

MEMORANDUM

TO: Agenda – Commission Conference – December 19, 2016

FROM: PUBLIC STAFF – North Carolina Utilities Commission

B. NATURAL GAS

P1. DOCKET NO. G-5, SUB 569 – PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC. – NATURAL GAS PIPELINE CONSTRUCTION AND TRANSPORTATION AGREEMENT

EXPLANATION: On August 15, 2016, Public Service Company of North Carolina, Inc. (PSNC), filed a Natural Gas Pipeline Construction and Transportation Agreement (Agreement) between PSNC and Duke Energy Carolinas, LLC (DEC). PSNC submitted the Agreement under seal on the grounds that it is confidential and proprietary and has been designated as such pursuant to G.S. 132-1.2.

PSNC states that the Agreement will provide long-term natural gas transportation and redelivery service to DEC's Cliffside Steam Station coal-fired electric power generation units in Cleveland and Rutherford Counties in order for DEC to utilize natural gas to co-fire such units. PSNC further indicates that the Agreement is in the public interest.

On September 1, 2016, Carolina Utility Customers Association, Inc., filed a petition to intervene in the docket. By order issued September 8, 2016, the Commission granted the petition.

The Public Staff has reviewed the Agreement and other information provided by PSNC in response to Public Staff data requests. Based on its investigation, the Public Staff has determined that the terms of the Agreement are within the parameters set forth in G.S. 62-140 and G.S. 62-142. The Public Staff recommends that the Commission issue an order: (1) concluding that the Agreement is not unlawful and does not violate the rules and regulations of the Commission, and (2) allowing the Agreement to become effective as filed and authorizing PSNC to provide service to DEC pursuant to the Agreement. The Public Staff also recommends that the Commission's order state that acceptance of the Agreement neither constitutes approval of the amount of any compensation paid thereunder nor prejudices the right of any party to take issue with any provision of the Agreement in a future proceeding.

EXHIBIT: A proposed order is attached as Exhibit No. P-1.

RECOMMENDATION: (Perry/Larsen/Holt) That the Commission issue the proposed order allowing the Agreement to become effective as filed and authorizing PSNC to provide service pursuant to the Agreement.

D. ELECTRIC

P1. APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO CONSTRUCT SOLAR FACILITY AND REGISTRATION STATEMENT

EXPLANATION: The following applications seeking certificates of public convenience and necessity pursuant to G.S. 62-110.1 for construction of solar photovoltaic electric generating facilities have been filed pursuant to Commission Rule R8-64. The registration statements for a new renewable energy facility were also filed pursuant to Commission Rule R8-66(b).

Duke Energy Progress:

- Docket No. SP-8576, Sub 0 – Application filed on October 11, 2016, by HORUS NORTH CAROLINA 1, LLC, for a certificate to construct a 4.99-MW_{AC} facility in Lee County, North Carolina

North Carolina Electric Membership Corporation:

- Docket No. SP-7782, Sub 0 – Application filed on October 12, 2016, by Howardtown Farm, LLC, for a certificate to construct a 10-MW_{AC} facility in Robeson County, North Carolina

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

Each of the applicants has filed a registration statement for a new renewable energy facility. The registration statement includes certified attestations, as required by Commission Rule R8-66(b), that: (1) the facility is in substantial compliance with all federal and state laws, regulations, and rules for the protection of the environment and conservation of natural resources; (2) the facility will be operated as a new renewable energy facility; (3) the applicant will not remarket or otherwise resell any renewable energy certificates sold to an electric power supplier to comply with G.S. 62-133.8; and (4) the applicant will consent to the auditing of its books and records by the Public Staff insofar as those records relate to transactions with North Carolina electric power suppliers.

RECOMMENDATION: (Metz) That the Commission issue orders approving the applications, issuing the requested certificates, and accepting the registration statements for each of these facilities. Proposed orders have been provided to the Commission Staff.

P2. DOCKET NO. EC-59, SUB 47 – TIDELAND EMC - APPLICATION FOR CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AND PUBLIC CONVENIENCE AND NECESSITY AND MOTION FOR WAIVER OF NOTICE AND HEARING

EXPLANATION: On October 27, 2016, pursuant to G.S. 62-101 and G.S. 62-102, and Commission Rule R8-62(k), Tideland EMC (TEMC or the Company), filed with the Commission an application for a certificate of environmental compatibility and public convenience and necessity to construct a new 230-kV transmission line, approximately 1,800 feet in length, in Craven County, North Carolina.¹ The application stated that the proposed Line will connect the new Fairfield Harbour Substation to the Duke Energy Progress existing Aurora – New Bern 230-kV transmission line. Included in the application was a motion for waiver of the notice and hearing requirements of G.S. 62-102, G.S. 62-104, and Commission Rule R8-62, as provided for in G.S. 62-101(d)(1).

On November 28, 2016, the applicant filed a letter from the impacted property owner, stating that the owner does not object to the waiver and hearing requirements of G.S. 62-102 and G.S. 62-104. On December 5, 2016, the applicant filed a letter with the Commission outlining the estimated costs of the proposed transmission line.

G.S. 62-101(d)(1) authorizes the Commission to waive the notice and hearing requirements of G.S. 62-102 and G.S. 62-104 when it finds that the owners of the land to be crossed by the proposed transmission line do not object to the waiver and either the transmission line is less than one mile long or to connect an existing transmission line to a substation, to another public utility, or to a public utility customer when any of these is in proximity to the existing transmission line. The application states that the Company will construct the Line on property for which it has acquired an easement from the property owner whose land will be crossed by the Line, the property owner does not object to the waiver of notice or hearing, and that the total length of the line is approximately 1,800 feet. Thus, the conditions of G.S. 62-101(d)(1) for a waiver of notice and hearing have been met. The application is also supported by a Certificate Application Report. This report satisfies the requirements of G.S. 62-102(a).

Based on its review, the Public Staff has determined that the application meets the requirements of G.S. 62-102 and Commission Rule R8-62 for a certificate and the conditions of G.S. 62-101(d)(1) for waiver of the notice and hearing requirements of G.S. 62-102 and G.S. 62-104. The Public Staff, therefore, recommends that the Commission grant the motion for waiver and issue the requested certificate.

EXHIBIT: A proposed order is attached as Exhibit No. P-2.

¹ Rule 8-62(k) requires the applicant to prefile the application with the Public Staff 20 days prior to the date of the application. None of the parties objected to considering October 27, 2016, as the prefiling date for the purpose of complying with the rule.

RECOMMENDATION: (T. Williamson/Fennell) That the Commission issue an order waiving the notice and hearing requirements of G.S. 62-102 and G.S. 62-104 and issue the requested certificate for the construction of the Tap Line.

P3. DOCKET NO. E-2, SUB 952 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR MODIFICATION OF NEIGHBORHOOD ENERGY SAVER PROGRAM

EXPLANATION: On November 9, 2016, Duke Energy Progress, LLC (DEP or the Company), filed a request to modify the Neighborhood Energy Saver Program (Program). DEP's proposal would (1) expand the eligibility of the Program to neighborhoods where 50% or more of the households have incomes equal to or less than 200% of the poverty level established by the United States government, from the current 150% poverty level; (2) modify the structure of the Program tariff to better align it with Duke Energy Carolinas, LLC's, Residential Income-Qualified Energy Efficiency and Weatherization Assistance for Residential Neighborhoods Program; (3) replace the compact fluorescent lighting measures with light emitting diode measures; and (4) clarify the Company's ownership of any environmental attributes assigned to the peak demand and energy savings resulting from the Program. No parties have filed comments, protests, or interventions in response to DEP's November 9, 2016, filing.

In response to the Public Staff's data request, DEP indicated that the proposed expansion of the eligibility criteria is expected to increase the number of households eligible for the Program by approximately 94,000 households across the entire DEP service territory. The Public Staff believes the estimated increase in eligible customers is a significant expansion of the program availability, and will enable greater access of the Program to low income customers. Further, DEP indicated that the proposed change in program eligibility, as well as the other proposed modifications, will not significantly impact the program's cost effectiveness under the Total Resource Cost test, which would change from 1.87 to 1.61, or the Utility Cost test, which would change from 0.5 to 0.54.

