

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE

March 29, 2021

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, March 29, 2021, at 10:00 a.m., with Chair Mitchell, presiding. The remote meeting was conducted by use of simultaneous communication (via Webex) pursuant to N.C. Gen. Stat. § 166A-19.24, streamed live online, and available to the public.

The following were present during the entirety of the remote meeting:

COMMISSIONERS

Commissioner Brown-Bland
Commissioner Gray
Commissioner Clodfelter
Commissioner Duffley
Commissioner Hughes
Commissioner McKissick

COMMISSION STAFF: Ms. Lazo, Ms. Henderson, Ms. Fennell, Ms. Condie, Ms. Swenson, Ms. Barnes, Ms. Jones, Ms. Hilburn, Ms. Paschal, Mr. Wood, Ms. Zhang, Ms. Jayasheela, Ms. Burns, Mr. Warren, Mr. Hardy, Mr. McCoy

PUBLIC STAFF: Ms. Downey, Ms. Culpepper, Ms. Holt, Ms. Edmondson, Ms. Jost, Mr. Creech, Mr. Little, Ms. Coxton, Mr. Henry, Ms. Perry, Ms. Johnson, Ms. Coleman, Mr. Floyd, Mr. Saillor, Mr. Gilbert, Mr. Lucas, Mr. T. Williamson, Ms. Naba, Mr. Lawrence, Mr. Furr, Ms. Casselberry, Ms. Darden, Mr. Franklin, Mr. Hinton, Mr. Lozier

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

B. NATURAL GAS**P1. DOCKET NO. G-5, SUB 633 – APPLICATION OF PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC., FOR APPROVAL OF BI-ANNUAL ADJUSTMENT OF RATES UNDER RIDER C TO ITS TARIFF**

On March 18, 2021, Public Service Company of North Carolina, Inc. (PSNC or Company), filed an application requesting approval to implement temporary increments and decrements in its rates for residential, small general service, and medium general service customers, effective April 1, 2021, pursuant to N.C. Gen. Stat. § 62-133.7 and Rider C of the Company's Tariff. Rider C is PSNC's Customer Usage Tracker (CUT) mechanism. PSNC stated that its application is based on the Customer Usage Deferred Account balances as of January 31, 2021.

According to the CUT, PSNC is to compare actual residential and small and medium general service margins with the margins contained in the most recent Commission approved rates. PSNC is to then apply, on a bi-annual basis, for authority to implement temporary rate increments or decrements (temporaries) to collect or refund any differences in the Customer Usage Deferred Account.

The proposed CUT temporaries, as well as the existing CUT temporaries and the corresponding rate changes, expressed in dollars per dekatherm (\$/dt), are as follows:

Rate Class and Schedule	Customer Usage Deferred Account Balance at 1/31/2021 (\$)	Rate Case Volumes (dts)	Proposed CUT Temporaries (\$/dts)	Existing CUT Temporaries (\$/dts)	Change in CUT Temporaries (\$/dts)
Residential (101)	\$16,222,700	29,824,953	\$0.5439	\$0.7412	(\$0.1973)
Residential Hi-Efficiency (102)	\$30,940	439,438	\$0.0704	\$0.5504	(\$0.4800)
Sm Gen Service (125)	\$4,442,474	12,075,370	\$0.3679	\$0.4370	(\$0.0691)
Sm Gen Service Hi-Efficiency (127)	(\$3,236)	100,097	(\$0.0323)	(\$0.0894)	\$0.0571
Med.Gen. Service(140)	\$715,222	3,295,885	\$0.2170	\$0.2693	(\$0.0523)

The Public Staff has reviewed the application and the proposed rate adjustments and finds them to be in compliance with Rider C of PSNC's tariffs, and recommends approval as filed.

The Public Staff recommended that the Commission issue the proposed order approving PSNC's proposed rate changes as filed.

It was moved and passed that the Public Staff's recommendation be adopted.

