

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

July 16, 2024

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

Via Electronic Delivery

Re: Application for Transfer of Public Utility Franchise and for Approval of Rates - Filed by Mountain Air Utilities Corporation (Docket No. W-1148, Sub 22) and Carolina Water Service, Inc. of North Carolina (Docket No. W-354, Sub 411)
Carolina Water Service, Inc. of North Carolina (Emergency Operator of Mountain Air Utilities Corporation Water and Sewer Systems)
Docket No. W-1148, Sub 20
----Proposed Order Approving Implementation of Water and Wastewater Customer Surcharges and Requiring Customer Notice

Dear Ms. Dunston:

On May 17, 2024, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) made a Compliance Filing in Response to Ordering Paragraph Nos. 12 and 13 of the Commission's *Order Approving Stipulation, Approving Transfer, Granting Franchise, Approving Rates, and Requiring Customer Notice* (Transfer Approval Order). The Transfer Approval Order was entered in Docket Nos. W-354, Sub 11 and W-1148, Sub 22 on November 14, 2023.

CWSNC's May 17 Compliance Filing provided the following information for inclusion in the record of these dockets.

1. Appendix A is CWSNC's final accounting in the Emergency Operator (EO) Docket to reconcile the Company's operating balance as EO, net of \$30,000.00 in bond funds.

2. Appendix B contains the surcharge calculations to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve, as authorized by the Commission in the Transfer Approval Order. Implementation of the new water and wastewater

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customer surcharges will affect customers as follows: The average water bill for a Mountain Air Development customer using 2,520 gallons of water per month will increase from \$56.86 per month to \$76.24 per month. The flat rate wastewater bill for a residential customer will increase from \$87.27 per month to \$101.12 per month.

3. Appendix C is the Company's red-lined tariff, including the Commission-Authorized surcharges.

4. Appendix D is CWSNC's proposed Notice to Customers concerning the proposed surcharges, submitted for approval by further order of the Commission. **NOTE:** The Customer Notice, attached to this filing, has been amended and updated since the original filing on May 17, 2024.

CWSNC now files the Company's Proposed Order Approving Implementation of Water and Wastewater Customer Surcharges and Requiring Customer Notice for consideration and approval by the Commission.

CWSNC is authorized to state that the Public Staff agrees with the information supplied by CWSNC in the Company's May 17th Compliance Filing and supports issuance of the attached Proposed Order.

I hereby certify that a copy of this filing has been served on the formal parties to these dockets.

Thank you and your staff for your assistance. Please feel free to contact me if there are questions or if additional information is required.

Electronically Submitted

/s/Jo Anne Sanford
North Carolina State Bar No. 6831
Attorney for Carolina Water Service, Inc. of
North Carolina

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 411
DOCKET NO. W-1148, SUB 20
DOCKET NO. W-1148, SUB 22

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Carolina Water Service, Inc.) CWSNC'S PROPOSED
of North Carolina, for Authority to Transfer) ORDER APPROVING
the Mountain Air Water and Wastewater) IMPLEMENTATION OF
Utility Systems and Public Utility Franchise) WATER AND
in Yancey County, North Carolina, and for) WASTEWATER
Approval of Rates) CUSTOMER
) SURCHARGES AND
) REQUIRING
) CUSTOMER NOTICE

BY THE COMMISSION: On September 26, 2022, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) and Mountain Air Utilities Corporation (MAUC) filed with the Commission in Docket Nos. W-354, Sub 411 and W-1148, Sub 22 (Transfer Dockets). On May 17, 2024, an Application for Transfer of Public Utility Franchise and for Approval of Rates seeking authority to transfer the water and wastewater utility systems and public utility franchise serving the Mountain Air Development from MAUC to CWSNC and approval of rates (Transfer Application).

On November 14, 2023, the Commission entered an Order Approving Stipulation, Approving Transfer, Granting Franchise, Approving Rates, and Requiring Customer Notice (Transfer Approval Order) in the Transfer Dockets. On March 21, 2024, CWSNC filed a Notice in these dockets that the transfer was closed effective March 15, 2024.

