

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1166, SUB 17

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by MECO Utilities, Inc., Post) ORDER GRANTING
Office Box 2359, Swansboro, North Carolina) PARTIAL RATE
28584-2359, for Authority to Increase Rates) INCREASE AND
for Water and Sewer Utility Service in Mobile) REQUIRING CUSTOMER
Estates Mobile Home Park in Wake County,) NOTICE
North Carolina)

BY THE COMMISSION: On October 31, 2017, MECO Utilities, Inc. (MECO or Applicant), filed a letter notifying the Commission of its intent to file a general rate case as required by Commission Rule R1-17(a). On December 4, 2017, MECO filed an application with the Commission seeking authority to increase its rates for providing water and sewer utility service in Mobile Estates Mobile Home Park (Mobile Estates) in Wake County, North Carolina. By Order dated December 18, 2017, the Commission established a general rate case, suspended rates, scheduled hearing, and required customer notice. The Notice to Customers stated that the March 22, 2018 public hearing may be canceled and the matter decided on the filings if no significant protests are received from consumers on or before February 15, 2018.

On December 21, 2017, MECO filed its certificate of service. The notice period expired on February 15, 2018. No customer protests were received.

On March 2, 2018, the Public Staff – North Carolina Utilities Commission (Public Staff) filed the Affidavit of Calvin C. Craig, III, Financial Analyst, Economic Research Division, and the testimony and exhibits of Manasa L. Cooper, Staff Accountant, Water/Communications Section, Accounting Division, and Gina Y. Casselberry, Utilities Engineer, Water, Sewer, and Communications Division.

On March 9, 2018, the Public Staff filed a Stipulation dated March 8, 2018, executed by MECO and the Public Staff (the Stipulation) in which MECO agreed to accept the Public Staff's recommended annual revenue requirements and recommended rates. The Stipulation further stated that: (1) MECO does not contest any of the Public Staff adjustments, but reserves the right to contest the adjustments, or similar adjustments, in future MECO proceedings including general rate cases; (2) MECO and the Public Staff agree that the scheduled March 22, 2018 evidentiary hearing should be canceled and customer notice given; (3) MECO and the Public Staff agree that the Public Staff will prepare a proposed order, which MECO shall review and agree to prior to filing with the Commission; (4) MECO and the Public Staff request that the Commission issue the rate

case order as soon as reasonable practical, after the filing of the proposed order, and waive the 15-day period to file exceptions, so that the Commission approved rates will be effective on and after the date of the Commission's order.

Also, on March 9, 2018, the Public Staff filed a motion to cancel the hearing which had been scheduled for Thursday, March 22, 2018. On March 12, 2018, the Commission issued an Order canceling the Thursday, March 22, 2018 hearing and requiring customer notice. On March 15, 2018, MECO filed its certificate of service indicating that customer notice had been provided as required by the March 12, 2018 Order.

On April 10, 2018, MECO and the Public Staff filed a Joint Proposed Order.

Based upon the verified application, the Stipulation, the affidavit of Public Staff witness Craig, the testimony and exhibits of Public Staff witnesses Cooper and Casselberry, and the Commission's files and records, the Commission is of the opinion that the provisions of the Stipulation are just and reasonable. Accordingly, the Commission makes the following

FINDINGS OF FACT

1. MECO is a public utility as defined by G.S. 62-3(23) and is before the Commission pursuant to its application for an increase in its rates and charges for water and sewer utility service under G.S. 62-137.

2. The test year established for use in this proceeding is the 12-month period ended September 30, 2017.

3. MECO provides water and sewer utility service to approximately 271 customers in Mobile Estates Mobile Home Park in Wake County, North Carolina.

4. MECO provides utility service by purchasing bulk water and bulk sewer treatment from the Town of Cary.

5. The present rates have been in effect since August 21, 2017, pursuant to a Commission Order Approving Tariff Revision and Requiring Customer Notice issued on that same date in Docket No. W-1166, Sub 16, which was MECO's last pass through rate increase from the Town of Cary.

