

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**STAFF CONFERENCE AGENDA
JUNE 25, 2018**

COMMISSION STAFF

NO AGENDA ITEMS

PUBLIC STAFF

C. COMMUNICATIONS

P1. FILING OF INTERCONNECTION AGREEMENT AMENDMENTS BY AT&T

EXPLANATION: The following interconnection agreement amendments were filed for Commission approval between April 10, 2018, and May 2, 2018:

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

Docket No. P-55, Sub 1670 – Amendment filed on April 10, 2018, to an existing interconnection agreement with YMax Communications Corp., approved December 21, 2006. 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 by the FCC on December 23, 2011, in FCC 11-189 (FCC ICC Reform Order).

The changes implement intercarrier compensation rates reflected in the Pricing Sheet(s) in Exhibit B, 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.

Docket No. P-55, Sub 1826 – Amendment filed on April 23, 2018, to an existing interconnection agreement with Granite Telecommunications, LLC, approved January 25, 2011. The amendment adds rates, terms and conditions for the reselling of Individual Case Basis contracts listed in Exhibit B, at the discounts specified in the pricing sheets in Exhibit C.

Docket No. P-55, Sub 1889 – Amendment filed on April 23, 2018, to an existing interconnection agreement with Cebridge Telecom NC, LLC, approved September 17, 2013. The amendment modifies existing procedures for calculation and reporting of Percent Local Usage (PLU) factors between the parties, reducing the frequency at which the PLU factors are updated from quarterly to annually.

Docket No. P-55, Sub 1792 – Amendment filed on May 2, 2018, to an existing interconnection agreement with CBTS Technology Solutions, LLC, approved March 19, 2010. The amendment reflects the name change from Cincinnati Bell Any Distance, Inc., to CBTS Technology Solutions LLC, and implements changes pursuant to the FCC ICC Reform Order.

The changes implement intercarrier compensation rates reflected in the Pricing Sheet(s) in Exhibit B, 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.

All of 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 each of these filings and recommends Commission approval.

RECOMMENDATION: (Proffitt/Edmondson) That orders be issued approving the amendments effective on the date they were filed. The Public Staff has provided copies of the proposed orders to the Commission's Legal Staff.

D. ELECTRIC

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

EXPLANATION: The following applications seeking amended certificates of public convenience and necessity pursuant to G.S. 62-110.1 for construction of solar photovoltaic electric generating facilities were filed pursuant to Commission Rule R8-64.

Duke Energy Progress:

- Docket No. SP-6151, Sub 0 – Application of ESA Church Road Solar, LLC, for an amended Certificate of Public Convenience and Necessity to Construct a 4.998-MW Solar Photovoltaic Facility in Johnston County, North Carolina (registration statement previously issued)
- Docket No. SP-8120, Sub 0 – Application of Warren Solar Farm, LLC, for an amended Certificate of Public Convenience and Necessity to Construct a 5-MW Solar Photovoltaic Facility in Sampson County, North Carolina (registration statement previously issued)

Dominion Energy North Carolina:

- Docket No. SP-3652, Sub 1 – Application of Gliden Solar, LLC, for an amended Certificate of Public Convenience and Necessity to Construct a 5-MW Solar Photovoltaic Facility in Chowan County, North Carolina (no registration statement)

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

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

P2. DOCKET NO. E-7, SUB 1026 – DUKE ENERGY CAROLINAS, LLC – BPM NET REVENUES AND NON-FIRM POINT-TO-POINT TRANSMISSION REVENUES ADJUSTMENT RIDER

EXPLANATION: On April 27, 2018, Duke Energy Carolinas, LLC (DEC or the Company), filed a proposed Bulk Power Marketing (BPM) True-up Rider (True-up Rider) and a BPM Prospective Rider (Prospective Rider), to be effective for the period July 1, 2018, through June 30, 2019. The purpose of the BPM Prospective Rider and the BPM True-up Rider is to flow back to DEC's North Carolina retail customers their jurisdictionally allocated share of 90% of the Company's BPM Net Revenues and 100% of its Non-Firm Point-to-Point Transmission (NFPTP) Revenues, on a prospective basis and subsequently a trued-up basis. As reflected in the April 27 filing, the proposed True-up Rider consists of a rate increment of 0.0068 cents per kWh,¹ based on a comparison of DEC's actual BPM Net Revenues and NFPTP Revenues earned in calendar year 2017 with the amounts credited to North Carolina retail customers during 2017 for those categories of Net Revenues and NFPTP Revenues. In the filing, DEC also proposed a Prospective Rider consisting of a rate decrement of (0.0078) cents per kWh² to replace the current Prospective Rider of (0.0079) cents per kWh³ included in base rates.

On June 13, 2018, DEC filed a Revised BPM True-up Rider to remove certain non-BPM employee expenses that are ineligible for recovery through the BPM True-up Rider. The revised increment True-up Rider of 0.0067 cents per kWh,⁴ if approved, will replace the existing increment True-up Rider of 0.0237 cents per kWh⁵ approved by the Commission in its Order issued June 20, 2017, in Docket No. E-7, Sub 1026. The sum of the proposed Prospective Rider and True-up Rider, including the regulatory fee, is a rate decrement of 0.0011 cents per kWh, which is a decrease of 0.0169 cents per kWh from the existing combined rider increment of 0.0158 cents per kWh, including the regulatory fee, approved in 2017.

A BPM/NFPTP Rider was first proposed in the Agreement and Stipulation of Partial Settlement (Stipulation) entered into by the Company and various parties in DEC's general rate case in Docket No. E-7, Sub 828. The Commission approved the Stipulation by Order issued on December 20, 2007, and continued to approve the BPM/NFPTP mechanism in subsequent general rate cases. Section 5 of the Stipulation provided that 90% of the allocated North Carolina retail portion of DEC's BPM Net Revenues and 100% of the similarly allocated NFPTP Revenues should be flowed through to the benefit of the Company's North Carolina retail customers. The Stipulation further provided that an annual rider would be established to true up the difference between the actual amounts calculated to be flowed through pursuant to those allocations and percentages and the amounts included in base rates for that purpose, as calculated for the then most recent calendar year.

¹ Excluding the North Carolina regulatory fee [0.0068 cents per kWh, including the regulatory fee].

² Excluding the regulatory fee [(0.0078) cents per kWh, including the regulatory fee].

³ Excluding the regulatory fee [(0.0079) cents per kWh, including the regulatory fee].

⁴ Excluding the regulatory fee [0.0067 cents per kWh, including the regulatory fee].

⁵ Excluding the regulatory fee [0.0237 cents per kWh, including the regulatory fee].

