

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE

March 15, 2021

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, March 15, 2021, at 10:05 a.m., with Chair Mitchell, presiding. The remote meeting was conducted by use of simultaneous communication (via Webex) pursuant to N.C. Gen. Stat. § 166A-19.24, streamed live online, and available to the public.

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

COMMISSIONERS

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

COMMISSION STAFF: Ms. Lazo, Ms. Henderson, Mr. Mertz, Ms. Fennell, Ms. Hicks, Ms. Condie, Ms. Swenson, Ms. Barnes, Ms. Kennedy, Ms. Hilburn, Ms. Paschal, Mr. Wood, Ms. Zhang, Ms. Jayasheela, Ms. Burns, Ms. Needham, Mr. McCoy

PUBLIC STAFF: Ms. Edmondson, Ms. Jost, Ms. Coxton, Mr. Maness, Mr. Henry, Ms. Perry, Ms. Boswell, Mr. McLawhorn, Mr. Saillor, Mr. Metz, Mr. Furr, Mr. Junis

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

D. ELECTRIC**P1. APPLICATIONS FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITIES**

The following applications seek amended certificates of public convenience and necessity for construction of solar photovoltaic (PV) electric generating facilities, pursuant to N.C. Gen. Stat. § 62-110.1 and Commission Rule R8-64.

Duke Energy Carolinas:

- Docket No. SP-4896, Sub 0 – Application of Fresh Air Energy XXXII, LLC, for an amended certificate of public convenience to construct a 16-MW solar PV facility in Gaston County, North Carolina. (registration statement issued previously)

Duke Energy Progress:

- Docket No. SP-8282, Sub 0 – Application of Scotch Bonnet Solar, LLC, for an amended certificate of public convenience to construct a 5-MW solar PV facility in Pender County, North Carolina. (registration statement issued previously)
- Docket No. SP-8747, Sub 0 – Application of Phobos Solar, LLC, for an amended certificate of public convenience to construct a 78.8-MW solar PV facility in Nash County, North Carolina. (registration statement issued previously)

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

The Public Staff recommended that the Commission issue orders approving the applications and issuing the requested amended certificates for the facilities. Proposed orders have been provided to the Commission Staff.

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

E. WATER**P1. DOCKET NO. W-218, SUB 526A – AQUA NORTH CAROLINA, INC. – APPLICATIONS FOR APPROVAL TO IMPLEMENT SECONDARY WATER QUALITY SYSTEM IMPROVEMENT PROJECTS**

On January 12, January 27, and February 19, 2021, Aqua North Carolina, Inc. (Aqua), filed Applications for Approval to Implement Secondary Water Quality System Improvement Projects Pursuant to N.C. Gen. Stat. § 62-133.12 (Applications). The four filter projects and the estimated costs are summarized below.

| <u>System</u> | <u>County</u> | <u>Pumping Capacity Gallons Per Minute</u> | <u>Aqua Estimated Cost 000's</u> |
|--------------------------------------|---------------|--|--------------------------------------|
| High Meadows Wells 2 and 3 | Wake | 84 | \$350-\$375 |
| Blue Water Cove Well 1 | Forsyth | 25 | \$170-\$195 |
| Mountain Vista at Luther Cove Well 1 | Buncombe | 88 | \$234-\$259 |
| Shannon Woods Well 4 | Wake | 100 | \$343-\$368 |
| | | Total | \$1.097-\$1.197 Million |

On March 8, 2021, the Public Staff filed its Secondary Water Quality Report and Recommendations regarding Aqua's Applications. The Public Staff stated that it had thoroughly reviewed the filter projects proposed by Aqua. Based on its review of the Applications and other information gained through site visits and discussions with customers and Aqua personnel, the Public Staff concluded that the proposed filters are necessary for Aqua to provide adequate secondary standard water quality.

The Public Staff recommends that the Commission approve Aqua's implementation of the proposed secondary water quality projects.

The Public Staff recommended that the Commission issue the proposed order authorizing Aqua to implement its four proposed filtration projects to comply with secondary water quality standards.

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

P2. DOCKET NO. W-218, SUB 537 – AQUA NORTH CAROLINA, INC. – APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

This Item was Withdrawn.

P3. DOCKET NO. W-218, SUB 544 – AQUA NORTH CAROLINA, INC. – TRANSFER TO OWNER EXEMPT FROM REGULATION

On November 25, 2020, Aqua North Carolina, Inc. (Aqua), filed an application with the Commission for authority to transfer franchises for providing water utility service in Shepherds Way and The Oaks at Hunter Hill subdivisions in Nash County to Nash County (County), which is exempt from Commission regulation. Aqua currently provides water utility service to approximately 88 customers in the service areas.

On January 4, 2021, the Commission issued its Order Requiring Customer Notice, specifying that this matter may be determined without public hearing if no significant protests are received subsequent to customer notice.

On January 6, 2021, Aqua filed the Certificate of Service, properly signed and notarized, which stated that the Notice to Customers had been mailed with sufficient postage or hand delivered to all the affected customers. No statements in protest of the transfer were received as of February 18, 2021. Therefore, the Commission may decide this matter without a public hearing.

