

**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

March 19, 2019

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4300

Re: Docket No. W-1298, Sub 4 – Application for Rate Increase

Dear Ms. Jarvis:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the following:

1. Notice of Affidavits;
2. Affidavit of Mary Coleman, Staff Accountant, Accounting Division;
3. Affidavit of Gina Y. Casselberry, Utilities Engineer, Water, Sewer, and Telecommunications Division; and
4. Affidavit of Calvin C. Craig, III, Financial Analyst, Economic Research Division.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Tim R. Dodge
Staff Attorney

tim.dodge@psncuc.nc.gov

Executive Director
(919) 733-2435

Communications
(919) 733-2810

Economic Research
(919) 733-2902

Legal
(919) 733-6110

Transportation
(919) 733-7766

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Electric
(919) 733-2267

Natural Gas
(919) 733-4326

Water
(919) 733-5610

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1298, SUB 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by JACABB Utilities, LLC, 210 West)
North Second Street, Seneca, South Carolina)
29643, for Authority to Increase Rates for Water)
Utility Service in Cedar Ridge Estates Subdivision)
in Jackson County, North Carolina)

NOTICE
OF AFFIDAVITS

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission,
by and through its Executive Director, Christopher J. Ayers, as constituted by
N.C. Gen. Stat. § 62-15, and gives notice that the Affidavits of:

Mary Coleman, Staff Accountant, Accounting Division
Gina Y. Casselberry, Utilities Engineer, Water, Sewer, and
Telecommunications Division
Calvin C. Craig, III, Financial Analyst, Economic Research Division
Public Staff - North Carolina Utilities Commission
430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4326

will be used in evidence at the hearing in this docket scheduled for April 25, 2019,
pursuant to N.C. Gen. Stat. § 62-68. The affiants will not be called to testify orally
and will not be subject to cross-examination unless an opposing party or the
Commission demands the right of cross-examination by notice mailed or delivered
to the proponent at least five days prior to the hearing, pursuant to N.C. Gen.
Stat. § 62-68.

THEREFORE, the Public Staff moves that the Affidavits of Mary Coleman,
Gina Y. Casselberry, and Calvin C. Craig, III, be admitted into evidence in the
absence of notice pursuant to N.C. Gen. Stat. § 62-68.

Respectfully submitted this the 19th day of March, 2019.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

David T. Drooz
Chief Counsel

Electronically submitted
/s/ Tim R. Dodge
Staff Attorney

430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4300
Telephone: (919) 733-6110
Email: tim.dodge@psncuc.nc.gov

CERTIFICATE OF SERVICE

I certify I have this day served a copy of the foregoing Notice of Affidavits and Affidavits on each of the parties of record in this proceeding or their attorneys of record by causing a copy to be deposited in the United States Mail, postage prepaid, properly addressed to each or by electronic delivery upon agreement from the parties.

This the 19th day of March, 2019.

Electronically submitted
/s/ Tim R. Dodge

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1298, SUB 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by JACABB Utilities, LLC, 210)
W. North Second Street, Seneca, South)
Carolina 29678, for Authority to Increase)
Rates for Water Utility Service in Cedar)
Ridge Estates Subdivision in Jackson)
County, North Carolina)

AFFIDAVIT
OF
MARY COLEMAN

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Mary Coleman, after first being duly sworn, do depose and say:

I am a Staff Accountant with the Public Staff Accounting Division, 430 N. Salisbury Street, Raleigh, North Carolina, and represent the using and consuming public. I have a Bachelor of Accountancy degree from North Carolina State University and a Bachelor of Arts degree in Business Management from North Carolina State University. I joined the Public Staff on December 11, 2017.

The purpose of my affidavit is to present the accounting and ratemaking adjustments I am recommending as a result of my investigation of the revenue, expenses, and rate base presented by JACABB Utilities, LLC (JACABB or Company), in support of its application to increase rates for water utility service in Cedar Ridge Estates Subdivision in Jackson County, North Carolina.

The Company filed its application for a rate increase on November 13, 2018, based on the test year ended December 31, 2017. My investigation included a

review of the application filed by JACABB, an examination of the Company's books and records for the test year, and a review of additional documentation provided by the Company in response to Public Staff written and verbal data requests.

