

NORTH CAROLINA UTILITIES COMMISSION
MINUTES OF REGULAR COMMISSION STAFF CONFERENCE

January 4, 2021

The Regular Commission Staff Conference of the North Carolina Utilities Commission was held on Monday, January 4, 2021, at 10:00 a.m., with Chair Mitchell, presiding. The remote meeting was conducted by use of simultaneous communication (via Webex) pursuant to N.C. Gen. Stat. § 166A-19.24, streamed live online, and available to the public.

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

COMMISSIONERS

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

COMMISSION STAFF: Ms. Lowell, Ms. Lazo, Ms. Henderson, Mr. Buffkin, Mr. Mertz, Ms. Fennell, Ms. Cooper, Ms. Hicks, Ms. Condie, Ms. Swenson, Ms. Kennedy, Ms. Blue, Ms. Hilburn, Ms. Paschal, Ms. Jayasheela, Ms. Zhang, Mr. Jeffries, Ms. Burns, Mr. Warren, Mr. Hardy, Mr. McCoy

PUBLIC STAFF: Ms. Downey, Ms. Jost, Mr. Creech, Ms. Luhr, Ms. Coxton, Mr. Maness, Mr. Henry, Mr. Akpom, Ms. Boswell, Mr. Saillor, Mr. Furr, Ms. Casselberry, Ms. Darden, Mr. Junis, Mr. Franklin

ATTORNEY GENERAL:

COURT REPORTER: Ms. Mitchell

E. WATER**P1. DOCKET NO. W-218, SUB 512 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA**

On November 2, 2018, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide sewer utility service in The Legacy at Jordan Lake, Phase 6, Subdivision in Chatham County, North Carolina. The Legacy at Jordan Lake, Phase 6, Subdivision is contiguous to Aqua's The Legacy at Jordan Lake, Phase 5A, part of The Legacy at Jordan Lake Wastewater System in Chatham County, North Carolina. Aqua filed an amendment to the Notification on March 7, 2019. Aqua proposes to charge the rates currently approved for its other franchised service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, has issued permit number WQ0040388, dated February 6, 2018, for the construction and operation of The Legacy at Jordan Lake, Phase 6, Subdivision, wastewater collection system extension.

Aqua has entered into an Amended and Restated Agreement dated December 22, 2008, with The Legacy at Jordan Lake, LLC (Developer),¹ under which Developer is contributing the effluent storage pond, upset storage pond, complete wastewater collection system, and spray irrigation facilities, at no cost to Aqua. Developer is also paying \$1,121,089 towards the total cost of the construction of the wastewater treatment plant as a contribution-in-aid-of-construction. For instances of grinder pump station installations, Aqua is requesting that the builder or person first requesting service to a particular lot be required to prepay the outside contractor (specified by Aqua) for the entire cost of installation. Once the grinder pump station is initially installed, Aqua will be responsible to maintain, repair, and replace the grinder pump stations. However, if damage to a grinder pump station is shown to be due to homeowner negligence, the homeowner will be liable for the cost of the repair or replacement of the grinder pump station.

Aqua has entered into an Effluent Easement and Irrigation Agreement dated December 22, 2008, with Developer (Effluent Agreement), under which Aqua is responsible for the operation, maintenance, repair, and replacement of the reuse effluent pumping station and for all aspects of the daily operation of the primary spray irrigation facilities and the amenity spray irrigation facilities. In addition, Developer is responsible for all aspects of the daily operation, maintenance, repair, and replacement of the secondary spray irrigation facilities, as defined in paragraph 1.19 of the Effluent Agreement.

¹ The Bill of Sale and Assignment of Contracts, Trademarks and Escrow Deposit dated April 21, 2014, states F-L Legacy Owner LLC has been assigned and transferred the rights and obligations of Developer, including the Amended and Restated Agreement and Effluent Easement and Irrigation Agreement.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide sewer utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P2. DOCKET NO. W-218, SUB 514 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On March 20, 2019, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in Honeycutt Landing Subdivision Extension in Wake County, North Carolina. Honeycutt Landing Subdivision Extension is contiguous to Aqua's Honeycutt Landing service area, part of Honeycutt Landing Water System in Wake County, North Carolina. Aqua proposes to charge the rates currently approved for its other franchised service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for seven additional single family residential connections and one fire department connection in Honeycutt Landing Subdivision, part of Water System No. NC4092103. The plans are approved under serial number 18-01046, dated December 31, 2018.