In its 2013 general rate case order in Docket No. E-7, Sub 1026 (Sub 1026 Order), the Commission reaffirmed the 90% and 100% allocations, and also reaffirmed that the true-up process would continue. Additionally, the Sub 1026 Order directed that (1) in order to facilitate the gradual reduction of the current differential between the amount flowed back in base rates and the actual level of BPM and NFPTP Revenues, beginning with the effective date of the Sub 1026 Order, and continuing until the differential is eliminated, the decrement amounts recovered in base rates would be prospectively implemented in the form of a continuing decrement rider (BPM Prospective Rider), which would be subject to modification in each annual rider adjustment proceeding; and (2) the return on any over- or under-recovery included as part of the BPM True-up Rider would be calculated using a rate of return equal to 50% of the after-tax rate of return then approved by the Commission. In the BPM Rider filing made in 2014, DEC proposed to reduce the differential over the next four years. The 2017 filing represented the fourth and final year of that process. For years 2018 and forward, the Prospective Rider is calculated annually based on projected BPM and NFPTP transmission revenues and expected kWh sales. The Public Staff finds this approach reasonable for purposes of this proceeding.

According to DEC's June 13, 2018, revised filing, the proposed True-up Rider is calculated by dividing the North Carolina retail BPM and NFPTP Revenues Adjustment of \$3,893,291 (the difference between 2017 actual BPM and NFPTP revenues and the collected 2017 Prospective Rider decrements) by projected North Carolina retail sales of 57,789,224,469 kWh for the period July 2018 - June 2019. The resulting True-up Rider amount is a rate increment of 0.0067 cents per kWh (excluding the regulatory fee).

The Public Staff has reviewed DEC's calculation of the Riders, including the supporting workpapers submitted with the filings and information provided by the Company in response to Public Staff data requests. Based on its review of the original and the revised filings, the Public Staff has concluded that the proposed revised riders are reasonable. Therefore, the Public Staff recommends that DEC's proposed revised increment True-up Rider of 0.0067 cents per kWh, excluding the regulatory fee,⁶ and proposed new decrement Prospective Rider of (0.0078) cents per kWh, excluding the regulatory fee,⁷ be approved, to become effective on July 1, 2018, as proposed.

EXHIBIT: A proposed order is attached as Exhibit No. P-1.

RECOMMENDATION: (Jayasheela/Peedin/Drooz) That the Commission issue the proposed order approving DEC's proposed revised BPM True-up Rider and BPM Prospective Rider, effective for the period July 1, 2018, through June 30, 2019.

⁶ 0.0067 cents per kWh, including the regulatory fee.

⁷ (0.0078) cents per kWh, including the regulatory fee.

P3. DOCKET NO. E-7, SUBS 487, 828, AND 1026 – DUKE ENERGY CAROLINAS, LLC – EXISTING DSM PROGRAM COSTS ADJUSTMENT RIDER

EXPLANATION: On March 27, 2018, Duke Energy Carolinas, LLC (DEC or the Company), filed a proposed Existing DSM Program Costs Adjustment Rider (EDPR), based on the December 31, 2017, legacy demand-side management (DSM) deferral account balance. The Company requested that the EDPR be effective for the period July 1, 2018, through June 30, 2019.

An EDPR was first proposed in Section 11 of the Agreement and Stipulation of Partial Settlement (Stipulation) entered into by the Company and various parties in DEC's general rate case in Docket No. E-7, Sub 828. The Commission approved the Stipulation in its December 20, 2007, Order Approving Stipulation and Deciding Non-Settled Issues (the Sub 828 Order), and has continued to approve the EDPR mechanism in DEC's subsequent general rate cases. The EDPR reflects the inclusion in DEC's approved base rates of a per kWh amount specifically intended to recover the costs of certain legacy DSM and energy efficiency (EE) programs existing as of the date of the Sub 828 Order. The EDPR is adjusted annually to true up the difference between the applicable base rate amount in effect and the actual cost of the legacy DSM and EE programs during the then most recent calendar year. During calendar year 2017, the applicable base rate amount was 0.0125 cents per kWh (excluding the North Carolina regulatory fee), as reaffirmed pursuant to the Commission's September 24, 2013, Order in general rate case Docket No. E-7, Sub 1026.

In its March 27, 2018 filing, DEC proposed to replace the existing EDPR decrement rider amount of (0.0057) cents per kWh (excluding the regulatory fee),⁸ with a new decrement rider amount of (0.0055) cents per kWh (excluding the regulatory fee), to be effective on and after July 1, 2018.

The base existing DSM program cost amount of 0.0125 cents per kWh will remain in place following Commission approval of the new EDPR pursuant to the current filing. Adjusting for the regulatory fee does not result in a change to either the base amount or the rider amount proposed in this proceeding. Therefore, the proposed net change to the EDPR, relative to the currently approved amount, including all rate adders, is the difference between the proposed decrement rider, including the regulatory fee, of (0.0055) cents per kWh, and the current decrement rider, including the regulatory fee, of (0.0057) cents per kWh, or a net rate increment of 0.0002 cents per kWh.

⁸ The existing EDPR decrement rider was allowed to become effective as of July 1, 2017, pursuant to Commission Order in these dockets.

The Public Staff has reviewed DEC's calculation of the proposed EDPR, including the supporting workpapers submitted with the filing and information provided by DEC in response to Public Staff data requests. Based on its review, the Public Staff has concluded that the proposed rate decrement is reasonable. Therefore, the Public Staff recommends that DEC's proposed EDPR be approved, effective July 1, 2018.

EXHIBIT: A proposed order is attached as Exhibit No. P-2.

RECOMMENDATION: (Jayasheela/Peedin/Drooz) That the Commission issue the proposed order approving DEC's proposed EDPR effective July 1, 2018, through June 30, 2019.

P4. DOCKET NO. E-22, SUB 523 – DOMINION ENERGY NORTH CAROLINA – MOTION TO REOPEN RESIDENTIAL INCOME AND AGE QUALIFYING HOME IMPROVEMENT PROGRAM

EXPLANATION: On May 31, 2018, Virginia Electric and Power Company d/b/a Dominion Energy North Carolina (Company) filed a motion seeking approval to reopen its Residential Income and Age Qualifying Home Improvement Program (Program). The Program was approved as an energy efficiency (EE) program on October 6, 2015, but suspended by Order dated November 6, 2017, while the Company sought an extension of the Virginia version of the Program from the Virginia State Corporation Commission (VSCC).

The Company stated that the VSCC approved an extension of the Program to its Virginia customers by order dated May 10, 2018,⁹ for either a period of up to three years, or upon reaching a cost cap, whichever occurs first. The Company indicated that its EE program portfolio is designed to be managed and operated on a consolidated, system-wide basis in both North Carolina and Virginia jurisdictions in order to minimize program costs and optimize deployment.

The Public Staff has reviewed the Company's request and makes the following observations:

1. The Program is not structurally or materially different from the version of the Program that was suspended in 2017, including the incentives offered, eligibility requirements, and the estimated costs and benefits;
2. The Program will be delivered by the Company's implementation vendor working through local weatherization assistance agencies. Based on program experience, the Company believes that this method of program delivery can provide greater use and penetration of building envelope measures that could improve the quality of life for participants;
3. The cost-effectiveness of the Program remains very low,¹⁰ but the results of the Company's modeling analysis are not materially different from those filed with the Company's previous Rule R8-69 EE rider application¹¹; and
4. While the Company's tariff filed as Appendix A indicates that the average incentive value remains at \$946, the Company provided calculations to the Public Staff showing an average modeled incentive amount of \$646 at the system level.