6. MECO's present rates and the Applicant's proposed rates are as follows:

<u>Monthly Metered Water Service:</u>	<u>Present</u>	<u>Proposed</u>
Base charge, zero usage	\$ 13.81	\$ 16.50
Usage charge, per 1,000 gallons	\$ 6.44	\$ 7.69

<u>Monthly Metered Sewer Service:</u>	<u>Present</u>	<u>Proposed</u>
Base charge, zero usage	\$ 12.14	\$ 16.09
Usage charge, per 1,000 gallons	\$ 9.96	\$ 13.20

7. Under the Applicant's proposed rates, the average combined water and sewer monthly bill would increase from \$84.17 to \$106.75, or 26.8%, based on the average monthly usage of 3,550 gallons.

8. MECO and the Public Staff entered into a Stipulation on March 8, 2018, which was filed with the Commission on March 9, 2018, that settled all their issues. MECO and the Public Staff are the only formal parties to this proceeding.

9. Paragraph No. 7 of the Stipulation contains the provision that MECO does not contest any of the Public Staff's adjustments, but reserves the right to contest the adjustments, or similar adjustments, in future MECO proceedings including general rate cases.

10. The Applicant is providing adequate service to its customers.

11. The reasonable original cost rate base for use in this proceeding is \$4,268 for water operations and \$2,135 for sewer operations, both of which are entirely comprised of cash working capital.

12. The Applicant's total annual operating revenues under present rates for the 12-month period ended September 30, 2017, are shown below:

	<u>Service Revenues</u>	<u>Other Revenues & Uncollectibles</u>	<u>Total Operating Revenues</u>
Water Operations:	\$118,945	(\$313)	\$118,632
Sewer Operations:	\$153,981	(\$421)	\$153,560

13. The Applicant's total annual operating revenues under proposed rates for the 12-month period ended September 30, 2017, are shown below:

	<u>Service Revenues</u>	<u>Other Revenues & Uncollectibles</u>	<u>Total Operating Revenues</u>
Water Operations:	\$142,063	(\$313)	\$141,750
Sewer Operations:	\$204,074	(\$421)	\$203,653

14. By its application, MECO requested a total annual increase in its water and sewer utility service rates of \$73,211, which would produce the following additional annual service revenues and percentage increases:

Water Operations:	\$23,118	19.4%
Sewer Operations:	\$50,093	32.5%

15. It is reasonable and appropriate to include total rate case costs of \$6,695 related to this rate case proceeding, amortized over three years, resulting in annual rate case expense of \$2,232. It is reasonable and appropriate to allocate the annual amount of rate case expense of \$2,232 between water and sewer operations, based upon a 50/50 allocation factor resulting in annual rate case expense for water operations of \$1,116 and for sewer operations of \$1,116.

16. The appropriate levels of operations and maintenance (O&M) expenses for use in this proceeding are as follows:

Water Operations:	\$111,374
Sewer Operations:	\$162,997

17. Since the entire amount of the original cost rate base for both water and sewer operations is comprised entirely of cash working capital, the appropriate level of depreciation expense for use in this proceeding is \$0 for water operations and \$0 for sewer operations.

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

19. It is reasonable and appropriate to calculate federal income taxes based upon the adjusted levels of revenues and expenses and the statutory corporate rate of 21% prescribed in the Tax Cut and Jobs Act of 2017, which became effective January 1, 2018.

20. It is reasonable and appropriate to calculate state income taxes based upon the adjusted levels of revenues and expenses, and the State corporate income tax rate of 3%, which became effective January 1, 2017.

21. The operating ratio method, which allows a return on operating revenue deductions, is the proper method for determining MECO's water and sewer revenue requirements.

22. The Public Staff recommended a 7.50% margin on expenses, which results in an operating ratio of 93.18% (including taxes) or 93.02% (excluding taxes) for water operations and for sewer operations.

23. The 7.50% margin on expenses is just and reasonable for use in this general rate case proceeding.

24. The operating revenue deductions requiring a return (total operating expenses, excluding regulatory fee and income taxes) are \$111,461 for water operations and \$163,110 for sewer operations.

