

**NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

Docket No. W-1324, Sub 0
Docket No. W-406, Sub 6

Exceptions Due on or Before September 29, 2020

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 September 30, 2020 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-1324, SUB 0
DOCKET NO. W-406, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application of Springdale Golf Partners, LLC, d/b/a Springdale Water and Sewer, LLC, 200 Golfwatch Road, Canton, North Carolina 28716, for Transfer of Public Utility Franchise and for Approval of Rates) RECOMMENDED ORDER) APPROVING TRANSFER,) GRANTING FRANCHISE,) ACCEPTING AND APPROVING) BOND, APPROVING RATES, AND) REQUIRING CUSTOMER NOTICE

HILBURN, HEARING EXAMINER: On October 4, 2019, in the above-captioned dockets, Springdale Golf Partners, LLC, d/b/a Springdale Water and Sewer, LLC, (Springdale or Company) filed an application with the Commission seeking authority for transfer of public utility franchise and for approval of rates for providing water and sewer utility service in Springdale Estates Subdivision and Springdale Country Club (together, Springdale Estates) in Haywood County, North Carolina.

On January 27, 2020, the Commission issued an Order Scheduling Hearings and Requiring Customer Notice. The Order, among other things, scheduled a public hearing in Waynesville, North Carolina on March 11, 2020, for the purpose of receiving testimony from Springdale's service area customers. The Order also scheduled an expert witness hearing in Raleigh, North Carolina on April 23, 2020, for the purpose of receiving expert testimony from Springdale, the Public Staff – North Carolina Utilities Commission (Public Staff), and intervenors, if any. On January 31, 2020, Springdale filed its certificate service indicating that customer notice had been provided as required by the January 27, 2020 Order.

On February 28, 2020, Springdale filed the direct testimony of Ronald Lawrence, General Manager of Springdale Golf Partners, LLC and Springdale Water and Sewer, LLC.

On March 11, 2020, the public hearing was held in Waynesville, North Carolina as scheduled, with five individuals providing customer testimony. The quality of service concerns expressed by customers included, but are not limited to, service interruptions due to line breaks, purchase of bottled water due to water quality concerns, inadequate communications regarding water outages, unreturned telephone calls and messages, lack of an after-hours contact number, and discolored water. At the conclusion of the hearing, Springdale agreed to provide a response to the concerns expressed in the customer testimony by no later than April 1, 2020.

On March 18, 2020, the Public Staff filed the affidavit of Calvin C. Craig, III, Financial Analyst, Economic Research Division; the testimony and exhibits of D. Michael Franklin, Utilities Engineer, Water, Sewer, and Telephone Division; and the testimony of exhibit of Iris Morgan, Staff Accountant, Accounting Division. No rebuttal testimony or petitions to intervene have been filed.

On March 24, 2020, Springdale agreed by letter with the Public Staff's recommended rates and bond amounts for both the water and sewer systems. Springdale's letter was filed in the above-captioned dockets on March 25, 2020.

On March 31, 2020, Springdale filed its response to the concerns identified by customers at the public hearing.

On April 3, 2020, Springdale filed a request to cancel the expert witness hearing scheduled to be held on April 23, 2020, in Raleigh, North Carolina.

On April 13, 2020, the Public Staff filed a letter stating that it had reviewed Springdale's response to the customer concerns identified at the public hearing and found that the Company's response adequately addressed the customers' concerns. Further, the Public Staff stated that based upon the application, testimony, and filings in this matter, the Public Staff does not believe that an evidentiary hearing is required. Consequently, the Public Staff recommended that the expert witness hearing be canceled.

On April 15, 2020, the Commission issued an Order Canceling Expert Witness Hearing.

On June 26, 2020, Springdale filed a \$50,000 bond and commercial surety from Travelers Casualty and Surety Company of America for the Springdale Estates water and wastewater systems.

On June 29, 2020, the Public Staff filed the corrected testimony of D. Michael Franklin to revise the impact the Public Staff's recommended rates will have on the average monthly metered water bill and the average monthly metered water and sewer bill. The Public Staff noted that these corrections are stated on page 15 of witness Franklin's testimony and do not impact the Public Staff's recommendations in this proceeding.

On July 13, 2020, the Public Staff filed a letter with the Commission recommending that the Commission issue an order approving the transfer, granting the franchise, accepting and approving the bond, approving rates, and requiring customer notice. The Public Staff included a proposed order with its filing.

