

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**STAFF CONFERENCE AGENDA
March 15, 2021**

***IMPORTANT NOTE: STAFF CONFERENCE
WILL BE CONDUCTED VIA WEBEX.
INSTRUCTIONS FOR PARTICIPATION AND A LINK TO VIEW
THE MEETING WILL BE POSTED ON THE COMMISSION'S
WEBSITE, NCUC.NET***

COMMISSION STAFF

NO AGENDA ITEMS

PUBLIC STAFF

TO: Agenda – Commission Conference – March 15, 2021

FROM: PUBLIC STAFF – North Carolina Utilities Commission

D. ELECTRIC

- P1. APPLICATIONS FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITIES

E. WATER

- P1. DOCKET NO. W-218, SUB 526A – AQUA NORTH CAROLINA, INC. – APPLICATIONS FOR APPROVAL TO IMPLEMENT SECONDARY WATER QUALITY SYSTEM IMPROVEMENT PROJECTS **EXHIBIT NO. P-1**
- P2. DOCKET NO. W-218, SUB 537 – AQUA NORTH CAROLINA, INC. – APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY **EXHIBIT NO. P-2**
- P3. DOCKET NO. W-218, SUB 544 – AQUA NORTH CAROLINA, INC. – TRANSFER TO OWNER EXEMPT FROM REGULATION **EXHIBIT NO. P-3**

D. ELECTRIC

P1. APPLICATIONS FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITIES

EXPLANATION: The following applications seek amended certificates of public convenience and necessity for construction of solar photovoltaic (PV) electric generating facilities, pursuant to N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-64.

Duke Energy Carolinas:

- Docket No. SP-4896, Sub 0 – Application of Fresh Air Energy XXXII, LLC, for an amended certificate of public convenience to construct a 16-MW solar PV facility in Gaston County, North Carolina. (registration statement issued previously)

Duke Energy Progress:

- Docket No. SP-8282, Sub 0 – Application of Scotch Bonnet Solar, LLC, for an amended certificate of public convenience to construct a 5-MW solar PV facility in Pender County, North Carolina. (registration statement issued previously)
- Docket No. SP-8747, Sub 0 – Application of Phobos Solar, LLC, for an amended certificate of public convenience to construct a 78.8-MW solar PV facility in Nash County, North Carolina. (registration statement issued previously)

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

RECOMMENDATION: (Saillor/Gilbert/Metz) That the Commission issue orders approving the applications and issuing the requested amended certificates for the facilities. Proposed orders have been provided to the Commission Staff.

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E. WATER

P1. DOCKET NO. W-218, SUB 526A – AQUA NORTH CAROLINA, INC. – APPLICATIONS FOR APPROVAL TO IMPLEMENT SECONDARY WATER QUALITY SYSTEM IMPROVEMENT PROJECTS

EXPLANATION: On January 12, January 27, and February 19, 2021, Aqua North Carolina, Inc. (Aqua), filed Applications for Approval to Implement Secondary Water Quality System Improvement Projects Pursuant to N.C. Gen. Stat. § 62-133.12 (Applications). The four filter projects and the estimated costs are summarized below.

| <u>System</u> | <u>County</u> | <u>Pumping Capacity Gallons Per Minute</u> | <u>Aqua Estimated Cost 000's</u> |
|--------------------------------------|---------------|--|--------------------------------------|
| High Meadows Wells 2 and 3 | Wake | 84 | \$350-\$375 |
| Blue Water Cove Well 1 | Forsyth | 25 | \$170-\$195 |
| Mountain Vista at Luther Cove Well 1 | Buncombe | 88 | \$234-\$259 |
| Shannon Woods Well 4 | Wake | 100 | \$343-\$368 |
| | | Total | \$1.097-\$1.197 Million |

On March 8, 2021, the Public Staff filed its Secondary Water Quality Report and Recommendations regarding Aqua's Applications. The Public Staff stated that it had thoroughly reviewed the filter projects proposed by Aqua. Based on its review of the Applications and other information gained through site visits and discussions with customers and Aqua personnel, the Public Staff concluded that the proposed filters are necessary for Aqua to provide adequate secondary standard water quality.

