

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE
December 21, 2020

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, December 21, 2020, 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 entirety¹ of the remote meeting:

COMMISSIONERS

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

COMMISSION STAFF: Ms. Lowell, Ms. Lazo, Ms. Henderson, Mr. Buffkin, Mr. Mertz, Ms. Fennell, Ms. Cooper, Ms. Hicks, Ms. Harrod, Ms. Condie, Ms. Barnes, Ms. Filmore, Ms. Hilburn, Ms. Paschal, Ms. Jayasheela, Ms. Zhang, Ms. Burns, Ms. Needham, Mr. Morales

PUBLIC STAFF: Ms. Downey, Mr. Grantmyre, Mr. Creech, Ms. Luhr, Ms. Coxton, Mr. Maness, Mr. Henry, Ms. Li, Ms. Perry, Mr. McLawhorn, Ms. Naba, Ms. Patel, Ms. Casselberry, Ms. Darden, Ms. Proffitt, Mr. Franklin

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

¹ Commissioner Clodfelter was initially present during the remote meeting but had internet connectivity issues and, as a result, did not participate in voting matters.

B. NATURAL GAS**P1. DOCKET NO. G-40, SUB 159 – APPLICATION OF FRONTIER NATURAL GAS COMPANY FOR AN ADJUSTMENT OF ITS RATES AND CHARGES TO TRACK CHANGES IN ITS WHOLESALE COSTS OF GAS**

On December 9, 2020, Frontier Natural Gas Company (Frontier) filed an application pursuant to the provisions of N.C. Gen. Stat. § 62-133.4, Commission Rule R1-17(k)(3), and Appendix A of Frontier's Gas Service Rules & Regulations seeking authority to increase its sales rates by \$1.00 per dekatherm (dt) effective January 1, 2021. The increase is a result of a change in Frontier's Benchmark City Gate Delivered Gas Cost from \$3.45 per dt to \$4.45 per dt.

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

The Public Staff recommended that the Commission issue the Public Staff's proposed order approving the rate change proposed by Frontier.

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

C. COMMUNICATIONS**P1. FILING OF INTERCONNECTION AGREEMENT AMENDMENTS BY AT&T NORTH CAROLINA AND VERIZON SOUTH**

The following interconnection agreement amendments were filed for Commission approval between October 13, 2020, and October 19, 2020:

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

Docket No. P-55, Sub 1586 – Amendment filed on October 13, 2020, to an existing interconnection agreement with Metropolitan Telecommunications of North Carolina, Inc., formerly Metropolitan Telecommunications, Inc., approved by the Commission on November 28, 2005. The amendment modifies certain provisions related to Operations Support Systems and/or Data Connection Security Requirements, General Terms and Conditions, adds a new section regarding Pre-ordering, Ordering, provisioning, and Maintenance and Repair, and replaces Section N, which addresses Notices and the contact information to be used by the companies.

Docket No. P-55, Sub 1633 – Amendment filed on October 13, 2020, to an existing interconnection agreement with IDT America, Corp., approved by the Commission on June 6, 2006. The amendment modifies certain provisions of the agreement related to Customer Information Services pursuant to WC Docket No. 16-13, approved March 15, 2016.

The amendment deletes the rates, terms, and conditions pertaining to Operator Services (OS), Directory Assistance (DA), Directory Assistance Listings, and Inward Assistance Operator Services, and adds terms and conditions for the provision of OS/DA and Directory Listing terms for Resale, specified in Exhibit B, at rates reflected in the Exhibit C Pricing Sheets, and replaces Section N, which addresses Notices and the contact information to be used by the companies.

Verizon South Inc. (Verizon South)

Docket No. P-19, Sub 446

Amendment filed on October 19, 2020, to an existing interconnection agreement with Sprint Communications Company L.P., which was approved by the Commission in Docket No. P-19, Sub 446, on October 16, 2002. The amendment was erroneously filed in Docket No. P-19, Sub 344, and was re-filed on December 11, 2020, in Docket No. P-19, Sub 446.

The amendment implements the changes mandated by the Federal Communications Commission (FCC) in two orders issued in WC Docket No. 18-141, specifically: FCC 19-66, released on July 12, 2019, and FCC 19-72, released on August 2, 2019.

These filings were 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 the filings and recommends Commission approval.

The Public Staff recommended that orders be issued approving the amendments effective on the date they were filed.

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

E. WATER**P1. DOCKET NO. W-354, SUB 370 – CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA - NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA**

On November 19, 2020, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) filed a notification of intention to begin sewer utility operations at five lots on Smokerise Lane, Kernersville (Smokerise), which is contiguous to the Company's present Abington service area in Forsyth County, North Carolina.

CWSNC proposes to charge the rates currently approved in Docket No. W-354, Sub 364, under its Uniform Sewer Rate Division. The Company proposes to eventually service five customers.

The North Carolina Department of Environment Quality, Division of Water Resources has issued to CWSNC Permit No. WQ0041560, dated April 16, 2020, to construct and operate a wastewater collection extension to serve five residential units.

