

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 344

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application by Carolina Water Service, Inc.)	
of North Carolina, 2335 Sanders Road,)	ORDER APPROVING
Northbrook, Illinois 60062, for Authority to)	STIPULATIONS, GRANTING
Adjust and Increase Rates for Water and)	PARTIAL RATE INCREASE, AND
Sewer Utility Service in All of its Service)	REQUIRING CUSTOMER NOTICE
Areas in North Carolina)	

HEARD: Tuesday, June 23, 2015, at 7:00 p.m., in the Onslow County Courthouse, Summersill Building, Courtroom #5, 109 Old Bridge Street, Jacksonville, North Carolina

Wednesday, June 24, 2015, at 7:00 p.m., in the Currituck County Courthouse, Courtroom C, 2801 Caratoke Highway, Currituck, North Carolina

Wednesday, July 8, 2015, at 7:00 p.m., in the Mecklenburg County Courthouse, Courtroom 5310, 832 East Fourth Street, Charlotte, North Carolina

Wednesday, July 22, 2015, at 7:00 p.m., in the Watauga County Courthouse, 842 W. King Street, Boone, North Carolina

Thursday, July 23, 2015, at 7:00 p.m., in the Buncombe County Courthouse, Courtroom 1A, 60 Court Plaza, Asheville, North Carolina

Tuesday, July 7, 2015, at 7:00 p.m.; Monday, October 5, 2015, at 2:00 p.m.; and Tuesday, October 20, 2015, at 9:30 a.m., in Commission Hearing Room 2115, Dobbs Building, 430 North Salisbury Street, Raleigh, North Carolina

BEFORE: Chairman Edward S. Finley, Jr., Presiding; and Commissioners Bryan E. Beatty, Susan W. Rabon, ToNola D. Brown-Bland, Don M. Bailey, Jerry C. Dockham, and James G. Patterson

APPEARANCES:

For Carolina Water Service, Inc. of North Carolina:

Jo Anne Sanford, Sanford Law Office, PLLC, P.O. Box 28085, Raleigh, North Carolina 27611-8085

Robert H. Bennink, Jr., Bennink Law Office, 130 Murphy Drive, Cary, North Carolina 27513

Charlotte A. Mitchell, Law Office of Charlotte Mitchell, P.O. Box 26212, Raleigh, North Carolina 27611

For the Using and Consuming Public:

Gina C. Holt and William E. Grantmyre, Staff Attorneys, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326

For Corolla Light Community Association, Inc.:

Dwight W. Allen, Brady W. Allen, and Britton H. Allen, The Allen Law Offices, PLLC, 1514 Glenwood Ave., Suite 200, Raleigh, North Carolina 27608

BY THE COMMISSION: On February 26, 2015, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) filed a letter notifying the North Carolina Utilities Commission (Commission or NCUC) of its intent to file a general rate case as required by Commission Rule R1-17(a). On March 31, 2015, CWSNC filed an application for a general rate increase (the Application) seeking authority: (1) to increase and adjust its rates for water and sewer utility service in all of its service areas in North Carolina; (2) to pass-through any increases in purchased bulk water rates, subject to sufficient proof by CWSNC of the increase, as well as any increased costs of wastewater treatment performed by third parties and billed to CWSNC; and (3) to increase certain other charges.

On April 10 and 21, 2015, CWSNC filed supplements to its NCUC Form W-1, Item 10 and Items 7, 9, and 16, respectively.

By Order issued April 30, 2015, the Commission declared the matter to be a general rate case pursuant to G.S. 62-137 and suspended the proposed new rates for up to 270 days pursuant to G.S. 62-134.

On May 6, 2015, CWSNC filed a revised Appendix A-1 (Company's proposed rates) to its Application. As a result of consultations with the Public Staff – North Carolina Utilities Commission (Public Staff), CWSNC determined that the initially filed Appendix A-

1 of the Application needed to be clarified, revised, and amended to properly reflect the new proposed rates being requested in this proceeding.

On May 13, 2015, CWSNC filed a letter stating that given the timing of the filing of the Application, the evidentiary hearing would normally have been set for a date near the end of August or early September, 2015; however, CWSNC requested that the evidentiary hearing date be extended by approximately 30 days in order to allow additional time necessary to complete a major capital project for inclusion in this rate case. CWSNC agreed to waive, for 30 days or until November 29, 2015, its right under G.S. 62-135 to put the suspended rates into effect, temporarily and under bond.

The intervention and participation by the Public Staff was made and recognized pursuant to G.S. 62-15(d) and Rule R1-19(e) of the Rules and Regulations of the Commission. On May 15, 2015, the Corolla Light Community Association, Inc. (CLCA) a customer of CWSNC, filed a petition to intervene, which was granted by the Commission by Order dated May 19, 2015.

On May 22, 2015, the Commission issued its Order Scheduling Hearings and Requiring Customer Notice, scheduling the application for public hearings in Jacksonville, Currituck, Charlotte, Boone, Asheville, and Raleigh, North Carolina, and for evidentiary hearing in Raleigh, North Carolina; establishing the dates for filing testimony; and requiring notice to all affected customers of the proposed rate increase and hearings. On May 26, 2015, the Commission issued a Reissued Order Scheduling Hearings and Requiring Customer Notice. On May 27, 2015, the Commission issued an Errata Order correcting an error in Appendix A-1 of the May 26, 2015 Order.

On June 8, 2015, CWSNC filed its Certificate of Service as required by the May 26, 2015 Order stating under oath that the required customer notice was mailed to all affected customers.

The public hearings were held as scheduled. The following public witnesses testified at the public hearings held in this proceeding:

June 23, 2015	Jacksonville	Larry Campbell
June 24, 2015	Currituck	Dr. Teresa Blaxton Hugh McCain Lynn Hoffman Karen Galganski Don Cheek Dave Phillips Barbara Gernat Meade Gwinn John Ratzenberger Cliff Ogburn

July 7, 2015	Raleigh	Eleanora Tate
July 8, 2015	Charlotte	Brian Allenspach Chessley Singleton Brian Lucas William Schell Jack Ritterskamp
July 22, 2015	Boone	Linda Norman Brenda Councill David Lane
July 23, 2015	Asheville	Connie Brown Emil Revala Ken Allen Sean O'Meara Keith Rice James Tanner Ken Jarvis Mark Innes

On July 1, 2015, CWSNC filed its Ongoing Three-Year Plan for Projects Proposed for "Water and Sewer System Improvement Charge" Eligibility (Ongoing Three-Year Plan).

On July 16, 2015, CWSNC filed a report regarding service quality concerns raised at the public hearing held in Jacksonville on June 23, 2015.

On August 6, 2015, CWSNC filed a report regarding service quality concerns raised at the public hearing held in Raleigh on July 7, 2015.

On August 7, 2015, CWSNC filed a report regarding service quality concerns raised at the public hearing held in Currituck on June 24, 2015.

On August 14, 2015, CWSNC filed a report regarding customer concerns raised at the public hearing held in Charlotte on July 8, 2015.

On August 21, 2015, CWSNC filed the direct testimony and exhibits of CWSNC witnesses David Liskoff, Senior Financial Analyst, Utilities, Inc., and Pauline M. Ahern, Partner, Sussex Economic Advisors, LLC.

On August 27, 2015, CWSNC filed the revised testimony of David Liskoff. As a result of consultations with the Public Staff, CWSNC determined that Exhibit 2 (Appendix A-1) of witness Liskoff's testimony needed to be revised to properly reflect the Company's revised proposed rates being requested in this proceeding.

On September 2, 2015, the Public Staff and CWSNC filed a Stipulation Between Carolina Water Service, Inc. of North Carolina and the Public Staff – North Carolina Utilities Commission Regarding Cost of Capital and Capital Structure Issues (First Stipulation).

On September 4, 2015, CWSNC filed a report regarding service quality concerns raised at the public hearing held in Boone on July 22, 2015.

On September 8, 2015, CWSNC filed a report regarding service quality concerns raised at the public hearing held in Asheville on July 23, 2015.

On September 14, 2015, the Public Staff filed a motion to extend the due date for the filing of Public Staff and Intervenor testimony in this docket to September 25, 2015, and for the filing of rebuttal testimony to September 30, 2015, which was granted by the Commission by Order dated September 16, 2015.

On September 22, 2015, CWSNC filed a notice indicating that it had partially complied with the directive of the Commission from CWSNC's previous rate case proceeding, issued in the March 10, 2014 Order Granting Partial Rate Increase, Approving Rate Adjustment Mechanism, and Requiring Customer Notice, Docket No. W-354, Sub 336, to install meters and fully meter the unmetered systems in Powder Horn, Misty Mountain, Crystal Mountain, Watauga Vista, High Meadows, Ski Country, and Mt. Mitchell prior to the conclusion of CWSNC's current rate case proceeding (the Commission's Meter Installation Directive), having completed installations at five of the seven systems (the First Meter Installation Notice).