P2. DOCKET NO. G-9, SUB 785 – APPLICATION OF PIEDMONT NATURAL GAS COMPANY, INC., FOR APPROVAL OF BI-ANNUAL ADJUSTMENT OF RATES UNDER APPENDIX C OF ITS SERVICE REGULATIONS

On March 18, 2021, Piedmont Natural Gas Company, Inc. (Piedmont), filed an application requesting authority to adjust its rates effective April 1, 2021, pursuant to its Margin Decoupling Tracker (MDT) mechanism. These adjustments are filed in compliance with Appendix C of Piedmont's Service Regulations, which was approved in Piedmont's last general rate case in Docket No. G-9, Sub 743, and are based on the Margin Decoupling Deferred Account balance as of January 31, 2021.

According to the MDT, Piedmont is to compare actual residential, small general and medium general commercial margins with the margins contained in the approved rates from Docket No. G-9, Sub 743. Piedmont is then to apply for, on a bi-annual basis, authority to implement temporary rate increments and/or decrements (temporaries) to collect or refund any differences in the Margin Decoupling Deferred Account.

The proposed MDT temporaries, as well as the existing MDT temporaries and the corresponding rate changes, expressed in dollars per dekatherm (\$/dt), are as follows:

Rate Description and Schedule	Margin Decoupling Deferred Account Balance at 1/31/2021 (\$)	Proposed MDT Temporaries (\$/dt)	Existing MDT Temporaries (\$/dt)	Change In MDT Temporaries (\$/dt)
Residential (Rate Schedule 101)	\$42,591,372	\$1.0836	\$0.7751	\$0.3085
Small Commercial (Rate Schedule 102)	\$21,682,256	\$0.8011	\$0.5428	\$0.2583
Medium Commercial (Rate Schedule 152)	\$3,032,474	\$0.6171	\$0.4107	\$0.2064

The Public Staff has reviewed these proposed rate adjustments and recommends approval as filed.

The Public Staff recommended that the Commission issue the proposed order approving Piedmont's proposed rate changes as filed.

It was moved and passed that the Public Staff's recommendation be adopted.

P3. DOCKET NO. G-39, SUB 45 – APPLICATION OF CARDINAL PIPELINE COMPANY, LLC, FOR APPROVAL OF FUEL TRACKER AND ELECTRIC POWER COST ADJUSTMENT

On March 1, 2021, Cardinal Pipeline Company, LLC (Cardinal), filed an application, pursuant to Section 1 of the General Terms and Conditions of its tariffs, requesting approval to adjust its fuel retention percentage from 0.83% to 0.88% for Zones 1A, 1B, and 2 of Rate Schedule CFT effective April 1, 2021. In addition, pursuant to Section 2 of the General Terms and Conditions of its tariffs, Cardinal is requesting approval to implement an Electric Power (EP) rate of \$0.01194 per dekatherm (dt) per month (\$0.00039 per dt per day) for Zones 1A, 1B, and 2 of Rate Schedule CFT effective April 1, 2021.

Cardinal states in its application that the fuel retention percentage allows Cardinal to retain volumes of gas required for operation (GRO) and lost and unaccounted for gas. The revised fuel retention percentage proposed to be effective April 1, 2021 is based on the actual GRO for the period January 1, 2020, through December 31, 2020, and the balance in the Deferred GRO Account as of December 31, 2020.

Cardinal further states in its application that the EP rates are designed to recover Cardinal's estimated electric power costs at Compressor Station No. 161, as adjusted by the current balance in the EP Deferred Account. The EP rates proposed to be effective April 1, 2021, are based on the estimated electric power costs for the period April 1, 2021 through March 31, 2022, plus the balance in the EP Deferred Account as of January 31, 2021.

The Public Staff has reviewed the application and recommends approval as filed.

The Public Staff recommended that the Commission issue the proposed order approving Cardinal's proposed revisions to the fuel retention percentage and the Electric Power rate.