The Public Staff notes that the modification of the lighting measures reflects market changes regarding energy efficient lighting.

The Public Staff has no objection to DEP's request and believes it is appropriate to expand the eligibility of the Program that would provide energy efficient measures to a population that would not likely otherwise participate in the Company's other energy efficiency programs.

EXHIBIT: The Public Staff's proposed order is attached as Exhibit No. P-3.

RECOMMENDATION: (Floyd) That the Commission issue the Public Staff's proposed order approving the modifications to the Neighborhood Energy Saver Program as filed.

P4. DOCKET NO. E-2, SUB 1126 – DUKE ENERGY PROGRESS, LLC – APPLICATION FOR APPROVAL OF NONRESIDENTIAL SMART \$AVER PERFORMANCE INCENTIVE PROGRAM

EXPLANATION: On November 1, 2016, Duke Energy Progress, LLC (DEP or the Company), filed an application seeking approval of a Nonresidential Smart \$aver Performance Incentive Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DEP states that the Program will provide new high efficiency equipment and energy efficient repairs to existing equipment in nonresidential establishments that are designed to help reduce energy usage and save money. The actual incentive structure for the Program will be broken into two parts: (1) an initial incentive payment that will be no more than 50% of the total anticipated incentive amount will be paid to the participant upon completion of the installed measures; and (2) subsequent incentive payments that will be provided after the company has performed a measurement study that verifies savings from the installed measures. The ratio of initial and subsequent incentive payments will be determined on a project-by-project basis based on the uncertainty assigned to the project. The total incentive amount paid to the participant will not exceed 75% of the respective cost difference between standard and higher efficiency equipment.

DEP's application includes estimates of the Program's impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DEP's calculations indicate that the Program will be cost-effective under the Total Resource Cost test, the Utility Cost test, the Participant Cost test and the Ratepayer Impact Measure test.

On December 1, 2016, the Public Staff filed comments on the Program. No other party filed comments.

The Public Staff stated in its comments that the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs (Mechanism), approved by Order dated January 20, 2015, in Docket No. E-2, Sub 931.

As set forth in its comments, the Public Staff has concluded that the Program has the potential to encourage DSM and EE, appears to be cost effective, will be included in future DEP IRPs, and is in the public interest. The Public Staff recommends that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs, net lost revenues, and performance incentives associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism.

EXHIBIT: A proposed order is attached as Exhibit No. P-4.

RECOMMENDATION: (D. Williamson) That the Commission issue the proposed order approving DEP's proposed Nonresidential Smart \$aver Performance Incentive Program.

P5. DOCKET NO. E-7, SUB 1032 – DUKE ENERGY CAROLINAS, LLC – APPLICATION FOR APPROVAL OF NONRESIDENTIAL SMART \$AVER PERFORMANCE INCENTIVE PROGRAM

EXPLANATION: On November 1, 2016, Duke Energy Carolinas, LLC (DEC or the Company), filed an application seeking approval of a Nonresidential Smart \$aver Performance Incentive Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DEC states that the Program will provide new high efficiency equipment and energy efficient repairs to existing equipment in nonresidential establishments that are designed to help reduce energy usage and save money. The actual incentive structure for the Program will be broken into two parts: (1) an initial incentive payment that will be no more than 50% of the total anticipated incentive amount will be paid to the participant upon completion of the installed measures; and (2) subsequent incentive payments that will be provided after the company has performed a measurement study that verifies savings from the installed measures. The ratio of initial and subsequent incentive payments will be determined on a project-by-project basis based on the uncertainty assigned to the project. The total incentive amount paid to the participant will not exceed 75% of the respective cost difference between standard and higher efficiency equipment.

DEC's application includes estimates of the Program's impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DEC's calculations indicate that the Program will be cost-effective under the Total Resource Cost test, the Utility Cost test, the Participant Cost test and the Ratepayer Impact Measure test.

On December 1, 2016, the Public Staff filed comments on the Program. No other party filed comments.

The Public Staff stated in its comments that the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs (Mechanism), approved by Order dated October 29, 2013, in Docket No. E-7, Sub 1032. The Public Staff stated that DEC's estimates of program costs, net lost revenue, and performance incentive, appeared to be consistent with the requirements of the Mechanism.

As set forth in its comments, the Public Staff has concluded that the Program has the potential to encourage DSM and EE, appears to be cost effective, will be included in future DEC IRPs, and is in the public interest. The Public Staff recommends that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs, net lost revenues, and performance incentives associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism.

EXHIBIT: A proposed order is attached as Exhibit No. P-5.

RECOMMENDATION: (D. Williamson) That the Commission issue the proposed order approving DEC's proposed Nonresidential Smart \$aver Performance Incentive Program.

P6. DOCKET NO. E-7, SUB 1125 – DUKE ENERGY CAROLINAS, LLC – PETITION FOR APPROVAL OF CONTRACT FOR NETWORK UPGRADE CHARGE

EXPLANATION: On November 23, 2016, Duke Energy Carolinas, LLC (DEC or the Company), filed a petition seeking approval of a contract for an upgraded network charge to increase capacity on a network transmission line at a customer's request. DEC filed the contract under seal as confidential and a proprietary trade secret of the customer pursuant to G.S. 132-1.2.

DEC states in the petition that the contract allows the Company to serve a customer at the customer's request; involves upgrading an existing transmission line; and allows the Company to add additional capacity for the customer to grow without unnecessarily shifting costs for the customer's request to other customers. DEC also states that presently there is no standard for charging to provide this service, as it is not equivalent to an excess facility charge or any other provision in the Company's tariffs. DEC further states that the upgraded transmission line will enhance the overall capabilities of the Company's transmission grid in the part of the State where the customer is located and is in the public interest.

DEC asserts that the upgraded network charge imposed by the contract is an accurate and appropriate mechanism for the customer to bear the risks and actual costs of the transmission upgrade at this time, and that the contract contemplates numerous contingencies, contains numerous safeguards, and is structured in such a way as to avoid the risks of stranded costs.

Finally, DEC asserts that the contract is nondiscriminatory and reflects the unique circumstances of the customer consistent with G.S. 62-140, and because the upgraded network charge is tailored to these circumstances, it is not appropriate for incorporation in the Company's tariffs.

The Public Staff has reviewed the contract, including the upgraded network charge mechanism, and other information provided by DEC. Based on its investigation, the Public Staff has determined that the terms of the contract are within the parameters allowed by G.S. 62-140 and are in the public interest. Therefore, the Public Staff recommends that the Commission issue an order concluding that the contract is not unlawful and does not violate the rules and regulations of the Commission, and allowing DEC to execute and comply with the provisions of the contract as filed. The Public Staff also recommends that the order state that acceptance of the contract for filing does not prejudice the right of any party to take issue with any portion of the contract in a future proceeding.

EXHIBIT: A proposed order is attached as Exhibit No. P-6.

RECOMMENDATION: (McLawhorn/Fennell) That the Commission issue the proposed order accepting the contract for filing as set forth above.

P7. DOCKET NO. E-22, SUB 539 – DOMINION NORTH CAROLINA POWER – APPLICATION FOR APPROVAL OF RESIDENTIAL RETAIL LED LIGHTING PROGRAM

EXPLANATION: On October 31, 2016, Dominion North Carolina Power (DNCP or the Company), filed an application seeking approval of its Residential Retail LED Lighting Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DNCP proposes to provide an instant discount for a variety of qualifying Light-Emitting Diode (LED) light bulb purchases from participating retailers. DNCP's vendor will pay manufacturers of EE bulbs an incentive, which will enable the manufacturer to sell EE bulbs at a discount to area retailers, who then would sell the bulbs to consumers at the agreed discounted price. The incentive participants will receive is in the form of a discount on the price of the bulbs at the point of sale. DNCP estimates it will pay an average¹ incentive of \$3.00 per LED bulb. Customers are limited to 12 discounted bulbs per purchase.

DNCP would operate the Program on a North Carolina-only basis. The benefits and the costs of the Program would flow 100% to North Carolina. The company is offering the Program for a two-year period, with the intent that a system-wide program which includes a residential lighting component is planned to be offered in the future.

