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June 24, 2024

Ms. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
Mail Service Center 4325  
Raleigh NC 27699 -4300

RE: Docket No. W-1034, Sub 13

Dear Ms. Dunston:

Please accept for filing the following document in the above captioned docket: Proposed Order on behalf of Water Resources, Inc.

Thank you for your attention to this matter.

Sincerely,  
Edward S. Finley, Jr.  
Counsel for Water  
Resources, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Proposed Order on behalf of Water Resources Inc. in this docket was duly served upon parties of record either by depositing same in a depository of the United States Postal Service, first class postage prepaid, or by electronic delivery.

This the 24 day of June 2024.

Edward S. Finley, Jr.,

/s/ Edward S. Finley, Jr.

Edward S. Finley, Jr., PLLC  
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COUNSEL FOR APPLICANT

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

Docket No. W-1034, Sub 13

In the Matter of		
Application of Water Resources, Inc.	)	PROPOSED ORDER
For Approval of Rates for the Rocky River	)	FOR
Subdivision in Mecklenburg County and	)	WATER RESOURCE, INC.
the River Walk service area in	)	
Cabarrus County North Carolina	)	

HEARD: Monday, March 25, 2024 at 7:00, Mecklenburg County Courthouse,  
Charlotte, NC

Monday, May 3, 2024 at 1:00 p.m., Commission Hearing Room 2115, Dobbs  
building, 430 N Salisbury St. Raleigh, North Carolina

BEFORE: Freda Hilburn and Jenny Li, Hearing Examiners

APPEARANCES:

For Water Resources, Inc:

Edward S. Finley, Jr, Edward S. Finley, Jr., PLLC, 2024 White Oak Rd. Raleigh,  
NC 27 608

For the Using and Consuming Public:

Gina C. Holt, Staff Attorney, Public Staff- North Carolina Utilities Commission,  
4326 Mail Service Center, Raleigh, North Carolina 27699

BY THE COMMISSION: On September 29, 2023 Water Resources Inc. (“WRI” or the  
“Company”) filed an Application for Approval of Rates for the Rocky River Subdivision in  
Mecklenburg County and the River Walk service area in Cabarrus County. On January 3, 2024  
WRI filed an amended application. On January 22, 2024 WRI filed an amendment to the effective

date letter. On January 30, 2024 the Commission issued its Order Establishing General Rate Case and Suspending Rates. On March 1, 2024 the Commission issued its Order Scheduling Hearing, Establishing Procedural and Filing Requirements and Requiring Customer Notice. On March 7, 2024 WRI submitted its certificate of service indicating that notice to the customers had been provided. On March 14, 2024 WRI filed the direct testimony of Dennis Abbott on behalf of the Company. On March 25, 2024 a public hearing to receive the testimony of customers was held in the Mecklenburg County Courthouse in Charlotte N.C. On April 8, 2024 WRI filed the report of Dennis Abbott addressing the testimony of customers at the March 25, 2024 hearing. On April 12, 2024 the Public Staff filed the testimony and exhibits of Evan M. Houser and Lynn Feasel and the affidavit of Roger J. Reger. On April 22, 2024 the Public Staff filed the Verified Response of the Public Staff to the Verified Report On Customer Comments from the Public Hearing by Water Resources Inc. On April 26, 2024 the Commission issued an Order granting an extension of time to file rebuttal testimony. On April 26, 2024 the Public Staff filed the supplemental testimony and exhibits of Evan Houser and Lynn Feasel. On April 29, 2024 WRI filed rebuttal testimony of Dennis Abbott and Julie Perry and Darlene Peedin. On June 6, 2024 the Commission issued an Order requiring the filing of Supplemental Verified Response to Customer Concerns. On May 9, 2024 the Commission issued an Order Granting Public Staff Motion to Excuse Witness Reger. On May 31, 2024 the Public Staff filed the late filed exhibits of witnesses Feasel and Houser. On June 3, 2024 WRI filed the supplemental response of Dennis Abbott on customer testimony. On June 5, 2024 the Public Staff filed the Verified Response of the Public Staff to Verify the Supplemental Report on Customer Complaints from the public hearing by Water Resources Inc. On June 24, 2024 the parties filed their post hearing filings.

## FINDINGS OF FACT

1. WRI is a duly organized limited liability company in the State of North Carolina and is before this Commission seeking to increase its rates in the Rocky River subdivision in Cabarrus County and the River Walk subdivision in Mecklenburg County.

2. WRI is subject to the jurisdiction of the Commission, pursuant to Chapter 62 of the General Statutes of North Carolina, and the Commission has authority to determine the justness and reasonableness of WRI's proposed rates for its water utility operations in North Carolina.

3. The test year established for use in this proceeding is the 12-month period ended December 31, 2022, updated for certain items.

4. The rates for water utility service presently charged by WRI and the proposed rates are as follows:

### **Rocky River:**

	<u>Present</u>	<u>Proposed</u>
Current Base rate	\$11.20	\$48.01
Current Usage rate	\$ 3.10	\$13.91
2" Base Charge		\$816.15

<u>Connection Charge:</u> (per SFE)	\$ 0	\$0
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<u>Reconnection Charge:</u>	\$23.92	\$23.92
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### **River Walk:**

Current Base rate	\$37.50	\$43.32
Current Usage rate	\$9.07	\$15.58

<u>Connection Charge:</u> (per SFE)	\$ 685.00	\$685.00
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<u>Reconnection Charge:</u>	\$40.00	\$40.00
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5. For the Rocky River service area, the Company's original cost rate base is \$492,801 consisting of plant in service of \$571,642 reduced by accumulated depreciation of \$80,106 for net plant in service in the amount of \$491,536 as of December 31, 2023, less contributions in aid of construction (CIAC) of \$13,295, plus cash working capital of \$15,233, less average tax accruals of \$673. For the River Walk service area, the Company's original cost rate base is \$27,629 consisting of plant in service in the amount of \$53,224 reduced by accumulated depreciation of \$23,830 for net plant in service amount of \$29,394 as of December 31, 2023, less CIAC of \$6,165, plus cash working capital of \$5,070, less average tax accruals of \$670.

6. For the Rocky River service area, the total revenue requirement is \$189,522 which consist of service revenues in the amount of \$188,674 and miscellaneous revenues of \$848, as shown on WRI Rebuttal Exhibit I, Schedule 3(a). For the River Walk service area, the total revenue requirement is \$51,075, which consists of service revenues in the amount of \$50,684 and miscellaneous revenues of \$391 as shown on WRI Rebuttal Exhibit I, Schedule 3(b).

7. The total rate case expense for this proceeding is \$73,813, which is allocated to Rocky River and River Walk based on allocation percentages of 74.68% and 25.32%, respectively, amortized over a period of three years, resulting in an annual rate case expense of \$18,373 for Rocky River and \$6,231 for River Walk.

8. The Public Staff recommendation to disallow rate case expense incurred by WRI through the preparation and submission of its post hearing filings in this case is rejected. It is appropriate to allow the audited rate case expenses through the completion of its post hearing filings as previously allowed for water, sewer, gas and electric rate cases by this Commission.

9. The approved rate case expense in this docket is that requested by the Company in its Proposed Order and shall be treated as an operating revenue deduction and amortized over a three-year period.

10. The Public Staff recommendation that rate case expenses be tracked over the period of amortization with the establishment of a regulatory liability account at the end of that period if WRI fails to apply for a rate case at that time with a credit that builds up with interest that is credited or returned to customers is rejected.

11. The Public Staff has failed to provide adequate support for the requested establishment of a regulatory liability account for rate case expenses. Rate case expense is not a regulatory asset or liability and should be treated as a normal operating revenue deduction, just like any other cost of service item as previously allowed for water, sewer, gas and electric rate cases by this Commission.

12. WRI's adjustment to the level of salary expense incurred during the test year to recognize the increase in salary of the WRI employee customer service representative/bookkeeper/administrative assistant effective May 1, 2024, in the amount of \$15,000 is reasonable.

13. The Public Staff's adjustment to annualize the costs related to the maintenance and repair of piping over a three-year period is rejected.

14. The appropriate level of professional fees to be included is \$11,662 allocated to Rocky River in the amount of \$8,709 and to River Walk in the amount of \$2,953. The Public Staff removed all legal fees related to bonding requirements, customer complaints, and basically only

allowed charges to recover only amounts for tax return preparation and preparation of the annual report, and this removal should be rejected.

15. The Public Staff proposed adjustment to prevent WRI from recovering litigation expense incurred in response to Public Staff and Commission efforts to increase the Company's bond is rejected.

16. The appropriate level of depreciation expense for use in this proceeding is \$22,011 for Rocky River and \$4,287 for River Walk.

17. The appropriate period over which the project costs for the interconnection with the town of Harrisburg should be depreciated is 25 years.

18. Depreciation expense for the Town of Harrisburg Interconnection project should be based on a composite cost of all components of the project including the development fee and the cost of the meter.

19. Regulatory fees expense should be calculated using the regulatory fee rate of 0.1475% effective July 1, 2023, pursuant to the Commission's June 30, 2023, Order issued in Docket No. M-100, Sub 142.

20. An imputed hypothetical capital structure comprised of 50.00% common equity and 50.00% long-term debt ratio is reasonable and appropriate for WRI for purposes of this proceeding.

21. An imputed 4.20% cost of debt for WRI is reasonable and appropriate for purposes of this proceeding.



22. A 9.80% rate of return on common equity for WRI is just and reasonable for purposes of this proceeding.

23. The cost of capital and revenue increase approved in this Order is intended to provide WRI, through sound management, the opportunity to earn an overall rate of return of 7.00%. This overall rate of return is derived from applying a cost of debt of 4.20% and a rate of return on common equity of 9.80%, to a hypothetical capital structure consisting of 50.00% long-term debt and 50.00% common equity.

24. The overall rate of return and capital structure approved by the Commission appropriately balances the benefits received by WRI's customers from the provision of safe, adequate, and reliable water utility service with the difficulties that some of WRI's customers will experience in paying the Company's increased rates and are supported by competent, material, and substantial record evidence consistent with the requirements of N.C.G.S. § 62-133.

25. The Public Staff proposed adjustment to remove litigation expense incurred by WRI to keep DEQ and the Superior Court advised of progress and to defend itself in the Cabarrus County Superior Court in its successful efforts to avoid fines and to avoid the finding of contempt in response to the discontinuation of Well #1 and one-half of the legal fees related to the Company's required Compliance filings to the DEQ and NCUC on the progress of the interconnection is rejected.

26. The undepreciated cost of a pump that WRI was forced to retire due to a lightning strike should be removed from rate base, but the net book value of the pump, less the finance charges, is to be recovered through amortization expense over the remaining useful life of 5.5 years.

27. Rates approved in this docket should be designed to recover 40% of the costs through the base charge and the remaining 60% through the usage charge.

28. The overall quality of water service provided by WRI is adequate. WRI meets DEQ's and the EPA's health based primary quality standards.

WHEREUPON the Commission reaches the following:

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-3

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the testimony and exhibits of the witnesses and the entire record in this proceeding. These findings and conclusions are informational, procedural, and jurisdictional in nature and are not contested by any party.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 4-6

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Abbott and Peedin & Perry Consulting LLC, and the testimony and exhibits of Public Staff witnesses Feasel, Houser and Reger and the entire record in this proceeding.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 7-11

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and Public Staff Witness Feasel.

**Rate case expense.**

WRI seeks to recover its reasonable and prudent rate case expenses incurred to prepare and file its rate case, respond to the comprehensive Public Staff discovery, Public Staff requests related to settlement of the case, prepare for and appear at public hearings, prepare and sponsor prefiled and rebuttal testimony, conduct cross examination of Public Staff witnesses and prepare and submit its post hearing filings. WRI requests the Commission to authorize recovery over a 3-year period or one-third of the rate case expense as an operating revenue deduction as has been the customary Commission practice in contested cases for small water and sewer utilities.

With the exception of minor administrative costs, the Public Staff seeks to prevent the Company from recovering any rate case expense incurred beyond the expert witness hearing. The Public Staff requests that one-fifth of the rate case expense be recovered as an operating revenue deduction but that the expense be tracked so that subsequent rates may be adjusted to refund with interest what the Public Staff classifies as “over collections.” Tr. Vo. 3, p. 18, ll.18-20 - p. 4, l. 11. The Public Staff also recommends that the Commission establish a regulatory liability account to address “over recovery” of rate case expense if the Company does not seek rate relief at the conclusion of the five years. In order for this to be done, rate case expense must be tracked. In that respect, during the up to five-year period over which the Public Staff recommends rate case expense be recovered as an operating revenue deduction, which the Public Staff labels as normalization, this expense is being treated differently from other operating revenue deductions.

WRI strongly resists the Public Staff recommendations. To WRI’s knowledge the Commission has not allowed rate case expense to be treated differently from other expenses, and in fact has continually recognizes in its Orders that rate case expenses should be amortized but should not be considered a regulatory asset, and therefore should not be allowed rate base

treatment. WRI presented evidence that every other operating revenue deduction is assumed to be recovered from the revenues approved by the Commission. If cost of service is over-recovered the Company earns greater than its authorized rate of return, however the remedy is for the Public Staff to request a rate case to reduce rates prospectively. To the extent revenues fail to recover the cost of service including the operating revenue deductions, the burden then falls on the Company to come before the Commission and seek to increase its rates. However, when rates are adjusted in a subsequent case, the doctrine of retroactive ratemaking prevents a refund of over-collected costs such as normalized rate case expense or the recovery of uncollected rate case costs, unless the expense has been approved by this Commission as a regulatory asset for deferral and tracking purposes.

In its prefiled testimony that was filed on April 12, 2024, the Public Staff did not include actual rate case expenses for invoices that had been provided to the Public Staff. The Public Staff filed its supplemental testimony, on April 26, 2024, and the Public Staff only included a portion of the actual rate case expense for which invoices were provided. Tr. Vol.3, p.84, l.5-7. WRI argues that the Public Staff is incorrectly utilizing a 5-year amortization period for rate case expense based on its analysis of historic rate case filings. In addition, the Public Staff is incorrectly limiting the recovery of rate case expense incurred through the close of the evidentiary hearing, as well as incorrectly characterizing rate case expense as a regulatory asset/liability. Tr. Vol. 3, p .84, ll. 7-11.

WRI disagrees with the Public Staff recommended adjustments limiting rate case expense to the amount incurred through the close of the evidentiary hearing. Tr. Vol. 3, p. 84, l.3-11, p. 85, l. 19. WRI maintains that post-hearing rate case expenses incurred by WRI are just as necessary as legal, consultant, mailing, and filing expenses incurred prior to the close of hearing. Utilities must engage in rate cases if they are to have enough revenue to provide reliable utility service to

customers. Tr. Vol. 3, p. 84, ll. 3-11- p.85, l.19. Therefore, the costs of conducting rate cases are a reasonable and necessary expense, subject to Public Staff review for any invoices that reflect costs not reasonably related to the rate case or costs exceeding a reasonable price. Id.

WRI maintains that the premise behind utility ratemaking in North Carolina is that utilities may recover their reasonable costs. This Commission has repeatedly recognized that rate case expense is appropriate for recovery in rates. The position that a utility may only recover part of its reasonably incurred rate case expense is contrary to the ratemaking premise that all reasonable costs may be recovered. Tr. Vol. 3, p. 85, ll. 1-5.

WRI rebuttal witnesses reviewed several other rate cases to evaluate how rate case expense is typically decided by the Commission. While other types of costs are often subject to a Commission-ordered update deadline before Public Staff testimony is due, this is not how rate case expense is handled. The Commission has recognized the appropriateness of allowing rate recovery for post-hearing rate case expense. Recovery of rate case expense incurred through the filing of proposed orders and the customer notice is normal. The Public Staff's recommendation in the present case would eliminate recovery of actual rate case expense incurred by WRI after the evidentiary hearing. That would be a departure from past practice and would be unfair to WRI. Tr. Vol. 3, p. 85, ll. 9-19.

In her direct testimony Public Staff witness Feasel stated:

The Company included an estimated amount of regulatory expenses in its application. I adjusted regulatory expenses to include the actual rate case expenses and expenses reclassified to rate case expense, and included an estimated amount for notices, printing envelopes, and postage fees to be incurred after the evidentiary hearing. I have amortized

the calculated expense over a five-year period based on my analysis of the frequency of the Company's historic rate case filings. Additionally, I recommend that if the Company's next rate case filing exceeds the five-year amortization period, starting with the date on which rates become effective in the present case, the Company shall record any overcollections of the rate case expense, beginning the first month after the five-year amortization period ends, in a regulatory liability account on a monthly basis. I further recommend that the amounts be recorded in the regulatory liability account be returned to ratepayers with interest based on the weighted average cost of capital in a manner determined by the Company's next rate case. Should the Company file for a rate case before the expiration of the amortization period any unrecovered rate case expense balance will be added to the new rate case expense and amortized over the number of years approved by the Commission in that rate case.

Tr. Vol. 2, p. 231, ll. 10 - p. 232, l. 9.

The Public Staff maintains that the five-year amortization described above is normalization. WRI argues that what the Public Staff recommends is not normalization, and, however labeled, is contrary to precedent and is unlawful. Normalization of expenses relates to adjusting non-recurring expenses so that they only reflect a "normal" or usual level of expenses on an on-going basis. WRI maintains that the mechanism proposed by the Public Staff is the creation of deferral accounting with the establishment of a regulatory liability account beginning only at the time the amortization period runs out. The Public Staff argues that it is not recommending deferral accounting. Tr. Vol.3, p.16, ll.3-4; p. 21, ll. 2-6; p. 24, ll. 19-21, 19-21; p. 25, ll.4-9; p. 30. ll. 3-5. The Public Staff recommends the segregation, deferral, and tracking of rate case expense. By recommending that the funding of the regulatory liability account be

postponed until after five years, the Public Staff is asking the Commission to regulate the deferred rate case costs through a mechanism that cannot be characterized as normalization. The Public Staff's recommendation is, in essence, a request for deferral accounting, which is incorrect. Historically, the Commission has treated deferral accounting as a tool to be used only as an exception to the general rule, and its use has been allowed sparingly. Under deferral accounting, the Commission has established a two-prong test to consider whether a deferral is justified. The two-prong test is applied to costs that consists of: 1) whether the costs are extraordinary, or unusual in nature and, 2) whether, absent deferral, the costs would have a material impact on the utility's financial condition or earnings. With the exception of post-in-service costs of depreciation and the cost of capital for a major capital investment, some of the types of costs that typically fall under deferral accounting would be major storms, or other unexpected expenses or losses that are relatively or obviously unusual in nature and large enough in magnitude that it is not reasonable to presume that the expenses or losses are being recovered in then- current rates. Rate case expense is not extraordinary or unusual and therefore, does not meet the two-prong test. In fact, every Company that files a rate increase application with the Commission incurs some level of rate case expense.

