

## CHAPTER 10.

### SEWER COMPANIES.

- Rule R10-1. Application of rules.
  - Rule R10-2. Definitions.
  - Rule R10-3. Records and reports.
  - Rule R10-4. Approval and filing of rate schedules, rules and regulations; special rules.
  - Rule R10-5. Maps and records.
  - Rule R10-6. Access to property.
  - Rule R10-7. Adequacy of facilities.
  - Rule R10-8. Service interruption.
  - Rule R10-9. Records of accidents.
  - Rule R10-10. [Rescinded.]
  - Rule R10-11. Service connections.
  - Rule R10-12. Extension of mains.
  - Rule R10-13. Refusal to serve applicants.
  - Rule R10-14. [Rescinded.]
  - Rule R10-15. Customer's discontinuance of service.
  - Rule R10-16. Utility's discontinuance of service.
  - Rule R10-17. Information to customers.
  - Rule R10-18. [Rescinded.]
  - Rule R10-19. Information on bills.
  - Rule R10-20. Sale of sewer service.
  - Rule R10-21. Accounting.
  - Rule R10-22. Safety program.
  - Rule R10-23. Availability rates.
  - Rule R10-24. Bonds.
  - Rule R10-25. Notification of contiguous extension.
  - Rule R10-26. Sewer System Improvement Charge Mechanism.
  - Rule R10-27. Consumption Adjustment Mechanism for Sewer Utilities.
  - Rule R10-28. Procedure for Determining Fair Value and Establishing Rate Base for Acquisition of Government-Owned Wastewater Systems.
- Chapter 10 Appendix

**CHAPTER 10.**

**SEWER COMPANIES.**

**Rule R10-1. APPLICATION OF RULES.**

These rules apply to sewer utilities operating in North Carolina under the jurisdiction of the North Carolina Utilities Commission as defined in G.S. 62-3.

(NCUC Docket No. M-100, Sub 75, 10/27/77.)

**Rule R10-2. DEFINITIONS.**

(a) Utility. — The term "utility" when used in these rules and regulations includes persons and corporations, or their lessees, trustees, and receivers, now, or hereafter, furnishing sewer service to the public for compensation as defined in G.S. 62-3.

(b) Customers. — The word "customers" as used in these rules shall be construed to mean any person, group of persons, firm, corporation, institution, or other service body furnished sewer service by a sewer utility.

(c) Municipality. — The term "municipality" when used in these rules includes, a city, a county, a village, a town, and any other public body existing, created, or organized as a government under the Constitution or laws of the State.

(NCUC Docket No. S-100, Sub 1, 8/23/67; NCUC Docket No. M-100, Sub 75, 10/27/77.)

**Rule R10-3. RECORDS AND REPORTS.**

(a) Location and Preservation of Records. — All records shall be kept at the office or offices of the utility in North Carolina and shall be available during regular business hours for examination by the Commission, the Public Staff or their duly authorized representatives.

(b) Reports to Commission. — Each utility shall prepare and file an annual report to the Commission in prescribed form, giving required information respecting its general operations. Special reports shall also be made concerning any particular matter upon request by the Commission.

(NCUC Docket No. S-100, Sub 1, 8/23/67; NCUC Docket No. M-100, Sub 75, 10/27/77.)

**Rule R10-4. APPROVAL AND FILING OF RATE SCHEDULES, RULES AND REGULATIONS; SPECIAL RULES.**

- (a) Approval Required. — Rates, schedules, rules, regulations, special contracts, and other charges for sewer service shall not become effective until filed with and approved by the Commission.
- (b) Manner of Filing. — Tariffs containing all the rates, rules, and regulations of each utility shall be filed in the manner and form prescribed by the Commission.
- (c) Utility's Special Rules.
  - (1) A utility desiring to establish any rule or requirement affecting its customers shall first make application to the Commission for approval of the same, clearly stating in its application the reason for such establishment.
  - (2) On or after ninety days from the effective date of these rules and regulations any utility's special rules and regulations now on file with the Commission which conflict with these rules will become null and void unless they have been refiled and approved by the Commission.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-5. MAPS AND RECORDS.**

Each utility shall keep on file in its office suitable maps, plans, and records showing the entire layout of its collecting lines and sewer treatment facilities with the location, size and capacity of each unit of plant, size of each collecting line, and other facilities used in the furnishing of sewerage service.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-6. ACCESS TO PROPERTY.**

A utility shall at all reasonable times have access to service connections, and other property owned by it on customer's premises for purposes of maintenance and operation, including cutting off sewer service for any of the causes provided for in these rules and regulations or the rules and regulations of the utility.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-7. ADEQUACY OF FACILITIES.**

All public sewer utilities shall comply with the rules of the North Carolina Department of Environmental Quality and the rules of other state and local governmental agencies in the design, construction, operation, and maintenance of its sewer facilities and in the collection, treatment and discharge of the sewage being treated.

(NCUC Docket No. S-100, Sub 1, 8/23/67; NCUC Docket No. W-100, Sub 24, 2/22/94; NCUC Docket No. M-100, Sub 140, 12/03/2013; NCUC Docket No. M-100, Sub 196, 9/18/2023.)

**Rule R10-8. SERVICE INTERRUPTION.**

(a) Record. — Each utility shall keep a record of all interruptions of service upon its entire system or major divisions thereof, including a statement of time, duration, and cause of such interruptions.

(b) Notice Required. — Insofar as practical every customer affected shall be notified in advance of any contemplated work which will result in interruption of service of any long duration, but such notice shall not be required in case of interruption due to accident, the elements, public enemies, or strikes, which are beyond the control of the utility.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-9. RECORDS OF ACCIDENTS.**

Each utility shall make and keep a record of each accident happening in connection with the operation of its plant, station, property, and equipment, whereby any person shall have been killed or seriously injured, or any substantial amount of property damaged or destroyed, which report shall be filed with the Commission within sixty (60) days of said accident.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-10.** Rescinded by NCUC Docket No. W-100, Sub 24, 2/22/94.

**Rule R10-11. SERVICE CONNECTIONS.**

(a) Each sewer utility shall adopt a standard method for installing a sewer service connection, which may be included in the "connection charge." Such method shall be set out with a written description and drawings, together with a schedule of connection charges, to the extent necessary for a clear understanding of the requirements and shall be submitted to the Commission for its approval.

(b) Temporary service shall be installed by mutual agreement.

(c) The customer shall furnish and lay the necessary pipe to make the connection from the property line nearest the utility's sewer line to the point of use and shall keep the service line in good repair. The customer shall not make any change in or rebuild such service line without giving written notice to the utility. All of the foregoing shall be designated as "customer's service line."

(d) In any case where a reasonable doubt exists as to the proper location and size for "customer's service line," the utility shall be consulted and its approval of the location and size of line be secured in writing.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

## **Rule R10-12. EXTENSION OF MAINS.**

- (a) General Provisions.
  - (1) A bona fide customer as referred to in subsections (b) and (c) hereinafter shall be a customer of permanent and established character, exclusive of the real estate developer or builder, who receives sewer service at a premises improved with structures of a permanent nature.
  - (2) Any facilities installed hereunder shall be the sole property of the utility.
  - (3) The size, type, quality of materials, and their location will be specified by the utility, and the actual construction will be done by the utility or by a constructing agency acceptable to it.
  - (4) Adjustment of any difference between the estimated cost and the reasonable actual cost of any collection system extension made hereunder will be made within 60 days after the actual cost of the installation has been ascertained by the utility.
  - (5) In case of disagreement or dispute regarding the application of any provision of this rule, or in circumstances where the application of this rule appears impracticable or unjust to either party, the utility, application or applicants may refer the matter to the Utilities Commission for settlement.
  - (6) Extensions for temporary service will not be made under this rule.
- (b) Extensions to Service Individuals.
  - (1) The utility will extend its sewer collection system to serve new bona fide customers at its own expense, other than to serve subdivisions, tracts, housing projects, industrial or residential developments, or organized service districts, when the required total length of the sewer collection system extension from the nearest existing sewer collection system is not in excess of 100 feet per service connection. If the total length of the sewer collection system extension is in excess of 100 feet per service connection applied for, the applicant or applicants for such service shall be required to advance to the utility before construction is commenced that portion of the reasonable estimated cost of such extension over and above the estimated reasonable cost of 100 feet of the sewer collection system extension per service connection, exclusive of the cost of service connections and exclusive of any costs of increasing the size or capacity of the utility's existing facilities used or necessary for supplying the proposed extension. The money so advanced will be refunded by the utility without interest in payments equal to the reasonable actual cost of 100 feet of the sewer collection system extension, for which advance was made for each additional service connection, exclusive of that of any customer formerly served at the same location. Refunds will be made within 180 days after the date of first service to a bona fide customer. No refunds will be made after a period of 5 years from the date of completion of the sewer collection system extension, and the total refund shall not exceed the amount advanced.

- (2) Where a group of five or more individual applicants request service from the same extension, or in unusual cases after obtaining Commission approval, the utility at its option may require that the individual or individuals advance the entire cost for the sewer collection system extension as herein provided and the utility will refund this advance as provided in subsection (c)(2) of this rule.
  - (3) In addition to refunds made on the basis of service connections attached directly to the extension for which the cost was advanced as provided in subdivision (1) of this subsection, refunds also will be made to the party or parties making the advances in those cases where additional bona fide customers are serviced by a subsequent sewer collection system extension, supplied from the original extension upon which an advance is still refundable, whenever the length of such further extension is less than 100 feet per service connection. Such additional refunds will equal the difference between the 100-foot allowance per service connection and the length of each required subsequent extension multiplied by the average cost per foot of the extension used as the basis for determining the amount advanced. In those cases where subsequent customers are served through a series of such sewer collection system extensions, refunds will be made to the party or parties making the advances in chronological order beginning with the first of the extensions in the series from the original point of supply, until the amount advanced by any parties fully repaid within the period of 5 years as specified above. In those cases where two or more customers have made a joint advance on the same extension, refunds will be made in the same proportion that each advance bears to the total of said joint advance. Where the utility installs a sewer collection system larger than that for which the cost was advanced to serve an individual or individuals, and a subsequent extension is supplied from such sewer collections systems, the original individual or individuals will not be entitled to refunds which might otherwise accrue from subsequent extensions.
- (c) Extensions to Serve Subdivisions, Tracts, Housing Projects, Industrial or Residential Developments or Organized Service Districts.
- (1) An applicant for a sewer collection system extension to serve a new subdivision, tract, housing project, industrial, or residential development, or organized service district shall be required to advance to the utility before construction is commenced the estimated reasonable cost of installation of such facilities, including the estimated reasonable cost associated with the installation of any reasonable and prudent amount of excess capacity, if any, upon approval by the Commission. If additional facilities are required specifically to provide service exclusively for the service requested, the cost of such facilities may be included in the advance upon approval by the Commission.

