

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1226, SUB 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

<p>In the Matter of Application by Fairfield Water Company for Authority to Adjust and Increase Rates for Water Utility Service in Fairfield Water's Service Area in Henderson County, North Carolina</p>	<p>))))))</p>	<p>JOINT PROPOSED ORDER APPROVING STIPULATION, GRANTING RATE INCREASE AND REQUIRING CUSTOMER NOTICE</p>
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BY THE HEARING EXAMINER¹: On January 16, 2024, Fairfield Water Company (Fairfield or Applicant) filed an application with the Commission seeking authority to increase its rates for water utility service in the Fairfield Water System in Henderson County, North Carolina. By Order issued February 12, 2024, the Commission declared the matter to be a general rate case, suspended the proposed rates, and required customer notice.

On March 12, 2024, the Company filed an amendment to page 1 of its Application. The Applicant provides water utility service to 12 customers (11 quadrplexes and one church) in the Fairfield Water service area.

On April 5, 2024, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order). By the Scheduling Order, the Commission scheduled a public witness

¹ Commission Hearing Examiner Jenny Li.

hearing on Tuesday, May 21, 2024, in Hendersonville, North Carolina, and an expert witness hearing on Wednesday, July 10, 2024, in Raleigh, North Carolina.

On May 15, 2024, Fairfield Water filed its certificate of service indicating that customer notice had been provided as required by the Scheduling Order.

On May 21, 2024, a public witness hearing was held on the date and in the location set out in the Scheduling Order. Three Fairfield customers testified at the public witness hearing. The testifying witnesses expressed concerns regarding the Company's requested rate increase.

On May 31, 2024, Fairfield Water filed a verified report addressing all customers' comments expressed during the public hearing held on May 21, 2024. The Public Staff filed its Verified Response to Fairfield's report on June 18, 2024.

On May 31, 2024, Fairfield Water and the Public Staff (collectively, the Stipulating Parties) entered into and filed a Settlement Agreement and Stipulation (Stipulation), including Public Staff Accounting Settlement Exhibit 1, which sets forth the Public Staff's calculation of the annual revenue requirement agreed to by the Stipulating Parties.

Additionally, on May 31, 2024, the Public Staff filed the Joint Settlement Testimony of Kuei Fen Sun, Public Utility Regulatory Analyst with the Accounting Division, Shashi M. Bhatta, Public Utilities Engineer with the Water, Sewer, and Telephone Division, and Partrick A. Fahey, Public Utilities Regulatory Analyst with the Economic Research Division. Pursuant to the Stipulation, the Stipulating

Parties agree that all prefiled settlement testimony and exhibits of the Stipulating Parties may be received in evidence without objection.

In conjunction with the filing of the Stipulation, the Stipulating Parties filed a joint motion requesting that the Commission cancel the expert witness hearing scheduled for July 10, 2024, and allow the Stipulating Parties to file a joint proposed order to be submitted to the Commission by June 28, 2024.

On June 14, 2024, the Hearing Examiner found good cause to excuse the Applicant and all Public Staff witnesses from testifying at the expert witness hearing, to cancel the expert witness hearing scheduled for July 10, 2024, and receive into the record the Stipulation, the Joint Settlement Testimony, and the Application. Further, the Hearing Examiner required that the Stipulating Parties file a joint proposed order in this proceeding on or before Friday, June 28, 2024.

Based upon the foregoing, including the Application, the settlement testimony and exhibit, the Stipulation, and the entire record in this proceeding, the Hearing Examiner now makes the following:

FINDINGS OF FACT

1. Fairfield is properly before the Commission seeking an increase in its rates and charges for water utility service.
2. The test year established for use in this proceeding is the 12-month period ended December 31, 2022.

3. Fairfield provides water utility service to 12 water customers (using meters at each of 11 quadraplexes and one meter located at a church).

4. The quality of service provided by Fairfield to its customers is adequate.

5. Fairfield's present and proposed rates are as follows:

<u>Water Utility Service:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Monthly Metered Rates:</u>		
Base Charge, zero usage – Apartment Building	\$ 121.32	\$ 156.88
Base Charge, zero usage – Church	\$ 30.33	\$ 39.22
Usage Charge, per 1,000 gallons	\$ 4.76	\$ 6.12
<u>Other Charges:</u>		
Reconnection		
Cut-off for Cause	\$ 15.00	\$ 15.00
Cut-off Requested	\$ 15.00	\$ 15.00

Rate Case Expense

6. The Stipulating Parties agreed to recovery of total rate case expense in the amount of \$121, which specifically consists of the application filing fee and customer notice mailing postage fees. The Stipulating Parties agreed that the rate case expense in the current proceeding will be amortized over a three-year period, thus resulting in an annual amount of \$40.