CWSNC has entered into a sanitary sewer service agreement, dated March 20, 2020, with Turner Built Homes, LLC (Developer), which requires the Developer to construct and install the complete wastewater collection system within Smokerise at no cost to CWSNC. The Developer agrees to convey the sewer systems to CWSNC and pay to CWSNC its approved uniform sewer connection fee/tap fee.

On August 26, 2019, in Docket No. W-100, Sub 57, the Commission issued an Order that required in Ordering paragraph 2 that "all certificated water and wastewater companies shall collect from contributors the income tax on CIAC for new contributions contracted for on or after October 5, 2018, using the full gross up method."

The Agreement between CWSNC and the Developer in this matter was executed March 20, 2020, and is subject to the full gross-up requirements in the Commission's August 26, 2019 Order. The Developer has agreed to pay to CWSNC \$5,500, the full gross-up tax on CIAC for each equivalent single-family dwelling.

CWSNC has requested a waiver of filing the five-year projected income and cash flow statements, because only five customers are being added using only 1,800 gpd of capacity, which will not have a significant impact on CWSNC's revenues and expenses. The Public Staff supports this request.

The Public Staff is of the opinion that CWSNC has the technical, managerial, and financial capacity to provide water and sewer utility service in Smokerise, and recommends that the contiguous extension be recognized.

The Public Staff further recommends that the Commission require posting of a \$10,000 bond for sewer service for the contiguous extension to Smokerise. CWSNC currently has \$4,020,000 of bonds posted with the Commission. Of this amount, \$3,760,000 of the bond is assigned to specific subdivisions, and \$260,000 of the bond remains unassigned.

The Public Staff recommended that the Public Staff's proposed order be issued accepting and approving bond; recognizing the contiguous extension; and approving rates.

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

P2. DOCKET NO. W-830, SUB 6 – ROCK CREEK ENVIRONMENTAL COMPANY, INC. – NOTIFICATION OF NEED TO MODIFY RATES TO PROVIDE SEWER UTILITY SERVICE TO PREPS, INC. COMMERCIAL PROPERTY

On August 21, 2013, in Docket No. W-830, Sub 4, Rock Creek Environmental Company, Inc. (Rock Creek) filed a notification of intention to begin sewer utility operation at the Preps, Inc. Commercial Property, which is contiguous to Rock Creek's Rock Creek Subdivision in Onslow County, North Carolina.

On April 22, 2014, in Docket No. W-830, Sub 4, the Commission issued its Order Recognizing Contiguous Extension of sewer utility service from the Rock Creek Subdivision service area into the Preps, Inc. Commercial Property. The Findings of Fact in support of the April 22, 2014 Order state that Rock Creek has entered into a wastewater utility system agreement dated October 3, 2012, with Preps Inc. (Preps). The agreement provides that the cost to Preps will be substantially the same as if Onslow Water and Sewer Authority (ONWASA) provided the service and not greater than 10% more than ONWASA would charge. Rock Creek proposed to charge Preps the current ONWASA commercial metered wastewater service rates plus 10%, and ONWASA's \$39,467 Sewer Impact Fee for a three-inch water meter.

On December 12, 2016, in Docket No. W-830, Sub 5, the Commission issued its Order Approving Tariff Revision and Requiring Customer Notice to reflect tax changes under N.C. Gen. Stat. § 105-130.3A, as enacted in HB 998, adjusting Rock Creek's rates for wastewater service to reflect the reduction in the State corporate income tax rate from 4% to 3%.

On July 29, 2020, Rock Creek filed a letter with the Commission stating that the actual meter size is one and a half inches instead of three inches, and that the sewer utility service rates charged to Preps should be modified as a result. The present rates for a three-inch meter include a monthly base charge, zero usage, of \$324.90 and a one-time System Development/CIAC Impact Fee of \$39,467.

The Commission-approved wastewater rates and the rates recommended by the Public Staff are as follows:

<u>Monthly Metered Wastewater Rates:</u>	<u>Present</u>	<u>Recommended</u>
Base Charge, 1.5 inch meter, zero usage	NA	\$122.62
Usage Charge, per 1,000 gallons	\$ 5.78	\$ 5.78
<u>Other Charges:</u>		
System Development/CIAC Impact Fee, 1.5 inch meter	NA	\$12,333

The Public Staff recommended that the Commission issue the Public Staff's proposed order modifying the previously approved rates and requiring customer notice.

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

P3. DOCKET NO. W-1205, SUB 13 – CLARKE UTILITIES, INC. - NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On August 27, 2020, Clarke Utilities, Inc. (Clarke Utilities or the Applicant) filed a notification of intention to begin water operations in Glen Creek Subdivision, Phase 2, which is contiguous to the Applicant's present Glen Creek Subdivision, Phase 1, in Docket No. W-1205, Sub 9, in Wake County, North Carolina.

On October 30, 2020, the Applicant filed the required exhibits necessary to complete the application.