On September 25, 2015, the Public Staff filed a second motion to extend the due date for the filing of Public Staff and Intervenor testimony and for the filing of a settlement agreement among all parties to this docket to October 1, 2015, which was granted by the Commission by Order dated September 25, 2015.

On October 1, 2015, CWSNC filed a notice indicating it had fully complied with the Commission's Meter Installation Directive, having completed installations at all seven of the systems (the Second Meter Installation Notice). Also on October 1, 2015, the Public Staff, CWSNC, and CLCA (the Stipulating Parties) filed a Joint Motion to Reschedule Evidentiary Hearing and Extend Filing Dates. In the joint motion, the parties requested that the Commission reschedule the evidentiary hearing in this docket to allow the Company time to conclude 10 nearly-completed or completed but not documented construction projects (Projects) so that those Projects might be included in CWSNC's cost of service once their final costs had been determined and requisite invoices and other documentation provided to the Public Staff for review and verification. Additionally, the parties requested that the Commission grant the Public Staff and CLCA additional time to prefile testimony supporting the settlement agreement reached in this proceeding among the parties.

On October 2, 2015, the Commission issued an Order Rescheduling Evidentiary Hearing and Extending Filing Dates pursuant to which the Commission: (1) continued the evidentiary portion of the October 5, 2015 hearing to a future date and time to be determined and set by further order; (2) approved an extension of time for the finalizing and filing of the settlement agreement and supporting prefiled testimony to a future date to be determined and set by further order; (3) authorized the parties to file recommended dates for the evidentiary hearing and settlement-related testimony on or before Friday, October 9, 2015; and (4) held that the hearing scheduled for October 5, 2015, would be convened for receipt of customer testimony only.

On October 5, 2015, a hearing was convened for the receipt of customer witness testimony. No customers testified.

On October 9, 2015, CWSNC, the Public Staff, and CLCA filed a joint motion setting forth their recommended procedural dates and requesting that certain CWSNC witnesses be excused from appearing at the evidentiary hearing to be held in Raleigh, North Carolina. On October 13, 2015, the Commission issued an Order rescheduling the evidentiary hearing for October 20, 2015, adopting the procedural schedule proposed by the Stipulating Parties and excusing CWSNC witnesses, David Liskoff and Pauline M. Ahern, from appearing at the evidentiary hearing.

On October 15, 2015, the Stipulating Parties filed a Stipulation, including Stipulation Exhibits A-E (the Second Stipulation), setting forth the terms and conditions of the settlement agreement among the parties. Also on October 15, 2015, the Public Staff filed the testimonies and exhibits of Katherine A. Fernald, Assistant Director, Accounting Division; Windley E. Henry, Supervisor, Water Section, Accounting Division; Fenge Zhang, Staff Accountant, Water Section, Accounting Division; Gina Y. Casselberry, Utilities Engineer, Water Division; and Calvin C. Craig, III, Financial Analyst, Economic Research Division supporting the First and Second Stipulations.

On October 16, 2015, the Public Staff filed a motion requesting that all of its witnesses be excused from appearing at the October 20, 2015 evidentiary hearing and that all of their prefiled testimony and exhibits be copied into the record and received into evidence. On October 19, 2015, the Commission issued an Order granting in part and denying in part the Public Staff's motion, excusing Public Staff witnesses Katherine A. Fernald, Fenge Zhang, and Calvin C. Craig, III, from appearing at the evidentiary hearing and admitting the prefiled testimony and exhibits of those witnesses into evidence. As to Public Staff witnesses Windley E. Henry and Gina Y. Casselberry, the Commission denied the motion to excuse their appearance at the evidentiary hearing.

On October 20, 2015, the evidentiary hearing was held in Raleigh, North Carolina as scheduled. At the hearing, the prefiled testimonies and exhibits offered by CWSNC witnesses Liskoff and Ahern and Public Staff witnesses Casselberry, Henry, Fernald, Zhang, and Craig were copied into the record as if given orally from the witness stand and the exhibits of the witnesses were received into evidence. The Application, including the confidential and public sections of NCUC Form W-1 as well as supplemental filings to

the NCUC Form W-1 made on April 10 and April 21, 2015, and also including the revised Appendix A-1 to the Application filed on May 6, 2015, the Ongoing Three-Year Plan, the six reports filed by CWSNC related to service quality concerns, the First Meter Installation Notice, the Second Meter Installation Notice, the First Stipulation, and the Second Stipulation were all received into evidence. At the evidentiary hearing, Public Staff witness Fernald, adopting the testimony of Public Staff witness Henry, and witness Casselberry testified in response to questions from the Commission regarding their prefiled testimony and exhibits. In addition, CWSNC witness Martin J. Lashua, Vice President of Operations, CWSNC, testified in response to questions from the Commission.

On October 23, 2015, in response to a request of the Commission at the evidentiary hearing, CWSNC filed late-filed exhibits consisting of certain wastewater treatment contracts by and between CWSNC and the following counterparties: Johnston County (White Oak area); City of Gastonia/Two Rivers Utilities (Kings Grant); and the Town of Dallas (College Park). CWSNC requested that the Commission enter an order admitting such contracts in evidence as late-filed exhibits.

On October 26, 2015, in response to a request of the Commission at the evidentiary hearing, the Public Staff filed late-filed exhibits detailing the major components of CWSNC's rate case expenses and detailing the calculation of CWSNC's franchise tax amount.

On November 19, 2015, CWSNC, CLCA, and the Public Staff filed a Joint Proposed Order.

On December 2, 2015, in response to a request of the Commission at the evidentiary hearing, CWSNC filed a late-filed exhibit consisting of a letter from the City of Concord regarding the rates charged to CWSNC for purchased water supplied to its customers in the Company's Zemosa Acres service area. CWSNC requested that the Commission enter an order admitting such information in evidence as a late-filed exhibit.

On the basis of the Application; the First Stipulation; the Second Stipulation; the public witnesses testimony; the testimony and exhibits of CWSNC witnesses Liskoff, Ahern, and Lashua; the testimony and exhibits of Public Staff witnesses Fernald, Henry, Zhang, Casselberry, and Craig; and the entire record in this proceeding, the Commission is of the opinion that the provisions of the First Stipulation and Second Stipulation are just and reasonable. Accordingly, the Commission makes the following

FINDINGS OF FACT

1. CWSNC is a corporation duly organized under the law and is authorized to do business in the State of North Carolina. CWSNC is a franchised public utility providing

water and sewer utility service to customers in 31 counties in North Carolina. CWSNC is a wholly-owned subsidiary of Utilities, Inc.¹

2. CWSNC is properly before the Commission pursuant to Chapter 62 of the General Statutes of North Carolina seeking a determination of the justness and reasonableness of its proposed rates and charges for its water and sewer utility operations.

3. CWSNC provides service to approximately 18,123 water customers and 11,985 sewer customers, including 909 sewer customers in the Corolla Light and Monterey Shores (CLMS) service areas and 630 sewer customers in the Nags Head service area.

4. A total of 28 customers testified at the seven public hearings and the evidentiary hearing, with 10 of those customers expressing service-related concerns. Such concerns included sewer system odor problems; a perceived wastewater treatment plant (WWTP) capacity issue; the existence of water leaks; paperless billing issues; staining in toilets; mailing inefficiencies; and unfriendliness of Company personnel. In addition, the majority of the remaining customers who appeared as witnesses testified, in general, in opposition to the proposed rate increase.

5. CWSNC filed six reports with the Commission, verified by Company Vice President of Operations, Martin J. Lashua, addressing the service-related concerns expressed by the public witnesses who testified at the public hearings. Such reports described each of the witnesses' specific service-related concerns, the Company's response, and how each concern was addressed, if applicable.

6. The overall quality of service provided by CWSNC is adequate.

7. The test period for this rate case is the 12 months ended December 31, 2014, adjusted for certain known and actual changes in plant, revenues, and costs based upon circumstances and events occurring or becoming known through the close of the evidentiary hearing in this proceeding.

8. The present rates for water and sewer service in all of the Applicant's service areas have been in effect since July 1, 2014, pursuant to the Commission's Order issued June 27, 2014, in Docket Nos. M-100, Sub 138 and W-354, Sub 342, and the Commission's Order issued July 8, 2014, in Docket No. W-354, Sub 336.

¹ Utilities, Inc., owns regulated utilities in approximately 15 states, including several in North Carolina. Presently, the regulated utilities owned by Utilities, Inc. in North Carolina are: (1) Carolina Water Service, Inc. of North Carolina (Docket No. W-354); (2) Bradfield Farms Water Company (Docket No. W-1044); (3) Carolina Trace Utilities, Inc. (Docket No. W-1013); (4) CWS Systems, Inc. (Docket No. W-778); (5) Elk River Utilities, Inc. (Docket No. W-1058); and (6) Transylvania Utilities, Inc. (Docket No. W-1012).