⁹ VSCC Docket No. PUR-2017-000129.

¹⁰ Total Resource Cost Test and Utility Cost Test results are 0.21. The Ratepayer Impact Measure Test is 0.19.

¹¹ Under the Cost Recovery and Incentive Mechanism for DSM/EE Programs approved for DENC in Docket No. E-22, Sub 464, low income programs are not required to meet the cost-effectiveness screening requirements imposed on other DSM/EE measures. However, DENC may not recover a Portfolio Performance Incentive for low income DSM/EE programs.

The Company explained that the reduced incentive amount was primarily driven by the measures offered in Virginia and differences in the housing stock between Virginia and North Carolina (i.e., more multifamily housing is included in the Virginia program, whereas single family housing is more prevalent in North Carolina). However, the Company is able to install more building envelope-related measures in single-family homes in North Carolina. Installing these measures in single-family homes is typically more expensive than in multi-family structures. Nevertheless, the greater EE penetration rates in North Carolina only represent a very small portion of the system-level incentive amount.

The Public Staff supports the Company's request to reopen the Program as it will provide energy efficient measures to a population that would otherwise be unlikely to have the opportunity to participate in the Company's other EE programs. The Public Staff further recommends that the Company file a compliance tariff for the Program that reflects the updated average incentive.

EXHIBIT: A proposed Order is attached as Exhibit No. P-3.

RECOMMENDATION: (Floyd/Fennell) That the Commission issue the proposed order approving the Company's request to reopen the Residential Income and Age Qualifying Home Improvement Program.

E. WATER

P1. DOCKET NO. W-218, SUB 363A – AQUA NORTH CAROLINA, INC. – APPLICATION FOR APPROVAL OF WATER AND SEWER SYSTEM IMPROVEMENT RATE ADJUSTMENTS

EXPLANATION: On May 1, 2018, 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 July 1, 2018, pursuant to Commission Rules R7-39 and R10-26 and Aqua’s WSIC and SSIC mechanisms. On June 11, 2018, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendation (Notice). This Notice is incorporated by reference herein.

In Aqua’s last general rate case, Docket No. W-218, Sub 363 (Sub 363 Rate Case), the Commission approved in its Order dated May 2, 2014, Aqua’s request to utilize a WSIC and SSIC mechanism pursuant to G.S. 62-133.12, concluding that the rate adjustment mechanisms are in the public interest, and establishing WSIC and SSIC procedures for Aqua.

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 for recovery of 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 eighth semi-annual adjustment to its WSIC and SSIC.

Aqua is requesting the following adjustments to the WSIC and SSIC previously approved by the Commission on January 1, 2018:

	<u>Previously Approved WSIC/SSIC Percentage</u>	<u>Net Change To WSIC/SSIC Percentage</u>	<u>Cumulative WSIC/SSIC Percentage</u>
Uniform water	4.77%	-0.02%	4.75%
Uniform sewer	3.59%	0.40%	3.99%
Fairways/Beau Rivage water	4.27%	0.16%	4.43%
Fairways/Beau Rivage sewer	4.53%	0.00%	4.53%
Brookwood/LaGrange water	5.39%	-0.68%	4.71%

The WSIC/SSIC percentages above include the Experience Modification Factor (EMF) adjustments from the 2017 annual WSIC/SSIC revenue review. The impact to the rate divisions are Aqua Uniform Water – adjusted downward by -0.02% (due to over-collection in 2017), Aqua Uniform Sewer – adjusted downward by -0.06% (due to over-collection in 2017), Fairways/Beau Rivage Water – adjusted downwards by -0.08% (due to over-collection in 2017), Fairways/Beau Rivage Sewer – adjusted upwards by 0.02% (due to

under-collection in 2017) and Brookwood Water – adjusted upward by 0.03% (due to under-collection in 2017).

The cumulative WSIC and SSIC revenue requirements after Aqua’s proposed adjustments are as follows:

	Previously Approved WSIC/SSIC Revenue Requirement	Net Change To WSIC/SSIC Revenue Requirement	Cumulative WSIC/SSIC Revenue Requirement
Uniform water	\$1,558,018	\$0	\$1,558,018
Uniform sewer	469,664	49,962	519,626
Fairways /Beau Rivage water	41,413	2,319	43,732
Fairways/Beau Rivage sewer	56,759	0	56,759
Brookwood/LaGrange water	249,083	(29,019)	220,064

Aqua’s additional WSIC/SSIC revenue requirement is comprised of the calculated WSIC/SSIC revenue requirement for the current review period, plus updates to previously approved WSIC/SSIC revenue requirements which became effective on January 1, 2015, and have been updated semi-annually through January 1, 2018. The updates include a roll forward of accumulated depreciation and accumulated deferred income taxes. The North Carolina state income tax rate and the NCUC regulatory fee have been set to 3% and 0.14%, respectively. The Federal Corporate Tax Rate has been updated to 21%, which impacts both the overall rate of return and deferred taxes on each previously approved revenue amount. The projected (non WSIC/SSIC) annual service revenue amounts remain at the Company’s 2018 projection.

Pursuant to G.S. 62-133.12(g), the cumulative WSIC and SSIC percentages are capped at 5% of the total annual service revenues approved by the Commission in the Sub 363 Rate Case. The total cumulative WSIC/SSIC revenue requirement calculations for Aqua NC Water, Fairways/Beau Rivage Sewer, and Brookwood/LaGrange Water have exceeded the maximum revenue cap for these entities, therefore the WSIC/SSIC surcharges for this proceeding are based on maximum allowed revenue requirement.

Aqua is proposing the adjustments in the WSIC and SSIC to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from October 1, 2017, through March 31, 2018:

Water main extension	\$79,105
Treatment for secondary drinking water standards	345,204
Water main replacement	3,445,818
Total WSIC plant additions	<u>\$3,870,127</u>
Replace lift station pumps	\$30,560
Replace blowers and/or motors	552,165
Replace headworks	402,148
Total SSIC plant additions	<u>\$984,873</u>

Under G.S. 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 March 31, 2018, Aqua installed one iron and manganese filter system at Well 3 in the Surry Point Subdivision at a total cost of \$345,204. The Commission authorized the implementation of this filtration project in its Order Approving Secondary Water Quality Improvement Projects issued on January 18, 2017, in this docket.

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. These adjustments shall be further examined for a determination of their justness and reasonableness in the Company’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, or reasonable.

The Public Staff has carefully reviewed Aqua’s WSIC and SSIC improvements for the six months ended March 31, 2018, including reviewing in detail invoices, materials lists, work orders, employee time sheets, and other accounting records. Based on the Public Staff’s investigation to date, the Public Staff believes that the WSIC and SSIC projects included in Aqua’s request are eligible water and sewer system improvements as defined in G.S. 62-133.12(b), (c), and (d).