It was moved and passed that the Public Staff's recommendation be adopted.

P4. DOCKET NO. G-40, SUB 160 – APPLICATION OF FRONTIER NATURAL GAS COMPANY AND ULLICO INFRASTRUCTURE HEARTHSTONE HOLDCO, LLC FOR APPROVAL OF THE SALE AND TRANSFER OF STOCK

On January 27, 2021, Frontier Natural Gas Company (Frontier) and Ullico Infrastructure Hearthstone Holdco, LLC (UIHH) (collectively, the Applicants), filed an application pursuant to N.C. Gen. Stat. § 62-111 for (1) approval of a transaction whereby Hearthstone Utilities Inc. (HUI) and its subsidiaries, including Frontier, will become wholly owned subsidiaries of UIHH, and (2) authorization and/or waiver as is necessary and appropriate to effect the proposed transaction. Attached to the application are the following exhibits: the Stock Purchase and Sales Agreement (SPSA); financial statements for Frontier as of September 30, 2020; an organizational chart; and a cost-benefit analysis.

The Applicants also filed direct testimony with the application.

In the application, the Applicants state the following: (1) Frontier is a wholly owned subsidiary of PHC Utilities, Inc. (PHC), which is wholly owned by HUI; (2) HUI is owned by GEP Bison Holdings, Inc. (GBH), which is owned by an infrastructure fund managed by an investment management subsidiary of BlackRock, Inc.;¹ (3) UIHH, a special purpose entity established for the purpose of acquiring GBH and its subsidiaries, is a wholly-owned subsidiary of Ullico Infrastructure Master Fund, L.P., which, along with its general partner UIF GP, LLC, are referred to as Ullico Infrastructure Fund (UIF or the Fund); (4) UIF has experience owning and financing a mixture of energy related firms, including investments in regulated utility assets; (5) UIF's investment vehicle is an open-ended investment fund that makes investments in infrastructure businesses that provide essential services to communities, governments, and businesses; (6) UIF made its first equity investment in November 2012 and has since secured more than \$3 billion in commitments from investors; (7) UIF has made 18 investments across the transportation, energy, and utilities sectors, providing geographic and sector diversification, including ownership in a water and wastewater utility, a high-voltage submarine transmission cable, four combined-cycle generation plants, several solar and wind farms, and a natural gas transmission pipeline system.

Additionally, the Applicants indicate that the proposed transaction would not affect the Commission's regulatory jurisdiction over Frontier, or the rates, service requirements, financing arrangements, or any orders previously issued by the Commission currently applicable to Frontier. Further, the Applicants represent that the proposed transaction will result not in any changes to Frontier's rates, services, operations or regulatory policies.

The Commission's Order Requiring Filing of Analyses issued November 2, 2000, in Docket No. M-100, Sub 129 (M-100, Sub 129 Order), requires that merger applications be accompanied by a market power analysis and a cost-benefit analysis. The Applicants submitted a cost-benefit analysis. According to the application, given the relative size of Frontier's North Carolina operations and the lack of any other UIF-owned operations served by or in proximity to Frontier's service territory, there is no possibility that the proposed transaction will enhance or increase either Frontier's or UIF's market power in any relevant retail or wholesale market. Frontier, therefore, requests a waiver of the requirement to file a market power analysis.

The Public Staff has reviewed the application and additional information provided by the Applicants, and recommends that an order be issued setting the application for hearing, establishing deadlines for petitions to intervene and the filing of testimony, establishing appropriate discovery rules, and requiring public notice. The Public Staff further recommends that the order grant the waiver of the requirement to file a market power analysis and state that the Application satisfies the requirements of the M-100, Sub 129 Order.

¹ GBH's current controlling owner, GEPIF II ECHO AIV, L.P., entered into the SPSA with UIHH.

