

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**STAFF CONFERENCE AGENDA
January 6, 2020**

COMMISSION STAFF

NO AGENDA ITEMS

PUBLIC STAFF

C. COMMUNICATIONS

P1. FILING OF INTERCONNECTION AGREEMENT AMENDMENT BY AT&T

D. ELECTRIC

P1. DOCKET NO. E-7, SUB 1216 – DUKE ENERGY CAROLINAS, LLC – APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A 25-MW SOLAR FACILITY IN GASTON COUNTY, NORTH CAROLINA EXHIBIT P-1

E. WATER

P1. DOCKET NO. W-218, SUB 497A – AQUA NORTH CAROLINA, INC. – APPLICATION FOR APPROVAL OF WATER AND SEWER SYSTEM IMPROVEMENT RATE ADJUSTMENTS EXHIBIT NO. P-2

TO: Agenda – Commission Conference – January 6, 2020
FROM: PUBLIC STAFF – North Carolina Utilities Commission

C. COMMUNICATIONS

P1. FILING OF INTERCONNECTION AGREEMENT AMENDMENT BY AT&T

EXPLANATION: The following interconnection agreement amendment was filed for Commission approval on October 18, 2019:

BellSouth Telecommunications, LLC, d/b/a AT&T North Carolina (AT&T)

Docket No. P-1187, Sub 2

Amendment filed on October 18, 2019, to an interconnection agreement with West Safety Communications Inc., approved November 2, 2009.

The amendment implements changes pursuant to the *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order issued by the Federal Communications Commission (FCC) on November 18, 2011, in FCC 11-161, and as amended on December 23, 2011, in FCC 11-189 (FCC ICC Reform Order). The amendment also modifies certain provisions related to Customer Information Services (CIS) pursuant to WC Docket No. 16-13, approved March 15, 2016. This amendment also reflects the name change from Intrado Communications Inc., to West Safety Communications, Inc., to be implemented by AT&T in accounts and ongoing operations with West Safety Communications Inc., as specified in the amendment.

The changes implement intercarrier compensation rates reflected in the Pricing Sheets in Exhibit C, for the termination of all Section 251(b)(5) traffic exchanged between the parties, and supersedes the existing rate elements for purposes of reciprocal compensation. In addition, the rates, terms, and conditions pertaining to CIS are deleted, replaced by terms and conditions for the provision of Operator Services and Directory Assistance services (OS/DA) specified in Exhibit B, at rates reflected in the Exhibit C Pricing Sheets. Additionally, the parties agree to replace Section N, which addresses Notices and the contact information to be used by the companies.

This filing was made in compliance with Commission Rule R17-4(d) and Sections 252(e) and 252(i) of the Telecommunications Act of 1996. The Act provides for the filing of such agreements and amendments with the state commission and approval or rejection by the state commission within 90 days after filing. On June 18, 1996, the Commission issued an Order in Docket No. P-100, Sub 133, allowing interim operation under negotiated agreements filed as public records prior to Commission approval of the agreements.

The Public Staff has reviewed this filings and recommends Commission approval.

RECOMMENDATION: (Proffitt) That an order be issued approving the amendment effective on the date it was filed. The Public Staff has provided a copy of the proposed order to the Commission's Legal Staff.

[Back to Agenda](#)

D. ELECTRIC

P1. DOCKET NO. E-7, SUB 1216 – DUKE ENERGY CAROLINAS, LLC – APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT A 25-MW SOLAR FACILITY IN GASTON COUNTY, NORTH CAROLINA

EXPLANATION: On October 18, 2019, Duke Energy Carolinas, LLC (“DEC”), filed preliminary information notifying the Commission of its intent to seek a certificate of public convenience and necessity (“CPCN”) under the procedure for expedited review of a CPCN for a facility that is owned by an electric public utility and participating in the Competitive Procurement of Renewable Energy (“CPRE”) Program pursuant to N.C. Gen. Stat. § 62-110.8(h)(3), and Commission Rule R8-71(k). The proposed facility is a 25.0-MW_{AC} solar photovoltaic electric generating facility to be located at 345 Neal Road, Bessemer City, Gaston County, North Carolina (“Facility”). DEC indicates that this project was selected by the CPRE Independent Administrator in Tranche 1 of the CPRE Program.

On October 24, 2019, DEC filed a registration statement for a new renewable energy facility. The registration statement included certified attestations that: (1) the Facility is in substantial compliance with all federal and state laws, regulations, and rules for the protection of the environment and conservation of natural resources; (2) the Facility will be operated as a new renewable energy facility; (3) the Applicant will not remarket or otherwise resell any renewable energy certificates sold to an electric power supplier to comply with N.C. Gen. Stat. § 62-133.8; and (4) the Applicant will consent to the auditing of its books and records by the Public Staff insofar as those records relate to transactions with North Carolina electric power suppliers. DEC also requested a waiver of the 60-day filing requirement of Commission Rule R8-71(i)(4), asserting that no party will be harmed by the granting of the requested waiver.

On November 12, 2019, DEC filed its proof of publication from The Charlotte Observer (Mecklenburg County) and the Gaston Gazette (Gaston County), stating that the publications of notice associated with the preliminary information was completed on October 24, 2019.

On December 10, 2019, the State Clearinghouse filed comments. Because of the nature of the comments, the cover letters indicated that no further State Clearinghouse review action by the Commission was required for compliance with the North Carolina Environmental Policy Act.

On December 13, 2019, DEC filed a verified application seeking a certificate of public convenience and necessity (“Application”).

