

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1324, SUB 0  
DOCKET NO. W-406, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	)	
Application by Royal Oaks, Inc. and Springdale	)	
Golf Partners, LLC, 200 Golfwatch Road,	)	
Canton, North Carolina 28716, for Authority to	)	AFFIDAVIT OF
Transfer a Public Utility Franchise and Increase	)	CALVIN C. CRAIG, III
Rates for Water and Sewer Utility Service in	)	
Springdale Estates Subdivision and Springdale	)	
Country Club in Haywood County, North	)	
Carolina	)	

State of North Carolina

County of Wake

I, Calvin C. Craig, III, being first duly sworn do depose and say:

I am a Public Utilities Financial Analyst with the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a BS degree in Industrial Relations from the University of North Carolina at Chapel Hill in 1985, an MBA degree from East Carolina University in 1993, and a Juris Doctor degree from North Carolina Central University in 2006. Since joining the Public Staff in November 1995, I have been involved with natural gas expansion projects, have conducted rate of return studies, and have filed affidavits assessing financial viability and a fair rate of return in numerous water utility rate cases.

The purpose of my affidavit is to make a recommendation to the Commission regarding a fair rate of return to be employed as a basis for determining the appropriate revenue requirements for Springdale Golf Partners, LLC, d/b/a Springdale Water and Sewer, LLC (Springdale), to provide water and sewer utility service in Springdale Estates Subdivision and Springdale Country Club in Haywood County, North Carolina.

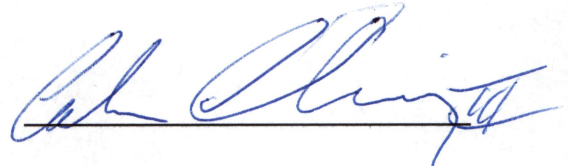
For the water utility service, I recommend that Springdale be granted a 7.50% margin on expenses, which relates to an operating ratio of 93.17% (including taxes) or 93.02% (excluding taxes). For the sewer utility service, I recommend that Springdale be granted a 7.50% margin on expenses, which relates to an operating ratio of 93.17% (including taxes) or 93.02% (excluding taxes). This recommendation is based upon my investigation of the cost of capital for small water and sewer companies.

As allowed under G.S. § 62-133.1, I have used the operating ratio method to evaluate Springdale's proposed rate increase. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses. As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been

factored into the interest rate on bonds that reflect investor expectations of the future levels of inflation. In my opinion, the recommended operating margin provides an adequate level of income after interest expense.

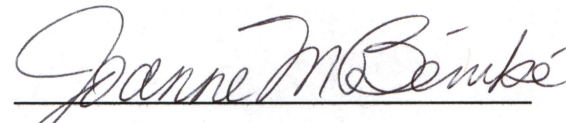
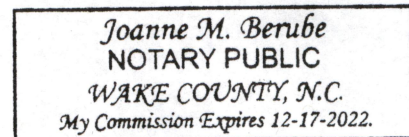
For these reasons, I recommend to the Commission that Springdale be granted a 7.50% margin on expenses. This concludes my affidavit.



Calvin C Craig, III

Sworn to and subscribed before me,

This the 18<sup>th</sup> day of March, 2020.

  
Notary Public

JOANNE M. BERUBE

Printed Name

My Commission expires 12/17/2022