The Public Staff recommends that the cumulative WSIC and SSIC percentages proposed by Aqua be implemented effective for service rendered on or after July 1, 2018, 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-4.

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 July 1, 2018, subject to true-up, and requiring customer notice.

P2. DOCKET NO. W-925, SUB 4 – DEERFIELD SHORES UTILITY COMPANY, INC.
– TRANSFER TO OWNER EXEMPT FROM REGULATION

EXPLANATION: On May 7, 2018, Deerfield Shores Utility Company, Inc. (Deerfield), and the Town of Beaufort (Town or Beaufort) filed an application with the Commission seeking authority to transfer Deerfield’s sewer utility service to Beaufort, which is exempt from Commission regulation. Deerfield currently provides sewer utility service to approximately 29 residential customers and a clubhouse in Deerfield Shores Subdivision in Carteret County, North Carolina.

Deerfield’s and Beaufort’s approved monthly sewer rates are as follows:

	<u>Deerfield Rates</u>	<u>Beaufort Rates¹²</u>
Residential Flat Rate	\$ 52.26	NA
Clubhouse Flat Rate	\$365.85	NA
 Metered Rate		
Monthly Fixed Charge		
¾” water meter	NA	\$ 42.34
1” water meter	NA	\$ 70.01
1½” water meter	NA	\$140.99
Variable Charge (per 1,000 gallons)	NA	\$ 33.60

If the application to transfer is granted, Beaufort would read existing customer county water meters for billings and charge the customers twice the standard town rates for sewer use. The Town Board would have the right to modify or adjust rates in the future. Customers without county water would be billed based on the highest water user among the customers.

The monthly residential sewer bill would increase from \$52.26 to \$143.14, based on 3,000 gallons usage per month.

The Deerfield wastewater treatment plant is at the end of its life cycle and appropriate means are needed to continue to treat the affected customer’s wastewater. The North Carolina Department of Environmental Quality (NCDEQ) has issued several violation notices, and has been in contact with the Public Staff on several occasions seeking help in correcting deficiencies.

Deerfield entered into a contract with the Town, dated June 9, 2014, in which Beaufort agreed to accept ownership and operational control of the Deerfield collection and conveyance system (which expressly excludes the Deerfield treatment facility) and to allow Deerfield to connect the customers to the Town system. As part of the agreement, Deerfield agreed to reroute a force main and construct a new lift station to transport the

¹² After the filing of the Application, Beaufort notified the Public Staff of an increase in its sewer rates effective July 1, 2018.

sewage to the Town. Deerfield's initial contract to complete this work was for \$230,880. Deerfield would also pay to the Town a \$4,000 impact fee per customer, totaling \$120,000 for the existing thirty customers.

Customers would be required to comply with all Town rules and ordinances with respect to introduction of wastewater into the municipal system. The connection would be subject to the provisions of the "Policy for the Provision of Sanitary Sewer Service Beyond the Corporate Limits of the Town of Beaufort", adopted in 1999, as amended.

If the Town determines that individual equipment on a customer's lot has failed or is in need of replacement, the customer would be obligated to purchase replacement equipment from the Town at price equal to the Town's cost, and the Town would install such replacement equipment at no additional cost.

The Public Staff is of the opinion that the matter may be determined without public hearing unless significant protests are received subsequent to customer notice.

EXHIBIT: A proposed order is attached as Exhibit No. P-5.

RECOMMENDATION: (Furr/Grantmyre) That the Commission issue the proposed order requiring customer notice, specifying that the matter may be determined without public hearing if no significant protests are received subsequent to customer notice.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1026

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of Duke Energy Carolinas, LLC,)	
for Adjustment of Rates and Charges)	ORDER APPROVING RIDERS
Applicable to Electric Utility Service in North)	
Carolina)	

BY THE COMMISSION: On April 27, 2018, Duke Energy Carolinas, LLC (DEC or the Company), filed a proposed Bulk Power Marketing (BPM) True-up Rider (True-up Rider) and a BPM Prospective Rider (Prospective Rider), to be effective for the period July 1, 2018, through June 30, 2019. The purpose of the BPM Prospective Rider and the BPM True-up Rider is to flow back to DEC’s North Carolina retail customers their jurisdictionally allocated share of 90% of the Company’s BPM Net Revenues and 100% of its Non-Firm Point-to-Point Transmission (NFPTP) Revenues, on a prospective basis and subsequently a trued-up basis. As reflected in the April 27 filing, the proposed True-up Rider consists of a rate increment of 0.0068 cents per kWh,¹³ based on a comparison of DEC’s actual BPM Net Revenues and NFPTP Revenues earned in calendar year 2017 with the amounts credited to North Carolina retail customers during 2017 for those categories of Net Revenues and NFPTP Revenues. In the filing, DEC also proposed a Prospective Rider consisting of a rate decrement of (0.0078) cents per kWh¹⁴ to replace the current Prospective Rider of (0.0079) cents per kWh¹⁵ included in base rates.

On June 13, 2018, DEC filed a revised BPM true-up rider schedules to remove certain non-BPM employee expenses that are ineligible for recovery through the BPM True-up Rider. The revised increment True-up Rider of 0.0067 cents per kWh,¹⁶ if approved, will replace the existing increment True-up Rider of 0.0237 cents per kWh¹⁷ approved by the Commission in its Order issued June 20, 2017, in Docket No. E-7, Sub 1026. The sum of the proposed Prospective Rider and True-up Rider, including the

¹³ Excluding the North Carolina regulatory fee [0.0068 cents per kWh, including the regulatory fee].

¹⁴ Excluding the regulatory fee [(0.0078) cents per kWh, including the regulatory fee].

¹⁵ Excluding the regulatory fee [(0.0079) cents per kWh, including the regulatory fee].

¹⁶ Excluding the regulatory fee [0.0067 cents per kWh, including the regulatory fee].

¹⁷ Excluding the regulatory fee [0.0237 cents per kWh, including the regulatory fee].

regulatory fee, is a rate decrement of 0.0011 cents per kWh, which is a decrease of 0.0169 cents per kWh from the existing combined rider increment of 0.0158 cents per kWh, including the regulatory fee, approved in 2017.

A BPM/NFPTP Rider was first proposed in the Agreement and Stipulation of Partial Settlement (Stipulation) entered into by the Company and various parties in DEC's general rate case in Docket No. E-7, Sub 828. The Commission approved the Stipulation by Order issued on December 20, 2007, and continued to approve the BPM/NFPTP mechanism in subsequent general rate cases. Section 5 of the Stipulation provided that 90% of the allocated North Carolina retail portion of DEC's BPM Net Revenues and 100% of the similarly allocated NFPTP Revenues should be flowed through to the benefit of the Company's North Carolina retail customers. The Stipulation further provided that an annual rider would be established to true up the difference between the actual amounts calculated to be flowed through pursuant to those allocations and percentages and the amounts included in base rates for that purpose, as calculated for the then most recent calendar year.

