

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1263, Sub 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Application of JPC Utilities, LLC, for Authority to Adjust and Increase Rates for Water and Wastewater Utility Service in its Service Areas in Guilford County, North Carolina)))))	JOINT PROPOSED ORDER GRANTING PARTIAL RATE INCREASE, AND REQUIRING CUSTOMER NOTICE
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BY THE HEARING EXAMINER:¹ This proceeding commenced on September 6, 2023, with the filing of a verified application (Application) by JPC Utilities, LLC (JPC or Applicant or Company), seeking authority to increase its rates for providing water and sewer utility service in its service area in Guilford County, North Carolina. The current proceeding is JPC's first general rate case. The rates in effect are the rates the Commission approved when JPC's franchise was granted on May 30, 2008, in Docket No. W-1263, Sub 0, with minor changes ordered on February 13, 2015, in Docket Nos. W-1263, Sub 1, and M-100, Sub 138, to reflect a state tax law change. Accompanying the Application was the Applicant's prefiled direct testimony of Philip Cooke, Managing Member of JPC, and Darlene Peedin, a Principal Consultant with Peedin & Perry Consulting, LLC.

On October 3, 2023, the Commission issued an order that declared the matter to be a general rate case pursuant to N.C. Gen. Stat. § 62-137, suspended the proposed new rates for up to 270 days pursuant to N.C.G.S. § 62-134, and

¹ Commission Hearing Examiner Jenny Li.

established the test year period for this case as the 12-month period ending December 31, 2022.

On October 20, 2023, the Commission issued a scheduling order that required customer notice and, among other things, established that a public witness hearing would take place on January 17, 2024, subject to cancellation if no significant protests were received; that the Public Staff and intervenors, if any, shall file their testimony on or before January 29, 2024; that the Applicant shall file its rebuttal testimony, if any, on or before February 19, 2024; and that an expert witness hearing would take place on March 5, 2024.

On October 27, 2023, JPC filed its Certification of Customer Notice.

On January 4, 2024, the Public Staff - North Carolina Utilities Commission (Public Staff) filed a motion to cancel the public witness hearing on the grounds that no significant protests had been received from customers.

On January 5, 2024, the Commission issued an Order Canceling Public Witness Hearing, Rescheduling Expert Witness Hearing, Amending Certain Filing Dates, and Requiring Customer Notice. That Order rescheduled the Public Staff testimony filing date to January 31, 2024, the Applicant rebuttal filing date to February 26, 2024, and the expert witness hearing to 10:00 a.m. on March 13, 2024.

On January 8, 2024, JPC filed its Certificate of Service indicating that all its customers had been served with notice of the cancellation of the public witness hearing.

On January 17, 2024, the Public Staff filed a letter stating that it had received on January 12, 2024, a letter containing customer protests and requesting a public witness hearing. The letter had been stamped on December 22, 2023, but not received at the time of the Public Staff's January 4, 2024 motion. The Public Staff recommended that a remote public witness hearing be held.

On January 31, 2024, the Public Staff filed the Direct Testimony and Exhibit of Lindsay Q. Darden, Utilities Engineer in the Water, Sewer, and Telephone Division; the Direct Testimony and Exhibit of David Lentz, Public Utilities Regulatory Analyst, Accounting Division; and the Affidavit of Gregory J. Reger, Public Utilities Regulatory Analyst, Economic Research Division.

On February 7, 2024, the Commission issued an Order Scheduling Virtual Public Witness Hearing and Establishing Requirements for Notice of Virtual Public Witness Hearing, which scheduled a remote public hearing for 7:00 p.m., on Wednesday, February 28, 2024. That hearing was held as scheduled. Four witnesses testified regarding the possible increase in monthly expenses. None expressed concern regarding the quality of JPC's service.

On February 9, 2024, JPC filed its Certification of Customer Notice of the remote hearing.

On February 26, 2024, JPC filed the Rebuttal Testimony and Exhibit of Darlene Peedin.

On March 5, 2024, the parties notified the Commission that they had agreed in principle to a settlement.

On March 6, 2024, the parties filed their witness list and estimates of cross-examination times for the expert witness hearing.

On March 12, 2024, the parties filed a Settlement Agreement and Stipulation (Stipulation) resolving all issues between the Public Staff and JPC (Stipulating Parties), and the Public Staff filed the Joint Settlement Testimony of Public Staff witnesses Lentz and Darden. JPC did not file settlement testimony.

Also on March 12, 2024, the Public Staff filed a joint motion to excuse witnesses from appearing at the evidentiary hearing; to admit into evidence without objection all prefiled testimony, exhibits, and affidavits, the Application, the Stipulation; to waive each party's right to cross examine any witnesses; and to allow 60 days to file schedules and a joint proposed order.