On December 16, 2019, the Commission issued its *Order Requesting Public Staff Investigation and Requiring Public Notice*, requesting the Public Staff to investigate the Application and present its findings, conclusions, and recommendations at the Regular

Commission Staff Conference to be held on Monday, January 6, 2020, and requiring DEC to publish notice of the Application and of the time and place of the Staff Conference where the Application will be considered.

On December 17, 2019, the State Clearinghouse filed additional comments. Because of the nature of the comments, the cover letters indicated that no further State Clearinghouse review action by the Commission was required for compliance with the North Carolina Environmental Policy Act.

The Public Staff has reviewed the Application and finds that the Application was submitted in compliance with the requirements of N.C. Gen. Stat. § 62-110.8(h)(3) and Commission Rule R8-71(k). In addition, the registration statement contains the certified attestations required by Commission Rule R8-66(b). Therefore, the Public Staff recommends acceptance of the registration for the Facility and approval of the certificate, subject to certain conditions.

With regard to need for the Facility, DEC stated that the Facility was selected by the CPRE Independent Administrator as a cost-effective resource to meet the CPRE requirements of N.C. Gen. Stat. §62-110.8. DEC stated that while the Facility would provide little to no capacity value at the time of its winter peak, it would provide valuable energy with no fuel costs, and would also help support DEC's compliance efforts with the Renewable Energy and Energy Efficiency Portfolio Standard ("REPS").

The Public Staff agrees with DEC that the Facility was selected through Tranche 1 of the CPRE process as cost-effective by the CPRE Independent Administrator, and was identified as Proposal #83-06 in the Tranche 1 Final Report filed with the Commission on July 23, 2019, as a winning bidder. The Public Staff notes that the Facility was submitted by DEC as a self-build project, and is therefore subject to the 30% limitation on the procurement requirement that may be satisfied by utility self-build or subsidiary projects, pursuant to N.C. Gen. Stat. § 62-110.8(b)(4).

Although DEC is not seeking approval of its proposed cost recovery methodology for the costs associated with the Facility (selection, acquisition, development, construction, operation, and maintenance) in this Application, the Public Staff believes it is necessary and appropriate to address certain cost recovery parameters in order to ensure that the CPCN for the Facility and associated assets are justified by the public convenience and necessity and are in the public interest. Two areas of concern to ratepayers were identified during our review, including: (1) the possibility that DEC may seek to recover costs associated with the Facility outside of the CPRE Rider that would alter the cost-effectiveness of the Facility relative to other resource options; and (2) the possibility that DEC may not be able to recover on a market basis the costs associated with CPRE projects in other jurisdictions, as is provided in North Carolina pursuant to N.C. Gen. Stat. § 62-110.8(g).

DEC indicates that its as-bid PPA price for the Facility will form the basis for future cost recovery through the CPRE rider. Nonetheless, the Public Staff recommends that the Commission direct DEC to file a final construction cost accounting report, including all costs associated with interconnection of the Facility, within 180 days of completion of construction of the project. DEC should file the final cost accounting report for the Facility with the Commission in this docket and provide a copy to the Public Staff ([Condition No. 1](#)).

DEC also states that the Facility is expected to produce a substantial amount of renewable energy certificates (“RECs”) that it may use for REPS compliance purposes. The Public Staff notes that the total cost of the resources procured under CPRE are capped at “the public utility’s current forecast of its avoided cost calculated over the term of the power purchase agreement,” pursuant to N.C. Gen. Stat. § 62-110.8(b)(2), so there should be no portion of the cost recovery for the Facility that is “in excess of the electric power supplier’s avoided costs” pursuant to N.C. Gen. Stat. § 62-133.8(h)(1)a that would be considered “incremental costs,” and therefore eligible for DEC to recover in the REPS Rider. Therefore, the Public Staff recommends that the Commission provide that no costs associated with the Facility are subject to cost recovery by DEC under its annual REPS Rider. ([Condition No. 2](#)).

In addition, the Public Staff maintains that since the Facility will provide low-cost renewable energy on a system basis, the costs associated with the Facility should be allocated among jurisdictions and customer classes in the same manner as any other plant in DEC’s generation portfolio. Therefore, the Public Staff recommends that no portion of any of the costs of the Facility that are directly assigned, allocated, or otherwise attributable to another jurisdiction should be recovered from North Carolina retail customers, even if recovery of those costs is disallowed or denied, in whole or in part, in another jurisdiction. ([Condition No. 3](#)).

The Public Staff shared its recommendation with DEC, and DEC indicated that it did not object to Condition Nos. 1 and 2, but opposed the inclusion of Condition No. 3.

In summary, the Public Staff recommended that the Commission issue an order accepting registration for the Facility and approving the certificate, subject to the specific conditions listed above.

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

RECOMMENDATION: (Thomas/Dodge) That the Commission issue the Public Staff’s proposed order.

[Back to Agenda](#)

E. WATER

P1. DOCKET NO. W-218, SUB 497A – AQUA NORTH CAROLINA, INC. – APPLICATION FOR APPROVAL OF WATER AND SEWER SYSTEM IMPROVEMENT RATE ADJUSTMENTS

EXPLANATION: On November 1, 2019, Aqua North Carolina, Inc. (Aqua), filed an application requesting authority to adjust its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective January 1, 2020, pursuant to Commission Rules R7-39 and R10-26 (Application).

On December 20, 2019, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendation (Notice) at the Commission’s January 6, 2020, Regular Staff Conference. This Notice is incorporated by reference herein.