9. The average monthly residential bills under CWSNC's present and proposed water and sewer rates are as follows:

WATER OPERATIONS

<u>Service Area</u>	<u>Average Usage (Gallons)</u>	<u>Existing</u>	<u>Proposed</u>
Carolina Forest	4,200	\$41.10	\$35.87
High Vista Estates	4,200	\$41.10	\$35.70
Riverpointe	4,200	\$41.10	\$48.93
Whispering Pines	4,200	\$41.10	\$31.84
White Oak/Lee Forest	4,200	\$41.10	\$36.12
Winston Plantation	4,200	\$41.10	\$36.12
Winston Pointe	4,200	\$41.10	\$36.12
Woodrun	4,200	\$41.10	\$35.87
Yorktown	4,200	\$41.10	\$43.51
Zemosa Acres	4,200	\$41.10	\$44.60
Linville Ridge (flat rate)	n/a	\$31.68	\$42.51
All other water systems	4,200	\$41.10	\$50.61

SEWER OPERATIONS

<u>Service Area</u>	<u>Average Usage (Gallons)</u>	<u>Existing</u>	<u>Proposed</u>
White Oak Plantation/Lee Forest/Winston Point	4,200	\$43.35	\$ 49.97
Kings Grant	4,200	\$43.35	\$ 46.82
College Park	4,200	\$43.35	\$ 54.80
Mt. Carmel	4,200	\$44.98	\$ 54.38
Corolla Light/ Monterey Shores	4,347	\$81.17	\$103.63
Nags Head	4,750	\$62.81	\$ 76.11
All other sewer systems	4,200	\$43.35	\$ 51.96

10. On September 2, 2015, the Public Staff and CWSNC filed a Stipulation regarding cost of capital and capital structure issues (First Stipulation), and on October 15, 2015, CWSNC, the Public Staff, and CLCA filed a Stipulation regarding all remaining terms and conditions (Second Stipulation). The First Stipulation and the Second Stipulation settled all issues between CWSNC, CLCA, and the Public Staff. The Stipulating Parties are the only formal parties to this proceeding.

11. By its Application, CWSNC initially requested a total annual revenue increase in its water and sewer rates of \$3,642,251, a 22.25% increase over the total revenue level generated by the rates currently in effect for CWSNC.

12. CWSNC's present and proposed service revenues for the 12-month period ending December 31, 2014, including pro forma adjustments, are shown below:

	<u>Present</u>	<u>Proposed</u>
CWSNC Water Operations	\$9,369,220	\$10,951,484
CWSNC Sewer Operations	\$5,711,794	\$ 6,830,366
CLMS ² Sewer Operations	\$1,117,239	\$ 1,426,387
Nags Head Sewer Operations	\$ 693,575	\$ 859,815

13. CWSNC's original cost rate base used and useful in providing service to its customers is:

CWSNC Water Operations	\$30,984,960
CWSNC Sewer Operations	\$18,868,610
CLMS Sewer Operations	\$ 6,668,286
Nags Head Sewer Operations	\$ 2,092,182

14. Water and combined³ sewer plant in service, after pro forma adjustments, are as follows:

Water Operations	\$65,332,980
Combined Sewer Operations	\$59,815,666

15. Accumulated depreciation consist of the following balances for the water and combined sewer operations:

Water Operations	\$17,376,904
Combined Sewer Operations	\$13,882,097

16. Contributions in aid of construction (CIAC), reduced by accumulated amortization of CIAC, consist of the following amounts for water and combined sewer operations:

Water Operations	\$12,708,624
Combined Sewer Operations	\$16,764,979

17. On July 23, 2013, North Carolina Session Law 2013-316 (House Bill 998) was signed into law. Among other things, House Bill 998 added a new section,

² Corolla Light and Monteray Shores (CLMS).

³ Combined sewer amounts include CWSNC uniform, CLMS, and Nags Head sewer operations.

G.S. 105-130.3C, to the general statutes concerning possible future rate reductions in the corporate state income tax rate. On August 6, 2015, the North Carolina Department of Revenue announced that, pursuant to this new section, the target for the fiscal year ended 2014-2015 had been met, and the state corporate income tax rate will decrease from the current rate of 5% to 4%, effective for taxable years beginning on or after January 1, 2016. It is reasonable and appropriate to calculate state income taxes in this proceeding based on the statutory corporate rate effective January 1, 2016, of 4%. It is reasonable and appropriate to calculate federal income taxes in this proceeding based on the corporate rate of 34%.

18. Due to the reduction in the state corporate income tax rate from 6.9% to 6.0% effective January 1, 2014, and to 5% effective January 1, 2015, CWSNC has excess deferred income taxes. In its May 13, 2014 Order issued in Docket No. M-100, Sub 138, the Commission ordered that excess deferred taxes for all utilities be held in a deferred tax regulatory liability account until they can be amortized as credits to income tax expense in each utility's next general rate case proceeding. The regulatory liability related to excess deferred income taxes should be amortized over three years, consistent with the amortization period for rate case expense. Since the North Carolina Department of Revenue has announced that the target has been met and the state corporate income tax rate will decrease to 4% effective January 1, 2016, the excess deferred taxes related to the decrease from 5% to 4% in the regulatory liability should also be amortized over three years.

19. It is reasonable and appropriate for CWSNC to recover total rate case expenses of \$448,525, consisting of \$304,330 related to the current proceeding and \$144,195 of unamortized rate case expense from prior proceedings, to be amortized and collected over a three-year period, for an annual level of rate case expense of \$149,508.

20. It is reasonable and appropriate that the unamortized balance of the gain on sale of systems sold to Charlotte Mecklenburg Utility Department as of December 31, 2015, should be amortized over a three-year period.

21. CWSNC's total operating revenue deductions under present rates are:

Water Operations	\$7,770,065
Combined Sewer Operations	\$6,143,546

22. The testimony of Public Staff witness Craig, regarding the reasonableness of the stipulated capital structure, cost of debt, and return on equity component of the overall rate of return, adequately supports the capital structure consisting of 49.00% long-term debt and 51.00% common equity, the cost of long-term debt of 6.60% and the return on common equity of 9.75% agreed to by CWSNC and the Public Staff in the First Stipulation. The stipulated capital structure and debt and equity returns are just and reasonable and appropriate for use in setting rates in this proceeding. Accordingly, the just, reasonable, and appropriate components of the rate of return for CWSNC are as follows:

a. Long-Term Debt Ratio	49.00%
b. Common Equity Ratio	51.00%
c. Embedded Cost of Debt	6.60%
d. Return on Common Equity	9.75%
e. Overall Weighted Rate of Return	8.20%

23. It is reasonable and appropriate to determine the revenue requirement for CWSNC using the rate base method as allowed by G.S. 62-133.

24. It is reasonable and appropriate to use the statutory regulatory fee rate of 0.148%⁴ when calculating CWSNC's revenue requirement.

25. CWSNC's right to charge a Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) was granted by the Commission in Docket No. W-354, Sub 336 by Order issued March 10, 2014. Subsequent to the date of issuance of this present Order, that right will apply to CWSNC's Linville Ridge and Nags Head service areas, which were not included in the proceeding in which the Sub 336 Order was issued. Thus, as of the date of this Order, CWSNC's use of the Commission-authorized WSIC/SSIC rate adjustment mechanism shall apply to all of CWSNC's current service areas and customers.

26. Pursuant to Commission Rules R7-39(k) and R10-26(k), the WSIC and SSIC presently in effect are reset at zero as of the effective date of this Order.

27. The Ongoing Three-Year Plan filed by CWSNC on July 1, 2015, is reasonable and meets the requirements of Commission Rules R7-39(m) pertaining to WSIC and R10-26(m) pertaining to SSIC.

28. The agreed-upon rates will provide CWSNC with an increase in its annual level of authorized service revenues through rates and charges approved in this case by \$2,744,314, consisting of an increase for water operations of \$1,358,454 and an increase for combined sewer operations of \$1,385,860. After giving effect to these authorized increases in water and sewer revenues, the total annual service revenues for the Company will be \$19,636,142, consisting of the following levels of just and reasonable service revenues:

Water Operations	\$10,727,674
Combined Sewer Operations	\$ 8,908,468

29. CWSNC's total operating revenue deductions under the agreed-upon rates, including depreciation and amortization expense for CWSNC's combined operations of \$1,983,408, are:

⁴ The regulatory fee rate of 0.148% became effective July 1, 2015, pursuant to North Carolina Session Law 2015-134 (House Bill 356), which was signed into law on June 30, 2015.

Water Operations	\$8,267,879
Combined Sewer Operations	\$6,651,402

30. It is reasonable and appropriate for CWSNC to: (1) increase its new sewer customer charge from \$20.70 to \$22.00; (2) increase the return check fee from \$14.11 to \$25.00 for Nags Head; (3) increase the returned check charge from \$24.00 to \$25.00 for Linville Ridge; (4) increase the meter testing fee from \$19.20 to \$20.00; (5) increase the new water customer charge from \$25.92 to \$27.00; (6) increase the reconnection charge from \$25.92 to \$27.00.