Based on my investigation, the Company's original cost rate base at December 31, 2017, is \$12,204 for water operations. The level of operating revenue deductions requiring a return (total operating expenses excluding regulatory fees and income taxes) is \$ 19,507. As allowed under N.C. Gen. Stat. § 62-133.1, I have used the operating ratio method to evaluate the Company's proposed revenue requirement.

Based on the results of my investigation, I conclude that the Company's proposed water revenues are not unreasonable and would not be unfair to its customers. Therefore, I recommend that the revenues as proposed by the Company be granted.

I made several adjustments to the Company's operating revenues, expenses, and investment levels. The adjustments are detailed in the attached Coleman Exhibit I. My exhibit also includes adjustments recommended to me by Public Staff Engineer Casselberry. The accounting and ratemaking adjustments, which I am proposing and discuss relate to the following items:

1. Plant in service
2. Accumulated depreciation and depreciation expense
3. Cash working capital
4. Insurance
5. Other expenses

6. Testing
7. Rate case expense
8. Regulatory fee
9. State and federal income taxes

Plant in Service

The Company presented an amount of \$67,890 for plant in service on its application, but was unable to provide documentation to support this amount. Based on the examination of information provided by the Company in response to data requests and the recommendation of Public Staff Engineer Casselberry, I have calculated \$11,509 of plant in service for this proceeding. This amount includes \$4,390 for a Myers Predator 12 gallons per minute pump acquired in 2016 and \$5,992 for roof repairs. An amount of \$1,127 has also been included for a new service line and tap. These adjustments resulted in a total plant in service of \$11,509 for water operations, as shown on Schedule 2-1 of Coleman Exhibit I.

Accumulated Depreciation and Depreciation Expense

I calculated amounts for accumulated depreciation and depreciation expense to reflect depreciation related to the adjusted plant assets discussed above and on Schedule 2-1 of Coleman Exhibit I. Accumulated depreciation and depreciation expense were calculated based on the service lives recommended by Public Staff Engineer Casselberry. Accumulated depreciation was also calculated based on the year each plant asset was placed in service, using the half-year convention in the first year of an asset's depreciable life.

Cash Working Capital

The Company did not provide an amount for this item on its application. Cash working capital provides the Company with the funds necessary to carry on the day-to-day operations of the Company. In my calculation, I have included 1/8 of operating and maintenance expenses as a measure of cash working capital.

Insurance

The Company did not list an amount for insurance expenses on its application. Based on the review of data request responses and financial records, I made an adjustment to include \$145 of general liability insurance that I reclassified from other expense. This adjustment resulted in a total amount of \$145 for insurance expense as shown on Schedule 3-1 of Coleman Exhibit I.

Other Expense

The Company presented an amount of \$7,841 on its application for other expense. Based on recommendations from Public Staff Engineer Casselberry and the examination of company financial records, I reduced this amount by \$7,747, which includes \$772 of expenses reclassified to maintenance and repair and \$6,534 of expenses reclassified to plant in service. As previously mentioned, I also reclassified \$145 paid for general liability insurance to insurance. These adjustments resulted in a total amount of \$94 for other expenses as shown on Schedule 3-1 of Coleman Exhibit 1.

Rate Case Expense

The Company did not include an amount of rate case expense on its application. Based on information provided in response to data requests sent to the Company, I have calculated rate case expense to include the cost of the filing fee, administrative salaries and wages, and the amount paid to the outside accountant. This adjustment resulted in a total amount of \$700 for rate case expense as shown on Schedule 3-2 of Coleman Exhibit 1.


Regulatory Fee

The Company did not provide an amount for this item on its application. I have adjusted the regulatory fee to reflect the statutory rate of 0.14% applied to the total operating revenues under present rates and Company proposed rates.

State and Federal Income Taxes

State and federal income taxes are based on the statutory corporate rates for the level of income presented after all Public Staff adjustments. The calculation of state and federal income taxes is shown on Schedule 3-3 of Coleman Exhibit 1.

This completes my affidavit.



Mary Coleman

Sworn to and subscribed before me,
This the 19th day of March, 2019.