Aqua’s WSIC and SSIC percentages were reset to zero as of December 18, 2018, the effective date of Aqua’s new base rates in its general rate case, Docket No. W-218, Sub 497 (Sub 497 Rate Case). This is Aqua’s second filing to implement charges under the WSIC and SSIC mechanisms since the Sub 497 Rate Case.

The implementation of the WSIC and SSIC for Aqua was first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua’s rates every January 1st and July 1st based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request. This is Aqua’s ninth semi-annual adjustment to its WSIC and SSIC.

Aqua is requesting the following increases/decreases to the WSIC and SSIC percentages previously approved by the Commission on July 1, 2019:

	<u>Previously Approved WSIC/SSIC Percentage</u>	<u>Net Change To WSIC/SSIC Percentage</u>	<u>Cumulative WSIC/SSIC Percentage</u>
Uniform water	1.26%	1.37%	2.63%
Uniform sewer	0.39%	0.85%	1.24%
Fairways/Beau Rivage water	0.00%	0.00%	0.00%
Fairways/Beau Rivage sewer	0.18%	-0.01%	0.17%
Brookwood/LaGrange water	1.92%	1.61%	3.53%

The WSIC and SSIC percentages above do not include the Experience Modification Factor (EMF) adjustments from the 2018 annual WSIC and SSIC revenue review that went into effect on July 1, 2019. The impact of the 2018 EMF on Aqua’s requested WSIC and SSIC percentages are as follows:

	WSIC/SSIC Percentage	2018 Experience Modification Factor	Cumulative WSIC/SSIC Percentage
Uniform water	2.63%	0.06%	2.69%
Uniform sewer	1.24%	-0.09%	1.15%
Fairways /Beau Rivage water	0.00%	-0.24%	-0.24%
Fairways/Beau Rivage sewer	0.17%	-0.11%	0.06%
Brookwood/LaGrange water	3.53%	0.04%	3.57%

The cumulative WSIC and SSIC revenue requirements after Aqua's proposed increases/decreases are as follows:

	Previously Approved WSIC/SSIC Revenue Requirement	Net Change to WSIC/SSIC Revenue Requirement	Cumulative WSIC/SSIC Revenue Requirement
Uniform water	\$433,865	\$484,479	\$918,344
Uniform sewer	\$58,207	\$134,186	\$192,393
Fairways/Beau Rivage water	\$0	\$0	\$0
Fairways/Beau Rivage sewer	\$3,834	\$0	\$3,834
Brookwood/LaGrange water	\$104,769	\$89,912	\$194,681

Pursuant to N.C. Gen. Stat. § 62-133.12(g), the cumulative WSIC and SSIC percentages are capped at 5% of total annual service revenues approved by the Commission in the Sub 497 Rate Case, resulting in the following maximum revenue requirements for water and sewer operations:

	Sub 497 Annual Service Revenues	Maximum WSIC/SSIC Percentage	Maximum WSIC/SSIC Revenue Requirement
Uniform water	\$35,345,847	x 5% =	\$1,767,292
Uniform sewer	\$14,330,238	x 5% =	\$716,512
Fairways /Beau Rivage water	\$1,077,223	x 5% =	\$53,861
Fairways/Beau Rivage sewer	\$2,084,779	x 5% =	\$104,239
Brookwood/LaGrange water	\$5,575,470	x 5% =	\$278,774

As shown above, Aqua's proposed WSIC and SSIC revenue requirements do not exceed the maximum WSIC and SSIC revenue requirement for water and sewer operations.

Aqua is proposing the above increases/decreases in the WSIC and SSIC in order to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from April 1, 2019, through September 30, 2019:

Secondary drinking water standards	\$2,753,660
Main replacement	1,804,019
Primary drinking standards	247,560
NCDOT main relocate	237,426
Valves and hydrants	196,423
Service line replacement	62,573
Total WSIC plant additions	<u>\$5,301,661</u>
Replace blowers and/or motors	\$887,475
Replace lift station and sewer plant pumps	405,216
Total SSIC plant additions	<u>\$1,292,691</u>

Under N.C. Gen. Stat. § 62-133.12(c), eligible water system improvements include “equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards.” During the six months ended September 30, 2019, Aqua installed eight iron and manganese filter projects in the following subdivisions at a total cost of \$2,753,660:

The Barony, Well #5	\$386,963
Woodvalley, Well #9	261,471
Georges Grant, Well #1	430,080
Carlyle Manor, Well #4	360,167
Forest Glen, Well #2	322,148
Snow Creek Heights, Well #2	282,967
Kensington Manor, Well #2	396,083
Trappers Creek, Well #2	313,781
Total FeMn filter projects	<u>\$2,753,660</u>

The Commission authorized the implementation of these filtration projects in its Order Approving Secondary Water Quality Improvement Projects issued on December 22, 2014, November 20, 2018, December 17, 2018, and May 20, 2019, in Docket No. W-218, Subs 363A, and 497A

As stated by the Commission in its June 6, 2014, *Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12*, in Docket No. W-100, Sub 54, the Public Staff is to review all infrastructure improvements proposed for recovery for eligibility and reasonableness prior to making its recommendation to the Commission on WSIC or SSIC rate adjustments. Furthermore, any WSIC or SSIC rate adjustments will be allowed to become effective, but not unconditionally approved. These adjustments shall be further examined for a determination of their justness and reasonableness in a utility’s next general rate

case. At that time, the adjustments may be rescinded retroactively if the Commission determines that the adjustments were not prudent, just, and/or reasonable.