Under the Public Staff's recommendation should the Company file its next rate case so that present rates end at the conclusion of five years, the rate case expense, though tracked, would not have been booked in a regulatory asset account and would have earned no return. In this respect, the mechanism the Public Staff recommends is overly punitive. Under this mechanism the Public Staff assumes that the Company recovers its rate case expense, one-fifth each year, while the rates are in effect, but even if the Company fails to earn its approved rate of return, the Public Staff's methodology assumes that the rate case expense, a segregated revenue deduction, is fully

recovered, but every other operating revenue deduction is not if the Company fails to earn its authorized return.

WRI argues that Witness Feasel has cited no Commission precedent for her recommendation. Unlike Witness Houser, in her filed testimony, Ms. Feasel did not even maintain that to do otherwise would be unfair or that there was some justification or support for her position other than it was her recommendation. On cross examination Ms. Feasel said her recommendation was fair by default. Tr. Vol. 2, p. 247. WRI argues that the Commission cannot accept the Public Staff recommendations simply because the Public Staff makes them without providing any justification whatsoever. In addition, WRI argues that the Commission cannot accept the Public Staff's "deferral accounting" mechanism. It is simply not correct to handle rate case expense as a regulatory asset or liability. Doing so would contradict every Commission Order this Commission has issued in regard to rate case expense for all electric, gas and water general rate cases before this Commission.

**Period for rate case recovery.**

Witness Feasel testified that she "amortized the total regulatory expense over five years to recognize the frequency of the Company's historic rate case filings." WRI argues that this is unreasonable because the amortization period should be based on a normal interval between rate cases. Tr. Vol. 3, p. 87, l.16 – p. 88, l. 3. Five years will not be normal for WRI's filing for rate relief. WRI was trying to complete the Town of Harrisburg Interconnection during the same time the COVID pandemic arose. WRI reached out to its attorney to file a rate case in 2021, only to realize that the Interconnection to the Town of Harrisburg would not be completed in time to get recovery in a rate case. This would have resulted in a three-year period between rate cases. Tr.



Vol. 3, p. 86, ll. 1-12. Therefore, once the Interconnection to the Town of Harrisburg was completed and placed in service in December 2023, WRI filed its rate case on December 29, 2023. WRI maintains that five years is not indicative of the likely interval between the present case and WRI's next rate case now that the Interconnection to the Town of Harrisburg is complete. Id.

WRI maintains that while not representative of good ratemaking practice, long intervals between rate cases can occur because the effort and up-front expense of conducting a rate case is often overwhelming for small utilities. Companies like WRI do not have the level of regulatory expertise that exists with Duke Energy, Aqua North Carolina, or Carolina Water Service. Management may be overseeing other businesses at the same time as running the utility, so management's time is unavailable to devote to the many hours needed to prepare for a rate case, undergo discovery, and participate in hearings. These are certainly concerns for WRI. Tr. Vol. 3, p. 86, ll. 7 - p.87, l. 2.

The result is that such utilities may operate for years at a loss. Where this occurs a review of past rate case frequency is inappropriate and provides a false prediction for the future. To some extent the losses may be subsidized by the owner or other businesses of the owner as has been the case for WRI. However, any time a utility operates at a loss, there is the risk that the investment may not keep pace with needs, and the utility could fall into disrepair or into a condition that poses reliability concerns. WRI has not fallen into poor condition, but it has sustained losses due to insufficient rates. For WRI and all utilities there is a public policy interest in having rate cases frequently enough to fund adequate quality of utility service from utility revenues. A shorter, more normal amortization period is supportive of that public policy interest. Tr. Vol. 3, p. 87, ll. 4-12.

WRI requests a three-year amortization and maintains this period is most reasonable. WRI plans to seek rate increases more frequently to mitigate the one-time impact on customers' rates

and to keep up with rising costs; therefore, a shorter amortization period is appropriate. Id., ll. 16-20.

WRI rebuttal witnesses reviewed amortization periods for other North Carolina utilities, and three years is the common rate case amortization period for small water and sewer utilities. A three-year amortization recommendation is aligned with what the Commission has normally approved for other small water and sewer utilities. It is fair and reasonable for WRI. Tr. Vol. 3, p. 87, l. 22 - p. 88, l. 3.

The Commission determines that the amortization period for recovery of rate case expenses in this docket should be over three years, not the five years recommended by the Public Staff. During the time that rates established in this docket will be in effect, without customer growth and with substantial inflation, as currently exists, existing rates likely will fail to allow the Company to earn its authorized return.

For many, if not most, small water companies the amortization for rate case expense is three years or at most four years. Tr. Vol. 2, p. 249, l. 3. See the recent recommended proposed order for GWWTP agreed to and supported by the Public Staff. Docket No. W-1343, Sub 1

In her direct testimony Witness Feasel provided no support for amortization over a five-year period. In its rebuttal testimony WRI pointed out the failure of the Public Staff to support its recommendation on the period of amortization. In response, on cross examination for the first-time witness Feasel attempted to rectify this omission. She cited the history of WRI's efforts to seek rate relief. However, other than citing the timing of requests, Witness Feasel made no effort to place into context the timing of those requests. Tr. Vol. 2, p. 249, l. 16 - p.250, l. 4.

Prior to filing this request WRI inquired of its lawyers and investigated at some length the notion of filing this rate case a number of years ago. In the meantime, Well #1 was taken offline

for excessive radium, and the Company had to undertake the investigation and investment in the Town of Harrisburg interconnection. Tr. Vol. 2, p. 252; Tr. Vol. 3, p. 86, ll. 6-12

That became a major investment in the amount of \$470,000. The project lasted a long time due to the COVID-19 pandemic. The regulators and the court were pressuring WRI to complete the interconnection. WRI could not begin recovery of this major investment until it had been completed, had been placed online, and was in service in December 2023. Id.

Although the Public Staff seems to insinuate that WRI has been remiss in that it did not complete the interconnection sooner than it, WRI had every incentive to complete the project sooner so that it could come before the Commission and begin to recover its cost in this major investment. The fact that it was out five years as opposed to three years or as opposed to some shorter period is explained by the difficulties it encountered with the interconnection with the Town of Harrisburg. Past history beyond these most recent efforts is not representative and is not useful. Consequently, the Commission determines that it makes no sense for the Public Staff to maintain that the amortization of the rate case expenses ought to be over five years based on the unique circumstances the Company encountered leading to the delay in seeking cost recovery in this case. The Public Staff also asserts that the Company's requested increase in this case imposes rate shock on customers. To avoid substantial increases in any particular case the better procedure is to schedule and space out rate cases on a more regular basis.

The Commission agrees with the Company that rate case expense should be treated as an operating revenue deduction and should be recovered over a three-year period.

**Calculation of rate case costs during the entire period incurred.**

This is not a stipulated or settled case. The Company forcefully contests a number of the recommendations supported by the Public Staff, which, in the Company's view, are not justified on the basis of any evidence. Most of the contested adjustments are simply recommendations. The Company was forced to provide evidence and citations to demonstrate that the Public Staff unsupported "recommendations" should be rejected. The Company will incur substantial costs in reviewing the transcript and submitting post hearing documentation. The Public Staff, on the other hand, has only allowed a miniscule level of projected costs for recovery of expenditures such as postage and mailing. In contested cases where there is no settlement or stipulation on the issues, it has been the long-standing Commission practice to allow the Company to submit post hearing evidence of rate cased expenses to be incurred and recovered in the final order approving adjusted rates. Where the Public Staff makes many unsupported recommended adjustments while at the same time seeking to limit the utility from recovering the expense incurred to challenge these adjustments, this practice places the utility in the position of acceding to the Public Staff recommendations and forcing the public utility to settle with the Public Staff on unfavorable terms.

Public Staff witness Feasel when questioned on this topic stated for the first time that to allow the Company to recover these legitimate and necessary costs would be inappropriate because costs to be recovered in a general rate case should be determined by a particular date prior to hearing because otherwise other costs incurred beyond the determination date would need to be audited and updated by the Public Staff. Tr. Vol. 3, p. 11, l. 14 – p. 4. l. 9. This argument must be rejected. Nothing prevents the Public Staff from auditing the costs, and this is customarily the practice. Rate case expenses fall into a different category from other test year expenses as far as incurrence beyond the end of the test year. The Public Staff cites no authority for the proposition that, where contested, the Commission has prevented the Company from recovering its post

hearing rate case expenses. Furthermore, recovery of such costs is expressly authorized under G.S. 62-133(c).

The test period shall consist of 12 months historical operating experience prior to the date rates are proposed to become effective, but the Commission shall consider such relevant, material and competent evidence as may be offered by the party to the proceeding tending to show actual changes in costs, revenues of the cost of the public utility's property used and useful, or to be used and useful within the reasonable time after the test period in providing service rendered to the public within this state....

The Public Staff position is self-contradictory. The Public Staff recommends recovery of an estimate of post hearing costs, although hopelessly inadequate, while arguing that most of the costs are prohibited based on the timing of their incurrence and an inability to audit.

### **Creation of regulatory liability**

With respect to rate case expenses the Public Staff is asking for the creation of a regulatory asset/liability for rate case expenses to be set aside in a special regulatory account to be addressed outside of the recovery of the other cost of service components. The Public Staff also recommends that those costs be refunded to ratepayers in future rate cases, which is outside of normal rate case expense treatment.

The Public Staff is recommending deferral accounting for rate case expense. However, the Public Staff has cited no other contested case where the Commission has had to address the issue of approving recovery of rate case expenses for a small water or sewer company through establishment of a regulatory asset/liability to be amortized but to be refunded to ratepayers if over collected in the future with no earnings on the unamortized balance. The recommendation is in conflict with Commission precedent.

In addition, much of the rate case expense incurred in this case is from responding to Public Staff data requests, and where the Company and Public Staff are not in agreement, the parties must prepare for and participate in hearings and submit post hearing documents for the Commission's consideration. The longer it takes to recover those costs, the longer the period the investor goes without its investment, unless the Commission allows a return on the unamortized portion. This Commission does not allow the unamortized rate case expense balances in rate base since rate case expenses have never been approved as a regulatory asset; therefore, the rate case recovery period should not be extended to an unreasonable amount of time.

In its discovery of the Public Staff the Company asked for citations to cases where the Commission has approved in a contested case the treatment that Public Staff was requesting in this case. The Public Staff cited no precedent. The Company asked the Public Staff in a data request to “please provide all NCUC cases and the docket number whereby the Commission has approved the refund of the regulatory expenses and the setting up of a regulatory liability with interest.

The Public Staff responded:

The Public Staff did not conduct an exhaustive search of the docket system, which was available **to the Company, to** find all dockets involving regulatory liability accounts. However, a recent case where rate case expense with a regulatory liability account was discussed is Aqua North Carolina’s rate case order issued in Docket No. W-218, Sub 573. In this docket, the Commission approved the requirement that Aqua report any over collection of rate case expense in a regulatory liability account to be reviewed in the company’s next rate case.

Tr. Vol. 3, p. 32, ll. 7-12. (emphasis added)

The Company gave the Public Staff an opportunity to cite some authority, and the Public Staff basically said, “you can go find that yourself.” Tr. Vol. 3, p. 32, ll. 14-18.

The Aqua general rate case cited by the Public Staff provides substantial precedent in opposition to the Public Staff position in this case with respect to rate case expense and almost none in support. First of all, Aqua is a Class A public utility with different requirements from WRI. The Commission's June 5, 2023 Order for the most part adopted a settlement between the parties. The March 31, 2023 settlement agreement on page 25 expressly stated that it was nonprecedential. “No stipulating party waves any right to assert any position in any future proceeding or docket before this or any other Commission and any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or approval of this stipulation. The stipulation shall not be cited as precedent by any other stipulating parties regarding any issue in any other proceeding or docket before the Commission or in any court.”

The Aqua general rate case was filed and addressed under the new legislation approving a multi-year rate plan. The Commission approved updated Aqua rate case expense through April 24, 2023 that was examined and approved by the Public Staff. In the Aqua case, that approved a multi-year rate plan, rate case expenses were amortized over four years, not five with no carrying costs to record recovery associated with the rate case expense over amortization after year four, which is contradictory to the Public Staff’s current position. Even if the Public Staff paraphrase of the Commission Order that contains no citations in order for it to be checked is accurate, a requirement that Aqua report any over collection of rate case expenses in a regulatory liability account to be reviewed in the Company's next rate case is a far cry from the elaborate recommendation that the Public Staff makes in this case.

Contrary to the fundamental misunderstanding of the Public Staff (and apparently of the Hearing Examiner, Tr. Vol. 3, p. 246, ll. 4-9) on the issue of burden of proof, the fact that a public utility incurs costs is prima facie evidence that the cost is reasonable and prudent and should be recovered. As discussed below in this Order, only to the extent that an intervening party such as the Public Staff provides affirmative evidence appropriately contesting of cost incurred by the public utility, does the burden shift to the public utility to further justify the reasonableness and prudence of the cost. *State ex rel. Utilities Commission v. Intervenor Residents.*, 305 N.C. 62, 286 S.E.2d 770 (1982)

It is the Public Staff that has the burden of proof on this adjustment that it recommended without any support that it is fair or appropriate or justified by precedent or prior authorities.

The Aqua case cited by witness Feasel was a settled case. Tr. Vol. 3, p. 32, ll. 10-12. The Public Staff only cited the one settled case. When a small utility company like WRI has to go through the process of litigating as in this case when it is doing battle with the well-funded and well-staffed Public Staff, it has every incentive to settle quickly and move on to conducting its business. Settled cases are not precedent, and the order approving stipulations usually so states. Witness Feasel conceded that this is the case. Tr. Vol. 2, pp. 20-21,

### **Test for regulatory liability.**

The Commission only establishes a regulatory liability when appropriate criteria have been met. The Commission approves the creation of a regulatory asset/liability account through an Order issued in advance of the incurrence of the cost and by an Order based on sufficient findings and conclusions. In creating a regulatory liability, the Commission segregates costs set forth in the



regulatory liability account from traditional costs of service recovered through the test year mechanism.

In the 2018 Duke Energy Carolinas (“DEC”) and Duke Energy Progress (“DEP”) general rate cases the Commission established a regulatory asset in order to defer into the future recovery of coal ash remediation costs. The Commission addressed the important distinction between cost recovered in the traditional manner (what the Public Staff labels as “normalization” here) and those recovered as a regulatory asset/liability.

The Commission agrees with DEC's recommended approach, not only for CCR costs, but also for all costs for all accounts. A deferred cost is not the same as the other cost of service expenses recovered in the Company's non-fuel-based rates. A deferred cost is an exception to the general principle that the company's current cost of service expenses should be recovered as part of the company's current revenues. When the Commission approves a typical cost of service, such as salaries and depreciation expense, there is a reasonable expectation that the expense will continue at essentially the same level until the company's next general rate case, at which time it will be reset. On the other hand, when the Commission approves a deferred cost the Commission identifies the specific amount that has already been incurred by the company, or, in the case of CCR costs, **is estimated to be incurred by the company**. In addition, the Commission sets the recovery of the amount over a specific period of time. Further, the company is directed to record the recovery of the specific amount in a regulatory asset account, rather than a general revenue account. If the company continues to recover that deferred cost for a longer period of time than the amortization period approved by the Commission that does not mean that DEC is then entitled to convert those deferred costs into general revenue and record them in their general revenue accounts. Rather the company should continue to record all amounts recovered as deferred costs in the specific regulatory asset account established for those deferred costs until the company's next general rate case.

Docket No. E-7, Sub 1146. Order dated June 22, 2018. Evidence and Conclusions for Findings of Fact No. 79, pages 326-327. (emphasis added)

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That DEC shall recover the actual coal ash basin closure costs DEC has incurred during the period from January 1, 2015, through December 31, 2017, in the amount of \$545.7 million to be adjusted based on the allocation factors to be provided by DEC and the Public Staff pursuant to ordering paragraph #3, and DEC is authorized to establish a regulatory asset as requested by the Company's petition in Docket No., E-7, Sub 1110. These costs shall be amortized over a five-year period **with a return on the unamortized balance** and

then reducing the resulting annual revenue requirement by \$14 million for each of the five years.

Decretal paragraph 41, p. 332. (emphasis added)

In its orders in those cases the Commission allowed a full return on the unamortized balance.

The Commission's two-prong test for establishing a regulatory asset/liability treatment is that that 1) the cost be **extraordinary, unusual, unexpected** and consisting of features that set it apart from the recovery through rates in the traditional manner; and 2) the other test is whether the need to create the regulatory asset/liability will have **a material effect on earnings**.

The Commission will establish a regulatory asset for a cost incurred outside of the test year of a general rate case in order to bring it into the next rate case, for example, when the Company makes a major investment for which it receives no return in the meantime. The Commission, in that case applies the two-prong test.

The Commission may take a particular cost or expense that is incurred in the context of the general rate case test year or the period up until the time that the hearing closes and create a regulatory asset/liability for extraordinary treatment recovery into the future.

The Commission may establish a regulatory asset/ liability in anticipation of major, extraordinary costs anticipated to occur in the future which should be set aside for deferral.