The Public Staff recommended that the proposed order be issued setting the application for hearing, establishing deadlines for petitions to intervene and the filing of testimony, establishing appropriate discovery rules, requiring public notice, granting the requested waiver, and finding that the application satisfies the requirements of the M-100, Sub 129 Order.

It was moved and passed that the Public Staff's recommendation be adopted.

D. ELECTRIC

P1. APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITY

The following application seeks an amended certificate of public convenience and necessity for construction of a solar photovoltaic (PV) electric generating facility, pursuant to N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-64.

Duke Energy Progress:

- Docket No. SP-8510, Sub 0 – Application of Cabin Creek Solar, LLC, for an amended certificate of public convenience and necessity to construct a 70.2-MW solar PV facility in Montgomery County, North Carolina. (registration statement issued previously)

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

The Public Staff recommended that the Commission issue an order approving the application and issuing the requested amended certificate for the facility. A proposed order has been provided to the Commission Staff.

It was moved and passed that the Public Staff's recommendation be adopted.

P2. DOCKET NO. E-2, SUB 1264 – DUKE ENERGY PROGRESS, LLC; DOCKET NO. E-7, SUB 1244 – DUKE ENERGY CAROLINAS, LLC – REVISIONS TO LANDLORD AGREEMENT REVERT TO OWNER PROGRAM

On March 1, 2021, Duke Energy Progress, LLC (DEP), and Duke Energy Carolinas, LLC (DEC) (collectively "Companies"), filed an application seeking approval to revise the Companies' Landlord Agreement Revert to Owner Programs. These programs allow a landlord to avoid a lapse in service by automatically placing electric service in the landlord's name in the event a tenant voluntarily vacates the property.

In 1995, the Commission approved the original Landlord Revert to Owner Agreement to DEP's predecessor's service regulations in Docket No. E-2, Sub 671. DEC has had a landlord reversion program similar to that of DEP since at least 2003.

In the current application, the Companies state that they are revising and aligning their respective programs as part of the rollout of Customer Connect to provide uniform rules for their customers. DEC will deploy Customer Connect in April 2021 and DEP in November 2021. The following table summarizes the current programs and proposed changes to program attributes.

Program Attributes	Current State		Future State	
	DEC	DEP	DEC	DEP
Signed contract for enrollment	Yes	Yes	Yes	Yes
Notary requirement for contract signature	No	Yes	No	No
Residential rental properties	Yes	Yes	Yes	Yes
Non-residential properties	Yes	No	Yes	Yes
Minimum number of contiguous properties	No	Yes	No	No
Connection charge when service reverts to landlord	Yes	Yes	Yes	Yes
Deposit required for Revert to Owner properties	No	Yes	No (except for Disconnect-No Pay (DNP))	No (except DNP)
Deposit calculation methodology	N/A	Deposit - \$40 per residential rental unit covered each Landlord Agreement	According to Rules	According to Rules

The Public Staff recommends that the Commission approve the modifications as filed.

The Public Staff recommended that the Commission issue the proposed order approving DEC's and DEP's proposed modifications to their Landlord Agreement Revert to Owner Programs as filed.

It was moved and passed that the Public Staff's recommendation be adopted.

**P3. DOCKET NO. E-7, SUB 1032 – DUKE ENERGY CAROLINAS, LLC –
MODIFICATION OF POWER MANAGER LOAD CONTROL SERVICE
PROGRAM**

On March 9, 2021, Duke Energy Carolinas, LLC (DEC), filed a request for approval to modify its Residential Power Manager Load Control Service program (Program). The proposed modifications, if approved, would allow customers who receive service under the Small Customer Generator Rider (SCG Rider) or Net Metering Rider (Rider NM) customers to participate. DEC indicates that future growth of the Program is now winter focused making the prohibition unnecessary.

The Program was originally approved on February 26 2009, in Docket No. E-7 Sub 831, as a demand side management (DSM) program pursuant to N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-68. Similar prohibitions were imposed on other non-residential curtailable or interruptible customers who owned supplemental or standby generation resources (Riders IS and SG) in new demand side programs.

The Public Staff notes that each of DEC's DSM programs and other load curtailable or interruptible riders have historically focused on summer-peaking load reductions. The shift to winter-focused load control also reduces any concern that Rider SCG and NM customers would adversely impact such load reducing resources. In other words, customers would receive incentives/credits for loads that would otherwise be satisfied by customer-owned generation. The net effect would be that DEC would see no net load reduction when a load reduction event was called.

The Public Staff inquired about the participation and load reduction potential expected, as well as the cost effective of the modified Program. DEC indicated that it had not quantified these attributes of the Program. However, the Public Staff does not expect any significant differences in the expected load reduction potential on a per participant basis or in the cost effectiveness of the Program that are not already being observed as a result from the shift of DEC's peak demand from a summer to a winter peak.² DEC also indicated that approximately 1,700 Riders SCG and NM customers had requested to participate in the Program, highlighting the need for the proposed modifications.

The Public Staff is interested in understanding any differences in the load reduction potential for Rider SCG and NM participants as opposed to participants receiving service under other rate schedules and will work with DEC to address how future evaluation, measurement, and verification of the Program's savings can address these differences.

The Public Staff recommends that the Commission approve the modifications as filed. The Public Staff further recommends that DEC remove language from its Riders SCG and NM that similarly excludes customers from participating in those riders who are also participants in the Program and refile amended versions of those riders in its compliance filing.

² See Evans Exhibit No. 7, in Docket No. E-7, Sub 1249. The Program remains very cost effective (Total Resource Cost Test result of 8.99 and Utility Cost Test of 4.26).

The Public Staff recommended that the Commission issue the proposed order approving DEC's proposed modification to its Power Manager Load Control Service program as filed.

It was moved and passed that the Public Staff's recommendation be adopted.

P4. DOCKET NO. E-22, SUB 465 – DOMINION ENERGY NORTH CAROLINA – MODIFICATION OF AIR CONDITIONER CYCLING PROGRAM

On February 17, 2021, Dominion Energy North Carolina (DENC) filed a request for approval to modify its Air Conditioner Cycling Program (Program). The proposed modification would reduce the participant incentive from \$40 to \$35 per participant per season, aligning the incentive with that offered by DENC's affiliate company in Virginia for the same program.

The Program was originally approved on February 22, 2011, as a demand side management (DSM) program pursuant to N.C. Gen. Stat. § 62-133.9 and Commission Rule R8-68. The Program has 70,624 participants (2,772 North Carolina participants) as of January 2021.

DENC states that the Program has been a highly utilized resource during summer peak demand times (20 events in 2020). However, DENC's shift from a summer to winter peaking utility has resulted in a degradation of the Program's cost effectiveness. The proposed modification marginally improves the cost effectiveness, though the Program is still not cost effective (Total Resource Cost test of 0.03 and Utility Cost Test of 0.01).³ The Company's analysis also assumes no new participation in the Program.

The Public Staff continues to be concerned with programs that are not cost effective and do not seem capable of achieving cost effectiveness in the future. ; however, the Public Staff is reluctant to suggest ending DSM programs that obviously provide reliable capacity benefits when called upon as designed. The Program continues to provide valuable capacity benefits during the summer season, though the value of those benefits is diminished with the emphasis in system planning shifting to winter. If the Program were not available, other summer capacity resources would be needed in its place to sustain adequate reserves. For these reasons, the Public Staff recommends that the Commission approve the modification as filed.

The Public Staff recommended that the Commission issue the proposed order approving DENC's proposed modification to its Air Conditioner Cycling Program as filed.

It was moved and passed that the Public Staff's recommendation be adopted.

³ From Company Exhibit DRK-1, Schedule 4, in Docket No. E-22, Sub 589.