On the basis of the information provided in the verified application, the recommendations of the Public Staff, and the records of the Commission, the Hearing Examiner makes the following

FINDINGS OF FACT

1. On March 28, 2018, by General Warranty Deed recorded with the Haywood County Register of Deeds and a Bill of Sale, Springdale Golf Partners, LLC purchased from Royal Oaks, Inc., the real and personal property that included all assets used in connection with the operation of the existing Springdale Estates water system, including wells, pipes and pipelines, pumps, pump houses, storage tanks, maintenance buildings, and the Springdale Estates wastewater system, including the sewer collection system, the wastewater treatment plant, and all sewer-related appurtenances.

2. As of October 4, 2019, Springdale was providing water and sewer utility service to approximately 45 residential customers in Springdale Estates Subdivision and to five non-residential buildings at Springdale Country Club. As of October 4, 2019, Springdale was also providing water-only service to 61 residential customers in Springdale Estates Subdivision and to two non-residential buildings at Springdale Country Club.

3. The water system at Springdale Estates is approved by the North Carolina Department of Environmental Quality (NCDEQ), Division of Water Resources, under system number NC0144113.

4. The wastewater system at Springdale Estates has an approved National Pollutant Discharge Elimination System (NPDES) permit issued by NCDEQ, Division of Water Resources. The NPDES permit number is NC0040355.

5. The water system and the wastewater system have no open or unresolved Notices of Violation.

6. The present water and sewer rates were established for Royal Oaks, Inc., d/b/a Springdale Water and Sewer Company by Order dated November 22, 2016, in Docket Nos. W-406, Sub 5 and M-100, Sub 138, effective January 1, 2017.

7. The current and proposed rates are as follows:

<u>Monthly Metered Water Rates:</u>	<u>Present</u>	<u>Proposed</u>
Base Charge, zero usage	\$ 6.59	\$ 30.00
Usage Charge, per 1,000 gallons	\$ 2.63	\$ 4.00
 <u>Monthly Metered Sewer Rates:</u>		
Base Charge, zero usage	\$ 10.81	\$ 36.00
Usage Charge, per 1,000 gallons	\$ 3.76	\$ 5.00

<u>Other Charges:</u>	<u>Present</u>	<u>Proposed</u>
Connection Charges		
Per water tap (existing mains)	\$ 350.00	\$1,000.00
Per sewer tap (existing mains)	\$ 950.00	\$1,250.00
Per water tap (for extension of mains only)	\$ 500.00	\$ 500.00
Per sewer tap (for extension of mains only)	\$1,000.00	\$1,000.00

8. The test year in this proceeding is the 12-month period ended March 31, 2019.

9. Total annual water operating revenues, as presented on Public Staff Morgan Exhibit I, Schedule 3(a), Page 1 of 2, are \$21,967 under present rates, and \$60,499 under the rates proposed by Springdale.

10. Total annual sewer operating revenues, as presented on Public Staff Morgan Exhibit I, Schedule 3(b), Page 1 of 2, are \$16,873 under present rates, and \$35,412 under the rates proposed by Springdale.

11. The original cost rate base for water operations for use in this proceeding is \$10,688, consisting of plant in service of \$8,537, less accumulated depreciation of \$1,220, plus cash working capital of \$3,371. The original cost rate base for sewer operations for use in this proceeding is \$3,905, consisting of plant in service of \$2,127, less accumulated depreciation of \$213, plus cash working capital of \$1,991.

12. The appropriate level of operating revenue deductions requiring a return (total operating expenses excluding regulatory fee and income taxes is \$28,428 for water operations and \$16,385 for sewer operations.

13. The operating ratio method as allowed by N.C. Gen. Stat. § 62-133.1, which allows a margin on operating revenue deductions requiring a return, is the appropriate method for determining Springdale's revenue requirement for water and sewer operations.

14. A 7.50% margin on operating revenue deductions requiring a return, is reasonable and appropriate for use in this proceeding.

15. A 7.50% margin on total operating revenue deductions requiring a return produces an operating ratio of 93.17% including taxes and 93.02% excluding taxes for both water and sewer operations.

16. 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.

17. 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 21.00% and 2.50% for federal and State income taxes, respectively.

18. The water and sewer rates presented on Public Staff Franklin Exhibit 3 and approved herein are set to produce \$31,237 of total water operating revenues and \$18,004 of total sewer operating revenues, respectively. This annual level of operating revenues will provide Springdale the opportunity to earn a margin on operating revenue deductions of 7.50%. This represents an increase of \$9,270 or 42.2% in water operating revenues and an increase of \$1,131 or 6.7% in sewer operating revenues.