The Public Staff has carefully reviewed Aqua’s stated WSIC and SSIC improvements, including reviewing in detail construction work in progress ledgers and transactions, invoices, work orders, engineering certifications, and other accounting records. Based on this review, the Public Staff is recommending the following adjustments to Aqua’s WSIC and SSIC revenue requirement:

1) Revisions made to Uniform water project cost – In response to Public Staff data requests, Aqua provided to the Public Staff, a revised Appendix B for Uniform water operations reflecting a reduction of the total cost of several projects listed in the original filing. The combined reduction of these project costs is \$9,193.

2) Correct accumulated deferred income tax (ADIT) – Aqua inadvertently calculated tax depreciation on land acquired as part of the 2019 projects costs for Uniform water operations. This error was subsequently corrected by Aqua in the revised Appendix B provided to the Public Staff.

3) Adjustment to Brookwood/LaGrange project cost – The Public Staff is recommending an adjustment to decrease the cost of the Strickland Road water main relocation project from \$237,426 to \$236,737 based on responses provided by Aqua to Public Staff data requests.

The effect of the adjustments discussed above reduces the overall revenue requirement for Uniform water and Brookwood/LaGrange water operations, however, Aqua’s proposed WSIC percentages did not change based on the projected 2020 non-WSIC revenues.

Based on the adjustments above, the Public Staff recommends the following adjustments to the WSIC and SSIC revenue requirements and percentages proposed by Aqua:

	WSIC/SSIC Percentages Per Aqua	WSIC/SSIC Revenue Requirement Per Public Staff	Impact of Public Staff Adjustments	WSIC/SSIC Percentage Per Public Staff
Uniform water	2.69%	\$481,459	0.00%	2.69%
Uniform sewer	1.15%	\$134,186	0.00%	1.15%
Fairways/Beau Rivage water	-0.24%	\$0	0.00%	-0.24%
Fairways/Beau Rivage sewer	0.06%	\$0	0.00%	0.06%
Brookwood/LaGrange water	3.57%	\$89,852	0.00%	3.57%

The Public Staff recommends that Aqua be allowed to implement the proposed WSIC and SSIC percentages effective for service rendered on or after January 1, 2020, subject to true-up. The Public Staff will continue to review the justness, prudence, and reasonableness of these improvements during its review of Aqua’s future WSIC and SSIC filings and in Aqua’s next general rate case.

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

RECOMMENDATION: (Henry/Junis/Grantmyre) That the Commission issue the proposed order approving Aqua's proposed water and sewer system improvement charges effective for service rendered on or after January 1, 2020, subject to true-up, and requiring customer notice.

[Back to Agenda](#)

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1216

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application of Duke Energy Carolinas, LLC, for	) ORDER ISSUING CERTIFICATE
a Certificate of Public Convenience and	) AND ACCEPTING
Necessity to Construct a 25.0-MW _{AC} Solar	) REGISTRATION FOR A NEW
Facility in Gaston County, North Carolina	) RENEWABLE ENERGY
	) FACILITY

BY THE COMMISSION: On October 18, 2019, Duke Energy Carolinas, LLC (“DEC”), filed preliminary information notifying the Commission of its intent to seek a certificate of public convenience and necessity (“CPCN”) under the procedure for expedited review of a CPCN for a facility that is owned by an electric public utility and participating in the Competitive Procurement of Renewable Energy (“CPRE”) Program pursuant to N.C. Gen. Stat. § 62-110.8(h)(3), and Commission Rule R8-71(k). The proposed facility is a 25.0-MW_{AC} solar photovoltaic electric generating facility to be located at 345 Neal Road, Bessemer City, Gaston County, North Carolina (“Facility”). DEC indicates that this project was selected by the CPRE Independent Administrator in Tranche 1 of the CPRE Program.

On October 24, 2019, DEC filed a registration statement for a new renewable energy facility. The registration statement included certified attestations that: (1) the Facility is in substantial compliance with all federal and state laws, regulations, and rules for the protection of the environment and conservation of natural resources; (2) the Facility will be operated as a new renewable energy facility; (3) the Applicant will not remarket or otherwise resell any renewable energy certificates sold to an electric power supplier to comply with N.C. Gen. Stat. § 62-133.8; and (4) the Applicant will consent to the auditing of its books and records by the Public Staff insofar as those records relate to transactions with North Carolina electric power suppliers. DEC also requested a waiver of the 60-day filing requirement of Commission Rule R8-71(i)(4), asserting that no party will be harmed by the granting of the requested waiver.

On November 12, 2019, DEC filed its proof of publication from The Charlotte Observer (Mecklenburg County) and the Gaston Gazette (Gaston County), stating that the publications of notice associated with the preliminary information was completed on October 24, 2019.

On December 10, 2019, the State Clearinghouse filed comments. Because of the nature of the comments, the cover letters indicated that no further State Clearinghouse review action by the Commission was required for compliance with the North Carolina Environmental Policy Act.

On December 13, 2019, DEC filed a verified application seeking a certificate of public convenience and necessity (“Application”).

On December 16, 2019, the Commission issued its *Order Requesting Public Staff Investigation and Requiring Public Notice*, requesting the Public Staff to investigate the Application and present its findings, conclusions, and recommendations at the Regular Commission Staff Conference to be held on Monday, January 6, 2020, and requiring DEC to publish notice of the Application and of the time and place of the Staff Conference where the Application will be considered.