The application includes estimates of the Program's impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DNCP's calculations indicate that the Program will be cost-effective under the Total Resource Cost (TRC), the Utility Cost (UC), and the Participant tests, but not under the Rate Impact Measure test.

The Public Staff filed comments on the Program on November 30, 2016. No other party filed comments.

DNCP proposes that the Program be available to residential customers. However, The Public Staff notes that a portion of efficient lightbulbs were purchased by commercial customers in a similar program from Duke Energy Progress, LLC. The Public Staff recommends that costs of the Program be allocated among all the customer classes (residential and non-residential) that will be participating in the Program and receiving the benefits. The Public Staff believes that DNCP should perform its own EM&V to determine the appropriate allocation of program costs. Alternatively, if the cost of performing the EM&V survey work necessary to determine the appropriate percentages for each customer class is prohibitive, the Public Staff recommends that DNCP allocate Program costs among residential customers and non-residential customers based on the EM&V report for DEP's similar EE lighting program.

¹ Through a data request, this was determined to be a weighted average across all bulb types and incentive amounts.

The Public Staff stated in its comments that the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and Energy Efficiency Programs, approved by Order dated May 7, 2015, in Docket No. E-22, Sub 464. The Public Staff also stated that DNCP's estimates of program costs, net lost revenue, and performance incentive appeared to be consistent with the requirements of the Mechanism.

As set forth in its comments, the Public Staff has concluded that the Program has the potential to encourage EE, is consistent with DNCP's IRP, and is in the public interest. The Public Staff recommends that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs and net lost revenues associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism.

EXHIBIT: A proposed order is attached as Exhibit No. P-7.

RECOMMENDATION: (D. Williamson) That the Commission issue the proposed order approving DNCP's proposed Residential Retail LED Lighting Program.

E. WATER

P1. DOCKET NO. W-218, SUB 363A – AQUA NORTH CAROLINA, INC. – REQUEST TO IMPOSE WATER AND SEWER SYSTEM IMPROVEMENT CHARGES

EXPLANATION: On November 1, 2016, Aqua North Carolina, Inc. (Aqua), filed an application requesting authority to increase its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective January 1, 2017, pursuant to Commission Rules R7-39 and R10-26 and Aqua’s WSIC and SSIC mechanisms. On December 5, 2016, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendation (Notice). This Notice is incorporated by reference herein.

In Aqua’s last general rate case, Docket No. W-218, Sub 363 (Sub 363 Rate Case), the Commission approved in its Order dated May 2, 2014, Aqua’s request to utilize a WSIC and SSIC mechanism pursuant to G.S. 62-133.12, concluding that the rate adjustment mechanisms are in the public interest, and establishing WSIC and SSIC procedures for Aqua.

The implementation of the WSIC and SSIC for Aqua was first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua’s rates every January 1st and July 1st based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request. This is Aqua’s fifth semi-annual adjustment to its WSIC and SSIC.

Aqua is requesting the following increases/decreases to the WSIC and SSIC previously approved by the Commission on June 30, 2016:

| | Previously Approved WSIC/SSIC Percentage | Net Change To WSIC/SSIC Percentage | Cumulative WSIC/SSIC Percentage |
|----------------------------|---|---|---------------------------------------|
| Uniform water | 2.51% | 1.51% | 4.02% |
| Uniform sewer | 2.53% | 0.40% | 2.93% |
| Fairways/Beau Rivage water | 3.09% | -0.10% | 2.99% |
| Fairways/Beau Rivage sewer | 1.42% | -0.05% | 1.37% |
| Brookwood/LaGrange water | 4.07% | 0.58% | 4.65% |

The WSIC/SSIC percentages above include the EMF adjustments from the 2015 annual WSIC/SSIC revenue review. The two rate divisions impacted are Aqua Uniform Sewer – adjusted downward by -0.02% (due to over-collection in 2015) – and Brookwood/LaGrange Water – adjusted upward by 0.03% (due to under-collection in 2015).

The cumulative WSIC and SSIC revenue requirements after Aqua’s proposed increases/decreases are as follows:

| | Previously Approved WSIC/SSIC Revenue Requirement | Net Change To WSIC/SSIC Revenue Requirement | Cumulative WSIC/SSIC Revenue Requirement |
|-----------------------------|---|---|---|
| Uniform water | \$806,953 | \$481,657 | \$1,288,610 |
| Uniform sewer | 301,875 | 56,744 | 358,619 |
| Fairways /Beau Rivage water | 28,151 | -347 | 27,804 |
| Fairways/Beau Rivage sewer | 17,103 | -265 | 16,838 |
| Brookwood/LaGrange water | 195,331 | 25,260 | 220,591 |

Aqua’s additional WSIC/SSIC revenue requirement is composed of the calculated WSIC/SSIC revenue requirement for the current review period plus updates to previously approved WSIC/SSIC revenue requirements which became effective on January 1, 2015, July 1, 2015, January 1, 2016, and July 1, 2016. The updates include a roll forward of accumulated depreciation and accumulated deferred income taxes, a reduction in the state corporate income tax rate from 4% to 3%, a decrease in the public utility regulatory fee from 0.148% to 0.14%, and an update of the projected (non WSIC/SSIC) annual service revenue amounts from a 2016 projection to a 2017 projection.

Pursuant to G.S. 62-133.12(g), the cumulative WSIC/SSIC percentages are capped at 5% of the total annual service revenues approved by the Commission in the Sub 363 Rate Case. The cumulative WSIC/SSIC revenue requirements under Aqua’s proposal do not exceed the caps.

Aqua is proposing the above increases in the WSIC and SSIC in order to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from April 1, 2016, through September 30, 2016:

| | |
|--|--------------------|
| Replace valves | \$ 240,436 |
| Water main extensions | 199,816 |
| Water main replacement | 1,331,595 |
| Treatment for secondary drinking water standards | <u>2,770,907</u> |
| Total WSIC plant additions | <u>\$4,542,754</u> |
| | |
| Replace lift station pumps | \$ 127,823 |
| Replace blowers and motors | 115,863 |
| Inflow & infiltration improvements | 381,603 |
| Replace mixer | 32,383 |
| Total SSIC plant additions | <u>\$ 657,672</u> |

Under G.S. 62-133.12(c), eligible water system improvements include equipment and infrastructure installed at the direction of the Commission to comply with secondary

drinking water standards. During the six months ended September 30, 2016, Aqua installed eight iron and manganese filtration projects in the following subdivisions at a total cost of \$2,770,907:

| | |
|-------------------|-------------|
| Bloomfield | Wells 1 & 3 |
| Crescent Ridge | Wells 5 & 6 |
| Springdale | Wells 1 & 2 |
| Springfield North | Wells 2 & 3 |
| Shiloh | Well 1 |
| Waterfall | Well 5 |
| West Oaks | Well 1 |
| Highland Trails | Well 1 |

The Commission authorized the implementation of these filtration projects in its Orders Approving Secondary Water Quality Improvement Projects issued on December 22, 2014, May 21, 2015, and August 20, 2015, in this docket.

As stated by the Commission in its order adopting Rules R7-39 and R10-26, issued on June 6, 2014, in Docket No. W-100, Sub 54, the Public Staff is to review all infrastructure improvements proposed for recovery for eligibility and reasonableness prior to making its recommendation to the Commission on WSIC or SSIC rate adjustments. Furthermore, any WSIC or SSIC rate adjustments will be allowed to become effective, but not unconditionally approved. These adjustments shall be further examined for a determination of their justness and reasonableness in the Company's next general rate case. At that time, the adjustments may be rescinded retroactively if the Commission determines that the adjustments were not prudent, just and/or reasonable.

The Public Staff has carefully reviewed Aqua's WSIC and SSIC improvements for the six months ended September 30, 2016, including reviewing in detail invoices, materials lists, work orders, employee time sheets and other accounting records. Based on the Public Staff's investigation to date, the WSIC and SSIC projects included in Aqua's request are eligible water and sewer system improvements as defined in G.S. 62-133.12(b), (c), and (d).