- (2) The funds so advanced will be subject to refund by the utility without interest to the party or parties entitled thereto. The total amount so refunded shall not exceed the amount advanced. Refunds will be made under the following method:

Proportionate Cost Method:

For each service connection directly connected to the extension, exclusive of that of any customer formerly served at the same location, the utility will refund within 180 days after the date of first service to a bona fide customer that portion of the total amount of the advance which is determined from the ratio of the allocated capacity of the sewer facilities acquired to the total allocated capacity of the sewer facilities for which the cost was advanced. No refunds will be made after a period of 5 years from the date of completion of the main extension.

(NCUC Docket No. S-100, Sub 1, 8/23/67; NCUC Docket No. W-100, Sub 6, 4/18/88.)

**Rule R10-13. REFUSAL TO SERVE APPLICANTS.**

(a) Noncompliance with Rules and Regulations. — Any utility may decline to serve an applicant until he has complied with State regulations governing sewer service and the approved rules and regulations of the utility.

(b) Utility's Facilities Inadequate. — Until adequate facilities can be provided, a utility may decline to serve an applicant if, in the best judgment of the utility, it does not have adequate facilities to render service applied for or if the intended use is of a character that is likely to affect unfavorable service to other customers.

(c) Applicant's Recourse. — In the event that the utility shall refuse to serve an applicant under the provisions of this rule, or on other rules incorporated herein, the utility shall inform the applicant of the basis of its refusal, and the applicant may apply to the Commission for a ruling thereon.

(d) Applicant's Facilities Inadequate. — The utility may refuse to serve an applicant if, in its judgment, the applicant's installation of sewer piping is regarded as hazardous or of such character that satisfactory service cannot be given.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-14.** Rescinded by NCUC Docket Nos. M-100, Sub 86; M-100, Sub 28; M-100, Sub 61, 10/1/80.

**Rule R10-15. CUSTOMER'S DISCONTINUANCE OF SERVICE.**

Any customer desiring service discontinued shall give a written notice to the utility unless otherwise incorporated in the rules and regulations of the utility. Until the utility shall have such notice the customer may be held responsible for all service rendered.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-16. UTILITY'S DISCONTINUANCE OF SERVICE.**

(a) **Violation of Rules.** — Neglect or refusal on the part of a customer to comply with these rules or the utility's rules properly filed with the Commission shall be deemed to be sufficient cause for discontinuance of service on the part of the utility. Whenever sewer service is discontinued for any reason the utility shall send a report of termination of service to the local county board of health for compliance with G.S. 130A-335.

(b) **Access to Property.** — The utility shall at all reasonable times have access to service connections, and other property owned by it on customer's premises for purposes of maintenance and operation. Neglect or refusal on the part of the customer to provide reasonable access to his premises for the above purposes shall be deemed to be sufficient cause for discontinuance of service on the part of the utility.

(c) **Notice of Discontinuance.** — No utility shall discontinue service to any customer for violation of its rules or regulations without first having diligently tried to induce the customer to comply with its rules and regulations. After such effort on the part of the utility, service may be discontinued only after at least five days' written notice excluding Sundays and holidays shall have been given the customer by the utility, provided, however, where an emergency exists or where fraudulent use is detected, or where a dangerous condition is found to exist on the customer's premises, the sewer service may be cut off without such notice.

(d) **Disputed Bills.** — In the event of a dispute between the customer and the utility respecting any bill, the utility shall make forthwith such investigation as shall be required by the customer. In the event that the matter in dispute cannot be compromised or settled by the parties, either party may submit the facts to the Commission for its decision, and pending such decision, service shall not be discontinued.

(e) **Reconnection Charge.** — Whenever the sewer service is cut off for the violation of rules and regulations, or nonpayment of bill, the utility may make a reconnection charge, approved by the Commission, payable in advance, for restoring the service. The fee shall be no more than fifteen dollars (\$15.00) for restoring said service; except, if the utility proves that its actual and reasonable cost for restoring the service is greater than fifteen dollars (\$15.00), the fee may be set at no more than the proven cost.

(f) **Report of Discontinuance of Service to Be Filed with Health Department.** — Whenever sewer service is discontinued for any reason the utility shall send a report of termination of service to the local county board of health for compliance with G.S. 130A-335.

(NCUC Docket No. S-100, Sub 1, 8/23/67; NCUC Docket No. M-100, Sub 28, 5/6/70, effective 7/1/70; NCUC Docket No. W-100, Sub 48, 12/31/09; NCUC Docket No. M-100, Sub 140, 12/03/13.)

**Rule R10-17. INFORMATION TO CUSTOMERS.**

(a) Information as to Service and Rates. — A utility shall, when accepting application for sewer service, give full information to the applicant concerning type of service to be rendered and rates which will be applicable.

(b) Posting of Rates, Rules and Regulations. — Every utility shall provide in its business office, near the cashier's window, where it may be available to the public the following:

- (1) A copy of the rates, rules and regulations of the utility applicable to the territory served from that office.
- (2) A copy of these rules and regulations.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-18.** Rescinded by NCUC Docket No. S-100, Sub 1, 8/23/67; NCUC Docket No. W-100, Sub 48, 12/31/09.

**Rule R10-19. INFORMATION ON BILLS.**

All bills for sewerage service shall state whether the charge is based on a percentage of the water bill, flat rate, or other charge.

- (1) Those bills based upon a water meter billing shall show the readings of the water meter at the beginning and end of the time for which bill is rendered, the dates on which the readings were taken, the amount supplied and the price per unit.
- (2) Utilities desiring to adopt mechanical billing of such nature as to render compliance with all the terms of subdivision (1) impractical may make application to this Commission for relief therefrom. After considering such application, the Commission may, in its discretion, allow a departure from subdivision (1).
- (3) Meters will be read or flat rate billings rendered as nearly as possible at regular intervals. This interval may be monthly, or quarterly, however no change shall be made in the billing interval except on approval of the Commission.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-20. SALE OF SEWER SERVICE.**

No utility shall charge or demand or collect or receive any greater or less or different compensation for sale of sewer service, or for any service connected therewith, than those rates and charges approved by the Commission and in effect at that time.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-21. ACCOUNTING.**

(a) Uniform System of Accounts. — The Uniform System of Accounts for Sewer Utilities as revised in 1984 by the National Association of Regulatory Utility Commissioners, and all subsequent revisions thereto unless otherwise ordered by the Commission, are hereby adopted by this Commission as the accounting rules of this Commission for sewer companies and are prescribed for the use of all sewer utilities under the jurisdiction of the North Carolina Utilities Commission having annual gross operating revenues of \$10,000 or more derived from the sales of sewer service, viz:

Uniform System of Accounts for Class A Sewer Utilities—1984.

Uniform System of Accounts for Class B Sewer Utilities—1984.

Uniform System of Accounts for Class C Sewer Utilities—1984.

(b) Multicompany Filings. — Each sewer utility operating in more than one subdivision shall maintain its accounts in such a manner that the operating revenue, the investment, the related depreciation reserve and contributions for each subdivision can be obtained from its records.

(NCUC Docket No. S-100, Sub 1, 8/23/67; NCUC Docket No. W-100, Sub 18, 6/1/92.)

**Rule R10-22. SAFETY PROGRAM.**

Each utility shall adopt and execute a safety program, fitted to the size and type of its operations. As a minimum, the safety program shall:

- (1) Require employees to use suitable tools and equipment in order that they may perform their work in a safe manner.
- (2) Instruct employees in safe methods of performing their work.
- (3) Instruct employees who, in the course of their work, are subject to the hazard of electrical shock, asphyxiation or drowning, in accepted methods of artificial respiration.

(NCUC Docket No. S-100, Sub 1, 8/23/67.)

**Rule R10-23. AVAILABILITY RATES.**

(a) Definitions:

- (1) "Availability rate" — means a fee or charge paid to a sewer utility by a subscriber thereof for the availability of sewer service being provided by the utility in a specific subdivision or real estate development.
- (2) "Customer" or "subscriber" — for purposes of this rule, means a person who is a nonuser of the sewer service provided by a sewer utility and who has subscribed to the availability of sewer service.
  - (a) If a person subscribes to availability of service to more than one lot, that person shall be considered a separate customer for each separate lot served; except that two lots occupied by a single dwelling may be considered as a single lot when the dwelling occupies a portion of both lots in such a manner that no additional separate dwellings can reasonably be anticipated on the lots.
- (3) "Availability of sewer service" — means that safe, sanitary and unoffensive collection, treatment and disposal of sewage is available at all times by means of a sewer main located within 75 feet of the boundary of the subscriber's property served, or such other distance as the Commission deems reasonable, whether or not sewage is actually delivered to the system by the subscriber, and whether or not a service outlet is located inside the boundary of the property served.

(b) Disclosure to Customer Required. — Each utility shall first ensure that its customers have been given adequate disclosure of any availability rate, in accordance with the provisions of this rule, prior to accepting a customer's subscription to availability service or accepting the initial assignment of a contract for availability service.

- (1) Form of disclosure — The disclosure form shall be a written instrument signed by the customer, and if reasonably practical it shall be separate from other documents pertaining to the sale of property. The written instrument may be part of a uniform contract entered into between the developer of a subdivision and a lot purchaser in the subdivision, or it may be part of a written agreement between the customer and the utility. Acceptable sample disclosure forms are set out as an Appendix to Chapter 7 of these rules.
- (2) Information in disclosure — The disclosure form shall contain the following information:

- (a) Definitions of "availability rate" and of "availability of sewer service" as contained in this rule.
- (b) A statement specifying whether or not the availability rate shall continue to be applicable to the subscriber even if at some time in the future the subscriber's property should no longer be in use and the sewer service should no longer be required by the subscriber.
- (c) The amount of the availability rate approved by the Utilities Commission, or if no amount has been approved, the amount that is to be submitted for approval.
- (d) A statement relating to the nature and amount of any charges or fees that the customer may be obligated to pay if he should wish to become a sewer user; i.e., tap on fees.
- (e) Written certification by the customer that the customer understands the meaning of such availability rate and that he subscribes to the imposition of such rate for the availability of water service.