P5. DOCKET NO. E-101, SUB 0 – WEAVING WATER, LLC – REQUEST FOR WAIVER OF MASTER METERING PROHIBITION IN N.C. GEN. STAT. § 143-151.42

On February 4, 2021, Weaving Water, LLC (Weaving Water), filed a request for approval of the use of master metering for central heat, air conditioning, and hot water systems that accomplish greater energy conservation than separate systems for each residential unit. In support of its request, Weaving Water stated that it is developing a cohousing neighborhood consisting of 24 condominium units at 3912 Rivermont Road in Durham, North Carolina. The units have full kitchens but are supplemented by shared community facilities such as a central kitchen, dining room, and laundry room. Weaving Water plans to start construction in March or April 2021.

N.C. Gen. Stat. § 143-151.42 provides, in part, as follows:

From and after September 1, 1977, in order that each occupant of an apartment or other individual dwelling unit may be responsible for his own conservation of electricity and gas, it shall be unlawful for any new residential building, as hereinafter defined, to be served by a master meter for electric service or natural gas service. Each individual dwelling unit shall have individual electric service with a separate electric meter and, if it has natural gas, individual natural gas service with a separate natural gas meter, which service and meters shall be in the name of the tenant or other occupant of said apartment or other dwelling unit.

The prohibition on master meters has several possible exemptions and exceptions. Weaving Water requests approval pursuant to the following:

Provided, however, that any owner or builder of a multi-unit residential building who desires to provide central heat or air conditioning or central hot water from a central furnace, air conditioner or hot water heater which incorporates solar assistance or other designs which accomplish greater energy conservation than separate heat, hot water, or air conditioning for each dwelling unit, may apply to the North Carolina Utilities Commission for approval of said central heat, air conditioning or hot water system, which may include a central meter for electricity or gas used in said central system, and the Utilities Commission shall promptly consider said application and approve it for such central meters if energy is conserved by said design.

Weaving Water has integrated energy-saving mechanical systems into the residential development, including ground-source heat pumps with a shared geothermal well field that will utilize a community loop to feed the individual heat pumps and water heaters of each dwelling. Solar photovoltaic panels along with battery storage will power the pumps circulating the fluid in the geothermal loop to all of the homes.

For electric service, Weaving Water proposes to use one master meter for all electrical usage, including common areas, not provided by the solar photovoltaic system. The residents will pay their electric bill through the community's homeowners association (HOA). Seventy percent of a resident's electric bill will be based on the square footage of each residential unit divided by the total square footage of the community's residential units. The remaining thirty percent of the total bill will be based on the number of full-time residents living in each unit divided by the total number of full-time residents in the community. The HOA will annually assess each homeowner in advance as part of its annual budget. The electric bill will be adjusted up or down each year based on the previous year's actual billing.

Accordingly, Weaving Water is requesting a ruling by the Commission that it is exempt from the requirements of N.C.G.S. § 143-151.42 prohibiting the use of master meters and for approval of its master metering plan.

The Public Staff reviewed Weaving Water's request and recommends that the request be granted. The Public Staff agrees that Weaving Water will achieve greater energy conservation than separate heating, air conditioning, and hot water systems for each residential unit and the common areas. Therefore, the proposed central systems should be approved because the statutory goal of energy conservation is met and the residents remain financially responsible for energy usage through their homeowner fees.

The Public Staff recommended that the Commission issue the proposed order allowing a waiver of the master metering prohibition in N.C.G.S. § 143-151.42.

This Item was taken to Executive Conference for further discussion and consideration.

E. WATER

P1. DOCKET NO. W-354, SUB 364A – CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA. – REQUEST FOR APPROVAL OF WATER AND SEWER SYSTEM IMPROVEMENT CHARGES

On January 29, 2021, Carolina Water Service, Inc. of North Carolina (CWSNC), filed an application for approval of Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) rate adjustments effective April 1, 2021, pursuant to N.C. Gen. Stat. § 62-133.12, Commission Rules R7-39 and R10-26, and the WSIC and SSIC mechanisms, which were approved in CWSNC's general rate case, in Docket No. W-354, Sub 336 (Sub 336 Rate Case) and in the Commission's prior Orders approving WSIC and SSIC mechanisms for CWSNC and the other Utilities, Inc. companies that have been merged into CWSNC.

