

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1141 Sub 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by 904 Georgetown Treatment )  
Plant, LLC, for Authority to Increase Rates )  
for Sewer Utility Service in Sandpiper Bay ) NOTICE OF AFFIDAVIT  
Golf and Country Club in Brunswick County, )  
North Carolina )

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

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

will be used in evidence at the hearing in this docket scheduled for November 13, 2023, pursuant to N.C.G.S. § 62-68. The affiant will not be called to testify orally and will not be subject to cross-examination unless an opposing party or the Commission demands the right of cross-examination by notice mailed or delivered to the proponent at least five days prior to the hearing, pursuant to N.C.G.S. § 62-68.

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

Respectfully submitted this the 17<sup>th</sup> day of October, 2023.

PUBLIC STAFF

Christopher J. Ayers  
Executive Director

Lucy E. Edmondson  
Chief Counsel

*/s/ James Bernier, Jr., by electronic filing*

James Bernier, Jr.

[James.Bernier@psncuc.nc.gov](mailto:James.Bernier@psncuc.nc.gov)

Davia Newell

[Davia.Newell@psncuc.nc.gov](mailto:Davia.Newell@psncuc.nc.gov)

William E. H. Creech

[Zeke.Creech@psncuc.nc.gov](mailto:Zeke.Creech@psncuc.nc.gov)

Staff Attorneys

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



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DOCKET NO. W-1141, SUB 8

In the Matter of	)	<b>AFFIDAVIT OF</b>
Application by 904 Georgetown Treatment	)	<b>JOHN R. HINTON</b>
Plant, LLC, for Authority to Increase Rates	)	<b>PUBLIC STAFF –</b>
for Sewer Utility Service in Sandpiper Bay	)	<b>NORTH CAROLINA</b>
Golf and Country Club in Brunswick County,	)	<b>UTILITIES COMMISSION</b>
North Carolina	)	

STATE OF NORTH CAROLINA

COUNTY OF WAKE

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

I am the Director of the Economic Research Division of the Public Staff – North Carolina Utilities Commission (Public Staff), which represents the using and consuming public. My qualifications and experience are attached to this affidavit as Appendix A.

The purpose of my affidavit is to provide my recommendation to the Commission regarding a fair rate of return to be employed as a basis for determining the appropriate revenue requirements for 904 Georgetown Treatment Plant, LLC (Georgetown or the Company) to provide wastewater utility service in all its service areas in Brunswick County, North Carolina.

For the wastewater utility service of Georgetown, I recommend that they be granted a 7.00% margin on expenses which relates to an operating ratio of 93.59%

(including taxes) or 93.46% (excluding taxes). This recommendation is based upon my investigation of the cost of capital for small water and sewer companies. Furthermore, I maintain that the margin equates to a reasonable recommended overall rate of return for water and wastewater utilities in North Carolina. As allowed under N.C. Gen. Stat. § 62-133.1, I have used the operating ratio method to evaluate Georgetown's proposed rate increase. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses.

As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return: (1) interest coverage; (2) adequacy of the income level after interest expense; (3) the level of inflation; and (4) the quality of service.

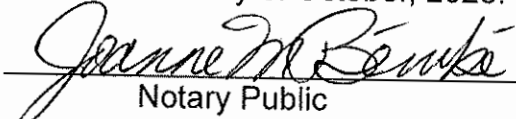
In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the interest rate on bonds that reflect investor expectations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

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

  
\_\_\_\_\_  
John R. Hinton

Sworn to and subscribed before me,

This the 16th day of October, 2023.

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

  
\_\_\_\_\_  
Printed Name



My Commission expires 12/17/2027



## QUALIFICATIONS AND EXPERIENCE

JOHN ROBERT HINTON

I received a Bachelor of Science degree in Economics from the University of North Carolina at Wilmington in 1980 and a Master of Economics degree from North Carolina State University in 1983. I joined the Public Staff in May of 1985. I filed testimony on the long-range electrical forecast in Docket No. E-100, Sub 50. In 1986, 1989, and 1992, I developed the long-range forecasts of peak demand for electricity in North Carolina. I filed testimony on electricity weather normalization in Docket Nos. E-7, Sub 620, E-2, Sub 833, and E-7, Sub 989. I filed testimony on customer growth and the level of funding for nuclear decommissioning costs in Docket No. E-2, Sub 1023. I filed testimony on the level of funding for nuclear decommissioning costs in Docket Nos. E-7, Sub 1026 and E-7, Sub 1146. I have filed testimony on the Integrated Resource Plans (IRPs) filed in Docket No. E-100, Subs 114 and 125, and I have reviewed numerous peak demand and energy sales forecasts and the resource expansion plans filed in electric utilities' annual IRPs and IRP updates.

I have been the lead analyst for the Public Staff in numerous avoided cost proceedings, filing testimony in Docket No. E-100, Subs 106, 136, 140, 148, and Sub 158. I have filed a Statement of Position in the arbitration case involving EPCOR



and Progress Energy Carolinas in Docket No. E-2, Sub 966. I have filed testimony in avoided cost related to the cost recovery of energy efficiency programs and demand side management programs in Dockets Nos. E-7, Sub 1032, E-7, Sub 1130, E-2, Sub 1145, and E-2, Sub 1174.

I have filed testimony on the issuance of certificates of public convenience and necessity (CPCN) in Docket Nos. E-2, Sub 669, SP-132, Sub 0, E-7, Sub 790, E-7, Sub 791, and E-7, Sub 1134.

I filed testimony on the merger of Dominion Energy, Inc. and SCANA Corp. in Docket Nos. E-22, Sub 551, and G-5, Sub 585.

I have filed testimony on the issue of fair rate of return in Docket Nos. E-22, Subs 333 412, and 532; P-26, Sub 93; P-12, Sub 89; G-21, Sub 293; P-31, Sub 125; P-100, Sub 133b; P-100, Sub 133d (1997 and 2002); G-21, Sub 442; G-5, Subs 327, 386; and 632; G-9, Subs 351, 382, 722 and Sub 781, G-39, Sub 47, W-778, Sub 31; W-218, Subs 319, 497, 526, 573; W-354, Sub 360; 364, 400; W-1300, Sub 60, W-1146, Sub 13 and W-1328, Sub 10 and in several smaller water utility rate cases. I have filed testimony on credit metrics and the risk of a downgrade in Docket No. E-7, Sub 1146.

I have filed testimony on the hedging of natural gas prices in Docket No. E-2, Subs 1001 and 1018. I have filed testimony on the expansion of natural gas in Docket No. G-5, Subs 337 and 372. I performed the financial analysis in the two audit reports on Mid-South Water Systems, Inc., Docket No. W-100, Sub 21. I testified in the application to transfer the CPCN from North Topsail Water and Sewer, Inc. to Utilities, Inc., in Docket No. W-1000, Sub 5. I have filed testimony on rainfall normalization with respect to water sales in Docket No. W-274, Sub 160.

With regard to the 1996 Safe Drinking Water Act, I was a member of the Small Systems Working Group that reported to the National Drinking Water Advisory Council of the U.S. Environmental Protection Agency. I have published an article in the National Regulatory Research Institute's Quarterly Bulletin entitled Evaluating Water Utility Financial Capacity.



## CERTIFICATE OF SERVICE

I certify that I have this day served a copy of the foregoing upon each of the parties of record in this proceeding or the attorney of record of such party in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 17th day of October, 2023.

Electronically submitted  
/s/ James Bernier, Jr.