

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-354, SUB 364  
DOCKET NO. W-354, SUB 364A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-354, SUB 364	)	
	)	
In the Matter of	)	
Application by Carolina Water Service, Inc. of	)	
North Carolina, 4944 Parkway Plaza	)	
Boulevard, Suite 375, Charlotte, North	)	
Carolina 28217, for Authority to Adjust and	)	
Increase Rates for Water and Sewer Utility	)	
Service in All of its Service Areas in North	)	ORDER GRANTING MOTIONS
Carolina	)	FOR EXTENSION OF TIME AND
	)	TO RESCIND SECONDARY
DOCKET NO. W-354, SUB 364A	)	WATER QUALITY REPORTING
	)	REQUIREMENT
In the Matter of	)	
Application by Carolina Water Service, Inc. of	)	
North Carolina, 4944 Parkway Plaza	)	
Boulevard, Suite 375, Charlotte, North	)	
Carolina 28217, for Authority to Implement	)	
Water and Sewer System Improvement	)	
Charges Pursuant to N.C. Gen. Stat.	)	
§ 62-133.12	)	

BY THE COMMISSION: On May 21, 2020, Carolina Water Service, Inc. of North Carolina (CWSNC or Company) filed Motion for Extension of Time to File Estimates of Filtration Costs related to the central filtration system to treat hardness in the source water for the Bradfield Farms and Fairfield Harbour service areas, which estimates were to be filed on or before May 30, 2020, per the Commission's Order Granting Partial Rate Increase and Requiring Customer Notice issued on March 31, 2020, in Docket No. W-354, Sub 364 (Sub 364 Rate Case Order). Also, on December 1, 2020, in Docket No. W-354, Sub 364A, CWSNC and the Public Staff - North Carolina Utilities Commission (Public Staff) (jointly the Parties) filed the Eighth Report Regarding Secondary Water Quality Concerns (Eighth Report). The Report was filed in accordance with the Commission's Order Granting Partial Rate Increase, Approving Rate Adjustment Mechanism, and Requiring Customer Notice issued on March 10, 2014, in Docket No. W-354, Sub 336 (Sub 336 Rate Case Order). In the Report, CWSNC moved to end the reporting requirement established in the Sub 336 Rate Order. Both CWSNC motions are unopposed and are ripe for decision.

## **MOTION FOR EXTENSION OF TIME TO FILE COSTS**

On May 21, 2020, in Docket No. W-354, Sub 364, CWSNC requested an extension of time from May 30, 2020, to provide filtration cost estimates that the Company indicated would not be available before July 31, 2020. After filing its request for an extension, CWSNC filed, on September 4, 2020, a letter stating that it had provided the cost estimates to Bradfield Farms' and Fairfield Harbour's homeowners' associations as required by the Commission in the Sub 364 Rate Case Order. For good cause shown the Commission retroactively grants the Company's motion for an extension of time and finds that CWSNC complied with the Commission's order, providing the cost estimates to the homeowners' associations in a timely manner.

## **MOTION TO RESCIND REPORTING REQUIREMENT**

In Ordering Paragraph No. 15, the Sub 336 Rate Case Order established the following reporting requirement:

That the Public Staff and the Company shall work together to develop and implement a plan to identify and respond to secondary water quality concerns that occur in significant numbers in individual subdivision service areas. At a minimum, the Public Staff and the Company are required to file a written report with the Commission on June 1 and December 1 each year in which the WSIC is in effect on secondary quality concerns that are affecting its customers. If a particular secondary water quality concern has affected or is affecting 10 percent of the customers in an individual subdivision service area or 25 billing customers, whichever is less, the customers affected and the estimated expenditures that are necessary to eradicate the secondary water quality issues through the use of projects that are eligible for recovery through the WSIC shall be detailed in the written report. The written report shall also contain a recommendation as to whether the Commission should order the Company to pursue the corrective action and/or an underlying reason why the action should or should not be undertaken. If there are no secondary water issues or if the secondary water quality issues are below the 10%/25 threshold previously set forth, the Company and the Public Staff shall so inform the Commission, but they need not report secondary water quality issues resolved by the Company without the assistance or expectation of assistance of the WSIC.

In the Eighth Report, CWSNC assessed the experience across its systems with respect to secondary water quality issues during the 12-month reporting period ending June 30, 2020, and noted that CWSNC's secondary water quality issues assessment during the reporting period was consistent with and tracked its findings in the seven previous reports. Per its assessment, CWSNC concluded and reports that the customer complaint data for the twelve-month period ending June 30, 2020, (July 1, 2019 through June 30, 2020) reveals that two systems exceeded the 25-complaint criterion, and three systems exceeded the 10% criterion. While noting that the 25 complaint and 10% criteria

were initially established for a six-month period and are now being applied to a twelve-month period (double the initial time period), the Company reports that, in all cases, the customer complaints stemmed from brief, non-recurring problems which were corrected and that none of the situations qualified as a prolonged water quality issue or secondary water quality concern requiring additional attention. The Public Staff concurs in the conclusions set forth in the Eighth Report.

