

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 384

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application by Carolina Water Service, Inc. of	)	ORDER GRANTING
North Carolina, 4944 Parkway Plaza	)	PARTIAL RATE
Boulevard, Suite 375, Charlotte, North	)	INCREASE AND
Carolina 28217, for Authority to Adjust and	)	REQUIRING CUSTOMER
Increase Rates for Water and Sewer Utility	)	NOTICE
Service in All Service Areas in North Carolina)	

HEARD: Monday, November 1, 2021, at 1:30 p.m. and 6:30 p.m., via videoconference and telephone

BEFORE: Chair Charlotte A. Mitchell, Presiding, and Commissioners ToNola D. Brown-Bland, Lyons Gray, Daniel G. Clodfelter, Kimberly W. Duffley, Jeffrey A. Hughes, and Floyd B. McKissick, Jr.

APPEARANCES:

For Carolina Water Service, Inc. of North Carolina:

Jo Anne Sanford, Sanford Law Office, PLLC, Post Office Box 28085, Raleigh, North Carolina 27611

Mark R. Alson and Kay E. Pashos, Ice Miller LLP, One American Square, Suite 2900, Indianapolis, Indiana 46282-0200

For the Using and Consuming Public:

John Little, Munashe Magarira, and William E. Grantmyre, Staff Attorneys, Public Staff – North Carolina Utilities Commission, 4326 Mail Service Center, Raleigh, North Carolina 27699

BY THE COMMISSION: On May 25, 2021, pursuant to Commission Rule R1-17(a), Carolina Water Service, Inc. of North Carolina (CWSNC or the Company) submitted notice of its intent to file a general rate case application in Docket No. W-354, Sub 384 (Sub 384). On July 2, 2021, CWSNC filed its verified Application for General Rate Increase (Application) in Sub 384 seeking authority to: (1) increase and adjust its rates for water and sewer utility service in all of its service areas in North Carolina; (2) implement fee-free payment options for customers, with the costs of the electronic

processing fees added to the base rate revenue requirement; and (3) implement a water efficiency rebate program. In its Application, CWSNC also indicates it intends to continue to pass through any increases in purchased bulk water rates and any increased costs of wastewater treatment performed by third parties and billed to CWSNC, all subject to CWSNC providing sufficient proof of such increases; and that CWSNC intends to continue using the Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) mechanisms, after being reset to zero in this proceeding, to allow for Commission consideration of surcharge cost recovery of future eligible water and sewer system improvement projects. In addition, the Company included as part of its rate case filing certain information and data required by NCUC Form W-1.

As part of its Application, CWSNC filed direct testimony of the following witnesses: Donald H. Denton III, Senior Vice President, East Operations for Corix Regulated Utilities, Inc. (Corix); Dana Hill, Director of State Operations for CWSNC; Philip J. Drennan, Regional Director of Financial Planning and Analysis for CWSNC; Matthew P. Schellinger II, Manager of Financial Planning and Analysis for CWSNC; LaQuisha M. Parks, Vice President of Customer Experience, US Operations for Corix;¹ and Dylan W. D'Ascendis, Partner at ScottMadden, Inc.

The Company stated in its Application that as of March 31, 2021, it had approximately 30,856 active water customers, 3,373 water availability customers, 19,788 active sewer customers, and 1,207 sewer availability customers in North Carolina. The present rates for water and sewer service have been in effect since March 31, 2020, pursuant to the Commission's Order Granting Partial Rate Increase and Requiring Customer Notice issued in CWSNC's last general rate case in Docket No. W-354, Sub 364 (Sub 364 Order).

On July 26, 2021, the Commission issued an Order Establishing General Rate Case and Suspending Rates. By that order, the Commission declared this matter to be a general rate case pursuant to N.C. Gen. Stat. § 62-137, suspended the proposed new rates for up to 270 days pursuant to N.C.G.S. § 62-134, and established the test year period for this case as the 12-month period ending March 31, 2021.

On August 25, 2021, CWSNC filed a revision to the direct testimony of its witness Hill.

On October 8, 2021, the Commission issued an Order Establishing Discovery Guidelines, Scheduling Hearings, and Requiring Customer Notice (Scheduling Order) which required the parties to prefile testimony and exhibits, scheduled the matter for hearing, and required notice to all affected customers. That order scheduled a public witness hearing to be held remotely via Webex on November 1, 2021, in two sessions at

¹ On November 30, 2021, CWSNC filed notice that Mr. Denton would adopt the prefiled direct testimony of Ms. Parks.

1:30 p.m. and 6:30 p.m. The Commission also set the expert witness hearing to be held in Raleigh, North Carolina, beginning on December 7, 2021.

Also on October 8, 2021, CWSNC filed its rate case updates, schedules, and supporting data as required by Ordering Paragraph No. 9 of the Commission's Scheduling Order, along with the supplemental testimony of its witness Drennan.

On October 22, 2021, CWSNC filed a certificate of service demonstrating that the Company provided notice of this general rate case proceeding to its customers as required by the Commission's Scheduling Order.

The Public Staff – North Carolina Utilities Commission's (Public Staff) participation in this proceeding is recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e).

On November 1, 2021, CWSNC customer John D. Gumbel of New Bern filed a request to be allowed to intervene under Commission Rule R1-19.

A public witness hearing was held as scheduled on November 1, 2021, remotely via Webex. A total of 35 Company customers testified at the public witness hearing.

The Public Staff filed its direct testimony on November 5, 2021, consisting of testimony and exhibits of Public Staff witnesses Gina Y. Casselberry, Advanced Utilities Engineer for the Public Staff; Lynn Feasel, Accountant for the Public Staff; Lindsay Q. Darden, Utilities Engineer for the Public Staff; and John R. Hinton, Director of the Economic Research Division of the Public Staff.

On November 15, 2021, CWSNC filed its Report on Customer Comments in response to customer testimony (Customer Concerns Report).

On November 18, 2021, the Public Staff filed supplemental testimony and exhibits of its witnesses Feasel and Darden.

On November 22, 2021, in lieu of rebuttal testimony, CWSNC filed a notice of agreement in principle to settle with the Public Staff.

On November 24, 2021, the Public Staff filed the second supplemental testimony of witness Darden.

On November 29, 2021, Mr. Gumbel withdrew his Motion to Intervene in the docket.

On November 30, 2021, CWSNC and the Public Staff (Stipulating Parties) filed a Joint Settlement Agreement and Stipulation (Stipulation) and the supporting schedules, including Joint Settlement Exhibit 1 and Feasel Settlement Exhibits I and II. Also on that date, the Stipulating Parties filed a motion requesting that the Commission excuse all

expert witnesses from testifying at the December 7, 2021 expert witness hearing and accept the prefiled testimony and exhibits into the record. The Stipulating Parties stated that they waived cross-examination of the witnesses.

On December 1, 2021, the Public Staff filed corrected Feasel Settlement Exhibits I and II supporting the Stipulation. Also on that date, CWSNC filed a reply to Public Staff witness Darden's second supplemental testimony (Reply).

On December 3, 2021, the Commission issued an Order Excusing Witnesses, Accepting Testimony, Canceling Expert Witness Hearing, and Requiring Proposed Orders.

On January 3, 2022, the Public Staff and CWSNC jointly filed: (1) the affidavit of CWSNC witness Schellinger, providing the updated amount of rate case expense agreed to by CWSNC and the Public Staff; (2) revised Feasel Settlement Exhibits I and II; and (3) a proposed order including Appendices A, B, and C.

Based upon the foregoing, including the verified Application and accompanying NCUC Form W-1, the testimony and exhibits of the customers appearing at the public witness hearing, the testimony and exhibits of the expert witnesses received into evidence, the Stipulation, and the entire record herein, the Commission makes the following

FINDINGS OF FACT

General Matters

1. CWSNC is a corporation duly organized under the laws of and is authorized to do business in the State of North Carolina. It is a franchised public utility providing water and sewer utility service to customers in 38 counties in North Carolina. CWSNC is a wholly owned subsidiary of Corix.

2. CWSNC is properly before the Commission pursuant to Chapter 62 of the North Carolina General Statutes for a determination of the justness and reasonableness of its proposed rates and charges for the water and sewer utility service it provides to customers in North Carolina.

3. The appropriate test year for use in this proceeding is the 12-month period ending March 31, 2021, updated for known and measurable changes through the close of the expert witness hearing.

4. CWSNC's present rates for water and sewer service have been in effect since March 31, 2020, pursuant to the Commission's Sub 364 Order.

The Stipulation

5. On November 30, 2021, the Stipulating Parties filed the Stipulation, resolving all of the contested issues between CWSNC and the Public Staff in this matter.

6. The Stipulation is the product of give and take in negotiations between the Stipulating Parties, is material evidence in this proceeding, and is entitled to be given appropriate weight in this case along with the other evidence of record, including that submitted by the Company, the Public Staff, and the customers who testified at the public witness hearing.

Acceptance of Stipulation

7. The rates proposed in the Stipulation are just and reasonable for CWSNC and its customers.

8. The provisions of the Stipulation are just and reasonable to all parties to this proceeding, as well as the CWSNC's customers and serve the public interest.

9. It is appropriate to approve the Stipulation in its entirety.

Customer Concerns and Service

10. As of the 12-month period ending March 31, 2021, CWSNC served approximately 30,856 active water customers and 19,788 active wastewater customers in North Carolina. For the same period, CWSNC also had 3,373 water availability customers and 1,207 sewer availability customers. CWSNC operates 93 water utility systems and 38 sewer utility systems in the state.

11. A total of 35 customers testified at the two-part, virtual public witness hearing held on November 1, 2021, for the purpose of receiving customer testimony.

12. The service areas represented, with the number of customers who testified from each listed in parenthesis, are Abington (1), Amber Acres (3), Amber Ridge (1), Amherst (2), Belvedere (1), Brandywine Bay (2), Carolina Pines (3), Carolina Trace (2), Connestee Falls (1), Danby (7), Elk River (1), Fairfield Harbour (1), Fairfield Mountain (1), Fairfield/Sapphire Valley (1), Hound Ears (2), Powder Horn Mountain (1), Riverpoint (1), Sandy Trail (1), Sugar Mountain (2), and Treasure Cove (1).

13. The primary concerns of the testifying customers were the magnitude of the rate increase, including overall cost of service, and the frequency of rate increases. Customers also raised concerns about base rates, comparisons of rates to municipalities, and service issues, including discoloration of water and high mineral content.

14. As of November 14, 2021, the Public Staff had received approximately 18 written statements of position from CWSNC customers (as compared to 316 written

customer statements in the Sub 364 docket). Six of the customers' statements dealt with water quality – three generically, one concerning yellow staining, one describing staining of the toilet from the water, and one describing high mineral content with occasional inconsistent pressure. Three customers mentioned the high base charge, and two discussed the use of flat rates. All customers objected to the rate increase.

15. CWSNC filed its verified Customer Concerns Report two weeks after the conclusion of the public witness hearing, addressing the service-related concerns and other comments of all 35 customers who testified at the hearing. The Customer Concerns Report describes each of the customers' specific service-related concerns and comments, provides the Company's response, and explains how each concern and comment was resolved or addressed, if applicable. Because of the compressed response time, due to changes to the hearing schedule related to the pandemic, the Company committed to continue attempting to contact each customer who testified.

16. CWSNC has continued its course of increased attention to the communications component of customer service since the Company's last rate case, with a positive emphasis on proactive communications and continuation of several social media platforms, which have been particularly important during the pandemic. CWSNC's internal efforts to improve the customer experience through elevation of the importance of the customer's experience, hiring additional staff to support customer care, improving the pay structure for experienced employees, and serving customers by providing a localized response to questions or complaints are all positive steps towards better meeting customers' needs for communication and quicker service response. The Company's surveys regarding customer service revealed positive results and substantiated the efficacy of the internal improvements.

17. The Public Staff's description of the quality of service provided by CWSNC as "adequate" is supported by the record in this case.

18. The overall quality of water service provided by CWSNC is adequate. The Company meets the North Carolina Department of Environmental Quality's (DEQ) and the United States Environmental Protection Agency's (EPA) health-based primary quality standards.

19. The overall company-wide quality of wastewater service provided by CWSNC is adequate.

20. The overall quality of service provided by CWSNC is adequate, reliable, and economical.

Operating Revenues

21. The appropriate level of operating revenues under present rates for use in this proceeding is \$39,862,202, consisting of service revenues of \$39,731,767 and miscellaneous revenues of \$378,205, decreased by uncollectibles of \$247,770.

Rate Base

22. The appropriate level of rate base used and useful in providing service is \$143,656,896 for CWSNC's combined operations.

Capital Structure, Cost of Capital, and Overall Rate of Return

23. A capital structure consisting of 50.20% equity and 49.80% long-term debt is reasonable and appropriate for CWSNC in this case.

24. A 4.85% cost of debt for CWSNC is reasonable and appropriate for the purpose of this case.

25. A 9.40% rate of return on common equity for CWSNC is just and reasonable in this general rate case.

26. The cost of capital and revenue increase approved in this Order is intended to provide CWSNC, through sound management, the opportunity to earn an overall rate of return of 7.14%. This overall rate of return is derived from applying an embedded cost of debt of 4.85% and a rate of return on common equity of 9.40% to a capital structure consisting of 49.80% long-term debt and 50.20% common equity.

27. Continuous safe, adequate, reliable, and affordable water and wastewater utility service by CWSNC is essential to CWSNC's customers.

28. The rate of return on common equity and capital structure approved by the Commission appropriately balance the benefits received by CWSNC's customers from CWSNC's provision of safe, adequate, and reliable water and wastewater utility service with the difficulties that some of CWSNC's customers will experience in paying the Company's increased rates.

29. The 9.40% rate of return on common equity and the 50.20% equity capital structure approved by the Commission balance CWSNC's need to obtain equity and debt financing with its customers' need to pay the lowest possible rates.

30. The authorized levels of overall rate of return and rate of return on common equity set forth above are supported by competent, material, and substantial record evidence; are consistent with the requirements of N.C.G.S. § 62-133; and are fair to CWSNC's customers generally and in light of the impact of changing economic conditions.

Maintenance and General Expense

31. The appropriate levels of maintenance expense and general expense for combined operations for use in this proceeding are \$9,667,061 and \$15,371,346, respectively.

32. It is appropriate for CWSNC to recover total rate case expenses of \$492,515 related to the current proceeding and \$701,533 of unamortized rate case costs related to the prior proceedings in Docket No. W-354, Subs 356, 360, and 364.

33. It is appropriate to amortize the total rate case costs for the current and prior proceedings over five years and to include an annual level of costs in the amount of \$87,603 related to miscellaneous regulatory matters, resulting in an annual level of rate case expense of \$326,413, as agreed to by the Stipulating Parties. The Stipulating Parties also agree that unamortized rate case expense will not be included in rate base and will not earn a return.

Depreciation and Amortization Expense

34. The appropriate level of depreciation and amortization expense for combined operations for use in this proceeding is \$5,537,933.

Franchise, Property, Payroll, and Other Taxes

35. The appropriate level of franchise, property, payroll, and other taxes for use in this proceeding is \$880,869 for combined operations, consisting of \$125,494 for franchise and other taxes, \$255,064 for property taxes, and \$500,311 for payroll taxes.

Regulatory Fee and Income Taxes

36. It is reasonable and appropriate to calculate regulatory fee expense using the regulatory fee rate of 0.13% effective July 1, 2019, pursuant to the Commission's June 18, 2019 Order issued in Docket No. M-100, Sub 142. The appropriate level of regulatory fee expense under present rates in this proceeding is \$51,821.

37. It is reasonable and appropriate to use the current North Carolina corporate income tax rate of 2.50% to calculate CWSNC's revenue requirement. The appropriate level of state income taxes under present rates in this proceeding is \$122,086.