Expenses

7. The Stipulating Parties agreed to the following adjustments made by the Public Staff as discussed in the Joint Settlement Testimony of Public Staff witnesses Sun, Bhatta, and Fahey: (1) reclassification of the meter reading expense in the amount of \$396.04 to administrative and office expenses; (2)

reclassification from plant in service to maintenance and repair expense of \$1,200; (3) adjustments to testing expense of \$1,220; (4) adjustments to contract labor expense totaling \$8,381; and (5) adjustments to purchased water expense totaling \$10,528.

Rate Base

8. The Stipulating Parties agreed to total plant in service in the amount of \$44,557, which was approved in the Company's last general rate case in Docket No. W-1226, Sub 3, given that there is no additional plant in service since the last general rate case.

9. The Stipulating Parties agreed to the Public Staff's determination of service lives and methodology used to calculate the associated depreciation expense, and the accumulated depreciation through December 31, 2023.

Rate of Return

10. The Stipulating Parties agreed upon an authorized return on equity of 9.8%, a hypothetical capital structure composed of 50% debt and 50% equity, and an embedded cost of debt of 4.2%. The foregoing factors produce an overall rate of return of 7.0%.

Revenue Requirement

11. The Public Staff has calculated a recommended service revenue requirement of \$30,307.

Rate Design

12. The following rates will produce the annual level of service revenues approved herein. These rates, as well as the annual service revenue levels found reasonable above, were agreed to by the Stipulating Parties.

<u>Water Utility Service:</u>	<u>Proposed Rates</u>
<u>Monthly Metered Rates:</u>	
Base Charge, zero usage – Apartment Building	\$ 156.88
Base Charge, zero usage – Church	\$ 39.22
Usage Charge, per 1,000 gallons	\$ 6.12
<u>Other Charges:</u>	
Reconnection	
Cut-off for Cause	\$ 15.00
Cut-off Requested	\$ 15.00

13. The Stipulating Parties have agreed to the Public Staff's calculations and adjustments as reflected in Settlement Exhibit I.

Whereupon, the Hearing Examiner reaches the following:

CONCLUSIONS

The evidence for the foregoing Findings of Fact is contained in the application; Commission records; the Settlement Agreement and Stipulation, including Public Staff Accounting Settlement Exhibit 1; and the Joint Settlement Testimony of Kuei Fen Sun, Shashi M. Bhatta, and Partrick A. Fahey.

Based upon the entire record in this proceeding, the Hearing Examiner finds and concludes that the rates agreed upon by the Stipulating Parties are just and reasonable and should be approved. Such rates and charges are set forth in Joint Settlement Exhibit I, filed on May 31, 2024, and the Schedule of Rates (Appendix A) attached hereto.

IT IS, THEREFORE, ORDERED as follows:

1. That Fairfield is authorized to increase its rates for water utility service in the Fairfield Water System in Henderson County as reflected in the Schedule of Rates attached hereto as Appendix A. These rates shall be effective for service rendered on and after the 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. Gen. Stat. § 62-138;

3. That a copy of the Notice to Customers attached hereto as Appendix B shall be mailed or hand delivered to all customers of Fairfield within five days of the date of this Order; and

4. That Fairfield shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than fifteen days of the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of July, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

APPENDIX A

SCHEDULE OF RATES

for

FAIRFIELD WATER COMPANYfor providing water utility service inFAIRFIELD WATER SYSTEM

Henderson County, North Carolina

Water Utility Service:Monthly Metered Rates:

Base Charge, zero usage – Apartment Building \$ 156.88

Base Charge, zero usage – Church \$ 39.22

Usage Charge, per 1,000 gallons \$ 6.12

Other Charges:Reconnection

Cut-off for Cause \$ 15.00

Cut-off Requested \$ 15.00

Return Check Fee: \$ 24.00Bills Due: On billing dateBills Past Due: 15 days after billing dateBilling Frequency: Shall be monthly for service in arrearsFinance 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 in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1226, Sub 4, on this ____ day of July, 2024.

APPENDIX B

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

NOTICE TO CUSTOMERS
DOCKET NO. W-1226, SUB 4
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 Fairfield Water Company. The Order approved the following rates for water utility service provided on and after the date of this notice.

<u>Water Utility Service:</u>	<u>Approved Rates</u>
<u>Monthly Metered Rates:</u>	
Base Charge, zero usage – Apartment Building	\$ 156.88
Base Charge, zero usage – Church	\$ 39.22
Usage Charge, per 1,000 gallons	\$ 6.12
<u>Other Charges:</u>	
Reconnection	
Cut-off for Cause	\$ 15.00
Cut-off Requested	\$ 15.00

This the ____ day of July, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief 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-1226, Sub 4, and the Notice was mailed or hand delivered by the date specified in the Order.

This the _____ day of _____, 2024.

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-1226, Sub 4.

Witness my hand and notarial seal, this the ____ day of _____, 2024.

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date

CERTIFICATE OF SERVICE

I certify that I have this day served a copy of the foregoing Joint Proposed Order upon each of the parties of record in this proceeding or the attorney of record of such party, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 28th day of June, 2024.

Electronically submitted
/s/ Davia A. Newell