The Public Staff has made no effort to demonstrate that WRI's rate case expenses meet the test established by the Commission for approving a regulatory liability account. Nor could it. The incurrence of rate case expenses is expected and necessary for every rate case. It is especially expected when the Public Staff undertakes a comprehensive audit with numerous data requests consisting of scores of sometimes repeated subparts. Rather than conducting an audit examining a representative sample of expenses in various accounts, presently it is the Public Staff practice is to

require the companies to submit every invoice for every account irrespective of the magnitude of the cost. Also, the Public Staff makes major recommended adjustments without support.

One reason to create a regulatory asset/liability is to prevent the equity investor from losing money. For example when a major plant is added in between general rate cases, unless a regulatory asset is created the utility will not recover its depreciation expense and will fail for a time to recover the return on its investment.

Of late, the Commission has required compliance with the two-prong test for creating a regulatory asset/liability that is used to defer cost into the future even where the request for establishing the regulatory asset/liability rises with respect to test year costs.

In its orders in Docket No. E-7, Sub 1241 and Docket No. E-2, Sub 1258 the Commission determined that the two-prong test was applicable for establishing a regulatory asset/liability for COVID costs that otherwise would be recovered in traditional manner in the general rate case. “In this case, however, the Commission agrees with the AGO that the fact that the deferral request was filed during the pendency of the rate cases does not moot the relevance of the second prong of the test, especially as the costs sought to be deferred are ongoing and their totals unknown, and they were not included in the consideration of rates in those cases.” December 29, 2021 Order Approving Deferral Request, p. 9. The rate case expenses at issue in this case cannot be justified through reliance upon the two-prong test.

When questioned on her testimony on this topic, Public Staff Witness Feasel responded with incoherent and incomprehensible arguments. Witness Feasel on cross examination maintained that her mechanism did not constitute an amortization but a normalization. Tr. Vol. 3, p. 21, ll. 3-6. However, in her prefiled testimony, quoted above, she expressly characterized her mechanism as an amortization.

Witness Feasel argued on cross examination that her mechanism did not require Commission approval. Tr. Vol. 3, p. 26, l. 21 - p. 27, l. 3; Tr. Vol. 3, p. 28, ll.18. Instead, she recited provisions of section 253 of the Uniform System of Accounts. Tr. Vol. 3, p. 27. ll 7-10. She read that section that contains the sentence, “This account shall include amounts of regulatory liabilities not included in other accounts imposed on the utility by the rate making action of regulatory agencies.” On redirect examination she reversed course again and testified that Commission authority was necessary. Tr. Vol. 3, p. 45, l. 16. With respect to this topic, deferrals and the creation of a regulatory asset/liability, Commission precedent is well established, and citation to the Uniform System of Accounts even if inconsistent or contradictory with Commission precedent, is not controlling.

Witness Feasel cited settled or stipulated cases (not in her direct testimony but for the first time on cross examination) to support her position. However, in her testimony she testified that stipulated and settled cases were not precedential. Tr. Vol. 3, p.10, ll. 7-8. On cross examination when witness Feasel was read a statement by the Commission out of its decision in DEC and the DEP cases addressing the difference between normalization and deferral, she testified that she disagreed with the Commission’s discussion. Tr. Vol. 3, p. 24, ll. 2-4.

Contrary to witness Feasel’s distinction between normalization and amortization through a regulatory liability account, witness Feasel’s recommendation is not normalization. Normalization would occur where the Commission determines a level of rate case expense, and it approves recovery of a pro rata portion as a traditional expense item to be recovered each year while rates approved are in effect. The level of rate case expense is not tracked in a regulatory liability account or otherwise, and to the extent that the Company files for a subsequent rate case earlier than or later than the end of the rate case expense amortization period, there is no true up. Rate case

expenses are viewed in that instance just like salaries or maintenance repair costs, and it would constitute retroactive ratemaking to make the utility refund those costs after the fact.

In some respects, the Public Staff recommendation is sui generis. The recommendation has features that are unusual and unprecedented. The recommendation is not one that has been authorized by the Commission in a contested case where its features have been thoroughly analyzed and assessed. Rather than recommending the creation of the regulatory asset/liability account to become operable when rates approved in this docket are established, for five years the reduced rate case expenses are treated like other operating regulatory deductions and assumed to be recovered, 20% each year, irrespective of whether the Company earns its authorized return. During the five years, the reduced rate case expenses, though funded by the investor, are not treated as an asset and receive no return on the unamortized balance.

Under the Public Staff's recommendation, it is only after the Company applies for a subsequent rate case beyond the end of five years, if the company delays seeking a subsequent rate case, that the establishment or funding of the regulated liability account takes place. In this regard, the unique recommendation is overly punitive. There is no guarantee of recovery during the first five years. There is no return on the unamortized balance during the first five years. In the next rate case, there is a return as a credit of what the Public Staff classifies as "over recovery" after five years, with a full return to customers, of the amount credited to the customers.

In the Public Staff's recommendation, if approved, rate case expense is deemed to be recoverable over five years or with 20% of the approved costs recovered each year. In order for the Commission to determine the under- or over recovery, and credit customers with over recovery with interest, where the Company waits until after the five years to file its subsequent case, the only way that can happen is through tracking, setting the rate case expense aside in a regulatory

liability account or segregating the expenses in some fashion and treating it quite differently from customary cost of service items. This is deferral. It is not normalization.

The Commission determines that the Public Staff recommendation must be rejected for reasons advanced by the Company. When questioned about whether the requested mechanism would need for Commission approval to establish a regulatory liability account in which to segregate costs that otherwise would be recovered through traditional means, Public Staff Witness Feasel maintained that she was not advocating creation of an account for deferral but was only recommending normalization of rate case expenses in compliance with the Uniform System of Accounts and without the need for Commission approval. Although on redirect examination witness Feasel contradicted herself with respect to the need for regulatory approval, it is apparent that the Public Staff is recommending more than normalization of rate case expenses, is requesting the creation of a regulatory liability account and is asking that rate case expenses be tracked for possible refund of a portion of those costs with interest to ratepayers in the future. It is also apparent that there is an amortization of rate case expenses as they are recovered in part over future periods while the rates approved in this docket are in effect. Where a regulatory asset/liability is established, the unamortized portion is recognized in rate base. Where there is simply an amortization of an expense, no rate base treatment takes place. In this case although the Public Staff requests the creation of a regulatory liability, not only a normalization, inconsistently it does not recommend adding the unamortized portion of the rate case expense in rate base upon which a return is allowed. Therefore, based on Commission's long-standing precedent, Commission approval in advance is necessary, and the Commission established tests for establishing a regulatory liability account where costs are tracked for ultimate distribution in the future must be met. The Public Staff has not attempted to justify the creation of the deferral and the regulatory

asset/liability account under the tests established by the Commission, and the Commission denies the Public Staff's request.

The Hearing Examiner determines that the Public Staff is recommending a mechanism that substantially limits a small water utility from recovering rate case expense in this contested case that is inconsistent with the traditional method for approving recovery of such costs in accordance with long standing Commission precedent. The Hearing Examiner determines that in a case not pending before the full Commission or a panel of Commissioners but one assigned by the Chair to a Hearing Examiner, this is not the type of case for which deviation from established Commission precedent is appropriate.

The Commission determines that aside from the infirmities and illegalities addressed above, there are practical reasons for disapproving the Public Staff request. Under the Public Staff recommendation, the Company is not going to recover those costs until the end of five years.

If after five years the Company does not come in for a rate case, a credit on behalf of ratepayers will build up in what is in effect a deferral account. So, if no rate case under the Public Staff recommendation, after 2029 a credit will begin to build up in the account on behalf of customers.

If the Company does not come back for a rate case until 2034, for example, at that time the credit begins to be returned to the customers over perhaps five years or until 2039. In the meantime it has accrued what the Public Staff calls interest but what in effect is a full return. So under that scenario customers 15 years from now will be getting credit for rate case expense the Company incurred in 2024, plus the return. The Commission determines that the Public Staff recommended mechanism is inequitable and unfairly benefits a future generation of ratepayers for alleged savings

that should have been given to existing customers. This creates an inappropriate intergenerational equity issue. The Company has to keep track of that deferral account in the meantime.

Under the Public Staff recommendation if the Company comes in for a rate adjustment in less than five years, the mechanism takes the unamortized rate case expense from the last (this) case and adds it to the rate case expense for the next case and the combined rate case cost from the two cases is to be amortized over a period that the mechanism does not define but leaves to the discretion of the Commission. The Commission determines this mechanism inequitable.

The Commission agrees with the Company that this is a completely new methodology thought up by the Public Staff and has never been argued in front of this Commission and has no merit or precedence in orders issued by this Commission. Over the years, the Commission has approved deferral accounting requests from utilities for various types of matters, including extraordinary maintenance costs, post in-service costs for new electric generating plants, natural gas pipeline safety costs, and storm damage, but the Commission has never authorized deferred accounting treatment on rate case expenses. In addition, regulatory assets/liabilities also can be allowed rate base treatment, and this Commission has been disallowing the unamortized rate case amount in rate base for years now. Hence – rate case expense is not a regulatory asset.

The Commission agrees with WRI that the Public Staff should be precluded from using this mechanism as leverage to force small water utilities to settle on unfavorable terms. It appears the Public Staff has been working to include this language in recent settled cases by holding the utilities hostage and not allowing a settlement in a rate case unless the companies agree to this unprecedented rate case expense language. Small water and sewer utilities cannot afford to litigate just because of this language, and if they did, their rate case expense would increase significantly and so would the customers' rates. An even larger concern is the fact that the Public Staff is, in



essence, recommending that rate case expense be tracked and basically be considered a “quasi” regulatory asset with even more restrictions than regulatory assets currently approved before this Commission. Based on extensive review of other cases to evaluate deferral of regulatory asset/liabilities, any party, including the Public Staff, must file a petition for an accounting order to defer certain expenses with the Commission, requesting authority to set up a regulatory asset. The Commission’s Order<sup>1</sup> in Docket No. E-7, Sub 1181, set forth that the Commission’s two-prong test in considering a deferral request. The two-prong test that the Commission has often utilized to determine whether cost deferral is justified is: (1) whether the costs in question are unusual or extraordinary in nature and (2) whether, absent deferral, the costs would have a material impact on the utilities financial condition.

The Commission concludes that rate case expense in this case does not meet the two-prong test established and utilized by the Commission for deferral accounting. Rate case expense should be considered an operating revenue deduction as any other expense item, and the creation of a regulatory liability as proposed by the Public Staff is denied.

## EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 12

The evidence supporting these findings of fact and conclusions is contained in WRI’s verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and Public Staff witness Feasel.

### **Salary Expense**

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<sup>1</sup> Docket No. E-7, Sub 1181 Commission Order Allowing Deferral Accounting, Denying Public Staff’s Motion for Reconsideration, Granting Transfer of CPCN’s and Qualifying the Transferred Facilities as New Renewable Energy Facilities, dated June 5, 2019.

WRI requests that salary expense be increased to recognize an increase in the salary of Company employee, Beth Lockwood, approved by the Company subsequent to the conclusion of the test year but prior to the conclusion of the hearing in this docket. With respect to salary expense, the customary method for establishing test year salary expense is to determine the level of expense at the end of the test period or at the level of salary expense be an incurred at the time of the hearing in the case unless for some reason the level of salary expense is unrepresentative or unreasonable.

To the extent that the Company has evidence that as of the end of the test year or as of the date while this case still is in progress the salary, such as that of Beth Lockwood, has increased over what it might have been earlier in the test year, the Commission's practice is to allow the level of salary expense that is expected to be ongoing during the period when the rates will be in effect. The Company presented evidence that the salary of Company employee Lockwood was increased prior to time the record in this docket closed. The Company explained the substantial increase in duties and responsibilities of Ms. Lockwood.

In its rebuttal testimony the Company took issue with the number of hours that the Public Staff included for Ms. Lockwood, as well as the rate of pay that was used to calculate the salary expense. Ms. Lockwood was initially hired in 2021 as the customer service representative. After Mr. Abbott determined that the bookkeeper was not doing a good job, he asked Ms. Lockwood to take on the duties of bookkeeper beginning in 2023. However, subsequent to that time, her job duties have increased substantially, including administrative assistant duties as well. WRI's bookkeeper/office manager/administrative assistant has a wide variety of duties for WRI that encompass all of the following: general bookkeeping duties (accounts payable and accounts receivable, reconciliation work, work with the accountant on various issues and maintain files); providing customer service during and outside of normal business hours (via telephone and email

– answering billing question set up new accounts; respond to service requests/issues by troubleshooting and dispatching the contract operator or other professional service; communications with contractors, attorneys, local authorities, etc.), answering inquiries from the bank, the lab that prepares samples, the Public Staff and the Utilities Commission by preparing documents such as customer logs and any other requirements to be submitted to the Commission; compiling and preparing the Annual Report for submission to the Commission, CCR mailings to customer and other state reporting that may be required, manage billing, enter meter readings, generate monthly bills and mailings to customers and any other special project that she is assigned. Ms. Lockwood is available 24/7 should the contract operator, or any customer have issues that need to be handled in a timely manner. The Company witnesses testified that the number of hours included by the Public Staff for this employee are way too low and that the hours worked should be 15 hours per week. The Company committed to implementing a timesheet requirement for this employee to track time going forward. Tr. Vol. 3, p. 79, 1.1 – p. 82, 1. 3.

In its rebuttal testimony the Company contested the Public Staff's adjustment to the rate of pay for someone that does general bookkeeping/office manager/administrative assistant and customer service for a Company. Based on the Peedin & Perry research, the average rates of pay for a bookkeeper in Charlotte, North Carolina ranges anywhere from \$24 per hour to \$28 per hour for this type of work. This is consistent with other bookkeeper salaries for small water and sewer utilities that have been approved by this Commission. WRI has provided documentation from the owner to establish what her salary will be effective May 1, 2024. Tr. Vol. 3, p. 79, 1.1 - p. 82, 1. 3.

Public Staff has provided no evidence that to recognize the increase in salary of Ms. Lockwood would require an update of any other cost of service items. Tr. Vol.3, p. 37-38. No requirement exists that before the Commission can recognize an increase in salary expense in

accordance with the provisions of G.S. 62-133 the Public Staff be given an opportunity to assess and update any or all other costs of service through the period ending when the record in the case closes. By the same token, nothing prevents the Public Staff from recommending updates. The Public Staff, as is its practice presently, conducts an extensive audit and investigation with numerous data requests and follow-ups, including visits to the WRI offices to inspect its books. WRI is a small utility with a limited number of costs requiring examination. WRI has a limited workforce. The obligations and responsibilities of Ms. Lockwood have expanded exponentially. This increase in workload and increase in compensation should be recognized or the rates approved in this case will have a built-in attrition before the Company begins to collect them. The Commission determines that it is appropriate to recognize the increased salary level of Company employee Lockwood because the Public Staff did not find the salary level unreasonable. The Public Staff failed to update Ms. Lockwood's hours subsequent to the test period for her new positions. Were the Commission to accept the Public Staff position, immediately upon the date the Company begins to collect the new rates, a built-in shortfall occurs. Therefore, the Commission agrees with WRI that the salary of Ms. Lockwood should be updated, as set forth in evidence presented at the hearing to reflect an annual salary of \$15,000.

### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 13

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and Public Staff witness Feasel.

#### **Maintenance and Repair Expense**

Public Staff Witness Houser proposes an adjustment to annualize the cost related to a repair of piping over a three-year period. Witness Houser indicates in his testimony that he “annualized costs related to repair of the piping in the filter building at Rocky River’s Well #2 over a three-year period to reach a reasonable ongoing level of expense. Given the magnitude and atypical frequency of this event, this type of repair should not be expected on an annual basis.” Tr. Vol. 3, p. 82, ll.7-20.

WRI maintains that Witness Houser’s adjustment assumes that water leaks and or breaks are not atypical. WRI asserts that just the opposite is true. Due to the nature of a water system this is a very normal expense and can actually occur rather frequently over the course of a year. WRI maintains that Witness Houser provides no discussion in his testimony as to how he came to this determination and conclusion that this type of event is infrequent. WRI disagrees that this expense is of such magnitude and is so infrequent in occurrence that it requires annualization over a 3-year period.

The Commission agrees with WRI that the Public Staff has failed to justify this adjustment with any information or factual support. Witness Houser provides no information that he analyzed the frequency of repairs of piping or the magnitude of the repairs that are made. As is typical in nearly every contested adjustment made by the Public Staff, the Public Staff proceeds on the assumption that the conclusory recommendations of its witnesses are all that is necessary to persuade the Commission to agree with their adjustments. Naked, unsupported recommendations are insufficient to meet the Public Staff’s burden of justifying its adjustments. As addressed elsewhere in this Order, the fact that WRI has incurred an expense during the test year is prima facie evidence of the reasonableness and prudence of the expense. To the extent that the Public Staff seeks to disallow an expense in whole or in part, the Public Staff must justify its proposed disallowance

with affirmative evidence. This the Public Staff has not done with respect to the pump repairs. This appears to be nothing more than an unsupported opinion by Witness Houser. The Commission agrees with WRI, the owner of the system with first-hand knowledge of the frequency and magnitude of repairs, that water leaks and breaks are not atypical. Public Staff Witness Houser has not justified his recommendation to spread the cost of the test year repair over three years.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 14-15

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and the testimony and exhibit of Public Staff witnesses Feasel and Houser.

#### **Professional expense.**

Public Staff Witness Feasel has substantially reduced professional fees below that justified and requested by WRI. Tr. Vol. 3, p.83, ll. 7-21.

WRI strongly disagrees with Ms. Feasel's adjustment to professional fees. WRI maintains that Witness Feasel has only left in amounts for the tax return preparation and preparation of the Annual Report. Basically, there are no ongoing levels of professional expense for customer complaints, bond filings, other professional fees associated with compliance with any Commission mandate, or fees for any questions for regulatory professionals that may come up. While removing all of these fees, the Public Staff has stripped the Company of its opportunity to defend itself against any customer complaint or issues that may arise outside of the Company's control or just need clarification or guidance on regulatory issues, and this is completely unfair. Tr. Vol. 3, p. 83, ll. 7-21.