38. It is reasonable and appropriate to use the federal corporate income tax rate of 21.00% to calculate CWSNC's revenue requirement. The appropriate level of federal income taxes under present rates in this proceeding is \$999,881.

39. It is appropriate to calculate income taxes for ratemaking purposes based on the adjusted level of revenues and expenses and the tax rates for utility operations.

Revenue Requirement

40. CWSNC's rates should be changed by amounts which, after all pro forma adjustments, will produce the following increases in service revenues:

<u>Item</u>	<u>Amount</u>
CWSNC Uniform Water	\$ 1,802,605
CWSNC Uniform Sewer	\$ 1,329,598
BF/FH/TC Water ²	\$ 409,739
BF/FH Sewer	<u>\$ 308,379</u>
Total	<u>\$ 3,850,321</u>

These increases will allow CWSNC the opportunity to earn a 7.14% overall rate of return, which the Commission has found to be reasonable upon consideration of the findings in this Order.

Billing Analysis and Rate Design

41. It is reasonable and appropriate for CWSNC's rate design for water utility service for its Uniform Water and BF/FH/TC Water residential customers to be based on a 40/60 service revenue ratio of base charge to usage charge, and to use a 60/40 service revenue ratio of base charge to usage charge for CWSNC's Uniform Sewer residential customers, as set out in the Stipulation.

42. It is reasonable and appropriate for CWSNC to move the Eastgate and Tanglewood South subdivisions to a purchased water pass-through rate from Fayetteville Public Works Commission, and it is reasonable and appropriate to move the Willowbrook subdivision to a purchased water pass-through rate from Johnston County Public Utilities.

43. In the Commission's Sub 364 Order, effective March 31, 2020, CWSNC was authorized to refund its remaining federal unprotected excess deferred income tax (EDIT) balances over 24 months. It is reasonable and appropriate to terminate this federal unprotected EDIT credit as of March 31, 2022.

44. The rates and charges included in Appendices A-1 and A-2, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as Appendices B-1 and B-2, are just and reasonable and should be approved.

Continuation of Bulk Purchase Pass-Through Rate Adjustment and Update of Purchased Water and Sewer Rates

45. It is reasonable and appropriate for CWSNC to update its purchased water and sewer rates as proposed by the Public Staff. It is reasonable and appropriate for CWSNC to continue to utilize the bulk purchased water and sewer services pass-through rate adjustment.

² The abbreviations BF/FH/TC Water represent Bradfield Farms/Fairfield Harbour/Treasure Cover (BF/FH/TC) Water residential customers.

Continuation of WSIC and SSIC Mechanisms

46. It is reasonable and appropriate for CWSNC to continue to utilize certain rate adjustments, specifically, the WSIC and SSIC mechanisms. Consistent with Commission Rules R7-39(k) and R10-26(k), CWSNC's WSIC and SSIC surcharges will reset to zero as of the effective date of the approved rates in this proceeding. Pursuant to N.C.G.S. § 62-133.12, the cumulative maximum charges that the Company can recover via its WSIC and SSIC surcharges between rate cases cannot exceed 7.50% of the total service revenues approved by the Commission in this rate case.

Fee-Free Payment Proposal

47. It is reasonable and appropriate for CWSNC to implement its proposed fee-free payment option for its residential customers, with the cost of service of such to be reflected in CWSNC's revenue requirements in the amount of \$253,495.

48. It is reasonable and appropriate for CWSNC to report to the Commission and the Public Staff concerning the fee-free payment option twice per year, with such reporting detailing the number of fee-free payments made by customers by month, along with levels of CWSNC uncollectibles expense by month.

Water Efficiency Program

49. It is reasonable and appropriate for CWSNC to be authorized to implement its proposed Water Efficiency Program, under which CWSNC will offer efficient water fixture rebates for its customers. The Water Efficiency Program should be treated as a pilot program and reevaluated in CWSNC's next rate case.

50. It is reasonable and appropriate that CWSNC be authorized to defer and subsequently recover in a future rate case the efficient water fixture rebates applied to customer bills in a regulatory asset account, which asset should not earn a return or carrying charges. The estimated administrative expenses in the amount of \$2,000, for this program related to noticing customers should be included in the Company's revenue requirements.

51. It is reasonable and appropriate for CWSNC to report to the Commission and the Public Staff about the Water Efficiency Program on an annual basis, with such detailing the dollar amount and number of rebates applied to customer bills, the dollar amount of the regulatory asset, the type of water efficiency measures for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from an authoritative, third-party source.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1–4

General Matters

The evidence supporting these findings of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony and exhibits of the witnesses, and the entire record in this proceeding. These findings are informational, procedural, and jurisdictional in nature and are not contested by any party.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 5–9

The Stipulation and Acceptance of Stipulation

The evidence supporting these findings of fact is found in the Stipulation, the testimony of CWSNC's and the Public Staff's witnesses, the affidavit of Matthew Schellinger, Joint Settlement Exhibit 1, and corrected Feasel Settlement Exhibits I and II.

On November 30, 2021, CWSNC and the Public Staff entered into and filed a Stipulation which memorializes their agreements on all of the issues in this proceeding. Attached to the Stipulation is Joint Settlement Exhibit 1, which demonstrates the impact of the Stipulating Parties' agreements on the calculation of CWSNC's gross revenue for the test year ending March 31, 2021. Thus, the Stipulation is based upon the same test period as the Company's Application, adjusted for certain changes in plant, revenues, and costs that were not known at the time the case was filed, but are based upon circumstances occurring or becoming known through the close of the expert witness hearing. In addition to the Stipulating Parties' agreements on all of the issues in this proceeding, the Stipulation provides that CWSNC and the Public Staff agree that the Stipulation reflects a negotiation of contested issues, and that the provisions of the Stipulation do not reflect any position asserted by either CWSNC or the Public Staff, but instead reflect compromise and settlement between them. The Stipulation provides that it is binding as between CWSNC and the Public Staff, and that it is conditioned upon the Commission's acceptance of the Stipulation in its entirety. There are no other parties to this proceeding.

The key aspects of the Stipulation are as follows:

- **Tariff Rate Design** – The Stipulating Parties agree that rate design in this case should be based on a 40/60 ratio of fixed/volumetric revenues for the Uniform Water and BF/FH/TC Water residential customers and a 60/40 ratio of fixed/volumetric revenues for the Uniform Sewer residential customers. The Stipulating Parties also agree that: (1) the Eastgate and Tanglewood South subdivisions should be moved to a purchased water pass-through rate from Fayetteville Public Works Commission; (2) the Willowbrook subdivision should be moved to a purchased water pass-through rate from Johnston County Public Utilities; (3) the unprotected EDIT credit should terminate as of March 31, 2022; and (4) the purchased water and sewer rates should be updated as proposed by

the Public Staff. Finally, the Stipulating Parties understand and agree that CWSNC will continue to utilize certain rate adjustment mechanisms, specifically, the WSIC and SSIC, and the bulk purchased water and sewer services pass-through rate adjustment.³

- **Capital Structure** – The Stipulating Parties agree that the capital structure appropriate for use in this proceeding is a capital structure consisting of 50.20% common equity and 49.80% long-term debt.
- **Cost of Capital** – The Stipulating Parties agree that a rate of return on common equity of 9.40% is appropriate for use in this proceeding, and a cost of long-term debt of 4.85% is appropriate for use in this proceeding.
- **Pro Forma Adjustments** – The Stipulating Parties agree to the Public Staff's November 18, 2021 position with respect to *pro forma* adjustments, as shown in their supplemental filing, with the following exceptions/adjustments: (1) Salaries and wages expense to reflect previously filled area manager position; and (2) uncollectibles expense to reflect accrual for availability customers. In addition, the Stipulating Parties agree to a methodology for calculating regulatory expense, also known as rate case expenses, and will update such for actual and estimated costs through the end of this proceeding, based upon supporting documentation to be provided by CWSNC. Further, the Stipulating Parties agree to remove unamortized rate case expense from rate base and to amortize rate case expense (both the unamortized portion from previous cases and the current rate case expense for this proceeding) over a five-year period without a return or carrying costs.
- **Fee-Free Payments** – The Stipulating Parties agree that CWSNC should implement its proposed fee-free payment option for its residential customers, with the cost of service of such to be reflected in CWSNC's revenue requirements in the amount of \$253,495.
- **Water Loss Adjustment for Purchased Water Expense** – The Stipulating Parties agree upon a 15% or 20% water loss threshold for certain purchased water subdivisions as outlined in Casselberry Exhibit No. 1.
- **Revenue Requirement Increase** – The Stipulating Parties agree to the revenue requirement increase as shown on Joint Settlement Exhibit 1, which is attached to the Stipulation and is incorporated by reference therein. Further, the Stipulating Parties agree to update the number included in Joint Settlement Exhibit 1 for rate

³ In their joint proposed order, the Stipulating Parties also agree that due to the nature of the change in fixed to volumetric rates for Uniform Sewer customers, the rates for the White Oak School and White Oak Daycare should be increased at the same percentages as the White Oak flat rate residential customers, as shown in Appendix A-1.

case expense for actual and estimated costs through the end of this proceeding once supporting documentation is provided by CWSNC.

Based upon the foregoing and the entire record herein, the Commission concludes that the Stipulation was entered into by the Stipulating Parties after full discovery and extensive negotiations, that the Stipulation is the product of give and take in settlement negotiations between CWSNC and the Public Staff, and that the Stipulation represents a reasonable and appropriate resolution of certain specific matters in dispute in this proceeding. In making this finding the Commission notes that no party expressed opposition to the provisions of the Stipulation. In addition, when the provisions of the Stipulation are compared to CWSNC's Application and the recommendations included in the testimony of the Public Staff's witnesses, the Stipulation results in a number of downward adjustments to the expenses sought to be recovered by CWSNC, and resolves issues, some of which were more important to CWSNC and others of which were more important to the Public Staff. Therefore, the Commission further concludes that the Stipulation is material evidence to be given appropriate weight in this proceeding, along with all other evidence of record, including that submitted by CWSNC, the Public Staff, and the customers who testified at the public witness hearing.

After careful consideration the Commission concludes that the Stipulation strikes a fair balance between the interests of CWSNC to maintain its financial strength at a level that enables it to attract sufficient capital on reasonable terms, and its customers to receive safe, adequate, reliable, and affordable water and sewer service at the lowest reasonably possible rates. The Commission concludes that the resulting rates are just and reasonable to both CWSNC and its customers. In addition, the Commission concludes that the provisions of the Stipulation are just and reasonable to all parties to this proceeding and serve the public interest, and that it is appropriate to approve the Stipulation in its entirety.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10-20

Customer Concerns and Service

The evidence supporting these findings of fact is found in the testimony of the 35 customers appearing at the November 1, 2021 hearing, the original and Second Supplemental Testimony of Public Staff witness Darden, the testimony of CWSNC witness Denton (both in his original direct testimony and the original testimony of LaQuisha Parks, which witness Denton adopted), the verified Customer Concerns Report filed by CWSNC on November 15, 2021 in response to the concerns testified to by the customers at the virtual public witness hearing, and the Company's December 1, 2021 Reply to witness Darden's Second Supplemental Testimony.

Due to the pandemic, the Commission conducted the public witness hearing via remote means, held in two parts on November 1, 2021, by combination of telephonic and internet access. To help ensure ample notice to all customers, the Company voluntarily augmented the reach of the required mailed notice by utilizing a range of internal,

corporate communications tools to contact customers and Homeowners Associations to alert them to the Commission's notice of the customers' opportunity to testify. Thirty-five customers participated in the remote public witness hearing.⁴

The Company responded promptly to the concerns and comments expressed at the November 1, 2021 public witness hearing by filing a 79-page Customer Concerns Report on November 15, 2021, addressing each customer's comments. Because of the short interval between the public witness hearing and the due date of the Customer Concerns Report, the Company pledged to continue its efforts to contact every customer who had participated in the public witness hearing, even after the date of the Customer Concerns Report.

Public Staff witness Darden, in her direct testimony of November 5, 2021, testified that her investigation included a review of: Company expenses; Company utility plant in service; the proposed credit card fee-free bill payment option in coordination with the Public Staff Accounting Division; the proposed Water Efficiency program; the billing analysis, including the proposed transition of Eastgate, Tanglewood South, and Willowbrook purchased water systems from partial to full purchased systems; DEQ records; customer complaints; contacts with the DEQ, Division of Water Resources (DWR) and Public Water Supply Section (PWSS); and other Company records. She also conducted an analysis of revenues at existing and proposed rates. Because of COVID-19 concerns, witness Darden did not make actual field investigations of the plants; however, she did review the environmental agency records, as indicated, and she did not cite to any environmental or agency water quality concerns in her testimony.

In her Second Supplemental Testimony, witness Darden testified that she had reviewed approximately 16 written customer statements of position as of November 24, 2021. The statements were in the forms of letters, emails, and facsimile transmissions. Approximately six of the statements detailed issues with water quality. Three of those statements were general statements that the water was not drinkable, one described the water as yellow, and one spoke to heavy mineral content in the water and occasional inconsistent water pressure. All of the customers objected to the magnitude of the proposed rate increase. Three of the statements specifically mentioned the high base rate charge, and two additional statements referenced the flat-rate sewer charge.

Witness Darden also describes the public witness hearing process, wherein individuals who wished to testify preregistered for the hearing by October 25, 2021, and testified by calling in over the phone. Seventy-two customers preregistered to testify but only 35 customers actually testified on the record at the November 1 hearing. The service areas represented with the number of customers who testified from each listed in parenthesis, were Abington (1), Amber Acres (3), Amber Ridge (1), Amherst (2), Belvedere (1), Brandywine Bay (2), Carolina Pines (3), Carolina Trace (2), Connestee

⁴ In CWSNC's last rate case only 24 customers testified at the public witness hearings, which were held in-person across the state in Charlotte, Manteo, Boone, Asheville, Raleigh, and Jacksonville.

Falls (1), Danby (7), Elk River (1), Fairfield Harbour (1), Fairfield Mountain (1), Fairfield/Sapphire Valley (1), Hound Ears (2), Powder Horn Mountain (1), Riverpoint (1), Sandy Trail (1), Sugar Mountain (2), and Treasure Cove (1).

The primary concerns of the testifying customers were the magnitude and frequency of rate increases. Various customers also raised concerns about base rates, comparisons of rates to municipalities, and service issues. Three customers opposed the proposed credit card processing fee adjustment and the Public Staff's recommended alterations to it.

With respect to customer concerns regarding a rate increase, in its Customer Concerns Report, CWSNC provides that the record and the statutes make it clear that the burden is on the Company to prove that it has made necessary investment at reasonable costs and that it has been prudent in the operation and management of its regulated activities. CWSNC filed an Application and supporting testimony on July 2, 2021, and provided the Public Staff with responses to 87 data requests sent as part of the Public Staff's investigation. CWSNC states that the Public Staff has reviewed CWSNC's Application for prudence and reasonableness describing the findings in its testimony. The Company compromised with the Public Staff on numerous issues in order to reach a settlement.

In response to customer comparisons between municipal rates and investor-owned utilities, the Company states in the Customer Concerns Report that comparison of CWSNC's rates to the rates of municipal, county, or district systems lacks relevance to the necessary proof of costs-to-serve analysis required for in rate cases conducted under the comprehensive regulatory oversight established in Chapter 62 of the North Carolina General Statutes. CWSNC explains that the operational costs per customer may be lower for customers of municipalities because of service area density and economies of scale, while larger investor-owned utilities like CWSNC have fragmented service areas spread across the state. Investor-owned utilities are strictly regulated by the State of North Carolina, and the General Statutes allow a properly managed, Commission-regulated utility the right to recover its operational expenses and the opportunity to earn a reasonable rate of return on its prudent investment. In contrast, government-owned systems are not regulated by the Commission, and municipalities and other local governmental providers of water or wastewater service may subsidize the operating expenses of their utility systems through taxation. While investor-owned utilities fund capital projects through private investors or loans, municipalities, local governmental systems, and county systems may qualify for grants, low-interest tax-free bonds, and other loans to fund capital projects.