Aqua has entered into a Water Agreement dated January 15, 2007, with Holland Road, Inc. (Developer), under which Developer is installing the water utility production, storage, and distribution system. Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular lot. Aqua is purchasing the water system for \$400 per lot from Developer, payable quarterly based on the number of water service meters installed during the previous quarter.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P3. DOCKET NO. W-218, SUB 515 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On March 20, 2019, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in Village of Laurel Branch at Olde Beau Motor Coach Resort in Alleghany County, North Carolina. Village of Laurel Branch at Olde Beau Motor Coach Resort is contiguous to Aqua's Olde Beau service area, part of Olde Beau Water System in Alleghany County, North Carolina. Aqua proposes to charge the rates currently approved for its other franchised service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Village of Laurel Branch at Olde Beau Motor Coach Resort, part of Water System No. NC0103106. The plans are approved under serial number 18-00556, dated December 19, 2018.

Aqua has entered into a Water Utility System Agreement dated June 19, 2018, with KPP LLC (Developer), under which Developer is installing the water utility system, including the interconnection and distribution system. Aqua is requesting a meter installation fee of \$70 and a connection fee of \$335 per unit for water service, to be paid one time by the builder or person first requesting service to a particular lot.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P4. DOCKET NO. W-218, SUB 516 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On May 22, 2019, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water and sewer utility service in Copper Ridge Subdivision (also known as Regency at Flowers Plantation) in Johnston County, North Carolina. Copper Ridge Subdivision is contiguous to Aqua's West Ashley and Mill Creek West service areas in Johnston County, North Carolina. Aqua filed an amendment to the Notification on November 15, 2019. Aqua proposes to charge the rates currently approved for its Flowers Plantation Master System service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Copper Ridge Subdivision, part of Water System No. NC0351195. The plans are approved under serial number 19-00358, dated May 19, 2019.

The North Carolina Department of Environmental Quality, Division of Water Resources, has issued permit number WQ0040922, dated June 6, 2019, for the construction and operation of Copper Ridge Subdivision, wastewater collection system extension.

Aqua has entered into an Agreement dated April 10, 2019, with Toll Bros. of North Carolina, Inc. (Developer),² under which Developer is installing the water and wastewater utility systems. Developer will pay to Aqua as a contribution in aid of construction (CIAC) the water capital cost recovery charges (presently \$6.25 per gallon per day of capacity) due to Johnston County and the wastewater capacity fee (presently \$9.47 per gallon per day of capacity) due to Aqua. Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular

² The General Assignment dated August 18, 2020, states KL Flowers Plantation, Inc. has been assigned and transferred the rights and obligations of Developer, including the Agreement.

lot. Aqua is purchasing the water system from Developer for \$400 per single-family residential equivalent, payable quarterly based on the number of water service meters installed during the previous quarter. Aqua is acquiring the wastewater system from Developer at no cost.

The Agreement states that prior to closing, Developer shall pay to Aqua the grossed-up tax payment attributable to contributions in aid of construction (CIAC). Aqua will not close and will not provide services until it receives such grossed-up tax payment. If Developer constructs in phases that are approved by Aqua, then the Agreement requirements associated with tax gross-up for CIAC shall apply to each phase.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water and sewer utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$20,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P5. DOCKET NO. W-218, SUB 519 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On May 13, 2019, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water and sewer utility service in River Dell East, Phase 4, Subdivision in Johnston County, North Carolina. River Dell East, Phase 4, Subdivision is contiguous to Aqua's River Dell East, Phase 3, service area in Johnston County, North Carolina. Aqua filed amendments to the Notification on May 22, 2019, and November 15, 2019. Aqua proposes to charge the rates currently approved for its Flowers Plantation Master System service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for River Dell East, Phase 4, Subdivision, part of Water System No. NC0351195. The plans are approved under serial number 19-00245, dated April 5, 2019.

The North Carolina Department of Environmental Quality, Division of Water Resources, has issued permit number WQ0040815, dated June 13, 2019, for the construction and operation of River Dell East, Phase 4, Subdivision, wastewater collection system extension.

