

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-549, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application by John W. Gensinger, Post)	ORDER GRANTING PARTIAL
Office Box 303, Raleigh, North Carolina)	RATE INCREASE AND
27602, for Authority to Increase Rates for)	REQUIRING CUSTOMER
Water Utility Service in Pineview Estates)	NOTICE
Subdivision in Wake County, North)	
Carolina)	

BY THE COMMISSION: On May 10, 2017, John W. Gensinger d/b/a Pineview Water System (Applicant) filed an application with the Commission seeking authority to increase his rates for water utility service in Pineview Estates Subdivision, a mobile home park in Wake County, North Carolina. The Applicant serves approximately 33 flat rate residential customers. The Applicant's last general rate increase was approved by Order issued March 1, 1999, in Docket No. W-549, Sub 8. The present water rates have been in effect since January 1, 2017, pursuant to the Commission's Order issued on December 7, 2016, in Docket Nos. W-549, Sub 9 and M-100, Sub 138, to revise rates to implement tax law changes enacted by the North Carolina General Assembly in House Bill 998.

On June 6, 2017, the Commission issued an Order that declared the matter to be a general rate case, suspended the proposed rates for up to 270 days pursuant to G.S. 62-134, scheduled a hearing for October 10, 2017, in Raleigh, North Carolina, and required customer notice. The Order provided that the hearing could be canceled if no significant protests were received subsequent to public notice.

On August 30, 2017, the Applicant filed his certificate of service indicating that customer notice had been given as required by the June 6, 2017 Order. No customers submitted letters or emails protesting the Applicant's proposed rates.

On September 18, 2017, the Public Staff filed with the Commission an email received from the Applicant, in which he expressed his agreement to the revised rates proposed by the Public Staff. On that same date, the Public Staff filed a motion to cancel the hearing scheduled for October 10, 2017. The Applicant did not oppose the Public Staff's motion.

On September 20, 2017, the Public Staff filed the affidavits and exhibits of Iris Morgan, Accountant, Water Section, Accounting Division (Accountant Morgan) and Karen E. Proffitt, Utilities Engineer, Water and Sewer Division (Engineer Proffitt), and the

affidavit of Calvin C. Craig, III, Financial Analyst, Economic Research Division (Analyst Craig).

On September 22, 2017, the Commission issued an Order Canceling Hearing and Requiring Customer Notice. On September 28, 2017, the Applicant filed his certificate of service indicating that the customers had been notified that the hearing previously scheduled on October 10, 2017, in Raleigh, North Carolina had been canceled.

On October 3, 2017, the Public Staff filed a Motion for Order Granting Partial Rate Increase and Requiring Customer Notice. A Proposed Order, attached as Exhibit A, was provided with the Public Staff's motion.

On October 17, 2017, the Public Staff filed a letter with the Commission requesting to correct the billing frequency stated in both Appendix A, the Schedule of Rates and Appendix B, the Notice to Customers of New Rates included in the Public Staff's October 3, 2017 filing to read as follows: "Billing Frequency: Shall be monthly for service in advance." The Public Staff requested that the corrected versions of the two appendices be substituted for the two appendices filed on October 3, 2017.

Based upon the foregoing, the verified application, the evidence and exhibits filed by the Public Staff, and the entire record in this proceeding, the Commission makes the following

FINDINGS OF FACT

1. The Applicant holds a franchise to provide water utility service to approximately 33 flat rate residential customers in Pineview Estates Subdivision in Wake County, North Carolina. The Applicant is properly before the Commission seeking an increase in his rates and charges for water utility service.

2. The test year established for use in this proceeding is the 12-month period ended December 31, 2016.

3. The Applicant's present and proposed rates are as follows:

<u>Water Utility Service:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Monthly Rate:</u>		
Residential Service, flat rate	\$ 21.52	\$ 46.96
<u>Other Charges:</u>		
Reconnect, Cut-off for Cause	\$ 14.35	\$ 25.00
Reconnect, Cut-off Requested	\$ 14.35	\$ 25.00

4. The water system serving Pineview Estates Subdivision consists of two active wells with one entry point, one well house, a 1,000-gallon hydropneumatic storage tank, chlorination equipment, and other appurtenances.

5. The Public Staff has received no protest letters, emails, or telephone calls in this matter.

6. The Applicant is providing adequate service to his customers.

7. The original cost rate base for use in this proceeding is \$23,684, consisting of utility plant in service of \$39,215, less accumulated depreciation of \$17,033, plus cash working capital of \$1,660, less average tax accruals of \$158.

8. The Applicant's total annual operating revenues under present rates are \$8,841, and under proposed rates are \$19,144. Total annual operating revenues include \$125 in miscellaneous revenues.

