

**NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

Docket No. W-1063, Sub 5

Exceptions Due on or Before March 25, 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 28, 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-1063, SUB 5

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by C & P Enterprises, Inc.)	
Post Office Box 31563, Raleigh,)	
North Carolina 27622, for Authority to)	RECOMMENDED ORDER
Adjust and Increase Rates for Sewer Utility)	GRANTING PARTIAL RATE
Service at Ocean Bay Villas and Ocean)	INCREASE AND REQUIRING
Glen Condominiums in Carteret County,)	CUSTOMER NOTICE
North Carolina)	

BY THE HEARING EXAMINER:¹ On August 27, 2021, in the above-captioned docket, C & P Enterprises, Inc. (C & P Enterprises or the Applicant) filed a verified application with the Commission seeking authority to increase its rates for providing sewer utility service at Ocean Bay Villas and Ocean Glen Condominiums in Carteret County, North Carolina. The present rates have been in effect since January 1, 2017, pursuant to the Commission's Order Approving Tariff Revision and Requiring Customer Notice issued in Docket Nos. W-1063, Sub 4 and M-100, Sub 138, on December 6, 2016.

On September 20, 2021, the Commission issued an Order Establishing General Rate Case and Suspending Rates for up to 270 days.

By Order dated November 16, 2021, the Commission scheduled a remote customer hearing beginning at 7:00 p.m., on Wednesday, January 5, 2022, and an in-person expert witness hearing beginning at 10:00 a.m. on Tuesday, February 8, 2022. On November 19, 2021, C & P Enterprises filed its certificate of service indicating that customer notice had been given in accordance with the Commission's November 16, 2021 Order. The Public Staff did not receive any protests and no customer registered to provide testimony at the public hearing.

On January 3, 2022, the Public Staff filed a motion to cancel the customer hearing. In its motion, the Public Staff stated that the Company had filed the requisite certificate of service, which attested that all customers received notice of the rate increase and the public hearing, and that no customers submitted a complaint or registered to provide testimony at the hearing.

On January 3, 2022, the Commission issued an Order Canceling Public Hearing.

¹ Commission Hearing Examiner Freda H. Hilburn.

On January 19, 2022, the Public Staff filed the direct testimony and exhibits of Lindsay Q. Darden, Public Utilities Engineer, Public Staff Water, Sewer, and Telephone Division; Kuei Fen Sun, Financial Analyst, Public Staff Accounting Division, and a notice of affidavit and affidavit of Public Staff witness Phat H. Tran, Public Utilities Financial Analyst, Public Staff Economic Research Division.

On January 25, 2022, C & P Enterprises filed a letter accepting the Public Staff's recommended revenue requirements and rates and requested that the Commission cancel the expert witness hearing, approve the rates, and make the rates effective on issuance date of the Recommended Order.

On January 31, 2022, the Public Staff filed a motion requesting that the expert witness hearing scheduled for Tuesday, February 8, 2022, be canceled; the testimony and exhibits of Public Staff witnesses Lindsay Q. Darden and Kuei Fen Sun and the affidavit of Public Staff witness Phat Tran be entered into evidence; and the Public Staff be permitted to submit a proposed order granting rate increase and requiring customer notice.

On February 2, 2022, the Commission issued its Order canceling the expert witness hearing, admitting the testimony and exhibits of Public Staff witnesses Lindsay Q. Darden and Kuei Fen Sun and the affidavit of Public Staff witness Phat Tran, permitting the Public Staff to submit a proposed order granting rate increase and requiring customer notice within ten days of the order, and requiring C & P Enterprises to provide notice to customers of the Commission's February 2, 2022 order.

On February 7, 2022, C & P Enterprises filed its certificate of service indicating that customer notice had been given in accordance with the Commission's February 2, 2022 order.

On February 11, 2022, the Public Staff filed its proposed order for the Commission's consideration.

Based upon the foregoing, the verified application, the affidavit of affiant Tran, the testimony and exhibits of witnesses Darden and Sun, and the entire record in this matter, the Hearing Examiner makes the following

FINDINGS OF FACT

1. The Applicant is properly before the Commission seeking an increase in its rates and charges for sewer utility service.

2. The Applicant bills and receives payment for sewer utility service from two multi-family development customers along NC Highway 58 (also known as Salter Path Road) near the Town of Pine Knoll Shores: Ocean Glen Condominiums and Ocean Bay Villas Owners Association, Inc. (Ocean Bay Villas). Ocean Glen Condominiums consists of 38 residential units and Ocean Bay Villas consists of 51 residential units. The owners

of condominiums in Ocean Glen Condominiums and Ocean Bay Villas benefit from the service provided by the Applicant, and they pay for the service indirectly through their homeowners' association dues, but they do not receive bills from or pay bills to the Applicant. Consequently, the individual owners of condominiums are not customers and were not entitled to be served with the Notice to Customers attached to the Commission's orders of November 16, 2021 and February 2, 2022.