The WSIC and SSIC procedures allow for semi-annual adjustments to CWSNC's rates every April 1 and October 1, based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request. Eligible system improvements are water and sewer system improvements set forth in N.C.G.S. § 62-133.12(b), (c), and (d) and shall include only those prudent and reasonable improvements found necessary by the Commission to enable the water or sewer utility to provide safe, reliable, and efficient service in accordance with applicable water quality and effluent standards.

CWSNC's WSIC and SSIC percentages were reset to zero as of March 31, 2020, the effective date of CWSNC's new base rates in its last general rate case, Docket No. W-354, Sub 364 (Sub 364 Rate Case). This is CWSNC's second filing to implement charges under the WSIC and SSIC mechanism since the Sub 364 Rate Case.

CWSNC's request includes WSIC and SSIC projects completed and placed in service during the six months ending December 31, 2020. These projects consist of the following:

Electric pump equip. WTP	\$22,210
Electric pump equip. trans. dist.	4,894
Water treatment equipment	472,146
Dist. Resv. and standpipes	3,107
Transmission & distribution mains	45,554
Meters	88,491
Hydrants	<u>18,430</u>
Total WSIC plant additions	<u>\$654,832</u>

Struct. and improve. pump plant	\$340,252
Sewer force main	6,755
Sewer gravity main	29,582
Manholes	900
Pumping equipment pump plant	136,015
Pumping equipment reclaim WTP	5,500
Treat/Disp. equip. treat. plant	19,482
Reuse transmission and dist.	<u>15,788</u>
Total SSIC plant additions	<u>\$554,274</u>

CWSNC's proposed WSIC and SSIC percentages to be implemented on April 1, 2021, are as follows:

	Previously Approved WSIC/SSIC <u>Percentage</u>	Net Change To WSIC/SSIC <u>Percentage</u>	Cumulative WSIC/SSIC <u>Percentage</u>
Uniform Water	0.42%	0.36%	0.78%
Uniform Sewer	0.24%	0.39%	0.63%
BF/FH/TC Water	0.09%	0.09%	0.18%
BF/FH Sewer	0.28%	0.51%	0.79%

The WSIC and SSIC percentages above do not include the Experience Modification Factor (EMF) adjustments from the 2019 annual WSIC and SSIC revenue review, which went into effect on October 1, 2020. The impact of the 2019 EMF on CWSNC's requested WSIC and SSIC percentages are as follows:

	2019 Experience Modification <u>Factor</u>	Proposed WSIC/SSIC <u>Percentage</u>	Cumulative WSIC/SSIC <u>Percentage</u>
Uniform Water	0.00%	0.78%	0.78%
Uniform Sewer	0.01%	0.63%	0.64%
BF/FH/TC Water	0.00%	0.18%	0.18%
BF/TC Sewer	0.00%	0.79%	0.79%

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

	Previously Approved WSIC/SSIC Revenue <u>Requirement</u>	Net Change to WSIC/SSIC Revenue <u>Requirement</u>	Cumulative WSIC/SSIC Revenue <u>Requirement</u>
Uniform Water	\$79,377	\$71,727	\$151,104
Uniform Sewer	\$37,488	\$63,074	\$100,562
BF/FH/TC Water	\$1,243	\$1,242	\$2,485
BF/TC Sewer	\$6,236	\$11,421	\$17,657

CWSNC's cumulative WSIC and SSIC revenue requirement is comprised of the calculated WSIC/SSIC revenue requirement for the current review period, plus updates to previously approved WSIC and SSIC revenue requirements, which became effective on December 17, 2020, and have been updated through March 31, 2021. The updates include a roll forward of accumulated depreciation and accumulated deferred income taxes.