On December 17, 2019, the State Clearinghouse filed additional comments. Because of the nature of the comments, the cover letters indicated that no further State Clearinghouse review action by the Commission was required for compliance with the North Carolina Environmental Policy Act.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on January 6, 2020, pursuant to Commission Rule R8-71(k)(5)(v). The Public Staff stated that it had reviewed the Application and determined it to be in compliance with the requirements of N.C. Gen. Stat. § 62-110.8(h)(3) and Commission Rule R8-71(k). The Public Staff further stated that the registration statement contains the certified attestations required by Commission Rule R8-66(b). Therefore, the Public Staff recommended acceptance of the registration for the Facility and approval of the certificate, subject to certain conditions.

With regard to need for the Facility, DEC stated that the Facility was selected by the CPRE Independent Administrator as a cost-effective resource to meet the CPRE requirements of N.C. Gen. Stat. §62-110.8. DEC stated that while the Facility would provide little to no capacity value at the time of its winter peak, it would provide valuable energy with no fuel costs, and would also help support DEC’s compliance efforts with the Renewable Energy and Energy Efficiency Portfolio Standard (“REPS”).

The Public Staff agreed with DEC that the Facility was selected through Tranche 1 of the CPRE process as cost-effective by the CPRE Independent Administrator, and was identified as Proposal #83-06 in the Tranche 1 Final Report filed with the Commission on July 23, 2019, as a winning bidder. The Public Staff notes that the Facility was submitted by DEC as a self-build project, and is therefore subject to the 30% limitation on the procurement requirement that may be satisfied by utility self-build or subsidiary projects, pursuant to N.C. Gen. Stat. § 62-110.8(b)(4).

The Public Staff stated that although DEC is not seeking approval of its proposed cost recovery methodology for the costs associated with the Facility (selection, acquisition, development, construction, operation, and maintenance) in this Application, it is necessary and appropriate to address certain cost recovery parameters in order to ensure that the CPCN for the Facility and associated assets are justified by the public convenience and necessity and are in the public interest. In the course of its review, the Public Staff identified two areas of concern to ratepayers, including: (1) the possibility that DEC may seek to recover costs associated with the Facility outside of the CPRE Rider that would alter the cost-effectiveness of the Facility relative to other resource options; and (2) the possibility that DEC may not be able to recover on a market basis the costs associated with CPRE projects in other jurisdictions, as is provided in North Carolina pursuant to N.C. Gen. Stat. § 62-110.8(g).

The Public Staff noted that DEC indicates that its as-bid PPA price for the Facility will form the basis for future cost recovery through the CPRE rider. Nonetheless, the Public Staff recommends that the Commission should direct DEC to file a final construction cost accounting report, including all costs associated with interconnection of the Facility, within 180 days of completion of construction of the project. DEC should file the final cost accounting report for the Facility with the Commission in this docket and provide a copy to the Public Staff (Condition No. 1).

The Public Staff also notes that while the Facility is expected to produce a substantial amount of renewable energy certificates (“RECs”) that may be used by DEC for REPS compliance purposes, the total cost of the resources procured under CPRE are capped at “the public utility's current forecast of its avoided cost calculated over the term of the power purchase agreement,” pursuant to N.C. Gen. Stat. § 62-110.8(b)(2), so there should be no portion of the cost recovery for the Facility that is “in excess of the electric power supplier’s avoided costs” pursuant to N.C. Gen. Stat. § 62-133.8(h)(1)a that would be considered “incremental costs,” and therefore eligible for DEC to recover in the REPS Rider. Therefore, the Public Staff recommends that the Commission provide that no costs associated with the Facility are subject to cost recovery by DEC under its annual REPS Rider. (Condition No. 2).

In addition, the Public Staff maintains that since the Facility will provide low-cost renewable energy on a system basis, the costs associated with the Facility should be allocated among jurisdictions and customer classes in the same manner as any other plant in DEC’s generation portfolio. Therefore, the Public Staff recommends that no portion of any of the costs of the Facility that are directly assigned, allocated, or otherwise attributable to another jurisdiction should be recovered from North Carolina retail customers, even if recovery of those costs is disallowed or denied, in whole or in part, in another jurisdiction. (Condition No. 3).

In summary, the Public Staff recommended that the Commission issue an order accepting the registration for the Facility and approving the certificate, subject to the specific conditions listed above.

After careful consideration, the Commission finds good cause to approve the Application and issue the attached certificate for the proposed solar photovoltaic electric generating facility, subject to Condition Nos. 1 through 3 proposed by the Public Staff. The Commission further finds good cause, based upon the foregoing and the entire record in this proceeding, to accept registration of the Facility as a new renewable energy facility. DEC shall annually file the information required by Commission Rule R8-66 on or before April 1 of each year and is required to participate in the NC-RETS REC tracking system (<http://www.ncrets.org>) in order to facilitate the issuance of RECs.