9. The Applicant requested an increase in rates that would produce \$10,303 in additional service revenues, an increase of 118% over present annual service revenues.

10. The total rate case costs for this proceeding are \$145. These costs should be amortized over three years, resulting in annual rate case expense of \$48.

11. The appropriate level of operations and maintenance expenses for use in this proceeding is \$13,282.

12. The appropriate level of depreciation expense for use in this proceeding is \$823.

13. The appropriate level of other taxes for use in this proceeding is \$638.

14. It is reasonable and appropriate to calculate regulatory fees using the statutory rate of 0.14%.

15. It is reasonable and appropriate to calculate income taxes based upon the statutory rates for the level of income found reasonable in this proceeding, which includes a State corporate income tax rate of 3%.

16. The Applicant's request to increase his reconnection charges (both for cause and upon the customer's request) from \$14.35 to \$25.00 is reasonable and should be approved.

17. The reasonable level of operating revenue deductions requiring a return (excluding regulatory fee and income taxes) is \$14,743.

18. The rate base method is the appropriate method to be used in this proceeding for determining fair and reasonable rates for water service as allowed by G.S. 62-133.

19. An overall return on rate base of 7.50% is just and reasonable for use in this proceeding.

20. The total annual revenues necessary to allow the Applicant the opportunity to earn the 7.50% return found just and reasonable are \$16,683 in service revenues, plus \$125 in miscellaneous revenues, for a total of \$16,808. This represents an increase of \$7,967 over existing rates.

21. The Public Staff recommended a monthly flat rate of \$41.20 and supported the Applicant's proposed increase in reconnection charges (both for cause and upon the customer's request) from \$14.35 to \$25.00.

22. The Applicant has agreed to the monthly flat rate of \$41.20 recommended by the Public Staff.

23. The monthly flat rate of \$41.20 for water utility service recommended by the Public Staff and accepted by the Applicant is just and reasonable and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1 THROUGH 3

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, and the affidavits of Accountant Morgan and Engineer Proffitt. These findings are primarily jurisdictional and informational and are uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4 THROUGH 6

The evidence supporting these findings of fact is contained in the affidavit of Engineer Proffitt and in the Commission's records and is uncontested.

On September 5, 2017, Engineer Proffitt inspected the water system serving Pineview Estates Subdivision with Mr. John Gensinger and Public Staff Utilities Engineer Lindsay Quant. Engineer Proffitt described the water system as consisting of two active wells with one entry point, one well house, a 1,000-gallon hydropneumatic storage tank, chlorination equipment, and other appurtenances. She observed that the treatment and distribution facilities appeared to be in good condition and operating properly. Furthermore, she discussed the status of the water system with Mr. Greg Vital of the North Carolina Division of Environmental Quality (DEQ). Mr. Vital indicated that there are no current regulatory issues with the water system.

Engineer Proffitt testified that, based upon the Public Staff's investigation, the information provided by the Applicant and DEQ, and the absence of any customer complaints, the Public Staff concludes that the Applicant is providing adequate service to

his customers. Therefore, the Commission finds and concludes that the quality of water utility service provided by the Applicant to his customers is adequate.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding of fact is contained in the Commission's records, the verified application, in the affidavit of Engineer Proffitt, and in the affidavit and exhibit of Accountant Morgan.

The adjustments made by the Public Staff to the original cost rate base included adjustments to plant in service, cash working capital, accumulated depreciation, and average tax accruals.

Engineer Proffitt reviewed the Applicant's additions to plant in service since the last rate case and recommended to Accountant Morgan that the 1,000-gallon hydropneumatic tank expense of \$18,935 incurred during the test year be allowed, with depreciation over a 25-year period. Further, Engineer Proffitt reclassified the \$610 cost to replace the submersible well pump located at Well #3 from maintenance and repairs expense to plant in service, with depreciation over a seven-year period. These adjustments resulted in an increase of \$18,182 to original cost rate base, after deducting accumulated depreciation of \$823.

On September 18, 2017, the Public Staff filed with the Commission an email received from the Applicant, in which he expressed his agreement with the Public Staff's recommended monthly flat rate for water service in Pineview Estates Subdivision. Consequently, the Applicant accepts the Public Staff's adjustments to original cost rate base. Based upon the foregoing, the Commission finds and concludes that the appropriate level of original cost rate base for use in this proceeding is \$23,684.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8 AND 9

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, the affidavit of Engineer Proffitt, and the affidavit and exhibit of Accountant Morgan and is uncontested.

