

**NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

Docket No. W-1205, Sub 14

Exceptions Due on or Before August 12, 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 (original and thirty (30) copies) 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 August 13, 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-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, |) | RECOMMENDED ORDER |
| North Carolina 27529-4062, for Authority |) | GRANTING PARTIAL RATE |
| to Increase Rates for Water and Sewer |) | INCREASE AND REQUIRING |
| Utility Service in All of Its Service Areas |) | CUSTOMER NOTICE |
| in Franklin, Granville, and Wake Counties, |) | |
| North Carolina |) | |

BY THE HEARING EXAMINER:¹ On March 2, 2021, in the above captioned docket, pursuant to Commission Rule R1-17(a), Clarke Utilities, Inc. (Clarke) filed notice of its intent to file a general rate case application. On March 22, 2021, Clarke filed its verified application with the Commission seeking authority to increase its rates for providing water and sewer utility service in all of its service areas in Franklin, Granville, and Wake Counties, North Carolina. The present rates have been in effect since January 1, 2017, based on Orders issued in Docket Nos. M-100, Sub 138 and W-1205, Sub 8.

On April 19, 2021, the Commission issued an Order establishing general rate case and suspending the proposed new rates for up to 270 days. On May 11, 2021, the Public Staff filed a proposed order scheduling hearings and requiring customer notice. By Order dated May 19, 2021, the Commission scheduled a remote customer hearing via Webex at 6:30 p.m., on Thursday, June 17, 2021, and an expert witness hearing beginning at 2:00 p.m. on Wednesday, July 21, 2021. On May 25, 2021, Clarke filed its certificate of service indicating that customer notice had been given in accordance with the Commission's May 19, 2021 Order. The Public Staff did not receive any protests and no customers registered to provide testimony at the public hearing.

On June 11, 2021, the Public Staff filed a motion to cancel the public hearing. In its motion, the Public Staff stated that Clarke had filed the requisite certificate of service, which attested that all affected customers received notice of the rate increase and the public hearing; it did not receive any protests; and that no customers registered to provide testimony at the remote public hearing by the deadline established in the customer notice.

On June 14, 2021, the Commission issued an Order Canceling Public Hearing.

¹ Commission Hearing Examiner Freda H. Hilburn.

The Public Staff's participation in this proceeding is recognized pursuant to N.C.G.S. § 62-15(d) and Commission Rule R1-19(e). No other party intervened.

On June 17, 2021, the Public Staff filed the affidavit of John R. Hinton, Director, Economic Research Division. On June 21, 2021, the Public Staff filed the testimony and exhibits of Gina Y. Casselberry, Utilities Engineer, Water, Sewer, and Telephone Division, and Charles A. Akpom, Staff Accountant, Accounting Division.

On July 6, 2021, the Public Staff filed a motion to cancel evidentiary hearing, admit evidence, and allow joint proposed order.

On July 8, 2021, Clarke filed a document confirming that Clarke agreed with the Public Staff's recommendations and adjustments.

On July 13, 2021, Clarke filed its proposed order for the Commission's consideration.

On July 16, 2021, the Commission issued an Order Accepting Application and Testimony, Canceling Expert Witness Hearing, and Requesting Joint Proposed Order.

On July 19, 2021, the Public Staff filed its proposed order for the Commission's consideration.

On July 19, 2021, Clarke filed a motion stating that Clarke waives its right to file exceptions to a Recommended Order which approves the rates agreed to by Clarke and the Public Staff and requested that the Commission adopt such Recommended Order as the final Order of the Commission, effective on the issuance date of the Recommended Order.

Also, on July 19, 2021, the Public Staff provided an email to the Hearing Examiner and Clarke stating that the Public Staff waives its right to file exceptions to a Recommended Order which adopts the Public Staff's recommendations and rates.

On July 28, 2021, Clarke filed a motion requesting that the Hearing Examiner treat the Public Staff's proposed order filed on July 19, 2021, as the joint proposed order of Clarke and the Public Staff.