31. CWSNC's pump and haul expenses and the new spray charges are not a part of Belvedere's system modification project, but are a result of an extraordinary expense and should continue to be amortized for a 10-year amortization period with no unamortized balance included in rate base. It is reasonable and appropriate that only invoiced costs and not capitalized time or interest during construction be included.

32. In this proceeding, it is reasonable and appropriate for the current, system-specific sewer rates for the CLMS and Nags Head service areas to remain unchanged from those established in Docket No. W-354, Subs 327 and 336 and for CWSNC's remaining revenue sewer requirement to be recovered through its uniform sewer rates for other service areas, as stipulated. In future general rate case proceedings, the issue of rate disparity should be reviewed again by CWSNC, the Public Staff, and any other interested party and appropriate consideration should be given to moving the CLMS and Nags Head service areas toward uniform rates in light of the facts and circumstances that exist at that time.

33. The Schedules of Rates for water and sewer utility service agreed to by CWSNC, the Public Staff, and CLCA, attached hereto as Appendices A-1, A-2, A-3, and A-4, are just and reasonable and should be approved.

34. The First Stipulation and the Second Stipulation contain the provision that the Stipulating Parties agree that none of the positions, treatments, figures, or other matters reflected in the agreements should have any precedential value, nor should they otherwise be used in any subsequent proceedings before this Commission or any other regulatory body as proof of the matters in issue.

35. The First Stipulation and the Second Stipulation contain the provision that the agreements made therein do not bind the Stipulating Parties to the same positions in future proceedings, and the parties reserve the right to take different positions in any future proceedings. The Second Stipulation also contains the provision that no portion of the Second Stipulation is binding on the Stipulating Parties unless the entire Second Stipulation is accepted by the Commission.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

The evidence for the following conclusions is contained in the Application; in the First Stipulation; in the Second Stipulation; in the testimony of the public witnesses; in CWSNC's Report on Customer Service Quality Issues From Public Hearing In Jacksonville, North Carolina, filed on July 16, 2015; in CWSNC's Report on Customer Service Quality Issues From Public Hearing In Currituck, North Carolina, filed on August 7, 2015; in CWSNC's Report on Customer Comments From July 6 Hearing In Raleigh, North Carolina, filed on August 6, 2015; in CWSNC's Report on Customer Service Quality Issues From Public Hearing In Charlotte, North Carolina, filed on August 14, 2015; in CWSNC's Report on Customer Service Quality Issues From Public Hearing in Boone, North Carolina, filed on September 4, 2015; in CWSNC's Report on Customer Service Quality Issues From Public Hearing In Asheville, North Carolina, filed on September 8, 2015; in the testimony and exhibits of CWSNC witnesses Liskoff, Ahern, and Lashua; in the testimony and exhibits of Public Staff witnesses Fernald, Henry, Zhang, Casselberry, and Craig; and in the entire record in this proceeding.

Public Hearings and Service Quality

Seven public hearings were held across the State for the benefit of public witnesses. Public witnesses were also given the opportunity to be heard at the evidentiary hearing which was held in Raleigh, North Carolina. Twenty-eight public witnesses testified during those eight hearings; with 10 of those public witnesses expressing service-related concerns.

In response to the customers' complaints, CWSNC filed six reports⁵ with the Commission, verified by Company Vice President of Operations, Martin J. Lashua (collectively referenced as Reports on Customer Concerns), addressing the service-related concerns expressed by the public witnesses who testified at the hearings held in this docket. Such reports described each of the witnesses' specific service-related concerns, the Company's response, and how each concern was addressed, if applicable. The six reports are summarized below:

Jacksonville (June 23, 2015)

Only one customer testified at the Jacksonville public hearing. That witness, Larry Campbell, is a CWSNC sewer customer who primarily testified regarding his concerns related to the magnitude of the requested rate increase.

⁵ No customers appeared to testify at the public hearing or the evidentiary hearing in Raleigh, North Carolina on October 5, 2015 and October 20, 2015, respectively.

Currituck (June 24, 2015)

A total of 10 customers testified at the Currituck public hearing, five of whom voiced service quality complaints.

Six of the 10 customers who testified at the Currituck public hearing are CWSNC sewer utility customers who reside in the CLMS service area in Currituck County. Those six witnesses (Dr. Teresa Blaxton, Hugh McCain, Lynn Hoffman, Karen Galganski, Don Cheek, and Dave Phillips) testified primarily in opposition to the proposed rate increase, with the exception of witness Galganski, who testified regarding her perceptions of the Company's reputation for customer service.

Three of the 10 customers who testified at the Currituck public hearing are CWSNC sewer utility customers who reside in the Nags Head service area in Dare County. The fourth Nags Head area witness who testified is not a CWSNC customer, but serves as the Town Manager for the Town of Nags Head. These four witnesses (Barbara Gernat, Meade Gwinn, John Ratzenberger, and Cliff Ogburn) testified regarding customer service quality complaints experienced primarily during peak tourist season months related to (1) sewer system odor problems and (2) perceived WWTP capacity issue.

On April 21, 2015, CWSNC contracted with an engineering firm, Diehl & Phillips, P.A. of Cary, North Carolina, to complete an investigation and evaluation of odor and odor sources at the Village of Nags Head wastewater collection and treatment systems (Odor Investigation Report). The consulting engineer was on site May 28, 29, and 30, 2015, and the consultant's Odor Investigation Report is dated June 25, 2015. A copy of the report was provided to Public Staff Engineer Gina Casselberry. Subsequent to the NCUC public hearing, the Company also sent a letter to the Nags Head Town Manager, Cliff Ogburn, dated July 31, 2015, addressing the capacity and odor issues raised by public witness Ogburn during his testimony at the public hearing. A copy of the full Odor Investigation Report was provided to public witness Ogburn. A copy of the narrative portion of the Odor Investigation Report was also attached as Appendix B to the report filed by CWSNC on August 7, 2015, regarding service quality concerns raised at the public hearing held in Currituck. That report is part of the evidence in this case.

With regard to the odor complaints addressed at the public hearing, CWSNC noted that the Nags Head wastewater treatment site is located in close proximity to homes and businesses in a very confined area on a barrier island. WWTP odors are challenging under the best of circumstances and can be difficult to address and resolve, but CWSNC indicated a willingness to continue to explore any and all reasonable, prudent, and cost-effective options to minimize potentially objectionable odors. In its report to the Commission, CWSNC emphasized that it is fully committed to being responsible and attentive to odor complaints and other concerns expressed by its customers and the Town of Nags Head.

Charlotte (July 8, 2015)

A total of five customers testified at the Charlotte public hearing. None of the witnesses testified as to service quality concerns; rather, all expressed concern related to the proposed rate increase. One of the witnesses, Brian Lucas, President of the Riverpointe Homeowners' Association, testified that the association has a "great" relationship with CWSNC.

Boone (July 22, 2015)

Of the three customers who presented testimony at the Boone public hearing, only two customers raised service quality related concerns. Witness Norman discussed a range of topics, including the installation of meters at the Misty Mountain system, for which she expressed enthusiasm. She also raised a concern about the existence of leaks, based on her understanding of a measurement of "unaccounted" water. She spoke positively about the efforts of CWSNC local personnel to keep her posted on the progress of the meter installation. Finally, she expressed concerns related to her election of paperless billing. CWSNC investigated witness Norman's complaint regarding her paperless billing situation and responded to her by email dated July 23, 2015, providing assurance that the problem had been corrected.

Witness Council testified that, although she is a full time resident, she is gone a lot and feels she is being billed for consumption even when she is not home. CWSNC reported that it first met with public witness Council at her home in February 2013 and then again in July 2015, subsequent to the hearing, to investigate the possibility of a leak. No evidence of a leak was found during either investigation.

Asheville (July 23, 2015)

Of the eight customers who testified at the Asheville public hearing, only two customers raised issues about service or quality, while several of the customers made positive comments about the service they receive, CWSNC personnel, and/or water quality. All of the witnesses expressed concern about the proposed percentage increase in rates.

Witness Brown testified as to mailing efficiencies and as to the unfriendliness of CWSNC staff. CWSNC personnel investigated witness Brown's concerns and responded to her concerns in writing with the results of the investigation. Witness Jarvis testified as to his concerns about water quality, indicating he does not drink the water provided by CWSNC and that the water leaves a ring around his commode. In reviewing customer records for this system for the period January 1, 2014 to July 31, 2015, CWSNC determined that there had been only one taste or odor complaint. CWSNC personnel also discussed with witness Jarvis his concern over toilet staining and pointed out that the cause is most likely from airborne bacteria.