In the rebuttal testimony on page 24, line 17 the Company rebuttal witnesses maintained that witness Feasel has only left in amounts for the tax return preparation in preparation for the annual report. Basically, there are no ongoing levels of professional expense for customer complaints, bond filings, or any other professional fees associated with compliance with any Commission mandate should be recovered. Tr. Vol. 3, p. 83, ll. 12-21.

Page 13, line 13 of her testimony (Tr. Vol .2, p. 230, ll. 8-17) Witness Feasel testified “I removed expenses that were outside of the test period as well as expenses based on the recommendation of Public Staff witness Houser.” The Public Staff did not justify this recommended adjustment with any support. Upon examination of the evidence on this issue and in the exercise of its discretion and judgment the Commission determines that the Public Staff has failed to justify its adjustment to the level of professional fees requested by WRI. The Commission agrees with WRI that the level of Professional fees recommended by the Public Staff is inadequate for defending itself against any customer complaint, Commission filings or issues that may arise outside of the Company's control. Based on the evidence presented, the Commission concludes that the appropriate amount of professional fees that should be recovered by WRI is \$11,662, which represents a reasonable ongoing level of professional fees.

### **Professional expense – Legal Fees Expended addressing WRI’s Bond**

On page 31, line 1, Public Staff Witness Houser testified, “I also removed legal fees associated with the proceeding to increase WRI’s bond, which was filed by the Public Staff due to WRI's noncompliance”. Tr. Vo. 3, p. 75, ll. 14-17.

WRI argues that for reasons relied upon by the Commission to reject the Public Staffs recommended disallowances in the DEC and DEP cases with respect to alleged violations, the Commission should reject this recommendation. The noncompliance to which the Public Staff refers was the discontinuation of Well #1. WRI's reason for discontinuation of Well #1, high levels of radium, was beyond the Company's control. WRI successfully resisted punishment from DEQ for an alleged failure to comply with environmental regulations and potential contempt allegations

addressing the timing for rectifying of the loss of Well #1 and Interconnection with the Town of Harrisburg. Tr. Vol. 3, p. 75, l. 19- p.76, l. 3.

The Public Staff cites no instance where the Commission has disallowed legal expenses incurred by a public utility in making filings required by and in compliance with Commission orders. Public Staff Witness Houser provides no support whatsoever for this unique recommendation of removing one-half of the compliance filing charges that were required to be undertaken other than his opinion as an engineering witness. Tr. Vol. 3. p. 76, ll. 5-13.

The Commission agrees with WRI and rejects this Public Staff proposed adjustment. The Commission ordered WRI to increase its bond. The Public Staff has cited no justification for disallowing costs incurred by WRI to comply with a Commission order. WRI had every right to respond to Public Staff requests and Commission orders requiring the expenditure of funds to protect customers. While some of the costs were purely compliance costs, others were to respond to, take issue with and potentially postpone or reduce the required bond increase. As the Commission order to increase WRI's bond arose from concern over discontinuation of Well #1 and the fact that the interconnection to the Town of Harrisburg had not been completed, WRI maintains that it may now be appropriate for the Company to seek to reduce the bond now that the interconnection is in place. Should it do so, it should not be impeded from doing so for fear that its cost incurred would be disallowed. The Commission determines that an order disapproving these costs chills and threatens the opportunity of a public utility such as WRI from exercising its right to respond to Public Staff requests and Commission orders to which it disagrees.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 16-18



The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and the testimony and exhibits of Public Staff witnesses Feasel and Houser.

### **Development fee. Interconnection Depreciation Rate**

On page 31 beginning on line 3, Public Staff Witness Houser states, "From the interconnection project costs, I reclassified the one-time \$97,656 Harrisburg development fee as a plant in service item with an in-service date of 2023. WRI was required to pay a one-time development fee to the Town of Harrisburg in order to connect to their system. The development fee allows the Company perpetual access to purchase water from the Town of Harrisburg and should be non-depreciable. I reclassified \$3,575 in cost related to meter fee paid to the Town of Harrisburg as a plant in service item and assigned a 15-year life, consistent with the Public Staff typical recommendation for meters." Tr. Vol. 2, p. 119.

WRI maintains that these costs address items that were essential components of the Town of Harrisburg Interconnection. Without payment of the development fee and the meter fee it would have been impossible for WRI to interconnect. The length of time the interconnection permits WRI to have access to purchase water from the Town of Harrisburg is dependent upon all costs incurred by the Company required by the Town to make the interconnection. No justification exists for separating the development fee and meter fee in a piece meal fashion to treat them any differently than the vault or the Zurn valve, the piping, the engineering costs, DEQ permitting costs, organizational costs, the costs to obtain an easement and costs to obtain DOT's approval to install facilities in the DOT right-of-way. Tr. Vol. 3, p.76, l. 15 – p. 78, l.6

WRI maintains Public Staff Witness Houser provides no justification for separating out limited costs incurred to make the interconnection with the Town of Harrisburg for cost recovery purposes. All of the costs incurred by WRI to interconnect with the Town of Harrisburg should be combined into a single project for a determination of depreciation expense and an appropriate depreciation rate. The most expensive items of the project were the meter valve, vault, electrical and signaling equipment with useful lives much shorter than pipes. In a response to a WRI data request to the Public Staff, Witness Houser compares the development fee to capacity fee payments in an Aqua Rate Case, Docket No. W-218, Sub 497. This is not comparable. Capacity fees discussed in the Aqua Order are for capacity to serve future customers, whereas if the development fee was not paid, the Company would not be allowed to Interconnect with the Town of Harrisburg. In other words, you can't have one without the other. Therefore, the development fees should be included in the total project cost and depreciated. Tr. Vol. 3, p. 77, ll. 15 – 26.

WRI maintains that the 50-year useful life of the project as advocated by Public Staff Witness Houser should be summarily rejected. This is another instance in which his recommendation is based upon an unsupported conclusion without any backup facts or rational justification whatsoever. In addition, in the Sub 8 rate case, the Public Staff approved a 25-year life for the installation of the water system; therefore, the Company has been consistent its use of its recommended service life. Tr. Vol. 3, p. 78, ll. 1-6.

Witness Houser did not testify that the payment of the development fee and the meter fee to the Town of Harrisburg interconnection were unnecessary components of the project and that without them WRI could have made the interconnection and avoided issues with environmental regulations requiring it to have two wells.

Witness Houser did not testify that the meter fee and the development fee were less essential in completing and making the interconnection with the Town of Harrisburg than the pipes, as the vault, as the Zern valve, as the money paid to Ms. Hooks to get the easement, as the money expended in dealing with DOT and in other compliance aspects with the Town of Harrisburg.

Witness Houser did not testify that the vault, the Zern valve, the cost incurred to hire the contractor for the installation, the cost to hire the engineer, the cost incurred by Mr. Abbott and Ms. Lockwood leading to the construction of the interconnection are other than one-time costs any more than is the development fee and the meter fee are one-time costs.

Witness Houser did not testify that the other cost for interconnection in addition to the meter fee and the development fee are not costs that allow the Company perpetual access to purchase water from the Town of Harrisburg.

Nowhere in his testimony did Witness Houser give any reasonable justification for separating out and reclassifying the development fee and the meter fee than for not separating out and reclassifying any other of these composing the \$460,000 it cost to make the interconnection with the Town of Harrisburg.

The WRI witnesses were questioned by the Hearing Examiner on the rebuttal testimony. They testified that in response to the Public Staff recommendation of a 50-year life, they sought to develop a composite rate. In looking at the pictures of the interconnection facilities that were provided at the hearing, many of the facilities are not pipes. There are meters, wiring, valves, all kinds of equipment, and to just say that it the facilities consists only of pipes is incorrect. Tr. Vol. 3, p. 146, ll. 9-18 – p. 154, l. 19.

With reference to Mr. Houser's testimony citing the Aqua case, Docket No. W-218, Sub 497, the reference was to Aqua distribution and transmission mains, Witness Peedin took issue

with that comparison, saying that the depreciation rate should be a composite rate, not one for only mains and pipes. Tr. Vol. 3, p. 146, l. 9-23.

She testified that there are several categories of costs in the facilities. The Company witnesses looked at depreciation lives for assets of gas and electric utilities, and 25 years is a typical useful life. The rebuttal witnesses testified that for major plant in other situations the serviceable lives are 25 years. When the Company's initial system was approved in Sub 2, a 25-year composite rate was used. The most expensive parts of the project where the meter valve, the vault, the electrical, and the signaling equipment. These elements have much shorter lives than pipes. The witnesses testified that the Company does not break the interconnection facilities into component parts on its books but reflects them as a lump sum. Id.

The witnesses testified that they looked at the development fee as part of an integral cost of the entire project. They did not break out individual components of the project. There can be no interconnection if the Company does not pay the development fee. The witnesses testified that with respect to connection of gas facilities to FERC pipelines, or municipal systems, they could not recall anything having been pulled out separately. Id.

The witnesses testified that they consulted with retired Public Staff engineers and reported that from the perspective of these engineers if a cost item is part of the project cost, it is part of the project cost. The witnesses testified that they had never seen a case where it was appropriate to pull something out separately unless there was an item that was not used and useful. Id.

When asked whether the costs were paid separately, the rebuttal witnesses testified that every cost of the project was paid separately. KIP Corporation was the contractor. KIP was paid separately and may have been paid in several invoices, and the Company attempted to include

every line item on how the costs were paid by the Company. KIP Corporation was paid upward of \$230,000. Id.

The Commission agrees with the WRI witnesses that the Public Staff has failed to justify its recommended depreciation life of 50 years. The Commission determines that Public Staff Witness Houser is treating the interconnection project as consisting primarily of pipes. The evidence however is that pipes were not the primary component of the interconnection project. The most expensive items are those composing the above ground interconnection facilities. These facilities, based on the uncontradicted testimony of the Company witnesses, have serviced lives much shorter than the pipes or the hardware addressed by Public Staff Witness Houser with respect to his Aqua comparison.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 19

The evidence supporting this finding of fact and conclusion is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and the testimony and exhibits of Public Staff witnesses Feasel and is not controversial.

#### EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT 20-24

The evidence supporting this finding of fact and conclusion is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and the testimony and exhibits of Public Staff witnesses Feasel and Reger and is not controversial.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 25

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and the testimony and exhibits of Public Staff witnesses Feasel and Houser.

Public Staff Witness Houser recommends adjustments to remove litigation expense WRI was forced to incur in obtaining the Town of Harrisburg Interconnection. He states:” WRI incurred legal fees associated with responding to DEQ's Injunctive Complaint and Show Cause Motion alleging possible contempt, making court appearances, and engaging in discussions regarding these actions. In consultation with the Public Staff Legal Division, I removed (1) unsupported legal fees for 2021; (2) all legal fees related to preparing for hearing, consulting with WRI and other parties, and representing WRI in contempt and other proceedings relating to WRI's failure to comply with the Consent Judgment entered into between WRI and DEQ on July 15 2021; and (3) half of the legal invoices related to the Consent Judgment and Amended Consent Judgments dated November 8, 2022, issued by the Court. Legal fees related to the Consent Judgment were incurred due to a prolonged period of noncompliance when Well #1 was taken offline for an extended period and should not solely be borne by WRI's customers. However, I recommend that a portion of the Company's legal fees related to reporting to the Cabarrus County Superior Court, the Commission, and DEQ on the progress of the interconnection with the Town of Harrisburg be allowed.” Tr. Vol. 2, pp. 118-119.

WRI maintains in its rebuttal testimony that the Commission should reject these disallowances. WRI argues that these disallowances are in direct conflict with Commission precedent. Public Staff Witness Houser cites no credentials justifying his ability to express an opinion on this issue. Witness Houser cites no authority whatsoever for his position other than

consultation with unidentified consultants within the Public Staff Legal Division. The substantial legal fees Witness Houser recommends for disallowance were incurred by the Company to keep DEQ and Superior Court advised on the progress in rectifying the discontinuance of Well #1 and in its successful efforts to resist fines and penalties in court actions undertaken by DEQ and successful efforts to avoid potential DEQ efforts to hold the Company in contempt for its inability to rectify the removal from service of Well #1 within the time the DEQ wished. Tr. Vol. 3, p. 63, ll. 9-18.

Witness Houser makes no allegations that the fees were excessive or that the fees could have been avoided, for example, by refusing to participate in the litigation. Tr. Vol. 3, p. 63, ll. 24-25. Witness Houser professed practically no first-hand knowledge of the facts involved in the litigation before the Cabarrus County Superior Court. See, e.g., Tr. Vol. 2, p. 162.

When asked where in his testimony Public Staff Witness Houser could show what formula he came up with to divide the costs to be recovered from customers and the costs that were not to be recovered from the customers, his response was, "I don't think you can calculate it, because the amount of legal fees that would have been incurred is unknowable." Tr. Vol. 2, p. 163, l. 23- p. 164, l. 1.

The Public Staff makes no allegations in its prefiled testimony that WRI should have taken action that could have prevented taking Well #1 offline. Likewise, the Public Staff makes no allegation in its prefiled testimony that actions WRI took or failed to take ultimately leading to the replacement of the capacity from Well #1 with the Interconnection with the Town of Harrisburg were unreasonable or imprudent. The Public Staff makes no allegations in its direct testimony that WRI should have taken actions that would have resulted in activating the Interconnection with the Town of Harrisburg sooner than it did. Tr. Vol. 3, p. 64, ll. 2-8. Upon cross examination by the

Hearing Examiner after WRI had filed its rebuttal testimony and was thus unable to augment its written rebuttal Witness Houser attempted to rectify this serious omission that WRI had pointed out in its rebuttal testimony and through its cross examination. Witness Houser maintained without any factual support that WRI should have acted more quickly when it first learned that Well #1 had to be taken down due to the high radium content. Witness Houser did not support this claim with specific actions he maintains the Company should have taken or on what date it should have taken those actions. Tr. Vol. 2, pp. 206, l. 2 – p. 208, l. 10. Company Witness Abbott consequently was required to address this new unsupported allegation that actually constituted surrebuttal through additional live rebuttal testimony. Company Witness Abbott outlined the management steps the Company was required to undertake to rectify the discontinuation of Well #1 and the many obstacles it confronted in doing so.

With respect to legal expenses the Public Staff position in reality is an unsupported disallowance seeking in vain for a theory to support it. In its direct testimony the Public Staff says that should ratepayers be required to reimburse the Company for the full amount of the legal expenses, the result would be” unfair.” When WRI in its rebuttal testimony points out this egregious error in the theory because, among other reasons, the test for disallowing costs is not unfairness but unreasonableness and imprudence, the Public Staff too late in the game seeks desperately to rectify its omission.<sup>2</sup> Even though the Public Staff has engaged in extensive discovery with 12 data requests (Tr. Vol. 2, p.161, l. 5) consisting of many subparts, the Public

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<sup>2</sup> Had WRI been unreasonable or imprudent through delay in addressing the discontinuation of Well #1 and had such unreasonableness and imprudence resulted in direct increased costs to rectify this omission, the direct remedy would have been a disallowance of cost to rectify the omission. However, the costs to rectify the omission were the costs of the Town of Harrisburg Interconnection. There is no evidence or allegation that the alleged delay increased the cost of the interconnection project. In fact, the delay was a financial benefit to WRI ratepayers. The delay prevented WRI from seeking rate relief to recover its substantial investment in the interconnection project until the project was complete. These facts no doubt motivated the Public Staff to seek out an alternative, indirect theory to make a recommended disallowance in the form of a recommendation that litigation expenses be disallowed.



Staff failed to even asks questions that if answered as the Public Staff might have hoped, might have provided facts in its direct case to support a theory that WRI had acted imprudently or unreasonably in rectifying the absence of Well #1 and timely replacing it with the Town of Harrisburg interconnection.

The Public Staff sought initially to rectify this omission through a comprehensive question in a data request on the Company's rebuttal testimony. Unfortunately for the Public Staff, this data request on rebuttal testimony violated the Commission's instructions on the scope discovery at that late date in the case and provided the Public Staff with no ammunition for its fallback theory. Tr. Vol. 2, p. 157, l. 14 – p. 158, l. 12. 'This left the Public Staff with only an opportunity to seek to rectify its omission through answers to questions on cross examination even though the questions, if answered directly, would not have provided the opportunity the Public Staff was seeking. Witness Houser in response to cross examination questions on the many omissions in his testimony, for the first time maintained that WRI had acted unreasonably and imprudently by delaying during the early period after Well #1 was taken offline in rectifying the fact that only one well was available. However, without any facts to justify this new emergency theory, all Witness Houser was able to do was to express conclusions without any factual support.

This should have been the end the story. The Public Staff failed to challenge the Company's legal expense expenditures with any "affirmative evidence" in its direct case or on cross examination in the form of surrebuttal either.

Good faith is to be presumed on the part of management of a business... and in the absence of showing of inefficiency or improvidence a court will not substitute its judgment for theirs as to a measure of a prudent outlay.

Priest on the Principles of Public Utility Regulation, Vol. 1, pp. 422-423 (1969) citing the U.S. Supreme Court decision in *West Ohio Gas Co. v. Ohio Public Utilities Commission*, 294 U.S. 63, 72 (1935).

Also, Priest cites the Alabama Supreme Court decision clearly indicating where the burden of proof should fall when it said, in a telephone company rate case:

Only where affirmative evidence is offered to challenge the reasonableness of the operating expenses incurred on the grounds that they are exorbitant, unnecessary, wasteful, extravagant, or incurred in the abuse of discretion or in bad faith, or are of a nonrecurring character not likely to recur in the future, has the Commission a reasonable discretion to disallow any part of the expenses actually incurred.