25. The total annual revenues necessary to allow MECO the opportunity to earn the 7.50% return found just and reasonable are as follows:

	<u>Service Revenues</u>	<u>Other Revenues & Uncollectibles</u>	<u>Total Operating Revenues</u>
Water Operations:	\$122,855	(\$313)	\$122,542
Sewer Operations:	\$179,746	(\$421)	\$179,325

26. The agreed-upon rates will provide MECO with a total increase in its annual level of service revenues of \$29,675, consisting of an increase for water operations of \$3,910 (an increase of 3.3%) and an increase for sewer operations of \$25,765 (an increase of 16.8%).

27. The water and sewer service rates agreed to by MECO and the Public Staff as provided in Paragraph No. 5 of the Stipulation and in Casselberry Exhibit No. 4, and are as follows:

Metered Water Residential Service:

Base charge, zero usage	\$ 14.03
Usage charge, per 1,000 gallons	\$ 6.72

Metered Sewer Residential Service:

Base charge, zero usage	\$ 10.42
Usage charge, per 1,000 gallons	\$ 12.69

28. Since MECO is a purchased water and sewer treatment system it is appropriate and reasonable to calculate the water and sewer usage charges based upon the cost for purchased water and sewer treatment from the Town of Cary.

29. MECO should be allowed to increase its returned check charge for processing non-sufficient-funds (NSF) checks from \$23.91 to \$25.00. It is also reasonable and appropriate to authorize the Applicant to increase its disconnection/reconnection charge from \$14.35 for water operations and \$14.05 for sewer operations to \$15.00 for both water and sewer operations when made during scheduled working hours and from \$28.68 for water operations and \$28.09 for sewer operations to \$30.00 for both water and sewer operations when made during after-hours on normal workdays or in an emergency action on weekends or holidays.

30. The Schedule of Rates for water and sewer utility service agreed to by MECO and the Public Staff, as provided in Appendix A of the Joint Proposed Order filed on April 10, 2018, and attached hereto as Appendix A, is just and reasonable and should be approved.

31. Under the Schedule of Rates approved herein, the average combined water and sewer monthly bill will increase from \$84.17 to \$93.36, or 10.9%, based on the average monthly usage of 3,550 gallons.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1 THROUGH 7

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, and the testimony and exhibits of Public Staff witnesses Cooper and Casselberry. These findings are primarily jurisdictional and informational and are uncontested.

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

The evidence supporting these findings of fact is contained in the Stipulation between MECO and the Public Staff entered into on March 8, 2018, and filed with the Commission on March 9, 2018.

On March 9, 2018, the Public Staff filed a Stipulation dated March 8, 2018, executed by MECO and the Public Staff in which MECO agreed to accept the Public Staff's recommended annual revenue requirements and recommended rates. Further, the Stipulation stated, among other things, that although MECO does not contest any of the Public Staff adjustments in this proceeding, MECO reserves the right to contest the adjustments, or similar adjustments, in future MECO proceedings including general rate cases.

Based upon the foregoing findings of fact and the entire record in this proceeding, the Commission finds and concludes that the provisions of the Stipulation filed on March 9, 2018 are just and reasonable and that the levels of rate base, revenues, and expenses set forth in Cooper Exhibit I, which are incorporated herein by reference, recommended by the Public Staff and agreed to by MECO are the appropriate levels for use in this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 10

The evidence supporting this finding of fact is contained in the affidavit of Public Staff witness Casselberry and in the Commission's records.

Public Staff witness Casselberry testified that Mobile Estates is a mobile home park located in the Town Limits of Cary, in Wake County, North Carolina, on the east side of Maynard Road, approximately 400 yards south of the intersection of Maynard and Chatham Streets. She observed that the mobile home park has approximately 276 rental spaces and at September 30, 2017, MECO provided water and sewer utility service to

271 customers. Further, witness Casselberry testified that MECO purchases water and sewer treatment from the Town of Cary.

Moreover, witness Casselberry stated that there have been no customer protests and the Public Staff has not discovered any service problems. Witness Casselberry concluded, based upon her investigation, that the Applicant is providing adequate service to its customers.

Based upon the foregoing, the Commission finds and concludes that the quality of water and sewer utility service provided by the Applicant to its customers is adequate.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 11

The evidence supporting this finding of fact is contained in the Commission's records, the verified application, and in the testimony and exhibit of Public Staff witness Cooper.