Raleigh (July 7, 2015)

Only one witness, Eleanora Tate, appeared to testify at the public hearing in Raleigh on July 7, 2015. Witness Tate testified regarding odors from the Company's Ashley Hills WWTP. Witness Tate also testified regarding water quality concerns. Although CWSNC does not provide water service to her home, it acknowledged that the water provider is also a Utilities, Inc. company and investigated her water quality complaint. Regarding her complaint related to smelling odors from the WWTP, CWSNC representatives met with Public Staff engineer Gina Casselberry to tour and inspect the Ashley Hills WWTP and community. An attempt was made during the visit to speak with witness Tate, but she was not at home. During the visit, no odor was detected; however, CWSNC noted that witness Tate's home is only a few hundred feet away from the WWTP. Witness Tate was contacted later and encouraged to contact the Company should she have additional concerns.

No customers appeared to testify at the public hearing in Raleigh, North Carolina on October 5, 2015. In addition, no customers appeared to testify at the evidentiary hearing in Raleigh, North Carolina on October 20, 2015.

Public Staff witness Casselberry testified that her investigation included review of customer complaints; CWSNC's record of compliance with the Department of Environmental Quality (DEQ)⁶, Surface Water Protection Sections (SWPS) and Public Water Supply Sections (PWSS); and review of Company records and analysis of revenues at existing and proposed rates. Witness Casselberry testified that she had contacted representatives of both the PWSS and SWPS of DEQ regarding the operation of the water and sewer systems. She stated that none of the personnel she contacted had expressed any significant concerns regarding the operation of the water and sewer systems or had identified any major water quality concerns.

In addition, witness Casselberry testified that she had reviewed customer complaints received by the Public Staff as a result of this proceeding. She indicated that all customers objected to the rate increase.

Further, witness Casselberry testified regarding customer concerns related to odor at the Nags Head wastewater treatment plant. Specifically, witness Casselberry testified that on June 24, 2015, she inspected the Nags Head WWTP with CWSNC personnel. She noted that to help eliminate odors at the WWTP, CWSNC has installed odor control chemicals, odor control misters at the headworks (location of bar screens, equalization basin (EQ) and influent) and tertiary filter area near train 4, covered the bar screen with a plastic bag, installed a special proprietary influent device that screens the influent and processes the screening for disposal, replaced the last of the aging AeroMod units, submitted plans to install new tertiary filters, and recently contracted with an engineering firm to conduct an odor study. She noted that she had been provided with the Odor Investigation Report. Noting that CWSNC had communicated to the Public Staff an intention to implement the recommendations of the report, the Public Staff indicated that CWSNC has eliminated the odors as much as can be expected at the Nags Head WWTP.

⁶ Formerly known as the Department of Environment and Natural Resources (DENR).

With respect to the Misty Mountain service area in Boone, witness Casselberry testified that in 2015, CWSNC conducted a helium test of Misty Mountain's water mains and detected several leaks, which were repaired. She also indicated that now that CWSNC has installed individual meters, customers will be able to monitor their consumption.

Based upon the foregoing, and after careful review of the testimony of the customers at the public hearings, the Reports on Customer Concerns provided by CWSNC, and the Public Staff's engineering and service quality investigation, the Commission concludes that the overall quality of service provided by CWSNC is adequate.

Capital Structure and Cost of Capital

In its application, which was supported by the direct testimony and exhibits filed by CWSNC witness Ahern, the Company requested an overall cost of capital of 8.54%. Such request was based on a capital structure of 48.97% long-term debt, 51.03% common equity, and an embedded cost of debt of 6.60%, and a return on common equity of 10.40%. Pursuant to the First Stipulation, CWSNC and the Public Staff have agreed that a capital structure consisting of 49.00% long-term debt and 51.00% common equity, an embedded cost of debt of 6.60% and a return on common equity of 9.75% are appropriate for use in this proceeding.

Public Staff witness Craig testified in support of the agreed upon capital structure and cost rates on the components of the capital structure. Witness Craig contended that it is widely recognized that a public utility should be allowed a rate of return on capital that will allow the utility, under prudent management, to attract capital under the criteria or standards referenced by the Hope⁷ and Bluefield⁸ decisions. He maintained that if the allowed rate of return is set too high, consumers are burdened with excessive costs, current investors receive a windfall, and the utility has an incentive to overinvest. However, if the return is set too low and the utility is not able to attract capital on reasonable terms to meet future expansion for its service area, witness Craig asserted that future service obligations may be impaired. Witness Craig explained that because a public utility is capital intensive, the cost of capital is a very large part of its overall revenue requirement and is a crucial issue for a company and its ratepayers.

With respect to capital structure, witness Craig testified that in this proceeding, through discovery, it was determined that CWSNC was in position to update its capital structure to 48.61% long-term debt and 51.39% common equity; however, as part of the First Stipulation, CWSNC agreed to a lower (i.e., less expensive) cost capital structure consisting of 49.00% long-term debt and 51.00% common equity.

⁷ Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944).

⁸ Bluefield Waterworks & Impr. Co. v. Public Service Comm'n, 262 U.S. 679, 692-93 (1923).

With respect to the cost of common equity, witness Craig testified that his recommendation is based on: (1) the discounted cash flow (DCF) model for water and local natural gas distribution companies (LDCs); (2) the risk premium method using a regression analysis of allowed returns for LDCs; and (3) the comparable earnings analysis on a comparable group of water utilities. He testified that because the common equity of CWSNC is not publically traded, he could not apply the DCF method directly to CWSNC. As such, he applied the DCF method to a comparable group of water utilities and a group of natural gas LDCs. He testified that based upon the DCF results for the comparable group of water utilities, he determined that the cost of common equity is within the range of 8.20% to 9.20%. He testified that applying the risk premium method produced a predicted return on common equity of 9.66%. Finally, he testified that applying the comparable earnings analysis produced a range of 8.70% to 9.80%. Based on the results of the three methods, witness Craig concluded that a reasonable range of estimates for the cost of common equity is between 8.80% and 9.80%.

CWSNC and the Public Staff stipulated that the cost of common equity should be 9.75%, which is supported by witness Craig's analysis.

Witness Craig testified as to the extent to which the recommended cost of common equity takes into consideration the impact of changing economic conditions on customers. He testified that he is aware of no clear numerical basis for quantifying the impact of changing economic conditions on customers in determining an appropriate return on equity in setting rates for a public utility. Rather, he testified that the impact of changing economic conditions nationwide is inherent in the methods and data used in his study to determine the cost of equity for utilities that are comparable in risk to CWSNC. In addition, witness Craig stated that customer testimony at the public hearings in this proceeding focused on the amount of proposed rate increases in the various service areas.

With respect to the overall cost of capital, witness Craig recommended 8.20% as set forth in Exhibit CCC-7 of his testimony. In regard to a reasonableness assessment of financial risk with respect to his recommended return on common equity and overall cost of capital, witness Craig testified that he considered the pretax interest coverage ratio. Witness Craig testified that based upon the recommended capital structure, cost of debt, and common equity return of 9.75%, the pretax interest coverage ratio is approximately 2.9 times.

G.S. 62-133(b)(4) requires the Commission to fix rates for service which will enable a public utility, by sound management, to produce a fair profit for its stockholders, in view of current economic conditions, maintain its facilities and services and compete in the market for capital, and no more. This is the ultimate objective of ratemaking. Utilities Commission v. General Telephone Company, 281 N.C. 318, 189 S.E.2d 705 (1972). The Commission is of the opinion that there is adequate evidence in the record to support the return on equity agreed to by the Public Staff and CWSNC and that such return should allow CWSNC to properly maintain its facilities and services, provide adequate service to its customers, and produce a fair return, thus enabling the Company to attract capital on terms that are fair and reasonable to its customers and investors. Consequently, the

Commission finds and concludes that the return on common equity of 9.75% that was agreed to by CWSNC and the Public Staff is just and reasonable and should be approved.

Further, in light of witness Craig's testimony and analysis, the Commission finds and concludes that there is adequate evidence in the record to support the capital structure and cost of debt agreed to by CWSNC and the Public Staff. Therefore, the capital structure consisting of 51.00% common equity and 49.00% long-term debt, a cost of debt of 6.60%, and a return on common equity of 9.75% are appropriate for use in this proceeding considering the impact of changing economic conditions on customers and relevant statutory and case law.

