scheduled for separate expert witness hearings for the sole purpose of receiving expert witness testimony from CWSNC, the County, the Public Staff, and intervenors, if any; and CWSNC should be required to provide notice to all affected customers of the Fair Value and CPCN Applications, including the applied for rates and the scheduled hearings.

Based upon the foregoing, and the recommendation of the Public Staff, the Commission hereby establishes the procedural schedules, including filing requirements of CWSNC, the County, the Public Staff, and other parties, and requires that CWSNC provide public notice to all affected customers of the Fair Value and CPCN Applications, including the applied for rates and the scheduled hearings.

The guidelines regarding discovery in these dockets, subject to modification for good cause shown, are as follows:

1. Any deposition shall be taken before the deadline for the filing of the Public Staff and other intervenor testimony. A notice of deposition shall be served on all parties at least seven days prior to the taking of the deposition. Notice of deposition and all other discovery notices, requests and motions shall be served on the appropriate parties by

² Any future change in rates proposed by CWSNC would require filing a general rate case application pursuant to N.C. Gen. Stat. § 62-134 and approval by the Commission. The future rates are based on projections and thus are subject to change and could be less or more than the projected \$98.24 per customer.

hand delivery or facsimile, or by electronic delivery if the receiving party has agreed to receipt by electronic delivery.

2. Any motion for subpoena of a witness to appear at the evidentiary hearing shall be filed with the Commission before the deadline for the filing of the Public Staff and intervenor testimony, shall be served by hand delivery or facsimile to the person sought to be subpoenaed at or before the time of filing with the Commission, and shall make a reasonable showing that the evidence of such person will be material and relevant to an issue in the proceeding. See N.C. Gen. Stat. § 62-62. Unless an objection is filed, the Chief Clerk shall issue the requested subpoena within 24 hours after such motion is filed.

3. Formal discovery requests related to the Applications and CWSNC's prefiled direct and supplemental testimony shall be served on CWSNC not later than fourteen days prior to the filing of the Public Staff and intervenor testimony addressing the associated Application or testimony. CWSNC shall have up to ten calendar days to file with the Commission objections to discovery requests on an item-by-item basis, but in no event shall objections be filed later than ten days prior to the deadline for the filing of Public Staff and intervenor testimony.

4. Formal discovery requests of the Public Staff or intervenors shall be served not later than three business days after such testimony is filed. The party served shall have up to three calendar days to file with the Commission objections to the discovery requests on an item-by-item basis, but in no event shall objections be filed later than five days after that party's testimony was filed.

5. Formal discovery requests related to the Applicant's prefiled rebuttal testimony shall be served no later than two business days after the filing of such testimony. The party served shall have up to two calendar days to file with the Commission objections to the discovery requests on an item-by-item basis. Discovery related to rebuttal testimony shall be limited to new material introduced in such rebuttal testimony and will be carefully scrutinized upon objection that such discovery should have been sought during the initial period of discovery.

6. Discovery requests need not be filed with the Commission when served; however, any party filing objections shall attach a copy of the relevant discovery request to the objections. Each discovery request, or part thereof, to which no objection is filed shall be answered by the time objections are due, subject to other agreement of the affected parties or other order of the Commission. Upon the filing of objections, the party seeking discovery shall have two days to file a motion to compel with the Commission, and the party objecting to discovery shall have one day thereafter to file a response. All objections, motions to compel, and responses shall be served on the other affected party at or before the time of filing with the Commission.

7. A party shall not be granted an extension of time to pursue discovery due to that party's late intervention or other delay in initiating discovery.

The Commission recognizes that in the past most discovery has been conducted in an informal manner without the need for Commission involvement or enforcement, and that such has been generally successful. The above guidelines are without prejudice to the parties conducting informal discovery or exchanging information by agreement at any time with the understanding that such will not be enforceable by the Commission if outside the guidelines.

Finally, the Commission finds good cause to put all interested persons on notice that attorneys and witnesses will be expected to attend and participate in person rather than by remote means.

IT IS, THEREFORE, ORDERED as follows:

1. That a public witness hearing on both the Fair Value Application and the CPCN Application is hereby scheduled at 7:00 p.m., on Tuesday, October 18, 2022, in the Carteret County Courthouse, Commission Board Room, 2d Floor, 302 Courthouse Square, Beaufort, North Carolina;

2. That the public witness hearing will be conducted solely for the purpose of receiving the testimony of customers in accordance with Commission Rule R1-21(g). The Commission reserves the right to limit testimony at the public witness hearing pursuant to Commission Rule R1-21(g)(5);

3. That the parties shall comply with the discovery guidelines established herein and shall work in a cooperative manner as to discovery;

4. That CWSNC is required to file a report addressing all customer service and service quality complaints expressed at the public hearing within 14 days after the public witness hearing;

5. That an officer or representative from both CWSNC and the County is required to appear before the Commission at the time and place of the expert witness hearings to testify concerning any of the information contained in the Applications;

6. That all parties filing supporting exhibits in Excel format shall provide the Commission Staff electronic versions of the exhibits filed in native Excel format, including all of the supporting tabs and formulas, within three days of the filing of such exhibits; and that CWSNC, the County, and all other parties filing exhibits and workpapers that include tables of numbers and calculations shall provide the Public Staff and any other party upon request an electronic version of all such exhibits and workpapers, with formulas intact;

7. That all parties filing supporting exhibits in PDF format shall provide to the Commission Staff electronic versions of the exhibits filed in native Excel format via email at NCUCexhibits@ncuc.net, where applicable, including all of the supporting tabs and formulas, within three days of the filing of such exhibits; and that CWSNC and all other parties filing exhibits and workpapers that include tables of numbers and calculations shall

provide the Public Staff and any other party upon request an electronic version of all such exhibits and workpapers, with formulas intact; and

8. That the Notice to Customers, attached hereto as Appendix A, shall be mailed with sufficient postage or hand delivered by CWSNC to all affected customers no later than seven business days after the date of this Order and that CWSNC shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 10 calendar days after the date of this Order.

Fair Value Application

9. That the Fair Value Application is scheduled for an expert witness hearing beginning at 1:00 p.m. on Thursday, November 3, 2022, and continuing as necessary until conclusion. The hearing will be held in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina;

10. That any person having an interest in this proceeding may file petitions to intervene stating such interest on or before Friday, October 14, 2022;

11. That direct testimony and exhibits of the Public Staff and other intervenors, if any, shall be on or before Friday, October 14, 2022;

12. That CWSNC and the County may file rebuttal testimony and exhibits on or before Monday, October 24, 2022;

13. That CWSNC shall consult with all other parties and file, no later than Friday, October 14, 2022, a list of witnesses to be called at the expert witness hearing, the order of witnesses, and each party's estimated time for cross-examination. If the parties cannot agree, the remaining parties shall, no later than Monday, October 31, 2022, make a filing indicating their points of disagreement with CWSNC's filing;

CPCN Application

14. That the Application is scheduled for an expert witness hearing beginning at 10:00 a.m. on Tuesday, April 11, 2023 and continuing as necessary until conclusion. The hearing will be held in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina;

15. That any person having an interest in this proceeding may file petitions to intervene stating such interest on or before Friday, March 10, 2023;

16. That direct testimony and exhibits of the Public Staff and other intervenors, if any, shall be on or before Friday, March 10, 2023;

17. That CWSNC and the County may file rebuttal testimony and exhibits on or before Monday, March 27, 2023;

18. That CWSNC shall consult with all other parties and file, no later than Friday, April 7, 2023, a list of witnesses to be called at the expert witness hearing, the order of witnesses, and each party's estimated time for cross-examination. If the parties cannot agree, the remaining parties shall, no later than Monday, April 10, 2023, make a filing indicating their points of disagreement with CWSNC's filing;

ISSUED BY ORDER OF THE COMMISSION.

This the 13th day of September 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script that reads "Erica N. Green".

Erica N. Green, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-354, SUB 398
DOCKET NO. W-354, SUB 399**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Notice is hereby given that Carolina Water Service, Inc. of North Carolina (CWSNC or the Applicant) filed an Application for Determination of Fair Value of Utility Assets Pursuant to N.C. Gen. Stat. § 62-133.1A and Establishing Rate Base for Acquisition of the Carteret County Water System in Docket No. W-354, Sub 398 (Fair Value Application) and an Application for a Certificate of Public Convenience and Necessity and for Approval of Rates to provide water utility service to the Carteret County Water System in Carteret County, North Carolina in Docket No. 399 (CPCN Application).

The Carteret County Water System, owned by Carteret County (County or Seller), a municipality or county or an authority or district established under Chapter 162A of the General Statutes, is a “Local Government Utility” as defined by Rule R7-41(b)(1). The Carteret County Water System consists of the two water systems, North River/Mill Creek (PWS ID NC0416197) and Merrimon (PWS ID NC0416198), including over 50 miles of water mains, three elevated storage tanks, one hydropneumatic tank, three wells, three booster pump stations, and a water treatment plant with associated wastewater treatment system (NPDES Permit NC0086975). The County presently serves a total of approximately 1,254 customers in Carteret County.

N.C.G.S. § 62-133.1A states in pertinent parts the following:

- Subpart (b)(1)c. Fair value, for ratemaking purposes under G.S. 62-133, shall be the average of the three appraisals provided for by this subsection.
- Subpart (b)(4) The rate base value of the acquired system, which shall be reflected in the acquiring public utility’s next general rate case for ratemaking purposes, shall be the lesser of the purchase price negotiated between the parties to the sale or the fair value plus the fees and costs authorized in subdivision (3) of this subsection.¹
- Subpart (e) Commission's Authority. – The Commission shall retain its authority under Chapter 62 of the General Statutes to set rates

¹ Subpart (b)(3) Reasonable fees, as determined by the Commission, paid to utility valuation experts, may be included in the cost of the acquired system, in addition to reasonable transaction and closing costs incurred by the acquiring public utility.

for the acquired system in future rate cases, and shall have the discretion to classify the acquired system as a separate entity for ratemaking purposes, consistent with the public interest. If the Commission finds that the average of the appraisals will not result in a reasonable fair value, the Commission may adjust the fair value as it deems appropriate and in the public interest.

On October 18, 2021, CWSNC and the County entered into a utility asset purchase agreement whereby CWSNC agreed to purchase the County's water utility system assets for a purchase price of \$9,500,000. The average of the three appraisals is \$10,935,667.

Within the first year upon acquisition, CWSNC plans to make tank improvements in the estimated amount of \$125,000. CWSNC states in its Applications that no major improvements/additions are planned in the next ten years.

EFFECT OF RATES:

The County's present water utility rates have been in effect since September 21, 2021 and are filed as Exhibit 11 to the Fair Value Application. Upon acquisition of the system, CWSNC proposes to continue to charge the County's present rates with limited proposed modifications, as set out in Revised Exhibit 12 to the Fair Value Application and the CPCN Application. The present rates are as follows:

<u>Monthly Metered Water Service:</u>	<u>Present</u>	<u>Proposed</u>
Base Charge		
North River/Mill Creek:		
3/4" meter, includes first 1,000 gallons	\$ 40.25	\$ 40.25
1" meter, includes first 1,000 gallons	\$ 55.60	\$ 55.60
2" meter, includes first 15,000 gallons	\$160.90	\$160.90
4" meter, includes first 53,000 gallons	\$497.25	\$497.25
Town of Beaufort (Eastman's Creek):		
3/4" meter, includes first 1,000 gallons	\$ 40.25	\$ 40.25
Merrimon:		
3/4" meter, includes first 1,000 gallons	\$ 23.40	\$ 23.40
Usage Charge, per 1,000 gallons over base	\$ 10.10	\$ 10.10

Based on an assumed usage of 4,000 gallons per month, the monthly water utility bill is \$70.55.