*Alabama Public Service Comm'n v. Southern Bell Tel. & Tel. Co.* 253 Ala.1, 42 So.2d 656 (1949).

Contrary to the fundamental misunderstanding of the Public Staff (and apparently of the Hearing Examiner, Tr. Vol. 3, p. 246, ll. 4-9) on the issue of burden of proof, the North Carolina courts adhere to this precedent that where a public utility incurs costs this is prima facie evidence that the cost is reasonable and prudent and should be recovered. Only to the extent that an intervening party such as the Public Staff provides “affirmative” evidence appropriately contesting of cost incurred by the public utility, does the burden shift to the public utility to further justify the reasonableness and prudence of the cost. *State ex rel. Utilities Commission v. Intervenor Residents*, 305 N.C. 62, 286 S.E.2d 770 (1982) In *Intervenor/Residents* the company presented evidence supporting the reasonableness and prudence of fees paid to its service company affiliate. According to the court,

Intervenor/Residents offered no evidence to contradict the foregoing. We find that this evidence was competent, material and substantial and fully supports the finding and conclusions of the Commission that the allocated expenses in question were reasonable. Having so concluded, we now examined the law applicable to this evidence.

The Commission has the authority and the right at all times to test the reasonableness of expenses paid to affiliated companies or allocated to them and to cause the petitioning

utility to offer affirmative evidence of their reasonableness or risk their disapproval. The Commission has the obligation to test the reasonableness of such expenses **whenever they are properly challenged**. The burden of going forward with evidence of reasonableness and justness arises only when the Commission requires it or **affirmative evidence** is offered by a party to the proceeding that challenges the reasonableness of expenses, allocated to it by an affiliated company on the basis that they are exorbitant, unnecessary, wasteful, extravagant, or incurred in abuse of discretion or in bad faith or that such expenses exceeded either of the cost of the same or similar goods or services on the open market or the cost similar utilities pay their affiliated companies for the same or similar goods or services.  
(emphasis added)

It is the Public Staff that has the burden of proof on this adjustment that it recommended without any support that it is unfair or inappropriate or justified by precedent or prior authorities. Public Staff unsupported conclusions without any facts are not affirmative evidence that complies with the test. Moreover, in additional testimony of Company Witness Abbott in the Company's rebuttal testimony, Mr. Abbott, with first-hand knowledge of the facts that actually existed causing the Company to delay replacing Well #1 with the Town of Harrisburg interconnection, explained in detail why the Company's actions had been reasonable and prudent. The Public Staff made no effort to seek to undercut this testimony on cross examination. Company witness Abbott's testimony on this subject contains all the facts there are in the record on this issue.

Mr. Abbott testified that WRI received notice of a violation on December 17, 2018. When WRI received this notice of violation, it immediately reached out to DEQ because WRI realized the seriousness of this violation that was not of the Company's doing. WRI was in constant communication with DEQ on the issue of how the Company should move forward in addressing the radium level in Well # 1. Mr. Abbott testified that WRI was doing the right thing in having conversations with the state regulatory agency. Mr. Abbott testified that the violation letter stated that the radium measurement was at level 6, and the Company was only allowed a level of 5. The Company was only slightly over the allowable level. Once a company receives a failed test, it must

test once a quarter year after that. In that first period, DEQ will average over the next four samples to determine whether the well can be brought back into compliance. This is what the Company undertook in compliance with discussions with DEQ. Later in 2019 it became evident that the test results were not going to allow compliance following that method. Tr. Vol. 3, p. 96. l. 15 – p. 98, l. 2.

At that point the Company began looking at other alternatives to correct the situation. One alternative examined was to combine the readings of the two wells. The other well had a very low radium level. The Company hoped that by mixing the two together the total radium level would register low enough to bring the system back into compliance. This effort took some time as the engineers were studying this alternative. Ultimately, it was decided that this alternative would not work. Tr. Vol. 3, p. 98, l.5 – p. 99, l. 2.

It was at that point that the Company looked to the Town of Harrisburg. The first contract with Harrisburg was in the summer of 2019. It was only by November 2019 that Mr. Abbott actually received a reply from the Town, stating that the Town had the capacity and would serve the community. At that point Mr. Abbott moved forward with spending money on engineering, surveying and the start process. Tr. Vol. 3, p. 99, l. 1- p.100, l. 8.

The Company began with looking at two entrances in the communities as locations for the interconnection. At both entrances there is a water main stubbed out to Rocky River Road, the main road into the community where the water main to the Town of Harrisburg is located. After engineering and survey work was conducted, the engineers decided that one location was not a viable option. The Company had to start over looking at the second entrance. Tr. Vol.3, p. 100, l. 8 – p.102, l.9.

The Company determined that it needed an easement. The Company concluded that it was not possible to take the line and run it straight down the utility easement across the road and tie in. The property owner from whom the easement was needed was unresponsive for quite a few months despite phone calls, emails and letters. Ultimately, she did respond to say that she was not interested in providing an easement. Id.

By this time the Company was in the middle of a pandemic when things really began to slow down. The stall in 2020 was caused in large measure by these factors. Ultimately, the Company was able to obtain the easement after engaging with an attorney and threatening to condemn the property. At that point the property owner responded with an outrageous demand. Being unable to stall further, the Company paid what it believed to be double what should have been paid for the easement and accepted some other stipulations so the Company could continue moving the project along. Id.

During all this time the Company was in communications with DEQ. The Company was giving DEQ quarterly updates as to what it was doing throughout the period. By the time the pandemic ended in April 2023 there were shortages of supplies and materials that the Company needed to acquire in order to start the construction. Id. Also, coming out of the pandemic, the economy ramped back up. There was a high demand for contractors and construction work that had been stalled during the pandemic. The Company contacted a number of different contractors for this very small project. Ultimately, only one contractor was willing to enter into a contract to do the work. Many of the potential contractors went dark after the initial conversations. Tr. Vol. 3, p.102, ll.10-28.

During all of this, the Company continued to work with its engineer. It also explored expanding its greensand filter to remove the radium from the water. There were conversations with

DEQ about that option. The Company sought guidance and direction from DEQ. With respect to the greensand filter DEQ engineers did not like the fact that it would cause the Company to have a backwash of the filter that would discharge radium particles or filter media that have been used to filter out the radium into the wastewater system for the City of Concord. The greensand filter option had to be abandoned, and the Company returned to discussions with the Town of Harrisburg. Tr. Vol. 3. p. 102. l. 20 – p. 103, l. 22.

In his direct testimony Witness Houser recites and refers to no standard for assessing cost recovery in a public utility general rate case. He simply expresses the opinion that in his view as an engineer it would be unfair for consumers to bear some of the costs. On cross examination, when asked whether witness Houser inquired of his legal counsel what the legal requirements were for disallowing costs, Public Staff counsel objected to the question by maintaining that the question asked for information that was protected by the attorney-client privilege. Tr. Vol. 2, p.167, ll. 19-20. Unfortunately, the Hearing Examiner affirmed the Public Staff objection. Out of an abundance of caution, Counsel for the Company was forced to make an offer of proof at which Witness Houser answered that he did not ask Public Staff counsel what the standard was for disallowing costs. There are two reasons why the witness's response that he failed to ask Public Staff counsel what the legal standard was should be a part of the record and relied upon by the Commission in this docket. In the first place, the question did not ask what Public Staff Counsel responded, only whether the question was asked. Tr. Vol. 2, p. 176, ll. 12-18. As the question was not asked, there was no response, so no Public Staff Counsel privileged communication was conveyed to protect. In the second place, the Public Staff waived any assertion of attorney-client privilege by allowing Witness Houser to support his testimony through reference to advice provided by unidentified counsel.

Witness Houser fails to explain the justification for the distinction he draws. Witness Houser introduces his discussion of his substantial proposed disallowances by stating “As noted earlier in the history of WRI violations, WRI incurred legal fees....” Tr. Vol. 3, p. 64, ll. 22-27.

The Public Staff is unwilling to acknowledge that the alleged violations to which it refers arose from exceedances of radium levels beyond the Company’s control. The Public Staff makes no allegation that Well #1 was improperly installed, improperly located or that the filtering system or other operations of the well contributed to the exceedances. WRI had no ability to prevent an increase in the level of radium in the groundwater above required environmental standards. The exceedances were not a result of failure of WRI to take appropriate actions. There are no allegations on behalf of the Public Staff that WRI should have done anything differently to prevent taking the well offline. Tr. Vol.3, p. 65, ll. 1-9

WRI customers were never deprived of any services as a direct result of the fact that before the situation was rectified the Company was operating with only one well and storage. While WRI was unable to immediately rectify the absence of a second well as required by environmental regulations, the Public Staff provides no evidence that any customer was deprived of any service as a direct result of the fact that before the situation was rectified the Company was operating with only one well and storage. While there were brief outages, the Public Staff provides no evidence that, based on the location of customers that might have been affected by the temporary outages, these outages would have been avoided had the Well #1 not been taken offline or the interconnection with the Town of Harrisburg been in place. Tr. Vo. 3, p. 65, ll. 15-22.

On page 12, line 8 of his testimony Public Staff Witness Houser states, “Well #1 was taken offline on June 30, 2019, due to repeated exceedances of the combined radium maximum contaminant level (MCL) and is not used and useful. I recommend all costs associated with well #

1 be removed. In the first place the insinuation, not allegation, of Witness Houser that the well was taken offline as a result of unnecessary actions or inactions on behalf of WRI is unfounded. Tr. Vol. 3, p. 65, ii.1 – p.66, l. 4.

On page 22 of his testimony with Houser states that Mr. Abbott “appears to argue that because the system experienced outages that were not due to lack of water supply availability, the system should not be considered to have been impaired.” He continues on line 15 of that page, “Thus, during this period, the system was not operating as intended, and while the mechanical failures and line breaks may not have been entirely preventable, I believe that the system was impaired between Well #1 disconnection and interconnection completion.” Tr. Vol. 3, p. 66, ll. 6-15.

Witness Houser has miscast and has misinterpreted Mr. Abbott's testimony. Mr. Abbott testified, “But for a brief encounter that did not arise from the inability to meet demand from the remaining well, service to customers was not interrupted. Fortunately, the customers in the subdivision have not actually experienced a lack of water supply during the discontinuation of the second well. Still, Water Resources has continued to undertake efforts to rectify the fact the there is only one well in operation and did not minimize the seriousness of the situation.” Mr. Abbott acknowledged that the absence of the second well created an unavoidable risk. Tr. Vol. 3, p. 66, ll. 17-24.

Witness Houser fails to connect the mechanical and service line cut outages in any way to the fact that Well #1 was offline. Tr. Vol. 3, p. 66, l. 26 – p. 67, l. 2. Nor could he have. If a customer is located on the water distribution system beyond a point where a main is cut when the telecommunication provider unlawfully digs into the line, even if the company has numerous wells and storage tanks, if the customer has no access to the source of supply or the storage due to its



location, the outage has nothing to do with the number of wells or the amount of storage. However, if having Well #1 offline had contributed to outages from service line cuts, that would only mean that there was another factor contributing to the outage that like the others was beyond WRI's control. Tr. Vol. 3, p. 67, ll. 4-11.

The Commission determines that WRI was not at fault for the need to take well number one offline. The Public Staff seems intent to assess blame against WRI in an effort to disallow costs. A retrospective view of the months where only one well was online but no service disruptions directly resulted therefrom and in seeking disallowances as a result of alleged “impairment” should be disregarded.

The Commission determines that while WRI experienced substantial delay in completing its interconnection with the Town of Harrisburg, the Public Staff provides no evidence that the cost to consumers would have been less had the interconnection been completed sooner. Witness Houser maintains that customers were in greater risk while there was only one well for the system, but as Well #2 remained in operation and as storage was available, the risk never materialized into service disruptions. Tr. Vol. 3, p. 67, ll. 25 - p. 68, l. 2.

### **Commission Authority Addressing Litigation Fees Incurred in Responding to Exceedances**

The November 8, 2022 Amended Consent Judgment, paragraph 16, that resulted in the incurrence of a portion of the litigation costs at issue, states in its description of the July 16, 2021 Consent Judgment, “The parties initially reached a resolution of the injunctive relief sought by Plaintiff through this suit and memorialized the agreement in a Consent Judgment, which was entered by the Court on July 16, 2021.” As cited in paragraph 23 of the November 2022 Amended Consent Judgment, “The parties seek to memorialize the actions that Defendant will take in the future in this Amended Consent Judgment.” Tr. Vol. 3, p. 68, ll. 8-14.

The Commission agrees with WRI that these were the types of compromises such as SOCs addressed by the Commission in recent DEC and DEP rate cases in which the Commission rejected almost identical proposed disallowances in those cases, which the Public Staff makes in this docket. Although DEQ initially fined WRI \$4,500 and threatened additional ongoing fines, at the conclusion of the litigation, DEQ withdrew the \$4,500 fine and imposed no others. WRI has not been penalized and has paid no fines, hence there are no fines and penalties in this rate case docket. Tr. Vol. 3, p. 68, ll. 19-25.

Throughout the litigation, WRI maintained that it did not willfully violate any environmental regulations or DEQ requirements that would have justified holding WRI in contempt. WRI maintained that it acted reasonably and in a timely fashion under the circumstances. WRI justified its difficulties in complying with the timelines by demonstrating justifications for delays. DEQ never formally requested the Court to hold DEQ in contempt, and the Court never held WRI in contempt. The language in consent orders required by DEQ contains as a standard provision the threat of contempt where the defended willfully fails to comply. The costs WRI incurred to achieve these results are those for which it seeks recovery in this docket and for which the Public Staff seeks disallowances. The Commission determines that the consent decrees are the types of compromises addressed by the Commission in the DEC and DEP cases. WRI never conceded actionable violations or admitted to guilt. Tr. Vol. 3, p. 69, ll.1-9.

The Commission determines that these were the types of compromises such as SOCs addressed by the Commission in recent DEC and DEP rate cases in which the Commission rejected almost identical proposed disallowances in those cases, which the Public Staff makes in this docket. Although DEQ initially fined WRI \$4,500 and threatened additional ongoing fines, at the conclusion of the litigation, DEQ withdrew the \$4,500 fine and imposed no others. WRI has not

been penalized and has paid no fines, hence there are no fines and penalties in this rate case docket. Tr. Vol. 3, p. 68, ll. 19-25. The costs WRI incurred were necessary to achieve these results.

Throughout the litigation, WRI maintained that it did not willfully violate any environmental regulations or DEQ requirements that would have justified holding WRI in contempt. WRI justified its difficulties in complying with the timelines by demonstrating justifications for delays. DEQ never formally requested the Court to hold WRI in contempt, and the Court never held WRI in contempt. The costs WRI incurred to report to the court and DEQ and to achieve these results are those for which it seeks recovery in this docket and for which the Public Staff seeks disallowances. The consent decrees are the types of compromises addressed by the Commission in the DEC and DEP cases. WRI never conceded actionable violations or admitted to guilt. Tr. Vol. 3,, p. 69, ll. 1-9.

Public Staff Witness Houser relies upon his opinion without citation to any authority other than advice of unidentified counsel. It is unclear whether the unidentified counsel advising Public Staff Witness Houser is/are the same unidentified counsel recommending the adjustments sponsored by Public Staff Witness Junis in the DEC case addressed below. Tr. Vol. 3, p. 69, ll.14-18.

In the January 24, 2018 testimony of Public Staff Witness Charles Junis in Docket No. E-7, Sub 1146, Witness Junis recommended disallowance of legal expenses incurred by Duke Energy Carolinas (DEC) in defending claims against DEC for environmental exceedances and violations.

On page 90 of his testimony Public Staff Witness Junis maintained,

I recommend disallowance of all legal expenses incurred by DEC in the course of defending and resolving state litigation involving the Allen, Belews Creek, Buck, Cliffside, Dan River, Marshall and Riverbend plants (Mecklenburg Sup. Ct. 13-CVS-9352 and 13-CVS-14661). . . . This includes costs for third party assistance (expert witnesses,

consultants and other contractors) and for internal labor that should be assigned or allocated to the defense of that case.

Tr. Vol. 3, p. 69, l. 24 – p.70, l. 7.

On page 87 of his testimony Witness Junis testified,

In particular, the Public Staff recommends that the following expenditures be excluded from rate recovery: (1) DEC litigation costs incurred during the test year in cases where there are environmental violations; (2) costs to remedy environmental violations where the costs exceed what CAMA [Coal Ash Management Act] would have required in the absence of environmental regulations.

Tr. Vol.3, p. 70, ll. 9-16.

On page 88 of his testimony Witness Junis testified,

The first category is litigation costs where there are environmental violations. It is routine in ratemaking to disallow from the utility's revenue requirement any costs of fines and penalties. Legal counsel informs me that North Carolina law also supports exclusion of other expenses related to violations of utility law. The North Carolina Supreme Court ruled that legal expenses incurred by a water utility in defense of a penalty proceeding must be excluded from rate recovery as a matter of law:

Glendale [Glendale Water, Inc. a regulated utility] was penalized for violating serious administrative regulations, including its failure to notify its customers of contaminants in the water. It would be improper to require the very class of people the DHS sought to protect in assessing the penalty against Glendale to indirectly pay for the penalty through the inclusion of related legal fees into Glendale's operating expenses. Furthermore, since these legal fees could have been avoided had Glendale initially carried out its responsibility of providing adequate water service to its subdivisions, this expense cannot properly be considered reasonable and necessary.

According to counsel, the principle set forth in this ruling is applicable to the present rate case for litigation expenses related to DEC's failure to comply with environmental laws and regulations, as is the ratemaking principle that it is not reasonable for consumers to bear costs of utility misfeasance or malfeasance. These principles of a disallowance for litigation costs should apply to all lawsuits alleging environmental violations to the extent that either: (a) there is a final order finding DEC liable for environmental violations; (b) there is a resolution of the lawsuit other than a finding of liability-such as settlement or dismissal due to CAMA, and there is compelling evidence of environmental violations.

Tr. Vol. 3, p. 70, l. 18 – p.71, l. 19.