The adjustments made by the Public Staff to the Applicant's original cost rate base for water operations included adjustments to plant in service, accumulated depreciation, and cash working capital and for sewer operations included an adjustment to cash working capital.

Witness Cooper testified that the amount of original cost plant in service provided by the Applicant in its application was \$6,754 for water operations and \$0 for sewer operations. She stated that in response to a Public Staff data request, it was discovered that the \$6,754 amount for water operations was regulatory commission expense from Docket No. W-1166, Sub 8 (Sub 8 Proceeding), the Applicant's last general rate case proceeding. Witness Cooper pointed out that regulatory commission expense should not have been included in plant in service by the Applicant. She removed this amount from plant in service which resulted in \$0 plant in service for water operations.

Further, witness Cooper determined based upon a formal inquiry to the Applicant that there have been no additions to water or sewer plant in service since the Sub 8 Proceeding. As a result, witness Cooper recommended \$0 net plant in service for both water and sewer operations for purposes of this proceeding.

Witness Cooper stated that the Public Staff included 1/8 of total operations and maintenance expenses, less purchased water and sewer expense, in original cost rate base as a measure of cash working capital which provides the Applicant with the funds necessary to carry on the day-to-day operations of the water and sewer utility business.

The adjustments made by witness Cooper to the various components of original cost rate base resulted in an amount of original cost rate base for use in this proceeding of \$4,268 for water operations and \$2,135 for sewer operations, both of which consist entirely of cash working capital.

In the Stipulation between the Public Staff and MECO filed on March 9, 2018, MECO agreed to accept the Public Staff's recommended annual revenue requirements and rates. Further, MECO did not contest any of the Public Staff's adjustments in this proceeding but reserved the right to contest the adjustments or similar adjustments in future MECO proceedings, including general rate cases.

Based upon the foregoing, the Commission finds and concludes that the appropriate level of original cost rate base for use in this proceeding is \$4,268 for water operations and \$2,135 for sewer operations.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12 THROUGH 14

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, the testimony and exhibits of Public Staff witnesses Cooper and Casselberry.

Witness Casselberry calculated annual water service revenues of \$118,945 under the current Commission-approved rates and \$142,063 under the Applicant's proposed rates. Further, witness Casselberry calculated annual sewer service revenues of \$153,981 under the current Commission-approved rates and \$204,074 under the Applicant's proposed rates.

Witness Cooper calculated miscellaneous revenues of \$425 for water operations and \$549 for sewer operations. She included bad debt expense of (\$738) for water operations and (\$970) for sewer operations.

Pursuant to Paragraph No. 7 of the Stipulation, the Applicant does not contest any of the Public Staff's adjustments, but reserves the right to contest the adjustments, or similar adjustments, in future MECO proceedings, including general rate cases.

Based upon the foregoing, the Commission finds and concludes that the appropriate levels of total annual operating revenues at present and proposed rates for use in this proceeding for water operations are \$118,632, consisting of \$118,945 in service revenues, \$425 in other revenues, and (\$738) for bad debt expense, and for sewer operations are \$153,560, consisting of \$153,981 in service revenues, \$549 in other revenues, and (\$970) in bad debt expense.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 15 AND 16

The evidence supporting these findings of fact is contained in the Commission's records and in the testimony and exhibits of Public Staff witnesses Cooper and Casselberry. 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 for water and sewer operations:

<u>Item</u>	<u>Water Amount</u>	<u>Sewer Amount</u>
Contract operating services	\$23,663	\$15,739
Maintenance and repairs	395	0
Purchased water	77,231	0
Purchased sewer	0	145,920
Testing	7,116	0
Permit fees and licenses	1,681	0
Other expense	172	222
Rate case expense	<u>1,116</u>	<u>1,116</u>
Total O&M expenses	<u>\$111,374</u>	<u>\$162,997</u>

The Public Staff made adjustments to the levels of contract operating services, maintenance and repairs, testing, permit fees and licenses, purchased water, and purchased sewer based upon recommendations by witness Casselberry. Witness Cooper stated that the Applicant did not include an amount for rate case expense in its application. Witness Cooper explained that she calculated an amount of rate case expense for this proceeding based upon the cost of the filing fee, the costs for copying and mailing notices to customers, legal fees, and contract management fees. Witness Cooper recommended that the total rate case costs of \$6,695 be amortized over three years resulting in annual rate case expense of \$2,232. She recommended that the annual rate case expense be allocated between water and sewer operations based upon a 50/50 allocation factor which resulted in annual rate case expense of \$1,116 for water operations and \$1,116 for sewer operations.