In its 2013 general rate case order in Docket No. E-7, Sub 1026 (Sub 1026 Order), the Commission reaffirmed the 90% and 100% allocations, and also reaffirmed that the true-up process would continue. Additionally, the Sub 1026 Order directed that (1) in order to facilitate the gradual reduction of the current differential between the amount flowed back in base rates and the actual level of BPM and NFPTP Revenues, beginning with the effective date of the Sub 1026 Order, and continuing until the differential is eliminated, the decrement amounts recovered in base rates would be prospectively implemented in the form of a continuing decrement rider (BPM Prospective Rider), which would be subject to modification in each annual rider adjustment proceeding; and (2) the return on any over- or under-recovery included as part of the BPM True-up Rider would be calculated using a rate of return equal to 50% of the after-tax rate of return then approved by the Commission. In the BPM Rider filing made in 2014, DEC proposed to reduce the differential over the next four years. The 2017 filing represented the fourth and final year of that process. For years 2018 and forward, the Prospective Rider is calculated annually based on the projected BPM and NFPTP transmission revenues and expected kWh sales. The Public Staff finds this approach reasonable for purposes of this proceeding.

According to DEC's June 13, 2018, revised filing, the proposed True-up Rider is calculated by dividing the North Carolina retail BPM and NFPTP Revenues Adjustment of \$3,893,291 (the difference between 2017 actual BPM and NFPTP revenues and the

collected 2017 Prospective Rider decrements) by projected North Carolina retail sales of 57,789,224,469 kWh for the period July 2018 - June 2019. The resulting True-up Rider amount is a rate increment of 0.0067 cents per kWh (excluding the regulatory fee).

This matter was presented at the Commission's Regular Staff Conference on June 25, 2018. The Public Staff stated that it had reviewed DEC's calculation of the proposed riders, including the supporting workpapers submitted with the filings and information provided by the Company in response to Public Staff data requests, and had concluded that the proposed revised riders are reasonable. Therefore, the Public Staff recommended that DEC's proposed revised riders be approved.

Based on its review of DEC's filing and the recommendation of the Public Staff, the Commission concludes that the proposed revised riders are reasonable and should be approved, effective on July 1, 2018.

IT IS, THEREFORE, ORDERED that the following riders for Bulk Power Marketing Net Revenues and Non-Firm Point-to-Point Transmission Revenues proposed by DEC in its filing of April 27, 2018, are approved effective during the period July 1, 2018, through June 30, 2019:

- (1) a revised BPM True-up Rider, consisting of a rate increment of 0.0067 cents per kWh, excluding the regulatory fee [0.0067 cents per kWh, including the regulatory fee]; and
- (2) a BPM Prospective Rider, consisting of a rate decrement of (0.0078) cents per kWh, excluding the regulatory fee [(0.0078) cents per kWh, including the regulatory fee].

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of June, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 487
DOCKET NO. E-7, SUB 828
DOCKET NO. E-7, SUB 1026

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Duke Energy Carolinas, LLC, Existing)
DSM Program Rider Docket No. E-7, Subs) ORDER APPROVING EDPR RIDER
487, 828, and 1026)

BY THE COMMISSION: On March 27, 2018, Duke Energy Carolinas, LLC (DEC or the Company), filed a proposed Existing DSM Program Costs Adjustment Rider (EDPR), based on the December 31, 2017, legacy demand-side management (DSM) deferral account balance. The Company requested that the EDPR be effective for the period July 1, 2018, through June 30, 2019.

An EDPR was first proposed in Section 11 of the Agreement and Stipulation of Partial Settlement (Stipulation) entered into by the Company and various parties in DEC's general rate case in Docket No. E-7, Sub 828. The Commission approved the Stipulation in its December 20, 2007, Order Approving Stipulation and Deciding Non-Settled Issues (the Sub 828 Order), and has continued to approve the EDPR mechanism in DEC's subsequent general rate cases. The EDPR reflects the inclusion in DEC's approved base rates of a per kWh amount specifically intended to recover the costs of certain legacy DSM and energy efficiency (EE) programs existing as of the date of the Sub 828 Order. The EDPR is adjusted annually to true up the difference between the applicable base rate amount in effect and the actual cost of the legacy DSM and EE programs during the then most recent calendar year. During calendar year 2017, the applicable base rate amount was 0.0125 cents per kWh (excluding the North Carolina regulatory fee), as reaffirmed pursuant to the Commission's September 24, 2013, Order in general rate case Docket No. E-7, Sub 1026.

In its March 27, 2018 filing, DEC proposed to replace the existing EDPR decrement rider amount of (0.0057) cents per kWh (excluding the regulatory fee),¹⁸ with a new decrement rider amount of (0.0055) cents per kWh (excluding the regulatory fee), to be effective on and after July 1, 2018.

The base existing DSM program cost amount of 0.0125 cents per kWh will remain in place following Commission approval of the new EDPR pursuant to the current filing. Adjusting for the regulatory fee does not result in a change to either the base amount or the rider amount proposed in this proceeding. Therefore, the proposed net change to the EDPR, relative to the currently approved amount, including all rate adders, is the difference between the proposed decrement rider, including the regulatory fee, of (0.0055) cents per kWh, and the current decrement rider, including the regulatory fee, of (0.0057) cents per kWh, or a net rate increment of 0.0002 cents per kWh.

This matter was presented to the Commission at its Regular Staff Conference on June 25, 2018. The Public Staff stated that it had reviewed DEC's calculation of the proposed EDPR, including the supporting workpapers submitted with the filing and information provided by DEC in response to Public Staff data requests. Based on its review, the Public Staff concluded that the proposed rate decrement is reasonable. Therefore, the Public Staff recommended that DEC's proposed EDPR be approved, effective beginning July 1, 2018.

Based on its review of DEC's filing and the recommendation of the Public Staff, the Commission concludes that the proposed EDPR is reasonable and should be approved, effective July 1, 2018.

IT IS, THEREFORE, ORDERED that the EDPR proposed by DEC in its filing of March 27, 2018, consisting of a rate decrement of (0.0055) cents per kWh excluding the regulatory fee [(0.0055) cents per kWh, including the regulatory fee], is approved effective July 1, 2018, through June 30, 2019.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of June, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

¹⁸ The existing EDPR decrement was allowed to become effective as of July 1, 2017, pursuant to Commission Order in these dockets.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 523

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Dominion Energy North Carolina Suspend Residential Income and Age Qualifying Home Improvement Program))))	ORDER REOPENING PROGRAM

BY THE COMMISSION: On May 31, 2018, Virginia Electric and Power Company d/b/a Dominion Energy North Carolina (DENC or Company) filed a motion seeking approval to reopen its Residential Income and Age Qualifying Home Improvement Program (Program). The Program was originally approved as an energy efficiency (EE) program on October 6, 2015, but suspended by Order dated November 6, 2017, while the Company sought an extension of the Virginia version of the Program from the Virginia State Corporation Commission (VSCC).