In its September 18, 2018 Order the Commission rejected the Public Staff recommendations that the litigation expenses at issue be disallowed.

The Public Staff, through Witness Junis, asserts that disallowance of the Company's litigation expense and groundwater costs is justified because these costs flow from violations of the law. Tr. Vol.26, pp.728-34. For the reasons discussed below, the Commission based on its assessment of the evidence and in the exercise of its discretion determines not to authorize the Public Staff proposed disallowances of legal expense and groundwater extraction and treatment costs. The evidence does not support a finding that DEC violated the law..., nor does it support a finding of imprudence with respect to these costs.

Regarding the legal expenses, Witness Junis cites the Glendale Water case (State ex rel. Utilities Commission v. Public Staff, 317 N.C. 26, 343 S.E.2d. 828 (1986)) for the proposition that the legal expense should be excluded. In that case the North Carolina Supreme Court held that legal expense associated with a penalty proceeding in which the utility had been found to have violated the law should be excluded. Witness Junis suggests that the same rationale would apply to his exclusion of the Company's litigation expense related to what he terms DEC's failure to comply with environmental laws and regulations. He claims that compelling evidence of such violations is shown by the SOC's and DEQ reports of exceedances. Tr. Vol. 26, p. 728- 29.

The distinction between this case and Glendale Water is that... there is no finding in the other litigation brought against the Company, or admission by the Company in that litigation, that any violation actually occurred. No intervenor introduced evidence in this case that any violation actually occurred. Witness Junis' testimony that the Company's legal expense for state litigation of coal ash complaints resulted from "violations" is based on DEQ's reports of groundwater exceedances and the fact that DEQ sought SOC's to address seeps at the Allen, Marshall and Rogers (Cliffside) stations, both of which Junis interprets as compelling evidence of DEC's violations. Tr. Vol. 26, pp. 730-31.

The Commission determines that the facts of this case are distinguishable from Glendale Water. Litigants settle disputed matters frequently for many reasons that are unrelated to the settling parties underlying views on the merits of the dispute.

...

Likewise, an SOC is a regulatory mechanism intended to provide clarity and certainty with respect to scope and schedule for compliance-related activities given a change in circumstances, such as a change in requirements or in operations. The Company's willingness to enter into an SOC, therefore is not premised upon an underlying admission of culpability. Furthermore, as explained by witness Wells, a DEQ report of an exceedance does not equate to a violation of environmental law or regulation.

Witness Junis attempted to expand the applicability of Glendale Water by applying its holding beyond the litigated finding of liability to include (1) resolution of complaints that do not involve a finding of liability and (2) pending legal claims for environmental law violations, where there is compelling evidence of environmental violations. Tr. Vol. 26, pp. 729-30. The Commission disagrees with the Public Staff position. Glendale Water applies

where there is a finding of liability, and the Commission declines to expand its holding further. In addition, the Commission does not find DEQ exceedance reports or SOCs to constitute compelling evidence of environmental violations.

The Commission determines as it did in the 2018 DEP rate order, that entering into a settlement does not equate to an admission of guilt or wrongdoing. 2018 DEP rate case, p. 180. Conflating the existence of a settlement agreement or an SOC with an admission or other proof of guilt or wrongdoing is inconsistent with both the law and public policy of North Carolina. The North Carolina rules of evidence, for example, prohibit parties from using the existence of a settlement as evidence of liability. Likewise, in other matters before the Commission, the Public Staff has defended the regulatory policy of encouraging reasonable and prudent settlement.

Sept. 18, 2018 Order, Docket No. E-7, Sub 1146, pp.294-296. Tr. Vol. 3, p. 71, l. 24 – p.74, l. 4.<sup>3</sup>

The Commission determines that Public Staff Witness Houser’s recommended disallowance of legal expense incurred by WRI with respect to the Harrisburg interconnection project is comparable to the recommended disallowance of the Public Staff in the DC and DEP cases. Tr. Vol. 3, p.74, ll. 6-12. The disallowances proposed by the Public Staff in the DEC and the DEP rate cases rejected by the Commission are comparable to those advocated by the Public Staff in this docket. Much of the litigation expenses addressed in the DEC and DEP cases involved potential violations for exceedances of environmental standards such as seepages from coal ash basins. In this case, the alleged violations arise from the fact that Well # 1 was taken offline due to exceedances of radium standards arising from increasing levels of radium from the groundwater from which the well drew its supply. The alleged violations did not arise from actions or inactions taken by WRI. WRI entered into Consent Judgments with DEQ to address the discontinuation of Well #1 and entered into agreements establishing timelines to rectify the alleged violations. Id.

The Public Staff cites no instance where the Commission has disallowed legal expenses incurred by a public utility in making filings required by and in compliance with Commission orders. Public Staff Witness Houser provides no support whatsoever for this unique

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<sup>3</sup> The DEC and DEP rate orders addressing recovery of coal ash remediation costs were appealed to, reviewed by and remanded to the Commission by the North Carolina Supreme Court. The issues before the court were the test for recovery of the coal ash remediation expenses. The issue appealed to and addressed by the court and remanded by the court were not those addressing the legal expenses as examined by the Commission and as set forth above. After remand the cases were resolved through settlement of the issue of recovery of coal ash remediation costs.

recommendation of removing one-half of the compliance filing charges that were required to be made other than his opinion as an engineering witness. Tr. Vol. 3, p. 76, ll. 5-13.

The Commission agrees with WRI and rejects this Public Staff proposed adjustment.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 26

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC and the testimony and exhibits of Public Staff witnesses Feasel and Houser.

#### **Pump Repairs**

Public Staff Witness Houser recommends removal of pump repairs from 2022 that he concludes are no longer used and useful. He argues that the pump and motor were replaced in 2023. WRI maintains that this adjustment should be rejected. WRI takes issue with this Public Staff adjustment. WRI argues that while plant items that have been retired or have been taken offline may be ineligible for inclusion and rate base upon which a return is allowed, it is still appropriate to recover the unrecovered cost at the time of retirement as a depreciation expense. Witness Abbott testified when called as a rebuttal witness that the pump was taken offline because it was struck by lightning and because the lightning strike was the cause of the damage to the pump, the warranty that would have reimbursed the Company for the loss was deemed not to apply. Tr. Vol. 3, p. 791l. 8-80.

WRI cites the case where North Carolina Supreme Court has addressed cost recovery where water/wastewater facilities have been taken offline prior to the amortization of the cost of the facilities through rates. The court held that when facilities are retired and taken offline, they

are no longer used and useful and cannot be included in rate base to allow a return on its investment at the expense of the ratepayers. “We do not allow such a return for property that will not be used or useful within the future.” However, the court made clear that the utility is still entitled to recover the unamortized portion of the cost of the facilities. The court held that, “costs for abandoned property may be recovered as operating expenses through amortization, but a return on the investment may not be recovered by including the unamortized portion of the property in rate base. *State ex rel. Utilities Commission v. Carolina Water Service, Inc.*, 439 S.E.2d 127, 335, N.C 493 (1994). Based on this controlling precedent, the Public Staff recommended disallowance of all costs with respect to the replaced pump should be rejected. Unamortized costs should be recovered as operating expenses.

The Company maintains that it is inappropriate to remove all the 2022 capitalized pump repair costs from recovery. Although not used and useful for providing service due to the fact that the pump and motor were later replaced in 2023, the undepreciated plant should be amortized over the remaining useful life of the plant as an expense. The utility is still entitled to recover the undepreciated portion of the cost of the facilities as it was a reasonable and prudent investment at the time. Therefore, the net book value or undepreciated costs of the 2022 pump repairs amortized over the remaining useful life should be included as an operating expense.

The Commission agrees with WRI on this issue for the reasons WRI has advanced as set forth above.

#### EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 27

The evidence supporting these findings of fact and conclusions is contained in WRI’s verified Application, the WRI Rebuttal testimony and WRO Rebuttal Exhibit I of the WRI witnesses



Dennis Abbott and Peedin & Perry Consulting, LLC and the testimony and exhibits of Public Staff witness Houser.

### **Rate Design**

WRI and the Public Staff differ with respect to right design. WRI requests a higher base charge than the Public Staff. The Public Staff recommends a higher monthly usage rate than WRI.

The Company is concerned with the recommended rate design because a higher base charge provides better stability for the utility. WRI has been losing money for several years now while it has been completing the Interconnection project. WRI maintains the 40:60 rate design for both service areas is still relevant for WRI and should be approved. This is consistent with recent cases on rate design. For example Aqua's rate design in its most recent general rate case, Docket No. W-218, Sub 873 was 35:65 for water operations, and the Commission approved a rate design of 40:60 for Carolina Water Service in Docket No. W-354, Sub 400. Tr. Vol. 3, p. 91, ll. 8-16.

The Commission agrees with WRI that rate should be designed to recover 40% of the cost through the base charge and the remainder 60% through the usage charge. This rate design is in compliance with that applied and approved for other similarly situated water utilities.

### **EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 28**

The evidence supporting these findings of fact and conclusions is contained in WRI's verified Application, the WRI Rebuttal testimony and WRI Rebuttal Exhibit I of the WRI witnesses Dennis Abbott and Peedin & Perry Consulting, LLC, the testimony and exhibits of Public Staff witness Houser, and the Public Staff Reports filed on behalf of WRI with the Commission.

### **Service Quality**

A total of 13 customers testified that the public hearing in Charlotte. Those testifying were Lenny Devitto, Jim Herrington, Rebecca Davis, Walter Davis, Sharon Buck, Robert Ferris, Don Stremovihtg, Michael Ammons, Amanda Edward- Chavis, Jon Cottrill, Michelle Juarez, Ivan Scott, and Donna Gray. WRI filed a comprehensive report addressing the surface issues expressed by the customers. Of the commission's request WRI submitted a second report addressing the concerns expressed by customer Stremovihtg. The witnesses were from the Rocky River subdivision who will be most affected by the requested rate increase. The Public Staff submitted two reports in response to those submitted on behalf of WRI. The Public Staff submissions by and large expressed only limited disagreement with WRI's responses to the customer's service-related issues.

The Company has provided evidence that the overall quality of water service provided by WRI is adequate and that WRI meets DEQ's and the EPA's health based primary quality standards. WRI's has stated that operational changes and capital improvements will continue as needed, to support WRI's efforts to improve the quality of water and its systems, as well as, WRI's level and quality of communication with its customers and will continue to increase and strengthen especially now that the website is online.

The Commission agrees with WRI that it has addressed the issues expressed by the customers and concludes that WRI is providing adequate service to its customers. Therefore, based upon the Public Staff's engineering and service quality investigation and reports filed with this Commission, the Hearing Examiner finds and concludes that the quality of water utility service provided by the Applicant to its customers is adequate, the operational changes and capital improvements should continue as needed to support WRI's efforts to improve the quality of water and it's systems, and

WRI's level and quality of communication with its customer will continue to increase and strengthen especially once the Company's website is online.

IT IS THEREFORE, ORDERED as follows:

1. That WRI is authorized to increase its rates for sewer utility service in the Rocky River and River Walk as reflected in the attached Schedule of Rates, based on the WRI Rebuttal Exhibit I attached thereto;

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

3. That a copy of the Notice to Customers, attached hereto as Appendix B, shall be mailed or hand delivered to all customers of WRI within five business days of the date of this Order, and that WRI shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than \_\_\_\_\_ XX, 2024.

This the 24th day of June, 2024.

NORTH CAROLINA UTILITIES COMMISSION

*APPENDIX A  
PAGE 1 OF 2*

SCHEDULE OF RATES

for

WATER RESOURCES, INC.

for providing water utility service to the

Rocky River Subdivision – Mecklenburg County, North Carolina

River Walk Service Area - Cabarrus County, North Carolina

Rocky River Metered Water Rates:

Base Charge, Zero Usage	\$48.01
Usage Charge, per 1,000 gallons	\$13.91
2” Base Charge	\$816.15

River Walk Metered Water Rates:

Base Charge, Zero Usage	\$43.32
Usage Charge, per 1,000 gallons	\$15.58
Water Connection Fee:	\$685.00

Reconnection Charge:

Rocky River \$23.62; River Walk \$40.00

Bills Due:

On billing date

Bills Past Due:

15 days after billing date

Billing Frequency:

Shall be quarterly 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 the billing date.

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

NOTICE TO CUSTOMERS  
DOCKET NO. W-1034, Sub 13  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Notice is given that the North Carolina Utilities Commission has issued an Order granting an increase in rates to Water Resources, Inc. The Order approved the following rates for water and sewer utility service provided on and after the date of this notice.

Rocky River Metered Water Rates:

Base Charge, Zero Usage	\$48.01
Usage Charge, per 1,000 gallons	\$13.91
2" Base Charge	\$816.15

River Walk Metered Water Rates:

Base Charge, Zero Usage	\$43.32
Usage Charge, per 1,000 gallons	\$15.58
Water Connection Fee:	\$685.00

Reconnection Charge: Rocky River \$23.62; River Walk \$40.00

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency: Shall be quarterly 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 the billing date.

This the \_\_\_ day of \_\_\_\_\_, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, 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-1263, Sub 4, and the Notice was mailed or hand delivered by the date specified in the Order.

This the \_\_\_\_ day of \_\_\_\_\_, 2024.

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-1263, Sub 4.

Witness my hand and notarial seal, this the \_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Address

(SEAL) My Commission Expires: \_\_\_\_\_  
Date

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**INDEX TO EXHIBITS**  
For The Test Year Ended December 31, 2022

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2	MARGIN ON OPERATING REVENUE DEDUCTIONS REQUIRING A RETURN - RIVER WALK	1(b)
3	CALCULATION OF GROSS REVENUE EFFECT FACTORS	1-1
4	ORIGINAL COST RATE BASE- ROCKY RIVER	2(a)
5	ORIGINAL COST RATE BASE- RIVER WALK	2(b)
6	CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE -ROCKY RIVER	2-1(a)
7	CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - RIVER WALK	2-1(b)
8	CALCULATION OF CASH WORKING CAPITAL AND AVERAGE TAX ACCRUALS	2-2
9	NET OPERATING INCOME FOR A RETURN - ROCKY RIVER	3(a)
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11	ADJUSTMENT TO SERVICE REVENUES	3-1
12	ADJUSTMENT TO ADMINISTRATIVE AND OFFICE EXPENSE	3-2
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14	ADJUSTMENT TO MAINTENANCE & REPAIR EXPENSE	3-4
15	ADJUSTMENT TO PROFESSIONAL FEES	3-5
16	ADJUSTMENT TO REGULATORY EXPENSE	3-6
17	CALCULATION OF INCOME TAXES - ROCKY RIVER	3-7(a)
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19	CALCULATION OF REVENUE REQUIREMENT - ROCKY RIVER	4(a)
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21	CALCULATION OF OPERATING RATIOS - RIVER WALK	5

Rebuttal Exhibit I  
Schedule 1(a)

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**RETURN ON ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2022

**Rocky River**

Line No.	Item	Capitalization Ratio [1] (a)	Filed Amounts [2] (b)	Embedded Cost [3] (c)	Overall Cost Rate [4] (d)	Net Operating Income [5] (e)
<b><u>Company Present Rates:</u></b>						
1	Debt	50.00%	\$1,936 [2]	4.60% [1]	2.30%	\$89 [5]
2	Equity	50.00%	1,936 [2]	-4467.51% [4]	-2233.76%	(86,510) [6]
3	Total	<u>100.00%</u>	<u>\$3,872</u> [3]		<u>-2231.46%</u>	<u>(\$86,421)</u> [7]
<b><u>Company After Proforma Adjustments:</u></b>						
4	Debt	50.00%	\$246,401 [2]	4.60% [1]	2.30%	\$11,334 [5]
5	Equity	50.00%	246,400 [2]	-45.54% [4]	-22.77%	(112,212) [6]
6	Total	<u>100.00%</u>	<u>\$492,801</u> [3]		<u>-20.47%</u>	<u>(\$100,878)</u> [7]
<b><u>Company Proposed Rates:</u></b>						
7	Debt	50.00%	\$246,401 [2]	4.60% [1]	2.30%	\$11,334 [8]
8	Equity	50.00%	246,400 [2]	9.80% [1]	4.90%	24,147 [8]
9	Total	<u>100.00%</u>	<u>\$492,801</u> [3]		<u>7.20%</u>	<u>\$35,353</u>

[1] Per Application  
 [2] Column (a) multiplied by Column (b).  
 [3] Exhibit I, Schedule 2, Column (c), Line 10.  
 [4] Column (e) divided by Column (b).  
 [5] Column (b) multiplied by Column (c).  
 [6] Line 3 minus Column (e), Line 1.  
 [7] Exhibit I, Schedule 3, Column (c), Line 30.  
 [8] Column (b) multiplied by Column (c).



