

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1034, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Water Resources, Inc.,)
5970 Fairview Road, Suite 710)
Charlotte, North Carolina 28210, for)
Authority to Increase Rates for Water)
Utility Service in Rocky River Plantation)
Subdivision in Cabarrus County and)
River Walk Subdivision in Mecklenburg)
County, North Carolina)

AFFIDAVIT
OF
JOHN R. HINTON

State of North Carolina

County of Wake

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

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

I received a Bachelor of Science degree in Economics from the University of North Carolina at Wilmington in 1980, a Master of Economics from North Carolina State University in 1983. Since joining the Public Staff in May 1985, I have been involved with various electrical utility issues related to costs and planning, natural gas expansion projects, and I have testified in numerous general rate case proceedings for electric, natural gas, and water utilities,

including affidavits assessing financial viability and the fair rate of return with small water and sewer utility rate cases.

The purpose of this affidavit is to recommend to the Commission a fair rate of return to be employed as a basis for determining the appropriate revenue requirement for Water Resources, Inc. (WRI) to provide water utility service in its Rocky River Plantation and River Walk Subdivisions in Cabarrus and Mecklenburg Counties, respectively.

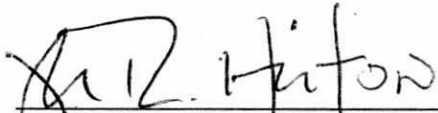
For the water utility service and the sewer utility service, I recommend that WRI be granted a 7.50% margin on operating revenue deductions. After investigation, the Public Staff has determined that Company's reasonable level of operating expenses is greater than its rate base for its water utility service. As allowed under N.C. Gen Stat. § 62-133.1 I have used the operating ratio method to evaluate WRI's proposed rate increase for utility service.

As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the U.S. Treasury bond rate by investor expectations of the


future levels of inflation. In my opinion, the recommended margin on expenses provide an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that WRI be granted a 7.50% margin on operating revenue deductions. This concludes my affidavit.


John R. Hinton

Sworn to and subscribed before me
this the 29th day of August, 2018.

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


Notary Public
JOANNE M. BERUBE

My Commission expires: 12/17/2022