



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

November 5, 2018

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

Re: Docket No. W-1034, Sub 8

Dear Ms. Jarvis:

Enclosed please find the Proposed Order of the Public Staff in the above-referenced docket.

The Prefiled Direct Testimony of Public Staff Witness David Furr states that the recommended rate for the base charge for zero usage for the River Walk Subdivision is \$35.50, and the usage charge per 1,000 gallons is \$9.07. Transcript, September 20, 2018, p. 46, l.15. A summary of the Public Staff recommended rates was given by Public Staff Witness Furr at the September 20, 2018 hearing. The recommended rate for the base charge for zero usage for the River Walk Subdivision was given as \$35.50. Transcript, September 20, 2018, p. 29, l. 11. The correct figure for the recommended rate for the base charge for zero usage, \$37.50, is contained in Exhibit 8 of Public Staff Witness Furr's Prefiled Direct Testimony.

Dennis Abbot, Owner of WRI, testified at the September 20, 2018 hearing that he accepted the Public Staff's recommended rates. Transcript, September 20, 2018, p. 9, l. 18-22.

The enclosed Proposed Order contains the correct rate recommendations of the Public Staff.

Sincerely,

Electronically submitted
s/ John Little
Staff Attorney
john.little@psncuc.nc.gov

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

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1034, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Water Resources, Inc., 5970) PUBLIC STAFF'S
Fairview Road, Suite 710, Charlotte, North) PROPOSED ORDER
Carolina 28210, for Utility Service in Rocky) APPROVING AGREED
River Plantation Subdivision in Cabarrus) RATES AND REQUIRING
County and River Walk Subdivision in) CUSTOMER NOTICE
Mecklenburg County, North Carolina)

HEARD: Thursday, September 20, 2018, at 7:00 p.m. in the Mecklenburg
County Courthouse, 832 E. 4th Street, Courtroom 5350, Charlotte,
North Carolina

BEFORE: Lemuel Hinton, Hearing Examiner

APPEARANCES:

For Water Resources, Inc.:

No counsel of record

For the Using and Consuming Public:

John D. Little, Staff Attorney
Public Staff – North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

HINTON, HEARING EXAMINER: On April 18, 2018, Water Resources, Inc.
(WRI or Company) filed an application with the Commission seeking authority to
increase its rates for water utility service in Rocky River Plantation Subdivision
(Rocky River) in Cabarrus County and River Walk Subdivision (River Walk) in
Mecklenburg County, North Carolina.

By Order dated May 14, 2018, the Commission declared this docket to be a general rate case, suspended the Company's proposed rates, scheduled a hearing, and required customer notice.

WRI filed the Commission-required Certificate of Service on February 20, 2018, indicating that the Company provided the Notice to Customers in compliance with the May 14 Order.

On August 29, 2018, the Public Staff filed its direct testimony of witnesses June Chiu and David C. Furr and the Affidavit of Bob R. Hinton.

Subsequent to the filing of WRI's Application in this docket, the Public Staff engaged in substantial discovery of WRI regarding the matters addressed by the Company's Application and further examined the relevant books and records of WRI with respect to its Application. The Public Staff also conducted field inspections of the water systems at Rocky River and River Walk.

Six Consumer Statements of Position were filed on September 12, 2018. The issues in these statements concern the magnitude of the requested rate increase, customer service, and water quality.

On September 20, 2018, a hearing was held at the Mecklenburg County Courthouse in Mecklenburg County, Charlotte, North Carolina. No members of the public or WRI customers were present. The Company offered the testimony of Dennis Abbott, and the Public Staff offered the testimony of David C. Furr. The testimony and exhibits of June Chiu, David C. Furr, and the affidavit of Bob R. Hinton were received in evidence at the Public Staff's request.

The Public Staff indicated the correct rates and charges are contained in Public Staff Witness Furr's Exhibit 8 to his Pre-Filed Direct Testimony. The Public Staff also indicated that Public Staff's Witness Furr's summary of the agreed upon rates and charges at the September 20, 2018 hearing were not correct.

Based on the foregoing, the verified Application, the testimony and exhibits presented at the hearing, and the entire record in this proceeding, the Hearing Examiner makes the following:

FINDINGS OF FACT

1. WRI is a corporation duly organized under the law and is authorized to do business in the State of North Carolina. The Company is subject to the regulatory oversight of this Commission.

2. WRI is properly before the Commission pursuant to N.C. Gen. Stat. § 62 seeking a determination of the justness and reasonableness of its proposed rates and charges for its water utility operations.

3. As of December 31, 2017, WRI served 114 water customers at Rocky River in Cabarrus County, and 32 water customers at River Walk in Mecklenburg County.