(c) Approval of Disclosure Form Required. — The sample disclosure forms contained in the Appendix to Chapter 7 of these rules shall constitute adequate disclosure forms. Any disclosure form varying from the sample disclosure forms shall be submitted to and approved by the Utilities Commission prior to accepting the customer's subscription to availability service or accepting the assignment of a contract for availability service. The Commission shall either approve or disapprove the submitted form as promptly as possible.

(d) Improper Disclosure Is Grounds for Denial of Franchise and Rates. — In the event the Utilities Commission finds that disclosure of the availability rate has not been made in accordance with the provisions of this rule, the Commission may conclude that the availability rate in whole or in part should not be allowed.

(e) Record of Subscription. — Each utility shall maintain in its files a permanent record of each written certification, subscription or contract relating to an availability rate imposed by that utility.

(f) Collection of Availability Rate. — No utility shall collect an availability rate unless and until a tariff providing for such availability rate has first been filed with and approved by the Utilities Commission.

(g) Not Applicable When User Rates Are in Effect. — No availability rate approved by the Utilities Commission shall be applicable to any property when the regular user rates are in force for that property.

(h) Applicable Only When Franchise in Force. — All availability rates approved by the Utilities Commission shall be applicable only during the period of time that the utility franchise remains in force for the property served, unless such Commission approval specifies otherwise.

(i) Amount of Availability Rate. — No availability rate shall exceed the minimum rate established by the Commission for water users. Both the availability rate and the minimum user rate are subject to change from time to time upon approval by the Utilities Commission.

(j) Denial of User Service. — No utility may deny sewer user service to its customers for nonpayment of availability rates imposed under contracts entered into prior to the effective date of this rule, except where such availability rates had been authorized under a Commission rule.

(k) This rule shall become effective on and after April 2, 1975.

(NCUC Docket No. W-100, Sub 4, 4/2/75.)

**Rule R10-24. BONDS.**

(a) Except as provided in paragraph (f), before temporary operating authority, or a certificate of convenience and necessity is granted to a water or sewer utility company, or before a water or sewer utility company extends service into territory contiguous to that already occupied, without regard to the date of the issuance of the existing franchise, the company must furnish a bond to the Commission as required by G.S. 62-110.3. The company shall ensure that the bond is renewed as necessary to maintain it in continuous force in conformity to the rules herein.

(b) The form of the bond shall be as in the Appendix to this Chapter.

(c) The amount of the bond shall be set by the Commission on the basis of evidence presented during the application proceeding. In the case of a no-protest application proceeding, the amount of the bond shall be based on information in the application. In the event that the parties cannot agree on the appropriate amount, the issue shall be referred to the Commission for final decision. In setting the amount of a bond, the Commission shall consider and make appropriate findings as to the following:

- (1) Whether the applicant holds other water or sewer franchises in this State, and if so its record of operation,
- (2) The number of customers the applicant now serves and proposes to serve,
- (3) The likelihood of future expansion needs of the service,
- (4) If the applicant is acquiring an existing company, the age, condition and type of the equipment,
- (5) Any other relevant factors, including the design of the system, and
- (6) In the case of a contiguous extension, both the original service area and the proposed extension.

The bond shall be in an amount, not less than ten thousand dollars (\$10,000), sufficient to provide financial responsibility in a manner acceptable to the Commission.

(d) The bond may be secured by the joinder of a commercial bonding company or other surety acceptable to the Commission. An acceptable surety is an individual or corporation with a net worth, not including the value of the utility, of at least twenty (20) times the amount of the bond or five hundred thousand dollars (\$500,000), whichever is less. The net worth of a proposed surety must be demonstrated by the annual filing with the Commission of an audited financial statement. Where a utility proposes to secure its bond by means of a commercial surety bond of nonperpetual duration issued by a corporate surety, the bond and commercial surety bond must specify that (a) if, for any reason, the surety bond is not to be renewed upon its expiration, the financial institution shall, at least 60 days prior to the expiration date of the surety bond, provide written notification by means of certified mail, return receipt requested, to the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, NC 27699-4325, that the surety bond will not be renewed beyond the then current maturity date for an additional period, (b) failure to renew the surety bond shall, without the necessity of the Commission being required to hold a hearing or appoint an emergency operator, allow the Commission to convert the surety bond to cash and deposit said cash proceeds with the administrator of the Commission's bonding program, and (c) the cash

proceeds from the converted surety bond shall be used to post a cash bond on behalf of the utility pursuant to section (e)(3) of this rule.

(e) The bond may also be secured by posting with the Commission cash or securities acceptable to the Commission at least equal in value to the amount of bond. If the aggregate value of the securities posted declines below the amount required to guarantee the full bond, the utility shall make any additional deposits necessary to guarantee the bond. If the aggregate value of the securities posted increases above the amount required to guarantee the bond, the utility may withdraw securities as long as the aggregate value remains at least equal to the amount required.

Acceptable securities are:

- (1) Obligations of the United States of America
  - (2) Obligations of the State of North Carolina
  - (3) Certificates of deposit drawn on and accepted by commercial banks and savings and loan associations incorporated in the State of North Carolina
  - (4) Irrevocable letters of credit issued by financial institutions acceptable to the Commission. If the irrevocable letter of credit is nonperpetual in duration, the bond and letter of credit must specify that (a) if, for any reason, the irrevocable letter of credit is not to be renewed upon its expiration, the financial institution shall, at least 60 days prior to the expiration date of the irrevocable letter of credit, provide written notification by means of certified mail, return receipt requested, to the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, NC 27699-4325, that the irrevocable letter of credit will not be renewed beyond the then current maturity date for an additional period, (b) failure to renew the irrevocable letter of credit shall, without the necessity of the Commission being required to hold a hearing or appoint an emergency operator, allow the Commission to convert the irrevocable letter of credit to cash and deposit said cash proceeds with the administrator of the Commission's bonding program, and (c) the cash proceeds from the converted irrevocable letter of credit shall be used to post a cash bond on behalf of the utility pursuant to section (e)(3) of this rule.
  - (5) Such other evidence of financial responsibility deemed acceptable to the Commission. If the utility proposes to post evidence of financial responsibility other than that permitted in (1), (2), (3), and (4) above, a hearing will be held to determine if the form of the proposed security serves the public interest and if the amount of the bond proposed by the utility should be higher due to its lack of liquidity. At this hearing, the burden of proof will be on the utility to show that the proposed security under subparagraph (5) and the proposed amount of the bond will be in the public interest.
- (f) If a utility subject to the Commission's jurisdiction is operating without a franchise and either
- (1) it applies for a franchise, or
  - (2) the Commission asserts jurisdiction over it, the utility shall satisfy the bonding requirement. If the Commission finds that such a utility cannot

meet that requirement, it may grant the utility temporary operating authority for a reasonable period of time until it can transfer the system or post the bond. If after the expiration of the time period the company has neither posted the bond nor transferred the system, the Commission may seek fines and penalties under G.S. 62-310.

(g) The company shall attach a separate statement to its annual report which is due on or before April 30th of each year signed under penalty of perjury stating the amount of the bond, whether the bond is still in effect, and the date of next renewal.

(NCUC Docket No. W-100, Sub 5, 9/2/87; 3/18/88; 7/19/94; 8/31/94; 9/8/94; 5/3/95; 5/4/95; 5/23/95; 11/7/97; NCUC Docket No. M-100, Sub 128, 04/10/00; NCUC Docket No. M-100, Sub 160, 3/30/2022.)

(SAMPLE FORM OF WATER OR SEWER BOND ACCOMPANIED BY DEPOSIT OF CASH OR SECURITIES)  
BOND

(Name of utility) of (City), (State), as Principal, is bound to the State of North Carolina in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_ ) and for which payment to be made, the Principal by this bond binds (himself) (itself) and (his) (its) successors and assigns.

THE CONDITION OF THIS BOND IS:

WHEREAS, the Principal is or intends to become a public utility subject to the laws of the State of North Carolina and the rules and regulations of the North Carolina Utilities Commission, relating to the operation of a water or sewer utility (describe utility)

\_\_\_\_\_  
\_\_\_\_\_ and  
,

WHEREAS, North Carolina General Statutes § 62-110.3 requires the holder of a franchise for water or sewer service to furnish a bond with sufficient surety, as approved by the Commission, conditioned as prescribed in § 62-110.3, and

WHEREAS, the Principal has delivered to the Commission (description of security) \_\_\_\_\_ with an endorsement as required by the Commission, and,

WHEREAS, the appointment of an emergency operator, either by the superior court in accordance with North Carolina General Statutes § 62-118(b) or by the Commission with the consent of the owner, shall operate to forfeit this bond, and

WHEREAS, this bond shall become effective on the date executed by the Principal, and shall continue from year to year unless the obligations of the Principal under this bond are expressly released by the Commission in writing.

NOW THEREFORE, the Principal consents to the conditions of this Bond and agrees to be bound by them.

This the \_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
(Name)

(SAMPLE FORM OF WATER OR SEWER BOND WITH INDIVIDUAL SURETY)  
BOND

(Name of Utility) of (City), (State), as Principal, and (Name of Surety) as Surety, (hereinafter called "Surety") are bound to the State of North Carolina in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_ ) and for which payment to be made, the Principal and Surety by this bond binds themselves their successors and assigns.