The Public Staff recommends that the Commission approve Aqua's implementation of the proposed secondary water quality projects.

EXHIBIT: A proposed order is attached as [Exhibit No. P-1.](#)

RECOMMENDATION: (Junis/Grantmyre) That the Commission issue the proposed order authorizing Aqua to implement its four proposed filtration projects to comply with secondary water quality standards.

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P2. DOCKET NO. W-218, SUB 537 – AQUA NORTH CAROLINA, INC. –
APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY

EXPLANATION: On August 11, 2020, Aqua North Carolina, Inc. (Aqua), filed an Application for a Certificate of Public Convenience and Necessity and for Approval of Rates (Application) to provide water and sewer utility service in The Enclave at City Park subdivision in Mecklenburg County, North Carolina. Aqua filed amendments to the Application on February 19, February 23, and February 25, 2021. Aqua proposes to charge the rates currently approved for its other franchised service areas where bulk water and sewer utility service is purchased from the City of Charlotte. The service area is shown on plans filed with the application.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, issued a plan approval letter for The Enclave at City Park, part of Water System No. NC2060100. The plans are approved under serial number 20-00590, dated September 8, 2020.

The North Carolina Department of Environmental Quality, Division of Water Resources, issued permit number WQ0041155, dated January 6, 2020, for the construction and operation of The Enclave at City Park, wastewater collection system extension.

Aqua entered into an Agreement dated July 27, 2020, with Price Lane Charlotte, LLC (Developer), under which Developer is installing the water and wastewater utility systems. Aqua is acquiring the wastewater system from Developer at no cost. Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular lot. Aqua is purchasing the water system from Developer for \$1,600 plus the grossed-up tax payment per single-family residential equivalent, payable quarterly based upon the number of water service meters installed during the previous quarter.

The Agreement states that prior to closing, Developer shall pay to Aqua the grossed-up tax payment applicable to contributions in aid of construction. Aqua will not close and will not provide services until it receives the grossed-up tax payment.

Aqua presently holds water franchises serving approximately 82,000 customers and wastewater franchises serving approximately 20,000 customers in North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Application.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water and sewer utility service in this franchise location and recommends that the certificate of public convenience and necessity be issued. The Public Staff further recommends that the Commission require posting of a \$20,000 bond for the franchise in The Enclave at City Park. Aqua currently

has \$13,000,000 of bonds posted with the Commission, which includes enough unassigned funds to provide the bond recommended in this docket.

EXHIBIT: A copy of the proposed order is attached as [Exhibit No. P-2](#).

RECOMMENDATION: (Junis/Feasel/Coxton) That the Commission issue the proposed order granting the franchise and approving rates.

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P3. DOCKET NO. W-218, SUB 544 – AQUA NORTH CAROLINA, INC. –
TRANSFER TO OWNER EXEMPT FROM REGULATION

EXPLANATION: On November 25, 2020, Aqua North Carolina, Inc. (Aqua), filed an application with the Commission for authority to transfer franchises for providing water utility service in Shepherds Way and The Oaks at Hunter Hill subdivisions in Nash County to Nash County (County), which is exempt from Commission regulation. Aqua currently provides water utility service to approximately 88 customers in the service areas.

On January 4, 2021, the Commission issued its Order Requiring Customer Notice, specifying that this matter may be determined without public hearing if no significant protests are received subsequent to customer notice.

On January 6, 2021, Aqua filed the Certificate of Service, properly signed and notarized, which stated that the Notice to Customers had been mailed with sufficient postage or hand delivered to all the affected customers. No statements in protest of the transfer were received as of February 18, 2021. Therefore, the Commission may decide this matter without a public hearing.

Aqua and the County entered into an Agreement for the Purchase and Sale of Assets (Agreement) on November 23, 2020. Pursuant to the Agreement, which was filed as an exhibit to the application, the County agreed to purchase the “Acquired Assets” described in the Agreement for \$200,000. Aqua’s present net investment in the assets being transferred is approximately \$110,221.