In the Stipulation between the Public Staff and MECO filed on March 9, 2018, MECO did not contest any of the Public Staff's adjustments in this proceeding but reserved the right to contest the adjustments or similar adjustments in future MECO proceedings, including general rate cases. Further, in the Stipulation, MECO agreed to accept the Public Staff's recommended annual revenue requirements and recommended rates.

Based upon the foregoing, the Commission finds and concludes that the appropriate level of O&M expenses for use in this proceeding is for water operations is \$111,374 for water operations and \$162,997 for sewer operations.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 17 THROUGH 20

The evidence supporting these findings of fact is contained in the Commission's records, and in the testimony and exhibits of Public Staff witnesses Cooper and Casselberry. 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>Water Amount</u>	<u>Sewer Amount</u>
Depreciation expense	\$ 0	\$ 0
Other taxes	87	113
Regulatory fees	172	251
State income taxes	327	479
Federal income taxes	<u>2,222</u>	<u>3,252</u>
Total depreciation and taxes	<u>\$ 2,808</u>	<u>\$ 4,095</u>

The Public Staff made adjustments to the levels of depreciation expense, other taxes, regulatory fees, and state and federal income taxes. In the Stipulation between the Public Staff and MECO filed with the Commission on March 9, 2018, MECO did not contest any of the Public Staff's adjustments in this proceeding but reserved the right to contest the adjustments or similar adjustments in future MECO proceedings, including general rate cases.

Based upon the foregoing, the Commission finds and concludes that the appropriate level of depreciation expense and taxes for use in this proceeding is \$2,808 for water operations and \$4,095 for sewer operations.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 21 THROUGH 26

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, the affidavit of Public Staff Financial Analyst Craig, and the testimony and exhibits of Public Staff witnesses Cooper and Casselberry.

With respect to the Applicant's rate increase request for water operations, witness Cooper testified that based upon her investigation, the Applicant's original cost rate base at September 30, 2017, is \$4,268 and the level of operating revenue deductions requiring a return (total operating expenses excluding regulatory fees and income taxes) is \$111,461. Witness Cooper stated that pursuant to G.S. 62-133.1, she used the operating ratio method to evaluate the Applicant's proposed revenue requirement for water operations. She calculated an increase in the gross revenue requirement using the overall rate of return of 7.50%, the reasonable rate recommended by Public Staff Financial Analyst Craig. Witness Cooper stated that the resulting total revenue requirement for water operations would be \$122,542, of which \$122,855 is service revenues. She recommended that water service rates be set to reflect a \$3,910 increase, resulting in an annual level of water service revenues of \$122,855.

In regard to MECO's rate increase request for sewer operations, witness Cooper testified that based upon her investigation, the Applicant's original cost rate base at September 30, 2017, is \$2,135 and the level of operating revenue deductions requiring a return (total operating expenses excluding regulatory fees and income taxes) is \$163,110. Witness Cooper stated that pursuant to G.S. 62-133.1, she used the operating ratio method to evaluate the Applicant's proposed revenue requirement for sewer operations. She calculated an increase in the gross revenue requirement using the overall rate of

return of 7.50%, the reasonable rate recommended by Public Staff Financial Analyst Craig. Witness Cooper stated that the resulting total revenue requirement for sewer operations would be \$179,325, of which \$179,746 is service revenues. She recommended that sewer service rates be set to reflect a \$25,765 increase, resulting in an annual level of sewer service revenues of \$179,746.