Upon acquisition of the system and as part of its next rate case after the pending case in Docket No. W-354, Sub 400, CWSNC intends to propose the Carteret County Water System customers be included in and charged the CWSNC Uniform Rates for metered water utility service, subject to Commission approval.¹ If the full amount of the projected rate increase, including the request for uniform rates, were approved by the Commission in the timeframe projected by CWSNC, the average monthly bill charged to a residential customer for water utility service could be as follows:

<u>Year</u>	<u>Monthly Water Utility Bill</u>	<u>Increase</u>
2023	\$70.55	0.00%
2024	\$70.55	0.00%
2025	\$70.55	0.00%
2026	\$70.55	0.00%
2027	\$98.24	39.25%

PROCEDURES FOR HEARINGS:

The Commission has scheduled the following hearings on the Application:

Public witness hearing beginning at 7:00 p.m. on Tuesday, October 18, 2022, in the Carteret County Courthouse, Commission Board Room, 2nd Floor, 300 Courthouse Square, Beaufort, North Carolina.

The public witness hearing on October 18, 2022, will be solely for the purpose of receiving the testimony of public witnesses in accordance with Commission Rule R1-21(g). The Commission reserves the right to limit testimony at the public witness hearing.

Expert witness hearings beginning at 1:00 p.m. on Thursday, November 3, 2022, and continuing as necessary until conclusion regarding the Fair Value Application filed Docket No. W-354, Sub 398 and beginning at 10:00 a.m. on Tuesday, April 11, 2023, and continuing as necessary until conclusion regarding the CPCN Application filed in Docket No. W-354, Sub 399. The hearings will be held in the Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina. The hearings scheduled for November 3, 2022 and April 11, 2023, shall be conducted solely for the purpose of receiving testimony of CWSNC, the County, the Public Staff, and any other parties of record.

Consumer statements may be submitted to the Commission via the web form at <https://www.ncuc.net/contactus.html>. Consumer statements are not evidence unless

¹ Any future change in rates proposed by CWSNC would require filing a general rate case application pursuant to N.C.G.S. § 62-134 and approval by the Commission. The future rates are based on projections and thus are subject to change and could be less or more than the projected \$98.24 per customer.

those persons appear at a public witness hearing and testify concerning the information contained in their consumer statements.

The Public Staff is authorized by statute to represent consumers in proceedings before the Commission. Consumer statements to the Public Staff should include the customer's name, contact information, and any information that the writer wishes to be considered by the Public Staff in its investigation of the matter, and such statements should be addressed to Mr. Christopher J. Ayers, Executive Director, Public Staff, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326. Consumer statements may also be faxed to (919) 715-6704.

The Attorney General is also authorized by statute to represent the consumers in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Josh Stein, Attorney General, c/o Utilities Section, 9001 Mail Service Center, Raleigh, North Carolina 27699-9001. Written statements may also be e-mailed to utilityAGO@ncdoj.gov.

Persons desiring to intervene in these matters as formal parties of record should file a petition pursuant to North Carolina Utilities Commission Rules R1-5, R1-7, and R1-19, *on or before Friday, October 14, 2022* in Docket No. W-354, Sub 398 and *Friday, March 10, 2023* in Docket No. W-354, Sub 399. Any such petition should be filed with the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4300.

Commission hearings are subject to change because of COVID-19. Any changes to scheduled hearings will be posted on the NCUC website at www.ncuc.net.

Information regarding these proceedings can also be accessed searching for Docket Number "W-354 Sub 398" and "W-354 Sub 399" in the docket search on the Commission's website at www.ncuc.net.

This the 13th day of September 2022.

NORTH CAROLINA UTILITIES COMMISSION



Erica N. Green, Deputy Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers copies of the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-354, Subs 398 and 399, and the Notice was mailed or hand delivered by the date specified in the Order.

This the _____ day of _____ 2022.

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-354, Subs 398 and 399.

Witness my hand and notarial seal, this the _____ day of _____ 2022.

Notary Public

Address

(SEAL) My Commission Expires: _____
Date