Therefore, the Public Staff recommends that the cumulative WSIC and SSIC percentages proposed by Aqua be implemented effective for service rendered on or after January 1, 2017, subject to true-up. The Public Staff will continue to review the justness, prudence, and reasonableness of these improvements during its review of Aqua's future WSIC and SSIC filings and in Aqua's next general rate case.

EXHIBIT: A proposed order is attached as Exhibit No. P-8.

RECOMMENDATION: (Henry/Junis/Grantmyre) That the Commission issue the proposed order approving Aqua's proposed water and sewer system improvement charges effective for service rendered on or after January 1, 2017, subject to true-up, and requiring customer notice.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. G-5, SUB 569

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | |
|--|---------------------|
| In the Matter of | |
| Public Service Company of North Carolina,) | ORDER ALLOWING |
| Inc.'s, Request for a Natural Gas Pipeline) | AGREEMENT TO BECOME |
| Construction and Transportation Agreement) | EFFECTIVE |
| between PSNC and Duke Energy Carolinas) | |

BY THE COMMISSION: On August 15, 2016, Public Service Company of North Carolina, Inc. (PSNC), filed a Natural Gas Pipeline Construction and Transportation Agreement (Agreement) between PSNC and Duke Energy Carolinas, LLC (DEC). PSNC submitted the Agreement under seal on the grounds that it is confidential and proprietary and has been designated as such pursuant to G.S. 132-1.2.

PSNC stated that the Agreement will provide long-term gas transportation and redelivery service to DEC's Cliffside Steam Station coal-fired electric power generation units in Cleveland and Rutherford Counties in order for DEC to utilize natural gas to co-fire such units. PSNC further indicated that the Agreement is in the public interest.

On September 1, 2016, Carolina Utility Customers Association, Inc., filed a petition to intervene in the docket. By order issued September 8, 2016, the Commission granted the petition.

The Public Staff presented this matter at the Commission's Staff Conference on December 19, 2016. The Public Staff stated that it had reviewed the Agreement and other information provided by PSNC in response to Public Staff data requests. The Public Staff stated that based on its investigation, it had determined that the terms of the Agreement are within the parameters set forth in G.S. 62-140 and G.S. 62-142. The Public Staff recommended that the Commission issue an order: (1) concluding that the Agreement is not unlawful and does not violate the rules and regulations of the Commission, and (2) allowing the Agreement to become effective as filed and authorizing PSNC to provide service to DEC pursuant to the Agreement. The Public Staff also recommended that the Commission's order state that acceptance of the Agreement neither constitutes approval of the amount of any compensation paid thereunder nor prejudices the right of any party to take issue with any provision of the Agreement in a future proceeding.

The Commission, having carefully reviewed the Agreement, concludes that the Agreement is not unlawful and does not violate the rules and regulations of the Commission. Accordingly, the Commission finds good cause to allow the Agreement to become effective as filed and authorize PSNC to provide service to DEC pursuant to the Agreement as recommended by the Public Staff.

IT IS, THEREFORE, ORDERED as follows:

1. That the Agreement between PSNC and DEC is hereby allowed to become effective as filed.
2. That PSNC is hereby authorized to provide natural gas service to the DEC pursuant to the Agreement.
3. That authorizing PSNC to provide natural gas service to DEC pursuant to the Agreement neither constitutes approval of the amount of any compensation paid thereunder nor prejudices the right of any party to take issue with any provision of the Agreement in question in a future proceeding.

ISSUED BY ORDER OF THE COMMISSION

This the _____ day of _____, 2016

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. EC-59, SUB 47

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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| In the Matter of | |
| Application of Tideland EMC, for a Certificate of |) |
| Environmental Compatibility and Public Convenience |) |
| and Necessity and Motion for Waiver of Notice and |) |
| Hearing Pursuant to N.C. Gen. Stat. §§ 62-100 <u>et seq.</u> |) |
| to Construct Approximately 1,800 feet of New 230 kV |) |
| Transmission Line in Craven County, North Carolina |) |
| |) |

ORDER WAIVING NOTICE
AND HEARING
REQUIREMENT AND
ISSUING CERTIFICATE

BY THE COMMISSION: On October 27, 2016, pursuant to G.S. 62-101 and G.S. 62-102, and Commission Rule R8-62(k), Tideland EMC (TEMC or the Company), filed with the Commission an application for a certificate of environmental compatibility and public convenience and necessity to construct a new 230-kV transmission line, approximately 1,800 feet in length, in Craven County, North Carolina.¹ The application stated that the proposed Line will connect the new Fairfield Harbour Substation to the Duke Energy Progress existing Aurora – New Bern 230-kV transmission line. Included in the application was a motion for waiver of the notice and hearing requirements of G.S.62-102, G.S. 62-104, and Commission Rule R8-62, as provided for in G.S. 62-101(d)(1).

On November 28, 2016, the applicant filed a letter from the impacted property owner, stating that the owner does not object to the waiver and hearing requirements of G.S. 62-102 and G.S. 62-104. On December 5, 2016, the applicant filed a letter with the Commission outlining the estimated costs of the proposed transmission line.

G.S. 62-101(d)(1) authorizes the Commission to waive the notice and hearing requirements of G.S. 62-102 and G.S. 62-104 when it finds that the owners of the land to be crossed by the proposed transmission line do not object to the waiver and either the transmission line is less than one mile long or to connect an existing transmission line to a substation, to another public utility, or to a public utility customer when any of these is in proximity to the existing transmission line. The application states that the Company will construct the Line on property for which it has acquired an easement from the property

¹ Rule 8-62(k) requires the applicant to prefile the application with the Public Staff 20 days prior to the date of the application. None of the parties objected to considering October 27, 2016, as the prefiling date for the purpose of complying with the rule.

owner whose land will be crossed by the Line, the property owner does not object to the waiver of notice or hearing, and that the total length of the line is approximately 1,800 feet. Thus, the conditions of G.S. 62-101(d)(1) for a waiver of notice and hearing have been met. The application is also supported by a Certificate Application Report. This report satisfies the requirements of G.S. 62-102(a).

The Public Staff presented this matter at the Commission's regular Staff Conference on December 19, 2016. The Public Staff stated that the application meets the requirements of G.S. 62-102 and Commission Rule R8-62 for a certificate and the conditions of G.S. 62-101(d)(1) for waiver of the notice and hearing requirements of G.S. 62-102 and G.S. 62-104. The Public Staff recommended that the Commission grant the motion for waiver and issue the requested certificate.

Based on the foregoing and the recommendation of the Public Staff, the Commission finds and concludes that the notice and hearing requirements of G.S. 62-102 and G.S. 62-104 should be waived as allowed by G.S. 62-101(d)(1) and that a certificate of environmental compatibility and public convenience and necessity should be issued for the proposed construction of a new 230-kV transmission line.

IT IS, THEREFORE, ORDERED as follows:

1. That, pursuant to G.S. 62-101, the requirement for publication of notice and hearing is waived.

2. That, pursuant to G.S. 62-102, a Certificate of Environmental Compatibility and Public Convenience and Necessity to construct approximately 1,800 feet of new 230-kV transmission line in Craven County, North Carolina, as described in TEMC's application is issued, and the same is attached as Appendix A.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2016

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. EC-59, SUB 47

Know All Men by These Presents, That

TIDELAND EMC

is hereby issued this

**CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AND PUBLIC
CONVENIENCE AND NECESSITY PURSUANT TO G.S. 62-102**

to construct approximately 1,800 feet of new 230-kV transmission line to energize the new Tideland EMC Fairfield Harbour Substation in Craven County, North Carolina

subject to receipt of all federal and state permits as required by existing and future regulations prior to beginning construction and further subject to all other orders, rules, regulations, and conditions as are now or may hereafter be lawfully made by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of _____, 2016.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 952

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | |
|---|-----------------|
| In the Matter of | |
| Application by Duke Energy Progress, Inc. for) | ORDER APPROVING |
| Approval of Neighborhood Energy Saver) | PROGRAM |
| Program) | |

BY THE COMMISSION: On November 9, 2016, Duke Energy Progress, LLC (DEP or the Company), filed a request to modify the Neighborhood Energy Saver Program (Program). DEP's proposal would (1) expand the eligibility of the Program to neighborhoods where 50% or more of the households have incomes equal to or less than 200% of the poverty level established by the United States government, from the current 150% poverty level; (2) modify the structure of the Program tariff to better align it with Duke Energy Carolinas, LLC's Residential Income-Qualified Energy Efficiency and Weatherization Assistance for Residential Neighborhoods Program; (3) replace the compact fluorescent lighting measures with light emitting diode measures; and (4) clarify the Company's ownership of any environmental attributes assigned to the peak demand and energy savings resulting from the Program.