THE CONDITION OF THIS BOND IS:

WHEREAS, the Principal is or intends to become a public utility subject to the laws of the State of North Carolina and the rules and regulations of the North Carolina Utilities Commission, relating to the operation of a water or sewer utility (describe utility)

\_\_\_\_\_  
\_\_\_\_\_  
, and

WHEREAS, North Carolina General Statutes § 62-110.3 requires the holder of a franchise for water or sewer service to furnish a bond with sufficient surety, as approved by the Commission, conditioned as prescribed in § 62-110.3, and Commission Rules R7-37 and/or R10-24, and

WHEREAS, the Principal and Surety have delivered to the Commission a Surety Bond with an endorsement as required by the Commission, and

WHEREAS, the appointment of an emergency operator, either by the superior court in accordance with North Carolina General Statutes § 62-118(b) or by the Commission with the consent of the owner, shall operate to forfeit this bond, and

WHEREAS, if for any reason, the Surety Bond is not to be renewed upon its expiration, the Surety shall, at least 60 days prior to the expiration date of the Surety Bond, provide written notification by means of certified mail, return receipt requested, to the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325, that the Surety Bond will not be renewed beyond the then current maturity date for an additional period, and

WHEREAS, failure to renew the Surety Bond shall, without the necessity of the Commission being required to hold a hearing or appoint an emergency operator, allow the Commission to convert the Surety Bond to cash and deposit said cash proceeds with the administrator of the Commission's bonding program, and

WHEREAS, said cash proceeds from the converted Surety Bond shall be used to post a cash bond on behalf of the Principal pursuant to North Carolina Utilities Commission Rules R7-37(a) and/or R10-24(e), and

WHEREAS, this bond shall become effective on the date executed by the Principal, and shall continue from year to year unless the obligations of the Principal under this bond are expressly released by the Commission in writing.

NOW THEREFORE, the Principal and Surety consent to the conditions of this Bond and agree to be bound by them.

This the \_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
(Principal)  
\_\_\_\_\_  
(Surety)

(SAMPLE FORM OF WATER OR SEWER BOND WITH CORPORATE SURETY)  
BOND

(Name of Utility) of (City), (State), as Principal, and (Name of Surety), a corporation created and existing under the laws of (State), as Surety, (hereinafter called "Surety") are bound to the State of North Carolina in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_ ) and for which payment to be made, the Principal and Surety by this bond binds themselves their successors and assigns.

THE CONDITION OF THIS BOND IS:

WHEREAS, the Principal is or intends to become a public utility subject to the laws of the State of North Carolina and the rules and regulations of the North Carolina Utilities Commission, relating to the operation of a water or sewer utility (describe utility)

\_\_\_\_\_ and,

WHEREAS, North Carolina General Statutes § 62-110.3 requires the holder of a franchise for water or sewer service to furnish a bond with sufficient surety, as approved by the Commission, conditioned as prescribed in § 62-110.3, and, Commission Rules R7-37 and/or R10-24, and

WHEREAS, the Principal and Surety have delivered to the Commission a Surety Bond with an endorsement as required by the Commission, and

WHEREAS, the appointment of an emergency operator, either by the superior court in accordance with North Carolina General Statutes § 62-118(b) or by the Commission with the consent of the owner, shall operate to forfeit this bond, and

WHEREAS, if for any reason, the Surety Bond is not to be renewed upon its expiration, the Surety shall, at least 60 days prior to the expiration date of the Surety Bond, provide written notification by means of certified mail, return receipt requested, to the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325, that the Surety Bond will not be renewed beyond the then current maturity date for an additional period, and

WHEREAS, failure to renew the Surety Bond shall, without the necessity of the Commission being required to hold a hearing or appoint an emergency operator, allow the Commission to convert the Surety Bond to cash and deposit said cash proceeds with the administrator of the Commission's bonding program, and

WHEREAS, said cash proceeds from the converted Surety Bond shall be used to post a cash bond on behalf of the Principal pursuant to North Carolina Utilities Commission Rules R7-37(a) and/or R10-24(e), and

WHEREAS, this bond shall become effective on the date executed by the Principal, and shall continue from year to year unless the obligations of the Principal under this bond are expressly released by the Commission in writing.

NOW THEREFORE, the Principal and Surety consent to the conditions of this Bond and agree to be bound by them.

This the \_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
(Principal)

\_\_\_\_\_  
(Surety)

By: \_\_\_\_\_

(SAMPLE FORM OF WATER OR SEWER BOND SECURED BY IRREVOCABLE  
LETTER OF CREDIT OF NONPERPETUAL DURATION)  
BOND

(Name of Utility) of (City), (State), as Principal, is bound to the State of North Carolina in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_ ) and for which payment to be made, the Principal by

this bond binds (himself) (itself) and (his) (its) successors and assigns.

THE CONDITION OF THIS BOND IS:

WHEREAS, the Principal is or intends to become a public utility subject to the laws of the State of North Carolina and the rules and regulations of the North Carolina Utilities Commission, relating to the operation of a water and/or sewer utility (describe utility)

\_\_\_\_\_ and,

WHEREAS, North Carolina General Statutes § 62-110.3 requires the holder of a franchise for water and/or sewer service to furnish a bond with sufficient surety, as approved by the Commission, conditioned as prescribed in G.S. § 62-110.3, and Commission Rules R7-37 and/or R10-24, and

WHEREAS, the Principal has delivered to the Commission an Irrevocable Letter of Credit from (Name of Bank) \_\_\_\_\_ with an endorsement as required by the Commission, and,

WHEREAS, the appointment of an emergency operator, either by the Superior Court in accordance with G.S. 62-118(b) or by the Commission with the consent of the owner, shall operate to forfeit this bond, and

WHEREAS, if for any reason, the Irrevocable Letter of Credit is not to be renewed upon its expiration, the Bank shall, at least 60 days prior to the expiration date of the Irrevocable Letter of Credit, provide written notification by means of certified mail, return receipt requested, to the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, NC 27699-4325, that the Irrevocable Letter of Credit will not be renewed beyond the then current maturity date for an additional period, and

WHEREAS, failure to renew the Irrevocable Letter of Credit shall, without the necessity of the Commission being required to hold a hearing or appoint an emergency operator, allow the Commission to convert the Irrevocable Letter of Credit to cash and deposit said cash proceeds with the administrator of the Commission's bonding program, and

WHEREAS, said cash proceeds from the converted Irrevocable Letter of Credit shall be used to post a cash bond on behalf of the Principal pursuant to North Carolina Utilities Commission Rules R7-37(e) and/or R10-24(e), and

WHEREAS, this bond shall become effective on the date executed by the Principal, and shall continue from year to year unless the obligations of the Principal under this bond are expressly released by the Commission in writing.

NOW THEREFORE, the Principal consents to the conditions of this Bond and agrees to be bound by them.

This the \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
(Principal)  
By: \_\_\_\_\_

(SAMPLE FORM OF WATER OR SEWER BOND SECURED BY COMMERCIAL SURETY BOND OF NONPERPETUAL DURATION ISSUED BY CORPORATE SURETY)  
BOND

(Name of Utility) of (City), (State), as Principal, and (Name of Surety), a corporation created and existing under the laws of (State, as Surety, (hereinafter called "Surety"), are bound to the State of North Carolina in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_ ) and for which payment to be made, the Principal and Surety by this bond bind themselves and their successors and assigns.

THE CONDITION OF THIS BOND IS:

WHEREAS, the Principal is or intends to become a public utility subject to the laws of the State of North Carolina and the rules and regulations of the North Carolina Utilities Commission, relating to the operation of a water and/or sewer utility (describe utility)

\_\_\_\_\_  
\_\_\_\_\_  
, and

WHEREAS, North Carolina General Statutes § 62-110.3 requires the holder of a franchise for water and/or sewer service to furnish a bond with sufficient surety, as approved by the Commission, conditioned as prescribed in § 62-110.3, and Commission Rules R7-37 and/or R10-24, and

WHEREAS, the Principal and Surety have delivered to the Commission a Surety Bond with an endorsement as required by the Commission, and

WHEREAS, the appointment of an emergency operator, either by the Superior Court in accordance with G.S. § 62-118(b) or by the Commission with the consent of the owner, shall operate to forfeit this bond, and

WHEREAS, if for any reason, the Surety Bond is not to be renewed upon its expiration, the Surety shall, at least 60 days prior to the expiration date of the Surety Bond, provide written notification by means of certified mail, return receipt requested, to the Chief Clerk of the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, NC 27699-4325, that the Surety Bond will not be renewed beyond the then current maturity date for an additional period, and

WHEREAS, failure to renew the Surety Bond shall, without the necessity of the Commission being required to hold a hearing or appoint an emergency operator, allow the Commission to convert the Surety Bond to cash and deposit said cash proceeds with the administrator of the Commission's bonding program, and

WHEREAS, said cash proceeds from the converted Surety Bond shall be used to post a cash bond on behalf of the Principal pursuant to North Carolina Utilities Commission Rules R7-37(a) and/or R10-24(e), and

WHEREAS, this bond shall become effective on the date executed by the Principal, for an initial (No of years) year term, and shall be automatically renewed for additional (No. of Years) year terms, unless the obligations of the principal under this bond are expressly released by the Commission in writing.

NOW THEREFORE, the Principal and Surety consents to the conditions of this Bond and agrees to be bound by them.

This the \_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_  
(Principal)  
BY: \_\_\_\_\_

\_\_\_\_\_  
(Corporate Surety)  
BY: \_\_\_\_\_

**Rule R10-25. NOTIFICATION OF CONTIGUOUS EXTENSION.**

(a) At least 30 days prior to constructing, acquiring, or beginning the operation of any public utility plant or equipment capable of providing sewer utility service to customers in territory contiguous to that already occupied, for which, by virtue of its contiguity, no certificate of public convenience and necessity is required, a public utility shall provide written notice to the Commission of its intention to construct, acquire, or begin operation of such plant. The notice shall be in a form approved by the Commission and shall identify the area to be served by the extension.

(b) For purpose of this Rule, the phrase "territory contiguous to that already occupied" shall mean territory that is immediately adjacent. In order to be immediately adjacent, the territory must share a significant common boundary line with that already occupied. There may be a geographic feature such as a roadway or stream along this boundary line, but there must not be any intervening land or any substantial body of water. The territory must be immediately adjacent to territory that is already occupied by the sewer utility. A sewer utility occupies a territory by the presence of its plant in the territory. A contiguous extension may not be made across unoccupied territory that will not be served by the extension, whether franchised to the utility or not.

(NCUC Docket No. W-100, Sub 17, 2/28/95.)