Notary Public JOANNE M. BERUBE

My Commission expires: 12/17/2022

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

INDEX TO COLEMAN EXHIBIT I

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JACABB Utilities, LLC
 Docket No. W-1298, Sub 4
**MARGIN ON OPERATING REVENUE DEDUCTIONS
 REQUIRING A RETURN**
 For the Test Year Ended December 31, 2017

Public Staff
 Coleman Exhibit I
 Schedule 1

Water Operations

<u>Line No.</u>	<u>Item</u>	<u>Present Rates (a)</u>	<u>Company Proposed Rates (b)</u>
1	Net operating income for a return	(\$3,067) [1]	\$1,376 [4]
2	Operating revenue deductions requiring a return	<u>19,507</u> [2]	<u>19,507</u> [5]
3	Return	<u><u>-15.72%</u></u> [3]	<u><u>7.05%</u></u> [3]

[1] Coleman Exhibit I, Schedule 3, Line 29, Column (c).

[2] Coleman Exhibit I, Schedule 3, Line 18 + Line 19 + Line 20 + Line 21+ Line 22 Column (c).

[3] Line 1 divided by Line 2.

[4] Coleman Exhibit I, Schedule 3, Line 29, Column (e).

[5] Coleman Exhibit I, Schedule 3, Line 18 + Line 19 + Line 20 + Line 21+ Line 22 Column (e).

[6] Line 2 x Line 3.

JACABB Utilities, LLC
Docket No. W-1298, Sub 4
ORIGINAL COST RATE BASE
For the Test Year Ended December 31, 2017

Public Staff
Coleman Exhibit I
Schedule 2

Line No.	Item	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1	Plant in service	\$67,890	(\$56,381)	\$11,509 [2]
2	Contributions in aid of construction	0	0	0
3	Accumulated depreciation	(37,748)	36,163	(1,585) [3]
4	Cash working capital	0	2,280	2,280 [4]
5	Average tax accruals	0	0	0
6	Original cost rate base (Sum of L1 thru L5)	<u>\$30,142</u>	<u>(\$17,938)</u>	<u>\$12,204</u>

- [1] Column (c) minus Column (a).
[2] Coleman Exhibit I, Schedule 2-1, Column (a), Line 4.
[3] Coleman Exhibit I, Schedule 2-1, Column (f), Line 4.
[4] Calculated at one-eighth of operating expenses.

JACABB Utilities, LLC
 Docket No. W-1298, Sub 4
CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
 For the Test Year Ended December 31, 2017

Public Staff
 Coleman Exhibit I
 Schedule 2-1

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Depreciation Life In Years [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
1	Myers Predator+ 5HP 12GPM Pump	\$4,390	2016	7	1.50	\$627	(\$941)
2	Roof repairs	5,992	2017	10	1.00	599	(599)
3	New service line and tap	1,127	2017	25	1.00	45	(45)
4	Total Plant In Service (Sum of L1 thru L3)	<u>\$11,509</u>				<u>\$1,271</u>	<u>(\$1,585)</u>

[1] Per examination of Company's financial records.
 [2] Provided by Public Staff Engineer Casselberry.
 [3] Calculated based on year placed in service using half year convention.
 [4] Column (a) divided by Column (c), unless fully depreciated.
 [5] Column (d) multiplied by Column (e), unless fully depreciated.

JACABB Utilities, LLC
Docket No. W-1298, Sub 4
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended December 31, 2017