19. In its application Springdale proposed an increase in its connection charges from \$350 to \$1,000 for a water tap to existing mains and from \$950 to \$1,250 for a sewer tap to existing mains.

20. Springdale did not provide sufficient justification for its requested increases for a water and sewer tap to existing mains. It is not appropriate to increase the connection charges for a water and a sewer tap to existing mains as requested by the Company. Springdale's connection charges should be established at the rates previously approved for Royal Oaks, Inc., in the current tariff per Docket Nos. W-406, Sub 5 and M-100, Sub 138, and as reflected on Appendix B, attached hereto.

21. As recommended by the Public Staff, it is reasonable and appropriate for Springdale's reconnection charges for water and sewer operations to remain at the rates previously approved for Royal Oaks, Inc., in the current tariff per Docket Nos. W-406, Sub 5 and M-100, Sub 138, and as reflected on Appendix B, attached hereto.

22. The rates and charges recommended by the Public Staff, agreed to by Springdale, and approved herein are as follows:

<u>Monthly Metered Water Rates:</u>	<u>Approved</u>
Base Charge, zero usage	\$ 9.35
Usage Charge, per 1,000 gallons	\$ 3.75
<u>Monthly Metered Sewer Rates:</u>	
Base Charge, zero usage	\$ 12.30
Usage Charge, per 1,000 gallons	\$ 3.85
<u>Other Charges:</u>	
Connection Charges	
Per water tap (existing mains)	\$ 350.00
Per sewer tap (existing mains)	\$ 950.00
Per water tap (for extension of mains only)	\$ 500.00
Per sewer tap (for extension of mains only)	\$1,000.00

23. Springdale agrees with rates and charges for water and wastewater utility service recommended by the Public Staff and set forth in the Public Staff's affidavit, testimony, and exhibits.

24. The rates approved herein will increase the average monthly bill for water and sewer from \$44.32 to \$53.08. The average monthly bill for water-only services would increase from \$16.20 to \$23.05. The average monthly bills are based on 3,654 gallons of monthly water usage and 4,604 gallons of monthly wastewater usage.

25. Springdale has the technical, managerial, and financial capacity to provide water and wastewater utility service to the Springdale Estates service area.

26. The overall quality of service provided by Springdale is adequate.

27. The Public Staff recommended that the Commission require Springdale to post a total bond of \$50,000 which includes a \$25,000 bond for the Springdale Estates water system and a \$25,000 bond for the Springdale Estates wastewater system. Springdale has posted the required bond amount and filed the appropriate bond documents in the above-captioned dockets on June 26, 2020. All filing requirements for a bond secured by a commercial surety have been met.

28. Springdale's accounting records and business transactions should be kept separate from other business entities, including but not limited to Springdale Golf Partners, LLC, as recommended by the Public Staff.

29. Springdale should keep accurate general ledgers, bank statements, invoices, etc., for future general rate cases and other regulatory proceedings, as recommended by the Public Staff.

30. Springdale should provide customers an after-hours telephone number for communicating urgent water and wastewater utility service issues and the Company should be responsive to such calls in a timely manner.

Conclusions

The evidence for the foregoing findings of fact is contained in the verified application; the Commission records; the prefiled testimony of Springdale witness Ronald Lawrence; the testimony and exhibits of Public Staff witnesses D. Michael Franklin and Iris Morgan; the affidavit of Public Staff affiant Calvin C. Craig, III; the testimony of the public witnesses; the report on customer concerns filed by Springdale; the letters filed by the Public Staff in these dockets on April 13, 2020 and July 13, 2020; and the entire record in this proceeding.

Based upon the foregoing, the Hearing Examiner finds and concludes that the \$50,000 bond posted by Springdale for the Springdale Estates water and wastewater systems should be accepted and approved; that the transfer of the water and wastewater

utility systems from Royal Oaks, Inc., to Springdale should be approved; that the franchise should be granted; and that Springdale has sufficiently demonstrated the need to increase its rates for providing water and wastewater utility service. Consequently, the Hearing Examiner concludes that the rates and charges recommended by the Public Staff and agreed to by Springdale in this proceeding are just and reasonable and should be approved.

With respect to the recommendations by Public Staff Accountant Morgan that Springdale's accounting records and business transactions should be kept separate from other business entities, including but not limited to Springdale Golf Partners, LLC, and that Springdale should keep accurate general ledgers, bank statements, invoices, etc., for future general rate cases and other regulatory proceedings, as set forth in Findings of Fact Nos. 28 and 29 herein, are reasonable and should be approved. Furthermore, based on the testimony of customers at the public hearing, the Hearing Examiner finds and concludes that Springdale should provide customers an after-hours telephone number for communicating to the Company urgent water and wastewater utility service issues and that Springdale should be responsive to such calls in a timely manner.