IT IS, THEREFORE, ORDERED as follows:

1. That a certificate of public convenience and necessity shall be, and is hereby, issued to Duke Energy Carolinas, LLC, for the 25.0-MW_{AC} solar photovoltaic electric generating facility to be located at 345 Neal Road, Bessemer City, Gaston County, North Carolina.
2. That this approval is subject to Condition Nos. 1 through 3 proposed by the Public Staff, as set forth expressly in the body of this Order.
3. That this Order shall not preclude any party from contesting the reasonableness and prudence of DEC's costs associated with this Facility and the methodology for recovering those costs in any future CPRE rider or any other appropriate proceeding.
4. That Appendix A hereto shall constitute the certificate of public convenience and necessity issued for the Facility.
5. That the registration statement filed by Duke Energy Carolinas, LLC, for its solar photovoltaic facility located in Gaston County, North Carolina, as a new renewable energy facility, shall be, and is hereby, accepted.
6. That Duke Energy Carolinas, LLC, shall annually file the information required by Commission Rule R8-66 on or before April 1 of each year.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, Sub 1216

Duke Energy Carolinas, LLC
550 S. Tryon Street
Charlotte, North Carolina, 28202

is hereby issued this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
PURSUANT TO N.C. GEN. STAT. §§ 62-110.1(a) and 62-110.8

for a 25.0-MW_{AC} solar photovoltaic electric generating facility

located

at 345 Neal Road, Bessemer City, Gaston County, North Carolina.

subject to all orders, rules, regulations and conditions
as are now or may hereafter be lawfully made
by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of January, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

[Back to Agenda](#)

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 497A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application by Aqua North Carolina, Inc.,	)	ORDER APPROVING WATER AND
202 MacKenan Court, Cary, North	)	SEWER SYSTEM IMPROVEMENT
Carolina 27511, for Approval of Semi-	)	CHARGES ON A PROVISIONAL
Annual Adjustments to Water and Sewer	)	BASIS AND REQUIRING CUSTOMER
System Improvement Charges pursuant	)	NOTICE
to N.C. Gen. Stat. § 62-133.12)	

BY THE COMMISSION: On November 1, 2019, Aqua North Carolina, Inc. (Aqua), filed an application requesting authority to adjust its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective January 1, 2020, pursuant to Commission Rules R7-39 and R10-26 (Application).

On December 20, 2019, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendation (Notice) at the Commission’s January 6, 2020, Regular Staff Conference. This Notice is incorporated by reference herein.

On January 6, 2020, Public Staff presented this matter to the Commission at the Regular Staff Conference.

On the basis of the verified Application, the records of the Commission, and the comments and recommendations of the Public Staff, the Commission makes the following

FINDINGS OF FACT

1. Aqua is a corporation duly organized under the laws of and is authorized to do business in the State of North Carolina. Aqua is a franchised public utility providing water and/or sewer utility service to customers in North Carolina.

2. Aqua’s WSIC and SSIC percentages were reset to zero as of December 18, 2018, the effective date of Aqua’s new base rates in its general rate case, Docket No. W-218, Sub 497 (Sub 497 Rate Case). This is Aqua’s second filing to implement charges under the WSIC and SSIC mechanism since the Sub 497 Rate Case.

3. The implementation of the WSIC and SSIC for Aqua was first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua's rates every January 1st and July 1st based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request. This is Aqua's ninth semi-annual adjustment to its WSIC and SSIC.

4. Aqua is requesting the following increases/decreases to the WSIC and SSIC percentages previously approved by the Commission on July 1, 2019:

	Previously Approved WSIC/SSIC Percentage	Net Change To WSIC/SSIC Percentage	Cumulative WSIC/SSIC Percentage
Uniform water	1.26%	1.37%	2.63%
Uniform sewer	0.39%	0.85%	1.24%
Fairways/Beau Rivage water	0.00%	0.00%	0.00%
Fairways/Beau Rivage sewer	0.18%	-0.01%	0.17%
Brookwood/LaGrange water	1.92%	1.61%	3.53%

5. The WSIC and SSIC percentages above do not include the Experience Modification Factor (EMF) adjustments from the 2018 annual WSIC and SSIC revenue review that went into effect on July 1, 2019. The impact of the 2018 EMF on Aqua's requested WSIC and SSIC percentages are as follows:

	WSIC/SSIC Percentage	2018 Experience Modification Factor	Cumulative WSIC/SSIC Percentage
Uniform water	2.63%	0.06%	2.69%
Uniform sewer	1.24%	-0.09%	1.15%
Fairways /Beau Rivage water	0.00%	-0.24%	-0.24%
Fairways/Beau Rivage sewer	0.17%	-0.11%	0.06%
Brookwood/LaGrange water	3.53%	0.04%	3.57%

6. The cumulative WSIC and SSIC revenue requirements after Aqua's proposed increases/decreases are as follows:

	Previously Approved WSIC/SSIC Revenue Requirement	Net Change to WSIC/SSIC Revenue Requirement	Cumulative WSIC/SSIC Revenue Requirement
Uniform water	\$433,865	\$484,479	\$918,344
Uniform sewer	\$58,207	\$134,186	\$192,393
Fairways/Beau Rivage water	\$0	\$0	\$0
Fairways/Beau Rivage sewer	\$3,834	\$0	\$3,834
Brookwood/LaGrange water	\$104,769	\$89,912	\$194,681

7. Aqua is proposing the above increases/decreases in the WSIC and SSIC in order to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from April 1, 2019, through September 30, 2019:

Secondary drinking water standards	\$2,753,660
Main replacement	1,804,019
Primary drinking standards	247,560
NCDOT main relocate	237,426
Valves and hydrants	196,423
Service line replacement	62,573
Total WSIC plant additions	<u>\$5,301,661</u>
Replace blowers and/or motors	\$887,475
Replace lift station and sewer plant pumps	405,216
Total SSIC plant additions	<u>\$1,292,691</u>

8. Under N.C. Gen. Stat. § 62-133.12(c), eligible water system improvements include “equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards.” During the six months ended September 30, 2019, Aqua installed eight iron and manganese filter projects in the following subdivisions at a total cost of \$2,753,660:

The Barony, Well #5	\$386,963
Woodvalley, Well #9	261,471
Georges Grant, Well #1	430,080
Carlyle Manor, Well #4	360,167
Forest Glen, Well #2	322,148
Snow Creek Heights, Well #2	282,967
Kensington Manor, Well #2	396,083
Trappers Creek, Well #2	313,781
Total FeMn filter projects	<u>\$2,753,660</u>

The Commission authorized the implementation of these filtration projects in its Order Approving Secondary Water Quality Improvement Projects issued on December 22, 2014, November 20, 2018, December 17, 2018, and May 20, 2019, in Docket No. W-218, Subs 363A, and 497A.