This transfer will not have a material financial impact on the remaining ANC Water customers, as average annual expenses and rate base per customer will remain nearly the same after the transfer.

The issue of treatment of gain on sale for water and sewer utility companies has been addressed by the Commission in a number of prior dockets.¹ In particular, in Docket No. W-354, Subs 133 and 134, in the September 7, 1994 Order Determining Regulatory Treatment Of Gain On Sale Of Facilities, the Commission concluded that, “in future proceedings, the Commission will follow a policy, absent overwhelming and compelling evidence to the contrary, of assigning 100% of the gain or loss on the sale of water and/or sewer utility systems to utility company shareholders.” Since 1994, the Commission has applied this policy of awarding 100% of the gain or loss on sale of water and sewer systems to the utility company’s shareholders. Although this allocation has been challenged in only a few cases during this 26-year period, the Commission has not found sufficient evidence in the past proceedings, excluding the companion proceeding in Docket No. W-354, Sub 331, involving Carolina Water Service of North Carolina, Inc., to merit a deviation from the presumptive allocation.

The pertinent facts with respect to Aqua’s transfer of its Shepherds Way and The Oaks

¹ See the Commission’s Order Determining Regulatory Treatment of Gain on Sale issued on December 23, 2011 in Docket Nos. W-218, Subs 325, 327, and 319.

at Hunter Hill systems to the County are not materially different from those with respect to the sales that were the subject of the Commission's prior rulings on treatment of gain on sale in connection with water and sewer transfer applications decided in 1994 and thereafter. An exception to the Commission's policy of assigning 100% of the gain on sale to water and sewer utility company shareholders is not warranted in this proceeding, as the larger public interest is best served by continuing such policy. Accordingly, the gain on sale of the Shepherds Way and The Oaks at Hunter Hill systems should be assigned 100% to Aqua's shareholders.

The applicable rate base, revenues, and expenses, including appropriate accumulated deferred income taxes related to the Shepherds Way and The Oaks at Hunter Hill systems being transferred to the County should be removed and should not be taken into account in setting rates for Aqua in its next rate case proceeding.

Aqua's present water utility rates, which were approved in Docket No. W-218, Sub 526, by the Commission's Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Granting Partial Rate Increase, and Requiring Customer Notice dated October 26, 2020, are as follows:

Aqua's Present Rates

Monthly Metered Water Utility Service

| | |
|---|------------|
| Base facility charge, (zero usage, based on meter size) | |
| <1" meter | \$ 20.70 |
| 1" meter | \$ 51.75 |
| 1½" meter | \$ 103.50 |
| 2" meter | \$ 165.60 |
| 3" meter | \$ 310.50 |
| 4" meter | \$ 517.50 |
| 6" meter | \$1,035.00 |
| | |
| Usage charge, per 1,000 gallons | \$ 6.38 |

The County's present water utility rates are as follows:

County's Present Rates

Monthly Metered Water Utility Service

| | |
|--|----------|
| Base fee | \$ 30.00 |
| | |
| Tiered usage charge, per 1,000 gallons | |
| 1 - 3,000 gallons | \$ 6.00 |
| 3,001 - 6,000 gallons | \$ 7.75 |
| 6,001 - 9,000 gallons | \$ 9.50 |
| 9,001 - 12,000 gallons | \$ 10.25 |
| 12,000 + gallons | \$ 11.00 |

Note: Water Conservation Rate Structure – If the County Manager approves Stage 3 or Stage 4 water restrictions, the following multipliers will come into effect immediately to the current billing cycle. Stage 3, all water usages above 5,000 gallons will be billed with an additional 10% charge above the rates provided above. Stage 4, all water usages above 1,000 gallons will be billed with an additional 25% charge above the rates provided above. Conservation Rates also apply to Bailey Area system. Applicable fines for violations of any restrictions are provided in the County's most recent "Water Shortage Response Plan" document.