After carefully reviewing the testimony of the customers and the responses provided by the Company in its Customer Concerns Report, witness Darden expresses the Public Staff's opinion that with the exception of a few isolated service issues, which the Company has addressed or is in the process of resolving, the overall quality of service is adequate and the water quality generally meets the standards set forth by the Safe Drinking Water Act, and is thus satisfactory.

The Public Staff recommends that CWSNC consider customer outreach to customers on the Danby system regarding ways to address and manage water hardness in their homes. The Public Staff also requests that CWSNC share the results of the evaluations from its iron sequestering agent supplier for the Belvedere and Brandywine Bay systems and that CWSNC continue to update the Public Staff on the progress made in addressing those systems' water quality issues.

By its Reply dated December 1, 2021, the Company reports that it has already reached out to the Danby customers concerning water hardness and to the Belvedere and Brandywine Bay customers as well. CWSNC states that it is sharing the results from its iron sequestering agent supplier for Belvedere and Brandywine Bay with the Public Staff,⁵ and that it will continue to update the Public Staff on its progress in addressing those systems' water quality issues.

Based upon the foregoing, and after careful review of the evidence which included the testimony of witness Denton (and of witness Parks, which witness Denton adopted), of the customers at the public witness hearing, of Public Staff witnesses Casselberry and Darden concerning their engineering and service quality investigation, the Company's Customer Concerns Report, and the Company's Reply to the Public Staff, the Commission concludes that consistent with the statutory requirements of N.C.G.S. § 62-131(b), the overall quality of service provided by CWSNC is adequate, reliable, and economical.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 21

Operating Revenues

The evidence supporting this finding of fact is found in the testimony of Public Staff witnesses Darden and Feasel (including witness Feasel's revised Settlement Exhibits I and II), the testimony of Company witnesses Drennan and Schellinger, and the Company's October 8, 2021 update. The following table summarizes the differences between the Company's level of operating revenues under present rates from its Application (as updated October 8, 2021), the amounts recommended by the Public Staff, and the amounts reflected in the Stipulation:

⁵ The Company advises that iron sequestering evaluation would also include Fairfield Harbour.

<u>Item</u>	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation
<u>Operating Revenues:</u>			
Service revenues	\$39,650,491	\$39,731,767	\$39,731,767
Miscellaneous revenues	255,463	378,205	378,205
Uncollectible accounts	<u>(349,137)</u>	<u>(159,945)</u>	<u>(247,770)</u>
Total operating revenues	<u>\$39,556,817</u>	<u>\$39,950,027</u>	<u>\$39,862,202</u>

Based on the Stipulation and the evidence presented in witness Feasel's revised Settlement Exhibits I and II, the Company and the Public Staff agree to the following adjustments to operating revenues under present rates:

<u>Item</u>	<u>Amount</u>
Reflect pro forma level of service revenues	\$81,276
Adjustment to forfeited discounts	2,065
Adjustment to other revenue and sale of utility property	120,677
Adjustment to uncollectible accounts	<u>101,367</u>
Total	<u>\$305,385</u>

The Commission concludes that the adjustments listed above are appropriate adjustments to be made to operating revenues under present rates in this proceeding.

Based on the foregoing, the Commission concludes that the appropriate level of operating revenues under present rates for combined operations for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Service revenues	\$39,731,767
Miscellaneous revenues	378,205
Uncollectible accounts	<u>(247,770)</u>
Total operating revenues	<u>\$39,862,202</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 22

Rate Base

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witness Drennan (including witness Drennan's supplemental testimony), the Company's October 8, 2021 update, the testimony of Public Staff witness Feasel (including witness Feasel's revised Settlement Exhibits I and II), and the Stipulation.

The following table summarizes the differences between the Company's level of rate base from its Application (as updated October 8, 2021), the amounts recommended by the Public Staff, and the amounts agreed to in the Stipulation:

Item	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation
Plant in service	\$253,536,360	\$257,456,710	\$257,456,710
Accumulated depreciation	<u>(68,202,205)</u>	<u>(67,584,802)</u>	<u>(67,584,802)</u>
Net plant in service	185,334,156	189,871,908	189,871,908
Cash working capital	2,844,591	2,803,908	2,821,379
Contributions in aid of construction	(38,895,923)	(38,801,607)	(38,801,607)
Advances in aid of construction	(32,940)	(32,940)	(32,940)
Accum. Deferred income taxes	(7,152,856)	(7,543,647)	(7,590,385)
Customer deposits	(313,806)	(381,404)	(381,404)
Inventory	238,430	246,182	246,182
Gain on sale and flow back taxes	0	(289,628)	(289,628)
Plant acquisition adjustment	(692,112)	(662,009)	(662,009)
Excess book value	0	0	0
Cost-free capital	(261,499)	(261,499)	(261,499)
Average tax accruals	136,079	(137,919)	(137,896)
Regulatory liability for EDIT	(3,761,852)	(3,761,852)	(3,761,852)
Deferred charges	2,309,609	2,636,647	2,636,647
Pro forma plant	<u>5,642,665</u>	<u>0</u>	<u>0</u>
Original cost rate base	<u>\$145,394,542</u>	<u>\$143,686,140</u>	<u>\$143,656,896</u>

On the basis of the Stipulation and the evidence included in witness Feasel's revised Settlement Exhibits I and II, the Company and the Public Staff are in agreement concerning all components of rate base. Therefore, the Commission concludes that the amounts of rate base reflected in the Stipulation and witness Feasel's revised Settlement Exhibits I and II are appropriate adjustments to be made in this proceeding. Accordingly, the Commission concludes that the appropriate level of rate base for combined operations for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Plant in service	\$257,456,710
Accumulated depreciation	<u>(67,584,802)</u>
Net plant in service	189,871,908
Cash working capital	2,821,379
Contributions in aid of construction	(38,801,607)
Advances in aid of construction	(32,940)
Accumulated deferred income taxes	(7,590,385)
Customer deposits	(381,404)
Inventory	246,182
Gain on sale and flow back taxes	(289,628)
Plant acquisition adjustment	(662,009)
Excess book value	0
Cost-free capital	(261,499)
Average tax accruals	(137,896)
Regulatory liability for excess deferred taxes	(3,761,852)
Deferred charges	2,636,647
Pro forma plant	<u>0</u>
Original cost rate base	<u><u>\$143,656,896</u></u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 23 - 30

Capital Structure, Cost of Debt and Equity Capital, and Overall Rate of Return

The evidence supporting these findings of fact and conclusions is contained in the verified Application and the accompanying NCUC Form W-1, the testimony and exhibits of the customers, the direct testimony and exhibits of Company witnesses Drennan and D'Ascendis, the Company's October 8, 2021 update, the direct testimony and exhibits of Public Staff witness Hinton, the Stipulation, and witness Feasel's revised Settlement Exhibits I and II.

Capital Structure

CWSNC witnesses Drennan and D'Ascendis recommend in their direct testimony the use of the actual capital structure of Corix Regulated Utilities of 52.03% long-term debt and 47.97% common equity as of March 31, 2021. Witness Drennan's Supplemental Testimony filed on October 8, 2021, reflects the use of an August 31, 2021 capital structure containing 50.57% long-term debt and 49.43% common equity, based on Corix Regulated Utilities' actual capital structure.

In his testimony Public Staff witness Hinton recommends a 49.80% long-term debt and 50.20% common equity. This capital structure is based on the September 30, 2021 capital structure for Corix Regulated Utilities. The Stipulation contains a 49.80% long-term debt and 50.20% common equity capital structure.

The Stipulation is the product of give and take in negotiations between the Stipulating Parties. Accordingly, the Commission concludes that the stipulated capital structure of 49.80% long-term debt and 50.20% common equity is just and reasonable to all parties in light of all the evidence presented.

Cost of Debt

In its Application CWSNC proposes a cost for long-term debt of 4.97%, based on its actual embedded cost of debt as of March 31, 2021, and witness Drennan's Supplemental Testimony contains a 4.76% cost of debt as of August 31, 2021. In his testimony, witness Hinton recommends a 4.85% cost of debt based on the actual embedded cost of debt as of September 30, 2021. The Stipulation includes a cost of debt rate of 4.85%.

The Stipulation is the product of give and take in negotiations between the Stipulating Parties. Therefore, the Commission concludes that the use of a debt cost rate of 4.85% is just and reasonable to all parties based upon the evidence presented in this proceeding.

Rate of Return on Equity

CWSNC witness D'Ascendis' direct testimony recommends a rate of return on common equity of 10.50% for the Company, based on analyses of the Company's rate of return on common equity using the following three methodologies: Discounted Cash Flow (DCF), Risk Premium Model, and Capital Asset Pricing Model. Witness D'Ascendis' analyses produces an overall range of rate of return on common equity for CWSNC of 10.13% to 10.42% using projected interest rates and a range of 9.81% to 10.05% using current interest rates. Witness D'Ascendis then adjusts his recommended rate of return on common equity for business risk due to the small size of CWSNC (a 0.40% upward adjustment), producing a rate of return on common equity ranges of 10.53% to 10.82% and 10.21% to 10.45% (using current interest rates). In conclusion, witness D'Ascendis recommends a 10.50% rate of return on common equity.

The results derived from witness D'Ascendis' cost of equity analyses applied to his comparable group of water utilities and the non-price regulated companies are as follows:

	Using Projected Interest Rates	Using Current Interest Rates
Discounted Cash Flow Model	8.63%	8.63%
Risk Premium Model	11.03%	10.53%
Capital Asset Pricing Model	10.16%	9.85%
Market Models Applied to Comparable Risk, Non-Price Regulated Companies	10.68%	10.24%
Indicated Range of Common Equity Cost Rate Before Adjustments	10.13%-10.42%	9.81%-10.05%
Size Adjustment	0.40%	0.40%
Indicated Range of Common Equity after Adjustment	10.53%-10.82%	10.21%-10.45%
Recommended Rate of Return on Common Equity	10.50%	

With the use of multiple cost of common equity models and the addition of a 40-basis point adjustment for CWSNC's smaller size relative to his Utility Proxy Group, witness D'Ascendis testifies that the rates range from 10.53%-10.82% (using projected interest rates) and 10.21%-10.45% (using current interest rates). Based on his cost of equity analyses and his review of the changing economic conditions, he concludes that 10.50% is an appropriate rate of return on common equity for CWSNC.

In his testimony Public Staff witness Hinton recommends a rate of return on common equity of 8.93% for CWSNC, based on a DCF and a Risk Premium analysis. The results of witness Hinton's DCF indicates a rate of return on common equity that ranges from 8.30% to 8.60%, and the results of his Risk Premium analysis indicate a rate of return on common equity of 9.41%. In conclusion, witness Hinton recommends an 8.93% rate of return on common equity based on the average of his three DCF estimates and the one risk premium estimate. In addition, both witnesses D'Ascendis and Hinton present the Commission with evidence concerning changing economic conditions, and both witnesses testify that their recommendations are fair and reasonable given the economic conditions for the CWSNC service area.

Public Staff witness Hinton testifies that the DCF model is based on the theory that the price of an investment will equal the discounted cash flows returned by it. Utilizing different inputs, witness Hinton's DCF model produces estimates for the Company's rate of return on common equity that range from 8.30% to 8.60%.

Witness Hinton testifies that his risk premium method relies on approved rates of return on common equity for water utility companies from various public utilities commissions and the average Moody's A-rated yields for Public Utility Bonds from 2006

through 2021. His regression analysis incorporating years of historical data is combined with recent monthly yields to provide an estimate of the current cost of common equity. He testifies that applying the risk premium to the current utility bond cost of 3.11% results in a 9.41% rate of return on common equity.

Public Staff witness Hinton testifies as to the reasonableness of his recommended return and that he considered the pre-tax interest coverage ratio produced by his cost rates for debt and equity capital. Based on his recommended 50.20% equity ratio, cost rate for long-term debt, and the 8.93% equity rate of return, witness Hinton testifies that the pre-tax interest coverage ratio of approximately 3.4 times and a funds flow to debt ratio of 22.62 should allow CWSNC to qualify for a single "A" bond rating.

In the Stipulation the parties agreed to a rate of return on common equity of 9.40% for this proceeding. The Commission concludes that because the Stipulation is the product of give and take in negotiation between the parties, the recommended rate of return on common equity of 9.40% reflects a negotiated settlement where concessions were made by both stipulating parties. The Commission concludes the stipulated 9.40% rate of return on common equity is just and reasonable to all parties in light of all the evidence presented, including evidence concerning changing economic conditions.

The Commission concludes that the rate of return on common equity approved by the Commission in this proceeding appropriately balances the benefits received by CWSNC's customers from CWSNC's provision of safe, adequate, and reliable water and wastewater service with the difficulties that some of CWSNC's customers will experience in paying CWSNC's increased rates. The Commission notes further that its approval of a rate of return on common equity at any level is not a guarantee to the Company that it will earn a rate of return on common equity at that level. Rather, as North Carolina law requires, setting the rate of return on common equity at this level merely affords CWSNC the opportunity to achieve such a return. The Commission concludes, based upon all the evidence presented, that the rate of return on common equity provided for herein will indeed afford the Company the opportunity to earn a reasonable and sufficient return for its shareholders while at the same time producing rates that are just and reasonable to its customers.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 31 - 33

Maintenance and General Expense

The evidence for these findings of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Public Staff witnesses Casselberry and Feasel (including witness Feasel's revised Settlement Exhibits I and II), the testimony of Company witnesses Drennan and Hill, the Company's October 8, 2021 update, the Stipulation, and the affidavit of Matthew Schellinger.

The following table summarizes the differences between the Company's requested level of maintenance and general expenses (as updated October 8, 2021), the amounts recommended by the Public Staff, and the amounts agreed to in the Stipulation:

<u>Item</u>	<u>Company per Application (Updated)</u>	<u>Amount per Public Staff</u>	<u>Amount per Stipulation</u>
<u>Maintenance Expenses:</u>			
Salaries and wages	\$ 0	\$0	\$ 0
Purchased power	2,076,138	2,029,399	2,029,399
Purchased water & sewer	2,514,687	2,467,370	2,467,370
Maintenance and repair	3,323,015	3,484,398	3,484,398
Maintenance testing	587,838	587,838	587,838
Meter reading	260,546	259,916	259,916
Chemicals	875,047	871,544	871,544
Transportation	404,522	404,522	404,522
Operating expenses charged to plant	(504,416)	(504,961)	(504,961)
Outside services - other	<u>67,033</u>	<u>67,033</u>	<u>67,033</u>
Total maintenance expenses	<u>\$9,604,412</u>	<u>\$9,667,061</u>	<u>\$9,667,061</u>
<u>General Expenses:</u>			
Salaries and wages	\$ 6,634,050	\$6,367,921	\$ 6,456,840
Office supplies and other office expense	608,019	575,655	575,655
Rate case expense	368,078	275,556	326,413
Pension and other benefits	1,294,406	1,329,784	1,329,784
Rent	258,936	250,741	250,741
Insurance	1,223,019	1,180,756	1,180,756
Office utilities	490,585	489,901	489,901
Miscellaneous	<u>4,789,909</u>	<u>4,761,256</u>	<u>4,761,256</u>
Total general expenses	<u>\$15,667,003</u>	<u>\$15,231,570</u>	<u>\$15,371,346</u>

Rate Case Expense

In his January 3, 2022 affidavit, witness Schellinger provides an amount of \$492,515 for the actual costs incurred to date and the estimated expense to be incurred related to this rate case. Witness Schellinger requests that the Commission approve total rate case costs of \$1,194,048 to be amortized over five years. He states that the \$1,194,048 includes \$701,533 for unamortized rate case expense from prior proceedings plus \$492,515 related to this case. Witness Schellinger requests that the annual

amortization expense for rate case costs for this proceeding total \$238,810 (\$1,194,048 amortized over five years).

