



STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION
P.O. BOX 304260
MONTGOMERY, ALABAMA 36130-4260

CYNTHIA LEE ALMOND, PRESIDENT
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**ALABAMA WATER UTILITIES, INC., AND SHELBY
RIDGE UTILITY SYSTEMS LLC,**

Petitioners,

**OFFICE OF THE ATTORNEY GENERAL OF
ALABAMA,**

Intervenor.

**PETITION: FOR ISSUANCE OF CERTIFICATE
OF PUBLIC CONVENIENCE AND NECESSITY
AND APPROVAL OF INITIAL TARIFFS**

DOCKET 33525

ORDER

Before the Commission is the Petition of Alabama Water Utilities, Inc. ("AWU") and Shelby Ridge Utility Systems, LLC ("Shelby Ridge") (together, "Petitioners") for the issuance of a Certificate of Public Convenience and Necessity ("CPCN") and approval of interim rates and charges applicable to certain wastewater systems brought under Commission jurisdiction.

I. JURISDICTION

The Commission's jurisdiction over Petitioners' Shelby County wastewater systems arises from the ratification of Act 2021-199, now codified at *Ala. Const.* § 58-11.21 (the "Shelby County Amendment"), which states that such systems "shall be certified and regulated by the Public Service Commission, which regulation shall include, but not be limited to, regulation of the rates, charges, and increases in rates or charges imposed on its customers." The Shelby County Amendment further requires the Commission "shall certify and regulate the entities, plants, facilities, and utilities affected hereby, based on and in accordance with Title 37, Code of Alabama 1975, as amended," without specifying which chapters of Title 37 apply.

The timing of the Commission's regulatory jurisdiction was left to the Commission's discretion. ("Implementation of this amendment, whether gradual or at one time, shall be determined by the Public Service Commission." *Ala. Const.* § 58-11.21(b)). Pending the Commission's approval of new rates, the amendment provides that the "rates and charges shall be in accord with and governed by the most recent and controlling rate control agreement or in the event there is not a controlling rate control agreement, that utility's most recent published rate." *Id.*

The Commission's jurisdiction over the affiliated wastewater systems arises from *Ala. Code* § 37-4-160 et seq., which authorizes certain wastewater systems under common ownership or control with a regulated utility to elect Commission jurisdiction by filing a written notice of election. *Ala. Code* § 37-4-161(a). The statute contemplates coordinated regulatory treatment of affiliated systems, providing that such systems may be considered together with the electing utility for ratemaking and regulatory purposes. See *Ala. Code* § 37-4-161(d). Pending Commission regulatory implementation, "[a]n affiliated system making an election under this section shall continue to charge the rates in effect at the time of election, and which rates shall continue in force and effect until the rates established by the Public Service Commission are finalized and effective." *Ala. Code* § 37-4-161(c).

Consistent with these provisions, AWU filed a Notice of Election on March 2, 2026, electing Commission jurisdiction for its affiliated wastewater systems, which are addressed in this proceeding in conjunction with AWU's existing regulated operations.

The Commission's jurisdiction over certain additional systems operated by AWU arises under the Wastewater Management Entity ("WME") statute, codified at *Ala. Code* § 22-25B-1 et seq., pursuant to which the Commission is authorized to regulate entities providing wastewater service under certificates of operating authority. See *Ala. Code* §§ 22-25B-3, -5. AWU operates certain systems that were originally certificated and regulated as WMEs under that statutory framework and were subject to orders and rate approvals issued by the Commission to Community Utilities of Alabama, Inc. ("CUA"). Those systems are now operated by AWU as the successor entity following the merger of CUA into AWU, which the Commission approved by order dated May 14, 2025 (the "Merger Order") in Docket No. 32533. As part of that merger, the Commission authorized the continuation of existing tariffs and regulatory treatment for the former CUA systems under AWU, and those systems remain subject to separate tariff treatment in this proceeding.