Ordering Paragraph Nos. 12 and 13 of the Transfer Approval Order (at page 20) provide as follows:

12. That CWSNC shall file a final accounting with the Commission in the EO Docket [Emergency Operator Docket – W-1148, Sub 20] within 60 days of closing on the transfer to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, as stipulated;

13. That CWSNC shall file a request with the Commission in these dockets [Transfer Dockets – W-354, Sub 411 and W-1148, Sub 22] within 60 days of closing on the transfer to establish the surcharges to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve, as stipulated. Such request shall include a proposed Notice to Customers concerning the proposed surcharges for approval by further order of the Commission...

On May 17, 2024, CWSNC filed the information (Verified Compliance Filing)¹ required by Ordering Paragraph Nos. 12 and 13 of the Commission's Transfer Approval Order. Specifically, the final accounting in the EO Docket to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, was contained in Appendix A to the filing. Appendix B to the filing contained the surcharge calculations to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve. Appendix C to the filing set forth the Company's proposed red-lined tariff, including the surcharges. Finally, Appendix D to the filing contained CWSNC's proposed Notice to Customers concerning the proposed surcharges, submitted for approval by further order of the Commission.

¹ CWSNC's filing was verified by Zachary Payne, the Company's Financial Planning and Analysis Manager.

On July 16, 2024, CWSNC filed a Proposed Order in these dockets for consideration and approval by the Commission. As part of that filing, the Company also filed a revised proposed Customer Notice. CWSNC further stated that the Company was authorized to inform the Commission that the Public Staff agrees with the information supplied in the Verified Compliance Filing and supports issuance of the Proposed Order.

WHEREUPON, based upon the entirety of the evidence and the record herein, the Commission now makes the following:

FINDINGS OF FACT

1. CWSNC is a corporation duly organized under the laws of the State of North Carolina and is authorized to do business in North Carolina as a franchised, Commission-regulated water and wastewater public utility.

2. CWSNC was initially appointed to serve as Emergency Operator (EO) of the water and wastewater utility systems serving the Mountain Air Development in Docket No. W-1148, Sub 20 effective May 10, 2021.² There were a myriad of operational problems and circumstances which led to CWSNC's appointment as EO. The Commission's Order Appointing Emergency Operator and Requiring Customer Notice includes descriptions of permit violations; system ownership issues; the need for immediate extensive system renovations and replacements in order to materially improve the operation, reliability, and compliance record of the MAUC water and wastewater utility systems; and service

² On May 4, 2021, in Docket No. W-1148, Sub 20, the Commission issued an Order Appointing Emergency Operator and Requiring Customer Notice (Emergency Order) appointing CWSNC as EO of the water and wastewater utility systems serving the Mountain Air Development in Yancey County, North Carolina effective May 10, 2021.

difficulties – all of which, collectively, caused the Commission to declare that a real emergency existed with regard to the MAUC systems and find “the imminent danger of losing adequate water or sewer utility service or the actual loss thereof.”

3. CWSNC’s final financial accounting report regarding its EO operations, as set forth in Appendix A to the Verified Compliance Filing in these dockets, indicates that the Company experienced an operating revenue deficit totaling \$527,552 from its operation of the Mountain Air water and wastewater systems through March 15, 2024, when the transaction closed.

4. In the Verified Compliance Filing, CWSNC filed the following proposed monthly water surcharges, per Equivalent Residential Connection (ERC), for approval by the Commission:

Unrecovered Operating Reserve	\$ 9.49
Due Diligence and Transaction Costs	\$ 0.88
Lien Release Regulatory Asset	\$ 9.01

5. CWSNC also filed the following proposed monthly wastewater surcharges, per Single Family Equivalent (SFE), for Commission approval:

Unrecovered Operating Reserve	\$ 8.73
Due Diligence and Transaction Costs	\$ 0.45
Lien Release Regulatory Asset	\$ 4.67

6. The rates charged by CWSNC in its capacity as Emergency Operator were clearly inadequate as demonstrated by the operating revenue deficit totaling \$527,552 from its operation of the Mountain Air water and wastewater systems through March 15, 2024. This amount will be offset by \$30,000 in forfeited bonds, which will be wired/mailed to CWSNC to reduce this revenue deficit, resulting in recovery from customers of \$497,552.