Public Staff
Coleman Exhibit I
Schedule 3
Page 1 of 2

Line No.	Item	Present Rates			Company Proposed Rates	
		Amount Per Application (a)	Public Staff Adjustments [1] (b)	Per Public Staff [2] (c)	Net Company Increase [11] (d)	Operations After Rate Increase [12] (e)
Operating Revenues:						
1.	Service revenues	\$16,934	(\$471)	\$16,463 [3]	\$4,861	\$21,324
2.	Miscellaneous revenues	0	0	0	0	0
3.	Uncollectible accounts	0	0	0	0	0
4.	Total operating revenues	<u>16,934</u>	<u>(471)</u>	<u>16,463</u>	<u>4,861</u>	<u>21,324</u>
Operating Expenses:						
5.	Salaries and wages	0	0	0	0	0
6.	Maintenance and repair	13,424	(8,521)	4,903 [3]	0	4,903
7.	Purchased power	2,387	66	2,453 [3]	0	2,453
8.	Chemicals	505	0	505	0	505
9.	Permit fees	270	0	270	0	270
10.	Administrative and office	0	0	0	0	0
11.	Employee benefits	0	0	0	0	0
12.	Insurance	0	145	145 [4]	0	145
13.	Contract services	0	8,000	8,000 [3]	0	8,000
14.	Other expense	7,841	(7,747)	94 [5]	0	94
15.	Testing	846	320	1,166 [3]	0	1,166
16.	Interest expense	0	0	0	0	0
17.	Rate case expense	0	700	700 [6]	0	700
18.	Total operating expenses	<u>25,273</u>	<u>(7,037)</u>	<u>18,236</u>	<u>0</u>	<u>18,236</u>
Depreciation and Taxes:						
19.	Depreciation expense	220	1,051	1,271 [7]	0	1,271
20.	Property tax	0	0	0	0	0
21.	Payroll taxes	0	0	0	0	0
22.	Other taxes	0	0	0	0	0
23.	Regulatory fee	0	23	23 [8]	7	30 [8]
24.	Gross receipts tax	0	0	0	0	0
25.	State income tax	182	(182)	0 [9]	45	45 [13]
26.	Federal income tax	(172)	172	0 [10]	366	366 [14]
27.	Total depreciation and taxes	<u>230</u>	<u>1,064</u>	<u>1,294</u>	<u>418</u>	<u>1,712</u>
28.	Total operating revenue deductions	<u>25,503</u>	<u>(5,973)</u>	<u>19,530</u>	<u>418</u>	<u>19,948</u>
29.	Net operating income for return	<u>(\$8,569)</u>	<u>\$5,502</u>	<u>(\$3,067)</u>	<u>\$4,443</u>	<u>\$1,376</u>

JACABB Utilities, LLC

Docket No. W-1298, Sub 4

FOOTNOTES TO SCHEDULE 3

For the Test Year Ended December 31, 2017

Public Staff
Coleman Exhibit I
Schedule 3
Page 2 of 2

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Column (a) plus Column (b), unless otherwise footnoted.
- [3] Provided by Public Staff Engineer Casselberry.
- [4] Coleman Exhibit I, Schedule 3-1, Line 5.
- [5] Coleman Exhibit I, Schedule 3-1, Line 8.
- [6] Coleman Exhibit I, Schedule 3-2, Line 6.
- [7] Coleman Exhibit I, Schedule 2-1, Column (e), Line 4.
Line 4 multiplied by .14%.
- [9] Coleman Exhibit I, Schedule 3-3, Column (a), Line 13.
- [10] Coleman Exhibit I, Schedule 3-3, Column (a), Line 15.
- [11] Column (e) minus Column (c), unless otherwise footnoted.
- [12] Column (c) plus Column (d), unless otherwise footnoted.
- [13] Coleman Exhibit I, Schedule 3-3, Column (b), Line 13.
- [14] Coleman Exhibit I, Schedule 3-3, Column (b), Line 15.

JACABB Utilities, LLC
 Docket No. W-1298, Sub 4
ADJUSTMENT TO OTHER EXPENSES
 For the Test Year Ended December 31, 2017

Public Staff
 Coleman Exhibit I
 Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Total</u>
1.	Other expenses per application	<u>\$7,841</u>
2.	Adjustment to reclassify amount to M&R	(772) [1]
3.	Adjustment to reclassify amount to plant in service	(5,992) [1]
4.	Adjustment to reclassify amount to plant in service	(542) [1]
5.	Adjustment to reclassify amount to insurance	(145) [2]
6.	Adjustment to remove regulatory fees	<u>(296) [2]</u>
7.	Adjustment to other expenses (Sum of L2 thru L6)	<u>(7,747)</u>
8.	Other expenses per Public Staff (L1 + L7)	<u><u>\$94</u></u>

[1] Provided by Public Staff Engineer Casselberry.

[2] Per examination of company financial records.

JACABB Utilities, LLC
 Docket No. W-1298, Sub 4
CALCULATION OF RATE CASE EXPENSE
 For the Test Year Ended December 31, 2017

Public Staff
 Coleman Exhibit I
 Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Total</u>
1.	Rate case application filing fee	\$100 [1]
2.	Administrative salaries and wages	1,500 [2]
3.	Outside accountant fees	<u>500 [2]</u>
4.	Total rate case expense (Sum of L1 thru L3)	2,100
5.	Amortization period in years	<u>3</u>
6.	Rate case expense per Public Staff (L4 / L5)	<u><u>\$700</u></u>

[1] Statutory filing fee for Class C water and sewer companies.

