

**NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

Docket No. W-1136, Sub 3

Exceptions Due on or Before April 13, 2021

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 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 April 14, 2021 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-1136, SUB 3

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by JAARS, Inc., Post Office)	
Box 248, Waxhaw, North Carolina)	RECOMMENDED ORDER
28173-0248, for Authority to Increase Its)	GRANTING PARTIAL RATE
Rates for Providing Water Utility Service)	INCREASE AND REQUIRING
in all Its Service Areas in Union County,)	CUSTOMER NOTICE
North Carolina)	

BY THE HEARING EXAMINER:¹ On June 23, 2020, JAARS, Inc. (JAARS or the Company), filed an application with the Commission seeking authority to increase its rates for providing water utility service in all of its service areas in Union County, North Carolina. On July 8, 2020, JAARS amended its application to clarify its rates. In an Order issued on July 20, 2020, the Commission declared the proceeding to be a general rate case and suspended the proposed new rates for up to 270 days. On August 14, 25, and 27, 2020, the Company provided further clarifications and updates to its application. By Order dated September 4, 2020, the Commission scheduled a remote customer hearing via Webex, at 6:30 p.m., on Wednesday, October 28, 2020, and an expert witness hearing beginning at 10:00 a.m., on Tuesday, November 10, 2020. The customer hearing was scheduled subject to cancellation if no significant protests were received by October 9, 2020. The Public Staff – North Carolina Utilities Commission (Public Staff) did not receive any protests and no customers registered to provide testimony at the public hearing. On September 15, 2020, the Company filed its certificate of service indicating that customer notice had been provided as required by the September 4, 2020 Order.

On October 9, 2020, the Public Staff filed (1) the testimonies of Gina Y. Casselberry, Utilities Engineer, Water, Sewer, and Telephone Division, and June Chiu, Staff Accountant, Accounting Division, and (2) the affidavit of Calvin C. Craig, III, Financial Analyst, Economic Research Division. On October 13, 2020, the Company filed a Letter of Concurrence in which it consented to the rates recommended by the Public Staff.

On October 16, 2020, the Public Staff filed a motion to cancel the hearings. In its motion, the Public Staff stated that the Company had filed the requisite certificate of service, which attested that (1) all affected customers received notice of the rate increase and the hearings; (2) it did not receive any protests; (3) no customers registered to provide testimony at the remote public hearing by the deadline established in the customer notice; and (4) the Company submitted a Letter of Concurrence in which it consented to the rates recommended by the Public Staff. The motion also stated that the Public Staff contacted

¹ Commissioner Hearing Examiner Freda H. Hilburn.

the Company and it has no objection to canceling either hearing. The motion requested cancellation of both hearings as well as admission of (1) the prefiled testimonies of Public Staff witnesses Gina Y. Casselberry and June Chiu and (2) the affidavit of Calvin C. Craig, III. By Order issued on October 23, 2020, the Commission admitted the aforementioned testimonies and affidavit, canceled the hearings, and required customer notice. On November 2, 2020, the Company filed its certificate of service indicating that customer notice had been provided as required by the October 23, 2020 Order. On December 3, 2020, the Public Staff filed a proposed order.

Based upon the foregoing, the verified application, the testimonies and affidavit of the Public Staff, and the entire record in this matter, the Hearing Examiner makes the following

FINDINGS OF FACT

1. JAARS, Inc. is a public utility as defined by N.C. Gen. Stat. § 62-3(23) and is before the Commission pursuant to its application for an increase in its rates and charges for water utility service under N.C.G.S. § 62-133.

2. The appropriate test year for purposes of establishing rates in this docket is the 12-month period ending December 31, 2019, updated for certain changes in plant, revenues, and costs that were not known as the time the application was filed.

3. JAARS is a charitable, educational, nonprofit 501(c) corporation. JAARS provides water utility service to the JAARS Center and the Aerowood, Dogwood, and Radin Subdivisions. The JAARS Center consists of 572 acres of land and approximately 46 buildings.