4. The Company's existing and proposed rates are as follows:

	<u>Proposed Rates</u>	<u>Present Rates</u>
<u>Rocky River</u>		
Monthly Metered Water Rates:		
Base charge, zero usage	\$ 9.28	\$11.20
Usage charge, per 1,000 gallons	\$ 2.57	\$ 3.10

River Walk

Monthly Metered Water Rates:

Base charge, zero usage	\$37.6	\$40.68
Usage charge, per 1,000 gallons	\$ 9.42	\$10.18

5. The test period in this proceeding is the 12 months ending December 31, 2017.

6. Neither water system is in compliance with North Carolina Department of Environmental Quality (DEQ) regulations.

7. A sanitary survey for Rocky River was conducted by DEQ on March 29, 2018, and WRI was sent a Notice of Deficiency letter, dated April 3, 2018. The stated deadlines for resolving the issues was July 31, 2018, and further extended to July 31, 2018. As of August 16, 2018, the following items were not resolved:

a. The hypochlorite solution injection point is not in the location shown on the approved plans for the chemical feed system improvements, which violates the requirements of 15A NCAC 18C.1304(a);

b. A faucet or spigot for sampling treated water prior to delivery to the first customer was not provided, which violates the requirements of 15A NCAC 18C.0402(e);

c. The well house provided for Well 1 was not secured with a lock and key, which violates the requirements of 15A NCAC 18C.0402(f);

d. Totalizing meters for Well 1 and Well 2 were not functional, which violates the requirements of 15A NCAC 18C.0402(g)(6); and

e. Approximately three residual disinfection tests in the distribution system are performed per week. The water system is classified as a B Distribution system, which requires a minimum of five residual disinfection tests to be performed in the distribution system per week. This is a violation of the requirements of 15A NCAC 18C.1302(a)(1)(A).

8. The DEQ Notice of Deficiency letter, dated April 3, 2018, also made the following recommendations:

a. Due to the results from the iron and manganese field readings occasionally exceeding the secondary maximum contaminant levels, it is recommended that the water filter be evaluated by a qualified professional to assess the operation and maintenance of the water filter;

b. That the Hach Iron and Manganese Color Disc Test Kit used to measure the iron and manganese concentrations reported on the monthly operation reports, be calibrated in accordance with the manufacturer's instructions, that no expired reagents are used, and that the test kit be stored and maintained in accordance with the manufacturer's instructions;

c. That the elevated storage tank be regularly inspected by a qualified professional and that the vent be inspected on a regular basis to ensure that the screen is intact; and

d. That the holes observed in the lower portion of the western wall of the building containing the filter be repaired.

9. Water meters at Rocky River are over 25 years old, and the Public Staff has recommended that they be replaced.

10. Cases of cloudy water due to suspended air, and brown water due to high iron content have been observed at Rocky River, and WRI should take steps to better monitor water quality.

11. A sanitary survey for River Walk was conducted by DEQ on December 6, 2017, and WRI was sent a Notice of Deficiency letter, dated January 2, 2018. The stated deadlines for resolving issues was extended to May 2, 2018. As of August 16, 2018, the following items were not resolved:

a. The cover over the well holes for Well 1 was not secured against unauthorized access, and a locking mechanism was not provided, which violates the requirements of 15A NCAC 18C.0405(f);

b. A properly sized vacuum relief valve is not provided for the hydropneumatic tank, which violates the requirements of 15A NCAC 18C.0405(c)(3); and

c. The Department of Labor inspection for the hydropneumatic tank is expired, which violates the requirements of 15A NCAC 18C.0405(c)(5).

12. The DEQ Notice of Deficiency letter, dated January 2, 2018, also made the following recommendations:

a. To achieve a proper free chlorine residual in the water system, that the drop pipe, tubing, and injection point associated with the hypochlorite treatment equipment be cleaned or replaced as necessary to ensure the proper flow of chemicals. If the Operator Responsible Charge is unable to increase the sodium hypochlorite feed rate after the corrective actions have been taken, that further investigation into the issue be performed until a solution can be identified and implemented;

b. That the leaking Well 1 blow-off valve be repaired or replaced;

c. That the hydropneumatic tank and ground storage tank be either replaced or cleaned and recoated by a qualified professional;

d. That trees and limbs surrounding both well houses and water tanks be trimmed as necessary to ensure that no water system components would be damaged in the event of falling trees and limbs; and

- e. That bacteria sampling sites be rotated on a monthly basis and that bacteria sample siting plan be developed.
13. Insulation in the River Walk water treatment building needs to be properly installed.
14. WRI should investigate any possible operational issues that may be causing high power expenses.
15. WRI's customer service and communications needs to improve.
16. WRI should keep a log of customer complaints. The log should include the date and time the customer contacted WRI or its answering service, a description of the complaint, what was done to resolve the issue, and the date and time that resolution of the issue was communicated back to the customer. A copy of these records should be filed in this docket on a quarterly basis until further order of the Commission.
17. WRI should return customer calls within 60 minutes of receipt, and document this in the log book of customer complaints.
18. WRI should respond to outages within 60 minutes of receiving an outage report from a customer, and document this in the log book of customer complaints.
19. The original cost rate base for use in this proceeding for Rocky River is (\$1,176), consisting of plant in service of \$77,743, plus cash working capital of \$6,498, less accumulated depreciation of \$71,546, contributions in aid of construction of \$13,295, and average tax accruals of \$576.