IT IS, THEREFORE, ORDERED as follows:

1. That the \$50,000 bond and commercial surety from Travelers Casualty and Surety Company of America are hereby accepted and approved for Springdale Estates water and wastewater systems in compliance with N.C.G.S. § 62-110.3;
2. That Springdale is granted a certificate of public convenience and necessity to provide water and wastewater utility service in Springdale Estates located in Haywood County, North Carolina. Appendix A, attached hereto, constitutes the Certificate of Public Convenience and Necessity;
3. That the Schedule of Rates, attached hereto as Appendix B, is hereby approved and deemed filed with the Commission pursuant to N.C.G.S. § 62-138. This Schedule of Rates shall become effective for service rendered on and after the effective date of this Recommended Order;
4. That the Certificates of Public Convenience and Necessity to provide water and wastewater utility service granted to Royal Oaks, Inc., d/b/a Springdale Water and Sewer Company for Springdale Estates in Docket No. W-406, Subs 0 and 1 are canceled on the effective date of this Recommended Order;
5. That a copy of this Order shall be mailed with sufficient postage or hand delivered by Springdale to all customers in Springdale Estates contemporaneously with the next billing of customers; and
6. That Springdale shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than ten days after the next billing of customers.

7. That Springdale's accounting records and business transactions shall be kept separate from other business entities, including but not limited to Springdale Golf Partners, LLC, as recommended by the Public Staff.

8. That Springdale shall keep accurate general ledgers, bank statements, invoices, etc., for future general rate cases and other regulatory proceedings, as recommended by the Public Staff.

9. That Springdale shall provide customers an after-hours telephone number for communicating urgent water and wastewater utility service issues and the Company shall be responsive to such calls in a timely manner.

ISSUED BY ORDER OF THE COMMISSION.

This the 14th day of September, 2020.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Joann R. Snyder", is written over a faint, circular official stamp.

Joann R. Snyder, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1324, SUB 0

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

SPRINGDALE GOLF PARTNERS, LLC
D/B/A SPRINGDALE WATER AND SEWER, LLC

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide water and sewer utility service

in

SPRINGDALE ESTATES SUBDIVISION
AND SPRINGDALE COUNTRY CLUB

Haywood County, North Carolina

subject to any orders, rules, regulations,
and conditions now or hereafter lawfully made
by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the 14th day of September, 2020.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Joann R. Snyder", is written over a light gray circular stamp.

Joann R. Snyder, Deputy Clerk

SCHEDULE OF RATES

for

SPRINGDALE GOLF PARTNERS, LLC
D/B/A SPRINGDALE WATER AND SEWER, LLC

for providing water and sewer utility service in

SPRINGDALE ESTATES SUBDIVISION
and SPRINGDALE COUNTRY CLUB

Haywood County, North Carolina

Monthly Metered Water Rates:

Base Charge, zero usage	\$	9.35
Usage Charge, per 1,000 gallons	\$	3.75

Monthly Metered Sewer Rates:

Base Charge, zero usage	\$	12.30
Usage Charge, per 1,000 gallons	\$	3.85

Connection Charges:

\$ 350 per water tap (existing mains)
\$ 950 per sewer tap (existing mains)
\$ 500 per water tap (for extension of mains only)
\$1,000 per sewer tap (for extension of mains only)

Reconnection Charges:

If water service cut off by utility for good cause	\$	14.36
If water service discontinued at customer's request ^{1/}	\$	14.36
If sewer service cut off by utility for good cause	\$	14.10

^{1/} Springdale is authorized to collect the minimum monthly charge (times the number of months disconnected) for water or sewer service from any customer who is disconnected at the customer's request and requests reconnection to the same address within a period of less than nine months.

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly 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 billing date.

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers a copy of the Order Approving Transfer, Granting Franchise, Approving Rates, and Requiring Customer Notice issued by the North Carolina Utilities Commission in Docket Nos. W-1324, Sub 0, and W-406, Sub 6, and such Order was mailed or hand delivered by the date specified in the Order.

This the _____ day of _____ 2020.

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 Nos. W-1324, Sub 0, and W-406, Sub 6.

Witness my hand and notarial seal, this the _____ day of _____ 2020.

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date