The Public Staff states that it has reviewed the invoices and other supporting documents along with the rate case expense spreadsheet provided by CWSNC and concludes that the types of rate case expense in this rate case match the nature of the expense in prior rate cases, and the amounts of these expenses in the current proceeding are appropriate and reasonable to be included in this rate case. Therefore, in light of the foregoing, the Commission concludes that it is appropriate and reasonable to amortize the sum of the total rate case costs of \$492,515 for the current proceeding and the unamortized rate case cost balance of \$701,533 from the prior rate cases over five years, resulting in an annual level of rate case expense of \$238,810, plus \$87,603 in miscellaneous regulatory matters for a total annual rate case expense of \$326,413 to be recovered in this proceeding.

Based on the Stipulation and witness Feasel's revised Settlement Exhibits I and II, the Company and the Public Staff are in agreement concerning all adjustments to maintenance and general expenses. Based upon the foregoing, the Commission concludes that the appropriate level of maintenance and general expenses for combined operations for use in this proceeding are as follows:

<u>Item</u>	<u>Amount</u>
<u>Maintenance Expenses:</u>	
Salaries and wages	\$ 0
Purchased power	2,029,399
Purchased sewer	2,467,370
Maintenance and repair	3,484,398
Maintenance testing	587,838
Meter reading	259,916
Chemicals	871,544
Transportation	404,522
Operation exp. Charged to plant	(504,961)
Outside services – other	<u>67,033</u>
Total maintenance expenses	<u>\$ 9,667,061</u>
 <u>General Expenses:</u>	
Salaries and wages	\$ 6,456,840
Office supplies and other office expense	575,655
Rate case expense	326,413
Pension and other benefits	1,329,784
Rent	250,741
Insurance	1,180,756
Office utilities	489,901
Miscellaneous	<u>4,761,256</u>
Total general expenses	<u>\$ 15,371,346</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 34

Depreciation and Amortization Expense

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Public Staff witness Feasel (including witness Feasel's revised Settlement Exhibits I and II); the testimony of Company witness Drennan; and the Company's October 8, 2021 update. The following table summarizes the differences between the Company's level of depreciation and amortization expenses from its Application (as updated in its October 8, 2021 filing), the amounts recommended by the Public Staff, and the amounts reflected in the Stipulation:

<u>Item</u>	Company per Application (Updated)	Amount per Public Staff	Amount per Stipulation
Depreciation expense	\$7,000,610	\$7,105,034	\$7,105,034
Amortization exp. – CIAC	(1,486,158)	(1,491,601)	(1,491,601)
Amortization exp. – PAA	(94,678)	(74,981)	(74,981)
Amortization of ITC	<u>(519)</u>	<u>(519)</u>	<u>(519)</u>
Total	<u>\$5,419,256</u>	<u>\$5,537,933</u>	<u>\$5,537,933</u>

With respect to CWSNC's depreciation expense, in light of the agreements reached in the Stipulation and recommended by the Public Staff in its testimony and reflected in witness Feasel's revised Settlement Exhibits I and II, the Commission concludes that the adjustments to depreciation expense included in the Stipulation, which are not contested, are appropriate adjustments to be made to depreciation and amortization expense in this proceeding.

Based on the foregoing, the Commission concludes that the appropriate level of depreciation and amortization expense for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Depreciation expense	\$7,105,034
Amortization expense – CIAC	(1,491,601)
Amortization expense – PAA	(74,981)
Amortization of ITC	<u>(519)</u>
Total	<u>\$5,537,933</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 35

Franchise, Property, Payroll and Other Taxes

The evidence supporting this finding of fact is found in the verified Application and the accompanying NCUC Form W-1, the testimony of Company witness Drennan, the Company's October 8, 2021 update, and the testimony of Public Staff witness Feasel (including witness Feasel's revised Settlement Exhibits I and II). The following table summarizes the differences between the Company's level of franchise, property, payroll, and other taxes from its Application (as updated October 8, 2021), the amounts recommended by the Public Staff, and the amounts reflected in the Stipulation:

<u>Item</u>	<u>Company Application (Updated)</u>	<u>Amount per Public Staff</u>	<u>Amount per Stipulation</u>
Franchise and other taxes	\$125,494	\$125,494	\$125,494
Property taxes	255,132	255,064	255,064
Payroll taxes	<u>511,634</u>	<u>493,344</u>	<u>500,311</u>
Total	<u>\$892,261</u>	<u>\$873,902</u>	<u>\$880,869</u>

Based on the Stipulation and amounts included in witness Feasel's revised Settlement Exhibits I and II, the Commission concludes that the amounts reflected in the Stipulation for franchise and other taxes are appropriate adjustments to be made to operating revenue deductions in this proceeding.

Based on the foregoing, the Commission concludes that the appropriate level of franchise, property, payroll, and other taxes for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Franchise and other taxes	\$125,494
Property tax	255,064
Payroll taxes	<u>500,311</u>
Total	<u>\$880,869</u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 36 - 39

Regulatory Fee and Income Taxes

The evidence supporting these findings of fact is found in the testimony of Public Staff witness Feasel (including witness Feasel's revised Settlement Exhibits I and II), the testimony of Company witnesses Drennan and Schellinger, and the Company's October 8, 2021 update. The following table summarizes the differences between the Company's level of regulatory fee and income taxes from its Application (as updated October 8, 2021), the amounts recommended by the Public Staff, and the Stipulation under present rates:

<u>Item</u>	<u>Company per Application</u>	<u>Amount per Public Staff</u>	<u>Amount per Stipulation</u>
Regulatory fee	\$54,704	\$51,936	\$51,821
State income taxes	105,056	127,929	122,086
Federal income taxes	860,410	1,047,741	999,881
Deferred income taxes	<u>0</u>	<u>(69,127)</u>	<u>(69,128)</u>
Total	<u>\$1,020,170</u>	<u>\$1,158,479</u>	<u>\$1,104,660</u>

Regulatory Fee

Based on conclusions reached elsewhere in this Order regarding the levels of revenues, the Commission concludes that the appropriate level of regulatory fee for use in this proceeding is \$51,821.

State Income Taxes

Based on the conclusions reached elsewhere in this Order regarding the levels of revenues and expenses, the Commission concludes that the appropriate level of state income taxes for use in this proceeding is \$122,086 based on the current state corporate income tax rate of 2.50%.

Federal Income Taxes

Based on the conclusions reached elsewhere in this Order regarding the levels of revenues and expenses, the Commission concludes that the appropriate level of federal income taxes for use in this proceeding is \$999,881 based on the current federal corporate income tax rate of 21.00%.

Deferred Income Taxes

Based on the testimony of witness Feasel, as adopted in the Stipulation, the appropriate amount of deferred income taxes is (\$69,128) which correctly reflects the amortization of the federal protected EDIT.

Based on the Stipulation, along with the verified Application, the testimony of Company witnesses Drennan and Schellinger, the Company's October 8, 2021 update, and the testimony of Public Staff witness Feasel (including witness Feasel's revised Settlement Exhibits I and II), the Commission concludes that the appropriate level of regulatory fee and state and federal income taxes for use in this proceeding is as follows:

<u>Item</u>	<u>Amount</u>
Regulatory fee	\$51,821
State income taxes	122,086
Federal income taxes	999,881
Deferred income taxes	<u>(69,128)</u>
Total	<u>\$1,104,660</u>

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 40

Revenue Requirement

The following schedules summarize the gross revenue and overall rate of return that the Company should have a reasonable opportunity to achieve based on the increases in revenues reflected in the Stipulation and approved in this Order for each rate division. These schedules, illustrating the Company's gross revenue requirements, incorporate the adjustments reflected in the Stipulation and found appropriate by the Commission in this Order.

(Schedules start on next page)

SCHEDULE I

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Net Operating Income for a Return

For the Twelve Months Ended March 31, 2021

CWSNC Combined Operations

	<u>Present Rates</u>	<u>Increase Approved</u>	<u>After Approved Increase</u>
Operating Revenues:			
Service revenues	\$39,731,767	\$3,850,321	\$43,582,088
Miscellaneous revenues	378,205	10,918	389,123
Uncollectibles	<u>(247,770)</u>	<u>(28,538)</u>	<u>(276,308)</u>
Total operating revenues	<u>39,862,202</u>	<u>3,832,701</u>	<u>43,694,903</u>
Operating Revenue Deductions:			
Salaries and wages – Maintenance	0	0	0
Purchased power	2,029,399	0	2,029,399
Purchased water and sewer	2,467,370	0	2,467,370
Maintenance and repair	3,484,398	0	3,484,398
Maintenance testing	587,838	0	587,838
Meter reading	259,916	0	259,916
Chemicals	871,544	0	871,544
Transportation	404,522	0	404,522
Operating expense charged to plant	(504,961)	0	(504,961)
Outside services – other	67,033	0	67,033
Salaries and wages – General	6,456,840	0	6,456,840
Office supplies & other office exp.	575,655	0	575,655
Rate case expense	326,413	0	326,413
Pension and other benefits	1,329,784	0	1,329,784
Rent	250,741	0	250,741
Insurance	1,180,756	0	1,180,756
Office utilities	489,901	0	489,901
Miscellaneous	4,761,256	0	4,761,256
Depreciation expense	7,105,034	0	7,105,034
Amortization of CIAC	(1,491,601)	0	(1,491,601)
Amortization of PAA	(74,981)	0	(74,981)
Amortization of ITC	(519)	0	(519)
Franchise and other taxes	125,494	0	125,494
Property taxes	255,064	0	255,064
Payroll taxes	500,311	0	500,311
Regulatory fee	51,821	4,983	56,804
Deferred income tax	(69,128)	0	(69,128)
State income tax	122,086	95,693	217,779
Federal income tax	999,881	783,725	1,783,606
Rounding	<u>0</u>	<u>0</u>	<u>0</u>
Total operating revenue deductions	<u>32,561,868</u>	<u>884,401</u>	<u>33,446,268</u>
Net operating income for a return	<u>\$7,300,334</u>	<u>\$2,948,300</u>	<u>\$10,248,635</u>

SCHEDULE II

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Original Cost Rate Base

For the Twelve Months Ended March 31, 2021

CWSNC Combined Operations

<u>Item</u>	<u>Amount</u>
Plant in service	\$257,456,710
Accumulated depreciation	(67,584,802)
Net plant in service	<u>189,871,908</u>
Cash working capital	2,821,379
Contributions in aid of construction	(38,801,607)
Advances in aid of construction	(32,940)
Accumulated deferred income taxes	(7,590,385)
Customer deposits	(381,404)
Inventory	246,182
Gain on sale and flow back taxes	(289,628)
Plant acquisition adjustment	(662,009)
Excess book value	0
Cost-free capital	(261,499)
Average tax accruals	(137,896)
Regulatory liability for excess deferred taxes	(3,761,852)
Deferred charges	2,636,647
Pro forma plant	<u>0</u>
Original cost rate base	<u>\$143,656,896</u>
Rates of return:	
Present	5.09%
Approved	7.14%

SCHEDULE III

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 384

Statement of Capitalization and Related Costs

For the Twelve Months Ended March 31, 2021

CWSNC Combined Operations

	<u>Ratio</u>	<u>Original Cost Rate Base</u>	<u>Embedded Cost</u>	<u>Net Operating Income</u>
PRESENT RATES				
Long-Term Debt	49.80%	\$71,541,134	4.85%	\$3,469,746
Common Equity	<u>50.20%</u>	<u>72,115,762</u>	5.31%	<u>3,830,587</u>
Total	<u>100.00%</u>	<u>\$143,656,896</u>		<u>\$7,300,333</u>
APPROVED RATES				
Long-Term Debt	49.80%	\$71,541,134	4.85%	\$3,469,746
Common Equity	<u>50.20%</u>	<u>72,115,762</u>	9.40%	<u>6,778,882</u>
Total	<u>100.00%</u>	<u>\$143,656,896</u>		<u>\$10,248,628</u>

SCHEDULE I-A
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Net Operating Income for a Return
For the Twelve Months Ended March 31, 2021
CWSNC Water Operations

	<u>Present</u> <u>Rates</u>	<u>Increase</u> <u>Approved</u>	<u>After</u> <u>Approved</u> <u>Increase</u>
Operating Revenues:			
Service revenues	\$19,981,801	\$1,802,605	\$21,784,406
Miscellaneous revenues	229,089	5,768	234,857
Uncollectibles	<u>(125,885)</u>	<u>(11,357)</u>	<u>(137,242)</u>
Total operating revenues	<u>20,085,005</u>	<u>1,797,016</u>	<u>21,882,021</u>
Operating Revenue Deductions:			
Salaries and wages –			
Maintenance	0	0	0
Purchased power	1,032,268	0	1,032,268
Purchased water and sewer	1,541,632	0	1,541,632
Maintenance and repair	1,216,836	0	1,216,836
Maintenance testing	251,466	0	251,466
Meter reading	214,533	0	214,533
Chemicals	345,016	0	345,016
Transportation	226,911	0	226,911
Operating expense charged to plant	(275,825)	0	(275,825)
Outside services – other	4,008	0	4,008
Salaries and wages – General	3,526,923	0	3,526,923
Office supplies & other office expense	320,752	0	320,752
Rate case expense	178,383	0	178,383
Pension and other benefits	726,368	0	726,368
Rent	137,657	0	137,657
Insurance	644,964	0	644,964
Office utilities	207,887	0	207,887
Miscellaneous	2,581,151	0	2,581,151
Depreciation expense	3,432,026	0	3,432,026
Amortization of CIAC	(721,315)	0	(721,315)
Amortization of PAA	(115,247)	0	(115,247)
Amortization of ITC	(326)	0	(326)
Franchise and other taxes	71,356	0	71,356
Property taxes	214,840	0	214,840
Payroll taxes	273,285	0	273,285
Regulatory fee	26,111	2,336	28,447
Deferred income tax	(26,375)	0	(26,375)
State income tax	59,213	44,867	104,080
Federal income tax	484,952	367,461	852,413
Total operating revenue deductions	<u>16,579,452</u>	<u>414,664</u>	<u>16,994,116</u>
Net operating income for a return	<u>\$3,505,553</u>	<u>\$1,382,352</u>	<u>\$4,887,905</u>

SCHEDULE II-A
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Original Cost Rate Base
For the Twelve Months Ended March 31, 2021
CWSNC Water Operations

<u>Item</u>	<u>Amount</u>
Plant in service	\$124,057,224
Accumulated depreciation	<u>(34,060,485)</u>
Net plant in service	89,996,739
Cash working capital	1,417,412
Contributions in aid of construction	(16,944,192)
Advances in aid of construction	(20,666)
Accumulated deferred income taxes	(2,896,200)
Customer deposits	(214,239)
Inventory	142,689
Gain on sale and flow back taxes	(196,947)
Plant acquisition adjustment	(1,878,698)
Excess book value	0
Cost-free capital	(121,791)
Average tax accruals	(112,642)
Regulatory liability for excess deferred taxes	(1,984,185)
Deferred charges	1,327,353
Pro forma plant	<u>0</u>
Original cost rate base	<u>\$68,514,633</u>
Rates of return:	
Present	5.12%
Approved	7.14%

SCHEDULE III-A
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Statement of Capitalization and Related Costs
For the Twelve Months Ended March 31, 2021
CWSNC Water Operations

	<u>Ratio</u>	<u>Original Cost Rate Base</u>	<u>Embedded Cost</u>	<u>Net Operating Income</u>
PRESENT RATES				
Long-term Debt	49.80%	\$34,120,287	4.85%	\$1,654,834
Common Equity	<u>50.20%</u>	<u>34,394,346</u>	5.38%	<u>1,850,719</u>
Total	<u>100.00%</u>	<u>\$68,514,633</u>		<u>\$3,505,553</u>
APPROVED RATES				
Long-term Debt	49.80%	\$34,120,287	4.85%	\$1,654,834
Common Equity	<u>50.20%</u>	<u>34,394,346</u>	9.40%	<u>3,233,069</u>
Total	<u>100.00%</u>	<u>\$68,514,633</u>		<u>\$4,887,903</u>