Aqua has entered into an Agreement dated June 3, 2015, with DWF Development, Inc. (Developer), under which Developer is installing the water and wastewater utility systems. Developer will pay to Aqua as a contribution in aid of construction (CIAC) the water capital cost recovery charges (presently \$6.25 per gallon per day of capacity) and the purchased bulk wastewater capacity fee (presently \$11.00 per gallon per day of capacity) due to Johnston County. In addition, Developer will pay to Aqua as CIAC the Buffalo Creek Pump Station and Force Main fee of \$220.41 per single-family residential equivalent (SFRE). Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular lot. Aqua is purchasing the water system from Developer for \$400 per SFRE, payable quarterly based upon the number of water service meters installed during the previous quarter. Aqua is acquiring the wastewater system from Developer at no cost.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water and sewer utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$20,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P6. DOCKET NO. W-218, SUB 521 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On September 9, 2019, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in Meadows of Banks, Phase 2, Subdivision in Wake County, North Carolina. Meadows of Banks, Phase 2, Subdivision is contiguous to Aqua's Meadows of Banks, Phase 1, service area, part of Kensington Meadows Water System in Wake County, North Carolina. Aqua proposes to charge the rates currently approved for its other franchised service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Meadows of Banks, Phase 2 Subdivision, part of Water System No. NC0392314. The plans are approved under serial number 19-00554, dated July 25, 2019.

Aqua has entered into a Water Utility System Agreement (Agreement) dated September 5, 2019, with Perry Properties & Development, Inc. (Developer), under which Developer is installing the water utility system. Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular lot. Aqua is purchasing the water system from Developer for \$700 per single-family residential equivalent, payable quarterly based on the number of water service meters installed during the previous quarter.

The Agreement states that prior to closing, Developer shall pay to Aqua the grossed-up tax payment applicable to contributions in aid of construction (CIAC). Aqua will not close and will not provide services until it receives such grossed-up tax payment. If Developer constructs in phases that are approved by Aqua, then the Agreement requirements associated with tax gross-up for CIAC shall apply to each phase.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P7. DOCKET NO. W-218, SUB 522 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On September 9, 2019, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water and sewer utility service in Forrest at Flowers Plantation Subdivision in Johnston County, North Carolina. Forrest at Flowers Plantation Subdivision is contiguous to Aqua's Bedford at Flowers Plantation service area in Johnston County, North Carolina. Aqua filed amendments to the Notification on September 11, 2019, and September 17, 2019. Aqua proposes to charge the rates currently approved for its Flowers Plantation Master System service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Forrest at Flowers Plantation Subdivision, part of Water System No. NC0351195. The plans are approved under serial number 19-00542, dated July 15, 2019.

The North Carolina Department of Environmental Quality, Division of Water Resources, has issued permit number WQ0040979, dated September 11, 2019, for the construction and operation of Forrest at Flowers Plantation Subdivision, wastewater collection system extension.

Aqua has entered into an Agreement dated September 5, 2019, and amended on September 11, 2019, with Meritage Homes of North Carolina, Inc. (Developer), under which Developer is installing the water and wastewater utility systems. Developer will pay to Aqua as a contribution in aid of construction (CIAC) the water capital cost recovery charges (presently \$6.25 per gallon per day of capacity) and the purchased bulk wastewater capacity fee (presently \$11.00 per gallon per day of capacity) due to Johnston County. In addition, Developer will pay to Aqua as CIAC the Buffalo Creek Pump Station and Force Main fee of \$220.41 per single-family residential equivalent (SFRE). Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular lot. Aqua is purchasing the water system from Developer for \$400 per SFRE, payable quarterly based on the number of water service meters installed during the previous quarter. Aqua is acquiring the wastewater system from Developer at no cost.

The Agreement states that prior to closing, Developer shall pay to Aqua the grossed-up tax payment applicable to contributions in aid of construction (CIAC). Aqua will not close and will not provide services until it receives such grossed-up tax payment. If Developer constructs in phases that are approved by Aqua, then the Agreement requirements associated with tax gross-up for CIAC shall apply to each phase.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water and sewer utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$20,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P8. DOCKET NO. W-218, SUB 523 – AQUA NORTH CAROLINA, INC. – NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN CONTIGUOUS SERVICE AREA

On November 1, 2019, Aqua North Carolina, Inc. (Aqua), filed a Notification of Intention to Begin Operations in Area Contiguous to Present Service Area (Notification) to provide water utility service in Bloomfield, Phase 6, Subdivision in Wake County, North Carolina. Bloomfield, Phase 6, Subdivision is contiguous to Aqua's Bloomfield, Phase 1, service area, part of Myatt Mill Water System in Wake County, North Carolina. Aqua filed amendments to the Notification on December 11, 2020, and December 17, 2020. Aqua proposes to charge the rates currently approved for its other franchised service areas. The service area is shown on plans filed with the Notification.