The Company stated that the VSCC approved an extension of the Program to its Virginia customers by order dated May 10, 2018,¹⁹ for either a period of up to three years, or upon reaching a cost cap, whichever occurs first. The Company indicated that its EE program portfolio is designed to be managed and operated on a consolidated, system-wide basis in both North Carolina and Virginia jurisdictions in order to minimize program costs and optimize deployment.

The Public Staff presented this matter at the Commission’s Regular Staff Conference on June 25, 2018. The Public Staff stated that it had reviewed the Company’s request and noted that:

1. The Program is not structurally or materially different from the version of the Program that was suspended in 2017;
2. The Program would be delivered by the Company's implementation vendor working through local weatherization assistance agencies, which, based on program experience, the Company indicated would provide greater use and penetration of building envelope measures that could improve the quality of life for participants;

¹⁹ VSCC Docket No. PUR-2017-000129.

3. The cost-effectiveness of the Program remains very low,²⁰ but the results of the Company's modeling analysis are not materially different from those filed with the Company's previous Rule R8-69 EE rider application²¹; and,
4. While the Company's tariff filed as Appendix A indicates that the average incentive value remains at \$946, the Company provided calculations to the Public Staff showing an average modeled incentive amount of \$646 at the system level. The Company explained that the reduced incentive amount was primarily driven by the measures offered in Virginia and differences in the housing stock between Virginia and North Carolina (i.e., more multifamily housing is included in the Virginia program, whereas single family housing is more prevalent in North Carolina). However, the Company is able to install more building envelope-related measures in single-family homes in North Carolina. Installing these measures in single-family homes is typically more expensive than in multi-family structures. Nevertheless, the greater EE penetration rates in North Carolina only represent a very small portion of the system-level incentive amount.

The Public Staff stated that it supported the Company's request to reopen the Program as it would provide energy efficient measures to a population that would otherwise be unlikely to have the opportunity to participate in the Company's other EE programs. The Public Staff recommended that the Commission require the Company to file a compliance tariff for the Program that reflects the updated average incentive.

Based on the foregoing and the entire record in this proceeding, the Commission finds good cause to approve the Company's request as recommended by the Public Staff.

IT IS, THEREFORE, ORDERED as follows:

1. That DENC's Residential Income and Age Qualifying Home Improvement Energy Efficiency program is hereby approved, effective July 1, 2018, with an average incentive value of \$646;
2. That the Residential Income and Age Qualifying Home Improvement Energy Efficiency program is eligible for recovery of program costs and net lost revenues, in accordance with G.S. 62-133.9 and Commission Rule R8-69; and

²⁰ Total Resource Cost Test and Utility Cost Test results are 0.21. The Ratepayer Impact Measure Test is 0.19.

²¹ Under the Cost Recovery and Incentive Mechanism for DSM/EE Programs approved for DENC in Docket No. E-22, Sub 464, low income programs are not required to meet the cost-effectiveness screening requirements imposed on other DSM/EE measures. However, DENC may not recover a Portfolio Performance Incentive for low income DSM/EE programs.

3. That DENC shall file with the Commission, within 10 days following the date of this order, a revised tariff showing an average incentive of \$646 effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the 25th day of June, 2018.

NORTH CAROLINA UTILITIES COMMISSION

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 363A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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

BY THE COMMISSION: On May 1, 2018, Aqua North Carolina, Inc. (Aqua or Company), filed an application requesting authority to adjust its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective July 1, 2018, pursuant to Commission Rules R7-39 and R10-26 (Application).

On June 11, 2018, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s June 25, 2018, Regular Staff Conference (Notice).

On June 25, 2018, the 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. In Aqua’s last general rate case, Docket No. W-218, Sub 363 (Sub 363 Rate Case), the Commission approved in its Order dated May 2, 2014, Aqua’s request to utilize a WSIC and SSIC mechanism pursuant to G.S. 62-133.12, concluding that the rate adjustment mechanisms are in the public interest, and establishing WSIC and SSIC procedures for Aqua.

3. The implementation of the WSIC and SSIC for Aqua was first approved 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 for recovery of reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request.

4. Aqua's proposed adjustments to the WSIC and SSIC previously approved by the Commission on January 1, 2018, are as follows:

	Previously Approved WSIC/SSIC Percentage	Net Change To WSIC/SSIC Percentage	Cumulative WSIC/SSIC Percentage
Uniform water	4.77%	-0.02%	4.75%
Uniform sewer	3.59%	0.40%	3.99%
Fairways/Beau Rivage water	4.27%	0.16%	4.43%
Fairways/Beau Rivage sewer	4.53%	0.00%	4.53%
Brookwood/LaGrange water	5.39%	-0.68%	4.71%

5. The WSIC/SSIC percentages above include the Experience Modification Factor (EMF) adjustments from the 2017 annual WSIC/SSIC revenue review. The impact to the rate divisions are Aqua Uniform Water – adjusted downward by -0.02% (due to over-collection in 2017), Aqua Uniform Sewer – adjusted downward by -0.06% (due to over-collection in 2017), Fairways/Beau Rivage Water – adjusted downwards by -0.08% (due to over-collection in 2017), Fairways/Beau Rivage Sewer – adjusted upwards by 0.02% (due to under-collection in 2017) and Brookwood Water – adjusted upward by 0.03% (due to under-collection in 2017).

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	\$1,558,018	\$0	\$1,558,018
Uniform sewer	469,664	49,962	519,626
Fairways/Beau Rivage water	41,413	2,319	43,732
Fairways/Beau Rivage sewer	56,759	0	56,759
Brookwood/LaGrange water	249,083	(29,019)	220,064

7. Aqua’s additional WSIC/SSIC revenue requirement is comprised of the calculated WSIC/SSIC revenue requirement for the current review period, plus updates to previously approved WSIC/SSIC revenue requirements which became effective on January 1, 2015, and have been updated semi-annually through January 1, 2018. The updates include a roll forward of accumulated depreciation and accumulated deferred income taxes. The North Carolina state income tax rate and the NCUC regulatory fee have been set to 3% and 0.14%, respectively. The Federal Corporate Tax Rate has been updated to 21%, which impacts both the overall rate of return and deferred taxes on each previously approved revenue amount. The projected (non WSIC/SSIC) annual service revenue amounts remain at the Company’s 2018 projection.

8. Aqua is proposing the above adjustments 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 October 1, 2017 through March 31, 2018:

Water main extension	\$79,105
Treatment for secondary drinking water standards	345,204
Water main replacement	3,445,818
Total WSIC plant additions	<u>\$3,870,127</u>
Replace lift station pumps	\$30,560
Replace blowers and/or motors	552,165
Replace headworks	402,148
Total SSIC plant additions	<u>\$984,873</u>

9. Under G.S. 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 March 31, 2018, Aqua installed one iron and manganese filter system at Well 3 in the Surry Point Subdivision at a total cost of \$345,204. The Commission authorized the implementation of this filtration project in its Order Approving Secondary Water Quality Improvement Projects issued on January 18, 2017, in this docket.