The transfer will result in higher water rates for the customers in the affected service areas, increasing the average monthly residential water bill by \$10.90, or 21%, from \$52.60 to \$63.50, based on 5,000 gallons of usage. Aqua is presently authorized to impose Water System Improvement Charges of 0.34% in addition to the average monthly water charges of \$52.60.

The Public Staff has reviewed Aqua's application and recommends that the applied for transfer of ownership of the water utility systems be approved, that the Certificate of Public Convenience and Necessity to provide water and sewer utility service granted to Aqua be canceled upon receipt of written notification to the Commission that the County has assumed responsibility for providing water utility service in the affected service areas, and that Aqua be required to deliver notice to the affected customers. In addition, the Public Staff recommends that 100% of the gain on the sale of the public water utility systems serving Shepherds Way and The Oaks at Hunter Hill be assigned to Aqua's shareholders.

EXHIBIT: The Public Staff's proposed order is attached as [Exhibit No. P-3](#).

RECOMMENDATION: (Junis/Chiu/Jost) That the Commission issue the proposed order approving the transfer to owner exempt from regulation, canceling the franchises, and requiring customer notice.

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Reporting Requirements from Docket No.)
W-218, Sub 526 – Applications by Aqua) ORDER APPROVING
North Carolina, Inc., 202 MacKenan Court,) SECONDARY WATER
Cary, North Carolina 27511, for Approval to) QUALITY IMPROVEMENT
Implement Secondary Water Quality) PROJECTS
System Improvement Projects Pursuant to)
N.C. Gen. Stat. § 62-133.12)

BY THE COMMISSION: N.C. Gen. Stat. § 62-133.12 authorizes the Commission in a general rate case proceeding to approve a rate adjustment mechanism to allow water and sewer utilities to recover the incremental depreciation expense and capital costs associated with reasonable and prudently incurred investments in eligible water and sewer system improvements. By Order issued May 2, 2014, in Docket No. W-218, Sub 363, the Commission approved Aqua North Carolina, Inc.'s (Aqua), request to utilize a Water System Improvement Charge/Sewer System Improvement Charge (WSIC/SSIC) mechanism pursuant to N.C.G.S. § 62-133.12, finding that the mechanism is in the public interest.

Commission Rules R7-39(f) and R10-26(f) provide that once WSIC/SSIC mechanisms are approved and eligible water and sewer system improvements are in service, the utility (in this case, Aqua) may file a request with the Commission for authority to impose water and sewer system improvement charges pursuant to the mechanisms.

N.C.G.S. § 62-133.12(c)(2) and (c)(4) provide, in pertinent part, that specific approval from the Commission is necessary before Aqua may undertake and recover its incremental depreciation expense and capital costs through the WSIC mechanism for eligible water system improvements implemented to comply with secondary drinking water standards.

On January 12, January 27, and February 19, 2021, Aqua filed Applications for Approval to Implement Secondary Water Quality System Improvement Projects Pursuant to N.C.G.S. § 62-133.12 (Applications). The four filter projects and the estimated costs are summarized below.

| <u>System</u> | <u>County</u> | <u>Pumping Capacity Gallons Per Minute</u> | <u>Aqua Estimated Cost 000's</u> |
|--------------------------------------|---------------|--|--------------------------------------|
| High Meadows Wells 2 and 3 | Wake | 84 | \$350-\$375 |
| Blue Water Cove Well 1 | Forsyth | 25 | \$170-\$195 |
| Mountain Vista at Luther Cove Well 1 | Buncombe | 88 | \$234-\$259 |
| Shannon Woods Well 4 | Wake | 100 | \$343-\$368 |
| | | Total | \$1.097-\$1.197 Million |

On March 8, 2021, the Public Staff filed its Secondary Water Quality Report and Recommendations regarding Aqua's Applications. The Public Staff stated that it had thoroughly reviewed the filter projects proposed by Aqua. Based upon its review of documents and other information provided by Aqua, site visits, and discussions with customers and Aqua's engineers and operations managers, the Public Staff recommended that the Commission approve the implementation of the proposed secondary water quality projects.