CLMS and Nags Head Sewer Rates

CLMS and Nags Head were designated by the Commission for separate rate treatment in the final Order issued on January 9, 2009, in Docket No. W-354, Sub 314, based, in part, on anticipated changes in the water systems serving those areas, the cost of the substantial upgrade of the wastewater treatment plant that was to serve the CLMS service area, and the expectation that all of the systems located in the Outer Banks, which included CLMS and Nags Head, would be sold. Since the Order was issued in Docket No. W-354, Sub 314, only one of these changes – the upgrade of the CLMS wastewater treatment plant – actually occurred. The water systems were sold to Currituck County, and the sale of the sewer systems did not take place. As a result of the establishment of separate rates, the customers of the CLMS and Nags Head systems experienced significantly higher percentage sewer rate increases in Docket No. W-354, Sub 327, than customers in other areas served by CWSNC under uniform rates. In recognition of these circumstances and events, in Docket No. W-354, Sub 336, the Public Staff, CWSNC, and CLCA entered into a stipulation agreement, which was approved by the Commission, to keep the sewer rates for CLMS unchanged, thus beginning the process of moving CLMS toward uniform rates.

In the present proceeding, Public Staff witness Casselberry testified that the Public Staff again evaluated the rate disparity between the customers in CLMS and Nags Head when compared to CWSNC's uniform sewer customers, the unique character of the service areas in the Outer Banks, which distinguishes it from other uniform sewer service areas, and the significant impact on CWSNC's uniform sewer rates if CLMS and Nags Head were immediately rolled back into those rates.

In the Second Stipulation, the Stipulating Parties asserted that system-specific sewer rates for the CLMS and Nags Head should eventually be eliminated. However, in order to prevent "rate shock" for CWSNC's uniform sewer customers, the Stipulating Parties agreed that the process should be implemented gradually and reevaluated in future rate case proceedings to determine the appropriate consideration that should be given to uniform rate customers and CLMS and Nags Head customers in light of the facts and circumstances that exist at that time. Therefore, as a further step in the process, the Stipulating Parties recommend that in this proceeding the current system-specific sewer

rates for CLMS and Nags Head should remain unchanged from those previously established.

Based on the foregoing, and consistent with the Commission's prior determination in Docket No. W-354, Sub 336, the Commission finds and concludes that this provision of the Second Stipulation is just and reasonable. Accordingly, the Commission finds good cause to allow CWSNC to maintain the present system-specific sewer rates for CLMS and Nags Head.

Water System Improvement Charge (WSIC) and
Sewer System Improvement Charge (SSIC)

In the Company's general rate case proceeding in Docket No. W-354, Sub 336, the Commission found it to be in the public interest to authorize CWSNC to implement and utilize a rate adjustment mechanism (WSIC/SSIC rate adjustment mechanism) to recover the incremental depreciation expense and capital costs related to eligible investments in water and sewer infrastructure projects completed and placed in service between general rate case proceedings as provided for in the then-newly enacted G.S. 62-133.12. Thus, CWSNC was authorized to implement a WSIC/SSIC rate adjustment mechanism for recovery of such costs.

As testified by Public Staff witness Fernald, the WSIC and SSIC authorization does not currently apply to the Nags Head and Linville Ridge service areas since they were not part of the rate case proceeding that took place in Docket No. W-354, Sub 336. Because Nags Head and Linville Ridge are included in the current proceeding, CWSNC's Commission-authorized WSIC/SSIC rate adjustment mechanism will now, on a going-forward basis, apply to all of CWSNC's current service areas and customers. In addition, going forward, CWSNC will comply with the Rules and Regulations of the Commission governing implementation of the mechanism.

The Commission's previously authorized water and sewer system improvement charge rate adjustment mechanism continues in effect, although, pursuant to Commission Rules R7-39(k) and R10-26(k), it has been reset at zero as of the effective date of this Order. CWSNC may, under the Rules and Regulations of the Commission, apply for a WSIC/SSIC rate surcharge on February 1, 2016, to become effective April 1, 2016. The WSIC/SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for system or water quality improvement. The WSIC/SSIC surcharge is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in this general rate case proceeding.

Based on the service revenues set forth in the Second Stipulation and approved herein, the maximum revenues that could be recovered through WSIC/SSIC charges as of the effective date of this Order are:

Service	WSIC &
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	<u>Revenues</u>		<u>SSIC Cap</u>
Uniform water	\$10,727,674	x 5% =	\$536,384
Uniform sewer	7,097,654	x 5% =	354,883
Corolla/Monteray	1,117,239	x 5% =	55,862
Nags Head	693,575	x 5% =	34,679

Overall Conclusions

The Commission, having carefully reviewed the First Stipulation, the Second Stipulation, and all of the evidence of record, finds and concludes that the First Stipulation and Second Stipulation are the product of the give-and-take settlement negotiations between CWSNC, the Public Staff, and CLCA; that they constitute material evidence; that they are entitled to be given appropriate weight in this proceeding, along with all other evidence in the record; and that they are fully supported by competent evidence in the record. Accordingly, based on the foregoing findings of fact and the entire record in this proceeding, the Commission concludes that the stipulated rates, the stipulated capital structure and rate of return percentages, and all of the other provisions of the First Stipulation and Second Stipulation, which are incorporated herein by reference, are just and reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the First Stipulation and the Second Stipulation are incorporated by reference herein, and are hereby approved in their entirety.
2. That the Schedules of Rates, attached hereto as Appendices A-1, A-2, A-3, and A-4, are hereby approved and deemed to be filed with the Commission pursuant to G.S. 62-138.
3. That the Schedules of Rates, attached hereto as Appendices A-1, A-2, A-3, and A-4, are hereby authorized to become effective for service rendered on and after the issuance date of this Order.
4. That the Notices to Customers, attached hereto as Appendices B-1, B-2, and B-3, shall be mailed with sufficient postage or hand delivered to all affected customers in each relevant service area, respectively, in conjunction with the next regularly scheduled billing process.
5. That CWSNC shall file the attached Certificate of Service, properly signed and notarized, not later than 10 days after the Notices to Customers are mailed or hand delivered to customers.

6. That the First Stipulation, the Second Stipulation, and the parts of this Order pertaining to the contents of those agreements shall not be cited or treated as precedent in future proceedings.

7. That, in future general rate case proceedings, the issue of rate disparity shall be reviewed by CWSNC, the Public Staff, and any other interested party and appropriate consideration shall be given to moving the CLMS and Nags Head service areas toward uniform rates in light of the facts and circumstances that exist at that time.

8. That the late-filed exhibits filed by CWSNC on October 23, 2015, the Public Staff on October 26, 2015, and CWSNC on December 2, 2015, are hereby admitted in evidence in this proceeding.

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of December, 2015.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, appearing to read "Jackie Cox", is written over the printed name.

Jackie Cox, Deputy Clerk

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

IN ALL OF ITS SERVICE AREAS IN NORTH CAROLINA
(excluding Corolla Light, Monteray Shores, and Nags Head)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

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

< 1" meter	\$ 22.46
1" meter	\$ 56.15
1 1/2" meter	\$ 112.30
2" meter	\$ 179.68
3" meter	\$ 336.90
4" meter	\$ 561.50
6" meter	\$1,123.00

Usage Charge, per 1,000 gallons:

A. Treated Water	\$ 6.42
B. Untreated Water (Brandywine Bay Irrigation Water)	\$ 4.12

C. Purchased Water for Resale:

<u>Service Area</u>	<u>Bulk Provider</u>	
Carolina Forest	Montgomery County	\$ 3.19
High Vista Estates	City of Hendersonville	\$ 3.15
Riverpointe	Charlotte Water	\$ 6.30

<u>Service Area</u>	<u>Bulk Provider</u>		
Whispering Pines	Town of Southern Pines	\$	2.23
White Oak Plantation/ Lee Forest	Johnston County	\$	3.25
Winston Plantation	Johnston County	\$	3.25
Winston Point	Johnston County	\$	3.25
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston-Salem	\$	5.01
Zemosa Acres	City of Concord	\$	5.27

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.

When because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit or other structure separately, the following will apply:

Sugar Mountain Service Area:

Where service to multiple units or other structures is provided through a single meter, the average usage for each unit or structure served by that meter will be calculated. Each unit or structure will be billed based upon that average usage plus the base monthly charge for a < 1" meter.

Mount Mitchell Service Area:

Service will be billed based upon the Commission-approved monthly flat rate.

