



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

March 2, 2018

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

Re: Docket No. W-1166, Sub 17 – Application for Rate Increase

Dear Ms. Jarvis:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the Affidavit of Calvin C. Craig, III, Financial Analyst, Economic Research Division.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ William E. Grantmyre
Staff Attorney
william.grantmyre@psncuc.nc.gov

WEG/cia

Attachment

Executive Director
(919) 733-2435

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(919) 733-2810

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Legal
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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-1166, SUB 17

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application by MECO Utilities, Inc., Post Office)	
Box 2369, Swansboro, North Carolina 28584)	AFFIDAVIT
for Authority to Increase Rates for Water and)	OF
Sewer Utility Service in Mobile Estates Mobile)	CALVIN C. CRAIG, III
Home Park in Wake County, North Carolina)	

State of North Carolina

County of Wake

I, Calvin C. Craig, III, being first duly sworn do depose and say:

I am a Public Utilities Financial Analyst with the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a Bachelor of Science degree in Industrial Relations from the University of North Carolina at Chapel Hill in 1985, a Master of Business Administration degree from East Carolina University in 1993, and a Juris Doctor degree from North Carolina Central University in 2006. Since joining the Public Staff in November 1995, I have been involved with natural gas expansion projects, have conducted rate of return studies, and have filed affidavits assessing financial viability and a fair rate of return in numerous water and sewer

utility rate cases. Prior to joining the Public Staff, my professional experience included 10 years in lending and financial analysis with the State Employees Credit Union of North Carolina.


The purpose of this affidavit is to recommend to the Commission a fair rate of return to be employed as a basis for determining the appropriate revenue requirement for MECO Utilities Inc., (MECO) to provide water and sewer utility service in Mobile Estates Mobile Home Park in Wake County, North Carolina.

For the water utility service, I recommend that MECO be granted a 7.50% margin on expenses, which relates to an operating ratio of 93.18% (including taxes) or 93.02% (excluding taxes). For the sewer utility service, I recommend that MECO be granted a 7.50% margin on expenses, which relates to an operating ratio of 93.18% (including taxes) or 93.02% (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 MECO's proposed rate increase. After investigation, the Public Staff has determined that MECO'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.

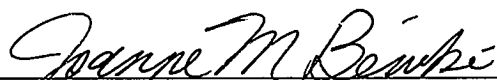
In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the U.S. Treasury bond rate by investor expectations of the future levels of inflation. In my opinion, the recommended margin on expenses provides an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that MECO be granted a 7.50% margin on expenses. This concludes my affidavit.



Calvin C Craig, III

Sworn to and subscribed before me this the 2nd day of March, 2018.



Notary Public JOANNE M. BERUBE

My Commission expires: 12/17/2022