The North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section, has issued a plan approval letter for Bloomfield, Phase 6, Subdivision, part of Water System No. NC4092201. The plans are approved under serial number 19-00936, dated April 20, 2020.

Aqua has entered into a Water Utility System Agreement (Agreement) dated October 3, 2019, with Ponderosa Group, LLC (Developer), under which Developer is installing the water utility system. Aqua is requesting a meter installation fee of \$70 for water service, to be paid one time by the builder or person first requesting service to a particular lot. Aqua is to pay the Developer up to \$1,200 per well towards costs associated with well testing. Aqua is purchasing the water system from Developer for \$1,750 per single-family residential equivalent, payable quarterly based on the number of water service meters installed during the previous quarter.

The Agreement states that prior to closing, Developer shall pay to Aqua the grossed-up tax payment applicable to contributions in aid of construction (CIAC). Aqua will not close and will not provide services until it receives such grossed-up tax payment. If Developer constructs in phases that are approved by Aqua, then the Agreement requirements associated with tax gross-up for CIAC shall apply to each phase.

Aqua presently holds water franchises serving approximately 82,000 customers and sewer franchises serving approximately 20,000 customers throughout North Carolina. Aqua's record of service is satisfactory.

Aqua has filed all exhibits required with the Notification.

Based on the foregoing, the Public Staff is of the opinion that Aqua has the technical, managerial, and financial capacity to provide water utility service in this contiguous area and recommends that the contiguous extension be recognized. The Public Staff further recommends that the Commission require posting of a \$10,000 bond for the contiguous extension. Aqua currently has \$13,000,000 of bonds posted with the Commission, which includes sufficient unassigned funds to provide the bond recommended in this docket.

The Public Staff recommended that the Commission issue the proposed order recognizing the contiguous extension.

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

P9. DOCKET NO. W-218, SUB 526A – AQUA NORTH CAROLINA, INC. – APPLICATION FOR APPROVAL OF WATER AND SEWER SYSTEM IMPROVEMENT RATE ADJUSTMENTS

On October 29, 2020, 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 January 1, 2021, pursuant to Commission Rules R7-39 and R10-26 (Application).

On December 18, 2020, the Public Staff filed a Notice of Public Staff's Plan to Present Comments and Recommendation (Notice) at the Commission's January 4, 2021, Regular Staff Conference. This Notice is incorporated by reference herein.

Aqua's WSIC and SSIC percentages were reset to zero as of October 26, 2020, the effective date of Aqua's new base rates in its general rate case, Docket No. W-218, Sub 526 (Sub 526 Rate Case). This is Aqua's first filing to implement charges under the WSIC and SSIC mechanisms since the Sub 526 Rate Case.

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 based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request.

Aqua is requesting authority to impose the following WSIC and SSIC percentages effective for service rendered on and after January 1, 2021:

	WSIC/SSIC Revenue Requirement	Projected Service Revenues	WSIC/SSIC Percentage
Uniform water	\$139,175	\$38,546,489	0.36%
Uniform sewer	\$85,893	\$17,370,725	0.49%
Fairways water	\$0	N/A	0.00%
Fairways sewer	\$1,018	\$2,190,669	0.05%
Brookwood water	\$0	N/A	0.00%

The WSIC and SSIC percentages above do not include the Experience Modification Factor (EMF) adjustments from the 2019 annual WSIC and SSIC revenue review which went into effect on July 1, 2020. The impact of the 2019 EMF on Aqua's requested WSIC and SSIC percentages are as follows:

	WSIC/SSIC Percentage	2019 Experience Modification Factor	Cumulative WSIC/SSIC Percentage
Uniform water	0.36%	-0.020%	0.34%
Uniform sewer	0.49%	-0.005%	0.49%
Fairways water	0.00%	0.010%	0.01%
Fairways sewer	0.05%	0.005%	0.06%
Brookwood water	0.00%	-0.010%	-0.01%