SCHEDULE I-B
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Net Operating Income for a Return
For the Twelve Months Ended March 31, 2021
CWSNC Sewer Operations

	Present	Increase	After
	<u>Rates</u>	<u>Approved</u>	<u>Approved</u> <u>Increased</u>
Operating Revenues:			
Service revenues	\$16,021,148	\$1,329,598	\$17,350,746
Miscellaneous revenues	108,077	3,191	111,268
Uncollectibles	<u>(68,891)</u>	<u>(5,717)</u>	<u>(74,608)</u>
Total operating revenues	<u>16,060,334</u>	<u>1,327,072</u>	<u>17,387,406</u>
Operating Revenue Deductions:			
Salaries and wages – Maintenance	0	0	0
Purchased power	786,198	0	786,198
Purchased water and sewer	925,737	0	925,737
Maintenance and repair	1,891,536	0	1,891,536
Maintenance testing	291,697	0	291,697
Meter reading	8,702	0	8,702
Chemicals	428,449	0	428,449
Transportation	119,562	0	119,562
Operating expense charged to plant	(161,910)	0	(161,910)
Outside services – other	53,428	0	53,428
Salaries and wages – General	2,070,316	0	2,070,316
Office supplies & other office exp.	178,033	0	178,033
Rate case expense	103,059	0	103,059
Pension and other benefits	426,381	0	426,381
Rent	81,246	0	81,246
Insurance	378,597	0	378,597
Office utilities	230,570	0	230,570
Miscellaneous	1,545,314	0	1,545,314
Depreciation expense	3,075,610	0	3,075,610
Amortization of CIAC	(582,263)	0	(582,263)
Amortization of PAA	(17,433)	0	(17,433)
Amortization of ITC	(193)	0	(193)
Franchise and other taxes	39,306	0	39,306
Property taxes	23,278	0	23,278
Payroll taxes	160,419	0	160,419
Regulatory fee	20,878	1,726	22,604
Deferred income tax	(34,370)	0	(34,370)
State income tax	61,748	33,134	94,882
Federal income tax	505,720	271,364	777,084
Total operating revenue deductions	<u>12,609,615</u>	<u>306,224</u>	<u>12,915,839</u>
Net operating income for a return	<u>\$3,450,719</u>	<u>\$1,020,848</u>	<u>\$4,471,567</u>

SCHEDULE II-B
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Original Cost Rate Base
For the Twelve Months Ended March 31, 2021
CWSNC Sewer Operations

<u>Item</u>	<u>Amount</u>
Plant in service	\$110,278,015
Accumulated depreciation	<u>(27,825,210)</u>
Net plant in service	82,452,805
Cash working capital	1,053,897
Contributions in aid of construction	(17,013,315)
Advances in aid of construction	(12,274)
Accumulated deferred income taxes	(3,773,644)
Customer deposits	(124,331)
Inventory	96,029
Gain on sale and flow back taxes	(92,681)
Plant acquisition adjustment	351,344
Excess book value	0
Cost-free capital	(139,708)
Average tax accruals	(15,815)
Regulatory liability for excess deferred taxes	(1,178,367)
Deferred charges	1,074,799
Pro forma plant	<u>0</u>
Original cost rate base	<u>\$62,678,740</u>
Rates of return:	
Present	5.51%
Approved	7.14%

SCHEDULE III-B
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Statement of Capitalization and Related Costs
For the Twelve Months Ended March 31, 2021
CWSNC Sewer Operations

	<u>Ratio</u>	<u>Original Cost Rate Base</u>	<u>Embedded Cost</u>	<u>Net Operating Income</u>
PRESENT RATES				
Long-term Debt	49.80%	\$31,214,012	4.85%	\$1,513,880
Common Equity	<u>50.20%</u>	<u>31,464,728</u>	6.16%	<u>1,936,839</u>
Total	<u>100.00%</u>	<u>\$62,678,740</u>		<u>\$3,450,719</u>
APPROVED RATES				
Long-term Debt	49.80%	\$31,214,012	4.85%	\$1,513,880
Common Equity	<u>50.20%</u>	<u>31,464,728</u>	9.40%	<u>2,957,684</u>
Total	<u>100.00%</u>	<u>\$62,678,740</u>		<u>\$4,471,564</u>

SCHEDULE I-C
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Net Operating Income for a Return
For the Twelve Months Ended March 31, 2021
BF/FH/TC Water Operations

	Present Rates	Increase Approved	After Approved Increase
Operating Revenues:			
Service revenues	\$1,432,804	\$409,739	\$1,842,543
Miscellaneous revenues	20,668	1,188	21,856
Uncollectibles	<u>(28,656)</u>	<u>(8,195)</u>	<u>(36,851)</u>
Total operating revenues	<u>1,424,816</u>	<u>402,732</u>	<u>1,827,548</u>
Operating Revenue Deductions:			
Salaries and wages – Maintenance	0	0	0
Purchased power	75,078	0	75,078
Purchased water and sewer	0	0	0
Maintenance and repair	155,792	0	155,792
Maintenance testing	21,125	0	21,125
Meter reading	36,681	0	36,681
Chemicals	72,519	0	72,519
Transportation	28,981	0	28,981
Operating expense charged to plant	(33,237)	0	(33,237)
Outside services – other	9,862	0	9,862
Salaries and wages – General	424,995	0	424,995
Office supplies & other office exp.	39,847	0	39,847
Rate case expense	22,277	0	22,277
Pension and other benefits	87,528	0	87,528
Rent	15,741	0	15,741
Insurance	77,719	0	77,719
Office utilities	16,199	0	16,199
Miscellaneous	313,868	0	313,868
Depreciation expense	165,608	0	165,608
Amortization of CIAC	(57,905)	0	(57,905)
Amortization of PAA	13,849	0	13,849
Amortization of ITC	0	0	0
Franchise and other taxes	7,640	0	7,640
Property taxes	15,410	0	15,410
Payroll taxes	32,931	0	32,931
Regulatory fee	1,852	524	2,376
Deferred income tax	(809)	0	(809)
State income tax	(4,994)	10,055	5,061
Federal income tax	(40,903)	82,352	41,449
Total operating revenue deductions	<u>1,497,654</u>	<u>92,931</u>	<u>1,590,585</u>
<u>Net operating income for a return</u>	<u>(\$72,838)</u>	<u>\$309,801</u>	<u>\$236,963</u>

SCHEDULE II-C
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Original Cost Rate Base
For the Twelve Months Ended March 31, 2021
BF/FH/TC Water Operations

<u>Item</u>	<u>Amount</u>
Plant in service	\$6,845,866
Accumulated depreciation	(2,365,836)
Net plant in service	<u>4,480,030</u>
Cash working capital	170,622
Contributions in aid of construction	(1,051,111)
Advances in aid of construction	0
Accumulated deferred income taxes	(88,892)
Customer deposits	(22,773)
Inventory	5,285
Gain on sale and flow back taxes	0
Plant acquisition adjustment	(10,057)
Excess book value	0
Cost-free capital	0
Average tax accruals	(8,075)
Regulatory liability for excess deferred taxes	(296,294)
Deferred charges	142,829
Pro forma plant	<u>0</u>
Original cost rate base	<u>\$3,321,564</u>
Rates of return:	
Present	-2.19%
Approved	7.14%

SCHEDULE III-C
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Statement of Capitalization and Related Costs
For the Twelve Months Ended March 31, 2021
BF/FH/TC Water Operations

	<u>Ratio</u>	<u>Original Cost Rate Base</u>	<u>Embedded Cost</u>	<u>Net Operating Income</u>
PRESENT RATES				
Long-term Debt	49.80%	\$1,654,139	4.85%	\$80,226
Common Equity	<u>50.20%</u>	<u>1,667,425</u>	-9.18%	<u>(153,064)</u>
Total	<u>100.00%</u>	<u>\$3,321,564</u>		<u>(\$72,838)</u>
APPROVED RATES				
Long-term Debt	49.80%	\$1,654,139	4.85%	\$80,226
Common Equity	<u>50.20%</u>	<u>1,667,425</u>	9.40%	<u>156,738</u>
Total	<u>100.00%</u>	<u>\$3,321,564</u>		<u>\$236,964</u>

SCHEDULE I-D
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Net Operating Income for a Return
For the Twelve Months Ended March 31, 2021
BF/FH Sewer Operations

	Present <u>Rates</u>	Increase <u>Approved</u>	After Approved <u>Increased</u>
Operating Revenues:			
Service revenues	\$2,296,014	\$308,379	\$2,604,393
Miscellaneous revenues	20,371	771	21,142
Uncollectibles	<u>(24,338)</u>	<u>(3,269)</u>	<u>(27,607)</u>
Total operating revenues	<u>2,292,047</u>	<u>305,881</u>	<u>2,597,928</u>
Operating Revenue Deductions:			
Salaries and wages – Maintenance	0	0	0
Purchased power	135,856	0	135,856
Purchased water and sewer	0	0	0
Maintenance and repair	220,235	0	220,235
Maintenance testing	23,550	0	23,550
Meter reading	0	0	0
Chemicals	25,561	0	25,561
Transportation	29,069	0	29,069
Operating expense charged to plant	(33,989)	0	(33,989)
Outside services – other	(265)	0	(265)
Salaries and wages – General	434,606	0	434,606
Office supplies & other office exp.	37,023	0	37,023
Rate case expense	22,693	0	22,693
Pension and other benefits	89,507	0	89,507
Rent	16,097	0	16,097
Insurance	79,476	0	79,476
Office utilities	35,246	0	35,246
Miscellaneous	320,923	0	320,923
Depreciation expense	431,789	0	431,789
Amortization of CIAC	(130,118)	0	(130,118)
Amortization of PAA	43,850	0	43,850
Amortization of ITC	0	0	0
Franchise and other taxes	7,192	0	7,192
Property taxes	1,536	0	1,536
Payroll taxes	33,676	0	33,676
Regulatory fee	2,980	397	3,377
Deferred income tax	(7,574)	0	(7,574)
State income tax	6,119	7,637	13,756
Federal income tax	50,112	62,548	112,660
Total operating revenue deductions	<u>1,875,148</u>	<u>70,582</u>	<u>1,945,730</u>
Net operating income for a return	<u>\$416,899</u>	<u>\$235,299</u>	<u>\$652,198</u>

SCHEDULE II-D
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Original Cost Rate Base
For the Twelve Months Ended March 31, 2021
BF/FH Sewer Operations

<u>Item</u>	<u>Amount</u>
Plant in service	\$16,275,605
Accumulated depreciation	<u>(3,333,270)</u>
Net plant in service	12,942,335
Cash working capital	179,448
Contributions in aid of construction	(3,792,989)
Advances in aid of construction	0
Accumulated deferred income taxes	(831,649)
Customer deposits	(20,062)
Inventory	2,179
Gain on sale and flow back taxes	0
Plant acquisition adjustment	875,401
Excess book value	0
Cost-free capital	0
Average tax accruals	(1,364)
Regulatory liability for excess deferred taxes	(303,006)
Deferred charges	91,666
Pro forma plant	<u>0</u>
Original cost rate base	<u>\$9,141,959</u>
Rates of return:	
Present	4.56%
Approved	7.14%

SCHEDULE III-D
Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 384
Statement of Capitalization and Related Costs
For the Twelve Months Ended March 31, 2021
BF/FH Sewer Operations

	<u>Ratio</u>	<u>Original Cost Rate Base</u>	<u>Embedded Cost</u>	<u>Net Operating Income</u>
PRESENT RATES				
Long-term Debt	49.80%	\$4,552,696	4.85%	\$220,806
Common Equity	<u>50.20%</u>	<u>4,589,263</u>	4.27%	<u>196,093</u>
Total	<u>100.00%</u>	<u>\$9,141,959</u>		<u>\$416,899</u>
APPROVED RATES				
Long-term Debt	49.80%	\$4,552,696	4.85%	\$220,806
Common Equity	<u>50.20%</u>	<u>4,589,263</u>	9.40%	<u>431,391</u>
Total	<u>100.00%</u>	<u>\$9,141,959</u>		<u>\$652,197</u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 41 - 44

Billing Analysis and Rate Design

The evidence supporting these findings of fact is found in the verified Application and the accompanying NCUC Form W-1, the Stipulation, and the testimony and exhibits of Public Staff witness Darden and CWSNC witness Schellinger.

The water rates proposed by CWSNC in its Application were based on a fixed-to-variable service revenue ratio of 50% fixed for the base facility charge and 50% variable for the usage charge. Sewer rates were based on a fixed-to-variable service revenue ratio of 80% fixed for the base facility charge and 20% variable for the usage charge. These proposed ratios were the same ratios in the current rates approved in the Sub 364 proceeding.

As part of its Application and as discussed in witness Schellinger's testimony, CWSNC proposes to move the Eastgate and Tanglewood South subdivisions to a purchased water pass-through rate from the Fayetteville Public Works Commission, because these subdivisions are entirely purchased water systems, with no water provided from wells. In addition, the Company proposes to move the Willowbrook subdivision to a purchased water pass-through rate from Johnson County Public Utilities, because this subdivision is also an entirely purchased water system, with no water provided from wells.

Public Staff witness Darden testifies that the Public Staff recommends a service revenue ratio of 40/60 (revenue collected from base facilities charge to revenue collected from the usage charge) for Uniform Water and BF/FH/TC Water residential customers, which she states is consistent with the Commission-approved rate design ratio in the most recent Aqua NC rate case. Witness Darden recommends a 60/40 ratio for Uniform Sewer residential customers.

In the Stipulation, the Stipulating Parties agree to a rate design for water utility service for its Uniform Water and BF/FH/TC Water residential customers to be based on a 40/60 service revenue ratio of base charge to usage charge, and a 60/40 service revenue ratio of base charge to usage charge for CWSNC's Uniform Sewer residential customers.⁶

Based upon the foregoing and the entire record herein, the Commission concludes that it is appropriate to utilize a 40/60 service revenue ratio of base charge to usage charge in this proceeding for CWSNC's Uniform Water and BF/FH/TC Water residential customers and a 60/40 service revenue ratio of base charge to usage charge for

⁶ BF/FH Sewer Rate Division has a monthly flat rate for residential customers. As mentioned previously, in their Joint Proposed Order, the Stipulating Parties also recognize and agree that due to the nature of the change in fixed to volumetric rates for Uniform Sewer customers, the rates for the White Oak School and White Oak Daycare are increased at the same percentages as the White Oak flat rate residential customers.

CWSNC's Uniform Sewer residential customers as agreed to by the Company and the Public Staff in the Stipulation. The Commission concludes that such rate design is just and reasonable to both CWSNC and its customers. Therefore, the Commission concludes that the rates and charges included in Appendices A-1 and A-2, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as Appendices B-1 and B-2, are just and reasonable and should be approved.

Further, the Commission concludes that it is reasonable and appropriate to move the Eastgate and Tanglewood South subdivisions to a purchased water pass-through rate from the Fayetteville Public Works Commission, and to move the Willowbrook subdivision to a purchased water pass-through rate from Johnson County Public Utilities, as proposed by the Company and agreed to by the Public Staff and the Company in the Stipulation.

The Commission further concludes that it is reasonable and appropriate for the Company to terminate the federal unprotected EDIT credit as of March 31, 2022, as such credit will be fully amortized by that date, as demonstrated by the Company's testimony in this proceeding and outlined in the Stipulation.

The customer bill impact of these decisions will vary for customers depending on their specific monthly use and their service area. The following two charts show the monthly bill for residential customers with either 5/8" or 3/4" meters that use 4,000⁷ gallons per month of water at the Company's currently approved rates⁸ compared to the new Commission-approved rates in this proceeding.