Based upon the foregoing, the verified application, the affidavit of affiant Hinton, the testimony and exhibits of witnesses Casselberry and Akpom, and the entire record in this matter, the Hearing Examiner makes the following

FINDINGS OF FACT

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

2. The updated test year established for use in this proceeding is the 12-month period ending December 31, 2020.

3. At the end of the test period, Clarke provided water service for 593 residential metered customers and sewer service for 310 residential and two commercial metered customers.

4. The overall quality of service provided by Clarke is adequate.

5. Clarke's present and proposed rates filed in the application are as follows:

| | <u>Present Rates</u> | <u>Proposed Rates</u> |
|---|----------------------|-----------------------|
| Monthly Metered Water Rates (Residential) | | |
| Residential Monthly Metered Water Rates: | | |
| Base charge, zero usage | | |
| <1' meter | \$ 12.68 | \$ 17.48 |
| 1" meter | \$ 31.69 | \$ 43.70 |
| 1.5" meter | \$ 63.37 | \$ 87.40 |
| 2" meter | \$101.40 | \$139.84 |
| | | |
| Usage charge, per 1,000 gallons | \$ 2.49 | \$ 3.50 |
| | | |
| Monthly Metered Sewer Rates (Residential and Commercial) | | |
| Residential Monthly Metered Service Rates: | | |
| Base charge, zero usage | | |
| <1" meter | \$ 25.58 | \$ 32.10 |
| 1" meter | \$ 63.92 | \$ 80.25 |
| 1.5" meter | \$127.84 | \$160.50 |
| 2" meter | \$204.56 | \$256.80 |
| | | |
| Richland Community Church | \$204.56 | \$256.80 |
| | | |
| Usage charge, per 1,000 gallons | \$ 2.88 | \$ 3.60 |

6. Clarke's proposed water rates would increase the average metered residential monthly bill for water utility service from \$25.44 to \$35.41, or 39%, based on an average monthly usage of 5,123 gallons. Clarke's proposed sewer rates would increase the average metered monthly bill for sewer utility service from \$40.99 to \$51.36, or 25%, based on an average monthly usage of 5,350 gallons.

7. The original cost rate base for use in this proceeding is \$184,211, of which \$72,384 is attributable to water operations and \$111,827 is attributable to sewer operations.

8. The reasonable original cost rate base for use in this proceeding for water operations of \$72,384, consists of plant in service of \$1,248,496, less contributions in aid of construction of \$1,081,40, accumulated depreciation of \$115,810, and average tax accruals of \$1,812, plus cash working capital of \$22,918.

9. The reasonable original cost rate base for use in this proceeding for sewer operations of \$111,827, consists of plant in service of \$342,529 less accumulated depreciation of \$248,691 and average tax accruals of \$1,454, plus cash working capital of \$19,443.

10. Clarke's total operating revenue deductions under present rates for water operations are \$203,880, including depreciation expense of \$13,016, and for sewer operations are \$184,028, including depreciation expense of \$22,378.

11. It is reasonable and appropriate to calculate state income taxes based on the statutory rate of 2.50% and federal income taxes based on the statutory rate of 21.00%.

12. It is reasonable and appropriate to calculate regulatory fee expense using the regulatory fee rate of 0.13% effective July 1, 2019, pursuant to the Commission's June 18, 2019 Order issued in Docket No. M-100, Sub 142.

13. The operating ratio method set forth in N.C.G.S. § 62-133.1, which allows a return on operating revenue deductions, is the proper method for determining Clarke's revenue requirement.

14. The level of ongoing annual service revenues under present rates is \$185,106 for water operations and \$159,073 for sewer operations.

15. The level of ongoing annual service revenues under Clarke's proposed rates is \$257,723 for water operations and \$199,340 for sewer operations, a requested increase of 39% and 25%, respectively.

