

**NORTH CAROLINA UTILITIES COMMISSION  
RALEIGH**

Docket No. W-1250, Sub 8

Exceptions Due on or Before March 29, 2022

**NOTICE TO PARTIES**

Parties to the above proceeding may file exceptions to the report and Recommended Order hereto attached on or before the day above shown as provided in G.S. 62-78. Exceptions, if any, must be filed (original and thirty (30) copies) with the North Carolina Utilities Commission, Raleigh, North Carolina, and a copy thereof mailed or delivered to each party of record, or to the attorney for such party, as shown by appearances noted. Each exception must be numbered and clearly and specifically stated in one paragraph without argument. The grounds for each exception must be stated in one or more paragraphs, immediately following the statement of the exception, and may include any argument, explanation, or citations the party filing same desires to make. In the event exceptions are filed, as herein provided, a time will be fixed for oral argument before the Commission upon the exceptions so filed, and due notice given to all parties of the time so fixed; provided, oral argument will be deemed waived unless written request is made therefor at the time exceptions are filed. If exceptions are not filed, as herein provided, the attached report and recommended decision will become effective and final on March 30, 2022 unless the Commission, upon its own initiative, with notice to parties of record modifies or changes said Order or decision or postpones the effective date thereof.

The report and Recommended Order attached shall be construed as tentative only until the same becomes final in the manner hereinabove set out.

**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,	)	RECOMMENDED ORDER
Post Office Box 128, Saxapahaw, North	)	GRANTING RATE
Carolina 27340, for Authority to Increase Its	)	INCREASE, CANCELING
Rates and Charges for Water Utility Service in	)	EXPERT WITNESS
the Village of Saxapahaw in Alamance County,	)	HEARING, AND
North Carolina	)	REQUIRING CUSTOMER
	)	NOTICE

BY THE HEARING EXAMINER:<sup>1</sup> On October 18, 2021, Saxapahaw Utility Company (Saxapahaw, Applicant, or Company) filed an application with the Commission seeking authority to increase rates for providing water utility service in Village of Saxapahaw in Alamance County, North Carolina. On November 15, 2021, the Commission issued an order declaring this proceeding to be a general rate case pursuant to N.C. Gen. Stat. § 62-137 and suspending the proposed rates for up to 270 days pursuant to N.C.G.S. § 62-134. On December 22, 2021, the Commission issued an order scheduling a public witness hearing for February 15, 2022. This hearing was subject to cancellation if no significant customer protests were received by February 1, 2022. The December 22, 2021 order also scheduled an expert witness hearing for March 17, 2022. No customer protests were received, and the Public Staff filed a Motion to Cancel Hearing on February 2, 2022. On February 7, 2022, the Commission issued an order canceling the public witness hearing and directing Saxapahaw to provide its customers with notice of the cancellation.

On February 21, 2022, the Public Staff filed the Affidavit and Exhibit of Public Staff witness Darrell Brown – Financial Analyst, Public Staff Accounting Division.

On February 22, 2022, the Public Staff filed the Affidavit and Exhibits of Public Staff witness Lindsay Darden, – Utilities Engineer, Public Staff Water, Sewer, and Telephone Division.

On March 3, 2022, Saxapahaw filed the required Certificate of Service verifying that notice of the cancellation of the public witness hearing had been sent to all customers.

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<sup>1</sup> Commission Hearing Examiner Freda H. Hilburn.

Also on March 3, 2022, the Public Staff filed a Motion for Order Granting Rate Increase, Canceling Evidentiary Hearing, and Requiring Customer Notice. A proposed order accompanied the Motion.

Based on the foregoing, and the entire record in this matter, the Hearing Examiner makes the following

### FINDINGS OF FACT

1. Saxapahaw is a public utility that holds a franchise to provide water utility service in the Village of Saxapahaw in Alamance County, North Carolina. Saxapahaw is properly before the Commission seeking an increase in its rates and charges for water utility service.

2. The test year established for use in this proceeding is the 12-month period ending December 31, 2020.

3. Saxapahaw provides water service to approximately 144 metered residential and commercial connections. Four of the residential connections are for a condominium complex with 72 residential units.

4. Saxapahaw's present rates have been in effect pursuant to the Commission's order issued on September 17, 2019, in Docket No. W-1250, Sub 7, a general rate case proceeding. Saxapahaw's present and proposed 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

	<u>Present</u>	<u>Proposed</u>
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
Tap-On Fee	\$ 500.00	\$ 500.00

5. The original cost rate base for use in this proceeding is \$271,387, consisting of plant in service of \$940,676 plus working capital of \$15,458, less accumulated depreciation and amortization of \$388,630, contributions in aid of construction of \$295,892, and average tax accruals of \$225.