10. Pursuant to 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 363 Rate Case. The total cumulative WSIC/SSIC revenue requirement calculations for Aqua NC Water, Fairways/Beau Rivage Sewer, and Brookwood/LaGrange Water have exceeded the maximum revenue cap for these entities, therefore the WSIC/SSIC surcharges for this proceeding are based on maximum allowed revenue requirement.

11. 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. These adjustments shall be further examined for a determination of their justness and reasonableness in the Company'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, or reasonable.

12. Based on the Public Staff's investigation to date, the Public Staff believes that the WSIC and SSIC projects included in Aqua's request are eligible water and sewer system improvements as defined in G.S. 62-133.12(b), (c), and (d).

13. The Public Staff recommended that the cumulative WSIC and SSIC percentages proposed by Aqua be implemented effective for service rendered on or after July 1, 2018, subject to true-up. The Public Staff stated that it would 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 its proposed adjustments in the WSIC and SSIC percentages effective for service rendered on and after July 1, 2018. 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-3 to Aqua's Schedule of Rates effective for service rendered on and after July 1, 2018, 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-3 is approved and is deemed filed with the Commission pursuant to G.S. 62-138.

3. That Aqua shall mail to each of its customers with the next regularly scheduled customer billing the Commission approved customer notice.²²

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of _____, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

²² 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	4.75% ^{1/}
Water systems in Brookwood and LaGrange service areas	4.71% ^{1/}
Water systems in Fairways and Beau Rivage service areas	4.43% ^{1/}
Glennburn, Knollwood, and Wimbleton systems in Gaston County	None ^{2/}
Thornton Ridge/Timberlake system in Alamance County	None ^{3/}
Clear Meadow system in Mecklenburg County	None ^{3/}

SEWER SYSTEM IMPROVEMENT CHARGE

All Aqua NC sewer systems except as noted below	3.99% ^{4/}
Sewer systems in Fairways and Beau Rivage service areas	4.53% ^{4/}

^{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/} These water systems, which were acquired from Wayne M. Honeycutt in Docket No. W-218, Sub 385, are not included under Aqua's uniform rates and improvements made in these systems, and are not eligible for Water System Improvement Charge recovery.

^{3/} These water systems were acquired by Aqua subsequent to Aqua's last general rate case and are not included in Aqua's uniform rates.

^{4/} 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 carefully reviewed Aqua’s proposed WSIC, including a review of invoices, materials lists, work orders, employee time sheets, and other accounting records. On June 11, 2018, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s June 25, 2018, 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 decrease in the WSIC charge for the Brookwood and LaGrange service areas, effective for service rendered on and after July 1, 2018:

	Previously Approved WSIC Percentage	Net Change To WSIC Percentage	Cumulative WSIC Percentage
WSIC	5.39%	-0.68%	4.71%

The WSIC percentage of 4.71% will be applied to the water utility bill of each customer under Aqua’s applicable service rates and charges.

The cumulative 4.71% WSIC percentage results in a \$1.43 increase to the monthly average residential bill for a customer using the average of 5,817 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 G.S. 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed May 1, 2018, the June 11, 2018, Public Staff Notice, and the June ____, 2018 Commission Order in Docket No. W-218, Sub 363A, 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 363A).

EXHIBIT NO. P-4
PAGE 9 OF 15

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 _____, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

The Public Staff carefully reviewed Aqua’s stated WSIC and SSIC improvements, including a review of invoices, materials lists, work orders, employee time sheets, and other accounting records. On June 11, 2018, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s June 25, 2018 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 increases in the WSIC and SSIC charges for the Fairways and Beau Rivage service areas, effective for service rendered on and after July 1, 2018:

	Previously Approved WSIC/SSIC Percentage	Net Change To WSIC/SSIC Percentage	Cumulative WSIC/SSIC Percentage
WSIC	4.27%	0.16%	4.43%
SSIC	4.53%	0.00%	4.53%

The WSIC percentage of 4.43% will be applied to the water utility bill of each customer, and the SSIC percentage of 4.53% will be applied to the sewer utility bill of each customer, under Aqua’s applicable service rates and charges.

The 4.43% WSIC percentage results in an \$0.86 increase to the monthly average residential bill for a customer using the average of 7,655 gallons per month. The 4.43% WSIC percentage also will apply to the monthly bills for the customers on water systems where Aqua purchases bulk water.

The cumulative SSIC percentage of 4.53% will be applied to the sewer utility bill of each customer under Aqua’s applicable service rates and charges. The cumulative 4.53% SSIC percentage results in a \$1.65 increase to the monthly residential customer flat rate sewer bill.

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 G.S. 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed May 1, 2018, the June 11, 2018, Public Staff Notice, and the June____, 2018 Commission Order in Docket No. W-218, Sub 363A, 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 363A).

EXHIBIT NO. P-4
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ATTACHMENT B
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 _____, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

The Public Staff carefully reviewed Aqua’s stated WSIC and SSIC improvements, including a review of invoices, materials lists, work orders, employee time sheets, and other accounting records. On June 11, 2018, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s June 25, 2018, 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 adjustment in the WSIC and SSIC charges, effective for service rendered on and after July 1, 2018:

	Previously Approved WSIC/SSIC Percentage	Net Change To WSIC/SSIC Percentage	Cumulative WSIC/SSIC Percentage
WSIC	4.77%	-0.02%	4.75%
SSIC	3.59%	0.40%	3.99%

The WSIC percentage of 4.75% will be applied to the water utility bill of each customer, and the SSIC percentage of 3.99% will be applied to the sewer utility bill of each customer, under Aqua’s applicable service rates and charges.

The cumulative 4.75% WSIC percentage results in a \$2.18 increase to the monthly average residential bill for a customer using the average of 5,170 gallons per month. The cumulative 4.75% WSIC percentage also will apply to the monthly bills for the customers on water systems where Aqua purchases bulk water.

The cumulative 3.99% SSIC percentage results in a \$2.59 increase to the monthly residential flat rate sewer bill. The cumulative 3.99% 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 G.S. 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed May 1, 2018, the June 11, 2018, Public Staff Notice, and the June ____, 2018 Commission Order in Docket No. W-218, Sub 363A, 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 363A).

EXHIBIT NO. P-4
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ATTACHMENT C
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 _____, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-925, SUB 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Deerfield Shores Utility)	
Company, Inc., 224 Brandywine Blvd.,)	
Morehead City, North Carolina 28557, for)	ORDER REQUIRING
Transfer of the Sewer Utility System Serving)	CUSTOMER NOTICE
Deerfield Shores Subdivision in Carteret)	
County, North Carolina, to the Town of)	
Beaufort, Owner Exempt)	

BY THE COMMISSION: On May 7, 2018, Deerfield Shores Utility Company, Inc. (Deerfield), and the Town of Beaufort (Town or Beaufort) filed an application with the Commission seeking authority to transfer Deerfield’s sewer utility service to Beaufort, which is exempt from Commission regulation. Deerfield currently provides sewer utility service to approximately 29 residential customers and a clubhouse in Deerfield Shores Subdivision in Carteret County, North Carolina.