The Applicant is proposing to charge new customers in Phase 2 its uniform rates, approved in Docket Nos. W-1205, Sub 8 and M-100, Sub 138. Those rates were effective on January 1, 2017 and include a \$160 meter installation fee. The Applicant states that it is not serving customers in Phase 2 at this time.

On April 19, 2016, Clarke Utilities entered into an Agreement for Water Service (Agreement) with Buffalo Preserve, LLC (Developer) for approximately 90 lots, which includes the 50 lots in this filing. Under the Agreement, the Developer will construct and install the central water supply, storage, and distribution system. All of the facilities installed by the Developer shall become the property of Clarke Utilities at no charge. Clarke Utilities has agreed to waive all approved tap-on fees. The Agreement was executed in 2016 and is, therefore, not subject to the full gross-up requirements set forth in the Commission's October 5, 2018, and August 26, 2019, orders.

The North Carolina Department of Environmental Quality, Division of Water Resources has approved water system improvements for a total of 92 connections, under serial number 18-00318, dated April 13, 2019.

The Public Staff is of the opinion that Clarke Utilities has the technical, managerial, and financial capacity to provide water utility service in Glen Creek Subdivision, Phase 2 and recommends that the contiguous extension be recognized.

The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension in Glen Creek Subdivision, Phase 2. Clarke Utilities currently has \$120,000 of bonds posted with the Commission. Of this amount, \$100,000 of the bond is assigned to specific subdivisions, and \$20,000 of the bond remains unassigned.

The Public Staff recommended that the Commission issue the Public Staff's proposed order accepting and approving bond, recognizing the contiguous extension, and approving rates.

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

P4. DOCKET NO. W-1327, SUB 0 – DILLSBORO WATER UTILITIES, INC. AND DOCKET NO. W-1303, SUB 4 – DILLSBORO WATER AND SEWER, INC. – APPLICATION FOR TRANSFER

On July 24, 2020, Dillsboro Water Utilities, Inc. (Dillsboro or Applicant) filed an application seeking authority to acquire from Dillsboro Water and Sewer, Inc. (DWS) the franchise for providing water and sewer utility service to four commercial customers in Dillsboro Township, Jackson County, North Carolina, and for approval of rates.

By Order dated November 3, 2020, the Commission required that the Company provide notice of the proposed transfer to customers, stating that the matter may be determined without public hearing if no significant protests were received subsequent to customer notice. On November 9, 2020, the Applicant filed a Certificate of Service certifying that the required notice had been provided to customers. The time within which customers could protest expired on December 4, 2020, and no protests have been received.

Dillsboro has entered into a Contract and Asset Agreement with DWS to acquire the assets for the water distribution system and the wastewater collection system that currently serves the BP/Subway, Microtel (formerly DRA Living Hotel), Holiday Inn Express, and Dillsboro Crossing Apartments (sewer only), constituting three metered water and sewer commercial customers and one flat-rate sewer commercial customer. The purchase price is \$225,000.

The Public Staff has calculated DWS's original cost net investment to be \$251,412 as of December 31, 2020. Since DWS's net investment is more than the purchase price, Dillsboro's net investment is the full purchase price of \$225,000.

DWS purchases water service and sewer treatment from Tuckaseegee Water and Sewer Authority of Sylva. DWS's rates have been in effect since November 21, 2016.

Dillsboro requests to continue to charge the current rates approved for DWS in Docket No. W-1303, Sub 3, as shown below:

<u>Monthly Metered Water Utility Service</u>	DWS Present Rates
Base charge, zero usage	
5/8" or 3/4" meter	\$ 54.20
1" meter	\$ 135.50
1 1/2" meter	\$ 271.00
2" meter	\$ 433.60
3" meter	\$ 813.00
4" meter	\$1,355.00
6" meter	\$2,710.00
Usage charge, per 1,000 gallons	\$ 4.03
 <u>Monthly Sewer Utility Service</u>	
Base charge per REU ¹	\$ 31.30
BP/Subway (4 REUs)	\$ 125.20
Holiday Inn Express (71 REUs)	\$2,222.30
Microtel (formerly DRA Living Hotel, 61 REUs)	\$1,909.30
Usage charge per 1,000 gallons	\$ 3.55
 <u>Monthly Flat Rate for Sewer Service</u>	
Dillsboro Crossing Apartments (26 REUs)	\$ 835.16
1 (1 REU = 120 gallons = 1 bathroom)	

The Public Staff believes that the Applicant has the technical, managerial, and financial capacity to provide water and sewer utility service to four commercial customers in Dillsboro Township.

The Public Staff recommends that the Applicant file a bond in the amount of \$10,000 for water and \$10,000 for sewer. On December 7, 2020, the Applicant filed bond in the amount of \$20,000 as required.

The Public Staff further recommends that the Applicant provide written notification to the Commission within three days after the transfer closing has been completed and the date of the closing.

The Public Staff recommended that the Commission issue the Public Staff's proposed order accepting the bond, granting the transfer, approving rates, and requiring customer notification.

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

Minutes of the Regular Commission Staff Conference for December 14, 2020, were approved.

Minutes prepared by Portia Barnes.