On March 13, 2024, the Commission granted the Stipulating Parties' motion and issued an Order Excusing Witnesses, Accepting Testimony, Canceling Expert Witness Hearing, and Requiring Proposed Orders.

On May 7, 2024, the Public Staff filed a Joint Settlement Exhibit I as a late-filed exhibit to reflect post-hearing rate case expenses that have been reviewed

and accepted by the Public Staff and are within the maximum amount set forth in the Stipulation.

Based upon the foregoing, and the entire record in this matter, the Hearing Examiner makes the following:

FINDINGS OF FACT

1. JPC is a duly organized public utility operating under the laws of the State of North Carolina that holds a franchise to provide water and sewer utility service for Oak Ridge Commons, The Village, Oak Ridge Marketplace, with contiguous extensions to Central Baptist Church and a Bojangles franchise, in Guilford County, North Carolina.

2. JPC 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 JPC's proposed rates for its water and sewer 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. As of the end of the test year, December 31, 2022, JPC served approximately 68 commercial water connections and approximately 58 commercial sewer connections.

5. The rates for water and sewer utility service presently charged by JPC and the proposed rates as agreed to by the parties are as follows:

	<u>Present</u>	<u>Proposed</u>
<u>Monthly Metered Water Rates:</u>		
Base Charge, Zero Usage		
5/8-inch meter	\$22.80	\$44.86
1-inch meter	\$57.00	\$112.15
1 1/2-inch meter	\$114.00	\$224.30
2-inch meter	\$182.40	\$358.88
Usage Charge, per 1,000 gallons	\$3.80	\$13.15
<u>Monthly Metered Wastewater Rates:</u>		
Base Charge, Zero Usage		
5/8-inch meter	\$28.20	\$51.50
1-inch meter	\$56.40	\$128.75
1 1/2-inch meter	\$103.40	\$257.50
2-inch meter	\$159.80	\$412.00
Usage Charge, per 1,000 gallons	\$15.08	\$27.50
Water Connection Fee:	\$600.00	\$600.00

Note: Sewer Connection charge included in Water Connection Fee

Water Operations

6. The Company's original cost rate base, as per the settlement, is \$45,335, consisting of plant in service of \$50,068 and cash working capital of \$18,066, less accumulated depreciation of \$21,274 updated through December 31, 2023, and average tax accruals of \$1,525.

7. Total annual operating revenues, as presented on Joint Settlement Exhibit I, Schedule 3(a), Page 1 of 2, are \$66,487 under JPC's present rates and \$166,761 under the proposed agreed upon rates. Total annual operating revenues includes no miscellaneous revenues and no uncollectibles.

8. The appropriate level of total service revenues for use in this proceeding is \$66,487 under JPC's present rates and \$166,761 under the agreed-upon proposed rates.

9. For purposes of this proceeding, the appropriate cost of service (total operating expenses, including regulatory fee and income taxes) is \$156,076. The level of operating revenue expenses requiring a return (total operating and maintenance expenses, depreciation expense, amortization expense, and taxes other than income taxes) is \$152,643 and is shown on Joint Settlement Exhibit I, Schedule 3(a).

10. The total rate case cost for this proceeding is \$35,100. It is reasonable and appropriate to amortize this cost over a period of four years, resulting in an annual rate case expense of \$8,775.

11. The appropriate level of depreciation and amortization expense for use in this proceeding is \$3,808.

12. The appropriate level of property taxes and payroll taxes for use in this proceeding is \$2,213 and \$2,092, respectively.

Sewer Operations

13. The Company's original cost rate base, as per the settlement, is \$33,225, consisting of plant in service of \$16,190 and cash working capital of \$28,274, less accumulated depreciation of \$9,925 updated through December 31, 2023, and average tax accruals of \$1,314.

14. Total annual operating revenues, as presented on Joint Settlement Exhibit I, Schedule 3(b), Page 1 of 2, are \$130,831 under JPC's present rates and \$251,956 under the proposed agreed upon rates. Total annual operating revenues include no miscellaneous revenues and no uncollectibles.

15. The appropriate level of total service revenues for use in this proceeding is \$130,831 under JPC's present rates and \$251,956 under the agreed upon proposed rates.

16. For purposes of this proceeding, the appropriate cost of service (total operating expenses, including regulatory fee and income taxes) is \$235,812. The level of operating revenue expenses requiring a return (total operating and maintenance expenses, depreciation expense, amortization expense, and taxes other than income taxes) is \$230,625 and is shown on Joint Staff Settlement Exhibit I, Schedule 3(b).