AWU has proposed a consolidated tariff harmonizing various terms and conditions for the CUA and AWU systems, which will be addressed in subsequent proceedings.

II. PROCEDURAL HISTORY

As a prelude to formal proceedings, in mid-2023, the Commission, through its staff, made preliminary information requests to AWU regarding its wastewater operations in Shelby County and the eventual implementation of Commission jurisdiction pursuant to *Ala. Const.* § 58-11.21.

On December 23, 2024, Petitioners filed their Petition for a CPCN and approval of initial tariffs initiating this proceeding. On January 14, 2025, the Attorney General of Alabama filed a Notice of Intervention in this proceeding.

On January 2, 2025, Petitioners filed a petition with the Commission seeking approval of the merger of CUA into AWU. Consideration of the CPCN petition was deferred pending disposition of that merger proceeding. Following notice and hearing, the Commission approved the merger on May 14, 2025 (Docket Number 32533), and the merger was consummated on October 1, 2025.

As contemplated in the Merger Order, a workshop was held on August 12, 2025, to address issues associated with the operation of the merged entity, including potential harmonization of terms and conditions among systems operating under different statutory frameworks. Representatives of the Commission, the Attorney General, and the Petitioners participated.

On January 21, 2026, AWU, in response to the workshop discussions, filed a proposed Regulatory Plan addressing coordinated regulatory treatment, accounting, and operations for its regulated utility operations.

On January 22, 2026, the Commission's Administrative Law Judge ("ALJ") issued a Procedural Ruling establishing initial procedures and setting this matter for hearing. On February 25, 2026, the ALJ conducted a prehearing conference, at which the parties addressed the anticipated scope of the proceeding. At that conference, it was clarified that the March 10, 2026 hearing would be limited in scope to the issuance of a CPCN and the recognition of interim rates, with issues relating to final rates, rate base, and other ratemaking matters deferred to subsequent proceedings.

On March 2, 2026, AWU filed a Notice of Election pursuant to *Ala. Code* § 37-4-161, electing Commission jurisdiction for affiliated wastewater systems, including the Brookwood, Morris, Weatherly, and Copeland Island

systems, and requesting that such election be addressed at the March 10, 2026 hearing. On the same date, Petitioners filed a Hearing Memorandum addressing the Commission's authority to issue a CPCN covering systems operated as part of an integrated enterprise.

On March 6, 2026, the ALJ issued a further procedural ruling confirming that the election filing and certificate structure issues would be addressed at the March 10, 2026 hearing.

The hearing was held on March 10, 2026, at which Petitioners, the Office of the Attorney General, and Commission Staff appeared and participated.

III. SUMMARY OF HEARING TESTIMONY

At the March 10, 2026 hearing, Petitioners presented testimony from Guy Locker, Andrew Dickson, and Mujeeb Hafeez.

Mr. Locker, P.E., President of AWU and Shelby Ridge, testified regarding the Company's organization, operations, acquisition history, staffing, and regulatory compliance. Mr. Locker is a licensed professional engineer with extensive experience in the water and wastewater utility industry, including system design, construction, and operations. He testified that AWU has acquired and operated multiple wastewater systems over time and employs certified operators and technical personnel necessary to ensure compliance with applicable environmental and operational requirements. He further testified that AWU operates its wastewater systems as an integrated enterprise under common ownership and control, with centralized management, compliance, and operational oversight.

Mr. Dickson, Vice President of Finance at Nexus, testified regarding the Company's financial condition, access to capital, and financial reporting. Mr. Dickson holds advanced academic training in economics and has experience in utility finance, accounting, and regulatory reporting. He testified that AWU benefits from consolidated financial management and access to capital through its parent organization, and that the Company has the financial capability to support ongoing operations, maintenance, and capital improvements for its wastewater systems.