For both water operations and sewer operations, Financial Analyst Craig recommended that MECO be granted a 7.50% margin on expenses, which relates to an operating margin of 93.18% (including taxes) or 93.02% (excluding taxes). He stated that his recommendation was based upon his investigation of the cost of capital for small water and sewer companies. Further, he recommended that the operating ratio method, as allowed under G.S. 62-133.1, be used to evaluate MECO's proposed rate increase as the Public Staff determined during its investigation that MECO's rate base is less than the reasonable level of operating expenses.

Financial Analyst Craig explained that, as outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of return. Such factors include interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service. Financial Analyst Craig contended that interest coverage has been provided at an adequate level, that the level of inflation has been factored into the U.S. Treasury bond rate by investor expectations of the future levels of inflation. He opined that the Public Staff's recommended margin on expenses would provide an adequate level of income after interest expense. Further, Financial Analyst Craig commented that in considering these factors in conjunction with this proceeding, he has not incorporated any consideration with respect to quality of service.

Moreover, witness Casselberry testified that, based upon her investigation, the Public Staff concludes that MECO should be granted a partial rate increase for providing water and sewer utility service. Witness Casselberry recommended that service revenues should be increased to reflect annual service revenues of \$122,855 for water operations and \$179,746 for sewer operations.

In the Stipulation between the Public Staff and MECO filed on March 9, 2018, MECO did not contest any of the Public Staff's adjustments in this proceeding but reserved the right to contest the adjustments or similar adjustments in future MECO proceedings, including general rate cases. Further, in the Stipulation, MECO agreed to accept the Public Staff's recommended annual revenue requirements and recommended rates.

Based upon the foregoing, the Commission finds and concludes that the operating ratio method is the appropriate method for evaluating the Applicant's proposed revenue requirement and that the 7.50% operating margin on expenses recommended by Financial Analyst Craig is just and reasonable and should be approved. Consequently, the Commission finds and concludes that MECO should be allowed to increase its rates

so as to produce total annual operating revenues of \$122,542 for water operations and \$179,325 for sewer operations.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 27 THROUGH 31

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, the affidavit of Public Staff Financial Analyst Craig, the testimony and exhibits of Public Staff witnesses Cooper and Casselberry, and the Joint Proposed Order.

Witness Casselberry testified that MECO is a purchased water and sewer treatment system. As a result, witness Casselberry calculated the Public Staff's recommended water and sewer usage charges based upon the cost for purchased water and sewer treatment from the Town of Cary. She commented that the Public Staff's recommended base charges for water and sewer utility service reflects the remaining expenses associated with providing water and sewer utility service. Witness Casselberry explained that by setting MECO's usage charges for water and sewer based on purchased water and sewer treatment costs from the Town of Cary, should MECO request a pass through, any increase to the usage charges would be directly associated with the increased cost from the Town of Cary for purchased water and sewer treatment.

In regard to miscellaneous charges, in its application the Applicant requested approval to increase its returned check charge from \$23.91 to \$25.00 and its disconnection/reconnection charge from \$14.35 for water operations and \$14.05 for sewer operations to \$15.00 for both water and sewer operations when made during scheduled working hours and from \$28.68 for water operations and \$28.09 for sewer operations to \$30.00 for both water and sewer operations when made during after-hours on normal workdays or in an emergency action on weekends or holidays. The Public Staff reviewed the Applicant's request to increase these miscellaneous charges and found that the proposed returned check charge and disconnection/reconnection fees to be fair and reasonable. Accordingly, the proposed increases to the returned check charge and the disconnection/reconnection fees were included in Appendix A of the Joint Proposed Order filed with the Commission by MECO and the Public Staff.

Therefore, the Commission finds and concludes that it is reasonable and appropriate to authorize MECO to increase its returned check charge for processing non-sufficient-funds (NSF) checks and its disconnection/reconnection charges as requested by the Applicant and recommended by the Public Staff.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