No parties have filed comments, protests, or interventions in response to DEP's November 9, 2016, filing.

The Public Staff presented this matter to the Commission at its Regular Staff Conference on December 19, 2016. The Public Staff stated that it had reviewed DEP's proposed modifications, and supported the proposed modifications. The Public Staff further stated that DEP indicated that the proposed expansion of the eligibility criteria is expected to increase the number of households eligible for the Program by approximately 94,000 households across the entire DEP service territory. The Public Staff believed the estimated increase in eligible customers was a significant expansion of the program availability, and that this expansion would enable greater access of the Program to low income customers. The Public Staff stated that the proposed change in program eligibility, as well as the other proposed modifications, would not significantly impact the program's cost effectiveness under the Total Resource Cost test, which the Public Staff indicated would change from 1.87 to 1.61, or the Utility Cost test, which would change from 0.5 to 0.54.

Based on the foregoing, the Commission finds and concludes that DEP's request to modify the Program should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the modifications to the Neighborhood Energy Saver Program are hereby approved as filed;

2. That the Commission shall determine the appropriate ratemaking treatment for the Neighborhood Energy Saver Program, including program costs, net lost revenues, and incentives, in DEP's annual cost recovery rider, in accordance with G.S. 62-133.9 and Commission Rule R8-69;

3. That DEP shall file with the Commission, within 10 days following the date of this order, a revised tariff compliant with this order and showing the effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-2, SUB 1126

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | |
|---|-----------------|
| In the Matter of | |
| Application by Duke Energy Progress, LLC,) | ORDER APPROVING |
| for Approval of Nonresidential Smart \$aver) | PROGRAM |
| Performance Incentive Program) | |

BY THE COMMISSION: On November 1, 2016, Duke Energy Progress, LLC (DEP or the Company), filed an application seeking approval of a Nonresidential Smart \$aver Performance Incentive Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DEP states that the Program will provide new high efficiency equipment and energy efficient repairs to existing equipment in nonresidential establishments that are designed to help reduce energy usage and save money. The actual incentive structure for the Program will be broken into two parts: (1) an initial incentive payment that will be no more than 50% of the total anticipated incentive amount will be paid to the participant upon completion of the installed measures; and (2) subsequent incentive payments that will be provided after the Company has performed a measurement study that verifies savings from the installed measures. The ratio of initial and subsequent incentive payments will be determined on a project-by-project basis based on the uncertainty assigned to the project. The total incentive amount paid to the participant will not exceed 75% of the respective cost difference between standard and higher efficiency equipment.

DEP’s application includes estimates of the Program’s impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DEP’s calculations indicate that the Program will be cost-effective under the Total Resource Cost test, the Utility Cost test, the Participant Cost test and the Ratepayer Impact Measure test.

On December 1, 2016, the Public Staff filed comments on the Program. No other party filed comments.

The Public Staff stated in its comments that the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and

Energy Efficiency Programs (Mechanism), approved by Order dated January 20, 2015, in Docket No. E-2, Sub 931. The Public Staff stated that DEP's estimates of program costs, net lost revenue, and performance incentive, appeared to be consistent with the requirements of the Mechanism.

The Public Staff presented this matter at the Commission's Regular Staff Conference on December 19, 2016. The Public Staff stated that the Program has the potential to encourage DSM and EE, appears to be cost effective, will be included in future DEP IRPs, and is in the public interest. The Public Staff recommended that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs, net lost revenues, and performance incentives associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism.

Based on the foregoing and the entire record in this proceeding, the Commission finds good cause to approve the Program as a new EE program. The Commission further finds and concludes that the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, should be determined in DEP's annual cost recovery rider approved pursuant to Commission Rule R8-69.

IT IS, THEREFORE, ORDERED as follows:

1. That the Program is hereby approved as a new Energy Efficiency program pursuant to Commission Rule R8-68.
2. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DEP's annual cost recovery rider, in accordance with G.S. 62-133.9 and Commission Rule R8-69.
3. That DEP shall file with the Commission, within 10 days following the date of this order, a revised tariff showing the effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the __ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1032

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | |
|---|-----------------|
| In the Matter of | |
| Application by Duke Energy Carolinas, LLC,) | ORDER APPROVING |
| for Approval of Nonresidential Smart \$aver) | PROGRAM |
| Performance Incentive Program) | |

BY THE COMMISSION: On November 1, 2016, Duke Energy Carolinas, LLC (DEC or the Company), filed an application seeking approval of a Nonresidential Smart \$aver Performance Incentive Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DEC states that the Program will provide new high efficiency equipment and energy efficient repairs to existing equipment in nonresidential establishments that are designed to help reduce energy usage and save money. The actual incentive structure for the Program will be broken into two parts: (1) an initial incentive payment that will be no more than 50% of the total anticipated incentive amount will be paid to the participant upon completion of the installed measures.; and (2) subsequent incentive payments that will be provided after the company has performed a measurement study that verifies savings from the installed measures. The ratio of initial and subsequent incentive payments will be determined on a project-by-project basis based on the uncertainty assigned to the project. The total incentive amount paid to the participant will not exceed 75% of the respective cost difference between standard and higher efficiency equipment.

DEC’s application includes estimates of the Program’s impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DEC’s calculations indicate that the Program will be cost-effective under the Total Resource Cost test, the Utility Cost test, the Participant Cost test and the Ratepayer Impact Measure test.

On December 1, 2016, the Public Staff filed comments on the Program. No other party filed comments.

The Public Staff stated in its comments that the filing contains the information required by Commission Rule R8-68(c) and is consistent with G.S. 62-133.9, R8-68(c), and the Cost Recovery and Incentive Mechanism for Demand-Side Management and

Energy Efficiency Programs (Mechanism), approved by Order dated October 29, 2013, in Docket No. E-7, Sub 1032. The Public Staff stated that DEC's estimates of program costs, net lost revenue, and performance incentive, appeared to be consistent with the requirements of the Mechanism.

The Public Staff presented this matter at the Commission's Regular Staff Conference on December 19, 2016. The Public Staff stated that the Program has the potential to encourage DSM and EE, appears to be cost effective, will be included in future DEC IRPs, and is in the public interest. The Public Staff recommended that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs, net lost revenues, and performance incentives associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism.

Based on the foregoing and the entire record in this proceeding, the Commission finds good cause to approve the Program as a new EE program. The Commission further finds and concludes that the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, should be determined in DEC's annual cost recovery rider approved pursuant to Commission Rule R8-69.

IT IS, THEREFORE, ORDERED as follows:

1. That the Program is hereby approved as a new Energy Efficiency program pursuant to Commission Rule R8-68.
2. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DEC's annual cost recovery rider, in accordance with G.S. 62-133.9 and Commission Rule R8-69.
3. That DEC shall file with the Commission, within 10 days following the date of this order, a revised tariff showing the effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the __ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-7, SUB 1125

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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|---|--------------------|
| In the Matter of | |
| Petition of Duke Energy Carolinas, LLC, for) | ORDER ALLOWING |
| Approval of Contract for a Network Upgrade) | CONTRACT TO BECOME |
| Charge) | EFFECTIVE AS FILED |

BY THE COMMISSION: On November 23, 2016, Duke Energy Carolinas, LLC (DEC or the Company), filed a petition seeking approval of a contract for an upgraded network charge to increase capacity on a network transmission line at a customer's request. DEC filed the contract under seal as confidential and a proprietary trade secret of the customer pursuant to G.S. 132-1.2.

DEC stated in the petition that the contract allows the Company to serve a customer at the customer's request; involves upgrading an existing transmission line; and allows the Company to add additional capacity for the customer to grow without unnecessarily shifting costs for the customer's request to other customers. DEC also stated that presently there is no standard for charging to provide this service, as it is not equivalent to an excess facility charge or any other provision in the Company's tariffs. DEC further stated that the upgraded transmission line will enhance the overall capabilities of the Company's transmission grid in the part of the State where the customer is located and is in the public interest.