4. The JAARS water system consists of three wells with a combined pumping capacity of approximately 127,400 gallons per day.

5. At the end of the test period, the JAARS water system served 60 residential flat-rate customers and eight commercial customers: four residential/apartments, one of Union County’s sewer lift stations, Radin Apartments, Waxhaw Creek Apartments, and the JAARS Center, which includes the Lydia House, ten apartment houses, and 31 facilities owned by JAARS.

6. The Company is providing adequate service to its customers.

7. JAARS’ present rates were established by Commission Order issued on March 17, 2009, in Docket No. W-1136, Sub 1, a general rate case proceeding.

8. The Company's present and proposed rates are as follows:

	Present	Proposed
<u>Monthly Water Service:</u>	<u>Rates</u>	<u>Rates</u>
Flat rate per residential equivalent unit (REU)	\$20.00	\$27.75

<u>Monthly Water Service (con't):</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
JAARS, Inc. (97.7 REUs)	\$1,954.00	
JAARS, Inc. (98 REUs)		\$2,719.51
Lydia House (1.3 REUs)	\$ 26.00	\$ 36.08
Waxhaw Creek Court Apts. (6.0 REUs)	\$ 120.00	
Waxhaw Court Apts. (20.7 REUs)		\$ 574.43

9. The updated number of REUs and the classification of residential and commercial customers appropriate for use in this proceeding is as follows:

	<u>End of Period Customers</u>	<u>REUs</u>	<u>Total REUs</u>
<u>Residential Customers:</u>			
Single-family homes	60	1.00	60.00
<u>Commercial Customers:</u>			
Union County lift station	1	1.00	1.00
Residential/apartments	4	1.50	6.00
Radin Apartments	1	1.67	1.67
Waxhaw Creek Apartments	1	14.70	14.70
JAARS Center	1	98.00	98.00
Total REUs			<u>181.37</u>

10. The reasonable original cost rate base for use in this proceeding is \$34,872, consisting of plant in service of \$82,432, less accumulated depreciation of \$54,015, plus cash working capital of \$6,455.

11. The level of operating revenue deductions requiring a return (total operating expenses, excluding regulatory fee) is \$53,914. As a non-profit organization, JAARS is exempt from paying income taxes.

12. The operating ratio method pursuant to N.C.G.S. § 62-133.1, which allows a return on operating revenue deductions, is the proper method for determining the Company's revenue requirement.

13. The level of ongoing annual revenues for water utility service under the existing rates is \$43,529, updated to reflect current end-of-period customers and residential equivalent units.

14. The level of ongoing annual revenues for water utility service under the Company's proposed rates is \$60,396, updated to reflect current end-of-period customers and residential equivalent units, an increase of 39% over present annual total operating revenues.

15. A margin of 7.50% on operating revenue deductions requiring a return is just and reasonable for use in this proceeding.

16. The annual total revenues necessary to allow JAARS the opportunity to earn the 7.50% return found just and reasonable are \$58,033, which is comprised entirely of service revenues.

17. JAARS' rates should be changed by amounts which, after all pro forma adjustments, will produce annual service revenues of \$58,033, an increase of \$14,504 or 33% over present annual service revenues.

18. The Public Staff and the Company agree to the rates shown below:

Single-family homes	\$ 26.67 (1.0 REU)
Union County lift station	\$ 26.67 (1.0 REU)
Residential/apartments	\$ 40.00 (1.5 REUs)
Radin Apartments	\$ 44.54 (1.67 REUs)
Waxhaw Creek Apartments	\$ 392.05 (14.7 REUs)
JAARS, Inc.	\$2,613.66 (98.0 REUs)

19. JAARS' proposal to increase the Company's water reconnection charges from \$15.00 to \$20.00 is just and reasonable and should be approved.

