



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

February 21, 2022

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. W-1250 Sub 8, Application by Saxapahaw Utility Company, Post Office Box 128, Saxapahaw, North Carolina 27340, for Authority to Increase Rates for Water Utility Service in the Village of Saxapahaw in Alamance County, North Carolina

Dear Ms. Dunston:

Attached for filing in the above-referenced matter are the Affidavits and Exhibits of Public Staff Witness Lindsay Darden.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
s/John D. Little
Staff Attorney
john.little@psncuc.nc.gov

Attachment(s)

Executive Director
(919) 733-2435

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(919) 733-4279

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(919) 733-9277

Economic Research
(919) 733-2267

Energy
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(919) 733-6110

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(919) 733-5610

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1250, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Saxapahaw Utility Company,)
Post Office Box 128, Saxapahaw, North)
Carolina 27340, for Authority to Increase Rates)
for Water Utility Service in the Village of)
Saxapahaw in Alamance County, North)
Carolina)

AFFIDAVIT OF
LINDSAY DARDEN

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Lindsay Darden, being duly sworn, do depose and say:

My name is Lindsay Darden. My business address is 430 North Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a Utilities Engineer with the Public Staff's Water, Sewer & Telephone Division.

I graduated from North Carolina State University, earning a Bachelor of Science Degree in Civil Engineering. I am a licensed Professional Engineer (State of North Carolina #042110). I am also certified as a B-Well Operator (#130281) by the North Carolina Operators Certification Board. I worked for the North Carolina Department of Environmental Quality (NCDEQ), Public Water Supply Section for four years and then joined the Public Staff in December 2016. I have presented recommendations in water/sewer rate proceedings, new franchise applications, and other matters relating to water and sewer utility regulation before the Commission.

My duties with the Public Staff are to monitor the operations of regulated water and sewer utilities with regard to rates and service. Included in these duties are field investigations to review, evaluate, and recommend changes, when needed, in the design, construction, and operations of regulated water and sewer utilities; presentation of expert testimony in formal hearings; and presentation of information, data, and recommendations to the Commission.

The purpose of this affidavit is to describe my investigation and make recommendations concerning the application filed by Saxapahaw Utility Company (Saxapahaw or Applicant) with the Commission on October 18, 2021, seeking authority to increase its rates for water utility service in all of its service areas in Alamance County, North Carolina.

On November 15, 2021, the Commission issued an order establishing a general rate case and suspending rates. On December 22, 2021, the Commission issued an order scheduling a public witness hearing subject to cancellation if no significant protests were received, scheduling an evidentiary hearing, and requiring customer notice. The Certificate of Service was filed on January 27, 2022, stating that all customers received notice on or before January 24, 2022. There were no customer protests received and on February 7, 2022, the Commission issued an order cancelling the public witness hearing and requiring customer notice.

My investigation of the rate case included: review of company records and review of records from NCDEQ. I have conducted an analysis of revenues at

existing and proposed rates, and assisted Public Staff Financial Analyst Darrell Brown in reviewing capital improvements and expenses.

The water system currently serves and charges approximately 144 residential and commercial connections. Four (4) of the residential connections are for a condominium complex with 72 residential units. Some additional connections are being tracked for usage and the usage is adjusted due to the configuration of metering with the compound meter associated with commercial customer "Building B".

Saxapahaw Utility Company's system consists of three (3) active wells with three (3) entry points, well houses, and chlorine feed equipment. Orthophosphate is fed at Well No. 3 to sequester iron and manganese. Storage and pressure are provided by a 50,000-gallon elevated tank, a 12,500-gallon hydro-pneumatic tank, and seven (7) backup well pressure tanks. The backup well pressure tanks are located in the well houses.

Saxapahaw's present and proposed water utility service rates are as follows:

RESIDENTIAL & COMMERCIAL WATER UTILITY SERVICE:

<u>Monthly Metered Rates:</u>	<u>Present</u>	<u>Proposed</u>
Base charge, zero consumption		
<1" meter	\$ 32.69	\$ 34.66
1" meter	\$ 81.79	\$ 86.70
1.5" meter	\$ 163.54	\$ 173.36
2" meter	\$ 261.66	\$ 277.36
3" meter	\$ 490.61	\$ 520.05

4" meter	\$ 817.67	\$ 866.73
6" meter	\$ 1,635.35	\$ 1,733.48
Usage charge, per 1,000 gallons	\$ 7.81	\$ 8.28

OTHER CHARGES:

New Account	\$ 39.03	\$ 41.38
Returned Check	\$ 25.00	\$ 25.00
Reconnect (during work hours, cut-off for good cause)	\$ 39.03	\$ 41.38
Reconnect (after hours, holiday, weekends)	\$ 78.06	\$ 82.75
Discontinued (during work hours, cut-off requested)	\$ 39.03	\$ 41.38
Late Charge	1% per month	1% per month

I have calculated annual water revenues of \$150,116 under the currently approved rates and \$159,152 under the Applicant's proposed rates. In calculating the revenues, the amount of gallons sold provided on the Application was adjusted after discussions with Pam Aquino, associate of Saxapahaw Utility Company. The commercial customer, "Building B", consists of a compound meter followed by smaller, separate meters. Both readings are included in the total gallons sold provided on the Application, yet the billing is adjusted to only charge the customer the compound meter usage. The double reading of gallons sold to Building B was removed from the total gallons sold when calculating the annual water revenues.

Calculation of the present and proposed annual revenues are shown in **Darden Exhibit 1**.

The water system has not been issued any unresolved Notice of Violations by NCDEQ, Division of Water Resources since the last rate case. Based on the lack of customer protests, information provided by the Applicant and NCDEQ, and the Public Staff's investigation, I have found that the Applicant is providing adequate service to the customers.

I corresponded with Shawn Fox, environmental engineer with NCDEQ, Division of Water Resources. Mr. Fox is responsible for conducting the sanitary survey investigations of the Saxapahaw water system. Since the last rate case, he has completed sanitary survey investigations on November 13, 2019 and November 30, 2021. At both inspections, Fox reported the system meeting compliance with only minor recommendations. Noted at the most recent inspection, on November 30, 2021, the population and number of connections were updated to accurately reflect the most current records and the additional population at the new school, Hawbridge School.

In conjunction with Public Staff Financial Analyst Brown, I have reviewed the following expenses for the Test Year Ended December 31, 2020: Saxapahaw's salaries, administrative and office, maintenance and repair, chemicals, power, water quality testing, and permit fee expenses, and make recommendations as follows¹:

¹ See Affidavit of Public Staff Financial Analyst Brown, and Brown Exhibit I, Schedule 3

	<u>Application</u>	<u>Adjustment</u>	<u>Expense</u>
Salaries	\$ 85,005	\$ 0	\$ 85,005
Administrative and Office	\$ 1,570	(\$ 685)	\$ 885
Maintenance and Repair	\$ 17,074	(\$ 11,565)	\$ 5,509
Chemicals	\$ 1,126	\$ 128	\$ 1,254
Power	\$ 7,115	\$ 311	\$ 7,426
Testing	\$ 505	\$ 1,536	\$ 2,041
Permit Fees	\$ 830	\$ 0	\$ 830

I adjusted the maintenance and repair expense to remove invoices that were reclassified to chemical expense or to plant in service. In June 2019, Saxapahaw signed a contract with Boles Restoration Services Incorporated to refurbish the elevated water storage tank. After 12 monthly payments were received, Boles Restoration Services Incorporated began the project. The monthly payments that were paid during the test year were included in the maintenance and repair expense. These expenses were removed and the total cost of the project was reclassified to plant in service.

Upon review of the water quality testing expenses, it was determined that Saxapahaw did not include testing that will be required in years outside the test year, due to testing frequencies being greater than once per year, as presented in the Application. Saxapahaw provided the testing costs from their contracted laboratory, Meritech, Incorporated. The testing that is not required on an annual basis was annualized and proportionally included in the average yearly testing expense. The North Carolina Rural Water Association (NCRWA) completes the

Annual CCR report for Saxapahaw at no additional cost to the Company. Calculation of the water quality testing expense is shown in **Darden Exhibit 2**.

The adjustment to Administrative and Office expense is described in the Affidavit of Public Staff Financial Analyst Brown.

For the power expense, additional invoices were provided in response to Public Staff data requests. The additional invoices have been verified and included in the Public Staff recommendation.

In conjunction with Public Staff Financial Analyst Brown, I reviewed Saxapahaw's additions to plant in service and recommend the following additions/adjustments to plant in service²:

	Company	Public Staff	
	<u>Application</u>	<u>Adjustment</u>	<u>Plant</u>
Elevated tank refurbish project	\$ 0	\$ 23,680	\$ 23,680
Meter installation	\$ 0	\$ 1,183	\$ 1,183

The elevated storage tank refurbish project is a reclassification of an expensed cost originally filed by Saxapahaw under the maintenance and repair expenses, as previously described. Well pressure tank invoices were removed from plant in service due to the Applicant confirming that the tanks had not been installed and are not used and useful. The tanks were purchased as back up tanks to be available when needed.