Engineer Proffitt calculated annual water service revenues of \$8,716 under the currently approved rates and \$19,019 under the Applicant's proposed rates. The Applicant did not contest the Public Staff's calculations of water service revenues.

Based upon the foregoing, the Commission finds and concludes that the appropriate levels of annual service revenue at present and proposed rates for use in this proceeding are \$8,716, and \$19,019, respectively.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10 AND 11

The evidence supporting these findings of fact is contained in the Commission's records, the affidavit and exhibit of Engineer Proffitt, and the affidavit and exhibit of

Accountant Morgan. The following table summarizes the amounts that the Public Staff recommended for inclusion in determining the proper level of total O&M expenses for use in this proceeding:

<u>Item</u>	<u>Amount</u>
Salaries and wages	\$7,017
Administrative and office	853
Maintenance and repairs	615
Electric power	1,100
Testing	1,168
Chemicals	356
Permit fees and licenses	313
Rate case expense	48
Transportation	1,428
Other expenses	<u>384</u>
Total O&M expenses	<u>\$13,282</u>

The Public Staff made adjustments to the levels of maintenance and repairs, testing, and permit fees and licenses expenses based upon recommendations by Engineer Proffitt. Accountant Morgan stated that the Applicant did not include an amount for rate case expense in his application. Accountant Morgan explained that she calculated an amount of rate case expense for this proceeding based upon the cost of the filing fee and postage costs for mailing notices to customers. Accountant Morgan recommended that the total rate case costs of \$145 be amortized over three years resulting in annual rate case expense of \$48.

The Applicant did not contest the Public Staff's adjustments to his O&M expenses. Furthermore, on September 18, 2017, the Public Staff filed with the Commission an email received from the Applicant, in which he expressed his agreement with the Public Staff's recommended monthly flat rate for water service in Pineview Estates Subdivision.

Based upon the foregoing, the Commission finds and concludes that the appropriate level of O&M expenses for use in this proceeding is \$13,282.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12 THROUGH 15

The evidence supporting these findings of fact is contained in the Commission's records, the affidavit of Engineer Proffitt, and the affidavit and exhibit of Accountant Morgan. The following table summarizes the amounts that the Public Staff recommended for inclusion in determining the proper level of total ongoing depreciation expense and taxes for use in this proceeding:

<u>Item</u>	<u>Amount</u>
Depreciation expense	\$ 823
Property taxes	101
Regulatory fees	537
Gross receipts taxes	0
State income taxes	45
Federal income taxes	<u>219</u>
Total depreciation and taxes	<u>\$ 1,725</u>

The Public Staff made adjustments to the levels of depreciation expense, regulatory fees, other taxes, and state and federal income taxes. The Applicant did not contest the Public Staff's adjustments to depreciation expense and taxes. Furthermore, on September 18, 2017, the Public Staff filed with the Commission an email received from the Applicant, in which he expressed his agreement with the Public Staff's recommended monthly flat rate for water service in Pineview Estates Subdivision.

Based upon the foregoing, the Commission finds and concludes that the appropriate level of depreciation expense and taxes for use in this proceeding is \$1,725.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence supporting this finding of fact is contained in the Commission's records, the verified application, and the affidavit of Engineer Proffitt and is uncontested.

In his application, the Applicant requested approval to increase the reconnection charge (both for cause and upon the customer's request) from \$14.35 to \$25.00. Engineer Proffitt reviewed an estimate of the Applicant's expenses associated with the reconnection of water service and found the proposed reconnection fee amount to be fair and reasonable. Engineer Proffitt recommended approval of the Applicant's proposed reconnection charge.

Therefore, the Commission finds and concludes that the Applicant's request to increase his reconnection charge from \$14.35 to \$25.00, is just and reasonable and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 17 THROUGH 23

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, the affidavit and exhibit of Engineer Proffitt, the affidavit and exhibit of Accountant Morgan, and the affidavit of Analyst Craig.

Accountant Morgan testified that based upon her investigation, the Applicant's original cost rate base at December 31, 2016, is \$23,684 and the level of operating revenue deductions requiring a return under the operating ratio method (total operating expenses excluding regulatory fees and income taxes) is \$14,743. Accountant Morgan stated that pursuant to G.S. 62-133, she used the rate base method to evaluate the Applicant's proposed revenue requirement. Further, Accountant Morgan stated that using

the overall rate of return on rate base of 7.50% recommended by Analyst Craig, she calculated the gross annual revenue requirement recommended by the Public Staff to be \$16,808, of which \$16,683 is service revenues.