(Charts start in next page)

⁷ The average amount of residential water use across the entire CWS service area was 3,849 gallons during the test period.

⁸ Current rates include the WSIC/SSIC adjustment percentages approved by the Commission on September 27, 2021, in Docket No. W-354, Sub 364A. These charges will be reset to zero with the approval of new rates.

Monthly Water Bill Impact for a CWSNC Customer using 4,000 Gallons

<u>Service Area</u>	<u>Number of Customers</u>	<u>Current Rates Sub 364 (\$)</u>	<u>Commission Approved Rates Sub 384 (\$)</u>	<u>Dollar Change (\$)</u>	<u>Percentage Change (%)</u>
Uniform Metered	21,046	\$62.63	\$71.37	\$8.74	13.96%
Carolina Trace	1,622	\$38.14	\$33.37	-\$4.77	-12.51%
Carolina Forest	214	\$42.10	\$37.29	-\$4.81	-11.43%
Eastgate & Tanglewood South	156	\$62.63	\$46.73	-\$15.90	-25.38%
High Vista	234	\$48.28	\$43.41	-\$4.87	-10.09%
Riverbend Estates	142	\$61.94	\$56.93	-\$5.01	-8.09%
Riverpointe	192	\$57.78	\$52.81	-\$4.97	-8.60%
Whispering Pines	1,597	\$43.43	\$38.61	-\$4.82	-11.11%
White Oak Plantation/Winston Pointe	512	\$41.41	\$36.61	-\$4.80	-11.60%
Winston Plantation	88	\$41.41	\$36.61	-\$4.80	-11.60%
Willowbrook	169	\$62.63	\$36.61	-\$26.02	-41.54%
Woodrun	476	\$42.10	\$37.29	-\$4.81	-11.43%
Yorktown	104	\$52.61	\$47.69	-\$4.92	-9.34%
Zemosa Acres	238	\$51.52	\$46.61	-\$4.91	-9.52%
Bradfield Farms/ Fairfield Harbour/ Treasure Cove	3,272	\$34.17	\$43.80	\$9.63	28.19%

Monthly Wastewater Bill Impact for a Customer using 4,000 Gallons⁹

<u>Service Area</u>	<u>Number of Customers</u>	<u>Current Rates Sub 364 (\$)</u>	<u>Commission Approved Rates Sub 384 (\$)</u>	<u>Dollar Change (\$)</u>	<u>Percentage Change (%)</u>
Uniform Flat	1,816	\$74.36	\$85.12	\$10.76	14.46%
Uniform Metered	11,158	\$77.93	\$87.79	\$9.86	12.65%
College Park	51	\$71.17	\$59.80	-\$11.37	-15.97%
Kings Grant - Charlotte	177	\$57.65	\$46.28	-\$11.37	-19.72%
White Oak Planation/Winston Pointe/Lee Forest	509	\$64.07	\$54.52	-\$9.55	-14.90%
Mt Carmel	379	\$74.44	\$62.25	-\$12.19	-16.38%
Ridges at Mountain Harbour	46	\$60.17	\$45.67	-\$14.50	-24.10%
Fairfield Mountain/Apple Valley	392	\$111.69	\$118.72	\$7.03	6.29%
Regalwood & White Oak	1,067	\$74.36	\$85.12	\$10.76	14.46%
White Oak High School	1	\$2,206.14	\$2,525.23	\$319.09	14.46%
Child Castle Daycare	1	\$282.82	\$323.73	\$40.91	14.46%
Bradfield Farms/ Fairfield Harbour - Flat	2,956	\$54.33	\$61.58	\$7.25	13.35%

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 45

Continuation of Bulk Purchased Water and Sewer Pass-Through Rate Adjustment and Update of Purchased Water and Sewer Rates

Based on the evidence presented in this proceeding, in particular the verified Application and the accompanying NCUC Form W-1, the Stipulation, and the testimony and exhibits of Public Staff witness Casselberry and CWSNC witness Drennan, the

⁹ The monthly wastewater bills for customers in systems with flat monthly rates will not fluctuate by consumption level.

Commission concludes that consistent with CWSNC's proposal and the Stipulation, the Company should continue to utilize the bulk purchased water and sewer pass-through rate adjustment and that the Company's purchased water and sewer rates should be updated as proposed by the Public Staff.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 46

Continuation of WSIC and SSIC Mechanisms

The evidence supporting this finding of fact is found in the generic rulemaking proceeding, Docket No. W-100, Sub 54, wherein the Commission issued orders establishing procedures for implementing and applying the WSIC and SSIC mechanisms; in CWSNC's 2013 rate case, Docket No. W-354, Sub 336, wherein the Commission initially approved the Company's WSIC and SSIC mechanisms; and in the Commission's prior orders approving WSIC and SSIC mechanisms for CWSNC and the other Corix companies that have been merged into CWSNC.

The Commission's previously approved WSIC and SSIC rate adjustment mechanisms continue in effect, although as required by Commission Rules R7-39(k) and R10-26(k), both have been reset to zero in this rate case. The WSIC and SSIC mechanisms are designed to allow the Company to recover, between rate case proceedings, the costs associated with investments in certain completed, eligible projects for water and sewer systems or water quality improvements pursuant to N.C.G.S. § 62-133.12. The WSIC and SSIC surcharges are subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC and SSIC mechanisms may not exceed 7.50% of the total annual service revenues approved by the Commission in this rate case proceeding.

Based on the service revenues set forth and approved in this Order, the maximum WSIC and SSIC charges as of the effective date of this Order are:

<u>Item</u>	<u>Service Revenues</u>	<u>Cap %</u>	<u>WSIC & SSIC Cap</u>
CWSNC Uniform Water Operations	\$21,784,406	X 7.50% =	\$1,633,830
CWSNC Uniform Sewer Operations	\$17,350,746	X 7.50% =	\$1,301,306
BF/FH/TC Water Operations	\$1,842,543	X 7.50% =	\$138,191
BF/FH Sewer Operations	\$2,604,393	X 7.50% =	\$195,329

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 47 - 48

Fee-Free Payment Proposal

The evidence supporting these findings of fact is found in the verified Application, the testimony of Company witnesses Denton and Drennan, the testimony of Public Staff witness Darden, the Stipulation, Joint Settlement Exhibit 1, and revised Feasel Settlement Exhibits I and II.

In the Company's Application, it proposes changes to the way electronic payment fees are processed and remitted to the Company's third-party payment vendor. Company witnesses Denton and Drennan describe the fee-free payment option proposal, which would eliminate electronic payment fees that customers currently pay to the third-party vendor when paying with a credit card. Instead, the electronic payment processing costs would be billed directly to the Company and added to the revenue requirement to be recovered in base rates. Witness Drennan explains the Company's position that it is appropriate to offer fully fee-free payment options for its customers, recovering the costs to process payments from all customers through its cost of service, as is currently done for existing fee-free methods such as checks. According to witness Drennan, customers have become more comfortable with making electronic payments, without an additional fee, and other utility companies are now offering fee-free payment programs for customers. Witness Drennan notes that the Commission approved the use of fee-free transaction practices for Duke Energy Carolinas, LLC, in Docket No. E-7, Sub 1214. Witness Drennan also describes the benefits to customers, including allowing customers to choose the most convenient payment options without penalty; more affordable automatic payment options; improvements in customer satisfaction and user experience; encouragement of paperless billing and payments over wasteful paper options; affording customers the benefits of rewards or cashback incentives with credit card providers; leveraged security and protection provided by credit card companies; and lower needs for customer calls to the Company's customer experience team, allowing the Company to better manage its administrative resources and operating expenses. In the Application, the Company makes a pro forma adjustment to include credit card transactions fees for residential and commercial customers in its revenue requirement, annualizing the total credit card fees charged from the first quarter of 2021 for both residential and commercial customers to determine the adjustment.

While no party contests the value or benefits of the fee-free credit card program for residential customers, Public Staff witness Darden notes that the Company does not calculate any impacts to late payments or uncollectibles associated with the request to include credit card fees. Witness Darden recommends the following adjustments be made to the Office Supplies and Other Office Expense category in reference to the credit card fee program: (1) the credit card fees associated with commercial customers be removed for all rate entities, and (2) the projected total of residential credit card fees be replaced with actual, historical costs. Witness Darden explains that since credit card fees are based upon the total cost of the transaction, the commercial credit card fees are substantially higher than residential fees for each bill, and thus the Company's proposal would unduly burden residential ratepayers as the allocation of costs for residential customers is greater than that of commercial customers. Additionally, the Public Staff disagrees with CWSNC's projection of fees and instead uses actual costs from the test year, including the second quarter of 2020 through the first quarter of 2021, for residential customers.

In the Stipulation, the Stipulating Parties agree that CWSNC should be authorized to implement its proposed fee-free payment option for its residential customers, with the cost of service of such to be reflected in CWSNC's revenue requirements in the amount of \$253,495. The Stipulating Parties also agree that CWSNC should report to the

Commission and the Public Staff concerning the fee-free payment option twice per year, with such report detailing the number of fee-free payments made by customers by month, along with CWSNC's uncollectibles expense by month.

Therefore, based on the foregoing, the Commission concludes that it is appropriate and reasonable for the Company to implement its proposed fee-free payment option for its residential customers, with the cost of service of such to be reflected in CWSNC's revenue requirements in the amount of \$253,495. Additionally, CWSNC shall report to the Commission and the Public Staff concerning the fee-free payment option twice per year, with such reporting detailing the number of fee-free payments made by customers by month, along with CWSNC's uncollectibles expense by month, as set out in the Stipulation.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 49 - 51

Water Efficiency Program

The evidence supporting these findings of fact is found in the verified Application, the testimony of Company witnesses Denton and Drennan, the testimony of Public Staff witness Darden, the Stipulation, Settlement Exhibit I, and Revised Settlement Exhibit I.

In the Company's Application, it proposes creating a new Water Efficiency Program, under which the Company would offer rebates for installation of efficient water fixtures by its customers. Company witness Denton states that the program would be the first of its kind among North Carolina regulated water utilities and would provide an additional layer of customer benefit for those who also would save on their energy bills from the installation of efficient household fixtures. Witness Drennan testifies that the rebate program would address nondiscretionary water usage by focusing on indoor appliances that are used year-round and for which customers have less control of water usage. The Company asserts that growing its available toolkit to address wise water usage allows for improved management and flexibility for Company infrastructure and the limited supply of water in its service territory.

Witness Drennan explains how the Company proposes to administer the rebate program. He testifies that the Company proposes to implement a standard water fixture rebate application form on its website, along with a current list of fixtures eligible for rebate due to WaterSense or Energy Star certification (including toilets, washing machines, showerheads, and dishwashers). He adds that rebate values include \$75 for toilets (limit 2 per customer), \$100 for washing machines (limit 1 per customer), \$15 for showerheads (limit 2 per customer), and \$100 for dishwashers (limit 1 per customer).¹⁰ Using low or no-cost communication channels and annual bill inserts, the Company would communicate the program's availability and basic terms, and Company staff would log,

¹⁰ Witness Drennan's direct testimony provides maximum rebate values per customer of \$150 for toilets, \$100 for washing machines, \$30 for showerheads, and \$100 for dishwashers.

review, and approve or reject applications. Witness Drennan explains that an approved customer could expect a credit on his or her monthly bill, usually within one billing cycle.

Witness Drennan further explains that due to uncertainty in customer participation in the rebate program, the Company proposes to record the rebates applied to customer bills to a Regulatory Asset Account for recovery in a future rate case. The tracking and evaluation would allow the Company to recommend any necessary updates, enhancements, or modifications to the program in its next rate case. Witness Drennan estimates that the cost to send bill inserts would be approximately \$2,000 annually but does not provide an annual estimate for the actual rebate amount the Company expects to pay.

Public Staff witness Darden expresses concerns about the cost-benefit to customers, the regulatory asset account balance, and the implementation of a wholly new program. She states that a cost-benefit analysis has not been completed for this program due to the unknown customer participation, and so CWSNC would be implementing the program without a trial period. Accordingly, witness Darden maintains, with participation and thereby overall cost unknown that waiting to address the recovery of the regulatory asset in the next rate case may be contentious. She also states that since customers typically stay in their homes longer than the estimated lives of the appliances included in this program, CWSNC's maximum credit of one dishwasher, one washing machine, two shower heads, and two toilets may be too limited. Witness Darden also testifies that participation may be heavily influenced by household financial demographics, and, conceptually, because more efficient appliances should reduce consumption, the utility would request higher rates in future rate cases to recover program costs and offset lower consumption.

Witness Darden states that although the Public Staff does not oppose the Water Efficiency Program, due to its unpredictability and novelty, the Public Staff recommends that the program be treated as a pilot program to be reevaluated in the next general rate case, and the regulatory asset shall not earn a return or have associated carrying costs. The Public Staff also recommends that the Company provide quarterly reports.

In the Stipulation, the Stipulating Parties agree that CWSNC should be authorized to implement its proposed Water Efficiency Program, under which CWSNC will offer efficient water fixture rebates for its customers. The Water Efficiency Program should be treated as a pilot program and reevaluated in CWSNC's next general rate case. The Stipulating Parties also agree that CWSNC should be authorized to defer in a regulatory asset account and subsequently recover in a future general rate case the efficient water fixture rebates applied to customer bills. The Stipulation notes that the regulatory asset account should not earn a return or carrying charges. The administrative expenses estimated for this program in the amount of \$2,000 per year should be included in the Company's revenue requirements. The Stipulating Parties also agree that CWSNC should file an annual report with the Commission and the Public Staff about the Water Efficiency Program, which details the dollar amount and number of rebates applied to customer bills, the dollar amount of the regulatory asset, the type of efficient water fixtures

for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from an authoritative, third-party source.

Therefore, based on the foregoing, the Commission concludes that it is appropriate and reasonable for the Company to implement its proposed Water Efficiency Program as a pilot program for reevaluation in its next general rate case. CWSNC is authorized to defer in a regulatory asset account and subsequently recover in a future rate case the efficient water fixture rebates applied to customer bills. The regulatory asset account should not earn a return or carrying charges. Further, the administrative expenses for the program in the amount of \$2,000 per year shall be included in CWSNC's revenue requirements. Additionally, CWSNC shall file an annual report with the Commission and the Public Staff concerning the Water Efficiency Program, with such report detailing the dollar amount and number of rebates applied to customer bills, the dollar amount of the regulatory asset, the type of efficient water fixtures for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from an authoritative, third-party source, as set out in the Stipulation.