DEC asserted that the upgraded network charge imposed by the contract is an accurate and appropriate mechanism for the customer to bear the risks and actual costs of the transmission upgrade at this time, and that the contract contemplates numerous contingencies, contains numerous safeguards, and is structured in such a way as to avoid the risks of stranded costs.

Finally, DEC asserted that the contract is nondiscriminatory and reflects the unique circumstances of the customer consistent with G.S. 62-140, and because the upgraded network charge is tailored to these circumstances, it is not appropriate for incorporation in the Company's tariffs.

The Public Staff presented this matter at the Commission's regular Staff Conference on December 19, 2016. The Public Staff stated that it had reviewed the contract, including the upgraded network charge mechanism, and other information provided by DEC. Based on its investigation, the Public Staff has determined that the provisions of the contract are within the parameters allowed by G.S. 62-140 and are in the public interest. Therefore, the Public Staff recommended that the Commission issue an order concluding that the contract is not unlawful and does not violate the rules and regulations of the Commission, and allowing DEC to execute and comply with the provisions of the contract as filed. The Public Staff also recommended that the order state that acceptance of the contract for filing does not prejudice the right of any party to take issue with any portion of the contract in a future proceeding.

The Commission, having carefully reviewed the contract, concludes that the contract is not unlawful and does not violate the rules and regulations of the Commission. Accordingly, the Commission finds good cause to allow the contract to become effective as filed.

IT IS, THEREFORE, ORDERED as follows:

1. That DEC is hereby authorized to execute and comply with the provisions of the contract as filed.
2. That acceptance of the contract for filing does not prejudice the right of any party to take issue with any portion of the contract in a future proceeding.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. E-22, SUB 539

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | |
|--|-----------------|
| In the Matter of | |
| Application of Virginia Electric and Power) | |
| Company, d/b/a Dominion North Carolina) | ORDER APPROVING |
| Power for Approval of Residential Retail LED) | PROGRAM |
| Lighting Program) | |

BY THE COMMISSION: On October 31, 2016, Dominion North Carolina Power (DNCP or the Company), filed an application seeking approval of its Residential Retail LED Lighting Program (Program) as a new energy efficiency (EE) program under G.S. 62-133.9 and Commission Rule R8-68.

DNCP proposes to provide an instant discount for a variety of qualifying Light-Emitting Diode (LED) light bulb purchases from participating retailers. DNCP's vendor will pay manufacturers of EE bulbs an incentive, which will enable the manufacturer to sell EE bulbs at a discount to area retailers, who then would sell the bulbs to consumers at the agreed discounted price. The incentive participants will receive is in the form of a discount on the price of the bulbs at the point of sale. DNCP estimates it will pay an average¹ incentive of \$3.00 per LED bulb. Customers are limited to 12 discounted bulbs per purchase.

DNCP would operate the Program on a North Carolina-only basis. The benefits and the costs of the Program would flow 100% to North Carolina. The company is offering the Program for a two-year period, with the intent that a system-wide program which includes a residential lighting component is planned to be offered in the future.

DNCP's application includes estimates of the Program's impacts, costs, and benefits used to calculate the cost-effectiveness of the Program. DNCP's calculations indicate that the Program will be cost-effective under the Total Resource Cost, the Utility Cost, and the Participant test, but not under the Rate Impact Measure test.

¹ Through a data request, this was determined to be a weighted average across all bulb types and incentive amounts.

DNCP proposes that the Program be available to residential customers. However, The Public Staff notes that a portion of efficient lightbulbs were purchased by commercial customers in a similar program from Duke Energy Progress, LLC. The Public Staff recommends that costs of the Program be allocated among all the customer classes (residential and non-residential) that will be participating in the Program and receiving the benefits. The Public Staff believes that DNCP should perform its own EM&V to determine the appropriate allocation of program costs. Alternatively, if the cost of performing the EM&V survey work necessary to determine the appropriate percentages for each customer class is prohibitive, the Public Staff recommends that DNCP allocate Program costs among residential customers and non-residential customers based on the EM&V report for DEP's similar EE lighting program.

On November 30, 2016, the Public Staff filed comments on the Program. No other party filed comments.

The Public Staff presented this matter at the Commission's Regular Staff Conference on December 19, 2016. The Public Staff stated that the Program has the potential to encourage DSM and EE, appears to be cost effective, will be included in future DNCP IRPs, and is in the public interest. The Public Staff recommended that the Commission approve the Program as a new EE program pursuant to Commission Rule R8-68, and determine the appropriate recovery of program costs, net lost revenues, and performance incentives associated with the Program in the annual DSM/EE rider proceeding consistent with G.S. 62-133.9, Commission Rule R8-69, and the current DSM/EE cost recovery mechanism. The Public Staff further recommended that the costs of the Program be allocated among all the customer classes (residential and non-residential) that will be participating in the Program and receiving the benefits.

Based on the foregoing and the entire record in this proceeding, the Commission finds good cause to approve the Program as a new EE program. The Commission further finds and concludes that the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, should be determined in DNCP's annual cost recovery rider approved pursuant to Commission Rule R8-69.

IT IS, THEREFORE, ORDERED as follows:

1. That the Program is hereby approved as a new Energy Efficiency program pursuant to Commission Rule R8-68.

2. That the Commission shall determine the appropriate ratemaking treatment for the Program, including program costs, net lost revenues, and performance incentives, in DNCP's annual cost recovery rider, in accordance with G.S. 62-133.9 and Commission Rule R8-69.

3. That in its annual cost recovery rider proceeding, DNCP shall allocate the costs of the Program among all the customer classes (residential and non-residential) that will be participating in the Program and receiving the benefits.

4. That DNCP shall file with the Commission, within 10 days following the date of this order, a revised tariff showing the effective date of the tariff.

ISSUED BY ORDER OF THE COMMISSION.

This the __ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 363A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | |
|---|---------------------------|
| In the Matter of | |
| Application by Aqua North Carolina, Inc., 202) | ORDER APPROVING WATER AND |
| MacKenan Court, Cary, North Carolina 27511,) | SEWER SYSTEM IMPROVEMENT |
| for Approval of Semi-Annual Adjustments to) | CHARGES ON A PROVISIONAL |
| Water and Sewer System Improvement) | BASIS AND REQUIRING |
| Charges pursuant to G.S. 62-133.12) | CUSTOMER NOTICE |

BY THE COMMISSION: On November 1, 2016, Aqua North Carolina, Inc. (Aqua), filed an application requesting authority to increase its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective January 1, 2017, pursuant to Commission Rules R7-39 and R10-26 (Application).

On December 5, 2016, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s December 19, 2016, Regular Staff Conference (Notice).

On December 19, 2016, the Public Staff presented this matter to the Commission at the Regular Staff Conference.

On the basis of the verified Application, the records of the Commission, and the comments and recommendations of the Public Staff, the Commission makes the following

FINDINGS OF FACT

1. Aqua is a corporation duly organized under the laws of and is authorized to do business in the State of North Carolina. Aqua is a franchised public utility providing water and/or sewer utility service to customers in North Carolina.

2. In Aqua’s last general rate case, Docket No. W-218, Sub 363 (Sub 363 Rate Case), the Commission approved in its Order dated May 2, 2014, Aqua’s request to utilize a WSIC and SSIC mechanism pursuant to G.S. 62-133.12, concluding that the rate adjustment mechanisms are in the public interest, and establishing WSIC and SSIC procedures for Aqua.

3. The implementation of the WSIC and SSIC for Aqua was first approved on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua's rates every January 1st and July 1st based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request.