**R10-26. SEWER SYSTEM IMPROVEMENT CHARGE MECHANISM.**

(a) Scope of Rule. – This rule provides the procedure for the approval and administration of a rate adjustment mechanism pursuant to G.S. 62-133.12 to allow a utility to recover the incremental depreciation expense and capital costs related to the utility’s reasonable and prudently incurred investment in eligible sewer system improvements.

(b) Definitions. – As used in this rule:

- (1) “Capital costs” means the pretax return on costs permitted to be capitalized pursuant to the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts, net of accumulated depreciation and accumulated deferred income taxes, using the current federal and state income tax rates and the utility’s capital structure, cost of long-term debt, and return on equity approved in the utility’s most recent general rate case.
- (2) “Depreciation expense” means the annual depreciation accrual rates employed in the utility’s most recent general rate case for the plant accounts in which the cost of each eligible sewer system improvement is recorded applied to the cost of eligible sewer system improvements.
- (3) “Eligible sewer system improvements” means the improvements set forth in G.S. 62-133.12(d) and shall include only those improvements found necessary by the Commission to provide safe, reliable, and efficient service in accordance with applicable effluent standards.
- (4) “Incremental depreciation expense and capital costs” means depreciation expense and capital costs that have been incurred since the utility’s most recent rate case and have not been included in the utility’s cost of service for ratemaking purposes.
- (5) “Sewer System Improvement Charge or SSIC” means an adjustment to customer bills that allows a utility to recover the SSIC Revenue Requirement.
- (6) “SSIC Revenue Requirement” means the annual revenue required to allow a utility to recover the annual incremental depreciation expense and capital costs of eligible sewer system improvements.
- (7) “SSIC Period” means the 12-month period ended December 31 for Aqua North Carolina, Inc. and the 12-month period ended March 31 for Utilities, Inc., and its North Carolina affiliates. The SSIC Period for other sewer utilities shall be a 12-month period established by the Commission in conjunction with the approval of a SSIC mechanism for that utility.
- (8) “SSIC mechanism” means a rate adjustment mechanism approved by the Commission in a general rate case pursuant to G.S. 62-133.12.

(c) Request for Sewer System Improvement Charge Mechanism. – A utility seeking approval of a SSIC mechanism shall include in its application for a general rate increase under G.S. 62-133 and Commission Rule R1-17 the following:

- (1) A three-year plan that includes the following:
    - a. A detailed description of all proposed eligible sewer system improvements expected to be completed in the initial SSIC Period and an estimate of the cost of the improvements and dates when the improvements will be placed into service; and
    - b. A brief description of the proposed eligible sewer system improvements, estimated costs, and completion dates for improvements that the utility plans to complete during the two years following the initial SSIC Period.
  - (2) The proposed effective dates of the SSIC and semiannual adjustments to the charge.
  - (3) Testimony, affidavits, exhibits, or other evidence demonstrating that a SSIC is in the public interest and will enable the utility to provide safe, reliable, and efficient service in accordance with applicable effluent standards.
  - (4) Any other information required by the Commission.
- (d) Customer Notice. – The notice to customers of the utility's general rate increase application shall include the proposed SSIC mechanism and the estimated impact of charges under the mechanism on the utility's monthly service rates. The Notice shall include the following statement:

### **Sewer System Improvement Charge Mechanism**

Pursuant to G.S. 62-133.12 and Commission Rule R10-26, the Company is requesting that the Commission approve a Sewer System Improvement Charge Mechanism. This mechanism will allow the Company to recover the annual incremental depreciation expense and capital costs of eligible sewer system improvements completed and placed in service between rate cases. In support of this request, the Company has filed a three-year plan with its Application which list various projects which may be eligible for recovery pursuant to this mechanism, the cost and/or estimated costs of those projects, and the estimated completion date of those projects. By law, the cumulative maximum charges between rate cases that the Company can recover through the use of this mechanism cannot exceed five percent of the total service revenues that the Commission will approve in this rate case. Customers may subscribe to the Commission's electronic notification system through the Commission's website at [www.ncuc.net](http://www.ncuc.net) to receive notification of any Company requests to utilize the Sewer System Improvement Charge Mechanism, if approved.

In this Application, the Company has requested that the Commission allow it to recover total service revenues of \$\_\_\_\_\_. Five percent of these revenues is \$\_\_\_\_\_. If the Commission permits the Company to recover the revenue requirements requested in the Application, the Company projects that the average monthly sewer bill for a typical residential customer (based upon monthly water usage of x,xxx gallons) would be \$\_\_\_\_\_. Based upon these figures, the Company estimates that the maximum that the average residential customer's monthly sewer bill could be increased by this adjustment mechanism between rate cases is \$\_\_\_\_\_.

The Commission may eliminate or modify any rate adjustment mechanism approved in this case upon a finding that it is no longer in the public interest.

(e) General Rate Case Review. – Following notice and hearing, the Commission shall approve a SSIC mechanism only upon a finding that it is in the public interest.

(f) Initiation of Charge. – Once a SSIC mechanism is approved and eligible sewer system improvements are in service, the utility may file a request with the Commission for authority to impose the sewer system improvement charge pursuant to the mechanism, to be effective no less than 60 days after filing the request. The Company shall also provide a copy of the request to the Public Staff.<sup>1</sup> Prior to the effective date, the Public Staff shall schedule the request for Commission consideration at the regularly scheduled staff conference and recommend that the Commission issue an order approving, modifying and approving, or rejecting the proposed sewer system improvement charge. The Public Staff shall formally notify the Commission at least 15 days in advance of the date that the request shall be scheduled for Commission consideration at the regularly scheduled staff conference.

(g) Computation of the SSIC Revenue Requirement. – The SSIC Revenue Requirement shall be computed for each SSIC Period as follows:

|   |                           |
|---|---------------------------|
| Eligible sewer system improvements      | \$X,XXX,XXX               |
| Less: Accumulated depreciation          | X,XXX,XXX                 |
| Less: Accumulated deferred income taxes | <u>X,XXX,XXX</u>          |
| Net plant investment                    | \$X,XXX,XXX               |
| Pre-tax rate of return                  | <u>X.XX%</u>              |
| Capital costs                           | \$X,XXX,XXX               |
| Plus: Depreciation expense              | <u>XXX,XXX</u>            |
| Subtotal, excluding regulatory fee      | \$X,XXX,XXX               |
| Regulatory fee gross-up factor          | <u>XXXX</u>               |
| Total                                   | <u><u>\$X,XXX,XXX</u></u> |

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<sup>1</sup> Parties interested in receiving notice of these filings may subscribe to the Commission's electronic notification system through the Commission's website at [www.ncuc.net](http://www.ncuc.net).

- (h) Computation of Sewer System Improvement Charge. –
  - (1) The SSIC shall be expressed as a percentage carried to two decimal places and shall be applied to the total utility bill of each customer under the utility's applicable service rates and charges.
  - (2) The SSIC shall be computed by dividing the annual SSIC Revenue Requirement by the projected revenues of the utility during the 12-month period following implementation of the charge.
- (i) Semiannual Adjustments. – A utility may file a request for a SSIC adjustment no more frequently than semiannually.
  - (1) The request shall include the computation and supporting data for the adjustment.
  - (2) Cumulative SSIC Revenue Requirements may not exceed five percent of the total annual service revenues approved in the utility's last general rate proceeding.
  - (3) The procedural requirements set forth in subsection (f) of this Rule shall apply to requests for semiannual adjustments.
- (j) Experience Modification Factor. – The SSIC shall be modified through the use of an experience modification factor (EMF) that reflects the difference between the SSIC Revenue Requirement and the revenues that were actually realized under the SSIC during the SSIC Period. The EMF shall remain in effect for a 12-month period. Pursuant to G.S. 62-130(e), any overcollection of reasonable and prudently incurred costs of the utility for eligible sewer system improvements to be refunded to a utility's customers through operation of the EMF shall include an amount of interest at such rate as the Commission determines to be just and reasonable, not to exceed the maximum statutory rate.
- (k) Sewer System Improvement Charge Reset. – The SSIC shall be reset at zero as of the effective date of new base rates established in the utility's general rate case. Thereafter, only the incremental depreciation expense and capital costs of new eligible sewer system improvements that have not previously been reflected in the utility's rates shall be recoverable through the SSIC.
- (l) Audit and Reconciliation. – The SSIC shall be subject to the following:
  - (1) Within 60 days following the end of each SSIC Period, each utility shall file a report, in a format prescribed by the Commission, reconciling its actual eligible sewer system improvement costs, actual SSIC revenues, and EMF computation.
  - (2) The Public Staff shall audit the utility's actual eligible sewer system improvement costs, actual SSIC revenues, and EMF computation, and shall file a report on its audit no later than four months after the end of the SSIC Period of the utility.
- (m) Ongoing Three-Year Plan.–Within 60 days following the end of each SSIC Period, the utility shall file an updated three-year plan containing the information prescribed in Section (c)(1) of this Rule and any other information required by the Commission.

(n) Quarterly Filings with the Commission. – Within 45 days after the end of each calendar quarter, the utility shall file the following reports:

- (1) A quarterly earnings report consisting of the following:
  - a. A balance sheet and income statement for the calendar quarter and calendar year to date for the utility;
  - b. A statement of the per books net operating income for the calendar quarter and calendar year to date for each rate division of the utility based on North Carolina ratemaking;
  - c. A statement of rate base at the end of the calendar quarter for each rate division of the utility based on North Carolina ratemaking; and
  - d. The number of customers and gallons sold for each month of the calendar quarter for each rate division by rate type (meter size, flat rate, etc.).
- (2) A quarterly report of SSIC collections from customers consisting of amounts collected for the quarter by rate division and rate type.
- (3) A construction status report which includes by rate division the following information for each eligible system improvement project:
  - a. The costs incurred during the quarter;
  - b. The cumulative amount incurred;
  - c. The estimated total cost of each project;
  - d. The estimated completion date; and
  - e. The actual completion date.

(o) Elimination or Modification of SSIC Mechanism. – After notice to the utility and opportunity to be heard, the Commission may eliminate or modify any previously authorized SSIC mechanism upon a finding that it is not in the public interest.