IT IS, THEREFORE, ORDERED as follows:

1. That the affidavit of CWSNC's Financial Planning and Analysis Manager, Matthew Schellinger, and the Public Staff's Second Corrected Feasel Exhibits I and II, filed on January 3, 2022, in this docket are hereby entered into evidence;
2. That the Joint Settlement Agreement and Stipulation is incorporated herein by reference and is hereby approved in its entirety;
3. That the Joint Settlement Agreement and Stipulation and the parts of this Order pertaining to the contents of that agreement shall not be cited or treated as precedent in future proceedings;
4. That the Schedules of Rates, attached hereto as Appendices A-1 and A-2, and the Schedules of Connection Fees for Uniform Water and Uniform Sewer, attached hereto as Appendices B-1 and B-2, are hereby approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138, and are hereby authorized to become effective for service rendered on and after the issuance date of this Order;
5. That the Notices to Customers, attached hereto as Appendices C-1 and C-2, shall be mailed with sufficient postage or hand delivered to all affected customers in each relevant service area, respectively, in conjunction with the next regularly scheduled billing process;
6. That CWSNC shall file the attached Certificate of Service, properly signed and notarized, not later than ten days after the Notices to Customers are mailed or hand delivered to customers;

7. That CWSNC is authorized to terminate the federal unprotected EDIT credit effective March 31, 2022;

8. That CWSNC is authorized to move the Eastgate and Tanglewood South subdivisions to a purchased water pass-through rate from the Fayetteville Public Works Commission; and that CWSNC is authorized to move the Willowbrook subdivision to a purchased water pass-through rate from Johnston County Public Utilities;

9. That CWSNC is authorized to update its purchased water and sewer rates as shown on Appendix A-1;

10. That CWSNC is authorized to implement its proposed fee-free payment option for residential customers; in connection with this option, CWSNC shall report to the Commission and Public Staff, every six months on November 30 and May 31 each year with the first report to be filed on or before November 30, 2022, for the six months ending September 30, 2022, on the implementation of this option, detailing the number of fee-free payments made by customers by month, along with CWSNC's uncollectibles expense by month;

11. That CWSNC is authorized to implement its proposed Water Efficiency Program, as a pilot program, to be reevaluated in CWSNC's next general rate case. With regard to the Water Efficiency Program, CWSNC shall file an annual report with the Commission and the Public Staff detailing the implementation of this program, the dollar amount and number of rebates applied to customer bills, the dollar amount of the regulatory asset, the type of efficient water fixtures for which rebates were applied, and estimates or ranges of water efficiency impacts of such measures from an authoritative, third-party source;

12. That consistent with CWSNC's proposal, the Stipulating Parties agree that CWSNC should be authorized to defer in a regulatory asset account and subsequently recover in a future rate case the efficient water fixture rebates applied to customer bills. The regulatory asset account shall not earn a return or carrying charges;

13. That CWSNC shall continue to engage with all of its customers about water quality issues, particularly with the Danby customers concerning solutions to problems with water hardness and the Brandywine Bay and Belvedere customers concerning concentrations of iron. The Company shall apprise the Public Staff on an ongoing basis about efforts made regarding both communications with customers about these issues and operational efforts to address the root causes of these issues;

14. That CWSNC shall continue its investment in resources targeting improvements in customer communications, as described by witness Parks, in testimony adopted by witness Denton; and

15. That the Chief Clerk shall establish Docket No. W-354, Sub 384A as the single docket to be used for all future filings, orders, and reporting requirements regarding the WSIC and SSIC mechanisms, and shall close Docket No. W-354, Sub 364A.

ISSUED BY ORDER OF THE COMMISSION.

This the 8th day of April, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Erica N. Green". The signature is written in a cursive style with a large, stylized initial "E".

Erica N. Green, Deputy Clerk

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA

for providing water and sewer utility service

in

ALL OF ITS SERVICE AREAS IN NORTH CAROLINA

(excluding Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills, Glen Arbor/North Bend, Bradfield Farms, Silverton, Woodland Farms, Larkhaven (Sewer) Subdivisions, and Hawthorne at the Green Apartments)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 24.53
1" meter	\$ 61.33
1 1/2" meter	\$ 122.65
2" meter	\$ 196.24
3" meter	\$ 367.95
4" meter	\$ 613.25
6" meter	\$1,226.50
8" meter	\$1,962.40

Usage Charge:

A. Treated Water/1,000 gallons	\$ 11.71
B. Untreated Water/1,000 gallons (Brandywine Bay Irrigation Water)	\$ 5.99

C. Purchased Water for Resale, per 1,000 gallons:

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
Eastgate	Fayetteville PWC	\$	5.55
Tanglewood South	Fayetteville PWC	\$	5.55
High Vista Estates	City of Hendersonville	\$	4.72
Riverbend	Town of Franklin	\$	8.10
Riverpointe	Charlotte Water	\$	7.07
Whispering Pines	Town of Southern Pines	\$	3.52
White Oak Plantation/ Lee Forest	Johnston County	\$	3.02
Winston Plantation	Johnston County	\$	3.02
Winston Point	Johnston County	\$	3.02
Willowbrook	Johnston County	\$	3.02
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston Salem	\$	5.79
Zemosa Acres	City of Concord	\$	5.52
Carolina Trace	City of Sanford	\$	2.21

Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

When because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit or other structure separately, the following will apply:

Sugar Mountain Service Area:

Where service to multiple units or other structures is provided through a single meter, the average usage for each unit or structure served by that meter will be calculated. Each unit or structure will be billed based upon that average usage plus the base monthly charge for a <1" meter.

Mount Mitchell Service Area:

Service will be billed based upon the Commission-approved monthly flat rate.

Monthly Flat Rate Service: (Billed in Arrears) \$ 68.71
Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest
and Woodrun Subdivisions in Montgomery County \$ 29.60

Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge Subdivision	\$ 14.83
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Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 10.96
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$ 5.78
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<u>Meter Testing Fee:</u> ^{1/}	\$20.00
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<u>New Water Customer Charge:</u>	\$27.00
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Reconnection Charge: ^{2/}

If water service is cut off by utility for good cause	\$42.00
If water service is discontinued at customer's request	\$42.00

Reconnection Charge: ^{3/} (Flat-rate water customers)

If water service is cut off by utility for good cause	Actual Cost
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Management Fee: (in the following subdivisions only)
(Per connection)

Wolf Laurel	\$150.00
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Covington Cross Subdivision (Phases 1 & 2)	\$100.00
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Oversizing Fee: (in the following subdivision only)

(One-time charge per single-family equivalent) Winghurst	\$400.00
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Meter Fee:

For <1" meters	\$ 50.00
For meters 1" or larger	Actual Cost

<u>Irrigation Meter Installation:</u>	Actual Cost
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SEWER RATES AND CHARGES

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage) \$ 41.03

Commercial (based on meter size with zero usage)

< 1" meter	\$ 41.03
1" meter	\$ 102.58
1 1/2" meter	\$ 205.15
2" meter	\$ 328.24
3" meter	\$ 615.45
4" meter	\$1,025.75
6" meter	\$2,051.50
8" meter	\$3,282.40

B. Usage charge, per 1,000 gallons \$ 11.69

Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

Monthly Metered Purchased Sewer Service:

Collection Charge (Residential and Commercial) \$ 28.72

Usage charge, per 1,000 gallons
(based on water consumption)

<u>Service Area</u>	<u>Bulk Provider</u>	
White Oak Plantation/ Lee Forest/Winston Pt.	Johnston County	\$ 6.45
Kings Grant	Two Rivers Utilities	\$ 4.39
College Park	Town of Dallas	\$ 7.77

Monthly Flat Rate Service, per SFE or REU: \$ 85.12

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 85.12

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge	\$ 7.49
Monthly Collection Charge (Residential and Commercial)	\$ 28.72
Usage Charge, per 1,000 gallons (based on metered water from the water supplier)	\$ 6.51

Regalwood and White Oak Estates Subdivision Service Area:

Monthly Flat Rate Sewer Service	
Residential Service	\$ 85.12
White Oak High School	\$2,525.23
Child Castle Daycare	\$ 323.73
Pantry	\$ 177.51

Fairfield Mountain/Apple Valley (a.k.a. Rumbling Bald) Service Area, and
Highland Shores Subdivision:

Monthly Sewer Rates:

Residential	
Collection charge/dwelling unit	\$ 28.72
Treatment charge/dwelling unit	\$ 90.00
Total monthly flat rate/dwelling unit	<u>\$ 118.72</u>

Commercial and Other:

Minimum monthly collection and treatment charge \$ 118.72

Monthly collection and treatment charge for customers
who do not take water service \$ 118.72

Treatment charge per dwelling unit

Small (less than 2,500 gallons per month)	\$ 103.00
Medium (2,500 to 10,000 gallons per month)	\$ 182.00
Large (over 10,000 gallons per month)	\$ 286.00

Collection Charge (per 1,000 gallons) \$ 13.93

The Ridges at Mountain Harbour:

Monthly Sewer Rates:

Collection charge (Residential and Commercial)	\$ 28.72
Treatment charge (Residential and Commercial)	
< 1" meter	\$ 16.95
2" meter	\$ 135.60

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 11.05
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$ 6.23
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New Sewer Customer Charge: ^{4/} \$ 27.00

Reconnection Charge: ^{5/}

If sewer service is cut off by utility for good cause: Actual Cost

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas, except for Mt. Carmel, which will be billed bimonthly.

Availability rates will be billed quarterly in advance for Connestee Falls, semiannually in advance for Carolina Forest, Woodrun, and Fairfield Sapphire Valley, and monthly for Linville Ridge.

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

^{1/} If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

^{2/} Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

^{3/} The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice.

^{4/} This charge shall be waived if customer is also a water customer within the same service area.

^{5/} The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice. This charge will be waived if customer also receives water service from Carolina Water Service within the same service area. Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINAfor providing water and sewer utility service

in

TREASURE COVE, REGISTER PLACE ESTATES, NORTH HILLS, GLEN ARBOR/NORTH BEND SUBDIVISIONS, FAIRFIELD HARBOUR SERVICE AREA, BRADFIELD FARMS SUBDIVISION, LARKHAVEN (SEWER) SUBDIVISION, SILVERTON, AND WOODLAND FARMS SUBDIVISIONS, AND HAWTHORNE AT THE GREEN APARTMENTS

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 17.08
1" meter	\$ 42.70
1 1/2" meter	\$ 85.40
2" meter	\$136.64

Usage Charge, per 1,000 gallons \$ 6.68

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area \$ 4.57

Connection Charge:

Treasure Cove Subdivision	\$ 0.00
North Hills Subdivision	\$ 100.00
Glen Arbor/North Bend Subdivision	\$ 0.00
Register Place Estates	\$ 500.00

Fairfield Harbor: ^{1/}

All Areas Except Harbor Pointe II Subdivision

Recoupment of capital fees per tap	\$ 335.00
Connection charge per tap	\$ 140.00

Harbor Pointe Subdivision and any area where mains have been installed after July 24, 1989

Recoupment of capital fee per tap	\$ 650.00
Connection charge per tap	\$ 320.00

Bradfield Farms:

Connection charge per tap	None
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<u>Meter Testing Fee:</u> ^{2/}	\$ 20.00
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<u>New Water Customer Charge:</u>	\$ 27.00
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Reconnection Charge: ^{3/}

If water service is cut off by utility for good cause	\$ 42.00
If water service is discontinued at customer's request	\$ 42.00

<u>New Meter Charge:</u>	Actual Cost
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<u>Irrigation Meter Installation:</u>	Actual Cost
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SEWER RATES AND CHARGES

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$ 61.58
Bulk Flat Rate, per REU	\$ 61.58

Commercial and Other:

Monthly Flat Rate, per REU (Customers who do not take water service)	\$ 61.58
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Monthly Metered Rates
(based on meter size with zero usage)

<1" meter	\$ 50.97
1" meter	\$ 127.42
1 1/2" meter	\$ 254.84
2" meter	\$ 407.75

Usage Charge, per 1,000 gallons \$ 2.65

Bulk Sewer Service for Hawthorne at the Green Apartments: ^{4/}

Bulk Flat Rate, per REU \$ 61.58

(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218, Sub 291)

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area \$ 3.23

Connection Charge

Fairfield Harbour: ^{1/}

All Areas Except Harbor Pointe II Subdivision

Recoupment of capital fees per tap	\$ 735.00
Connection charge per tap	\$ 140.00

Harbor Pointe Subdivision and any area where mains have been installed after July 24, 1989

Recoupment of capital fee per tap	\$2,215.00
Connection charge per tap	\$ 310.00

Bradfield Farms:

Connection charge per tap None

New Sewer Customer Charge: ^{5/} \$ 27.00

Reconnection Charge: ^{6/}

If sewer service is cut off by utility for good cause: Actual Cost

MISCELLANEOUS UTILITY MATTERS

<u>Charge for processing NSF Checks:</u>	\$ 25.00
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	21 days after billing date
<u>Billing Frequency:</u>	Bills shall be monthly for service in arrears. Availability billings semiannually in advance.
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

^{1/} The recoupment of capital portion of the connection charges shall be due and payable at such time as the main water and sewer lines are installed in front of each lot, and the tap-on fee for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the company, payment of the recoupment capital portion of the connection charge may be made payable over the five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.

^{2/} If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

^{3/} Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

^{4/} Each Apartment building will be considered 92.42% occupied on an ongoing basis for billing purposes as soon as the certificate of occupancy is issued for that apartment building.

^{5/} This charge shall be waived if customer is also a water customer within the same service area.

^{6/} The utility shall itemize the estimated cost of disconnecting and reconnecting service and shall furnish this estimate to customer with cut-off notice. This charge will be waived if customer also receives water service from Carolina Water Service within the same service area. Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINASCHEDULE OF CONNECTION FEESFOR WATER UTILITY SERVICE UNDER UNIFORM RATESUniform Connection Fees: ^{1/}

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single-Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$ 400.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amherst	\$ 250.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Blue Mountain at Wolf Laurel	\$ 925.00	\$ 0.00
Buffalo Creek, Phase I, II, III, IV	\$ 825.00	\$ 0.00
Carolina Forest	\$ 0.00	\$ 0.00
Chapel Hills	\$ 150.00	\$ 400.00
Eagle Crossing	\$ 0.00	\$ 0.00
Elk River Development	\$1,000.00	\$ 0.00
Forest Brook/Old Lamp Place	\$ 0.00	\$ 0.00
Harbour	\$ 75.00	\$ 0.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 300.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Lemmond Acres	\$ 0.00	\$ 0.00
Linville Ridge	\$ 400.00	\$ 0.00
Monterrey (Monterrey LLC)	\$ 0.00	\$ 0.00
Quail Ridge	\$ 750.00	\$ 0.00
Queens Harbour/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Riverwood, Phase 6E (Johnston County)	\$ 825.00	\$ 0.00
Saddlewood/Oak Hollow (Summey Bldrs.)	\$ 0.00	\$ 0.00

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Sherwood Forest	\$ 950.00	\$ 0.00
Ski Country	\$ 100.00	\$ 0.00
The Ridges at Mountain Harbour	\$2,500.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Wildlife Bay	\$ 870.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00
Winston Plantation	\$1,100.00	\$ 0.00
Winston Pointe, Phase 1A	\$1,125.00	\$ 0.00
Wolf Laurel	\$ 925.00	\$ 0.00
Woodrun	\$ 0.00	\$ 0.00
Woodside Falls	\$ 500.00	\$ 0.00

Other Connection Fees:

The following connection fees apply unless specified differently by contract approved and/or filed with the North Carolina Utilities Commission.

Amber Acres, Amber Acres North, Amber Ridge, Ashley Hills North, Bishop Pointe, Carriage Manor, Country Crossing, Covington Cross, Heather Glen, Hidden Hollow, Jordan Woods, Lindsey Point, Neuse Woods, Oakes Plantation, Randsdell Forest, Rutledge Landing, Sandy Trails, Stewart's Ridge, Tuckahoe, Wilder's Village and Forest Hill Subdivisions

Connection Charge:

A. 5/8" meter	\$ 500.00
B. All other meter sizes	Actual cost of meter and installation

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows:

<u>Subdivision</u>	<u>CC</u>
Lindsey Point Subdivision	\$ 0.00
Amber Acres North, Sections II & IV	\$ 570.00
Fairfield Mountain/Apple Valley (a.k.a. Rumbling Bald) Service Area	\$ 500.00
Highland Shores Subdivision	\$ 500.00
Laurel Mountain Estates	\$ 0.00
Carolina Trace	\$ 605.00
Connestee Falls	\$ 600.00

The following connection fees apply unless specified differently by contract approved and/or filed with the North Carolina Utilities Commission.

All Areas Except Holly Forest XI, Holly Forest XIV, Holly Forest XV, Whisper Lake I, Whisper Lake II, Whisper Lake III, Deer Run, Lonesome Valley Phases I and II, and Chattooga Ridge

Recoupment of Capital Fee (RCF) ^{2/}	\$ 0.00
Connection charge	\$ 400.00

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows.