[2] Provided by the Company in response to Public Staff data request.

JACABB Utilities, LLC
Docket No. W-1298, Sub 4
CALCULATION OF INCOME TAXES
For the Test Year Ended December 31, 2017

Public Staff
Coleman Exhibit I
Schedule 3-3

<u>Line No.</u>	<u>Item</u>	Present Rates [1] (a)	Company Proposed Rates [2] (b)
1.	Operating revenue	\$16,463	\$21,324
2.	Operating revenue deductions:		
3.	Operating expenses	18,236	18,236
4.	Depreciation expense	1,271	1,271
5.	Property taxes	0	0
6.	Payroll taxes	0	0
7.	Other taxes	0	0
8.	Regulatory fee	23	30
9.	Gross receipts tax	0	0
10.	Interest expense	0	0
11.	Total deductions (Sum of L3 thru L10)	19,530	19,537
12.	State taxable income (L1 - L11)	(3,067)	1,787
13.	State income tax (L12 x 2.5%)	0	45
14.	Federal taxable income (L12 - L13)	(3,067)	1,742
15.	Federal income tax (L14 x 21%)	0	366
16.	Net amount (L14 - L15)	(3,067)	1,376
17.	Add: Interest expense	0	0
18.	Net income for return (L16 + L17)	(\$3,067)	\$1,376

[1] Coleman Exhibit I, Schedule 3, Column (c).

[2] Coleman Exhibit I, Schedule 3, Column (e).

JACABB Utilities, LLC
Docket No. W-1298, Sub 4
CALCULATION OF OPERATING RATIOS
For the Test Year Ended December 31, 2017

Public Staff
Coleman Exhibit I
Schedule 4

<u>Line No.</u>	<u>Item</u>	<u>Present Rates</u> (a)	<u>Company Proposed Rates</u> (b)
	<u>Interest expense, regulatory fee, gross receipts, and income taxes included:</u>		
1.	Gross operating revenues	\$16,463 [1]	\$21,324 [5]
2.	Operating expenses	<u>19,530 [2]</u>	<u>19,948 [6]</u>
3.	Operating ratios (L2 / L1)	<u>118.63%</u>	<u>93.55%</u>
	<u>Interest expense, regulatory fee, gross receipts, and income taxes excluded:</u>		
4.	Gross operating revenues	\$16,440 [3]	\$20,883 [7]
5.	Operating expenses	<u>19,507 [4]</u>	<u>19,507 [8]</u>
6.	Operating ratios (L5 / L4)	<u>118.66%</u>	<u>93.41%</u>

- [1] Coleman Exhibit I, Schedule 3, Line 4, Column (c).
[2] Coleman Exhibit I, Schedule 3, Line 28, Column (c).
[3] Coleman Exhibit I, Schedule 3, Line 4 - Line 23 - Line 24 - Line 25 - Line 26, Column (c).
[4] Coleman Exhibit I, Schedule 3, Line 28 - Line 23 - Line 24 - Line 25 - Line 26, Column (c).
[5] Coleman Exhibit I, Schedule 3, Line 4, Column (e).
[6] Coleman Exhibit I, Schedule 3, Line 28, Column (e).
[7] Coleman Exhibit I, Schedule 3, Line 4 - Line 23 - Line 24 - Line 25 - Line 26, Column (e).
[8] Coleman Exhibit I, Schedule 3, Line 28 - Line 23 - Line 24 - Line 25 - Line 26, Column (e).

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1298, SUB 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by JACABB Utilities, LLC, 210 West)
North Second Street, Seneca, South Carolina)
29643, for Authority to Increase Rates for)
Providing Water Utility Service in Cedar Ridge)
Estates Subdivision in Jackson County, North)
Carolina)

AFFIDAVIT OF
GINA Y. CASSELBERRY

I, Gina Y. Casselberry, being duly sworn, do depose and say:

I am a Utilities Engineer with the Public Staff's Water Division. I graduated from Michigan Technology University receiving a Bachelor of Science Degree in Civil Engineering. I have been with the Public Staff's Water Division since February, 1992. I have presented recommendations in rate increase proceedings, new franchise and transfer applications and other matters before the Commission for the past twenty-seven years.