Pursuant to N.C. Gen. Stat. § 62-133.12(g), the cumulative WSIC and SSIC percentages are capped at 5% of total annual service revenues approved by the Commission in the Sub 526 Rate Case, resulting in the following maximum revenue requirements for water and sewer operations:

	Sub 526 Annual Service Revenues	Maximum WSIC/SSIC Percentage	Maximum WSIC/SSIC Revenue Requirement
Uniform water	\$38,546,489	x 5% =	\$1,927,324
Uniform sewer	\$16,426,070	x 5% =	\$821,304
Fairways water	\$1,159,708	x 5% =	\$57,985
Fairways sewer	\$2,152,586	x 5% =	\$107,629
Brookwood water	\$6,433,919	x 5% =	\$321,696

As shown above, Aqua's proposed WSIC and SSIC revenue requirements do not exceed the maximum WSIC and SSIC revenue requirement for water and sewer operations.

Aqua is proposing the above increases/decreases 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 April 1, 2020, through September 30, 2020:

Secondary drinking water standards	\$1,209,775
Primary drinking water standards	47,280
Total WSIC plant additions	<u>\$1,257,055</u>

Replace of headworks/fine screen at WWTP	\$335,883
Lift station and grinder pump replacement	284,913
Replace motors and blowers	84,101
Inflow and infiltration	34,867
Total SSIC plant additions	<u>\$739,764</u>

Under N.C. Gen. Stat. § 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 September 30, 2020, Aqua installed four iron and manganese filter projects in the following subdivisions at a total cost of \$1,209,775:

Duncan Ridge, Well #5	\$293,213
Barton Creek Overlook, Well #1	343,946
Chari Heights, Well #1	286,517
Vintage Acres, Well #1	286,099
Total FeMn filter projects	<u>\$1,209,775</u>

The Commission authorized the implementation of these filtration projects in its Order Approving Secondary Water Quality Improvement Projects issued on September 16, 2019 and April 3, 2020, in Docket No. W-218, Sub 497A.

As stated by the Commission in its June 6, 2014, *Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12*, 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 a utility'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 and/or reasonable.

The Public Staff has carefully reviewed Aqua's stated WSIC and SSIC improvements, including reviewing in detail construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. Based on this review, the Public Staff is recommending the following adjustments to Aqua's WSIC and SSIC revenue requirement:

1) Correction to accumulated depreciation – Aqua understated the amount of 2020 accumulated depreciation calculated on pumping equipment used in determining the SSIC revenue requirement for Fairways & Beau Rivage. In response to Public Staff data request, Aqua acknowledged that there was a formula error in the Excel file used to calculate accumulated depreciation and provided the Public Staff with an updated Appendix B which corrected this error. The effect of the accumulated depreciation adjustment reduces the overall revenue requirement for Fairways & Beau Rivage wastewater operations however, the proposed SSIC percentage did not change based on the projected 2021 non-SSIC revenues.

2) Adjust WSIC/SSIC percentages to include EMF – Aqua inadvertently omitted the 2019 EMF percentages from the cumulative WSIC/SSIC percentages requested in this proceeding. The 2019 EMF, which went into effect on July 1, 2020, will remain in effect through June 30, 2021. In response to Public Staff data request, Aqua stated that the omission of the EMF percentages from this proceeding was an oversight on the part of the Company.

3) Adjustment to remove grinder pumps – Aqua included \$153,268 of grinder pump replacements in plant in service used to calculate the SSIC revenue requirement for Uniform Sewer operations. The grinder pump projects included 44 individual grinder pump replacements. Based on Aqua's response to Public Staff data request, the Public Staff has determined that these grinder pump replacements did not benefit the entire system in which they were replaced but benefited individual customers in each subdivision. Additionally, the average cost of the grinder pump projects was approximately \$3,460, making them a low cost plant addition that will erode the 5% revenue requirement allowed in between general rate cases. Finally, the grinder pumps were not included in Aqua's most recent Ongoing Three-Year WSIC/SSIC Plan filed with the Commission on March 2, 2020 and have not been evaluated by the Public Staff prior to inclusion of the grinder pumps in the SSIC surcharge application. Therefore, the grinder pumps should not be allowed for SSIC recovery.