6. Total annual operating revenues, as presented on Brown Exhibit I, Schedule 3, Page 1 of 2, are \$151,605 under Saxapahaw's present rates, and \$160,641 under the proposed rates. Total annual operating revenues include \$1,489 in miscellaneous revenues.

7. The appropriate level of total annual service water revenues, after Public Staff adjustments, is \$150,116 under Saxapahaw's present rates, and \$159,152 under the proposed rates.

8. The Applicant requested an increase in rates that would produce \$9,036 in additional service revenues, an increase of 6% over present annual service revenues, as adjusted by Public Staff witness Darden.

9. The total rate case costs for this proceeding are \$1,668. These costs should be amortized over three years, resulting in annual rate case expense of \$556.

10. For purposes of this proceeding, the appropriate level of operating and maintenance expenses is \$123,664.

11. The appropriate level of depreciation and amortization expense for use in this proceeding is \$25,182.

12. The appropriate level of property taxes and payroll taxes for use in this proceeding is \$450 and \$0, respectively.

13. It is reasonable and appropriate to calculate regulatory fees expense using the regulatory fee rate of 0.13% effective July 1, 2019, pursuant to the Commission's June 18, 2019 order issued in Docket No. M-100, Sub 142.

14. It is reasonable and appropriate to calculate income taxes for the level of income found reasonable in this proceeding based upon the statutory corporate tax rates of 21% and 2.50% for federal and State income taxes, respectively.

15. The Applicant's request to increase the new account fee from \$39.03 to \$41.38 is reasonable and should be approved.

16. The Company's returned check charge should remain at \$25.00, which is the maximum amount presently allowed under N.C. Gen. Stat. § 25-3-506.

17. The Applicant's request to increase the reconnection charge (during work hours), if water utility service is cut off for good cause or at the customer's request, from \$39.03 to \$41.38 is reasonable and should be approved.

18. The Applicant's request to increase the reconnection charge (after hours, holiday, and weekend), if water utility service is cut off for good cause, from \$78.06 to \$82.75 is reasonable and should be approved.

19. The Applicant's request to increase the charge to discontinue service (during work hours) at the customer's request from \$39.03 to \$41.38 is reasonable and should be approved.

20. The appropriate cost of service (i.e., deductible operating and maintenance expenses) is \$151,004 under the proposed rates. The level of operating revenue deductions requiring a return (total operating expenses excluding the regulatory fee and income taxes) is \$149,783.

21. The rate base method is the appropriate method for determining Saxapahaw's revenue requirement for water operations in this proceeding.

22. Saxapahaw's proposed rates will produce an overall rate of return of 3.55% on rate base. This return is not in excess of a reasonable level, and accordingly, the proposed rates are reasonable.

23. The rates proposed by Saxapahaw and agreed to by the Public Staff, are just and reasonable, and should be approved. These rates are:

RESIDENTIAL & COMMERCIAL WATER UTILITY SERVICE:

<u>Monthly Metered Rates:</u>	<u>Proposed</u>
Base charge, zero consumption	
<1" meter	\$34.66
1" meter	\$86.70
1.5" meter	\$173.36
2" meter	\$277.36
3" meter	\$520.05
4" meter	\$866.73
6" meter	\$1,733.48

Usage charge, per 1,000 gallons	\$8.28
<u>Other Charges:</u>	
New Account	\$41.38
Returned Check	\$25.00
Reconnect (during work hours, cut-off for good cause)	\$41.38
Reconnect (after hours, holiday, weekends)	\$82.75
Discontinued (during work hours, cut-off requested)	\$41.38
Late Charge	1% per month
Tap-on Fee	\$500.00

24. Saxapahaw is providing adequate service to its customers.

25. Saxapahaw has stated to the Public Staff that it is in agreement with the Public Staff's recommendations, and that it waives its right to file exceptions, and requests the Commission approved rates become effective upon the date of the Commission's Order.

WHEREUPON, the Hearing Examiner reaches the following

### **CONCLUSIONS**

The evidence for the foregoing findings of fact is contained in the application; the Commission records; the affidavit and exhibits of Public Staff witness Darrell Brown and Public Staff witness Lindsay Darden; and the Public Staff's motion. Based upon the foregoing, the Hearing Examiner reaches the following conclusions pertaining to Saxapahaw's application for a general rate increase.

In regard to the quality of service provided by Saxapahaw, Public Staff witness Darden states that, based upon the Public Staff's investigation, the information provided by the Applicant and the North Carolina Department of Environmental Quality, and the absence of any customer protests, the Public Staff concludes that the Company is providing adequate service to its customers. Therefore, based upon the Public Staff's engineering and service quality investigation, the Hearing Examiner finds and concludes that the quality of water utility service provided by the Applicant to its customers is adequate.