The purpose of this affidavit is to explain the scope of my investigation and make recommendations concerning the application filed by JACABB Utilities, LLC (JACABB or Company).

On November 13, 2018, the Company filed an application with the Commission seeking authority to increase its rates for water utility service in Cedar Ridge Estates Subdivision in Jackson, County, North Carolina. JACABB provides water utility service to 38 residential customers. The present rates have been in effect since February 13, 2015.

On December 12, 2018, the Commission issued an Order establishing general rate case, suspending rates, scheduling hearing and requiring customer notice, specifying that the matter could be determined without public hearing if no significant protests were received.

On December 28, 2018, the Applicant filed the Certificate of Service indicating that customer notice had been given in accordance with the Commission's Order. The notice period has expired and the Public Staff has not received any customer complaints

My investigation included a review of company record, billing analysis of revenues at existing and proposed rates, and assisted Public Staff Accountant Coleman in reviewing expenses and plant in service.

I also contacted the Division of Water Resources, Public Water Supply. None of the regional office personnel expressed any major concerns with the systems or identified any major issues concerning water quality.

JACABB's existing and proposed rates are as follows:

Quarterly Metered Water Rates:

	<u>Present Rates</u>	<u>Proposed Rates</u>
Base Charge, includes first 10,500 gallons of usage		
Residential Rate, 5/8" x 3/4" meter	\$100.80	\$130.00
Usage Charge, per 1,000 gallons, after first 10,500 gallons		
	<u>Present Rates</u>	<u>Proposed Rates</u>
10,501 to 15,000 gallons	\$ 3.60	\$ 4.84
15,001 to 24,000 gallons	\$ 6.72	\$ 9.03
24,001 and above	\$11.52	\$ 15.48
New Water Customer Administrative Charge	\$24.00	\$ 25.00
Reconnection Charges	\$14.40	\$ 15.00
Returned Check Fee	\$19.20	\$ 25.00

	<u>Present Rates</u>	<u>Proposed Rates</u>
Tap Fee	\$500.00	\$850.00

The proposed rates would increase the average residential monthly water bill from \$33.60 to \$43.33, a 28.96% increase, based on an average monthly usage of 2,130 gallons.

The present rates generate service revenue of \$16,463 and the proposed rates generate service revenue of \$21,324.

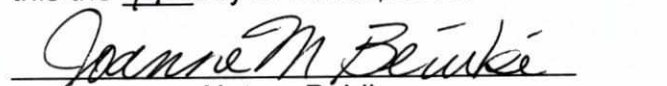
The Public Staff agrees with the Company service revenues and recommends the Company's proposed rates.

The Public Staff does not oppose increasing the new water customer administrative charge from \$24.00 to \$25.00, the reconnect charge from \$14.40 to \$15.00, the return check fee from \$19.20 to \$25.00 or the tap fee from \$500 to \$850.

This completes my affidavit.


GINA Y. CASSELBERRY

Sworn to and subscribed before me
this the 19 day of March, 2019.


Notary Public
JOANNE M. BERUBE

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

My Commission expires: 12/17/22

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1298, SUB 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application by
JACABB Utilities, LLC, 210 West North)
Second Street, Seneca, South Carolina)
29643, for Authority to Increase Rates) AFFIDAVIT OF
for Water Utility Service in Cedar Ridge) CALVIN C. CRAIG, III
Estates Subdivision in Jackson 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 purposes 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 JACABB Utilities, LLC, (JACABB or Company) to provide water utility service in Cedar Ridge Estates Subdivision in Jackson County, North Carolina.

For the water utility service of JACABB, I recommend that they be granted a 7.05% margin on expenses which relates to an operating ratio of 93.55% (including taxes) or 93.41 (excluding taxes). This recommendation is based upon my investigation of the cost of capital for small water and sewer companies. As allowed under N.C. Gen. Stat. § 62-133.1, I have used the operating ratio method to evaluate JACABB'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 U.S. Treasury bond rate by investor expectations of the future levels of inflation. In my opinion, the recommended rate of return provides an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that JACABB be granted a 7.05% margin on expenses. This concludes my affidavit.


Calvin C Craig, III

Sworn to and subscribed before me,
This the 19th day of March, 2019.


Notary Public
JOANNE M. BERUBE
Printed Name

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

My Commission expires 12/17/2022