In recommending approval of the projects, the Public Staff advised that decisions to install filters, such as greensand or manganese dioxide, should be made judiciously, as installation of such filters is many times more costly than sequestration coupled with adequate flushing. According to the Public Staff, the annual revenue requirement increase for the minimum estimated capital expenditure of \$1,097,000 for these four filtration systems is approximately \$134,341, compared to the annual revenue requirement for the chemical cost for sequestration of approximately \$1,387. The Public Staff stated that the sequestration treatment of iron and manganese with polyphosphates and orthophosphates, coupled with comprehensive water main flushing programs, has provided adequate secondary standard water quality on many water systems at a very reasonable cost. Testing to determine whether iron and manganese are soluble (clear liquid) or insoluble (solid particles and visible) in raw untreated water at the well head after treatment with polyphosphate/orthophosphate or SeaQuest at the entry point, and in the distribution system, has been widely used in North Carolina for many years and provides extremely valuable information to assist in evaluations of whether filtration is necessary. These measures are exponentially less expensive than the installation of an iron and manganese filtration system. The Public Staff recognized, however, that for secondary water quality issues of considerable magnitude and consistency, sequestration treatment and flushing may not be effective and filtration may be necessary.

As discussed in previous reports, the Public Staff strongly supports the implementation of two secondary water quality processes: a comprehensive customer education program and an upgraded, comprehensive water main flushing program. Regarding customer education, the Public Staff noted that with its input, Aqua has prepared and posted on its website (<https://www.aquaamerica.com/our-states/north-carolina.aspx>) a fact sheet titled "Flushing Water Mains" and a best practices document titled "Iron and Manganese in Drinking Water." According to Aqua, these documents have been made available to its employees to distribute to customers they visit who experience a discolored water issue. The Public Staff stated that it considers the documents useful resources to help customers better understand flushing and minimize the negative effects of discolored water caused by the presence of iron and manganese. The Public Staff stated that Aqua most recently created the dedicated website (www.ncwaterquality.com) for the Company to provide customers information pertaining to iron and manganese. In addition, as part of Aqua's Water Quality Plan, the Company has begun a strategic communications initiative.

In summary, the Public Staff stated that it will continue to carefully and thoroughly review secondary water quality information and documentation presented by Aqua, including participating in meetings with Aqua engineers and operations managers, conduct selected site visits, discuss secondary water quality issues with customers, and, when appropriate, recommend Commission approval of equipment and infrastructure installations.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on March 15, 2021. The Public Staff stated that the proposed filters are necessary for Aqua to provide adequate secondary standard water quality. The Public Staff therefore recommended that the Commission approve Aqua's proposed secondary water quality projects.

Based upon the foregoing, Aqua's Applications, the Public Staff's Secondary Water Quality Report and Recommendations, and the entire record in this matter, the Commission finds and concludes that Aqua should proceed to implement secondary standard water quality improvements through the installation of Aqua's proposed filtration projects.

IT IS, THEREFORE, ORDERED as follows:

1. That Aqua North Carolina, Inc., is authorized to implement the four filtration projects proposed in its January 12, January 27, and February 19, 2021 Applications to comply with secondary water quality standards.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of March, 2021.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 537

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | | |
|--|---|-------------------------|
| In the Matter of | | |
| Application by Aqua North Carolina, Inc., |) | |
| 202 MacKenan Court, Cary, North Carolina |) | |
| 27511, for a Certificate of Public Convenience |) | ORDER GRANTING |
| and Necessity to Provide Water and Sewer |) | FRANCHISE AND APPROVING |
| Utility Service in The Enclave at City Park |) | RATES |
| Subdivision in Mecklenburg County, North |) | |
| Carolina |) | |

BY THE COMMISSION: On August 11, 2020, Aqua North Carolina, Inc. (Aqua), filed an Application for a Certificate of Public Convenience and Necessity and for Approval of Rates (Application) to provide water and sewer utility service in The Enclave at City Park subdivision in Mecklenburg County, North Carolina. Aqua filed amendments to the Application on February 19, February 23, and February 25, 2021. Aqua proposes to charge the rates currently approved for its other franchised service areas where bulk water and sewer utility service is purchased from the City of Charlotte.