Further, the Eighth Report provides details on the systems that exceeded the 25 customer complaints or 10% of customers impacted thresholds. Attachment A of the Eighth Report reflects the Company's findings by system for the 12-month reporting period.

The Parties observe in the Eighth Report that:

(a) CWSNC, including the Company's Cross-State emergency operatorship (Docket No. W-408), is comprised of a total of 107 separate public water systems, 58 of which generated complaints during this reporting period;

(b) the remaining 49 water systems that are not shown on Attachment A had no water quality complaints;

(c) CWSNC has now filed eight secondary water quality reports which cover the 78-month period from January 1, 2014, through June 30, 2020;

(d) none of the reports demonstrated the existence of any secondary water quality issues which had a significant effect on the Company's customers;

(e) the reports demonstrated that any secondary water quality issues on the CWSNC systems were well below the thresholds established by the Commission for triggering a report which identifies "...customers affected and the estimated expenditures that are necessary to eradicate the secondary water quality issues through the use of projects that are eligible for recovery through the WSIC..."; and

(f) because of the aforementioned, it has not been necessary for CWSNC to apply for recovery of a secondary water quality project through the WSIC cost-recovery mechanism.

Based on the observations outlined above, CWSNC has moved that the Commission rescind and terminate the secondary water reporting requirement established by the Rate Case Order on a going-forward basis because all eight reports filed by the Parties to date have not demonstrated the existence of any secondary water quality issues that have a significant effect on customers in the Company's systems. CWSNC notes that the Commission did not specifically state in any of the Company's four post-Sub 336 rate cases (Subs 344, 356, 360, or 364) that this was an ongoing reporting requirement. Thus, the Company suggests that the Parties may have continued to file a report which is, in actuality, no longer required by the Commission. CWSNC

further notes that the Public Staff does not object to its request, provided that CWSNC continues to monitor and document customer complaints and provide relevant secondary water quality customer complaint information, including a listing report from its field activity work order system, to the Public Staff for review upon request.

After careful review and consideration, the Commission finds that good cause exists to grant the Company's motion and: (1) rescind and terminate the secondary water quality reporting requirement established in the Sub 336 Rate Case Order for CWSNC on a going-forward basis; (2) require CWSNC to continue to monitor and document customer complaints and provide the Public Staff, upon request, a customer complaint summary, including but not limited to, a listing report from the Company's field activity work order system; and (3) require the Public Staff to bring to the Commission's attention on a timely basis any significant secondary water quality issues that the Public Staff becomes aware of in any of CWSNC's systems. The Commission also notes that it may reinstate the secondary water quality reporting requirement if later warranted.

The Commission finds that while there are currently no significant or pervasive secondary water quality issues in the Company's systems, the details on customer complaints and water quality concerns to be provided by the Public Staff when significant secondary water quality issues come to its attention will supply the Commission with the information necessary for regulatory oversight of the WSIC mechanism for the protection of customers. In particular, N.C. Gen. Stat. §§ 62-133.12(c)(2) and (c)(4) provide, in pertinent part, that specific approval from the Commission is necessary before CWSNC may undertake and recover its incremental depreciation expense and capital costs through the WSIC mechanism for eligible water system improvements implemented to comply with secondary drinking water standards.

Additionally, provision of the eight annual reports by the Parties has provided the Commission information on: (1) whether there are any significant secondary water quality concerns that exist in CWSNC's water systems; (2) whether there are secondary water quality issues within particular systems served by CWSNC; (3) the type, scope, and prevalence of any secondary water quality issues within particular subdivisions and systems; and (4) the recommended resolution of those secondary water quality issues identified by the Company and the Public Staff. However, with CWSNC's agreement to continue to monitor and document customer complaints and provide relevant secondary water quality customer complaint information upon request to the Public Staff, the Commission finds that it is reasonable to rescind and terminate the secondary water quality reporting requirement established in the Sub 336 Rate Case Order while still being assured that it will be adequately informed, as necessary, on issues or concerns regarding secondary water quality between general rate case proceedings.

IT IS, THEREFORE, SO ORDERED as follows:

1. That CWSNC's motion for an extension of time to provide filtration cost estimates in compliance with Ordering Paragraph No. 14 in the Sub 364 Rate Case Order is granted retroactively; and

2. That CWSNC's motion to rescind and terminate the secondary water quality reporting requirement set forth in Ordering Paragraph No. 15 in the Sub 336 Rate Case Order is granted consistent with the discussion hereinabove.

ISSUED BY ORDER OF THE COMMISSION.

This the 30th day of July, 2021.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Joann R. Snyder", is written over a light gray circular stamp.

Joann R. Snyder, Deputy Clerk