(p) Burden of Proof. – The burden of proof as to whether a SSIC mechanism is in the public interest, the correctness and reasonableness of any SSIC, and whether the investment in the sewer system improvements was reasonable and prudently incurred shall be on the utility.

(NCUC Docket No. W-100, Sub 54, 6/06/2014.)

## **R10-27 CONSUMPTION ADJUSTMENT MECHANISM FOR SEWER UTILITIES.**

(a) Scope of Rule.—This Rule provides the procedure for the approval and administration of a rate adjustment mechanism pursuant to G.S. 62-133.12A, known as a Consumption Adjustment Mechanism for Sewer Utilities (CAM-S ). This mechanism, if authorized by the Commission in a general rate case proceeding, allows a sewer utility to track and true-up variations in average per customer sewer usage from baseline consumption levels established by the Commission in the utility's most recent general rate case proceeding and to subsequently apply to the Commission for authority to establish and adjust charges or credits to recover from or refund to customers the revenue associated with these variations. The rate adjustment mechanism allowed pursuant to this Rule is not applicable to a sewer utility's customers that are charged based upon a flat rate or purchased bulk sewer rate or to customers that are served by systems that the utility acquired after the date on which the utility filed its application and were not included in its most recent general rate case proceeding.

(b) Request for Approval of CAM-S.—A utility seeking approval of a CAM-S shall include in its application for a general rate increase pursuant to G.S. 62-133 and Commission Rule R1-17 the following:

(1) A proposed structure of the CAM-S and a proposed method for calculating the charge or credit resulting from the CAM-S that are in sufficient detail to facilitate the Commission's review and determination whether the rate adjustment mechanism is appropriate to track and true-up variations in average per customer usage and whether the rate adjustment mechanism is in the public interest;

(2) A description of the customer classifications used within the current and any proposed rate schedules that the proposed CAM-S would apply to and the criteria used to group customers in a fair and reasonable manner;

(3) A three-year billing data analysis that includes a detailed breakdown of the monthly active customer counts and monthly usage data by blocks of 1,000 gallons for each year, customer classification, and rate schedule;

(4) Testimony, affidavits, exhibits, sample calculations, or other evidence demonstrating that the CAM-S is appropriate to track and true-up variations in average per customer usage and that the CAM-S is in the public interest; and

(5) Any other information that the Commission may require by order or otherwise in the general rate case proceeding.

(c) Customer Notice.—The notice to customers of the utility’s general rate case application shall include notice of the request for approval of the proposed CAM-S.

(d) General Rate Case Review.—Following notice and hearing, in the general rate case proceeding the Commission will review the utility’s proposed use of a CAM-S and determine whether the CAM-S is appropriate to track and true-up variations in average per customer usage by rate schedule from levels adopted in the general rate case proceeding and whether the CAM-S is in the public interest. In conjunction with the Commission’s determination that the CAM-S is appropriate and in the public interest, the Commission will establish an average per customer consumption level on an annual basis and/or on a monthly basis for the applicable 12-month period based on the relevant historical consumption data, subject to reasonable pro forma adjustment and normalization, which shall be used to establish a baseline consumption measure or measures.

(e) Procedure for Establishment of Charge or Credit Resulting from CAM-S; Setting of Adjustment Date.— On or before the date established by Commission order, but in no event less than 12 months after the Commission issues an order in a general rate case proceeding approving the use of the CAM-S, the utility shall file a request for authority to establish the charge or credit resulting from the CAM-S. The utility’s request shall comply with the following:

(1) The proposed effective date for the charge or credit resulting from the CAM-S shall be no sooner than 60 days after the filing of the request;

(2) The request shall include a proposed calculation of the charge or credit resulting from the CAM-S specific to each customer classification and rate schedule;

(3) The proposed calculation shall be consistent with the approved CAM-S structure and make use of the Commission-approved baseline consumption measure or measures; and

(4) The utility shall provide a copy of the request to the Public Staff.

Prior to the proposed effective date, the Public Staff shall schedule the request for Commission consideration at a regularly scheduled staff conference and recommend that the Commission issue an order approving, modifying and approving, or rejecting the proposed charge or credit resulting from the CAM-S. The Public Staff shall notify the Commission by an appropriate filing in the relevant docket at least 15 days in advance of the date that the request is scheduled for Commission consideration at the regularly scheduled staff conference. In its order approving the charge or credit resulting from the CAM-S, the Commission shall establish the effective date for the establishment of the charge or credit resulting from the CAM-S and the effective date for the utility’s subsequent annual adjustments to the credit or charge previously established. Where practical, the Commission will set the effective date for subsequent annual adjustments

to the charge or credit resulting from the CAM-S on the same date of each year coinciding with the effective date of the charge or credit resulting from the CAM-S as initially established.

(f) Annual Adjustments.—A utility authorized to establish a charge or credit resulting from the CAM-S shall annually file a request for an adjustment in the charge or credit resulting from the CAM-S. The request and the supporting calculation and data for an annual adjustment shall be filed with the Commission at least 45 days prior to the annual adjustment date established pursuant to section € of this Rule. The utility shall also provide a copy of the request to the Public Staff. Prior to the annual adjustment date, the Public Staff shall schedule the request for Commission consideration at a regularly scheduled staff conference and recommend that the Commission issue an order approving, modifying and approving, or rejecting the proposed adjustment to the charge or credit resulting from the CAM-S. In reviewing the proposed adjustment, the Commission will also consider whether it is appropriate and in the public interest to modify the baseline consumption measure or measures adopted in the rate case proceeding. The Public Staff shall notify the Commission by an appropriate filing in the relevant docket at least 15 days in advance of the date that the requested adjustment is scheduled for Commission consideration at the regularly scheduled staff conference.

(g) Reporting and Auditing.—A utility authorized to establish a charge or credit resulting from the CAM-S shall report to the Commission and the Public Staff shall audit these reports, as provided in this section.

(1) Monthly Filings with the Commission.—Within 30 days of the end of each calendar month, the utility shall file the following reports:

(i) A balance sheet and income statement for the calendar month and calendar year to date;

(ii) A statement of per books net operating income for the calendar month and calendar year to date for each rate division of the utility based on North Carolina ratemaking;

(iii) The actual number of customers and gallons sold for each month for each rate division, customer classification, and rate schedule;

(iv) Total actual monthly service revenues for each rate division, customer classification, and rate schedule, excluding revenues from customers to which this Rule does not apply; and

(v) Any other information that the Commission may require by order or otherwise;

(vi) Provided that, if the Commission has authorized the utility to implement a SSIC mechanism and the utility is appropriately submitting the

required quarterly filings pursuant to Commission Rule R10-26, the utility may fulfill the reporting requirements subdivisions a. and b. of this subsection by reference to its quarterly filings required pursuant to Rule R10-26.

(2) Annual Report.—In conjunction with its request to establish the charge or credit resulting from the CAM-S or for an annual adjustment in the charge or credit resulting from the CAM-S, the utility shall annually file a report in a format prescribed by the Commission detailing its actual gallons billed, service revenues, and revenues from the charge or credit resulting from the CAM-S for each rate division, customer classification, and rate schedule for the applicable 12-month period. The annual report shall also include the calculation of the actual average per customer usage for each rate division, customer classification, and rate schedule for the applicable 12-month period, an update to the three years of consumption data that was provided in the general rate case proceeding with its request to approve the CAM-S or in the utility's last annual report, and an updated average per customer usage baseline consumption measure or measures utilizing the updated consumption data.

(3) Audit and Reconciliation.—The Public Staff shall audit the utility's monthly and annual reports and file the results of the audit to the Commission. The Public Staff's audit of the annual report and the final monthly report in a given 12-month period shall be filed with the Commission as a part of the Public Staff's staff conference agenda item for the consideration of the annual adjustment in the charge or credit resulting from the CAM-S.

(h) Burden of Proof.—The burden of proof as to whether the CAM-S is appropriate to track and true-up variations in average per customer usage by rate schedule from levels adopted in the general rate case proceeding, whether the CAM-S is in the public interest, and the correctness and reasonableness of the charge or credit resulting from the CAM-S shall be on the utility.

(i) Elimination or Modification of CAM-S.—After notice to the utility and opportunity to be heard, the Commission may eliminate or modify any previously authorized CAM-S upon a finding that the CAM-S is no longer appropriate to track and true-up variations in average per customer usage or is no longer in the public interest.

(NCUC Docket No. W-100, Sub 61, 5/12/2020.)

**Rule R 10-28. PROCEDURE FOR DETERMINING FAIR VALUE AND ESTABLISHING RATE BASE FOR ACQUISITION OF GOVERNMENT-OWNED WASTEWATER SYSTEMS**

(a) Scope of Rule.—This Rule provides the procedural and filing requirements for the determination of the value of utility property for ratemaking purposes applicable when a utility acquires an existing wastewater system owned by a municipality or county, or an authority or district established under Chapter 162A of the General Statutes, and the utility makes an election pursuant to G.S. 62-133.1A(a) to establish its rate base associated with the acquisition by using the fair value of the acquired property instead of original cost.

(b) Definitions.

- (1) “Local Government Utility” means an existing wastewater system owned by a municipality, county, or an authority or district established under Chapter 162A of the General Statutes.
- (2) “Rate Division” means a separate rate schedule of a wastewater utility for one or more established customer service areas.
- (3) “Utility Valuation Expert” means a person qualified as an expert in the appraisal of utility plant whose proficiency is demonstrated and established pursuant to subsection (c) of this Rule.
- (4) “Professional Engineer” means a person who has been duly licensed by the North Carolina State Board of Examiners for Engineers and Surveyors established by Chapter 89C of the General Statutes, including those persons who may be licensed by comity or endorsement.
- (5) “Asset Purchase Agreement” means a contract for the sale of an existing wastewater system between a wastewater utility, as buyer, and a Local Government Utility, as seller, which is to be valued for purposes of rate base. The Asset Purchase Agreement shall reflect the price negotiated between the Public Utility purchaser and the Local Government Utility.