Based upon the entire record in this proceeding, the Hearing Examiner finds and concludes that the Applicant has sufficiently demonstrated the need to increase its rates for providing water utility service. The Hearing Examiner, therefore, concludes that the rates proposed by Saxapahaw, and agreed to by the Public Staff, are just and reasonable and should be approved. Such rates and charges are set forth in Darden Exhibit 1,

attached to the Affidavit of Public Staff witness Darden, filed on February 22, 2022, and the Schedule of Rates (Appendix A) attached hereto. Consequently, the Hearing Examiner finds and concludes that Saxapahaw should be allowed to increase its rates and charges so as to produce total annual operating revenues of \$160,641, comprised of \$159,152 in service revenues and \$1,489 in miscellaneous revenues. Moreover, the Hearing Examiner determines that the adjusted levels of rate base, revenues, and expenses set forth in Brown Exhibit I, attached to the Affidavit of Public Staff witness Brown, are the appropriate levels for use in this proceeding. Such amounts are supported by the affidavits and exhibits of Public Staff witnesses Brown and Darden which were filed on February 22, 2022. Accordingly, the Hearing Examiner finds good cause to grant the Public Staff's Motion for Order Granting Rate Increase, Canceling Evidentiary Hearing, and Requiring Customer Notice.

IT IS, THEREFORE, ORDERED as follows:

1. That the affidavits and exhibit of Public Staff witness Darrell Brown and the affidavit and exhibits of Public Staff witness Lindsay Darden are received as evidence in this proceeding;
2. That Saxapahaw is authorized to increase its rates for water utility service in the Village of Saxapahaw as reflected in the attached Schedule of Rates;
3. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed filed with the Commission pursuant to N.C.G.S. § 62-138. These rates shall be effective for service rendered on and after the effective date of this Order;
4. That the expert witness hearing scheduled for March 17, 2022, be and hereby is canceled; and
5. That a copy of the Notice to Customers, attached hereto as Appendix B, shall be mailed or hand delivered to all customers of Saxapahaw within two days of the date of this Order, and that Saxapahaw shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than March 16, 2022.

ISSUED BY ORDER OF THE COMMISSION.

This the 14th day of March, 2022.

North Carolina Utilities Commission



Joann R. Snyder, Deputy Clerk

SCHEDULE OF RATES

for

SAXAPAHAW UTILITY COMPANY

for providing water utility service in the

VILLAGE OF SAXAPAHAW

Alamance County, North Carolina

Monthly Metered Rates:

Base charge, zero consumption

<1" meter	\$ 34.66
1" meter	\$ 86.70
1.5" meter	\$ 173.36
2" meter	\$ 277.36
3" meter	\$ 520.05
4" meter	\$ 866.73
6" meter	\$ 1,733.48

Usage charge, per 1,000 gallons \$ 8.28

Reconnection Charge:

If water service is cut off by utility for good cause	\$41.38 <sup>1/</sup>
If water service is cut off by utility at customer's request	\$41.38 <sup>1/</sup>

<sup>1/</sup> \$41.38, if during regular business hours, \$82.75, if after hours, holiday, weekend

Tap-On Fee: \$500.00



<u>New Account Fee:</u>	\$41.38
<u>Returned Check Fee:</u>	\$25.00
<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 arrears
<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 the billing date.

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

**NOTICE TO CUSTOMERS  
DOCKET NO. W-1250, SUB 8  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

Notice is hereby given that the North Carolina Utilities Commission has issued an Order granting an increase in rates to Saxapahaw Utility Company. The Order approved the following rates for water utility service provided on and after the effective date of this notice.

Monthly Metered Rates:

Base charge, zero consumption	
<1" meter	\$ 34.66
1" meter	\$ 86.70
1.5" meter	\$ 173.36
2" meter	\$ 277.36
3" meter	\$ 520.05
4" meter	\$ 866.73
6" meter	\$ 1,733.48
Usage charge, per 1,000 gallons	\$ 8.28

Reconnection Charge:

If water service is cut off by utility for good cause	\$41.38 <sup>1/</sup>
If water service is cut off by utility at customer's request	\$41.38 <sup>1/</sup>

<sup>1/</sup> \$41.38, if during regular business hours, \$82.75, if after hours, holiday, weekend

Tap-on Fee: \$500.00

<u>New Account Fee:</u>	\$41.38
<u>Returned Check Fee:</u>	\$25.00
<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 arrears
<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 the billing date.

This the 14th day of March, 2022.

NORTH CAROLINA UTILITIES COMMISSION



Joann R. Snyder, 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-1250, Sub 8, and the Notice was mailed or hand delivered by the date specified in the Order.

This the \_\_\_\_ day of \_\_\_\_\_ 2022.

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-1250, Sub 8.

Witness my hand and notarial seal, this the \_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Printed Name

(SEAL) My Commission Expires: \_\_\_\_\_  
Date