4. Aqua's proposed increases/decreases to the WSIC and SSIC previously approved by the Commission on June 30, 2016, are as follows:

| | Previously Approved WSIC/SSIC Percentage | Net Change To WSIC/SSIC Percentage | Cumulative WSIC/SSIC Percentage |
|----------------------------|---|---|---------------------------------------|
| Uniform water | 2.51% | 1.51% | 4.02% |
| Uniform sewer | 2.53% | 0.40% | 2.93% |
| Fairways/Beau Rivage water | 3.09% | -0.10% | 2.99% |
| Fairways/Beau Rivage sewer | 1.42% | -0.05% | 1.37% |
| Brookwood/LaGrange water | 4.07% | 0.58% | 4.65% |

5. The additional WSIC/SSIC percentages include the EMF adjustments from the 2015 annual WSIC/SSIC revenue review. The two rate divisions impacted are Aqua Uniform Sewer – adjusted downward by -0.02% (due to over-collection in 2015) -- and Brookwood/LaGrange Water – adjusted upward by 0.03% (due to under-collection in 2015).

6. The cumulative WSIC/SSIC revenue requirements after Aqua's proposed increases/decreases are as follows:

| | Previously Approved WSIC/SSIC Revenue Requirement | Net Change To WSIC/SSIC Revenue Requirement | Cumulative WSIC/SSIC Revenue Requirement |
|----------------------------|---|---|---|
| Uniform water | \$806,953 | \$481,657 | \$1,288,610 |
| Uniform sewer | 301,875 | 56,744 | 358,619 |
| Fairways/Beau Rivage water | 28,151 | -347 | 27,804 |
| Fairways/Beau Rivage sewer | 17,103 | -265 | 16,838 |
| Brookwood/LaGrange water | 195,331 | 25,260 | 220,591 |

7. Aqua’s additional WSIC/SSIC revenue requirement is composed of the calculated WSIC/SSIC revenue requirement for the current review period plus updates to previously approved WSIC/SSIC revenue requirements which became effective on January 1, 2015, July 1, 2015, January 1, 2016, and July 1, 2016. The updates include a roll forward of accumulated depreciation and accumulated deferred income taxes, a reduction in the state corporate income tax rate from 4% to 3%, an increase in the public utility regulatory fee from 0.148% to 0.14%, and an update of the projected (non WSIC/SSIC) annual service revenue amounts from a 2016 projection to a 2017 projection.

8. Aqua is proposing the above increases in the WSIC and SSIC in order to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from April 1, 2016, through September 30, 2016:

| | |
|--|--------------------|
| Replace valves | \$ 240,436 |
| Water main extensions | 199,816 |
| Water main replacement | 1,331,595 |
| Treatment for secondary drinking water standards | <u>2,770,907</u> |
| Total WSIC plant additions | <u>\$4,542,754</u> |
| | |
| Replace lift station pumps | \$ 127,823 |
| Replace blowers and motors | 115,863 |
| Inflow & infiltration improvements | 381,603 |
| Air compressor | <u>32,383</u> |
| Total SSIC plant additions | <u>\$ 657,672</u> |

9. Under G.S. 62-133.12(c), eligible water system improvements include equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards. During the six months ended September 30, 2016, Aqua installed eight iron and manganese filtration projects in the following subdivisions at a total cost of \$2,770,907:

| | |
|-------------------|-------------|
| Bloomfield | Wells 1 & 3 |
| Crescent Ridge | Wells 5 & 6 |
| Springdale | Wells 1 & 2 |
| Springfield North | Wells 2 & 3 |
| Shiloh | Well 1 |
| Waterfall | Well 5 |
| West Oaks | Well 1 |
| Highland Trails | Well 1 |

The Commission authorized the implementation of these filtration projects in its Orders Approving Secondary Water Quality Improvement Projects issued on December 22, 2014, May 21, 2015, and August 20, 2015, in this docket.

10. Pursuant to G.S. 62-133.12(g), the cumulative WSIC and SSIC percentages are capped at 5% of the total annual service revenues approved by the Commission in the Sub 363 Rate Case. The cumulative WSIC and SSIC revenue requirements under Aqua's proposal do not exceed the caps.

11. As stated by the Commission in its order adopting Rules R7-39 and R10-26, issued on June 6, 2014, in Docket No. W-100, Sub 54, the Public Staff is to review all infrastructure improvements proposed for recovery for eligibility and reasonableness prior to making its recommendation to the Commission on WSIC or SSIC rate adjustments. Furthermore, any WSIC or SSIC rate adjustments will be allowed to become effective, but not unconditionally approved. These adjustments shall be further examined for a determination of their justness and reasonableness in the Company's next general rate case. At that time, the adjustments may be rescinded retroactively if the Commission determines that the adjustments were not prudent, just and/or reasonable.

12. Based on the Public Staff's investigation to date, the WSIC and SSIC projects included in Aqua's request are eligible water and sewer system improvements as defined in G.S. 62-133.12(b), (c), and (d).

13. Based on the Public Staff's investigation to date, the Public Staff recommended that the cumulative WSIC and SSIC percentages proposed by Aqua be implemented effective for service rendered on or after January 1, 2017, subject to true-up. The Public Staff will continue to review the justness, prudence, and reasonableness of these improvements during its review of Aqua's future WSIC and SSIC filings and in Aqua's next general rate case.

CONCLUSIONS

Based upon the foregoing, the Commission concludes that Aqua should be allowed to implement its proposed increases in the WSIC and SSIC percentages effective for service rendered on and after January 1, 2017. These WSIC or SSIC rate adjustments, while allowed to become effective, are not unconditionally approved, and will be subject to further examination for justness and reasonableness in the WSIC and SSIC annual review and reconciliation in Aqua's next general rate case.

IT IS, THEREFORE, ORDERED as follows:

1. That Aqua is authorized to implement the proposed Water and Sewer System Improvement Charges set forth in the attached Appendix A-3 to Aqua's Schedule of Rates effective for service rendered on and after January 1, 2017, subject to true-up. The rates contained therein are provisional and subject to review in Aqua's next general rate case.

2. That the attached Appendix A-3 is approved and is deemed filed with the Commission pursuant to G.S. 62-138.

3. That Aqua shall mail to each of its customers with the next regularly scheduled customer billing the Commission approved customer notice.¹

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

Janice H. Fulmore, Deputy Clerk

¹ Three separate customer notices are attached hereto as Attachments A, B, and C, respectively. The separate customer notices are intended to minimize customer confusion. Aqua shall mail the appropriate customer notice to each of its customers with the next regular customer billing.

**AQUA NORTH CAROLINA, INC.
WATER AND SEWER SYSTEM IMPROVEMENT CHARGES**

WATER SYSTEM IMPROVEMENT CHARGE

| | |
|--|---------------------|
| All Aqua NC water systems except as noted below | 4.02% ^{1/} |
| Water systems in Brookwood and LaGrange service areas | 4.65% ^{1/} |
| Water systems in Fairways and Beau Rivage service areas | 2.99% ^{1/} |
| Glennburn, Knollwood, and Wimbleton systems in Gaston County | None ^{2/} |
| Thornton Ridge/Timberlake system in Alamance County | None ^{3/} |
| Clear Meadow system in Mecklenburg County | None ^{3/} |

SEWER SYSTEM IMPROVEMENT CHARGE

| | |
|---|---------------------|
| All Aqua NC sewer systems except as noted below | 2.93% ^{4/} |
| Sewer systems in Fairways and Beau Rivage service areas | 1.37% ^{4/} |

^{1/} The Water System Improvement Charge will be applied to the total water utility bill of each customer under the Company’s applicable rates and charges.

^{2/} These water systems, which were acquired from Wayne M. Honeycutt in Docket No. W-218, Sub 385, are not included under Aqua’s uniform rates and improvements made in these systems are not eligible for Water System Improvement Charge recovery.

^{3/} These water systems were acquired by Aqua subsequent to Aqua’s last general rate case and are not included in Aqua’s uniform rates.

^{4/} The Sewer System Improvement Charge will be applied to the total sewer utility bill of each customer under the Company’s applicable rates and charges.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 363A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc., 202)
MacKenan Court, Cary, North Carolina 27511, for) NOTICE TO CUSTOMERS IN
Approval of Semi-Annual Adjustments to Water and) BROOKWOOD / LAGRANGE
Sewer System Improvement Charges pursuant to) SERVICE AREAS
G.S. 62-133.12)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated December __, 2016, pursuant to G.S. 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua), to increase the Water System Improvement Charge (WSIC) effective for service rendered on and after January 1, 2017, in Aqua's Brookwood/LaGrange service areas in Cumberland and Hoke Counties, in North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua's request, pursuant to G.S. 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in Aqua's last general rate case. WSIC and SSIC charges for Aqua were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua's rates every January 1 and July 1. On October 31, 2014, Aqua filed for its first semi-annual adjustment to the WSIC and SSIC charges to be effective January 1, 2015.