Deerfield’s and Beaufort’s approved monthly sewer rates are as follows:

	<u>Deerfield Rates</u>	<u>Beaufort Rates</u>
Residential Flat Rate	\$ 52.26	NA
Clubhouse Flat Rate	\$365.85	NA
 Metered Rate		
Monthly Fixed Charge		
¾” water meter	NA	\$ 42.34
1” water meter	NA	\$ 70.01
1½” water meter	NA	\$140.99
Variable Charge (per 1,000 gallons)	NA	\$ 33.60

If the application to transfer is granted, Beaufort would read existing customer county water meters for billings and charge the customers twice the standard town rates for sewer use. The Town Board would have the right to modify or adjust rates in the future. Customers without county water would be billed based on the highest water user among the customers.

The monthly residential sewer bill would increase from \$52.26 to \$143.14, based on 3,000 gallons usage per month.

The Deerfield wastewater treatment plant is at the end of its life cycle and appropriate means are needed to continue to treat the affected customer's wastewater. The North Carolina Department of Environmental Quality (NCDEQ) has issued several violation notices, and has been in contact with the Public Staff on several occasions seeking help in correcting deficiencies.

Deerfield entered into a contract with the Town, dated June 9, 2014, in which Beaufort agreed to accept ownership and operational control of the Deerfield collection and conveyance system (which expressly excludes the Deerfield treatment facility) and to allow Deerfield to connect the customers to the Town system. As part of the agreement, Deerfield agreed to reroute a force main and construct a new lift station to transport the sewage to the Town. Deerfield's initial contract to complete this work was for \$230,880. Deerfield would also pay to the Town a \$4,000 impact fee per customer, totaling \$120,000 for the existing thirty customers.

Customers would be required to comply with all Town rules and ordinances with respect to introduction of wastewater into the municipal system. The connection would be subject to the provisions of the "Policy for the Provision of Sanitary Sewer Service Beyond the Corporate Limits of the Town of Beaufort", adopted in 1999, as amended.

If the Town determines that individual equipment on a customer's lot has failed or is in need of replacement, the customer would be obligated to purchase replacement equipment from the Town at price equal to the Town's cost, and the Town would install such replacement equipment at no additional cost.

Based on the foregoing, the Commission is of the opinion that this matter may be determined without public hearing, unless significant protests are received subsequent to customer notice.

IT IS, THEREFORE, ORDERED as follows:

That the Notice to Customers, attached as Appendix A, be mailed with sufficient postage or hand delivered by the Applicant to all customers that may be affected by the proposed rates no later than 10 days after the date of this Order; and that the Applicant submit to the Commission the attached Certificate of Service properly signed and notarized not later than 15 days after the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2018.

NORTH CAROLINA UTILITIES COMMISSION

Linnetta Threatt, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION**

**NOTICE TO CUSTOMERS
DOCKET NO. W-925, SUB 4
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

Notice is given that Deerfield Shores Utility Company, Inc. (Deerfield), and the Town of Beaufort, North Carolina (Town of Beaufort), filed an application with the Commission seeking authority to transfer Deerfield’s sewer utility system to Beaufort, which is exempt from Commission regulation. Deerfield currently provides sewer utility service to approximately 29 residential customers and a clubhouse in Deerfield Shores Subdivision in Carteret County, North Carolina.

Deerfield’s and Beaufort’s present monthly sewer rates are as follows:

	<u>Deerfield Rates</u>	<u>Beaufort Rates</u>
Residential Flat Rate	\$ 52.26	NA
Clubhouse Flat Rate	\$365.85	NA
 Metered Rate		
Monthly Fixed Charge		
¾" water meter	NA	\$ 42.34
1" water meter	NA	\$ 70.01
1½" water meter	NA	\$140.99
Variable Charge (per 1,000 gallons)	NA	\$ 33.60

If the application for transfer is granted, Beaufort would read existing customer county water meters for billings and charge the customers twice the standard town rates for sewer use. The Town Board would have the right to modify or adjust rates in the future. Customers without county water would be billed based on the highest water user among the customers.

The Deerfield wastewater treatment plant is at the end of its life cycle and appropriate means are needed to continue to treat the affected customer's wastewater. The North Carolina Department of Environmental Quality (NCDEQ) has issued several violation notices, and has been in contact with the Public Staff on several occasions seeking help in correcting deficiencies.

Deerfield entered into a contract with the Town, dated June 9, 2014, in which Beaufort agreed to accept ownership and operational control of the Deerfield collection and conveyance system (which expressly excludes the Deerfield treatment facility) and to allow Deerfield to connect the customers to the Town system. As part of the agreement, Deerfield agreed to reroute a force main and construct a new lift station to transport the sewage to the Town. Deerfield's initial contract to complete this work was for \$230,880. Deerfield would also pay to the Town a \$4,000 impact fee per customer, totaling \$120,000 for the existing thirty customers.

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If the Town determined that individual equipment on a customer's lot has failed or is in need of replacement, the customer would be obligated to purchase replacement equipment from the Town at price equal to the Town's cost, and the Town would install such replacement equipment at no additional cost.

EFFECT OF THE RATES:

The average monthly residential sewer bill for Deerfield's customers would increase from \$52.26 to \$143.14, based on 3,000 gallons usage per month.

PROCEDURE FOR PUBLIC HEARING:

At this point no public hearing has been scheduled. The Commission may decide this matter without a public hearing if no significant protests are received from consumers on or before July 31, 2018. If a public hearing is held, it will be conducted in or near your community. Correspondence concerning the transfer or the need for a public hearing should be directed to the Public Staff.

The Public Staff is authorized by statute to represent consumers in proceedings before the Commission. Written statements to the Public Staff should include any information that the writer wishes to be considered by the Public Staff in its investigation of the matter, and such statements should be addressed to Mr. Christopher J. Ayers, Executive Director, Public Staff, 4326 Mail Service Center, Raleigh, North Carolina, 27699-4326. Written statements can also be faxed to (919) 715-6704 or e-mailed to david.furr@psncuc.nc.gov.

The Attorney General is also authorized by statute to represent the consumers in proceedings before the Commission. Statements to the Attorney General should be addressed to The Honorable Josh Stein, Attorney General, 9001 Mail Service Center, Raleigh, North Carolina 27699-9001.

Written statements are not evidence unless those persons submitting the statements appear at the public hearing and testify concerning the information contained in their written statements.

Persons desiring to intervene in the matter as formal parties of record should file a motion under North Carolina Utilities Commission Rules R1-6, R1-7, and R1-19 no later than 30 days after the date of this notice. Such motions should be filed with the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325.

This the ____ day of _____, 2018.

NORTH CAROLINA UTILITIES COMMISSION

Linnetta Threat, Deputy Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by Order of the North Carolina Utilities Commission in Docket No. W-925, Sub 4, and said Notice to Customers was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____ 2018.

By: _____
Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required customer notice was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket No. W-925, Sub 4.

Witness my hand and notarial seal, this the ____ day of _____
2018.

Notary Public

Address

(SEAL) My Commission Expires: _____
Date