**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**MARGIN ON OPERATING REVENUE DEDUCTIONS**  
**REQUIRING A RETURN**  
For The Test Year Ended December 31, 2022

Rebuttal Exhibit I  
Schedule 1(b)

**River Walk**

<u>Line No.</u>	<u>Item</u>	<u>Per Books</u> (a)	<u>After Proforma Adjustments</u> (b)	<u>Company Proposed Rates</u> (c)
1	Net operating income for a return	\$1,770 [1]	(\$4,090) [4]	\$3,358 [6]
2	Operating revenue deductions requiring a return	<u>48,587</u> [2]	<u>46,640</u> [5]	<u>46,640</u> [7]
3	Return	<u>3.64%</u> [3]	<u>-8.77%</u> [3]	<u>7.20%</u> [8]

- [1] Exhibit I, Schedule 3(b), Line 26, Column (a).
- [2] Exhibit I, Schedule 3(b), Line 16 + Line 17 + Line 18 + Line 19 + Line 20, Column (c).
- [3] Line 1 divided by Line 2.
- [4] Exhibit I, Schedule 3(b), Line 26, Column (c).
- [5] Exhibit I, Schedule 3(b), Line 16 + Line 17 + Line 18 + Line 19 + Line 20, Column (e).
- [6] Line 2 x Line 3.
- [7] Exhibit I, Schedule 3(b), Line 16 + Line 17 + Line 18 + Line 19 + Line 20, Column (e).
- [8] Per Company

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF GROSS REVENUE EFFECT FACTORS**  
For The Test Year Ended December 31, 2022

Line No.	<u>Item</u>	<u>Capital Structure</u> (a)	<u>Cost Rates</u> (b)	<u>Retention Factor</u> (c)	<u>Gross Revenue Effect</u> (d)
<b><u>Rate Base Factor:</u></b>					
1	Debt	50.00% [1]	4.60% [1]	0.998525 [2]	0.023034 [4]
2	Equity	50.00% [1]	9.80% [1]	0.769114 [3]	0.063710 [4]
3	Total	<u>100.00%</u>			<u>0.086744</u>
<b><u>Net Income Factor:</u></b>					
4	Total revenue	1.000000			
5	Regulatory fee (L4 x .1475%)	0.001475			
6	Balance (L4 - L5)	<u>0.998525</u>			
7	State income tax (L6 x 2.5%)	0.024963			
8	Balance (L6 - L7)	0.973562			
9	Federal income tax (L8 X 21%)	0.204448			
10	Retention factor (L8 - L9)	<u>0.769114</u>			

- [1] Per Application.
- [2] Column (a), Line 6.
- [3] Column (a), Line 10.
- [4] Column (a) multiplied by Column (b) divided by Column (c).

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2022

**Rocky River**

<u>Line No.</u>	<u>Item</u>	<u>Amount Per Company Books</u> (a)	<u>Pro Forma Adjustments</u> [2] (b)	<u>Company Proposed</u> [4] (c)
1	Plant in service	\$87,105 [1]	\$484,537 [3]	\$571,642
2	Accumulated depreciation	(69,938) [1]	(10,168) [3]	(80,106)
3	Net plant in service (L1 + L2)	17,167	474,369	491,536
4	Contributions in aid of construction (CIAC)	(13,295)	0	(13,295)
5	Cash working capital	0	15,233	15,233 [5]
6	Average tax accruals	0	(673)	(673) [6]
7	Original cost rate base (Sum of L3 thru L6)	<u>\$3,872</u>	<u>\$488,929</u>	<u>\$492,801</u>

- [1] Exhibit 1, Schedule 2-1, Line 20 + Line 25.  
 [2] Column (c) minus Column (a), unless otherwise footnoted.  
 [3] Exhibit I, Schedule 2-1, Line 36.  
 [4] Column (a) plus Column (b), unless otherwise footnoted.  
 [5] Exhibit I, Schedule 2-2, Line 2.  
 [6] Exhibit I, Schedule 2-2, Line 7.

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2022

**River Walk**

Line No.	<u>Item</u>	Amount Per Company Books (a)	Pro Forma Adjustments (b)	[2]	Company Proposed (c)	[4]
1	Plant in service	\$43,374	\$9,850	[1]	\$53,224	
2	Accumulated depreciation	(23,338)	(493)	[1]	(23,830)	
3	Net plant in service (L1 + L2)	20,037	9,358		29,394	
4	Contributions in aid of construction (CIAC)	(6,165)	0		(6,165)	
5	Cash working capital	0	5,070		5,070	[5]
6	Average tax accruals	0	(670)		(670)	[6]
7	Original cost rate base (Sum of L3 thru L6)	<u>\$13,872</u>	<u>\$13,758</u>		<u>\$27,629</u>	

- [1] Exhibit 1, Schedule 2-1, Line 9 + Line 16.
- [2] Column (c) minus Column (a), unless otherwise footnoted.
- [3] Exhibit I, Schedule 2-1, Line 17.
- [4] Column (a) plus Column (b), unless otherwise footnoted.
- [5] Exhibit I, Schedule 2-2, Line 2.
- [6] Exhibit I, Schedule 2-2, Line 7.

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED  
DEPRECIATION, AND DEPRECIATION EXPENSE**  
For The Test Year Ended December 31, 2022

Line No.	Item	Rocky River		Service		Years in Service [3]	Annual Depreciation [4]	Accumulated Depreciation [5]
		Plant in Service [1]	Year Placed In Service [2]	Life In Years [2]	Years in Service [3]			
		(a)	(b)	(c)	(d)	(e)	(f)	
1	Land	\$3,000	[1] 1988	0	34.5	\$0	\$3,000	
2	Water system installed in 1988	14,600	[1] 1988	25	34.5	-	14,600	
3	Organizational costs	1,017	[1] 1993	25	29.5	-	1,017	
4	Meters, connections, etc.	4,425	[1] 1994	20	28.5	-	4,425	
5	Fence, storage tank	3,400	[1] 1994	25	28.5	-	3,400	
6	Meters, connections, etc.	5,321	[1] 1995	20	27.5	-	5,321	
7	McMillan Acres expansion	7,196	[1] 1995	25	27.5	-	7,196	
8	Meters, installation only	518	[1] 1996	20	26.5	-	518	
9	Pump	6,540	[1] 1996	10	26.5	-	6,540	
10	Meters, connections, etc.	874	[1] 1996	20	26.5	-	874	
11	Meters, installation only	390	[1] 1997	20	25.5	-	390	
12	Meters, connections, etc.	385	[1] 1998	20	24.5	-	385	
13	Meters, connections, etc.	206	[1] 2000	20	22.5	-	206	
14	Meters, connections, etc.	165	[1] 2001	20	21.5	-	165	
15	Clearing trees & stumps	2,360	[1] 2001	10	21.5	-	2,360	
16	Pumps	7,372	[1] 1999	10	23.5	-	7,372	
17	Pumps	6,508	[1] 2000	10	22.5	-	6,508	
18	Pumps	1,957	[1] 2001	10	21.5	-	1,957	
19	Water line and meter	2,509	[1] 2017	5	5.5	-	2,509	
20	<b>Sub Total Prior Rate Case Plant in Service</b>	<u>\$68,743</u>				<u>\$0.00</u>	<u>\$68,743.00</u>	
21	Pressure switch	1,787	2021	5	1.5	357	536	
22	Water meters	13,787	2022	15	0.5	919	460	
23	Meter & Ball Valve replacement	2,788	2022	7	0.5	398	199	
24	Pump repairs	-	2022	7	0.5	0	0	
25	Rocky River Plant Additions Since the Prior Rate Case (Sum of Lines 21 - 24)	<u>\$18,362</u>				<u>\$1,675</u>	<u>\$1,195</u>	
<b>Post Year Plant Additions</b>								
26	Filter drain repair	2,419	2023	7	0.5	346	173	
27	Pump and motor replacement	11,761	2023	10	0.5	1,176	588	
28	Harrisburg Interconnection	470,357	2023	25	0.5	18,814	9,407	
29	Total Post Test Year Plant Additions to Rocky River Plant (Sum of Lines 26 - 28)	<u>\$484,537</u>				<u>\$20,336</u>	<u>\$10,168</u>	
30	Total Rocky River Plant (Sum of Line 20 + Line 25+ Line 29)	<u>\$571,642</u>				<u>\$22,011</u>	<u>\$80,106</u>	

[1] Per Public Staff Chui Exhibit I, Schedule 2-1(a), Docket No. W-1034, Sub 8.  
 [2] Per Company Books, unless otherwise footnoted.  
 [3] Based on year placed in service using half year convention.  
 [4] Column (a) or Column (b) divided by Column (d), unless fully depreciated.  
 [5] Column (e) x Column (f) or Column (g), unless fully depreciated.

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED  
DEPRECIATION, AND DEPRECIATION EXPENSE**  
For The Test Year Ended December 31, 2022

**River Walk**

Line No.	Item	Plant in Service [1] (a)	Year Placed In Service [2] (b)	Service Life In Years [2] (c)	Years in Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
<b>River Walk</b>							
1	Water system installed in 2002	\$18,495 [1]	2002	30	20.5	\$617	\$12,638
2	35 gallon poly solution tank	91 [1]	2007	50	15.5	1.82	28
3	Chemical feed pump (installed)	665 [1]	2007	30	15.5	22.17	344
4	Meter spuds and meters	243 [1]	2007	30	15.5	8.10	126
5	Meter boxes	195 [1]	2010	30	12.5	6.50	81
6	Cut-off vales	177 [1]	2010	15	12.5	11.80	148
7	Meters	75 [1]	2010	30	12.5	2.50	31
8	Organizational costs	13,692 [1]	2011	20	11.5	684.60	7,873
9	<b>Sub Total Prior Rate Case Plant in Service (Sum of Lines 1-8)</b>	<u>\$33,633</u>				<u>\$1,354</u>	<u>\$21,268</u>
10	Pump rebuild	\$2,587	2021	5	1.5	\$517	\$776
11	Pump	1,450	2021	5	1.5	290	435
12	Pump install	888	2021	5	1.5	178	266
13	Pump repairs	551	2021	5	1.5	110	165
14	Booster pump	3,435	2022	5	0.5	687.04	344
15	Pancake compressor	830	2022	5	0.5	166.02	83
16	<b>Additions Since Prior Rate Case (Sum of Lines 10 - 15)</b>	<u>\$9,741</u>				<u>\$1,948</u>	<u>\$2,069</u>
<b>Reclassified from O&amp;M to River Walk Plant in Service</b>							
17	Clean & paint 2 tanks	9,850 [6]	2022	10	0.5	985	493
18	<b>Total Reclassified from O&amp;M to River Walk Plant (Line 17)</b>	<u>9,850</u>				<u>985</u>	<u>493</u>
19	<b>Total River Walk Plant ( Sum of L9 + L16 + L18)</b>	<u>\$53,224</u>				<u>\$4,287</u>	<u>\$23,830</u>

[1] Per Public Staff Chui Exhibit I, Schedule 21-(a), Docket No. W-1034, Sub 8.  
 [2] Per Company Books, unless otherwise footnoted.  
 [3] Based on year placed in service using half year convention.  
 [4] Column (a) or Column (b) divided by Column (d), unless fully depreciated.  
 [5] Column (e) x Column (f) or Column (g), unless fully depreciated.  
 [6] Reclassified from Exhibit I, Schedule 3-4, Line 3, Column ( c).

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF CASH WORKING CAPITAL  
AND AVERAGE TAX ACCRUALS**  
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Rocky River</u> (a)	<u>River Walk</u> (b)
<b><u>Cash Working Capital:</u></b>			
1	Total O&M expenses	\$121,866 [1]	\$40,558 [4]
2	Cash working capital (L1 x 1/8)	\$15,233	\$5,070
<b><u>Average Tax Accruals:</u></b>			
3	Property taxes	454 [2]	1,039 [5]
4	Average accrual (L3 x 1/2)	227	519
5	Payroll taxes	2,228 [3]	756 [6]
6	Average accrual (L5 x 1/5)	446	151
7	Average tax accruals (Line 4 + Line 6)	\$673	\$670

- [1] Exhibit I, Schedule 3(a), Column ( c), Line 17.
- [2] Exhibit I, Schedule 3(a), Column ( c), Line 20.
- [3] Exhibit I, Schedule 3(a), Column ( c), Line 21.
- [4] Exhibit I, Schedule 3(b), Column ( c), Line 17.
- [5] Exhibit I, Schedule 3(b), Column ( c) Line 20.
- [6] Exhibit I, Schedule 3(b), Column ( c), Line 21.

Rebuttal Exhibit I  
Schedule 3(a)

Water Resources, Inc.  
Docket No. W-1034, Sub 13  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended December 31, 2022

**Rocky River**

Line No.	Item	Present Rates			Proposed Rates	
		Amount	Pro Forma	Company	Proposed	After Rate
		Per Company Books [1]	Adjustments	Filed Amount [8]	Increase	Increase [12]
		(a)	(b)	(c)	(d)	(e)
<b>Operating Revenues:</b>						
1	Service revenues	\$45,066	\$0	\$45,066	\$143,608	\$188,674
2	Miscellaneous revenues	23,763	(22,915) [2]	848	0	848
3	Uncollectible accounts	0	0	0	0	0
4	<b>Total operating revenues (Sum of L1 thru L3)</b>	<b>68,829</b>	<b>(22,915)</b>	<b>45,914</b>	<b>143,608</b>	<b>189,522</b> [13]
<b>Operating &amp; Maintenance Expenses:</b>						
5	Salaries	8,961	20,162 [3]	29,123	0	29,123
6	Administrative & Office Expenses	7,231	(426) [4]	6,805	0	6,805
7	Maintenance & Repair expenses	15,796	(5,266) [5]	10,530	0	10,530
8	Contract Operator	29,412	0	29,412	0	29,412
9	Electric power	6,938	0	6,938	0	6,938
10	Water testing	3,433	0	3,433	0	3,433
11	Chemicals	3,516	0	3,516	0	3,516
12	Purchased Water	1,245	0	1,245	0	1,245
13	Insurance expense	2,199	0	2,199	0	2,199
14	Professional Services	48,465	(39,854) [6]	8,611	0	8,611
15	Miscellaneous expenses	1,681	0	1,681	0	1,681
16	Regulatory expenses	0	18,373 [7]	18,373	0	18,373
17	<b>Total O&amp;M expenses (Sum of L5 thru L16)</b>	<b>128,876</b>	<b>(7,010)</b>	<b>121,866</b>	<b>0</b>	<b>121,866</b>
<b>Depreciation and Taxes:</b>						
18	Depreciation expense	24,009	(1,998)	22,011 [9]	0	22,011
19	Amortization of CIAC	0	0	0	0	0
20	Property taxes	454	0	454	0	454
21	Payroll taxes	1,666	562	2,228 [10]	0	2,228
22	Other Taxes	166	0	166	0	166
23	Regulatory Fee	80	(12)	68 [11]	212	280 [11]
24	State income tax	0	0	0	780	780 [14]
25	Federal income tax	0	0	0	6,385	6,385 [15]
26	<b>Total depreciation and taxes (Sum of L18 thru L25)</b>	<b>26,375</b>	<b>(1,449)</b>	<b>24,926</b>	<b>7,377</b>	<b>32,303</b>
27	Total operating revenue deductions (L17 + L26)	155,251	(8,459)	146,792	7,377	154,169
28	Net operating income for a return (L4 - L27)	<b>(\$86,421)</b>	<b>(\$14,457)</b>	<b>(\$100,878)</b>	<b>\$136,231</b>	<b>\$35,353</b>

[1] Expenses Per Company 2022 General Ledger; Revenues per Company billing records.  
 [2] Exhibit I, Schedule 3-1, Column (b), Line 2.  
 [3] Exhibit I, Schedule 3-2, Column (b), Line 9.  
 [4] Exhibit I, Schedule 3-3, Column (b) Line 4.  
 [5] Exhibit I, Schedule 3-4, Column (b) Line 4.  
 [6] Exhibit I, Schedule 3-5, Column (b) Line 4.  
 [7] Exhibit I, Schedule 3-6, Column (d) Line 8.  
 [8] Column (a) + Column (b), unless otherwise footnoted.  
 [9] Exhibit I, Schedule 2-1(a), Column (e) Line 32.  
 [10] Exhibit I, Schedule 3-2, Line 8 x 7.65%.  
 [11] Based on Statutory Rate of 0.1475%.  
 [12] Column (c) + Column (d), unless otherwise footnoted.  
 [13] Exhibit I, Schedule 4(a), Column (c), Line 11.  
 [14] Exhibit I, Schedule 3-7(a), Line 11.  
 [15] Exhibit I, Schedule 3-7(a), Line 13.



Rebuttal Exhibit I  
Schedule 3(b)

Water Resources, Inc.  
Docket No. W-1034, Sub 13  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended December 31, 2022

**River Walk**

Line No.	Item	Present Rates			Proposed Rates		
		Amount	Pro Forma	Company	Proposed	After Rate	
		Per Company Books [1]	Adjustments	Filed Amount [7]	Increase	Increase [11]	
		(a)	(b)	(c)	(d)	(e)	[11]
<b>Operating Revenues:</b>							
1	Service revenues	\$42,807	\$0	\$42,807	\$7,877	\$50,684	
2	Miscellaneous revenues	8,162	(7,771) [2]	391	0	391	
3	Uncollectible accounts	0	0	0	0	0	
4	<b>Total operating revenues (Sum of L1 thru L3)</b>	<b>50,969</b>	<b>(7,771)</b>	<b>43,198</b>	<b>7,877</b>	<b>51,075</b>	[12]
<b>Operating &amp; Maintenance Expenses:</b>							
5	Salaries	3,039	6,838 [3]	9,877		9,877	
6	Administrative & Office Expenses	2,446	(231) [4]	2,215	0	2,215	
7	Maintenance & Repair expenses	12,921	(11,121) [5]	1,801	0	1,801	
8	Contract Operator	9,974	0	9,974	0	9,974	
9	Electric	3,451	0	3,451	0	3,451	
10	Water testing	914	0	914	0	914	
11	Chemicals	1,192	0	1,192	0	1,192	
12	Purchased Water	0	0	0		0	
13	Insurance expense	746	0	746	0	746	
14	Professional Services	3,587	0	3,587		3,587	
15	Miscellaneous expenses	570	0	570	0	570	
16	Regulatory expenses	0	6,231 [6]	6,231	0	6,231	
17	<b>Total O&amp;M expenses (Sum of L5 thru L16)</b>	<b>38,841</b>	<b>1,717</b>	<b>40,558</b>	<b>0</b>	<b>40,558</b>	
<b>Depreciation and Taxes:</b>							
18	Depreciation expense	8,142	(3,855)	4,287 [8]	0	4,287	
19	Amortization expense	0	0	0	0	0	
20	Property taxes	1,039	0	1,039	0	1,039	
21	Payroll taxes	565	0	756 [9]	0	756	
22	Other Taxes	56	0	56	0	56	
23	Regulatory fee	27	37	64 [10]	12	75 [10]	
24	State income tax	57	0	57	51	108 [13]	
25	Federal income tax	471	0	471	410	881 [14]	
26	<b>Total depreciation and taxes (Sum of L18 thru L25)</b>	<b>10,357</b>	<b>(3,818)</b>	<b>6,730</b>	<b>473</b>	<b>7,202</b>	
27	Total operating revenue deductions (L17 + L26)	49,199	(2,102)	47,288	473	47,760	
28	Net operating income for a return (L4 - L27)	\$1,770	(\$5,670)	(\$4,090)	\$7,405	\$3,315	

[1] Expenses Per Company 2022 General Ledger; Revenues per Company billing records.  
 [2] Exhibit I, Schedule 3-1, Column (c), Line 2.  
 [3] Exhibit I, Schedule 3-2, Column (c), Line 9.  
 [4] Exhibit I, Schedule 3-3, Column (c), Line 4.  
 [5] Exhibit I, Schedule 3-4, Column (c), Line 3.  
 [6] Exhibit I, Schedule 3-7, Column (e), Line 8.  
 [7] Column (a) + Column (b), unless otherwise footnoted.  
 [8] Exhibit I, Schedule 2-1(b), Column (e), Line 19.  
 [9] Exhibit I, Schedule 3-2, Column (c), Line 8 x 7.65%  
 [10] Based on Statutory Rate of 0.1475%.  
 [11] Column (c) + Column (d).  
 [12] Exhibit I, Schedule 4(b), Column (c), Line 11.  
 [13] Exhibit I, Schedule 3-7(b), Line 11.