16. After an investigation and an audit of Clarke's records, the Public Staff recommended an increase in water service revenues of \$37,519 resulting in a recommended total annual operating revenues of \$222,436 for water operations and an

increase in sewer service revenue of \$40,267 resulting in a recommended total annual operating revenues of \$199,151 for sewer operations.

17. Clarke accepted all the adjustments recommended by the Public Staff in this proceeding.

18. A return of 7.00% on water operating revenue deductions is just and reasonable for use in this proceeding. The total annual water service revenue necessary to allow Clarke to earn the 7.00% return is \$222,625, an increase of \$37,519, or 20% for water operations.

19. Clarke and the Public Staff have agreed to total annual sewer operating revenues of \$199,151, consisting of \$199,340 in service revenues, \$57 in miscellaneous revenues, and \$246 in uncollectible accounts, which is the annual operating revenues resulting from Clarke's applied for rates and charges. The resulting return from the agreed-upon \$199,151 in total sewer operating revenues is 6.31% and is just and reasonable for use in this proceeding. The agreed-upon annual sewer service revenues of \$199,340 represents an increase of \$40,267 or 25% over present sewer service revenues.

20. The following rates and rate structures, recommended by the Public Staff and accepted by Clarke will produce the total of \$423,223 in annual operating revenues necessary to allow Clarke to earn the aforementioned 7.00% return for water operations and 6.31% return for sewer operations:

Monthly Metered Water Rates (Residential)

Residential Monthly Metered Service Rates:

| | |
|---------------------------------|----------|
| Base charge, zero usage | |
| <1" meter | \$ 15.50 |
| 1" meter | \$ 38.75 |
| 1.5" meter | \$ 77.50 |
| 2" meter | \$124.00 |
| Usage charge, per 1,000 gallons | \$ 2.95 |

Monthly Metered Sewer Rates (Residential and Commercial)

Residential Monthly Metered Service Rates:

| | |
|---------------------------------|----------|
| Base charge, zero usage | |
| <1" meter | \$ 32.10 |
| 1" meter | \$ 80.25 |
| 1.5" meter | \$160.50 |
| 2" meter | \$256.80 |
| Richland Community Church | \$256.80 |
| Usage charge, per 1,000 gallons | \$ 3.60 |

21. The total operating revenues produced by the water rates and charges recommended by the Public Staff and agreed to by Clarke results in an operating ratio of 93.59% (including interest expense and regulatory fee) and an operating ratio of 93.46% (excluding interest expense and regulatory fee).

22. The total operating revenues produced by the sewer rates and charges recommended by the Public Staff and agreed to by Clarke results in an operating ratio of 94.17% (including interest expense and regulatory fee) and an operating ratio of 94.06% (excluding interest expense and regulatory fee).

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

24. The rates recommended by the Public Staff, agreed to by Clarke, and approved herein will increase the average metered residential monthly bill for water utility service from \$25.44 to \$30.61, or 20%, based on an average monthly usage of 5,123 gallons. Clarke's proposed sewer rates, which have been recommended by the Public Staff, and approved herein will increase the average metered monthly bill for sewer utility service from \$40.99 to \$51.36, or 25%, based on an average monthly usage of 5,350 gallons.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-24

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

Based upon the entire record in this proceeding, the Hearing Examiner concludes that Clarke has sufficiently demonstrated the need to increase its rates for providing water and sewer utility service in all its service areas in Franklin, Granville, and Wake Counties, North Carolina. The Hearing Examiner acknowledges that on July 7, 2021, Clarke provided the Hearing Examiner and the Public Staff a statement of concurrence with the Public Staff's recommended adjustments and rates. Such statement was filed in the present docket on July 8, 2021. Further, the Hearing Examiner finds good cause to approve Clarke's motion filed on July 28, 2021, requesting that the proposed order filed by the Public Staff on July 19, 2021, be treated as the joint proposed order of Clarke and the Public Staff. The Hearing Examiner, therefore, concludes that the rates recommended by the Public Staff and agreed to by Clarke, as set forth in the joint proposed order, are just and reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That Clarke's motion filed on July 28, 2021, requesting that the proposed order filed by the Public Staff on July 19, 2021, be treated as the joint proposed order of Clarke and the Public Staff is hereby approved;