The Commission, having carefully reviewed the Stipulation and all of the evidence of record, finds and concludes that the Stipulation is the product of the give-and-take settlement negotiations between MECO and the Public Staff; that it constitutes material

evidence; that it is entitled to be given appropriate weight in this proceeding, along with the other evidence in the record; and that it is fully supported by the record. Accordingly, based upon the foregoing findings of fact and the entire record in this proceeding, the Commission concludes that the stipulated revenue requirements, stipulated rates, and all the other provisions of the Stipulation entered on March 8, 2018, and filed with the Commission on March 9, 2018, which are incorporated herein by reference, are just and reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the application for rate increase filed by MECO Utilities, Inc., on December 4, 2017; the affidavit of Public Staff Financial Analyst Calvin C. Craig, III, and testimony and exhibits of Public Staff witnesses Manasa L. Cooper, Staff Accountant, Accounting Division and Gina Y. Casselberry, Utilities Engineer, Water, Sewer, and Communications Division filed by the Public Staff on March 2, 2018; and the Stipulation between MECO Utilities, Inc. and the Public Staff filed on March 9, 2018, in this docket are hereby received as evidence in this proceeding.

2. That MECO Utilities, Inc., is authorized to increase its rates and charges for providing water and sewer utility service in Mobile Estates Mobile Home Park in Wake County, North Carolina, as reflected in the Schedule of Rates, attached hereto as Appendix A. These rates and charges shall be effective for service rendered on and after the date of this Order.

3. That the Schedule of Rates, attached as Appendix A, is hereby approved and deemed filed with the Commission pursuant to G.S. 62-138.

4. That the Notice to Customers, attached as Appendix B, shall be mailed with sufficient postage or hand delivered by MECO to all customers affected by the new rates no later than 10 days after the date of this Order; and that MECO shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 15 days after the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of May, 2018.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in blue ink, appearing to read "Janice H. Fulmore".

Janice H. Fulmore, Deputy Clerk

SCHEDULE OF RATES

for

MECO UTILITIES, INC.

for providing water and sewer utility service in

MOBILE ESTATES MOBILE HOME PARK

Wake County, North Carolina

Monthly Metered Water Rates:

Base charge, zero usage	\$ 14.03, minimum
Usage charge, per 1,000 gallons	\$ 6.72

Monthly Metered Sewer Rates:

Base charge, zero usage	\$ 10.42, minimum
Usage charge, per 1,000 gallons	\$ 12.69

Reconnection Charge:

If water utility service is cut off by utility for good cause (Rule 7-20), or	1/
If water utility service discontinued at customer request, or	1/
If sewer utility service discontinued for good cause (Rule R10-16e)	1/

1/ If reconnection is made during <u>scheduled working hours</u>	\$15.00
If reconnection is made <u>after-hours</u> on normal workdays	\$30.00
If reconnection is made in an <u>emergency action</u> on weekends or holidays	\$30.00

Note: [Commission Rule R10-16(f): Whenever sewer service is discontinued for any reason, the utility shall send a report of termination of service to the local county board of health.]

Returned Check Fee: \$25.00

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency:

Shall be monthly in arrears

Finance Charge for Late Payment:

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-1166, SUB 17

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 and charges to MECO Utilities, Inc. (MECO), for providing water and sewer utility service in Mobile Estates Mobile Home Park in Wake County, North Carolina. The matter was scheduled for hearing subject to cancellation if significant protests were not received. The protest period has expired and no protests were received subsequent to customer notice. The hearing previously scheduled for March 22, 2018, was canceled by Commission Order issued March 12, 2018 and customer notice was provided.

The Commission has approved the following rates, effective for service rendered on and after the date of this Notice to Customers:

Monthly Metered Water Rates:

Base charge, zero usage	\$ 14.03
Usage charge, per 1,000 gallons	\$ 6.72

Monthly Metered Sewer Rates:

Base charge, zero usage	\$ 10.42
Usage charge, per 1,000 gallons	\$ 12.69

The approved rates will increase the average monthly combined water and sewer bill from \$84.17 to \$93.36, based on an average usage of 3,550 gallons.

Further, the Commission approved MECO's request to increase its returned check charge to \$25.00 and its disconnection/reconnection charge to \$15.00 when made during scheduled working hours and to \$30.00 when made during after-hours on normal workdays or in an emergency action on weekends or holidays.

ISSUED BY ORDER OF THE COMMISSION.

This the 4th day of May, 2018.

NORTH CAROLINA UTILITIES COMMISSION



Janice H. Fulmore, Deputy Clerk