The plant in service items are further detailed in Public Staff Financial Analyst Brown Exhibit I, Schedule 2-1, with my recommended depreciation lives.

² See Affidavit of Public Staff Financial Analyst Brown, and Brown Exhibit I, Schedule 2-1

Based upon the Public Staff's investigation and the absence of customer complaints, the Public Staff finds that the rates requested by Saxapahaw are justified, and should be approved.

The Company has agreed with the Public Staff's adjustments.

This completes my affidavit.

Lindsay Darden
Lindsay Darden

Witness my hand and notarial seal, this the 21st day of February, 2022.

Joanne M. Berube
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 12-17-2022.

Joanne M. Berube
Notary Public
JOANNE M. BERUBE
Printed or Typed Name

(SEAL)

Commission Expires: 12/17/2022

Docket No. W-1250, Sub 8 - Saxapahaw Utility Company
Rate Design

DARDEN EXHIBIT 1
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Present Revenue

<u>Rate Description</u>	<u>Meter Size</u>	<u>Accounts</u>	<u>Base Charge</u>	<u>Base Charge Monthly</u>	<u>Base Charge Annual</u>				
Res. & Comm.	3/4 inch	137	\$ 32.69	\$ 4,478.53	\$ 53,742				
Commercial	1 inch	2	\$ 81.79	\$ 163.58	\$ 1,963				
Commercial	1 1/2 inch	1	\$ 163.54	\$ 163.54	\$ 1,962				
Commercial	2 inch	4	\$ 261.66	\$ 1,046.64	\$ 12,560				
Commercial	3 inch	0	\$ 490.61	\$ -	\$ -				
Commercial	4 inch	0	\$ 817.67	\$ -	\$ -	Usage Charge			Base + Usage Charge Total
Commercial	6 inch	0	\$ 1,635.35	\$ -	\$ -	UsageTotal	Usage Rate	Subtotal	
Total:		144		\$ 5,852.29	\$ 70,227.48	10,229,049	\$ 7.81	\$ 79,888.87	\$ 150,116.35

Proposed Revenue

<u>Rate Description</u>	<u>Meter Size</u>	<u>Accounts</u>	<u>Base Charge</u>	<u>Base Charge Monthly</u>	<u>Base Charge Annual</u>				
Res. & Comm.	3/4 inch	137	\$ 34.66	\$ 4,748.42	\$ 56,981				
Commercial	1 inch	2	\$ 86.70	\$ 173.40	\$ 2,081				
Commercial	1 1/2 inch	1	\$ 173.36	\$ 173.36	\$ 2,080				
Commercial	2 inch	4	\$ 277.36	\$ 1,109.44	\$ 13,313				
Commercial	3 inch	0	\$ 520.05	\$ -	\$ -				
Commercial	4 inch	0	\$ 866.73	\$ -	\$ -	Usage Charge			Base + Usage Charge Total
Commercial	6 inch	0	\$ 1,733.48	\$ -	\$ -	UsageTotal	Usage Rate	Subtotal	
Total:		144		\$ 6,204.62	\$ 74,455.44	10,229,049	\$ 8.28	\$ 84,696.53	\$ 159,151.97

<u>Test</u>	<u>No. of Tests</u>	<u>Freq. of Tests</u>	<u>Annual Tests</u>	<u>Cost Per Sample</u>	<u>Annual Expense</u>
Coliform Bacteria	12	per year	12.00	\$ 35.00	\$ 420
Asbestos	-	-	0.00		\$ -
THM/HAA5	2	per year	2.00	\$ 120.00	\$ 240
Lead/Copper	10	per 3 years	3.33	\$ 25.00	\$ 83
Inorganics	3	per 3 years	1.00	\$ 295.00	\$ 295
Secondaires ¹	3	per 3 years	1.00	\$ -	\$ -
VOCs	3	per 3 years	1.00	\$ 120.00	\$ 120
SOCs	3	per 3 years	1.00	\$ 750.00	\$ 750
Nitrate	3	per year	3.00	\$ 12.00	\$ 36
Radiologicals					
Gross Alpha	3	per 9 years	0.33	\$ 55.00	\$ 18
Comb. Uranium	3	per 9 years	0.33	\$ 75.00	\$ 25
Comb. Rad.	3	per 9 years	0.33	\$ 75.00	\$ 25
Radionuclides	3	per 9 years	0.33	\$ 85.00	\$ 28
Annual CCR ²	1	per year	1.00	\$ -	\$ -
Total:					\$ 2,041

Notes:

1. Cost of secondaries included in inorganics cost
2. Cost paid for by NCRWA