The Public Staff – North Carolina Utilities Commission (Public Staff) presented this matter at the Commission’s Regular Staff Conference on March 15, 2021. The Public Staff recommended that the Commission issue an order granting the franchise and approving the requested rates.

Based upon the verified Application, and the entire record in this matter, the Commission makes the following

FINDINGS OF FACT

1. Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua’s record of service is satisfactory.

2. Aqua expects eventually to serve 77 water and sewer customers in The Enclave at City Park. The service area is shown on plans filed with the Application.

3. The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, issued a plan approval letter for The Enclave at City Park, part of Water System No. NC2060100. The plans are approved under serial number 20-00590, dated September 8, 2020.

4. The North Carolina Department of Environmental Quality, Division of Water Resources, issued permit number WQ0041155, dated January 6, 2020, for the construction and operation of The Enclave at City Park wastewater collection system extension.

5. Aqua entered into an Agreement dated July 27, 2020, with Price Lane Charlotte, LLC (Developer), under which Developer is installing the water and wastewater utility systems. Aqua is acquiring the wastewater system from Developer at no cost. Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular lot. Aqua is purchasing the water system from Developer for \$1,600 plus the grossed-up tax payment per single-family residential equivalent, payable quarterly based upon the number of water service meters installed during the previous quarter.

6. The Agreement states that prior to closing, Developer shall pay to Aqua the grossed-up tax payment applicable to contributions in aid of construction. Aqua will not close and will not provide services until it receives the grossed-up tax payment.

7. Aqua has filed all exhibits required with the Application.

8. Aqua has the technical, managerial, and financial capacity to provide water and sewer utility service in this franchise location.

9. Aqua proposes to charge The Enclave at City Park its water and sewer utility service rates approved in Docket No. W-218, Sub 526, for service areas where bulk water and sewer utility service is purchased from the City of Charlotte.

10. The Public Staff recommends that Aqua be required to post a \$20,000 bond for The Enclave at City Park. Aqua currently has \$13,000,000 of bonds posted with the Commission. Of this amount, \$12,450,000 of bond surety is assigned to specific subdivisions and \$550,000 of bond surety is unassigned.

CONCLUSIONS

Based on the foregoing and the recommendations of the Public Staff, the Commission is of the opinion that \$20,000 of Aqua's unassigned bond surety should be assigned to The Enclave at City Park; that the water and sewer utility franchise requested by Aqua in The Enclave at City Park should be granted; that a meter installation fee of \$70 for water utility service should be approved; and that the requested rates should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That \$20,000 of Aqua's unassigned bond surety is assigned to the The Enclave at City Park. The remaining unassigned bond surety shall be \$530,000;
2. That Aqua is granted a certificate of public convenience and necessity to provide water utility service in The Enclave at City Park in Mecklenburg County, North Carolina, and Appendix A-___, attached hereto, constitutes the Certificate of Public Convenience and Necessity;
3. That Aqua's existing Schedule of Rates approved by Commission Order issued on October 26, 2020, in Docket No. W-218, Sub 526, is approved for water and sewer utility service in The Enclave at City Park; and
4. That a meter installation fee of \$70 for water utility service is approved for The Enclave at City Park.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2021.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

APPENDIX A

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 537

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

AQUA NORTH CAROLINA, INC.