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**ADJUSTMENT TO MISCELLANEOUS REVENUES**  
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Amounts</u>	<u>Rocky River</u>	<u>River Walk</u>
		(a)	(b)	(c)
1	Miscellaneous Revenues per Company	\$31,925	\$23,763	\$8,162
2	Adjustment to Remove Non-utility Miscellaneous Revenues	(30,687) [1]	(22,915)	(7,771)
3	Total Miscellaneous Revenues	<u>\$1,238</u>	<u>\$848</u>	<u>\$391</u>

[1] Non Utility income from Verizon for Tower placement.

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**ADJUSTMENT TO SALARY EXPENSE**  
For The Test Year Ended December 31, 2022

Line No.	Item	Total Amount (a)	Allocated Rocky River (b)	Allocated River Walk (c)
<b>1</b>	<b>Test Year Salaries:</b>			
2	Office Manager / Bookkeeper	\$8,000 [1]	\$5,974	\$2,026
3	Owner / General Manager	4,000 [1]	2,987	1,013
4	Test Year Salaries	<u>\$12,000</u>	<u>\$8,961</u>	<u>\$3,039</u>
<b>5</b>	<b>On-Going Level of Salaries:</b>			
6	Office Manager / Bookkeeper	\$15,000	\$11,201	\$3,799
7	Owner / General Manager	24,000	17,922	6,078
8	Proforma Adjustment to Annualize Salaries (L6+ L7)	<u>\$39,000</u>	<u>\$29,123</u>	<u>\$9,877</u>
9	Proforma Adjustment for Salaries (L8-L4)	<u>\$27,000</u>	<u>\$20,162</u>	<u>\$6,838</u>

[1] Per General Ledger times the allocation percentage for each service area.

**Beth Lockwood - Office Manager / Bookkeeper**

15 hours per week - 45 hours per month. Provide customer service: to customer base (via telephone and email - answer billing questions, set up new accounts, respond to service issues by troubleshooting, dispatch repair, etc.), to all other inquiries (state utility commission, public staff, labs, banks, etc.) Annual reporting: CCR mailings to customers and state reporting (CCRs, annual reports). Manage billing: enter meter readings, generate monthly bills and mail to customers. Accounting: accounts payable and receivable, reconciliation, work with accountant on various issues, maintain files. Special projects: assist with coordination of interconnect, weekly updates to the state, communication with attorneys, contractors, local authorities, other projects as needed, as well as new Administrative Assistant duties.

Effective May 1, 2024 - 15 Hours per week = \$15,000 / 52 X 12 = \$20.00 per hour (Rate per Public Staff witness Lynn Feasel)

**Dennis Abbott Owner / Manager**

\$2000 per month / 12 hours per week X 52 weeks = \$ 38.46 per hour

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**ADJUSTMENT TO ADMINISTRATIVE & OFFICE EXPENSES**  
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Total Amounts</u> (a)	<u>Allocated Rocky River</u> [3] (b)	<u>Allocated River Walk</u> [3] (c)
1	Administrative & Office Expenses Per Books	\$9,677 [1]	\$7,231	\$2,446
2	Adjustment to Administrative & Office for office rent expense (L2-L3)	(\$657) [2]	(\$426) [2]	(\$231) [2]
3	Total Administrative & Office Expenses after pro forma adjustments (L1 + L4)	<u>\$9,020</u>	<u>\$6,805</u>	<u>\$2,215</u>

[1] Per Company 2022 General Ledger.

[2] **Agreed to Public Staff filed amounts.**

[3] Allocated between Rocky River & River Walk based on customer count.

Water Resources, Inc.  
Docket No. W-1034, Sub 13  
**ADJUSTMENT TO MAINTENANCE & REPAIR EXPENSES**  
For The Test Year Ended December 31, 2022

Line No.	Item	Total Amount (a)	Rocky River (b)	River Walk (c)
1	Maintenance & Repair Expense per Books	\$28,717 [1]	\$15,796	\$12,921
2	Reclassify to Plant In Service for Rocky River re: Harrisburg Interconnection	(6,690)	(6,690) [2]	-
3	Reclassify to Plant in Service for River Walk	(9,850)	-	(9,850) [2]
4	<b>Public Staff Adjustments Agreed to by the Company</b>	<b>(2,088)</b>	<b>(\$817)</b>	<b>(\$1,271)</b>
5	<b>Reclass Capital Pump repairs - amortized net book value over 5.5 remaining life</b>	<b>2,242</b>	<b>2,242</b>	-
6	Total Adjustment to Maintenance & Repair Expense (L2 + L3)	<u>(16,386)</u>	<u>(5,266)</u>	<u>(11,121)</u>
7	Maintenance & Repair Expense after Pro Forma Adjustments (L1+L4)	<u>\$12,331</u>	<u>\$10,530</u>	<u>\$1,801</u>

[1] Per Company 2022 General Ledger.  
[2] Reclassify amounts to plant in service.

**Water Resources, Inc.**  
 Docket No. W-1034, Sub 13  
**ADJUSTMENT TO PROFESSIONAL FEES**  
 For The Test Year Ended December 31, 2022

Rebuttal Exhibit I  
 Schedule 3-5

Line No.	Item	Total Amount (a)	Direct Assign Rocky River (b)	Allocated Rocky River (c)	Allocated River Walk (d)
<b>Professional Services:</b>					
1	Legal Fees	\$50,770 [1]	\$39,854	\$8,151	\$2,764
2	Accounting	<u>746 [1]</u>	<u>0</u>	<u>557</u>	<u>189</u>
3	Sub Total - Professional Services	\$51,516	\$39,854	\$8,709	\$2,953
4	Adjustment to Reclassify Legal Fees to Plant in Service for Rocky River	<u>(39,854)</u>	<u>(39,854) [2]</u>	<u>0</u>	<u>0</u>
5	Professional Services	<u><b>\$11,662</b></u>	<u><b>\$0</b></u>	<u><b>\$8,709</b></u>	<u><b>\$2,953</b></u>

[1] Per Company 2022 General Ledger.

[2] Remove Legal fees related to Harrisburg Interconnection and reclassified to Plant in Service.

Rebuttal Exhibit I  
Schedule 3-6

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**ADJUSTMENT TO REGULATORY EXPENSE**  
For The Test Year Ended December 31, 2022

Line No.	<u>Item</u>	Estimates [1]	ACTUAL Amounts [2]	Allocated Rocky River [4]	Allocated River Walk [4]
		(a)	(b)	(c)	(d)
1	Consulting fees	\$0	\$24,467	\$18,270	\$6,196
2	Legal fees	0	48,975	36,572	12,403
3	Miscellaneous expenses (mailing customer notices, filing fee)	<u>          </u>	<u>371</u>	<u>277</u>	<u>94</u>
4	Total Regulatory Expenses (Sum of Lines 1 -3)	<u>\$0</u>	73,813	55,120	18,693
5	Amortization Period		<u>3</u> [3]	<u>3</u> [3]	<u>3</u> [3]
6	Regulatory Expense per Company (Line 4 / Line 5)		24,604	18,373	6,231
7	Test Year Regulatory Expense		<u>\$0</u> [1]	<u>\$0</u>	<u>\$0</u>
8	Adjustment to Regulatory Expense (Line 6 - Line 7)		<u><u>\$24,604</u></u>	<u><u>18,373</u></u>	<u><u>6,231</u></u>

[1] Based on Legal and Accounting Consultant Estimates - Estimates will be trued up to actuals.  
 [2] Column (a) + Column (b).  
 [3] Per Company.  
 [4] Allocated between each of the Company's service areas.

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF INCOME TAXES**  
For The Test Year Ended December 31, 2022

**Rocky River**

Line No.	Item	Per	After	Company
		Books [1]	Pro Forma Adjustments [2]	Proposed [3]
		(a)	(b)	(c)
1	Operating revenues	\$68,829	\$45,914	\$189,522
	Operating revenue deductions:			
2	Operating & maintenance expenses	128,876	121,866	121,866
3	Depreciation expense	24,009	22,011	22,011
4	Amortization of CIAC	0	0	0
5	Property taxes	454	454	454
6	Payroll taxes	1,666	2,228	2,228
7	Other taxes	166	166	166
8	Regulatory Fee	80	68	280
9	Interest expense	11,334	11,334	11,334
10	Total deductions (Sum of Lines 2 thru 9)	166,585	158,126	158,338
11	Taxable income (L1 - L10)	(97,755)	(112,212)	31,184
12	State income tax (L10 x 2.5%)	0	0	780
13	Federal taxable income after state income tax (L1 - L12)	(97,755)	(112,212)	30,404
14	Federal income tax (L13 x 21%)	0	0	6,385
15	Net amount (L11 - L12 - L14)	(97,755)	(112,212)	24,019
16	Add: Interest expense	11,334	11,334	11,334
17	Net income for a return (L15 + L16)	(\$86,421)	(\$100,878)	\$35,353

[1] Exhibit I, Schedule 3(a), Column (a).

[2] Exhibit I, Schedule 3(a), Column (c).

[3] Exhibit I, Schedule 3(a), Column (e).



**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF INCOME TAXES**  
For The Test Year Ended December 31, 2022

**River Walk**

<u>Line No.</u>	<u>Item</u>	Per Books (a)	[1]	After Pro Forma Adjustments (b)	[2]	Company Proposed (c)	[3]
1	Operating revenues	\$50,969		\$43,198		\$51,075	
	Operating revenue deductions:						
2	Operating & maintenance expenses	38,841		40,558		40,558	
3	Depreciation expense	8,142		4,287		4,287	
4	Amortization of CIAC	0		0		0	
5	Property taxes	1,039		1,039		1,039	
6	Payroll taxes	565		0		756	
7	Other Taxes	56		0		56	
8	Regulatory Fee	27		64		75	
9	Interest expense	0		0		0	
10	Total deductions (Sum of Lines 2 thru L9)	<u>48,671</u>		<u>45,948</u>		<u>46,771</u>	
11	Taxable income (L1 - L10)	<u>2,298</u>		<u>(2,750)</u>		<u>4,304</u>	
12	State income tax (L11 x 2.5%)	<u>57</u>		<u>0</u>		<u>108</u>	
13	Federal taxable income after state income tax (L1 - L12)	<u>2,241</u>		<u>(2,750)</u>		<u>4,196</u>	
14	Federal income tax (L13 x 21%)	<u>471</u>		<u>0</u>		<u>881</u>	
15	Net amount (L11 - L12 - L13)	<u>1,770</u>		<u>(2,750)</u>		<u>3,315</u>	
16	Add: Interest expense	<u>0</u>		<u>0</u>		<u>0</u>	
17	Net income for a return (L15 + L16)	<u><u>\$1,770</u></u>		<u><u>(\$2,750)</u></u>		<u><u>\$3,315</u></u>	

[1] Exhibit I, Schedule 3(b), Column (a).

[2] Exhibit I, Schedule 3(b), Column (c).

[3] Exhibit I, Schedule 3(b), Column (e).

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF REVENUE REQUIREMENT**  
For The Test Year Ended December 31, 2022

**Rocky River**

Line No.	<u>Item</u>	<b>Rate Base Method</b> (a)	Retention Factor (b)	Revenue Requirement (c)	<b>Operating Ratio Method</b> (d)	Retention Factor (e)	Revenue Requirement (f)
<b>Operating revenue deductions:</b>							
1	Operating & maintenance expenses	121,866			\$121,866		
2	Depreciation expense	22,011			22,011		
3	Amortization of CIAC	0			-		
4	Property taxes	454			454		
5	Payroll taxes	2,228			2,228		
6	Regulatory Fee	0			-		
7	Total operating revenue deductions	<u>\$146,558</u>	0.998525	\$146,775	<u>146,558</u>	0.9985250	\$146,775
<b>Net operating income for a return:</b>							
8	Debt service return	11,334	0.998525	11,351			
9	Equity return	24,147	0.769114	<u>31,396</u>	\$10,552	0.7691139	<u>13,720</u>
10	Revenue requirement			<u>\$189,522</u>			<u>\$160,495</u>
11	Company Requested Revenue Requirement			<u>\$189,522</u>			

**Water Resources, Inc.**  
Docket No. W-1034, Sub 13  
**CALCULATION OF REVENUE REQUIREMENT**  
For The Test Year Ended December 31, 2022

**River Walk**

Line No.	Item	Rate Base Method (a)	Retention Factor (b)	Revenue Requirement (c)	Operating Ratio Method (d)	Retention Factor (e)	Revenue Requirement [1] (f)
<b>Operating revenue deductions:</b>							
1	Operating & maintenance expenses	40,558			\$40,558		
2	Depreciation expense	4,287			\$4,287		
3	Amortization of CIAC	0			\$0		
4	Property taxes	1,039			\$1,039		
5	Payroll taxes	756			\$756		
6	Regulatory Fee	0			0		
7	Total operating revenue deductions	<u>\$46,640</u>	0.998525	\$46,709	<u>46,640</u>	0.9985250	\$46,709
<b>Net operating income for a return:</b>							
8	Debt service return	635	0.998525	636			
9	Equity return	1,354	0.769114	1,760	\$3,358	0.7691139	4,366
10	Revenue requirement			<u>\$49,105</u>			<u>\$51,075</u>
11	Company Requested Revenue Requirement			<u>\$51,075</u>			

Water Resources, Inc.  
Docket No. W-1034, Sub 13  
**CALCULATION OF OPERATING RATIOS**  
For The Test Year Ended December 31, 2022

**River Walk**

Line No.	Item	Present Rates (a)	After Pro Forma Rates (b)	Proposed Rates (c)
<b><u>Interest expense, regulatory fee, and income taxes included:</u></b>				
1	Gross operating revenues	\$50,969 [1]	\$43,198 [5]	\$51,075 [9]
2	Operating expenses	<u>49,199 [2]</u>	<u>47,288 [6]</u>	<u>47,760 [10]</u>
3	Operating ratios (L2 / L1)	<u>96.53%</u>	<u>109.47%</u>	<u>93.51%</u>
<b><u>Interest expense, regulatory fee, and income taxes excluded:</u></b>				
4	Gross operating revenues	\$50,414 [3]	\$42,606 [7]	\$50,011 [11]
5	Operating expenses	<u>48,644 [4]</u>	<u>46,696 [8]</u>	<u>46,696 [12]</u>
6	Operating ratios (L5 / L4)	<u>96.49%</u>	<u>109.60%</u>	<u>93.37%</u>

- [1] Exhibit I, Schedule 3, Line 4, Column (a).
- [2] Exhibit I, Schedule 3, Line 25, Column (a).
- [3] Exhibit I, Schedule 3, Line 4 - Line 21 - Line 22 - Line 23 , Column (a).
- [4] Exhibit I, Schedule 3, Line 25 - Line 21 - Line 22 - Line 23, Column (a).
- [5] Exhibit I, Schedule 3, Line 4, Column (c).
- [6] Exhibit I, Schedule 3, Line 25, Column (c).
- [7] Exhibit I, Schedule 3, Line 4 - Line 21 - Line 22 - Line 23, Column (c).
- [8] Exhibit I, Schedule 3, Line 25 - Line 21 - Line 22 - Line 23, Column (c).
- [9] Exhibit I, Schedule 3, Line 4, Column (e).
- [10] Exhibit I, Schedule 3, Line 25, Column (e).
- [11] Exhibit I, Schedule 3, Line 4 - Line 21 - Line 22 - Line 23, Column (e).
- [12] Exhibit I, Schedule 3, Line 29 - Line 21 - Line 22 - Line 23, Column (e).

**Water Resources, Inc.**  
 Docket No. W-1034, Sub 13  
**RATE DESIGN**

For The Test Year Ended December 31, 2022

<b>Rocky River</b>		<b>River Walk</b>	
RR Service Revenue Requirement	<b>\$188,674</b>	RW Service Revenue Requirement	<b>\$50,684</b>
<b>40% Base</b>	\$75,470	<b>40% Base</b>	\$20,274
<b>60% Usage</b>	\$113,205	<b>60% Usage</b>	\$30,411
Base Charge REUs	131	Base Charge REUs	39
Charge Per REU	\$48.01	Charge Per REU	\$43.32
Residential Base Charge	<b>\$48.01</b>	Residential Base Charge	<b>\$43.32</b>
2" Base Charge	<b>\$816.15</b>		
Test Year Adjusted Gallons	<b>8,143,668</b>	Test Year Gallons	<b>1,952,928</b>
Usage Rate	\$13.90	Usage Rate	\$15.57
Rounded Usage Rate	\$13.91	Rounded Usage Rate	\$15.58