Mr. Hafeez, Vice President of Corporate FP&A at Nexus Water Group, testified regarding the enterprise-level resources available to AWU through its parent organization. Nexus Water Group is a large, multi-state water and wastewater utility provider serving hundreds of thousands of customers across multiple jurisdictions, with substantial operational, engineering, and financial resources. He described the operational, engineering, compliance, and financial

support provided by Nexus Water Group, including centralized engineering, environmental compliance programs, information technology systems, and capital planning functions. He testified that these resources provide AWU with access to technical expertise and financial capacity necessary to support reliable service and regulatory compliance, ongoing system maintenance and improvements, and access to capital and technical expertise not typically available to smaller standalone systems.

The witnesses also testified regarding the development of the rate structures applicable to the systems brought under Commission jurisdiction. Consistent with the Shelby County Amendment, the existing rates identified in Petitioners' December 23, 2024 filing have remained in effect pending further Commission order, and the rates of the affiliated systems as of the March 2, 2026 Notice of Election will remain in effect until further order as required by *Ala. Code* § 37-4-161(c).

IV. ANALYSIS AND FINDINGS

The Commission has jurisdiction over the Shelby County wastewater systems pursuant to *Ala. Const.* § 58-11.21 and over affiliated systems pursuant to *Ala. Code* § 37-4-161.

Petitioners have demonstrated they possess the financial, managerial, and technical capability required for the issuance of certificates of public convenience and necessity and operation of the wastewater systems. The evidence further demonstrates that the subject systems are operated in connection with and as part of a general system under common ownership and control within the meaning of *Ala. Code* § 37-4-25, with shared management, operational, and financial resources. The Commission further finds that coordinated consideration of such systems is appropriate for regulatory purposes, subject to further proceedings.

This proceeding does not address AWU's service rates. This Order recognizes that AWU may continue to charge its current rates in accordance with *Ala. Const.* § 58-11.21(b); *Ala. Code* § 37-4-161(c); and the Merger Order in Docket No. 32533. However, this Order is not intended to determine the appropriate rate base, rate of return, or final rate design applicable to the subject systems, all of which are reserved for a subsequent proceeding, which should be initiated as soon as possible. If AWU does not initiate a rate proceeding by June 1, 2026, the Commission intends to open its own investigation into rates.

V. ORDERING PARAGRAPHS

IT IS THEREFORE ORDERED that Alabama Water Utilities, Inc. is hereby granted a Certificate of Public Convenience and Necessity authorizing the operation of the Shelby County wastewater systems identified in the December 23, 2024 Petition filed in this cause, including facilities operated through its subsidiary, Shelby Ridge Utility Systems, LLC, and those affiliated systems for which a March 2, 2026 Notice of Election was filed under *Ala. Code* § 37-4-161(a).

IT IS FURTHER ORDERED that the Commission recognizes, as initial interim rates and charges, the existing rates applicable to the Shelby County systems and the affiliated systems subject to the March 2, 2026 Notice of Election.

IT IS FURTHER ORDERED that Alabama Water Utilities, Inc. shall file, in this docket, a tariff reflecting such interim rates and charges, within 15 days of the effective date of this order, and those rates and charges shall remain in effect pending further order of the Commission.

IT IS FURTHER ORDERED that if Alabama Water Utilities, Inc. fails to initiate a general rate proceeding on or before June 1, 2026, the Commission will initiate such proceeding on its own motion.

IT IS FURTHER ORDERED that AWU may, in conjunction with or separate from, its general rate proceeding, seek formal approval of a consolidated tariff as described in this docket.

IT IS FURTHER ORDERED that jurisdiction in this cause is hereby retained for the issuance of any further order or orders as this Commission may find just and reasonable in the premises.

IT IS FURTHER ORDERED that this Order shall be effective as of the date hereof.

DONE at Montgomery, Alabama, this 6th day of May, 2026.

ALABAMA PUBLIC SERVICE COMMISSION



Cynthia Lee Almond, President




Jeremy H. Oden, Commissioner



Chris V. Beeker III, Commissioner

ATTEST: A True Copy


Devon D. Beaty, Secretary