



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

April 10, 2018

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

Re: Docket No. W-1166, Sub 17

Dear Ms. Jarvis:

Attached for filing is the Proposed Order of the Public Staff and MECO Utilities, Inc., in the above-referenced docket.

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

Sincerely,

Electronically submitted
s/ William E. Grantmyre
Staff Attorney
william.grantmyre@psncuc.nc.gov

WEG/cla

Attachment

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

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**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 Office) Box 2359, Swansboro, North Carolina 28584-) 2359, for Authority to Increase Rates for Water) and Sewer Utility Service in Mobile Estates) Mobile Home Park in Wake County, North) Carolina)	JOINT PROPOSED ORDER GRANTING RATE INCREASE AND REQUIRING CUSTOMER NOTICE
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BY THE COMMISSION: On December 4, 2017, MECO Utilities, Inc. (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 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 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 the Certificate of Service. The notice period expired on February 15, 2018. No customer protests were received.

On March 2, 2018, the Public Staff filed the Affidavit of Public Staff financial Analyst Calvin C. Craig III, and the Testimony of Manasa L. Cooper, Public Staff Accountant, and Gina Y. Casselberry, Public Staff Utilities Engineer.

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 the Public Staff recommended rates. The Stipulation further stated that: 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, and MECO and the Public Staff agree the scheduled March 22, 2018, evidentiary hearing should be cancelled and customer notice given, and 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, and MECO and the Public Staff request 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 order.

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.

Based upon the verified application, and the Commission's entire files and records, the Commission now 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 utility service under G.S. 62-137.

2. The test year is the 12-month period ending September 30, 2017. MECO served 271 end of period customers.

3. The present rates have been in effect since August 21, 2017, which was MECO's last pass through rate increase (Docket No. W-1166, Sub 16).

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

5. MECO's present Commission approved rates, and proposed rates are as follows:

<u>Monthly 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 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

MECO's proposed rates would increase the average monthly water bill from \$36.67 to \$43.80, and increase the average monthly sewer bill from \$47.50 to \$62.95, based on the average monthly customer usage of 3,550 gallons.

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

7. 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.

8. The Public Staff recommended a 7.5% margin on expenses, which results in an operating ratio of 93.18% Stipulation (including taxes) or 93.02% (excluding taxes).

9. The 7.5% margin on expenses is just and reasonable in this general rate case.

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

11. The appropriate revenue requirement for water utility service is \$122,542, consisting of \$122,855 from service revenues, \$425 from miscellaneous revenues, less \$738 for bad debt expense. The appropriate revenue requirement for sewer utility service is \$179,325, consisting of \$179,746 from service revenues, \$549 from miscellaneous revenues, less \$970 for bad debt expense.

12. By the Stipulation filed on March 9, 2018, MECO agreed to the Public Staff's recommended rates 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

13. The Public Staff's recommended rates will increase the average combined water and sewer monthly bill from \$84.17 to \$93.36, based on the average usage of 3,550 gallons.

14. MECO is providing adequate service to its customers.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 1-14

The evidence for these findings of facts is contained in the verified application filed in this docket, the affidavits and exhibits of Public Staff witnesses Craig, Casselberry and Cooper, and the Commission's records. The evidence is uncontroverted.

Based upon the entire record in this proceeding, the Commission is of the opinion that MECO has sufficiently demonstrated the need to increase its rates for providing water and sewer utility service in Mobile Estates Mobile Home Park in Wake County, North Carolina. The Commission, therefore, concludes that the rates recommended by the Public Staff and agreed to by MECO are just and reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the Schedule of Rates, attached as Appendix A, is approved and deemed to be filed with the Commission pursuant to G.S. 62-138. Said Schedule of Rates is authorized to become effective for service rendered on and after the date of this Order.

2. That the Notice to Customers, attached as Appendix B, 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 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 ____ day of April, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief 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 (Rule7-20), 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]

Return 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

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1166, Sub 17, on this the ____ day of April, 2018.

APPENDIX B

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

NOTICE TO CUSTOMERS
DOCKET NO. W-1166, SUB 17

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Notice is given that the North Carolina Utilities Commission has issued an Order granting an increase in rates to MECO Utilities, Inc., for provide 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.**

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

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

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.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of April, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk