

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO.W-1226, SUB 4

In the Matter of)	
Application by Fairfield Water Company)	JOINT SETTLEMENT
for Authority to Adjust and Increase Rates)	TESTIMONY OF KUEI FEN
for Water Utility Service in the Fairfield)	SUN, SHASHI BHATTA, AND
Water's Service Area in Henderson)	PATRICK A. FAHEY - PUBLIC
County, North Carolina)	STAFF- NORTH CAROLINA
)	UTILITIES COMMISSION

May 31, 2024

1 **Q. Ms. Sun, please state your name, business address, and**
2 **present position.**

3 A. My name is Kuei Fen Sun. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utility
5 Regulatory Analyst with the Accounting Division of the Public Staff –
6 North Carolina Utilities Commission (Public Staff).

7 **Q. Briefly state your qualifications and experience.**

8 A. My qualifications and duties are included in Appendix A.

9 **Q. Ms. Bhatta, please state your name, business address, and**
10 **present position.**

11 A. My name is Shashi M. Bhatta. My business address is 430 North
12 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
13 Public Utilities Engineer with the Water, Sewer, and Telephone
14 Division of the Public Staff – North Carolina Utilities Commission
15 (Public Staff).

16 **Q. Briefly state your qualifications and experience.**

17 A. My qualifications and duties are included in Appendix B.

1 **Q. Mr. Fahey, please state your name, business address, and**
2 **present position.**

3 A. My name is Patrick A. Fahey. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities
5 Regulatory Analyst with the Economic Research Division of the
6 Public Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. Briefly state your qualification and experience.**

8 A. My qualifications and duties are included in Appendix C.

9 **Q. What is the purpose of your joint settlement testimony?**

10 A. The purpose of our joint settlement testimony in this proceeding is to
11 provide support for the Settlement Agreement and Stipulation
12 (Stipulation) filed on May 31, 2024, entered into between Fairfield
13 Water Company (Fairfield or the Company) and the Public Staff
14 (collectively the Stipulating Parties).

15 **Q. Briefly describe the Stipulation.**

16 A. The Stipulation sets forth the agreement between the Stipulating
17 Parties regarding all revenue requirement issues, including the
18 following:

- 19 (1) Rate of return
20 (2) Plant in service
21 (3) Accumulated depreciation

- 1 (4) Depreciation expense
- 2 (5) Meter reading expense
- 3 (6) Maintenance and repair expense
- 4 (7) Testing fees
- 5 (8) Contract labor
- 6 (9) Purchased water
- 7 (10) Rate case expense
- 8 (11) Regulatory fees

9 The details of the agreements in these areas are set forth in the
10 Stipulation, with certain items discussed in greater detail below.

11 **Q. Please describe the agreed upon plant in service, accumulated**
12 **depreciation, and depreciation expenses.**

13 A. The Stipulating Parties agree upon the total plant in service of
14 \$44,557, which was approved in the last general rate case in Docket
15 No. W-1226, Sub 3, given that there is no additional plant in service
16 since the last general rate case. The Stipulating Parties agree upon
17 utilizing the half-year convention methodology and agree upon
18 service lives to calculate the associated depreciation expense and
19 the accumulated depreciation through December 31, 2023.

20 **Q. Please describe the agreed upon meter reading expenses.**

21 A. Fairfield contracts with Great Western Management to read
22 the customers' water meters. The annual cost of \$396 for reading

1 meters is an appropriate expense level to be included in the
2 Administration and Office expense, based upon the review and
3 verification of the invoices provided by Fairfield in response to Public
4 Staff Data Request No. 2. The Stipulating Parties agree upon the
5 Public Staff's reclassification of the meter reading expense in the
6 amount of \$396.04 to administrative and office expenses.

7 **Q. Please describe the agreed upon Maintenance and repair**
8 **expense.**

9 A. The Stipulating Parties agree upon the reclassification of this item in
10 the amount of \$1,200 from plant in service to maintenance and repair
11 expense.

12 **Q. Please describe the agreed upon testing fees.**

13 A. The Stipulating Parties agree upon the Public Staff's annualizing
14 testing costs based on fees charged by James and James
15 Environmental, Inc. (James and James), for collecting and analyzing
16 samples per the Department of Environmental Quality's (DEQ) most
17 current sampling requirements. The Stipulating Parties agree upon
18 the testing expense of \$1,220 as shown in Settlement Exhibit 2.

19 **Q. Please describe the agreed upon contract labor expense.**

20 A. The Company contracts with James and James to meet the DEQ
21 Operator in Responsible Charge requirement for the water system.
22 The Public Staff reviewed the invoices from James and James for

1 the monthly expense and the contract agreement between James
2 and James and the Company. The invoices and contract agreement
3 support a contract labor expense of \$8,381. The Stipulating Parties
4 agree upon the contract labor expense in the amount of \$8,381.

5 **Q. Please describe the agreed upon purchased water expense.**

6 A. The Public Staff reviewed the purchased water invoices from the City
7 of Asheville (City) to Fairfield provided in response to Public Staff
8 Data Request Nos. 2 and 3, and verified the usage rate charged,
9 base charge, and frequency of billing. Effective July 1, 2023, the City
10 increased the base charge and the usage charge. The City charges
11 Fairfield a multi-family residential customer usage rate of \$4.58 per
12 hundred cubic feet (CCF), or \$6.12 per 1,000 gallons, and a base
13 charge of \$94.38. The City bills Fairfield bi-monthly, or six times a
14 year. The amount of water the Company billed its customers during
15 the test year was used to calculate the non-revenue water loss
16 amount in the Fairfield water system. The non-revenue water loss
17 percentage was approximately 8.3%, and no adjustments were
18 made for this amount of water loss.