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide water and sewer utility service

in

THE ENCLAVE AT CITY PARK SUBDIVISION

Mecklenburg County, North Carolina,

subject to any orders, rules, regulations,
and conditions now or hereafter lawfully made
by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2021.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

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**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 544

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

| | |
|---|-------------------------|
| Application by Aqua North Carolina, Inc., 202 |) ORDER APPROVING |
| MacKenan Court, Cary, North Carolina 27511, for |) TRANSFER TO OWNER |
| Authority to Transfer Its Systems Providing Water |) EXEMPT FROM |
| Utility Service in Shepherds Way and The Oaks at |) REGULATION, CANCELING |
| Hunter Hill Subdivisions in Nash County, North |) FRANCHISES, AND |
| Carolina, to Nash County, Which is Exempt from |) REQUIRING |
| Commission Regulation |) CUSTOMER NOTICE |

BY THE COMMISSION: On November 25, 2020, Aqua North Carolina, Inc. (Aqua), filed an application with the Commission for authority to transfer franchises for providing water utility service in Shepherds Way and The Oaks at Hunter Hill subdivisions in Nash County, North Carolina, to Nash County (County), which is exempt from Commission regulation. Aqua currently provides water utility service to approximately 88 customers in the service areas.

On January 4, 2021, the Commission issued its Order Requiring Customer Notice, specifying that the matter may be determined without public hearing if no significant protests are received subsequent to customer notice.

On January 6, 2021, Aqua filed the Certificate of Service, properly signed and notarized, which stated that the Notice to Customers had been mailed with sufficient postage or hand delivered to all the affected customers.

This matter was presented at the Commission's Regular Staff Conference on March 15, 2021. The Public Staff stated that it had reviewed the application and recommended that the Commission approve the transfer of the water utility systems from Aqua to the County without public hearing.

Based upon the verified application, the recommendations of the Public Staff, and the records of the Commission, the Commission makes the following:

FINDINGS OF FACT

1. Aqua and the County entered into an Agreement for the Purchase and Sale of Assets (Agreement) on November 23, 2020. Pursuant to the Agreement, which was filed as an exhibit to the application, the County agreed to purchase the “Acquired Assets” described in the Agreement for \$200,000. Aqua’s present net investment in the assets being transferred is approximately \$110,221.

2. Aqua’s present water utility rates, which were approved in Docket No. W-218, Sub 526, by the Commission’s Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Granting Partial Rate Increase, and Requiring Customer Notice dated October 26, 2020, are as follows:

Monthly Metered Water Utility Service

| | |
|---|------------|
| Base facility charge, (zero usage, based on meter size) | |
| <1” meter | \$ 20.70 |
| 1” meter | \$ 51.75 |
| 1½” meter | \$ 103.50 |
| 2” meter | \$ 165.60 |
| 3” meter | \$ 310.50 |
| 4” meter | \$ 517.50 |
| 6” meter | \$1,035.00 |
| | |
| Usage charge, per 1,000 gallons | \$ 6.38 |

3. The County’s present water utility rates are as follows:

Monthly Metered Water Utility Service

| | |
|--|----------|
| Base fee | \$ 30.00 |
| | |
| Tiered usage charge, per 1,000 gallons | |
| 1 - 3,000 gallons | \$ 6.00 |
| 3,001 - 6,000 gallons | \$ 7.75 |
| 6,001 - 9,000 gallons | \$ 9.50 |
| 9,001 - 12,000 gallons | \$ 10.25 |
| 12,000 + gallons | \$ 11.00 |

Note: Water Conservation Rate Structure – If the County Manager approves Stage 3 or Stage 4 water restrictions, the following multipliers will come into effect immediately to the current billing cycle. Stage 3, all water usages above 5,000 gallons will be billed with an additional 10% charge above the rates provided above. Stage 4, all water usages above 1,000 gallons will be billed with an additional 25% charge above the rates provided above.

Conservation Rates also apply to Bailey Area system. Applicable fines for violations of any restrictions are provided in the County's most recent "Water Shortage Response Plan" document.

4. The transfer will result in higher water rates for the customers in the affected service areas, increasing the average monthly residential water bill by \$10.90, or 21%, from \$52.60 to \$63.50, based on 5,000 gallons of usage. Aqua is presently authorized to impose Water System Improvement Charges of 0.34% in addition to the average monthly water charges of \$52.60.

5. This transfer will not have a material financial impact on the remaining ANC Water customers as average annual expenses and rate base per customer will remain nearly the same after the transfer.