Pursuant to N.C.G.S. § 62-133.12(g), the cumulative WSIC & SSIC percentages are capped at 5% of the total annual service revenues approved by the Commission in the Sub 364 Rate Case, resulting in the following maximum revenue requirement for CWSNC's water and sewer operations:

	Service Revenues	Cap Percentage	WSIC/SSIC Cap
Uniform Water	\$19,271,785	X 5%	\$963,589
Uniform Sewer	\$15,904,852	X 5%	\$795,243
BF/FH/TC Water	\$ 1,402,009	X 5%	\$70,100
BF/FH Sewer	\$ 2,243,027	X 5%	\$112,151

CWSNC's proposed revenue requirement does not exceed the maximum WSIC and SSIC revenue requirement listed above.

As stated by the Commission in its Order adopting Rules R7-39 and R10-26 issued on June 6, 2014, 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. The adjustments may be rescinded retroactively in the Company's subsequent general rate case, at which time the adjustment may be further examined for a determination of its justness and reasonableness.

The Public Staff has carefully reviewed CWSNC'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 recommends adjustments to remove non-eligible water and sewer system improvement costs from CWSNC's WSIC and SSIC revenue requirement.

Remove Non-Eligible Water and Sewer System Improvement Projects - After carefully reviewing invoices provided by the Company in response to our data requests, the Public Staff has concluded that some of the water and sewer system improvement projects included in the Company's application were not eligible system improvement projects subject to WSIC and SSIC recovery. Our examination of the invoices revealed that the non-eligible WSIC and SSIC projects were 1) projects that did not include documentation supporting the cost of parts taken from inventory, 2) projects that did not include documentation supporting in-house capitalized time, 3) spare/extra pumps and parts not yet in service, and therefore not used and useful, and 4) projects described as replacements, which included smaller repair parts but not the full replacement of the item. In addition, the Public Staff removed two invoices for a Florida project that had been inadvertently coded to an eligible SSIC project and another invoice that was a duplicate amount billed for the same project. Each adjustment described above, were not water and sewer system improvements as defined in N.C.G.S. § 62-133.12(b), (c) and (d).

Based on our investigation, the Public Staff recommends the following adjustments to the WSIC and SSIC percentages proposed by CWSNC:

	WSIC/SSIC Percentages Including EMF Per CWSNC	WSIC/SSIC Revenue Requirement Per Public Staff	Impact of Public Staff Adjustments	WSIC/SSIC Percentage Including EMF Per Public Staff
Uniform Water	0.78%	\$145,339	(0.03%)	0.75%
Uniform Sewer	0.64%	\$88,307	(0.07%)	0.57%
BF/FH/TC Water	0.18%	\$2,487	0.00%	0.18%
BF/TC Sewer	0.79%	\$15,718	(0.09%)	0.70%

The Public Staff has discussed its recommended adjustments with CWSNC and based on those discussions, CWSNC has agreed to accept the Public Staff's position to exclude from the WSIC and SSIC rate adjustment the non-eligible water and sewer system improvement costs.

The Public Staff will continue to review the justness, prudence, and reasonableness of these improvements during its review of CWSNC's future WSIC and SSIC filings and in CWSNC's next general rate case.

The Public Staff recommends that CWSNC be allowed to implement the Public Staff's recommended WSIC and SSIC percentages, effective for service rendered on or after April 1, 2021, subject to true-up.

The Public Staff recommended that the Commission issue the proposed order approving the Public Staff's recommended water and sewer system improvement charges, effective for service rendered on or after April 1, 2021, subject to true-up.

It was moved and passed that the Public Staff's recommendation be adopted.

Minutes of the Regular Commission Staff Conference for March 22, 2021, were approved.

Minutes prepared by Portia Barnes.