

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-1205, SUB 14

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by Clarke Utilities, Inc., 223 )  
Highway 70 East, Suite 115, Garner, North )  
Carolina 27529-4062, for Authority to Increase ) NOTICE OF AFFIDAVIT  
Rates for Water and Sewer Utility Service in All )  
of Its Service Areas in Granville, Franklin, Wake )  
counties, North Carolina. )

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission,  
by and through its Executive Director, Christopher J. Ayers, as constituted by  
N.C. Gen. Stat. § 62-15, and gives notice that the Affidavit of:

John R. Hinton, Director, Economic Research Division  
Public Staff - North Carolina Utilities Commission  
430 North Salisbury Street - Dobbs Building  
4326 Mail Service Center  
Raleigh, North Carolina 27699-4300

will be used in evidence at the hearing in this docket scheduled for  
July 21, 2021, pursuant to N.C. Gen. Stat. § 62-68. The affiant will not be called to  
testify orally and will not be subject to cross-examination unless an opposing party  
or the Commission demands the right of cross-examination by notice mailed or  
delivered to the proponent at least five days prior to the hearing, pursuant to N.C.  
Gen. Stat. § 62-68.

THEREFORE, the Public Staff moves that the Affidavit of John R. Hinton be  
admitted into evidence in the absence of notice pursuant to N.C. Gen. Stat. § 62-68.

Respectfully submitted this the 17th day of June, 2021.

PUBLIC STAFF  
Christopher J. Ayers  
Executive Director

Dianna W. Downey  
Chief Counsel

Electronically submitted  
/s/ Reita D. Coxton  
Staff Attorney  
[reita.coxton@psncuc.nc.gov](mailto:reita.coxton@psncuc.nc.gov)

430 North Salisbury Street - Dobbs Building  
4326 Mail Service Center  
Raleigh, North Carolina 27699-4300  
Telephone: (919) 733-6110

**CERTIFICATE OF SERVICE**

I certify I have this day served a copy of the foregoing Notice of Affidavit and Affidavit on each of the parties of record in this proceeding or their attorneys of record by causing a copy to be deposited in the United States Mail, postage prepaid, properly addressed to each or by electronic delivery upon agreement from the parties.

This the 17th day of June, 2021.

Electronically submitted  
/s/ Reita D. Coxton

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In the Matter of  
Application by Clarke Utilities, Inc., 223 )  
Highway 70 East, Suite 115, Garner, North )  
Carolina 27529-4062, for Authority to ) AFFIDAVIT OF  
Increase Rates for Water and Sewer Utility ) JOHN R. HINTON  
Service in All of Its Service Areas in Granville, )  
Franklin, Wake counties, North Carolina. )

State of North Carolina

County of Wake

I, John R. Hinton, being first duly sworn do depose and say:

I am the Director of the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a B.S. in Economics from the University of North Carolina at Wilmington in 1980 and a Masters in Economics from North Carolina State University in 1983. Since joining the Public Staff in May 1985, I have filed testimony on the issue of fair rate of return in numerous general rate proceedings involving telephone service, natural gas distribution, and electric utilities. I have also filed testimony and affidavits in numerous water and wastewater utility rate proceedings.

OFFICIAL COPY

JUN 17 2021

The purpose of my affidavit is to make a recommendation to the North Carolina Utilities Commission (Commission) regarding a fair rate of return to be employed as a basis for determining the appropriate revenue requirements for Clarke Utilities, Inc. (Clarke), to provide water and wastewater utility service near Wake Forest in Granville, Franklin, and Wake counties, North Carolina.

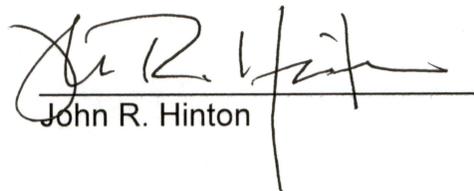
For the water utility service, I recommend that Clarke be granted a 7.00% margin on expenses, which equates to an operating ratio of 93.59% (including taxes) or 93.46% (excluding taxes). For the wastewater utility service, I recommend that Clarke be granted a 7.00% margin on expenses, which equates to an operating ratio of 94.17% (including taxes) or 94.06% (excluding taxes). This recommendation is based upon my investigation of the cost of capital for small water and sewer companies.

As allowed under G.S. § 62-133.1, I have used the operating ratio method to evaluate Clarke's proposed rate increases. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses. As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the interest rate on bonds that reflect investor expectations of the

future levels of inflation. In my opinion, the recommended operating margin provides an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that Clarke be granted a 7.00% margin on expenses. This concludes my affidavit.

  
John R. Hinton

Sworn to and subscribed before me,

This the 17<sup>th</sup> day of June, 2021.

  
Notary Public

Joanne M. Berube  
NOTARY PUBLIC  
WAKE COUNTY, N.C.  
My Commission Expires 12-17-2022.

JOANNE M. BERUBE  
Printed Name

My Commission expires 12/17/2022