(c) Establishment of List of Utility Valuation Experts.—The Commission shall establish a generic proceeding in Docket No. W-100, Sub 60A for the purpose of creating and maintaining a list of accredited, impartial Utility Valuation Experts as required pursuant to G.S. 62-133.1A(b). A person seeking to become a Utility Valuation Expert shall apply to the Commission by furnishing the following:

- (1) a demonstration of the person’s education and experience specific to providing valuations and appraisals of utility plant, as differentiated from other types of appraisals, such as for real estate;
- (2) a written attestation that a Utility Valuation Expert owes a fiduciary duty to provide a thorough, objective, and fair valuation;

- (3) a demonstration of financial and technical fitness, such as through production of professional licenses, technical certifications, and names of current or past clients with a description of dates and types of services provided;
- (4) a demonstration of adequate utility valuation and appraisal experience to support the Commission's decision to consider these persons or entities as experts in this field;
- (5) a statement that the Utility Valuation Expert will make use of the assessment of the tangible assets of the system to be acquired, which assessment shall be from a Professional Engineer jointly retained by the utility and the Local Government Utility and make use of the Water and Wastewater Fair Value Engineering Assessment Form included in the Appendix to this Chapter as a template for the engineer's assessment;
- (6) a statement that the Utility Valuation Expert will comply with the requirements of G.S. 62-133.1A in conducting their appraisal, including that the Utility Valuation Expert shall appraise the subject property in compliance with the uniform standards of professional appraisal practice, employing cost, market, and income approaches to assessment of value; and
- (7) any other information as required by the Commission.

(d) Application for Election to Establish Rate Base Using Fair Value.—A wastewater utility may elect to establish rate base using the fair value of the utility property acquired from a Local Government Utility by filing with the Commission an application pursuant to G.S. 62-133.1A and this Rule. The form of the application shall be as provided in the Appendix to this Chapter. In addition to providing the information required pursuant to G.S. 62-133.1A in the completed application form, the application shall contain a narrative explanation of the object and purposes desired by the application and how the public interest served by the acquisition, along with any other information required by the Commission. The application shall be accompanied by the testimony of the acquiring utility's president or another person employed by the utility who is personally familiar with the contents thereof and who verifies that the contents of the application are true and accurate.

(e) Procedure upon receipt of Application.—Contemporaneous with the filing of an application with the Commission pursuant to G.S. 62-133.1A and this Rule, the utility shall serve a copy of the application on the Public Staff. The Public Staff shall review the application and no later than ten days after the application is filed, the Public Staff shall file with the Commission and serve upon the applicant a recommendation regarding whether the application is complete or identify any deficiencies noted. If the Commission determines that the application is incomplete as submitted, the utility will be required to file the omitted information.

Once the Commission determines that the application is complete, the Commission will promptly issue an order establishing procedural deadlines and discovery guidelines and requiring the utility to provide notice of the pending application to the customers of the Local Government Utility. If the Commission receives significant written complaints against the application, then the Commission will issue a further order setting the application for hearing. The Commission will endeavor to schedule the hearings to be held within three months of the filing of the application to facilitate issuance of a final order within six months of the filing of a completed application as directed pursuant to G.S. 62-133.1A(d).

(f) Rate Division Assignment.—Pursuant to G.S. 62-133.1A(c)(8), service to customers in the service area of the Local Government Utility shall be under a tariff that includes rates equal to the rates of the selling utility until the utility's next general rate case, unless otherwise ordered by the Commission for good cause shown. An application filed pursuant to G.S. 62-133.1A and this Rule shall include a proposed tariff that reflects such rates and a statement as to whether the utility intends to propose in its next general rate case that the service area of the Local Government Utility be integrated into an existing Rate Division of the acquiring utility or be established as a new Rate Division. A determination as to whether the service area of the Local Government Utility should be integrated into an existing Rate Division or established as a new Rate Division shall be preserved for the Commission's consideration in the utility's next general rate case.

(g) Final Order on Application.—Consistent with the direction provided in G.S. 62-133.1A(d), the Commission will endeavor to issue a final order on the application filed pursuant to G.S. 62-133.1A and this Rule within six months of the filing of a completed application. The Commission's final order will resolve all substantive issues and, if the Commission determines that the Application should be approved, the Commission will specifically determine the rate base value of the acquired property for rate-making purposes in a manner consistent with G.S. 62-133.1A and the provisions of this Rule, as follows:

- (1) Determination of Rate Base.—The rate base value of the acquired system shall be the lesser of the purchase price reflected in the Asset Purchase Agreement or the average of the three appraisals as required pursuant to G.S. 62-133.1A (b)(1), unless the Commission specifically finds that the average of the appraisals will not result in a reasonable fair value, in which case the Commission may adjust the fair value pursuant to G.S. 62-133.1A(e) as it deems appropriate and in the public interest;
- (2) Certain Costs Eligible to be Included in Rate Base Value.—Consistent with G.S. 62-133.1A(b), the Commission will allow the inclusion of the costs of the engineering assessment, transaction and closing costs incurred by the utility, and fees paid to Utility Valuation Experts, including fees paid by the acquiring utility to a Utility Valuation Expert that represents the Public Staff, in the rate base value of the acquired system upon a finding that those costs were reasonably and prudently incurred;

- (3) Depreciation.—The Commission will require the utility to apply the normal rules of depreciation against the rate base value from the date of the purchase of the system; and
  - (4) Tariffs.—The Commission will approve the establishment of a new tariff for the provision of wastewater service to customers in the acquired service territory, which shall also determine whether the acquired service territory will be treated as a separate Rate Division.
- (h) Burden of Proof.—The utility shall have the burden of proof regarding all aspects of the proceeding on an application filed pursuant to G.S. 62-133.1A and this Rule, and for demonstrating that the acquisition of the Local Government Utility is in the public interest.
- (i) Payment of Fees for Public Staff Utility Valuation Expert. —The acquiring utility shall pay the fees of the Utility Valuation Expert that represents the Public Staff whether the Commission approves the application, denies the application, or if the acquiring utility withdraws the application.

(NCUC Docket No. W-100, Sub 60, 12/30/2020.)

DOCKET NO. W-\_\_\_\_\_

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

APPLICATION FOR DETERMINATION OF FAIR VALUE OF UTILITY ASSETS  
PURSUANT TO N.C.G.S. § 62-133.1A

INSTRUCTIONS

If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable".

PURCHASER – APPLICANT PUBLIC UTILITY

1. Trade name used for utility business: \_\_\_\_\_

2. Name of owner (if different from trade name): \_\_\_\_\_

3. Business mailing address: \_\_\_\_\_

City and state: \_\_\_\_\_ Zip Code: \_\_\_\_\_

4. Business street address (if different from mailing address): \_\_\_\_\_  
\_\_\_\_\_

5. Business telephone number: \_\_\_\_\_

6. Business email address: \_\_\_\_\_

7. If corporation, list the following:

President: \_\_\_\_\_ Vice President: \_\_\_\_\_

Secretary: \_\_\_\_\_ Treasurer: \_\_\_\_\_

Three (3) largest stockholders and percent of voting shares held by each: \_\_\_\_\_  
\_\_\_\_\_

8. If partnership, list the owners and percent of ownership held by each: \_\_\_\_\_  
\_\_\_\_\_

SELLER – LOCAL GOVERNMENT UTILITY

1. Trade name used for utility business: \_\_\_\_\_
2. Name of owner (if different from trade name): \_\_\_\_\_
3. Mailing address: \_\_\_\_\_
4. Business telephone number: \_\_\_\_\_
5. Business email address: \_\_\_\_\_
6. Form of Organization (municipality/county/authority or district established under Chapter 162A):  
\_\_\_\_\_

REQUIRED EXHIBITS

The following information is required to be included in this Application, and should be attached hereto as exhibits numbered to correspond to this list:

1. Copies of the valuations performed by the three separate appraisers, as provided in N.C.G.S. § 62-133.1A(b)(1).
2. Any deficiencies identified by the engineering assessment conducted pursuant to N.C.G.S. § 62-133.1A(b)(2) and a five-year plan for prudent and necessary infrastructure improvements by the acquiring entity.
3. The projected rate impact for the selling entity's customers for the next five years.
4. The averaging of the appraisers' valuations, which shall constitute fair value for purposes of N.C.G.S. § 62-133.1A.
5. The assessment of tangible assets performed by a licensed professional engineer, as provided in N.C.G.S. § 62-133.1A(b)(2). Utilize Commission Form FV1(a) as a template for the engineer's assessment, indicating if any of the requested information is not applicable or not readily available. Additional information that is relevant to the application that is not listed on the Form FV1(a) should be included as an attachment or addendum to the engineer's assessment.
6. The contract of sale or Asset Purchase Agreement, including exhibits showing that the Seller has ownership of all property necessary to operate the system being acquired. Any changes to the contract of sale or Asset Purchase Agreement should be filed immediately with the Commission.
7. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the seller and any other party (municipalities, towns, districts, customers, etc.) regarding the proposed utility services, including contracts regarding easements and rights of way, etc. (If none, write "none"\_\_\_\_\_.)
8. The estimated valuation fees and transaction and closing costs incurred by the acquiring public utility.
9. A map of the service area for the system(s) being acquired.
10. Current number of water and sewer customers by type of customer (residential, commercial, etc.).

11. A copy of the seller's schedule of rates that are currently being charged to customers for the provision of water and sewer service.
12. A tariff, including rates equal to the rates of the selling utility. The selling utility's rates shall be the rates charged to the customers of the acquiring public utility until the acquiring public utility's next general rate case, unless otherwise ordered by the Commission for good cause shown.

ADDITIONAL REQUIREMENTS FOR FILING OF APPLICATION

In addition to the other information required to be included in this application, the Purchaser-Applicant Public Utility must include the testimony of the public utility's president or another person employed by the public utility who is personally familiar with the contents of this application which provides a narrative explanation of the object and purposes desired by the application and how the public interest is served by the proposed acquisition. The person providing testimony in support of this application shall complete and sign the attached verification form before a Notary Public, verifying that the contents of this application are true and accurate.

VERIFICATION

STATE OF \_\_\_\_\_ COUNTY OF \_\_\_\_\_

\_\_\_\_\_, personally appeared before me this day and, being first duly sworn, says that the facts stated in the foregoing application and any exhibits, documents, and statements thereto attached are true as he or she believes.

WITNESS my hand and notarial seal, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

Signature of Notary Public

\_\_\_\_\_

Name of Notary Public – Typed or Printed

The name of the person who completes and signs this verification must be typed or printed by the notary in the space provided in the verification. The notary's name must be typed or printed below the notary's seal. This original verification must be affixed to the original application that is submitted to the Commission.