20. The revenue produced by the rates recommended by the Public Staff and agreed to by the Company results in an operating ratio of 93.03% (including interest expense and regulatory fee) and an operating ratio of 93.02% (excluding interest expense and regulatory fee).

21. The rates recommended by the Public Staff and agreed to by the Company are not in excess of a just and reasonable level and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-21

The evidence for these findings of facts is contained in the verified application filed in this docket; the affidavit, testimonies, and exhibits of the Public Staff witnesses Calvin, Casselberry, and Chiu; and the Commission's records. This evidence is uncontroverted.

Based upon the entire record in this proceeding, the Hearing Examiner concludes that the Company has sufficiently demonstrated the need to increase its rates for providing water in all its service areas in Union County, North Carolina. Further, the Hearing Examiner concludes that JAARS' request to increase the Company's reconnection charges from \$15.00 to \$20.00 is just and reasonable and should be approved. The Hearing Examiner acknowledges that JAARS filed a Letter of Concurrence on October 13, 2020, in which the Company consented to the rates recommended by the Public Staff. The Hearing Examiner, therefore, concludes that the rates recommended by

the Public Staff and agreed to by the Company are just and reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the prefiled testimonies of Public Staff witnesses Gina Y. Casselberry and June Chiu and the affidavit of Calvin C. Craig, III, are hereby entered into evidence;

2. That the Schedule of Rates, attached as Appendix A, is approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138. Said Schedule of Rates is authorized to become effective for service rendered on and after the effective date of this Order; and

3. That the Notice to Customers, attached as Appendix B, be mailed with sufficient postage, or hand delivered by the Company, to all customers affected by the new rates no later than ten days after the date of this Order; and that the Company 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 29th day of March, 2021.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive style with a large initial 'K'.

Kimberley A. Campbell, Chief Clerk

SCHEDULE OF RATES

for

JAARS, INC.

for providing water utility service

in

JAARS CENTER AND AEROWOOD, DOGWOOD, AND RADIN SUBDIVISIONS

Union County, North Carolina

Residential Customers: (Monthly Flat Rate)

Single-Family Home	\$ 26.67
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Commercial Customers: (Monthly Flat Rate per Residential Equivalent Unit [REU])

Union County (1.00 REU)	\$ 26.67
Residential/Apartments (1.50 REUs)	\$ 40.00
Radin Apartments (1.67 REUs)	\$ 44.54
Waxhaw Creek Apartments (14.70 REUs)	\$ 392.05
JAARS Center (98.00 REUs)	\$2,613.66

Reconnection Charges:

If water service is cut off by utility for good cause	\$20.00
If water service is cut off by utility at customer's request	\$20.00

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing frequency: Shall be monthly for service in arrears

Finance Charge For Late Payment: 0.75% 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-1136, Sub 3, on this the 29th day of March, 2021.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-1136, SUB 3
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issue an Order granting an increase in rates to JAARS, Inc. for providing water utility service in all its service areas in Union County, North Carolina. The new approved rates are as follows:

Residential Customers: (Monthly Flat Rate)

Single-Family Home	\$ 26.67
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Commercial Customers: (Monthly Flat Rate per REU)

Union County (1.00 REU)	\$ 26.67
Residential/Apartments (1.50 REUs)	\$ 40.00
Radin Apartments (1.67 REUs)	\$ 44.54
Waxhaw Creek Apartments (14.70 REUs)	\$ 392.05
JAARS Center (98.00 REUs)	\$2,613.66

Reconnection Charges:

If water service is cut off by utility for good cause	\$20.00
If water service is cut off by utility at customer's request	\$20.00

ISSUED BY ORDER OF THE COMMISSION.

This the 29th day of March, 2021.

NORTH CAROLINA UTILITIES COMMISSION



Kimberley A. Campbell, 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-1136, Sub 3, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2021.

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-1136, Sub 3.

Witness my hand and notarial seal, this the ____ day of _____, 2021.

Notary Public

Printed Name

(SEAL) My Commission Expires: _____
Date