<u>Subdivision</u>	<u>CC</u>	<u>RCF</u>
Holly Forest XI	\$ 400.00	\$2,400.00
Holly Forest XIV	\$ 400.00	\$ 250.00
Holly Forest XV	\$ 400.00	\$ 500.00
Whispering Lake Phase I	\$ 400.00	\$1,250.00
Whispering Lake Phases II and III	\$ 400.00	\$2,450.00
Deer Run	\$ 400.00	\$1,900.00
Lonesome Valley Phases I and II	\$ 0.00	\$ 0.00
Chattooga Ridge	\$ 0.00	\$ 0.00

^{1/} These fees are only applicable one time, when the unit is initially connected to the system.

^{2/} The recoupment of capital portion of the connection charges shall be due and payable at such time as the main water and sewer lines are installed in front of each lot, and the tap-on fee for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the company, payment of the recoupment capital portion of the connection charge may be made payable over the five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINASCHEDULE OF CONNECTION FEES FORSEWER UTILITY SERVICE UNDER UNIFORM RATESUniform Connection Fees: ^{1/}

The following uniform connection fees apply unless specified differently by contract approved by and on file with the North Carolina Utilities Commission.

Connection Charge (CC), per SFE (Single-Family Equivalent)	\$ 100.00
Plant Modification Fee (PMF), per SFE	\$1,000.00

The systems where connection fees other than the uniform fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows. These fees are per SFE:

<u>Subdivision</u>	<u>CC</u>	<u>PMF</u>
Abington	\$ 0.00	\$ 0.00
Abington, Phase 14	\$ 0.00	\$ 0.00
Amber Acres North (Phases II & IV)	\$ 815.00	\$ 0.00
Ashley Hills	\$ 0.00	\$ 0.00
Amherst	\$ 500.00	\$ 0.00
Bent Creek	\$ 0.00	\$ 0.00
Brandywine Bay	\$ 100.00	\$1,456.00
Camp Morehead by the Sea	\$ 100.00	\$1,456.00
Elk River Development	\$1,200.00	\$ 0.00
Hammock Place	\$ 100.00	\$1,456.00
Hestron Park	\$ 0.00	\$ 0.00
Hound Ears	\$ 30.00	\$ 0.00
Independent/Hemby Acres/Beacon Hills (Griffin Bldrs.)	\$ 0.00	\$ 0.00
Kings Grant/Willow Run	\$ 0.00	\$ 0.00
Kynwood	\$ 0.00	\$ 0.00
Mt. Carmel/Section 5A	\$ 500.00	\$ 0.00
Queens Harbor/Yachtsman	\$ 0.00	\$ 0.00
Riverpointe	\$ 300.00	\$ 0.00
Riverpointe (Simonini Bldrs.)	\$ 0.00	\$ 0.00
Steeplechase (Spartabrook)	\$ 0.00	\$ 0.00
The Ridges at Mountain Harbour	\$2,500.00	\$ 0.00
White Oak Plantation	\$ 0.00	\$ 0.00
Willowbrook	\$ 0.00	\$ 0.00

Willowbrook (Phase 3)	\$ 0.00	\$ 0.00
Winston pointe (Phase 1A)	\$1,400.00	\$ 0.00
Woodside Falls	\$ 0.00	\$ 0.00

Other Connection Fees:

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows.

Subdivision

Carolina Pines

Residential	\$1,350.00 per unit (including single-family homes, condominiums, apartments, and mobile homes)
Hotels	\$750.00 per unit
Nonresidential	\$3.57 per gallon of daily design of discharge
or	\$900.00 per unit, whichever is greater

Subdivision

CC

Fairfield Mountain/Apply Valley (a.k.a. Rumbling Bald)	
Service Area	\$ 550.00
Highland Shores	\$ 550.00
Carolina Trace	\$ 533.00
Connestee Falls	\$ 400.00

The following connection fees apply unless specified differently by contract approved and/or filed with the North Carolina Utilities Commission.

All Areas Except Holly Forest XIV, Holly Forest XV, Deer Run, and Lonesome Valley Phases I and II

Recoupment of Capital Fee (RCF) ^{2/}	\$ 0.00
Connection charge	\$ 550.00

The systems where other connection fees have been approved and/or allowed to become effective by the North Carolina Utilities Commission are as follows:

<u>Subdivision</u>	<u>CC</u>	<u>RCF</u>
Holly Forest XIV	\$ 550.00	\$1,650.00
Holly Forest XV	\$ 550.00	\$ 475.00
Deer Run	\$ 550.00	\$1,650.00
Lonesome Valley Phases I and II	\$ 0.00	\$ 0.00

^{1/} These fees are only applicable one time, when the unit is initially connected to the system.

^{2/} The recoupment of capital portion of the connection charges shall be due and payable at such time as the main water and sewer lines are installed in front of each lot, and the tap-on fee for water and sewer shall be payable upon request by the owner of each lot to be connected to the water and sewer lines. With written consent of the company, payment of the recoupment capital portion of the connection charge may be made payable over the five-year period following the installation of the water and sewer mains in front of each lot, payment to be made in such a manner and in such installments as agreed upon between lot owner and the company, together with interest on the balance of the unpaid recoupment of capital fee from said time until payment in full at the rate of 6% per annum.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 384

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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 Service Areas in North Carolina)

NOTICE TO CUSTOMERS IN
THE UNIFORM WATER AND
SEWER RATE DIVISION

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina (CWSNC) to increase rates for water and sewer utility service in all of its service areas in North Carolina. The new approved rates are as follows:

WATER RATES AND CHARGES

(Excluding Fairfield Harbour Service Area and Treasure Cove, Register Place Estates, North Hills, Glen Arbor/North Bend, Bradfield Farms, Silverton, and Woodland Farms Subdivisions, and Hawthorne at the Green Apartments

Uniform Water Customers:

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)

< 1" meter	\$ 24.53
1" meter	\$ 61.33
1 1/2" meter	\$ 122.65
2" meter	\$ 196.24
3" meter	\$ 367.95
4" meter	\$ 613.25
6" meter	\$1,226.50
8" meter	\$1,962.40

Usage Charge:

A. Treated Water/1,000 gallons	\$ 11.71
B. Untreated Water/1,000 gallons (Brandywine Bay Irrigation Water)	\$ 5.99

C. Purchased Water for Resale, per 1,000 gallons:

<u>Service Area</u>	<u>Bulk Provider</u>		
Carolina Forest	Montgomery County	\$	3.19
Eastgate	Fayetteville PWC	\$	5.55
Tanglewood South	Fayetteville PWC	\$	5.55
High Vista Estates	City of Hendersonville	\$	4.72
Riverbend	Town of Franklin	\$	8.10
Riverpointe	Charlotte Water	\$	7.07
Whispering Pines	Town of Southern Pines	\$	3.52
White Oak Plantation/ Lee Forest	Johnston County	\$	3.02
Winston Plantation	Johnston County	\$	3.02
Winston Point	Johnston County	\$	3.02
Willowbrook	Johnston County	\$	3.02
Woodrun	Montgomery County	\$	3.19
Yorktown	City of Winston Salem	\$	5.79
Zemosa Acres	City of Concord	\$	5.52
Carolina Trace	City of Sanford	\$	2.21

Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

When because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit or other structure separately, the following will apply:

Sugar Mountain Service Area:

Where service to multiple units or other structures is provided through a single meter, the average usage for each unit or structure served by that meter will be calculated. Each unit or structure will be billed based upon that average usage plus the base monthly charge for a <1" meter.

Mount Mitchell Service Area:

Service will be billed based upon the Commission-approved monthly flat rate.

Monthly Flat Rate Service: (Billed in Arrears) \$ 68.71
Availability Rate: (Semiannual)

Applicable only to property owners in Carolina Forest and Woodrun Subdivisions in Montgomery County \$ 29.60

Availability Rate: (Monthly)

Applicable only to property owners in Linville Ridge Subdivision \$ 14.83

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area \$ 10.96

Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls \$ 5.78

SEWER RATES AND CHARGES

(Excluding Fairfield Harbour Service Area, Treasure Cove, Register Place Estates, North Hills and Glen Arbor/North Bend Subdivisions, Bradfield Farms, Larkhaven (sewer), Silverton, and Woodland Farms Subdivisions, and Hawthorne at the Green Apartments

Uniform Sewer Customers:

Monthly Metered Sewer Service:

A. Base Facility Charge:

Residential (zero usage) \$ 41.03

Commercial (based on meter size with zero usage)

< 1" meter	\$ 41.03
1" meter	\$ 102.58
1 1/2" meter	\$ 205.15
2" meter	\$ 328.24
3" meter	\$ 615.45
4" meter	\$1,025.75
6" meter	\$2,051.50
8" meter	\$3,282.40

B. Usage charge, per 1,000 gallons \$ 11.69

Commercial customers, including condominiums or other property owner associations who bill their members directly, shall have a separate account set up for each meter and each meter shall be billed separately based on the size of the meter and usage associated with the meter.

Monthly Metered Purchased Sewer Service:

Collection Charge (residential and commercial) \$ 28.72

Usage charge, per 1,000 gallons based on water consumption

<u>Service Area</u>	<u>Bulk Provider</u>		
White Oak Plantation/ Lee Forest/Winston Pt.	Johnston County	\$	6.45
Kings Grant	Two Rivers Utilities	\$	4.39
College Park	Town of Dallas	\$	7.77

Monthly Flat Rate Service, per SFE or REU: \$ 85.12

Multi-residential customers who are served by a master meter shall be charged the flat rate per unit. \$ 85.12

Mt. Carmel Subdivision Service Area:

Monthly Base Facility Charge \$ 7.49

Monthly Collection Charge
(Residential and commercial) \$ 28.72

Usage Charge/1,000 gallons based on purchased water \$ 6.51

Regalwood and White Oak Estates Subdivision Service Area:

Monthly Flat Rate Sewer Service			
Residential Service		\$	85.12
White Oak High School			\$2,525.23
Child Castle Daycare		\$	323.73
Pantry		\$	177.51

Fairfield Mountain/Apple Valley (a.k.a. Rumbling Bald) Service Area, Highland Shores Subdivisions and Laurel Mountain Estates

Monthly Sewer Rates:

Residential			
Collection charge/dwelling unit		\$	28.72
Treatment charge/dwelling unit		\$	90.00
Total monthly flat rate/dwelling unit		\$	<u>118.72</u>

Commercial and Other:

Minimum monthly collection and treatment charge \$ 118.72

Monthly collection and treatment charge for customers who do not take water service \$ 118.72

Treatment charge per dwelling unit

 Small (less than 2,500 gallons per month) \$ 103.00

Medium (2,500 to 10,000 gallons per month)	\$ 182.00
Large (over 10,000 gallons per month)	\$ 286.00
Collection Charge (per 1,000 gallons)	\$ 13.93

The Ridges at Mountain Harbour:

Monthly Sewer Rates:

Collection charge (Residential and Commercial)	\$ 28.72
Treatment charge (Residential and Commercial)	
< 1" meter	\$ 16.95
2" meter	\$ 135.60

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Sapphire Valley Service Area	\$ 11.05
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Availability Rate: (Monthly rate, billed quarterly)

Applicable only to property owners in Connestee Falls	\$ 6.23
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RATE ADJUSTMENT MECHANISM:

The Commission-authorized water and sewer system improvement charge (WSIC/SSIC) rate adjustment mechanism continues in effect and will be applicable to all customers in CWSNC's North Carolina service areas. It has been reset at zero in the Docket No. W-354, Sub 384 rate case, but CWSNC may, under the Rules and Regulations of the Commission, next apply for a rate surcharge on July 31, 2022 to become effective October 1, 2022. The WSIC/SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for system or water quality improvement. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in this general rate case proceeding. Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order and can be accessed from the Commission's website at www.ncuc.net, under Docket Information, using the Docket Search feature for docket number "W-354 Sub 364A" and "W-354, Sub 384A".

ISSUED BY ORDER OF THE COMMISSION.

This the 8th day of April, 2022.

NORTH CAROLINA UTILITIES COMMISSION



Erica N. Green, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 364

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Application by Carolina Water Service, Inc.	)	NOTICE TO CUSTOMERS
of North Carolina, 4944 Parkway Plaza	)	IN TREASURE COVE, REGISTER
Boulevard, Suite 375, Charlotte, North	)	PLACE ESTATES, NORTH HILLS,
Carolina 28217, for Authority to Adjust and	)	AND GLEN ARBOR/NORTH BEND
Increase Rates for Water and Sewer Utility	)	SUBDIVISIONS, FAIRFIELD
Service in All of its Service Areas in North	)	HARBOUR SERVICE AREA,
Carolina	)	BRADFIELD FARMS, LARKHAVEN
	)	(SEWER), SILVERTON, AND
	)	WOODLAND FARMS
	)	SUBDIVISIONS, AND
	)	HAWTHORNE AT THE GREEN
	)	APARTMENTS

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order authorizing Carolina Water Service, Inc. of North Carolina to charge the following new rates for water and sewer utility service in Treasure Cove, Register Place Estates, North Hills, and Glen Arbor/North Bend Subdivisions, Fairfield Harbour Service Area, Bradfield Farms, Larkhaven (Sewer), Silverton, and Woodland Farms Subdivisions, and Hawthorne at the Green Apartments:

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (based on meter size with zero usage)	
< 1" meter	\$ 17.08
1" meter	\$ 42.70
1 1/2" meter	\$ 85.40
2" meter	\$ 136.64
 Usage Charge, per 1,000 gallons	 \$ 6.68

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$ 4.57
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SEWER RATES AND CHARGES

Monthly Sewer Service:

Residential:

Flat Rate, per dwelling unit	\$ 61.58
Bulk Flat Rate, per REU	\$ 61.58

Commercial and Other:

Monthly Flat Rate, per REU (Customers who do not take water service)	\$ 61.58
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Monthly Metered Rates
(based on meter size with zero usage)

<1" meter	\$ 50.97
1" meter	\$ 127.42
1 1/2" meter	\$ 254.84
2" meter	\$ 407.75

Usage Charge, per 1,000 gallons	\$ 2.65
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Bulk Sewer Service for Hawthorne at the Green Apartments: ^{4/}

Bulk Flat Rate, per REU	\$ 61.58
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(To be collected from Hawthorne and delivered to Carolina Water Service, Inc. of North Carolina for treatment of the Hawthorne wastewater pursuant to Docket No. W-218,Sub 291)

Availability Rate: (Monthly rate, billed semiannually)

Applicable only to property owners in Fairfield Harbour Service Area	\$ 3.23
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RATE ADJUSTMENT MECHANISM:

The Commission-authorized water and sewer system improvement charge (WSIC/SSIC) rate adjustment mechanism continues in effect and will be applicable to all customers in CWSNC's North Carolina service areas. It has been reset at zero in the Docket No. W-354, Sub 384 rate case, but CWSNC may, under the Rules and Regulations of the Commission, next apply for a rate surcharge on July 31, 2022 to become effective October 1, 2022. The WSIC/SSIC mechanism is designed to recover, between rate case proceedings, the costs associated with investment in certain completed, eligible projects for system or water quality improvement. The

WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in this general rate case proceeding. Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order and can be accessed from the Commission's website at www.ncuc.net, under Docket Information, using the Docket Search feature for docket number "W-354 Sub 364A" and "W-354, Sub 384A".

ISSUED BY ORDER OF THE COMMISSION.

This the 8th day of April, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Erica N. Green". The signature is written in a cursive, flowing style.

Erica N. Green, Deputy Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notices to Customers issued by the North Carolina Utilities Commission in Docket No. W-354, Sub 384, and the Notices were mailed or hand delivered by the date specified in the Order.

This the _____ day of _____, 2022.

By: _____
Signature

Carolina Water Service, Inc. of North Carolina

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required Notices to Customers were mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket No. W-354, Sub 384.

Witness my hand and notarial seal, this the ___ day of _____, 2022.

Notary Public

Printed or Typed Name

(SEAL) My Commission Expires: _____
Date