7. CWSNC's three water and three wastewater customer surcharges are reasonable and appropriate as filed and are consistent with the Commission's findings of fact and conclusions set forth in the Transfer Approval Order.

8. Implementation of the new water and wastewater customer surcharges will affect customers as follows: The average water bill for a Mountain Air Development customer using 2,520 gallons of water per month will increase from \$56.86 per month to \$76.24 per month. The flat rate wastewater bill for a residential customer will increase from \$87.27 per month to \$101.12 per month.

CONCLUSIONS

The Commission finds good cause, for the reasons set forth by CWSNC in the Verified Compliance Filing and the Transfer Approval Order, to approve the Company's three water and three wastewater proposed customer surcharges.

This conclusion is clearly justified by the fact that Mountain Air Development customers benefit by gaining certainty over the Mountain Air utility systems' future by having the utility system owned and operated by CWSNC, a NCUC-regulated utility company that has the financial, technical, and managerial capabilities to own and operate the water and wastewater systems. CWSNC is adequately capitalized and able to address repairs and capital improvements that may be required to ensure continued safe and reliable service to customers.

Further, CWSNC has a proven track record as an EO and public utility providing water and wastewater utility service to approximately 35,000 water customers and 21,000 wastewater customers located in 38 counties across North Carolina. As the EO for Mountain Air, CWSNC made significant investments in the

water and wastewater systems to improve quality of service and meet regulatory requirements and that commitment will continue under the Company's ownership and control of the utility systems.

CWSNC's ownership also provides a means to ensure, for the first time, that ownership of property required for utility operations and maintenance is in the utility's full control and removes liens that were a hindrance to previous transfer attempts. Approval of the applicable customer surcharges also ensures that the customers directly benefiting from the transfer are assigned the costs of the transfer through rates and surcharges, while recognizing that it may be in the public interest in the future to include the Mountain Air Development in CWSNC's Uniform Water and Sewer Rate Divisions.

The Commission further concludes that approval of CWSNC's proposed water and wastewater customer surcharges is fair and reasonable, in the public interest, and supported by the evidentiary record in this case. This Order is also supported by the Public Staff.

Accordingly, for the reasons set forth above, CWSNC is hereby authorized to:

(a) Establish a regulatory asset labeled "Lien Release" in the amount of \$950,000, levelized for cost recovery over 40 years, including a return at the pre-tax weighted cost of capital (8.69%) approved by the Commission in CWSNC's most recent general rate case, Docket No. W-354, Sub 400 (Sub 400), with the return being subject to adjustment in a future general rate case. CWSNC's

Commission-authorized monthly per-ERC Lien Release Water Surcharge will be \$9.01 and the monthly per-ERC Lien Release Wastewater Surcharge will be \$4.67.

(b) Establish a Due Diligence and Transaction Costs Asset, limited to the amount of \$75,000, amortized for cost recovery over 40 years in the “Organizational Account”, including a return at the Company’s Sub 400 pretax weighted cost of capital (8.69%), with the return being subject to adjustment in a future general rate case. CWSNC’s Commission-authorized per-ERC Due Diligence and Transaction Costs Water Surcharge will be \$0.88 and the monthly per-ERC Due Diligence and Transaction Costs Wastewater Surcharge will be \$0.45.

(c) Establish an Unrecovered Operating Reserve, incurred as EO, estimated through release of EO, and reported in Docket No. W-1148, Sub 20, levelized for cost recovery over five years, including a return at the Company’s Sub 400 pre-tax cost of debt (4.65%), with the return being subject to adjustment in a future general rate case. The Commission-authorized monthly per-ERC Unrecovered Operating Reserve Water Surcharge will be \$9.49 and the monthly per-SFE Unrecovered Operating Reserve Wastewater Surcharge will be \$8.73. As part of this determination regarding approval of the proposed Unrecovered Operating Reserve customer surcharge, the Commission further concludes that the Company’s final financial accounting of its EO operations should be approved as filed.