20. The original cost rate base for use in this proceeding for River Walk is \$21,851, consisting of plant in service of \$33,633, plus cash working capital of \$3,438, less accumulated depreciation of \$15,023, contributions in aid of construction of \$0, and average tax accruals of \$197.

21. The appropriate level of total revenues for use in this proceeding for Rocky River is \$32,084 under the Company's present rates and \$38,862 under the proposed rates.

22. The appropriate level of total revenues for use in this proceeding for River Walk is \$33,366 under the Company's present rates and \$36,055 under the proposed rates.

23. The appropriate level of operating revenue deductions for Rocky River under present rates for use in this proceeding is \$56,026. Operating revenue deductions exclusive of regulatory fee and income taxes amount to \$55,981.

24. The appropriate level of operating revenue deductions for River Walk under present rates for use in this proceeding is \$30,551. Operating revenue deductions exclusive of regulatory fee and income taxes amount to \$29,646.

25. It is reasonable and appropriate to determine the revenue requirement for WRI water rates using the operating ratio methodology as allowed by N.C. Gen. Stat. § 62-133.1.

26. A margin of 7.5% on operating revenue deductions requiring a return is appropriate for use in this proceeding.

27. WRI's present and proposed service revenues for the 12-month period ending December 31, 2017 are as follows:

	<u>Present</u>	<u>Proposed</u>
Rocky River	\$32,829	\$39,607
River Walk	\$33,468	\$36,157

28. The revenues generated by the Company's proposed water rates for Rocky River are not unreasonable and would not be unfair to its customers.

29. The annual service revenue requirement for River Walk necessary to allow the Company the opportunity to earn the 7.5% return found just and reasonable is \$32,696, which is a decrease of \$773 from the service revenues at present rates.

30. The following rates will produce the annual level of revenues approved herein for water operations at River Walk:

Base Charge, zero usage	\$37.50
Usage charge, per 1,000 gallons	\$ 9.07

31. WRI agrees with the Public Staff's rates and recommendations.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 1-5
(Background Information)

These findings of fact are essentially informational, procedural, and jurisdictional in nature, and the matters which they involve are for the most part uncontroversial. They are supported by information contained in the verified Application, the affidavit and testimony and Exhibits of the Public Staff's witnesses and Company witness Abbott, and the Commission files and records regarding this proceeding.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 6-18
(Violations of Water Systems Regulations and Recommendations)

These findings of fact are found in the testimony and exhibits of Public Staff witness Furr, and are uncontested by WRI. At the hearing held on September 20, 2018, Company witness Abbott did not contest any of the findings, and agreed to the Public Staff recommendations.

The Hearing Examiner agrees with the Public Staff's observations and recommendations. WRI needs to take the operation of its water systems seriously and devote considerably more attention to them than it has in the past. WRI should be ordered to take the corrective measures recommended by Public Staff witness Furr. WRI should be aware that if these corrective measures are not implemented, the Commission has the authority to impose substantial penalties.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 19-25
(Original Cost Rate Base, Total Revenue,
Operating Revenue, Revenue Requirement)

These findings of fact are based on the testimony and exhibits of Public Staff witness Chiu. WRI did not take issue with the Public Staff's position on these issues.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 26
(7.5% Operating Margin)

This finding of fact is based on the affidavit of Public Staff witness Bob Hinton, and the testimony and exhibits of Public Staff witness Chiu. WRI did not take issue with the Public Staff's position on this issue.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 27
(Proposed Service Revenues)

This finding of fact is based on the testimony and exhibits of Public Staff witnesses Furr and Chiu, and are uncontested by WRI.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 28-29
(Annual Service Revenue)

These findings of fact are based on the testimony and exhibits of Public Staff witness Chiu, and are uncontested by WRI.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 30
(Rate Recommendation)

This finding of fact is based on the testimony and exhibits of Public Staff witness Furr. Although Public Staff witness Furr's Pre-filed Direct Testimony and his summary of the proposed rates were not accurate, the correct rates are contained in Public Staff witness Furr's Exhibit 8.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 31
(Agreement of Public Staff and WRI to Recommended Rates)

This finding of fact is based on the testimony and exhibits of the Public Staff's witnesses and Company witness Abbott .