Aqua and the County entered into an Agreement for the Purchase and Sale of Assets (Agreement) on November 23, 2020. Pursuant to the Agreement, which was filed as an exhibit to the application, the County agreed to purchase the “Acquired Assets” described in the Agreement for \$200,000. Aqua’s present net investment in the assets being transferred is approximately \$110,221.

This transfer will not have a material financial impact on the remaining ANC Water customers, as average annual expenses and rate base per customer will remain nearly the same after the transfer.

The issue of treatment of gain on sale for water and sewer utility companies has been addressed by the Commission in a number of prior dockets.¹ In particular, in Docket No. W-354, Subs 133 and 134, in the September 7, 1994 Order Determining Regulatory Treatment Of Gain On Sale Of Facilities, the Commission concluded that, “in future proceedings, the Commission will follow a policy, absent overwhelming and compelling evidence to the contrary, of assigning 100% of the gain or loss on the sale of water and/or sewer utility systems to utility company shareholders.” Since 1994, the Commission has applied this policy of awarding 100% of the gain or loss on sale of water and sewer systems to the utility company’s shareholders. Although this allocation has been challenged in only a few cases during this 26-year period, the Commission has not found sufficient evidence in the past proceedings, excluding the companion proceeding in Docket No. W-354, Sub 331, involving Carolina Water Service of North Carolina, Inc., to merit a deviation from the presumptive allocation.

¹ See the Commission’s Order Determining Regulatory Treatment of Gain on Sale issued on December 23, 2011 in Docket Nos. W-218, Subs 325, 327, and 319.

The pertinent facts with respect to Aqua's transfer of its Shepherds Way and The Oaks at Hunter Hill systems to the County are not materially different from those with respect to the sales that were the subject of the Commission's prior rulings on treatment of gain on sale in connection with water and sewer transfer applications decided in 1994 and thereafter. An exception to the Commission's policy of assigning 100% of the gain on sale to water and sewer utility company shareholders is not warranted in this proceeding, as the larger public interest is best served by continuing such policy. Accordingly, the gain on sale of the Shepherds Way and The Oaks at Hunter Hill systems should be assigned 100% to Aqua's shareholders.

The applicable rate base, revenues, and expenses, including appropriate accumulated deferred income taxes related to the Shepherds Way and The Oaks at Hunter Hill systems being transferred to the County should be removed and should not be taken into account in setting rates for Aqua in its next rate case proceeding.

Aqua's present water utility rates, which were approved in Docket No. W-218, Sub 526, by the Commission's Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Granting Partial Rate Increase, and Requiring Customer Notice dated October 26, 2020, are as follows:

Aqua's Present Rates

Monthly Metered Water Utility Service

Base facility charge, (zero usage, based on meter size)

| | |
|-----------|------------|
| <1" meter | \$ 20.70 |
| 1" meter | \$ 51.75 |
| 1½" meter | \$ 103.50 |
| 2" meter | \$ 165.60 |
| 3" meter | \$ 310.50 |
| 4" meter | \$ 517.50 |
| 6" meter | \$1,035.00 |

Usage charge, per 1,000 gallons \$ 6.38

The County's present water utility rates are as follows:

County's Present Rates

Monthly Metered Water Utility Service

Base fee \$ 30.00

Tiered usage charge, per 1,000 gallons

| | |
|------------------------|----------|
| 1 - 3,000 gallons | \$ 6.00 |
| 3,001 - 6,000 gallons | \$ 7.75 |
| 6,001 - 9,000 gallons | \$ 9.50 |
| 9,001 - 12,000 gallons | \$ 10.25 |
| 12,000 + gallons | \$ 11.00 |

Note: Water Conservation Rate Structure – If the County Manager approves Stage 3 or Stage 4 water restrictions, the following multipliers will come into effect immediately to the current billing cycle. Stage 3, all water usages above 5,000 gallons will be billed with an additional 10% charge above the rates provided above. Stage 4, all water usages above 1,000 gallons will be billed with an additional 25% charge above the rates provided above. Conservation Rates also apply to Bailey Area system. Applicable fines for violations of any restrictions are provided in the County's most recent "Water Shortage Response Plan" document.

The transfer will result in higher water rates for the customers in the affected service areas, increasing the average monthly residential water bill by \$10.90, or 21%, from \$52.60 to \$63.50, based on 5,000 gallons of usage. Aqua is presently authorized to impose Water System Improvement Charges of 0.34% in addition to the average monthly water charges of \$52.60.

The Public Staff has reviewed Aqua's application and recommends that the applied for transfer of ownership of the water utility systems be approved, that the Certificate of Public Convenience and Necessity to provide water and sewer utility service granted to Aqua be

canceled upon receipt of written notification to the Commission that the County has assumed responsibility for providing water utility service in the affected service areas, and that Aqua be required to deliver notice to the affected customers. In addition, the Public Staff recommends that 100% of the gain on the sale of the public water utility systems serving Shepherds Way and The Oaks at Hunter Hill be assigned to Aqua's shareholders.

The Public Staff recommended that the Commission issue the proposed order approving the transfer to owner exempt from regulation, canceling the franchises, and requiring customer notice.

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

Minutes of the Regular Commission Staff Conference for March 1, 2021, were approved.

Minutes prepared by Portia Barnes.