6. The issue of treatment of gain on sale for water and sewer utility companies has been addressed by the Commission in a number of prior dockets.¹ In particular, in Docket Nos. W-354, Subs 133 and 134, in the September 7, 1994 Order Determining Regulatory Treatment Of Gain On Sale Of Facilities, the Commission concluded that, "in future proceedings, the Commission will follow a policy, absent overwhelming and compelling evidence to the contrary, of assigning 100% of the gain or loss on the sale of water and/or sewer utility systems to utility company shareholders." Since 1994, the Commission has applied this policy of awarding 100% of the gain or loss on sale of water and sewer systems to the utility company's shareholders. Although this allocation has been challenged in only a few cases during this 26-year period, the Commission has not found sufficient evidence in the past proceedings, excluding the companion proceeding in Docket No. W-354, Sub 331, involving Carolina Water Service of North Carolina, Inc., to merit a deviation from the presumptive allocation.

7. The pertinent facts with respect to Aqua's transfer of its Shepherds Way and The Oaks at Hunter Hill systems to the County are not materially different from those with respect to the sales that were the subject of the Commission's prior rulings on treatment of gain on sale in connection with water and sewer transfer applications decided in 1994 and thereafter. An exception to the Commission's policy of assigning 100% of the gain on sale to water and sewer utility company shareholders is not warranted in this proceeding, as the larger public interest is best served by continuing such policy. Accordingly, the gain on sale of the Shepherds Way and The Oaks at Hunter Hill systems should be assigned 100% to Aqua's shareholders.

¹ See the Commission's Order Determining Regulatory Treatment of Gain on Sale issued on December 23, 2011, in Docket Nos. W-218, Subs 325, 327, and 319.

8. On January 4, 2021, the Commission issued its Order Requiring Customer Notice in the present docket, specifying that this matter may be determined without public hearing if no significant protests are received subsequent to customer notice. By its Certificate of Service filed January 6, 2021, Aqua stated that the Notice to Customers had been mailed with sufficient postage or hand delivered to all the affected customers. No statements in protest of the transfer were received as of February 18, 2021. Therefore, the Commission may decide this matter without a public hearing.

9. The applicable rate base, revenues, and expenses, including appropriate accumulated deferred income taxes related to the Shepherds Way and The Oaks at Hunter Hill systems being transferred to the County should be removed and should not be taken into account in setting rates for Aqua in its next rate case proceeding.

CONCLUSIONS

Based on the foregoing and the recommendations of the Public Staff, the Commission concludes that the transfer of ownership of the systems should be approved, that the franchises should be canceled upon receipt of notification that the transfer is complete, and that customer notice should be required.

IT IS, THEREFORE, ORDERED as follows:

1. That Aqua is hereby authorized to transfer its water utility systems serving Shepherds Way and The Oaks at Hunter Hill in Nash County, North Carolina, to the County, an owner exempt from Commission regulation;

2. That Aqua shall provide written notification to the Commission within ten days after the County assumes responsibility for providing water utility service in the affect service areas;

3. That the Certificate of Public Convenience and Necessity to provide water utility service granted to Aqua in Docket No. W-218, Sub 273, for Shepherds Way and The Oaks at Hunter Hill in Nash County, North Carolina, are hereby canceled upon receipt of written notification to the Commission that the County has assumed responsibility for providing water utility service in the affected service areas;

4. That 100% of the gain on sale of the public water utility systems owned by Aqua, which serve the Shepherds Way and The Oaks at Hunter Hill, shall be assigned to Aqua's shareholders; and

5. That a copy of this Order shall be mailed with sufficient postage or hand delivered by Aqua to all its customers in the service areas not later than 15 days after the date of this Order and that Aqua shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than 30 days after the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2021.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Order issued by the North Carolina Utilities Commission in Docket No. W-218, Sub 544, and the Order was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2021.

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 Order was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket No. W-218, Sub 544.

Witness my hand and notarial seal, this the ____ day of _____, 2021.

Notary Public

Printed Name

(SEAL) My Commission Expires:

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Date