Based on the adjustments above, the Public Staff recommends the following adjustments to the WSIC and SSIC revenue requirements and percentages proposed by Aqua:

	WSIC/SSIC Percentage Per Aqua	WSIC/SSIC Revenue Requirement Per Public Staff	Impact of Public Staff Adjustments	WSIC/SSIC Percentage Per Public Staff
Uniform water	0.36%	\$139,175	-0.02%	0.34%
Uniform sewer	0.49%	\$62,761	-0.13%	0.36%
Fairways/Beau Riv. water	0.00%	\$0	0.01%	0.01%
Fairways/Beau Riv. sewer	0.05%	\$1,009	0.01%	0.06%
Brookwood/LaGrange water	0.00%	\$0	-0.01%	-0.01%

On December 29, 2020, Aqua filed a letter with the Commission in this docket in which Aqua indicated:

“Aqua appreciates the Public Staff’s review and agrees with its recommendations, except for paragraph number 3 (at pages 5 – 6), which makes an adjustment of \$153,268 for removal of grinder pumps. Though not in agreement about the fundamental eligibility of grinder pumps for recovery under G.S. 62-133.12, in light of the Commission’s useful guidance in the recent CWSNC Order and in the interest of efficiency, Aqua withdraws from consideration in this case the grinder pumps, respectfully reserving the right to present them for consideration in a future SSIC surcharge case, with additional support and under a procedure that is more consistent with that prescribed by the Commission in the CWSNC Sub 364A case.”

The Public Staff recommends that Aqua be allowed to implement the Public Staff proposed WSIC and SSIC percentages effective for service rendered on or after January 1, 2021, 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.

The Public Staff recommended that the Commission issue the proposed order approving The Public Staff’s proposed water and sewer system improvement charges effective for service rendered on or after January 1, 2021, subject to true-up, and requiring customer notice.

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

P10. DOCKET NO. W-218, SUB 526A – AQUA NORTH CAROLINA, INC. – APPLICATIONS FOR APPROVAL TO IMPLEMENT SECONDARY WATER QUALITY SYSTEM IMPROVEMENT PROJECTS

On December 9, 2020, Aqua North Carolina, Inc. (Aqua), filed an application for approval to implement three secondary water quality system improvement projects pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rule R7-39. Aqua plans to use an AdEdge filtration system for the removal of iron and manganese similar to greensand or manganese dioxide. The 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>
The Cape Well 8	New Hanover	300	\$680-\$705
Enclave at Barton's Creek Well 18	Wake	51	\$274-\$299
Whitetail Farms Well 1	Wake	21	\$222.4-\$247.4
		Total	\$1.1764-\$1.2514 Million

On December 30, the Public Staff filed its Report and Recommendations regarding Aqua's application. The Public Staff stated that it had thoroughly reviewed the filter projects proposed by Aqua. Based on its review of the application, the Public Staff concluded that for these projects, the 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 three proposed filtration projects to comply with secondary water quality standards.

Representatives of Aqua also appeared at the Staff Conference to address the questions raised by the Public Staff regarding the timing of the commencement of work on The Cape Well #8 filtration project and whether that project should have begun after the Commission provided direction to do so, as required pursuant to N.C.G.S. § 62-133.12(c)(4) for equipment and infrastructure to comply with the secondary drinking water standards.

It was moved and passed that the Public Staff's recommendation be adopted, with approval of the work on The Cape Well # 8 being granted nunc pro tunc.

P11. DOCKET NO. W-218, SUB 544 – AQUA NORTH CAROLINA, INC. – TRANSFER OWNER EXEMPT

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's present rates and the County's present rates for water utility service 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	\$ 165.00
3" meter	\$ 310.50
4" meter	\$ 517.50
6" meter	\$1,035.00

Usage charge, per 1,000 gallons	\$ 6.38
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County's Present Rates

Monthly Metered Water Utility Service

Base fee	\$ 30.00
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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 County's rates would increase the monthly metered water bill by \$10.90, from \$52.60 to \$63.50, based on 5,000 gallons usage.

The Public Staff has reviewed Aqua's application and recommends that Aqua be required to deliver notice to affected customers of the applied for transfer of the water utility systems. The Public Staff is of the opinion that the matter may be determined without public hearing if no significant protests are received subsequent to customer notice.

The Public Staff recommended 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.

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

Minutes of the Regular Commission Staff Conference for December 21, 2020, were approved.

Minutes prepared by Portia Barnes.