IT IS, THEREFORE, ORDERED AS FOLLOWS:

1. That CWSNC's Proposed Schedule of Water and Sewer Rates is approved as set forth in the Schedule of Rates attached hereto as Appendix A, effective for water and wastewater utility service rendered on and after the date of this Order.

2. That the Schedule of Water and Sewer Rates, attached hereto, is deemed filed with the Commission pursuant to N.C.G.S. § 62-138.

3. That the Notice to Customers, attached hereto as Appendix B, shall be mailed with sufficient postage or hand delivered to all affected customers in the Mountain Air Development service area in conjunction with the next regularly scheduled billing process.

4. That CWSNC shall submit to the Commission the attached Certificate of Service, properly signed and notarized, no later than fifteen days after the Notice to Customers is mailed or hand delivered to customers.

ISSUED BY ORDER OF THE COMMISSION.

This the _____ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service in

MOUNTAIN AIR DEVELOPMENT

Yancey County, North Carolina

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 25.91
1" meter	\$ 64.78
1 1/2" meter	\$ 129.55
2" meter	\$ 207.28
3" meter	\$ 388.65
4" meter	\$ 647.75
6" meter	\$1,295.50
8" meter	\$2,072.80

Usage Charge:

A. Treated Water/1,000 gallons	\$ 12.28
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Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

<u>Monthly Flat Rate Service:</u> (Billed in Arrears)	\$ 72.20
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Surcharges, per Equivalent Residential Connection (ERC):

Unrecovered Operating Reserve	\$ 9.49
Due Diligence and Transaction Costs	\$ 0.88
Lien Release Regulatory Asset	\$ 9.01

<u>Meter Testing Fee:</u> ^{1/}	\$20.00
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New Water Customer Charge:

Reconnection Charge: ^{2/}

If water service is cut off by utility for good cause	\$42.00
If water service is discontinued at customer's request	\$42.00

Reconnection Charge: ^{3/} (Flat-rate water customers)

If water service is cut off by utility for good cause	Actual Cost
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Meter Fee:

For <1" meters	\$ 50.00
For meters 1" or larger	Actual Cost

Irrigation Meter Installation:

Actual Cost

Water Tap on Fee:

\$500.00

SEWER RATES AND CHARGES

Monthly Flat Rate Service, per SFE or REU: \$ 87.27

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 87.27

Surcharges, per SFE:

Unrecovered Operating Reserve	\$ 8.73
Due Diligence and Transaction Costs	\$ 0.45
Lien Release Regulatory Asset	\$ 4.67

New Sewer Customer Charge: ^{4/} \$ 27.00

Reconnection Charge: ^{5/}

If sewer service is cut off by utility for good cause: Actual Cost

Sewer Tap on Fees (based on meter size):

<u>Meter Size</u>	<u>Fee</u>
3/4 inch	\$ 4,310
1 inch	\$ 5,650
2 inch	\$11,480
4 inch	\$29,500

6 inch	\$66,600
8 inch	\$76,600
10 inch	\$89,600
12 inch	\$96,600

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

^{1/} If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

^{2/} Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

^{3/} The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice.

^{4/} This charge shall be waived if customer is also a water customer within the same service area.

^{5/} The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice. This charge will be waived if customer also receives water service from Carolina Water Service within the same service area. Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

^{6/} All nondomestic and industrial waste is subject to the Sewer Use Rule. The Sewer Use Rule can be accessed at <https://www.myutility.us/docs/default-source/carolinawater/sewer-use-tariff.pdf> and is also available upon request. The Sewer Use Rule requires Users (utility customers) to provide advance notice of any nondomestic or industrial waste

Appendix A

DOCKET NO. W-354, Sub 411

DOCKET NOS. W-1148, Sub 20 and 22

discharge into the Utility's sanitary sewer systems, and to meet certain effluent limitations and pretreatment requirements. Violations of the Sewer Use Rule may result in disconnection. Reconnection will require reimbursement of the Utility's actual costs incurred as a result of the violation. Repeat violations may result in permanent disconnection.