9. Pursuant to N.C. Gen. Stat. § 62-133.12(g), the cumulative WSIC and SSIC percentages are capped at 5% of total annual service revenues approved by the Commission in the Sub 497 Rate Case, resulting in the following maximum revenue requirements for water and sewer operations:

	Sub 497 Annual Service Revenues	Maximum WSIC/SSIC Percentage	Maximum WSIC/SSIC Revenue Requirement
Uniform water	\$35,345,847	x 5% =	\$1,767,292
Uniform sewer	\$14,330,238	x 5% =	\$716,512
Fairways /Beau Rivage water	\$1,077,223	x 5% =	\$53,861
Fairways/Beau Rivage sewer	\$2,084,779	x 5% =	\$104,239
Brookwood/LaGrange water	\$5,575,470	x 5% =	\$278,774

As shown above, Aqua's proposed WSIC and SSIC revenue requirements do not exceed the maximum WSIC and SSIC revenue requirement for water and sewer operations.

10. As stated by the Commission in its June 6, 2014, *Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12*, in Docket No. W-100, Sub 54, the Public Staff is to review all infrastructure improvements proposed for recovery for eligibility and reasonableness prior to making its recommendation to the Commission on WSIC or SSIC rate adjustments. Furthermore, any WSIC or SSIC rate adjustments will be allowed to become effective, but not unconditionally approved. These adjustments shall be further examined for a determination of their justness and reasonableness in a utility's next general rate case. At that time, the adjustments may be rescinded retroactively if the

Commission determines that the adjustments were not prudent, just and/or reasonable.

11. Based on the Public Staff’s investigation to date, the WSIC and SSIC projects included in Aqua’s request are eligible water and sewer system improvements as defined in N.C. Gen. Stat. § 62-133.12(b), (c), and (d).

12. The Public Staff recommended the following adjustments to the WSIC and SSIC percentages:

1) Revisions made to Uniform water project cost – In response to Public Staff data requests, Aqua provided to the Public Staff, a revised Appendix B for Uniform water operations reflecting a reduction of the total cost of several projects listed in the original filing. The combined reduction of these project costs is \$9,193.

2) Correct accumulated deferred income tax (ADIT) – Aqua inadvertently calculated tax depreciation on land acquired as part of the 2019 projects costs for Uniform water operations. This error was subsequently corrected by Aqua in the revised Appendix B provided to the Public Staff.

3) Adjustment to Brookwood/LaGrange project cost – The Public Staff is recommending an adjustment to decrease the cost of the Strickland Road water main relocation project from \$237,426 to \$236,737 based on responses provided by Aqua to Public Staff data requests.

The effect of the adjustments discussed above reduces the overall revenue requirement for Uniform water and Brookwood/LaGrange water operations, however, Aqua’s proposed WSIC percentages did not change based on the projected 2020 non-WSIC revenues.

13. Based on the adjustments above, the Public Staff recommended the following adjustments to the WSIC and SSIC revenue requirements and percentages proposed by Aqua:

	WSIC/SSIC Revenue Requirement Per Public Staff	Impact of Public Staff Adjustments	WSIC/SSIC Percentage Per Public Staff	
Uniform water	2.69%	\$481,459	0.00%	2.69%
Uniform sewer	1.15%	\$134,186	0.00%	1.15%
Fairways/Beau Rivage water	-0.24%	\$0	0.00%	-0.24%
Fairways/Beau Rivage sewer	0.06%	\$0	0.00%	0.06%
Brookwood/LaGrange water	3.57%	\$89,852	0.00%	3.57%

14. Based on the Public Staff's investigation to date, the Public Staff recommended that Aqua be allowed to implement the proposed WSIC and SSIC percentages effective for service rendered on or after January 1, 2020, subject to true-up. The Public Staff will continue to review the justness, prudence, and reasonableness of these improvements during its review of Aqua's future WSIC and SSIC filings and in Aqua's next general rate case.

CONCLUSIONS

Based upon the foregoing, the Commission concludes that Aqua should be allowed to implement the proposed increases/decreases in the WSIC and SSIC percentages effective for service rendered on and after January 1, 2020. These WSIC or SSIC rate adjustments, while allowed to become effective, are not unconditionally approved, and will be subject to further examination for justness and reasonableness in the WSIC and SSIC annual review and reconciliation and Aqua's next general rate case.

IT IS, THEREFORE, ORDERED as follows:

1. That Aqua is authorized to implement the recommended Water and Sewer System Improvement Charges set forth in the attached Appendix A-4 to Aqua's Schedule of Rates effective for service rendered on and after January 1, 2020, subject to true-up. The rates contained therein are provisional and subject to review in Aqua's next general rate case.
2. That the attached Appendix A-4 is approved and is deemed filed with the Commission pursuant to N.C. Gen. Stat. § 62-138.
3. That Aqua shall mail to each of its customers with the next regularly scheduled customer billing the Commission-approved customer notice.¹

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of _____, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

¹ Three separate customer notices are attached hereto as Attachments A, B, and C, respectively. The separate customer notices are intended to minimize customer confusion. Aqua shall mail the appropriate customer notice to each of its customers with the next regular customer billing.