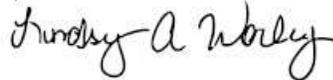
2. That the Schedule of Rates, attached as Appendix A, is approved and deemed to be filed with the Commission pursuant to N.C.G.S. § 62-138. Said Schedule of Rates is authorized to become effective for service rendered on and after the effective date of this Order; and

3. That the Notice to Customers, attached as Appendix B, shall be mailed with sufficient postage, or hand delivered by Clarke, to all customers affected by the new rates no later than ten days after the effective date of this Order; and that Clarke shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 15 days after the effective date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 28th day of July, 2021.

NORTH CAROLINA UTILITIES COMMISSION



Lindsey A. Worley, Acting Deputy Clerk

SCHEDULE OF RATES

for

CLARKE UTILITIES, INC.

for providing water and sewer service

in

ALL ITS SERVICE AREAS IN

Franklin, Granville, and Wake Counties, North Carolina

Monthly Metered Water Rates:

| | |
|---------------------------------|----------|
| Base charge, zero usage | |
| < 1" meter | \$ 15.50 |
| 1" meter | \$ 38.75 |
| 1.5" meter | \$ 77.50 |
| 2" meter | \$124.00 |
| | |
| Usage charge, per 1,000 gallons | \$ 2.95 |

Monthly Metered Sewer Rates:

| | |
|---------------------------------|----------|
| Base charge, zero usage | |
| < 1" meter | \$ 32.10 |
| 1" meter | \$ 80.25 |
| 1.5" meter | \$160.50 |
| 2" meter | \$256.80 |
| Richland Community Church | \$256.80 |
| | |
| Usage charge, per 1,000 gallons | \$ 3.60 |

Reconnection Charges:

| | |
|---|---------|
| If water service is cut off by utility for good cause | \$14.35 |
| If water service cut off by utility at customer's request | \$14.35 |

Return Check Charge: \$19.13

| | |
|---|---|
| <u>Bills Due:</u> | On billing date |
| <u>Bills Past Due:</u> | 15 days after billing date |
| <u>Billing Frequency:</u> | Shall be monthly for service in arrears |
| <u>Finance Charge 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 |

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-1205, SUB 14
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission has issued an Order granting an increase in rates to Clarke Utilities, Inc. for providing water and sewer utility service in all its service areas in Franklin, Granville, and Wake Counties, North Carolina. The Commission has approved the following monthly metered rates, effective for service rendered on and after the effective date of this Notice:

Water Utility Service:

| | |
|-------------------------------------|-------------|
| Base charge, zero usage | |
| < 1" meter | \$ 15.50 |
| 1" meter | \$ 38.75 |
| 1.5" meter | \$ 77.50 |
| 2" meter | \$124.00 |
| Usage charge, per 1,000 gallons | \$ 2.95 |

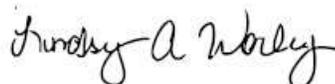
Sewer Utility Service:

| | |
|-------------------------------------|-------------|
| Base charge, zero usage | |
| < 1" meter | \$ 32.10 |
| 1" meter | \$ 80.25 |
| 1.5" meter | \$160.50 |
| 2" meter | \$256.80 |
| Richland Community Church | \$256.80 |
| Usage charge, per 1,000 gallons | \$ 3.60 |

ISSUED BY ORDER OF THE COMMISSION.

This the 28th day of July, 2021.

NORTH CAROLINA UTILITIES COMMISSION



Lindsey A. Worley, Acting Deputy 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-1205, Sub 14, 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-1205, Sub 14.

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

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date