

NORTH CAROLINA PUBLIC STAFF UTILITIES COMMISSION

March 11, 2019

M. Lynn Jarvis, Chief Clerk North Carolina Utilities Commission Mail Service Center 4325 Raleigh, North Carolina 27699-4300

Re: Docket No. W-354, Subs 356A and 360 - Notice of Public Staff's Plan to

Present Commends and Recommendations at the Commission's March 25,

2019, Regular Staff Conference

Dear Ms. Jarvis:

In connection with the above-referenced dockets, I transmit herewith for filing on behalf of the Public Staff the attached Notice.

By copy of this letter, I am serving to all parties of record.

Sincerely,

Electronically Signed
/s/ Gina Holt
Staff Attorney
gina.holt@psncuc.nc.gov

Attachment

cc: Parties of Record

Executive Director Communications **Economic Research** Legal Transportation (919) 733-2902 (919) 733-2435 (919) 733-2810 (919) 733-6110 (919) 733-7766 Electric Accounting **Consumer Services Natural Gas** Water (919) 733-4279 (919) 733-9277 (919) 733-2267 (919) 733-4326 (919) 733-5610

STATE OF NORTH CAROLINA UTILITIES COMMISSION RALEIGH

DOCKET NO. W-354, SUBS 356A and 360

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application by Carolina Water Service,) NOTICE OF PUBLIC STAFF'S PLAN Inc. of North Carolina, 4944 Parkway TO PRESENT COMMENTS AND Plaza Boulevard, Suite 375, Charlotte, RECOMMENDATIONS AT THE North Carolina 28217, for Authority to COMMISSION'S MARCH 25, 2019, Implement Water and Sewer System REGULAR STAFF CONFERENCE Improvement Surcharge Rate Adjustments Pursuant to N.C. Gen. Stat. § 62-133.12

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission by and through its Acting Director, David Drooz¹, and notifies the Commission and Carolina Water Service, Inc. of North Carolina (CWSNC) that the Public Staff plans to present its comments and recommendations regarding CWSNC's January 31, 2019, Application for Water and Sewer System Improvement Rate Adjustments pursuant to N.C. Gen. Stat. § 62-133.12 for Commission consideration the Commission's March 25, 2019, Regular Staff Conference.

This Notice is being provided pursuant to Commission Rules R7-39(f) and R10-26(f).

¹ Prior to assuming the position of the Executive Director of the Public Staff, Christopher J. Ayers represented Carolina Water Service, Inc. of North Carolina, Pluris, LLC, and a number of other water and sewer utilities in various proceedings before the Commission. In order to avoid any conflict of interest or the appearance of a conflict of interest, Mr. Ayers has recused himself from participation in this matter and has designated the Public Staff Chief Counsel to serve as Acting Executive Director of the Public Staff for purposes of this docket.

On March 6, 2019, CWSNC filed an updated Appendix A requesting to implement the following WSIC and SSIC percentages on April 1, 2019:

| | Previously Approved | Updated WSIC/SSIC | Cumulative WSIC/SSIC |
|----------------|------------------------|----------------------|----------------------|
| | | | |
| | EMF Percentage | <u>Percentage</u> | <u>Percentage</u> |
| Uniform Water | (0.05%) | 0.39% | 0.34% |
| Uniform Sewer | 0.02% | 0.41% | 0.43% |
| BF/FH/TC Water | 0.00% | 0.39% | 0.39% |
| BF/TC Sewer | 0.00% | 0.11% | 0.11% |
| FH Sewer | (0.07%) | 0.11% | 0.04% |

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.

Based on review of the Company's calculations of the updated WSIC and SSIC percentages, the Public Staff is recommending one adjustment to the calculation of the SSIC percentage for Uniform Sewer operations. CWSNC removed projected service revenues for the Corrolla Light and Monterey Shores sewer systems from total projected services revenues for Uniform Sewer operations to determine the updated Uniform Sewer SSIC percentage. The Public Staff is of the opinion that Corolla Light and Monterey Shores projected service revenues should be included in the calculation

of the Uniform Sewer SSIC percentage and that the annual Uniform Sewer SSIC revenue requirement also be recovered from customers in these subdivisions. Corolla Light and Monterey Shores rate base and operating expenses were used in determining the revenue requirement for Uniform Sewer operations in the recent CWSNC rate case, Docket No. W-354, Sub 360 (Sub 360), which are being used as projected revenues in calculating the Uniform Sewer SSIC percentage in this proceeding. Because the Uniform Sewer revenue requirement resulted from rate base and operating expenses attributable to Corolla Light and Monterey Shores in the Sub 360 rate case, the SSIC revenue requirement should be recovered from all Uniform Sewer customers, including customers in the Corolla Light and Monterey Shores service areas. With the addition of the projected service revenues for Corolla Light and Monterey Shores, the cumulative Uniform Sewer SSIC percentage decreases from 0.43% to 0.39%.

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, construction budgets, and other accounting records, and has not noted any adjustment at this time. Based on the Public Staff's investigation to date, the WSIC and SSIC projects included in CWSNC's request are eligible water and sewer system improvements as defined in N.C. Gen. Stat. § 62-133.12(b), (c) and (d). The Public Staff will continue to review the justness, prudency, and reasonableness of the water and sewer system improvements during its review of CWSNC's future WSIC and SSIC filings and in CWSNC's next general rate case.

The Public Staff plans on recommending at the March 25, 2019, Regular Staff Conference that CWSNC be allowed to implement The Public Staff's adjusted WSIC and SSIC percentages, effective for service rendered on or after April 1, 2019, subject to true-up.

Respectfully submitted this the 11th day of March, 2019

PUBLIC STAFF David Drooz Acting Executive Director

Electronically submitted /s/ Gina C. Holt Staff Attorney

4326 Mail Service Center Raleigh, North Carolina 27699-4326 Telephone: (919) 733-0975 gina.holt@psncuc.nc.gov

CERTIFICATE OF SERVICE

I, Gina C. Holt, hereby certify that I served the foregoing Notice of Public Staff's Plan to Present Comments and Recommendations at the Commission's March 25, 2019, Regular Staff Conference, on all Parties of record by electronic delivery upon agreement of the parties.

This the 11th day of March, 2019.

Electronically submitted /s/ Gina C. Holt