Monthly Flat Rate Water Service: (Billed in Arrears) \$ 41.70

Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest
And Woodrun Subdivision in Montgomery County \$ 24.70

Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge
Subdivision \$ 12.35

Meter Testing Fee: ^{1/} \$ 20.00

New Water Customer Charge: \$ 27.00

Reconnection Charge: ^{2/}

If water service is cut off by utility for good cause \$ 27.00

If water service is discontinued at customer's request \$ 27.00

Reconnection Charge: ^{2/ and 3/} (Linville Ridge-Residential customers only)

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

Management Fee: (in the following subdivision only)

Wolf Laurel \$150.00

Oversizing Fee: (in the following subdivision only)

Winghurst \$400.00

Meter Fee:

For <1" meter \$ 50.00

For meters 1" or larger Actual Cost

Irrigation Meter Installation: Actual Cost

Uniform Connection Fees: ^{4/}

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent) \$ 100.00

Plant Modification Fee (PMF), per SFE \$ 400.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amherst	\$ 250.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Blue Mountain at Wolf Laurel	\$ 925.00	\$ 0.00
Buffalo Creek, Phase I, II, III, IV	\$ 825.00	\$ 0.00
Carolina Forest	\$ 0.00	\$ 0.00
Chapel Hills	\$ 150.00	\$ 400.00
Eagle Crossing	\$ 0.00	\$ 0.00
Forest Brook/Old Lamp Place	\$ 0.00	\$ 0.00
Harbour	\$ 75.00	\$ 0.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 300.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Lemmond Acres	\$ 0.00	\$ 0.00
Linville Ridge	\$ 400.00	\$ 0.00
Monterrey (Monterrey LLC)	\$ 0.00	\$ 0.00
Quail Ridge	\$ 750.00	\$ 0.00
Queens Harbour/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Riverwood, Phase 6E (Johnston County)	\$ 825.00	\$ 0.00
Saddlewood/Oak Hollow (Summey Bldrs.)	\$ 0.00	\$ 0.00
Sherwood Forest	\$ 950.00	\$ 0.00
Ski Country	\$ 100.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Wildlife Bay	\$ 870.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00
Winston Plantation	\$1,100.00	\$ 0.00
Winston Pointe, Phase 1A	\$ 500.00	\$ 0.00
Wolf Laurel	\$ 925.00	\$ 0.00
Woodrun	\$ 0.00	\$ 0.00
Woodside Falls	\$ 500.00	\$ 0.00

SEWER RATES AND CHARGES

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage)	\$ 42.50
Commercial (based on meter size with zero usage)	
< 1" meter	\$ 42.50
1" meter	\$ 106.25
1 1/2" meter	\$ 212.50
2" meter	\$ 340.00
3" meter	\$ 637.50
4" meter	\$1,062.50
6" meter	\$2,125.00

B. Usage Charge, per 1,000 gallons (based on metered water usage)

\$ 2.91

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.

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial/SFE) \$ 34.00

Usage Charge, per 1,000 gallons based on purchased water consumption

<u>Service Area</u>	<u>Bulk Provider</u>	
White Oak Plantation/ Lee Forest/Winston Pt.	Johnston County	\$ 4.55
Kings Grant	Two Rivers Utilities	\$ 3.80
College Park	Town of Dallas	\$ 5.70

Monthly Flat Rate Sewer Service:

\$ 52.68

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 52.68

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$ 6.60
Usage Charge, per 1,000 gallons based on purchased water consumption	\$ 5.73
Monthly Collection Charge (Residential and Commercial/SFE)	\$ 27.40

Regalwood and White Oak Estates Subdivision Service Areas:

Monthly Flat Rate Sewer Service	
Residential Service	\$ 52.68
White Oak High School	\$1,634.66
Child Castle Daycare	\$ 203.34
Pantry	\$ 108.00

New Sewer Customer Charge: ^{5/} \$ 22.00

Reconnection Charge: ^{6/}

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

Carolina Pines Subdivision Connection Fees: (sewer only)

Residential	\$1,350.00 per unit (including single family homes, condominiums, apartments, and mobile homes)
Hotels	\$750.00 per unit
Nonresidential	\$3.57 per gallon of daily design of discharge or \$900.00 per unit, whichever is greater

Uniform Connection Fees: ^{4/}

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$1,000.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amber Acres North (Phases II & IV)	\$ 815.00	\$ 0.00
Ashley Hills	\$ 0.00	\$ 0.00
Amherst	\$ 500.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Brandywine Bay	\$ 100.00	\$1,456.00
Camp Morehead by the Sea	\$ 100.00	\$1,456.00
Hammock Place	\$ 100.00	\$1,456.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 30.00	\$ 0.00
Independent/Hemby Acres/Beacon Hills (Griffin Bldrs.)	\$ 0.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Kynwood	\$ 0.00	\$ 0.00
Mt. Carmel/Section 5A	\$ 500.00	\$ 0.00
Queens Harbor/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Steeplechase (Spartabrook)	\$ 0.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00
Willowbrook (Phase 3)	\$ 0.00	\$ 0.00
Winston Pointe (Phase 1A)	\$2,000.00	\$ 0.00
Woodside Falls	\$ 0.00	\$ 0.00

MISCELLANEOUS UTILITY MATTERS

<u>Charge for Processing NSF Checks:</u>	\$ 25.00
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	21 days after billing date
<u>Billing Frequency:</u>	Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly; **Availability rates will be billed semiannually in Carolina Forest and Woodrun Subdivisions and monthly for Linville Ridge Subdivision.
<u>Finance Charge for Late Payment:</u>	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/} These fees are only applicable one time, when the unit is initially connected to the system.

^{5/} This charge shall be waived if customer is also a water customer within the same service area.

^{6/} 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.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-354, Sub 344, on this the 7th day of December, 2015.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing sewer utility service

in

COROLLA LIGHT AND MONTERAY SHORES SERVICE AREA

SEWER RATES AND CHARGES

Monthly Metered Sewer Service (Residential and Commercial):

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

< 1" meter	\$ 52.26
1" meter	\$ 130.65
1 1/2" meter	\$ 261.30
2" meter	\$ 418.08
3" meter	\$ 783.90
4" meter	\$1,306.50
6" meter	\$2,613.00

Usage Charge, per 1,000 gallons (based on purchased water usage)	\$ 6.65
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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.

New Sewer Customer Charge: \$ 22.00

Reconnection Charge: ^{1/}

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

Uniform Connection Fees: ^{2/}

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$1,000.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Corolla Light	\$ 700.00	\$ 0.00
Monteray Shores	\$ 700.00	\$ 0.00
Monteray Shores (Degabrielle Bldrs.)	\$ 0.00	\$ 0.00
Corolla Bay ^{3/}	\$ 100.00	\$1,000.00
Corolla Bay ^{4/}	\$ 700.00	\$ 0.00
Corolla Shores	\$ 700.00	\$ 0.00

One SFE shall equal 360 gallons per day of capacity.

MISCELLANEOUS UTILITY MATTERS

<u>Charge for Processing NSF Checks:</u>	\$ 25.00
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	21 days after billing date
<u>Billing Frequency:</u>	Bills shall be rendered monthly
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

^{1/} The Utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish the estimate to the customer with cut-off notice.

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.

^{2/} These fees are only applicable one time, when the unit is initially connected to the system.

^{3/} The connection charge of \$100 per SFE and the plant modification fee of \$1,000 per SFE specified herein apply to new wastewater connections requested at Corolla Bay prior to June 4, 2015.

^{4/} The connection charge of \$700 per SFE applies to new wastewater connections requested at Corolla Bay on and after June 4, 2015.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing sewer utility service

in

NAGS HEAD SERVICE AREA

SEWER RATES AND CHARGES

Monthly Metered Sewer Service: (Commercial)

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

< 1" meter	\$ 18.48
1" meter	\$ 46.22
1 1/2" meter	\$ 92.42
2" meter	\$ 147.88
3" meter	\$ 277.27
4" meter	\$ 462.12
6" meter	\$ 924.24

B. Usage Charge, per 1,000 gallons (based on metered water usage)	\$ 9.33
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C. Minimum Monthly Charge	\$ 62.81
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<u>Monthly Flat Rate Sewer Service:</u>	\$ 62.81
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Multi-residential customers who are served by a
master meter shall be charged the flat rate per unit

<u>New Sewer Customer Charge:</u>	\$ 22.00
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Reconnection Charge: ^{1/}

If sewer service cut off by utility for good cause	Actual Cost
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Uniform Connection Fees: ^{2/}

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$1,000.00

MISCELLANEOUS UTILITY MATTERS

<u>Charge for Processing NSF Checks:</u>	\$ 25.00
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<u>Bills Due:</u>	On billing date
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<u>Bills Past Due:</u>	21 days after billing date
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<u>Billing Frequency:</u>	Bills shall be monthly for service in arrears
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<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.
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Notes:

^{1/} The Utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish the estimate to the customer with cut-off notice.

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.

^{2/} These fees are only applicable one time, when the unit is initially connected to the system.

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA
WATER AND SEWER SYSTEM IMPROVEMENT CHARGES

WATER SYSTEM IMPROVEMENT CHARGE:

All CWSNC water systems	0.00% ^{1/} and ^{3/}
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SEWER SYSTEM IMPROVEMENT CHARGE:

All CWSNC sewer systems except as noted below	0.00% ^{2/} and ^{3/}
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Corolla Light and Monteray Shores service area	0.00% ^{2/} and ^{3/}
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Nags Head service area	0.00% ^{2/} and ^{3/}
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Notes:

^{1/} The Water System Improvement Charge shall be applied to the total water utility bill of each customer under the Company's applicable rates and charges.

^{2/} The Sewer System Improvement Charge shall be applied to the total sewer utility bill of each customer under the Company's applicable rates and charges.