**AQUA NORTH CAROLINA, INC.
WATER AND SEWER SYSTEM IMPROVEMENT CHARGES**

WATER SYSTEM IMPROVEMENT CHARGE

All Aqua NC water systems except as noted below	2.69% ^{1/}
Water systems in Brookwood and LaGrange service areas	3.57% ^{1/}
Water systems in Fairways and Beau Rivage service areas	-0.24% ^{1/}

SEWER SYSTEM IMPROVEMENT CHARGE

All Aqua NC sewer systems except as noted below	1.15% ^{2/}
Sewer systems in Fairways and Beau Rivage service areas	0.06% ^{2/}

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

The Public Staff – North Carolina Utilities Commission (Public Staff) has carefully reviewed Aqua’s stated WSIC improvements, including reviewing in detail construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. On December 20, 2019, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 6, 2020, Regular Staff Conference (Notice).

Based on the application filed by Aqua and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC charge for the Brookwood and LaGrange service areas, effective for service rendered on and after January 1, 2020:

	Previously Approved WSIC Percentage	Net Change To WSIC Percentage	Cumulative WSIC Percentage
WSIC	1.96%	1.61%	3.57%

The approved WSIC percentage of 3.57% will be applied to the water utility bill of each customer under Aqua’s applicable service rates and charges.

The 3.57% WSIC percentage results in a \$1.21 increase to the monthly average residential bill for a customer using the average of 5,306 gallons per month.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order dated May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC and SSIC Application filed November 1, 2019, the December 20, 2019, Public Staff Notice, and the January ____, 2020 Commission Order in Docket No. W-218, Sub 497A, all of which can be accessed from the Commission’s website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 497A).

EXHIBIT NO. P-2
PAGE 10 OF 16

ATTACHMENT A
PAGE 3 OF 3

Parties interested in receiving notice of these filings may subscribe to the Commission's electronic notification system through the Commission's website at www.ncuc.net.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

The Public Staff – North Carolina Utilities Commission (Public Staff) has carefully reviewed Aqua’s stated WSIC and SSIC improvements, including reviewing in detail construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. On December 20, 2019, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 6, 2020, Regular Staff Conference (Notice).

Based on the application filed by Aqua and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC and SSIC charge for the Fairways and Beau Rivage service areas, effective for service rendered on and after January 1, 2020:

	<u>Previously Approved WSIC/SSIC Percentage</u>	<u>Net Change To WSIC/SSIC Percentage</u>	<u>Cumulative WSIC/SSIC Percentage</u>
WSIC	-0.24%	0.00%	-0.24%
SSIC	0.07%	-0.01%	0.06%

The WSIC percentage of -0.24% will be applied to the water utility bill of each customer, and the SSIC percentage of 0.06% will be applied to the sewer utility bill of each customer, under Aqua’s applicable service rates and charges.

The approved -0.24% WSIC percentage results in a \$0.05 decrease to the monthly average residential bill for a customer using the average of 7,042 gallons per month. The -0.24% WSIC percentage also will apply to the monthly bills for the customers on water systems where Aqua purchases bulk water.

The 0.06% SSIC percentage results in a \$0.04 increase to the monthly residential customer flat rate sewer bill.

EXHIBIT NO. P-2
PAGE 13 OF 16

ATTACHMENT B
PAGE 3 OF 3

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order dated May 2, 2014, in Docket No. W-218, Sub 363, the Commission's Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed November 1, 2019, the December 20, 2019, Public Staff Notice, and the January____, 2020 Commission Order in Docket No. W-218, Sub 497A, all of which can be accessed from the Commission's website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 497A).

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ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

The Public Staff – North Carolina Utilities Commission (Public Staff) has carefully reviewed Aqua’s stated WSIC and SSIC improvements, including reviewing in detail construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. On December 20, 2019, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 6, 2020, Regular Staff Conference (Notice).

Based on the application filed by Aqua and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC and SSIC charge for the Aqua’s uniform service areas, effective for service rendered on and after January 1, 2020:

	Previously Approved WSIC/SSIC Percentage	Net Change To WSIC/SSIC Percentage	Cumulative WSIC/SSIC Percentage
WSIC	1.32%	1.37%	2.69%
SSIC	0.30%	0.85%	1.15%

The WSIC percentage of 2.69% will be applied to the water utility bill of each customer, and the SSIC percentage of 1.15% will be applied to the sewer utility bill of each customer, under Aqua’s applicable service rates and charges.

The approved 2.69% WSIC percentage results in a \$1.30 increase to the monthly average residential bill for a customer using the average of 4,971 gallons per month. The 2.69% WSIC percentage also will apply to the monthly bills for the customers on water systems where Aqua purchases bulk water.

The 1.15% SSIC percentage will also apply to the monthly metered bills for customers on sewer systems where Aqua purchases bulk sewer treatment.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order dated May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed November 1, 2019, the December 20, 2019, Public Staff Notice, and the January ____, 2020 Commission Order in Docket No. W-218, Sub 497A, all of which can be accessed from the Commission’s website at www.ncuc.net, under Docket Portal, using the Docket

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ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2020.

NORTH CAROLINA UTILITIES COMMISSION

Kimberley A. Campbell, Chief Clerk

[Back to Agenda](#)