3. The Application listed C & P Enterprises' revenues and expenses for the calendar year 2020, and the Commission in its order dated September 20, 2021, established the 12-month period ended December 31, 2020, as the test year for this proceeding.

4. The Applicant's present and proposed rates are as follows:

<u>Monthly Flat Rate Sewer Service</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Ocean Bay Villas	\$2,912.31	\$3,526.65
Ocean Glen Condominiums	\$2,169.96	\$2,627.70
Per Residential Unit	\$57.10	\$69.15

5. The Applicant's proposed rates would generate an approximately 21% increase in sewer service revenue. Annual sewer service revenues are \$60,987 under present rates and \$73,852 under the Applicant's proposed rates.

6. The original cost rate base for use in this proceeding is \$60,064, consisting of plant in service of \$152,818 (adjusted for accumulated depreciation of (\$100,308)), unamortized legal expenses net of taxes of \$1,717, and cash working capital of \$5,837. The level of operating revenue deductions requiring a return (total operating expenses excluding the regulatory fee and income taxes) is \$59,602.

7. It is reasonable and appropriate to calculate state income taxes based on the statutory rate of 2.50% and federal income taxes based on the statutory rate of 21.00%.

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

9. As allowed under N.C. Gen. Stat. § 62-133.1, the operating ratio method is the appropriate method for determining the Applicant's revenue requirement for sewer operations in this proceeding. A gross revenue requirement using an operating margin of 7.00% as recommended by Public Staff Financial Analyst Tran is just and reasonable for use in this proceeding.

10. The appropriate level of total revenues for use in this proceeding is \$60,987 under the Applicant's present rates and \$65,103 under the rates recommended by the

Public Staff and agreed to by the Applicant, reflecting a \$4,116 increase or 6.75% increase.

11. The rates recommended by the Public Staff and agreed to by the Applicant are as follows:

<u>Monthly Flat Rate Sewer Utility Service:</u>	<u>Recommended Rates</u>
Ocean Glen Condominiums	\$2,316.48
Ocean Bay Villas	\$3,108.96
Per Residential Unit	\$ 60.96

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

13. The rates recommended by the Public Staff and agreed to by C & P Enterprises are not in excess of a just and reasonable level and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-13

The evidence for these findings of fact is contained in the verified application filed in this docket; the affidavit, testimonies, and exhibits of the Public Staff witnesses Darden, Sun, and Tran; and the Commission's records. This evidence is uncontroverted.

Based upon the entire record in this proceeding, the Hearing Examiner concludes that C & P Enterprises has sufficiently demonstrated the need to increase its rates for providing sewer utility service in all of its service areas in Carteret County, North Carolina. The Hearing Examiner therefore concludes that the rates recommended by the Public Staff and agreed to by C & P Enterprises are just and reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That C & P Enterprises is authorized to increase its rates for sewer utility service at Ocean Bay Villas and Ocean Glen Condominiums in Carteret County, North Carolina as reflected in the Schedule of Rates attached hereto as Appendix A. These rates shall be effective for service rendered on and after the effective date of this Order.

2. 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.

3. That a copy of the Notice to Customers, attached hereto as Appendix B, shall be mailed or hand delivered to all affected customers of the Applicant within five business days of the date of this Order, and that the Applicant 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 10th day of March, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script, appearing to read "Joann R. Snyder".

Joann R. Snyder, Deputy Clerk

SCHEDULE OF RATES

for

C & P ENTERPRISES, INC.

for providing sewer utility service in the

OCEAN BAY VILLAS AND OCEAN GLEN CONDOMINIUMS

Carteret County, North Carolina

Monthly Flat Rate Sewer Utility Service:

Ocean Bay Villas	\$3,108.96
Ocean Glen Condominiums	\$2,316.48

Reconnection Charge: None

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency: Shall be monthly for service in arrears

Finance Charges 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-1063, SUB 5
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 C & P Enterprises, Inc. The Order approved the following rates for sewer utility service provided on and after the effective date of this notice.

Monthly Flat Rate Sewer Utility Service:

Ocean Bay Villas	\$3,108.96
Ocean Glen Condominiums	\$2,316.48

Reconnection Charge: None

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency: Shall be monthly for service in arrears

Finance Charges 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 BY ORDER OF THE COMMISSION.

This the 10th 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-1063, Sub 5, 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-1063, Sub 5.

Witness my hand and notarial seal, this the ___ day of _____, 2022.

Notary Public

Printed Name

(SEAL) My Commission Expires: _____

Date