Analyst Craig testified that his estimate of the risk-free rate is 4.50%, which when combined with the 3.0 percentage point risk factor produces the 7.50% margin. He recommended that the rate base method, as set forth in G.S. 62-133, be used to evaluate the Applicant's proposed rate increase. Further, Analyst Craig maintained that the overall rate of return of 7.50% should be used in conjunction with a reasonable capital structure consisting of 50% debt and 50% common equity. Analyst Craig recommended that the Commission approve a 7.50% margin on rate base for John W. Gensinger.

Engineer Proffitt commented that the rates requested by the Applicant are in excess of the revenue requirement as calculated by Accountant Morgan. She testified that the Public Staff's proposed revenue requirement for annual service revenues is \$16,683. Engineer Proffitt calculated a monthly flat rate of \$41.20 for water utility service based upon the Public Staff's recommended annual revenue requirement and the number of test year billings.

On September 18, 2017, the Public Staff filed with the Commission an email received from the Applicant, in which he expressed his agreement with the Public Staff's recommended monthly flat rate of \$41.20 for water service in Pineview Estates Subdivision.

Based upon the foregoing, the Commission finds and concludes that the rate base method is the appropriate method for determining the Applicant's revenue requirement and that the monthly flat rate of \$41.20 for water utility service recommended by the Public Staff and agreed to by the Applicant is just and reasonable and should be approved. Consequently, the Commission finds and concludes that John W. Gensinger should be allowed to increase his rates and charges so as to produce total annual operating revenues of \$16,808, comprised of \$16,683 in service revenues and \$125 in other revenues.

IT IS, THEREFORE, ORDERED as follows:

1. That the affidavits and exhibits of Public Staff witnesses Iris Morgan, Accountant, Water Section, Staff Accounting Division and Karen E. Proffitt, Utilities Engineer, Water and Sewer Division and the affidavit of Calvin C. Craig III, Financial Analyst, Economic Research Division filed by the Public Staff on September 20, 2017, in this docket are hereby received as evidence in this proceeding.

2. That the Applicant is authorized to increase his rates for water utility service, in Pineview Estates Subdivision in Wake County, North Carolina.

3. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed to be filed with the Commission pursuant to G.S. 62-138. These rates shall be effective for service rendered on and after the date of this Order.

4. That a copy of the Notice to Customers of New Rates, attached hereto as Appendix B, shall be mailed with sufficient postage or hand delivered to all customers of the Applicant within 30 days of the date of this Order; and that the Applicant shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 45 days after the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of October, 2017.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script, reading "Linnetta Threath".

Linnetta Threath, Acting Deputy Clerk

SCHEDULE OF RATES

for

JOHN W. GENSINGER

for providing water utility service in

PINEVIEW ESTATES SUBDIVISION

Wake County, North Carolina

Monthly Flat Water Rate: \$ 41.20

Connection Charge: None

Reconnection Charges:

If water service cut off by utility for good cause \$ 25.00

If water service discontinued at customer's request \$ 25.00

Returned Check Charge: \$ 14.35

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency: Shall be monthly for service in advance

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

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by John W. Gensinger, Post)
Office Box 303, Raleigh, North Carolina)
27602, for Authority to Increase Rates) NOTICE TO CUSTOMERS
for Water Utility Service in Pineview) OF NEW RATES
Estates Subdivision in Wake County,)
North Carolina)

BY THE COMMISSION: Notice is given that the North Carolina Utilities Commission has granted a rate increase to John W. Gensinger d/b/a Pineview Water System (Applicant) for water utility service provided in Pineview Estates Subdivision in Wake County, North Carolina.

The Commission's decision followed customer notice and investigation by the Public Staff – North Carolina Utilities Commission (Public Staff). The Commission issued an Order on June 6, 2017, requiring the Applicant to provide customer notice stating that the matter may be determined without public hearing if no significant protests were received subsequent to customer notice. No customer protests were received. On September 22, 2017, the Commission ordered that the hearing be canceled due to the lack of protests received and the fact that the Public Staff had reached agreement with the Applicant as to the appropriate rates to be charged.

The new rates for water utility service are as follows and are effective for service rendered on and after the date of this Notice.

Monthly Flat Water Rate: \$41.20

Connection Charge: None

Reconnection Charges:

If water service is cut off by utility for good cause \$25.00
If water service discontinued at customer's request \$25.00

Returned Check Charge: \$14.35

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be monthly for service in advance
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

ISSUED BY ORDER OF THE COMMISSION.

This the 19th day of October, 2017.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script, appearing to read "Linnetta Threatt".

Linnetta Threatt, Acting Deputy Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-549, Sub 10, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2017.

By: _____
Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket No. W-549, Sub 10.

Witness my hand and notarial seal, this the ____ day of _____, 2017.

Notary Public

Address

(SEAL) My Commission Expires: _____
Date