The Public Staff carefully reviewed Aqua’s stated WSIC improvements, including a review of invoices, materials lists, work orders, employee time sheets, and other accounting records. On December 5, 2016, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s December 19, 2016, Regular Staff Conference (Notice).

Aqua made WSIC eligible infrastructure improvements in the Brookwood/LaGrange service area replacing water distribution mains and service lines in Cliffdale Forest.

Based on the application filed by Aqua and the Public Staff’s Notice and recommendations, the Commission has approved the following increase in the WSIC charge for the Brookwood and LaGrange service areas, effective for service rendered on and after January 1, 2017:

| | Previously Approved WSIC/SSIC Percentage | Net Change To WSIC/SSIC Percentage | Cumulative WSIC/SSIC Percentage |
|------|---|---|---------------------------------------|
| WSIC | 4.07% | 0.58% | 4.65% |

The WSIC percentage of 4.65% will be applied to the water utility bill of each customer under Aqua’s applicable service rates and charges.

The cumulative 4.65% WSIC percentage results in a \$1.41 increase to the monthly average residential bill for a customer using the average of 5,817 gallons per month.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order dated May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement G.S. 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed November 1, 2016, the December 5, 2016 Public Staff Notice, and the December __, 2016 Commission Order in Docket No. W-218, Sub 363A, all of which can be accessed from the Commission’s website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e. for Docket No. key: W-218 Sub 363A).

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ATTACHMENT A
PAGE 3 OF 3

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.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

Janice H. Fulmore, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 363A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc., 202)
MacKenan Court, Cary, North Carolina 27511, for) NOTICE TO CUSTOMERS IN
Approval of Semi-Annual Adjustments to Water) FAIRWAYS AND BEAU RIVAGE
and Sewer System Improvement Charges) SERVICE AREAS
pursuant to G.S. 62-133.12)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated December __, 2016, pursuant to G.S. 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua), to increase the Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) effective for service rendered on and after January 1, 2017, in Aqua’s Fairways and Beau Rivage service areas in New Hanover County, North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua’s request, pursuant to G.S. 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in Aqua’s last general rate case. WSIC and SSIC charges for Aqua were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua’s rates every January 1 and July 1. On October 31, 2014, Aqua filed for its first semi-annual adjustment to the WSIC and SSIC charges to be effective January 1, 2015.

The Public Staff carefully reviewed Aqua’s stated WSIC and SSIC improvements, including a review of invoices, materials lists, work orders, employee time sheets, and other accounting records. On December 5, 2016, the Public Staff filed a Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s December 19, 2016 Regular Staff Conference (Notice).

Based on the application filed by Aqua and the Public Staff’s Notice and recommendations, the Commission has approved the following decreases in the WSIC and SSIC charges for the Fairways and Beau Rivage service areas, effective for service rendered on and after January 1, 2017:

| | Previously Approved WSIC/SSIC Percentage | Net Change To WSIC/SSIC Percentage | Cumulative WSIC/SSIC Percentage |
|------|---|---|---------------------------------------|
| WSIC | 3.09% | -0.10% | 2.99% |
| SSIC | 1.42% | -0.05% | 1.37% |

The WSIC percentage of 2.99% will be applied to the water utility bill of each customer, and the SSIC percentage of 1.37% will be applied to the sewer utility bill of each customer, under Aqua’s applicable service rates and charges.

The 2.99% WSIC percentage results in a \$0.58 increase to the monthly average residential bill for a customer using the average of 7,655 gallons per month. The 2.99% WSIC percentage also will apply to the monthly bills for the customers on water systems where Aqua purchases bulk water.

The cumulative SSIC percentage of 1.37% will be applied to the sewer utility bill of each customer under Aqua’s applicable service rates and charges. The cumulative 1.37% SSIC percentage results in a \$.50 increase to the monthly residential customer flat rate sewer bill.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order dated May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement G.S. 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed November 1, 2016, the December 5, 2016, Public Staff Notice, and the December____, 2016 Commission Order in Docket No. W-218, Sub 363A, all of which can be accessed from

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ATTACHMENT B
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the Commission's website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e. for Docket No. key: W-218 Sub 363A).

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.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

Janice H. Fulmore, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 363A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

| | |
|---|------------------------|
| In the Matter of | |
| Application by Aqua North Carolina, Inc., 202) | NOTICE TO CUSTOMERS |
| MacKenan Court, Cary, North Carolina 27511,) | IN AQUA NORTH CAROLINA |
| for Approval of Semi-Annual Adjustments to) | UNIFORM RATES SERVICE |
| Water and Sewer System Improvement) | AREAS |
| Charges pursuant to G.S. 62-133.12) | |

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated December __, 2016, pursuant to G.S. 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua), to increase the Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) effective for service rendered on and after January 1, 2017, in its service areas in North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua’s request, pursuant to G.S. 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 5% of the total annual service revenues approved by the Commission in Aqua’s last general rate case. WSIC and SSIC for Aqua were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua’s rates every January 1 and July 1. On October 31, 2014, Aqua filed for its first semi-annual adjustment to the WSIC and SSIC charges to be effective January 1, 2015.

The Public Staff carefully reviewed Aqua’s stated WSIC and SSIC improvements, including a review of invoices, materials lists, work orders, employee time sheets, and

other accounting records. On December 5, 2016, the Public Staff filed a Notice of Public Staff's Plan to Present Comments and Recommendations at the Commission's December 19, 2016 Regular Staff Conference (Notice).

Aqua made WSIC eligible infrastructure improvements replacing and extending water lines, replacement of valves, and installing filters for the treatment of iron and manganese which have secondary drinking water standards.

Aqua made SSIC eligible infrastructure improvements to replace motors and/or blower equipment at wastewater treatment plants, replaced pumping equipment at lift stations and wastewater treatment plants, and improvements to reduce and eliminate the inflow and infiltration of rainwater into sewer collection systems.

Based on the application filed by Aqua and the Public Staff's Notice and recommendations, the Commission has approved the following increases in the WSIC and SSIC charges, effective for service rendered on and after January 1, 2017:

| | <u>Previously Approved WSIC/SSIC Percentage</u> | <u>Net Change To WSIC/SSIC Percentage</u> | <u>Cumulative WSIC/SSIC Percentage</u> |
|------|---|---|--|
| WSIC | 2.51% | 1.51% | 4.02% |
| SSIC | 2.53% | 0.40% | 2.93% |

The WSIC percentage of 4.02% will be applied to the water utility bill of each customer, and the SSIC percentage of 2.93% will be applied to the sewer utility bill of each customer, under Aqua's applicable service rates and charges.

The cumulative 4.02% WSIC percentage results in a \$1.85 increase to the monthly average residential bill for a customer using the average of 5,170 gallons per month. The cumulative 4.02% WSIC percentage also will apply to the monthly bills for the customers on water systems where Aqua purchases bulk water.

The cumulative 2.93% SSIC percentage results in a \$1.91 increase to the monthly residential flat rate sewer bill. The cumulative 2.93% SSIC percentage will also apply to the monthly metered bills for customers on sewer systems where Aqua purchases bulk sewer treatment.

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ATTACHMENT C
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Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order dated May 2, 2014, in Docket No. W-218, Sub 363, the Commission's Order Adopting Rules to Implement G.S. 62-133.12, dated June 6, 2014, in Docket No. W-100, Sub 54, the Aqua NC WSIC/SSIC Application filed November 1, 2016, the December 5, 2016, Public Staff Notice, and the December ___, 2016 Commission Order in Docket No. W-218, Sub 363A, all of which can be accessed from the Commission's website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e. for Docket No. key: W-218 Sub 363A).

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.

ISSUED BY ORDER OF THE COMMISSION.

This the ___ day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION

Janice H. Fulmore, Deputy Clerk