

## Attachment 1

### Modified Revenue Manual Language

#### Water and Sewer System Development Fees

North Carolina General Statute 162A Article 8 provides for the uniform authority to implement system development fees for public water and sewer systems in North Carolina. System development fees are one-time fees paid at the time of application for a new service to recover a portion of the capital costs associated with providing the capacity to serve the new customer coming on-line. System development fees are levied for all new water and sewer connections, regardless of whether they are installed as a part of a donated developer project or otherwise and regardless of the process used to construct or fund them.

CLTWater's system development fees are calculated using the Capacity Buy-In Method which requires new customers to buy into existing backbone facilities – plants, pump stations, supply reservoirs, large collection and distribution facilities – generally at a rate that reflects the prior investment of existing customers per unit of total capacity. As described below, CLTWater's water and sewer system development fees increase proportionally with the water meter size requested by the customer since larger meters consume a greater share of built capacity. The following steps were completed to calculate the fees under the Capacity Buy-In Method:

1. The replacement value of existing system facilities was calculated and adjustments were made to derive a net replacement value estimate in accordance with 162 A Article 8. Adjustments to the calculated replacement value included deducting accumulated depreciation, developer contributions, and a portion of outstanding debt.
2. The unit cost of system capacity was estimated by dividing the net replacement value of existing system facilities by the current capacity of the system.
3. The amount of capacity associated with a service unit of new development was estimated. One equivalent residential unit ("ERU") was defined as the smallest service unit of new development.
4. The system development fee for one service unit of development was calculated by multiplying the cost per unit of system capacity by the capacity associated with one ERU, as defined below.
5. The calculated system development fee for one ERU was scaled for different categories of demand. Meter capacity ratios were used to scale system development fees from a base meter size from the smallest unit of new development (one ERU) to different categories of demand, defined by different customer meter sizes.

#### Fire Line Capacity Fees

Fire Line Capacity Fees are calculated using the Capacity Buy-In Method for a 5/8-inch water meter multiplied by the meter manufacturer's flow data divided by 2 to account for the 50% return flow change concept.

After installation, if an upgrade is requested the original capacity fee is refunded once the new capacity fee is paid.