As part of the Sewer Use Rule, the Utility may require installation and/or proper operation of grease traps or other pre-treatment devices on grease producing commercial facilities. Failure to properly operate grease traps will result in disconnection of service pursuant to Commission Rule R10-16.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket Nos. W-354, Sub 411 and W-1148, Subs 20 and 22, on this the _____ day of _____, 2024.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-354, SUB 411
DOCKET NOS. W-1148, SUBS 20 and 22
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

On March 21, 2024, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) informed the North Carolina Utilities Commission (NCUC or Commission) that the Company and Mountain Air Utilities Corporation (Mountain Air or MAUC) had closed on the transfer of the MAUC systems to CWSNC. This transfer was authorized by the Commission in its Order of November 14, 2023 (Transfer Order). The closing and transfer took place on Friday, March 15, 2024.

The Commission's Transfer Order required CWSNC to file (1) a final accounting with the Commission in the Emergency Operator (EO) Docket within 60 days of closing on the transfer to reconcile the operating balance as EO, net of \$30,000.00 in bond funds, as stipulated and (2) a request to establish surcharges to recover the Lien Release regulatory asset, the Due Diligence and Transactions Costs regulatory asset, and the Unrecovered Operating Reserve.

On May 17, 2024, CWSNC made the required filing with the Commission and by order dated _____, 2024, the NCUC authorized CWSNC to charge the following monthly surcharges to the customers in the Mountain Air Development in Yancey County, North Carolina, effective for water and sewer utility service rendered on and after _____, 2024:

Water

Surcharges, per Equivalent Residential Connection (ERC):

Unrecovered Operating Reserve	\$	9.49
Due Diligence and Transaction Costs	\$	0.88
Lien Release Regulatory Asset	\$	9.01

Sewer

Surcharges, per SFE:

Unrecovered Operating Reserve	\$	8.73
Due Diligence and Transaction Costs	\$	0.45
Lien Release Regulatory Asset	\$	4.67

Implementation of the new water and wastewater customer surcharges will affect customers as follows: The average water bill for a Mountain Air Development

customer using 2,520 gallons of water per month will increase from \$56.86 per month to \$76.24 per month. The flat rate wastewater bill for a residential customer will increase from \$87.27 per month to \$101.12 per month.

Customers may review the complete Commission Order which approved the surcharges applicable to the Mountain Air customers on the NCUC's website (www.ncuc.gov), by clicking on Docket Search under Dockets portal; then for Docket Number, entering W-354 Sub 411, and clicking on Documents to locate the Order dated _____, 2024.

A copy of the Company's newly-authorized Schedule of Water and Sewer Rates is attached to this Notice.

The telephone number to call CWSNC for service issues and billing questions is 800-525-7990.

ISSUED BY ORDER OF THE COMMISSION.

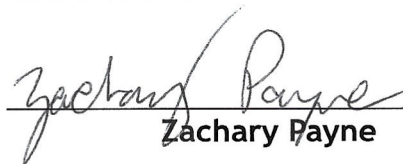
This the ____ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

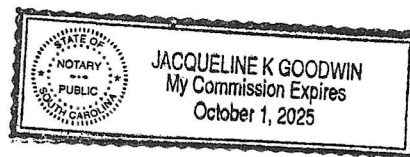
A. Shonta Dunston, Chief Clerk

VERIFICATION

Zachary Payne, being duly sworn, deposes and says that he is the Financial Planning and Analysis Manager for Carolina Water Service, Inc. of North Carolina (CWSNC); that he is familiar with the facts set out in the attached filing, including CWSNC's Proposed Order Approving Implementation of Water and Wastewater Customer Surcharges and Requiring Customer Notice, made by CWSNC in Docket Nos. W-354, Sub 411 and W-1148, Subs 20 and 22; that he has read the foregoing Filing 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.


Zachary Payne

Sworn to and subscribed before me this
the 15 day of July 2024.




Notary Public

My Commission Expires: 10/01/2025