19 The total water billed by the City, current base charge, current usage
20 charge, and billing frequency were incorporated into the purchased
21 water expense of \$10,527.

1 The Stipulating Parties agree upon purchased water expense in the
2 amount of \$10,527 based on the total water billed by the City, current
3 base charge, current usage charge, and billing frequency.

4 **Q. Please describe the agreed upon rate case expense.**

5 A. The Public Staff included the application filing fee of \$100 and an
6 estimate of the costs for notices, printing, envelopes, and postage
7 fees to be incurred after the evidentiary hearing in the amount of \$21
8 for rate case expense. The Stipulating Parties agree to the total rate
9 case expense of \$121, and to amortize the total over a three-year
10 period.

11 **Q. Please describe the agreed upon regulatory fees.**

12 A. The Stipulating Parties agree to utilize the statutory rate of 0.1475%
13 to the total operating revenues.

14 **Q. Please describe the agreed upon rate of return.**

15 A. The Stipulating Parties agree upon an authorized return on equity of
16 9.8%, a hypothetical capital structure composed of 50% debt and
17 50% equity, and an embedded cost of debt of 4.2%. The foregoing
18 factors produced an overall rate of return of 7.0%.

19 **Q. What benefits does the Stipulation provide ratepayers?**

20 A. From the perspective of the Public Staff, the most important benefits
21 provided by the Stipulation are as follows:

1 1) An aggregate reduction of the total operating revenue
2 deductions listed above from the levels requested in the Company's
3 general rate case, resulting from the adjustments agreed to by the
4 Stipulating Parties.

5 2) A balance between reducing the ratepayer's burden of paying
6 a higher utility rate and allowing the utility an opportunity to recover
7 sufficient revenue to provide quality service to the ratepayers.

8 3) The avoidance of protracted litigation between the Stipulating
9 Parties before the the North Carolina Utilities Commission
10 (Commission) and possibly the appellate courts.

11 Based on these ratepayer benefits, the Public Staff believes the
12 Stipulation is in the public interest and should be approved.

13 **Q. Have the Stipulating Parties finalized the revenue requirement?**

14 A. Yes. As shown in the Settlement Exhibit I, Schedule 3, the annual
15 service revenue requirement is \$30,307. The Stipulating Parties also
16 agree upon a base charge for the church and the quadruplexes of
17 \$39.22 and \$156.88 per month, respectively. The \$6.12 per 1,000
18 gallons will be the current usage charge of the City.

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

KUEI FEN SUN

I graduated from North Carolina State University with a Master of Science in Accountancy in 2010. Prior to joining the Public Staff, I worked in state government and the private sector in North Carolina for 14 years as an external and internal auditor.

I am responsible for (1) examining and analyzing the applications, testimony, exhibits, books and records, and other data presented by utilities and other parties involved in Commission proceedings; and (2) preparing and presenting testimony, exhibits, and other documents for presentation to the Commission in those proceedings.

I joined the Public Staff in September 2021, and was promoted to Regulatory Analyst II in August 2022. I have performed several audits and/or presented testimony and exhibits before the Commission addressing a wide range of electric, natural gas and water & sewer topics, general rates, multi-year general rate case, quarterly earnings, annual review and riders.

Additionally, I have filed testimony and exhibits in some water rate cases and performed investigations and analyses addressing a wide range of topics and issues related to the water, gas, and electric industries.

APPENDIX B**QUALIFICATIONS AND EXPERIENCE****SHASHI M. BHATTA**

I graduated from Michigan State University, earning a Bachelor of Science Degree in Chemical Engineering and a Master of Science degree in Environmental Engineering. I am a licensed Professional Engineer in the State of North Carolina. I am also certified as a B-Well Operator by the North Carolina Water Treatment Facility Operators Certification Board. Prior to joining the Public Staff in April of 2022, I worked for the North Carolina Department of Environmental Quality (DEQ), Public Water Supply Section - Raleigh Regional Office for three and a half years primarily inspecting water systems, and in DEQ's Public Water Supply Section - Central Office for 16 years, primarily reviewing engineering design of water systems' construction. Prior to working for DEQ, I worked for an environmental consulting company, Malcolm Pirnie, Inc., for two and a half years.

My duties with the Public Staff are to monitor the operations of regulated water and wastewater utilities with regard to rates and service. These duties include conducting field investigations;, reviewing, evaluating, and recommending changes in the design, construction, and operations of regulated water and wastewater utilities;, presenting expert witness testimony in formal hearings;, and presenting information, data, and recommendations to the Commission.

QUALIFICATIONS AND EXPERIENCE

PATRICK ALEXANDER FAHEY

I received a Bachelor of Science degree in Economics from the University of North Carolina at Charlotte in 2018 and a Master of Economics degree from North Carolina State University in 2023. Since joining the Public Staff in January of 2024, I have been involved in the Public Staff's investigations of small water utilities for capital structure, and of Docket No. E-7, Sub 1304 and the 2023 Biennial Avoided Costs in Docket No. E-100, Sub 194.

CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing on all parties of record or to the attorney of record of such party in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 31st day of May, 2024.

Electronically submitted
/s/ Davia Newell
Staff Attorney