IT IS, THEREFORE, ORDERED as follows:

1. That the Schedules of Rates, attached hereto as Appendix A and B, are hereby approved and deemed to be filed with the Commission pursuant to N.C. Gen. Stat §. 62-138;
2. That the Schedules of Rates, attached hereto as Appendix A and B, are hereby authorized to become effective for service rendered on and after the effective date of this Order;

3. That the Notice to Customers, attached hereto as Appendix C, shall be mailed with sufficient postage or hand delivered to all affected customers in conjunction with WRIs next regularly scheduled billing process;

4. That WRI shall file the attached Certificate of Service, properly signed and notarized, not later than 10 days after the Notice to Customers is mailed or hand delivered to customers;

5. That WRI correct the deficiencies stated in findings of fact 7 and 11 within 90 days of the date of this order;

6. That WRI complete the recommendations identified in findings of fact 8, 9, and 12, within 6 months of the date of this order;

7. That WRI investigate any possible operational issues that may be causing high power expenses at River Walk;

8. That WRI shall file a report with the Commission within 90 days after the date this Recommended Order becomes final and effective; showing that the requirements of ordering paragraphs 5 above have been completed;

9. That WRI shall file a report with the Commission within 6 months after the date this Recommended Order becomes final and effective, showing that the recommendations of ordering paragraph 6 above have been completed;

10. That WRI keep a log of customer complaints. The log shall include the date and time the customer contacted WRI or its answering service, a description of the complaint, what was done to resolve the issue, and the date and time that resolution of the issue was communicated back to the customer. A copy

of these records shall be filed in this docket on a quarterly basis until further order of the Commission;

11. That WRI return customer calls within 60 minutes of receipt, and document this in the log book of customer complaints; and

12. That WRI respond to outages within 60 minutes of receiving an outage report from a customer, and document this in the log book of customer complaints.

ISSUED BY ORDER OF THE COMMISSION.

This the _____ day of November, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, Chief Clerk

SCHEDULE OF RATES

for

WATER RESOURCES, INC.for providing water utility service inROCKY RIVER PLANTATION SUBDIVISION

Cabarrus County, North Carolina

Monthly Metered Residential Water Rates:

Base Charge, zero usage	\$ 11.20
Usage Charge, per 1,000 gallons	\$ 3.10

Tap on Fee: None

Reconnection Charges:

If water service cut off by utility for good cause	\$ 23.92
If water service discontinued at customer's request	\$ 23.92

Bills Due: On billing date

Bills Past Due: 20 days after billing date

Billing Frequency: Shall be monthly for service 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 billing date.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1034, Sub 8, on this the _____ day of November, 2018.

SCHEDULE OF RATES

for

WATER RESOURCES, INC.

for providing water utility service in

RIVER WALK SUBDIVISION

Mecklenburg County, North Carolina

Monthly Metered Water Utility Service Rates:

Base charge, zero usage	\$ 37.50
Usage charge, per 1,000 gallons	\$ 9.07

Connection Charge: (New Residential Connection Only) \$685.00

New Account Fee: \$ 40.00

Reconnection Charge:

If water service is cut off by utility for good cause:	\$ 40.00
If water service cut off by utility at customer's request:	\$ 40.00

Billing rates per hour for after hours, holidays, weekends \$ 40.00

If payment for water utility service is not received by the past-due date, a customer may, in addition to all past-due and current charges, have to pay late payment finance charges to avoid having water utility service disconnected.

To resume water utility service after discontinuance for good cause, a customer must pay the reconnection charge(s) discussed above, plus any delinquent water bill(s), including finance charges.

<u>Returned Check Charge:</u>	\$25.00
<u>Billing Frequency:</u>	Shall be monthly for service in arrears
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Finance Charges for Late Payment:</u>	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-1034, Sub 8, on this the ____ day of November, 2018.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

NOTICE TO CUSTOMERS
DOCKET NO. W-1034, SUB 8
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Notice is given that the North Carolina Utilities Commission has issued an Order making changes in rates for Water Resources, Inc. The Order approved a rate increase for Rocky River Plantation Subdivision in Cabarrus County, and a decrease in rates for River Walk Subdivision in Mecklenburg County. The following rates for water utility service provided on and after the date of this notice.

Rocky River Planation Monthly Metered Water Rates:

Base Charge, zero usage	\$ 11.20
Usage Charge, per 1,000 gallons	\$ 3.10

River Walk Monthly Metered Water Rates:

Base Charge, zero usage	\$ 37.50
Usage Charge, per 1,000 gallons	\$ 9.07

The Commission also ordered Water Resources, Inc., to make numerous improvements to the water systems, and steps to improve water quality and customer service.

This the ____ day of November, 2018.

NORTH CAROLINA UTILITIES COMMISSION

M. Lynn Jarvis, 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-1034, Sub 8, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2018.

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-1034, Sub 8.

Witness my hand and notarial seal, this the ____ day of _____, 2018.

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date