^{3/} Pursuant to Commission Rules R7-39(k) and R10-26(k), the water system improvement charge and the sewer system improvement charge are reset at zero as of the effective date of new base rates established in a utility's general rate case.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 344

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Carolina Water Service, Inc.)
of North Carolina, 2335 Sanders Road,)
Northbrook, Illinois 60062, for Authority to)
Adjust and Increase Rates for Water and)
Sewer Utility Service in All of Its Service)
Areas in North Carolina)

NOTICE TO CUSTOMERS

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina (CWSNC) to increase rates for water and sewer utility service in all of its service areas in North Carolina (including Linville Ridge, but excluding Corolla Light, Monteray Shores, and Nags Head). The new approved rates are as follows:

WATER RATES AND CHARGES

MONTHLY METERED WATER RATES: (Residential and Commercial)

Base Facility Charge (based on meter size with zero usage)	
< 1" meter	\$ 22.46
1" meter	\$ 56.15
1 1/2" meter	\$ 112.30
2" meter	\$ 179.68
3" meter	\$ 336.90
4" meter	\$ 561.50
6" meter	\$1,123.00

Usage Charge, per 1,000 gallons

A. Treated Water	\$ 6.42
B. Untreated Water (Brandywine Bay Irrigation Water)	\$ 4.12

C. Purchased Water for Resale

<u>Service Area</u>	<u>Bulk Provider</u>	<u>Usage Charge/ 1,000 gallons</u>
Carolina Forest	Montgomery County	\$ 3.19
High Vista Estates	City of Hendersonville	\$ 3.15
Riverpointe	Charlotte Water	\$ 6.30
Whispering Pines	Town of Southern Pines	\$ 2.23
White Oak Plantation/ Lee Forest	Johnston County	\$ 3.25
Winston Plantation	Johnston County	\$ 3.25
Winston Pointe	Johnston County	\$ 3.25
Woodrun	Montgomery County	\$ 3.19
Yorktown	City of Winston-Salem	\$ 5.01
Zemosa Acres	City of Concord	\$ 5.27

MONTHLY FLAT WATER RATE: \$ 41.70

Note: Customers in Linville Ridge Subdivision will now be billed monthly for service in arrears.

AVAILABILITY RATES (semiannual):

Applicable only to property owners in Carolina Forest
and Woodrun Subdivisions in Montgomery County \$ 24.70

AVAILABILITY RATES (monthly):

Applicable only to property owners in Linville Ridge \$ 12.35

SEWER RATES AND CHARGES

MONTHLY METERED SEWER RATES:

A. Base Facility Charge

Residential (zero usage) \$ 42.50

Commercial (based on meter size with zero usage)

<1" meter	\$ 42.50
1" meter	\$ 106.25
1 1/2" meter	\$ 212.50
2" meter	\$ 340.00
3" meter	\$ 637.50
4" meter	\$1,062.50
6" meter	\$2,125.00

B. Usage Charge, per 1,000 gallons (based on metered water usage)	\$ 2.91
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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.

MONTHLY METERED PURCHASED SEWER SERVICE:

Collection charge (Residential and Commercial/SFE)	\$ 34.00
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Usage charge, per 1,000 gallons based on purchased water consumption

<u>Service Area</u>	<u>Bulk Provider</u>	<u>Usage Charge/ 1,000 gallons</u>
White Oak Plantation/ Lee Forest/Winston Pointe	Johnston County	\$ 4.55
Kings Grant	Two Rivers Utilities	\$ 3.80
College Park	Town of Dallas	\$ 5.70

<u>MONTHLY FLAT SEWER RATE:</u>	\$ 52.68
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MT. CARMEL SUBDIVISION SERVICE AREA:

Monthly Base Facility Charge	\$ 6.60
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Usage Charge/1,000 gallons (based on metered water usage)	\$ 5.73
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Monthly Collection Charge (Residential and Commercial/SFE)	\$ 27.40
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REGALWOOD AND WHITE OAK ESTATES SUBDIVISION SERVICE AREAS:

Monthly Flat Rate Sewer Service:

Residential Service	\$ 52.68
White Oak High School	\$1,634.66
Child Castle Daycare	\$ 203.34
Pantry	\$ 108.00

RATE ADJUSTMENT MECHANISM:

The Commission-authorized water and sewer system improvement charge (WSIC/SSIC) rate adjustment mechanism continues in effect and will now be applicable to customers in CWSNC's Linville Ridge service area. It has been reset at zero in the Docket No. W-354, Sub 344 rate case, but CWSNC may, under the Rules and Regulations of the Commission, apply for a rate surcharge on February 1, 2016, to become effective April 1, 2016. The WSIC/SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for system or water quality improvement. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in this general rate case proceeding. Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order and can be accessed from the Commission's website at www.ncuc.net, under Docket Information, using the Docket Search feature for docket number "W-354 Sub 344".

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of December, 2015.

NORTH CAROLINA UTILITIES COMMISSION



Jackie Cox, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 344

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Carolina Water Service, Inc.)
of North Carolina, 2335 Sanders Road,) NOTICE TO CUSTOMERS
Northbrook, Illinois 60062, for Authority to) IN COROLLA LIGHT AND
Adjust and Increase Rates for Water and) MONTERAY SHORES
Sewer Utility Service in All of Its Service) SERVICE AREA
Areas in North Carolina.)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina (CWSNC) to charge the following rates for sewer utility service in its Corolla Light and Monteray Shores service area in North Carolina. These are the same rates that were in effect prior to the completion of this general rate case proceeding. The rates for customers in the Corolla Light and Monteray Shores service area were not changed (increased or decreased) in any manner.

SEWER RATES AND CHARGES

MONTHLY METERED SERVICE: (Residential and Commercial)

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

<1" meter	\$ 52.26
1" meter	\$ 130.65
1 1/2" meter	\$ 261.30
2" meter	\$ 418.08
3" meter	\$ 783.90
4" meter	\$1,306.50
6" meter	\$2,613.00

Usage Charge, per 1,000 gallons (based on purchased water usage)	\$ 6.65
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RATE ADJUSTMENT MECHANISM:

The Commission-authorized sewer system improvement charge (SSIC) rate adjustment mechanism continues in effect. It has been reset at zero in the Docket No. W-354, Sub 344 rate case, but CWSNC may, under the Rules and Regulations of the Commission, apply for a rate surcharge on February 1, 2016, to become effective April 1, 2016. The SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for sewer system improvement. The SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in this general rate case proceeding. Additional information regarding the SSIC mechanism is contained in the Commission's Order and can be accessed from the Commission's website at www.ncuc.net, under Docket Information, using the Docket Search feature for docket number "W-354 Sub 344".

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of December, 2015.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, appearing to read "Jackie Cox", is written over the printed name.

Jackie Cox, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 344

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Carolina Water Service, Inc.)
of North Carolina, 2335 Sanders Road,) NOTICE TO CUSTOMERS
Northbrook, Illinois 60062, for Authority to) IN NAGS HEAD
Adjust and Increase Rates for Water and) SERVICE AREA
Sewer Utility Service in All of Its Service)
Areas in North Carolina)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina (CWSNC) to charge the following rates for sewer utility service in its Nags Head service area in North Carolina. These are the same rates that were in effect prior to the completion of this general rate case proceeding. The rates for customers in the Nags Head service area were not changed (increased or decreased) in any manner.

SEWER RATES AND CHARGES

MONTHLY METERED SERVICE: (Commercial)

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

<1" meter	\$ 18.48
1" meter	\$ 46.22
1 1/2" meter	\$ 92.42
2" meter	\$ 147.88
3" meter	\$ 277.27
4" meter	\$ 462.12
6" meter	\$ 924.24
Usage charge, per 1,000 gallons	\$ 9.33
Minimum Monthly Charge	\$ 62.81

MONTHLY FLAT SEWER RATE:

\$ 62.81

RATE ADJUSTMENT MECHANISM:

The Commission-authorized sewer system improvement charge (SSIC) rate adjustment mechanism continues in effect and will now be applicable to customers in CWSNC's Nags Head service area. It has been reset at zero in the Docket No. W-354, Sub 344 rate case, but CWSNC may, under the Rules and Regulations of the Commission, apply for a rate surcharge on February 1, 2016, to become effective April 1, 2016. The SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for sewer system improvement. The SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in this general rate case proceeding. Additional information regarding the SSIC mechanism is contained in the Commission's Order and can be accessed from the Commission's website at www.ncuc.net, under Docket Information, using the Docket Search feature for docket number "W-354 Sub 344".

ISSUED BY ORDER OF THE COMMISSION.

This the 7th day of December, 2015.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, appearing to read "Jackie Cox", is written over the printed name.

Jackie Cox, Deputy Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-354, Sub 344, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2015.

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, Sub 344.

Witness my hand and notarial seal, this the ____ day of _____, 2015.

Notary Public

Address

(SEAL) My Commission Expires: _____