

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

August 7, 2017

Ms. M. Lynn Jarvis, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, NC 27699-4325

**Via Electronic Delivery**

Re: Docket No. W-354, Sub 356  
Carolina Water Service, Inc. of North Carolina ("CWSNC")  
Application for General Rate Increase  
Stipulation of Settlement Between CWSNC and Public Staff  
Regarding Return on Equity and Capital Structure Issues

Dear Ms. Jarvis:

Attached for filing electronically please find the Stipulation of Settlement referenced above; it is submitted jointly by CWSNC and the Public Staff.

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

**Electronically Submitted**  
**s/Jo Anne Sanford**  
State Bar # 6831  
Attorney for CWSNC

c: Parties of Record

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-354, SUB 356

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application by Carolina Water Service, )  
Inc. of North Carolina, 4944 Parkway )  
Plaza Boulevard, Suite 375, Charlotte, )  
North Carolina 28217 for Authority to )  
Adjust and Increase Rates for Water )  
and Sewer Utility Service in All of Its )  
Service Areas in North Carolina, )  
Except Corolla Light and Monteray )  
Shores Service Area and Elk River )  
Development )

STIPULATION BETWEEN  
CAROLINA WATER SERVICE,  
INC. OF NORTH CAROLINA  
AND THE PUBLIC STAFF  
REGARDING COST OF  
CAPITAL AND CAPITAL  
STRUCTURE ISSUES

This agreement is made and entered into this 7th day of August, 2017, by and between Carolina Water Service, Inc. of North Carolina (CWSNC or Applicant) and the Public Staff - North Carolina Utilities Commission (Public Staff), (collectively, Stipulating Parties).

WHEREAS, on March 31, 2017, CWSNC filed an application to adjust and increase in its rates and charges for water and sewer utility service in all of its service areas in North Carolina except the Corolla Light/Monteray Shores service area and the Elk River Development.

WHEREAS, issues that have arisen between the Stipulating Parties concern the appropriate capital structure and cost rates on the components of the capital structure.

WHEREAS, the Stipulating Parties have determined that it is in their best interest to compromise their differences with respect to these issues and have

determined that they should enter into a Stipulation to present to the Commission for its consideration and approval.

NOW THEREFORE, based on the mutual promises contained herein, and other good and valuable consideration, the Stipulating Parties agree as follows:

1. The Stipulating Parties acknowledge that the Applicant's updated actual common equity ratio is 52.45%; however, the Stipulating Parties agree to the components of rate of return as set out below. The capitalization ratios reflect a hypothetical capital structure for Utilities, Inc., which is the parent company of CWSNC. The embedded cost of debt is Utilities, Inc.'s actual cost rate. The return on common equity is based on an estimate.

a. Long-Term Debt Ratio:	48.00%
b. Common Equity Ratio:	52.00%
c. Embedded Cost of Debt:	5.93%
d. Return on Common Equity:	9.60%
e. Overall Weighted Rate of Return:	7.84%

2. The Stipulating Parties agree that the Public Staff will file testimony and exhibits in support of this Stipulation, that any testimony and exhibits filed by the Public Staff in support of the Stipulation may be introduced into evidence without objection, and the Applicant waives its right to cross-examine the Public Staff's witness on any pre-filed testimony and exhibits pertaining to cost of capital and capital structure or any other issues resolved as a result of this Stipulation.

3. In order to minimize recoverable rate case costs in this proceeding, CWSNC and the Public Staff agree that the Applicant's cost of capital expert consultant will not file testimony and exhibits in support of this Stipulation. However,

the Stipulating Parties further agree to include recovery of rate case costs incurred as of the date of this Stipulation associated with the Company's cost of capital consultant in the total amount of \$12,000 and to exclude from recovery in this case any additional rate case costs for a cost of capital consultant and/or witness; provided, however, that if the Commission or an Intervenor requests an opportunity to cross-examine CWSNC's cost of capital expert consultant at the evidentiary hearing, the reasonable costs incurred by the Company in conjunction with that appearance shall be recoverable as additional rate case costs in this proceeding.

4. The Stipulating Parties recognize and agree that this Stipulation, in settlement of the issues in the herein docket pertaining to cost of capital and capital structure, resulted from negotiations and compromise. Thus, the agreements reached do not necessarily reflect the respective Stipulating Parties' beliefs as to the proper treatment or level of the matters cited. Except as needed to carry out the terms of the Commission's Order in the herein docket, the Stipulating Parties have agreed that none of the positions, treatments, figures or other matters reflected herein shall have any precedential value, nor shall they otherwise be used in any subsequent proceedings, other than those referenced in this agreement, before this Commission or any other regulatory body as proof of the matter in issue.

IN WITNESS WHEREOF, the Stipulating Parties have hereunto set their hands and seals on the day and year first above written.

CONSENTED TO:  
CAROLINA WATER SERVICE, INC. OF  
NORTH CAROLINA

BY: J. Anne Sanford

CONSENTED TO:  
PUBLIC STAFF-NORTH CAROLINA  
UTILITIES COMMISSION

BY: John A. Holt

### CERTIFICATE OF SERVICE

I hereby certify that on this the 7th day of August, 2017, a copy of the foregoing STIPULATION OF SETTLEMENT has been duly served upon all parties of record by electronic service, as follows:

Gina C. Holt, Staff Attorney  
Legal Division  
North Carolina Utilities Commission Public Staff  
[gina.holt@psncuc.nc.gov](mailto:gina.holt@psncuc.nc.gov)

William E. Grantmyre, Staff Attorney  
Legal Division  
North Carolina Utilities Commission Public Staff  
[william.grantmyre@psncuc.nc.gov](mailto:william.grantmyre@psncuc.nc.gov)

Dwight W. Allen  
Brady W. Allen  
Britton H. Allen  
The Allen Law Offices  
[dallen@theallenlawoffices.com](mailto:dallen@theallenlawoffices.com)  
[brady.allen@theallenlawoffices.com](mailto:brady.allen@theallenlawoffices.com)  
[bhallen@theallenlawoffices.com](mailto:bhallen@theallenlawoffices.com)

Paula Chappell  
NC DEQ Public Water Supply  
[paula.chappell@ncdenr.gov](mailto:paula.chappell@ncdenr.gov)

Bryce Mendenhall, Vice President of NC/TN  
CWSNC  
[bmendenhall@uiwater.com](mailto:bmendenhall@uiwater.com)

**s/Jo Anne Sanford**

State Bar # 6831  
SANFORD LAW OFFICE, PLLC  
Post Office Box 28085  
Raleigh, NC 27611-8085  
Tel: (919) 210-4900  
[sanford@sanfordlawoffice.com](mailto:sanford@sanfordlawoffice.com)