FILING INSTRUCTIONS

Electronic filing is available at [www.ncuc.net](http://www.ncuc.net) for application submittal or mail one (1) original application with required exhibits and original notarized verification form, plus three (3) additional collated copies to:

USPS Address:

OR

Overnight Delivery at StreetAddress:

Chief Clerk's Office  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4300

Chief Clerk's Office  
North Carolina Utilities Commission  
430 North Salisbury Street  
Raleigh, North Carolina 27603-5918

Provide a self-addressed stamped envelope, plus an additional copy of the application, if a file-stamped copy is requested by the Applicant.

(NCUC Docket No. W-100, Sub 41, 12/30/2020.)

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
FAIR VALUE ENGINEERING ASSESSMENT FORM

INSTRUCTIONS

If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable". Additional information that is relevant to the application that is not listed on this form should be included as an attachment or addendum

Note: This form is only to be used in conjunction with Form FV1, Application for Determination of Fair Value of Utility Assets Pursuant to G.S. 62-133.1A.

SELLER-LOCAL GOVERNMENT UTILITY

1. Trade name used for utility business: \_\_\_\_\_
2. Name of owner (if different from trade name): \_\_\_\_\_
3. Description of the water system \_\_\_\_\_
4. County where located \_\_\_\_\_
5. Description of the sewer system \_\_\_\_\_
6. County where located \_\_\_\_\_
7. Number of current customers: water \_\_\_\_\_ sewer: \_\_\_\_\_

ENGINEER INFORMATION

1. Name of Engineer Providing Utility Assessment : \_\_\_\_\_
2. Engineer Background Information:  
License No. and Issuing Authority: \_\_\_\_\_  
Education: \_\_\_\_\_  
Has Engineer been subject to Discipline by any State Licensing Authority (if yes, provide date and cause of discipline): \_\_\_\_\_  
  
\_\_\_\_\_
3. Engineer's experience with engineering design, planning, construction, renovations, replacements and operations of water and wastewater utility systems: \_\_\_\_\_

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ASSESSMENT OF TANGIBLE ASSETS OF SYSTEM TO BE ACQUIRED

**Water Utility System Information**

**Distribution System Information**

1. Water Mains (Provide the following information for each section of water mains):

a. Year installed: \_\_\_\_\_

b. Pipe diameter: \_\_\_\_\_

c. Length of main: \_\_\_\_\_

d. Type of pipe material (i.e., asbestos cement, galvanized, PVC Class 160, PVC SDR 21, C-900, ductile iron, other):

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e. Copy of Department of Environmental Quality (DEQ) approval for each section, if available:

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f. Describe the condition of the water distribution system valves:

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g. Describe condition of service lines, including materials:

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h. Describe the condition of the fire hydrants in each section:

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2. Water Meters

a. Type of meters (i.e., manual read, AMR, AMI, other):

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b. Average age of residential water meters: \_\_\_\_\_

3. Customer growth – number of customers added or lost during last 3 years in each of the following categories:

a. Residential: \_\_\_\_\_

b. Commercial: \_\_\_\_\_

c. Industrial: \_\_\_\_\_

d. Governmental, including schools: \_\_\_\_\_

4. Water Storage:

a. Describe each water storage facility by type and capacity (i.e. hydropneumatic, ground storage, elevated storage, other):

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b. Provide the year each storage facility placed in service:

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c. Provide the most recent year each storage facility was recoated on interior and exterior:

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5. Water Production – Water Wells

a. Provide number of water supply wells in service:

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FORM FV1(a)  
ESTABLISHED 12/2020

b. For each water supply well in service provide the year first placed in service:

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c. Provide for each water supply well the original 24 hour well drawdown test, if available.

d. Provide the original DEQ approval for each supply well.

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e. Provide the three most recent inorganic analyses for each well.

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f. Provide the average gallons per minute pumped from each well for the most recent 24 months:

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g. Environmental Compliance:

(i) Does any well exceed the EPA or State of North Carolina maximum contaminant level for a primary drinking water contaminant?

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(ii) If yes, please provide the three most recent analyses for that primary contaminant from that well.

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h. Provide a description of the installed treatment for each primary contamination MCL:

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i. Does the water system exceed the EPA action levels for lead and/or copper?

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j. Provide a summary of the condition of each well house, including controls and valve banks and needed renovations. \_\_\_\_\_

k. Describe the water treatment of each well, including filters and the need for replacements or renovations as necessary. \_\_\_\_\_

6. Surface Water Treatment Plant

a. Year of original construction \_\_\_\_\_

b. Capacity of "original plant" \_\_\_\_\_

c. Describe all treatment stages, including advanced treatment based on ultrafiltration technology, if applicable. \_\_\_\_\_

d. Type of structure (i. e., steel, concrete, other) \_\_\_\_\_

e. History of Expansion

(i) Year of each expansion, if any \_\_\_\_\_

(ii) Additional capacity of each expansion \_\_\_\_\_

(iii) Treatment stages of each expansion \_\_\_\_\_

(iv) Type of structure of each expansion (i.e., steel, concrete, other) \_\_\_\_\_

f. Provide copies of DEQ construction permits for the original construction and all expansions, if any. \_\_\_\_\_

g. Provide copy of the most recent DEQ permit.

h. Provide copies of the two most recent DEQ inspection reports.

i. Provide copies of all DEQ issued Notices of Violation (NOV) for the last five years, if any. \_\_\_\_\_

j. Provide copies of all the selling government entity's responses to each DEQ issued NOV the last five years, if any. \_\_\_\_\_

k. Provide the monthly average gallons per day produced by the surface treatment plant for each of the last 36 months \_\_\_\_\_

l. Provide the non-revenue water percentage for each of the last three years (water produced at the surface water treatment plant less water billed to customers, divided the water produced) \_\_\_\_\_

m. Describe in detail renovations and remediations, if any, performed by the selling government entity, the most recent ten years\_\_\_\_\_

7. Water and General Upgrading and Renovations – Costs

Provide the estimated cost of each water system upgrades/renovations necessary during the first five years\_\_\_\_\_

8. Violations – Water System

a. Provide all water system NOVs received from DEQ the last five years.

\_\_\_\_\_  
\_\_\_\_\_

b. Provide all the selling government entity's written responses to the NOVs received the last five years.

\_\_\_\_\_  
\_\_\_\_\_

**Wastewater System**

**Collection System**

1. For each section of gravity collection mains provide:

a. Year installed\_\_\_\_\_

b. Pipe diameter\_\_\_\_\_

c. Length of main\_\_\_\_\_

d. Type material – i.e., clay pipe, steel pipe, concrete pipe, HDPE pipe, PVC Class 160, PVC SDR 21, C-900, ductile iron, lined ductile iron, other

\_\_\_\_\_

e. Copy of DEQ construction permit for each section, if available.

f. Number of manholes\_\_\_\_\_

g. Condition of manholes\_\_\_\_\_

h. Service line materials\_\_\_\_\_

i. Last time section camera evaluated\_\_\_\_\_

2. For each section of collection force mains, provide:

- a. Year installed \_\_\_\_\_
- b. Pipe diameter \_\_\_\_\_
- c. Length of main \_\_\_\_\_
- d. Type material – i.e. PVC SDR 21, C-900, ductile iron, lined ductile iron, other  
\_\_\_\_\_
- e. Copy of DEQ construction permit for each section, if available.

3. Wastewater Lift Stations – For each provide:

- a. Year installed \_\_\_\_\_
- b. Capacity of installed pumps \_\_\_\_\_
- c. Permitted capacity of lift station \_\_\_\_\_
- d. Control system \_\_\_\_\_
- e. Alarm System \_\_\_\_\_
- f. Description of recent renovations, if any. \_\_\_\_\_
- g. Material of wet well \_\_\_\_\_
- h. Provide summary of the conditions of each lift station  
\_\_\_\_\_

4. Wastewater Treatment Plant, provide the following:

- a. Year of original construction \_\_\_\_\_
- b. Capacity of “original plant” \_\_\_\_\_
- c. Type Treatment \_\_\_\_\_
- d. Type structure i.e., steel, concrete, other \_\_\_\_\_
- e. (i) Year of each expansion, if any (ii) Additional capacity of each expansion (iii) Type treatment of each expansion (iv) Type of structure each expansion i.e.

FORM FV1(a)  
ESTABLISHED 12/2020

steel, concrete,  
other\_\_\_\_\_

f. Provide copies of DEQ construction permits for the original construction and all expansions, if any.

g. Provide copy of most recent NPDES Permit, if applicable.

h. If effluent land application, provide copy of most recent land application permit.

i. If land application, provide the permitted capacity of the installed irrigation system or infiltration system.

j. Does the seller own or have perpetual easements or leases for all of the effluent irrigation/infiltration areas.  
\_\_\_\_\_

k. If an easement or lease, provide a copy of the recorded document(s).

l. Provide copies of the monthly DMRs (NPDES Permit) or NDMR (land application) for the most recent 36 months.

m. Provide copy of the most recent wastewater treatment plant permit, including all required monitoring parameters

n. Provide copies of the two most recent DEQ inspection reports for the wastewater treatment plant.

5. Wastewater, general information

a. Provide copies of all DEQ issued NOV's for the last five years, if any.

b. Provide copies of all the selling government entity's responses to each of the DEQ issued NOV the last five years, if any.

c. Provide the average total gallons per day sold to metered water customers by the water utility provider for each of the last three years.

d. Provide the infiltration percentage for each of the last three years (influent wastewater to wastewater treatment plant less metered water sold, divided by the metered water sold)\_\_\_\_\_

e. Describe in detail collection system infiltration remediation if any, performed by the selling government entity the most recent ten years\_\_\_\_\_

FORM FV1(a)  
ESTABLISHED 12/2020

f. Provide the monthly number of wastewater customers the most recent 36 months:

(i) Residential \_\_\_\_\_

(ii) Commercial \_\_\_\_\_

(iii) Industrial \_\_\_\_\_

(iv) Governmental, including schools \_\_\_\_\_

(NCUC Docket No. W-100, Sub 41, 12/30/2020.)