17. The total rate case cost for this proceeding is \$29,900. It is reasonable and appropriate to amortize this cost over a period of four years, resulting in an annual rate case expense of \$7,475.

18. The appropriate level of depreciation and amortization expense for use in this proceeding is \$737.

19. The appropriate level of property taxes and payroll taxes for use in this proceeding is \$1,916 and \$1,782, respectively.

20. It is reasonable and appropriate to calculate regulatory fees expense 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.

21. It is reasonable and appropriate to calculate income taxes for the level of income found reasonable in this proceeding based upon the statutory corporate tax rates of 21% and 2.50% for federal and state income taxes, respectively.

22. The operating ratio method is the appropriate method for determining JPC's revenue requirement for water and sewer operations in this proceeding.

23. The agreed-upon proposed rates will produce a 7.00% margin on operating deductions utilizing the operating ratio method. This operating margin is not in excess of a reasonable level and, accordingly, the proposed rates are reasonable.

24. In the report from the most recent DEQ sanitary survey inspection conducted on November 16, 2023, by the Winston-Salem Regional Office, DEQ stated that the water system is in good condition and did not identify any deficiencies during the inspection.

25. JPC is providing adequate service to its customers.

26. The agreed-upon rates are just and reasonable and should be approved.

27. The parties have waived² their right to file exceptions to the Recommended Order, and request that it become the final order and the new rates become effective upon the date of the Recommended Order.

WHEREUPON, the Hearing Examiner reaches the following:

CONCLUSIONS

The evidence for the foregoing findings of fact is contained in the Application, the Commission records, the testimony and exhibits of Public Staff witnesses Lindsay Q. Darden and David Lentz, the affidavit of Public Staff witness Gregory J. Reger, the testimony and exhibits of the Applicant's witnesses, and the Stipulation. Based upon the foregoing, the Hearing Examiner reaches the following conclusions pertaining to JPC's Application for a general rate increase.

In regard to the quality of service provided by JPC, Public Staff witness Darden stated that, based upon the Public Staff's investigation, the information provided by the Applicant and the North Carolina Department of Environmental Quality, and the absence of significant customer complaints and customer service issues, the Public Staff concludes that JPC is providing adequate service to its customers. Therefore, based upon the Public Staff's engineering and service quality investigation, the Hearing Examiner finds and concludes that the quality of water utility service provided by the Applicant to its customers is adequate.

² The waiver is based on the wording in the Joint Proposed Order and is conditioned upon the Recommended Order not materially changing the Joint Proposed Order.

Based upon the entire record in this proceeding, the Hearing Examiner concludes that the Applicant has sufficiently demonstrated the need to increase its rates for providing water and sewer utility service. The Hearing Examiner, therefore, concludes that the rates agreed upon by the Stipulating Parties are just and reasonable and should be approved. Such rates and charges are set forth in Joint Settlement Exhibit I, Schedules 3(a) and 3(b), Page 1 of 2, filed on May 7, 2024, as a late-filed exhibit, and the Schedule of Rates (Appendix A) attached hereto. Consequently, the Hearing Examiner finds and concludes that JPC should be allowed to increase its water rates and charges so as to produce total annual operating revenues of \$166,761, comprised of \$166,761 in service revenues, \$0 in miscellaneous revenues, and \$0 in uncollectibles. JPC should also be allowed to increase its sewer rates and charges so as to produce total annual operating revenues of \$251,956, comprised of \$251,956 in service revenues, \$0 in miscellaneous revenues, and \$0 in uncollectibles. Moreover, the Hearing Examiner determines that the adjusted levels of rate base, revenues, and expenses set forth in Joint Settlement Exhibit I, filed on May 7, 2024, as a late-filed exhibit, are the appropriate levels for use in this proceeding. Accordingly, the Hearing Examiner finds good cause to approve a rate increase for JPC as provided in the Stipulation and shown in Joint Settlement Exhibit 1.

IT IS, THEREFORE, ORDERED as follows:

1. That JPC is authorized to increase its rates for water and sewer utility service in Oak Ridge Commons, The Village, Oak Ridge Marketplace, with

contiguous extensions to Central Baptist Church and a Bojangles franchise, in Guilford County, as reflected in the attached Schedule of Rates;

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 JPC within five business days of the date of this Order, and that JPC shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than _____, 2024.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

SCHEDULE OF RATES

for

JPC UTILITIES, LLC

for providing water and sewer utility service to the

OAK RIDGE COMMONS, THE VILLAGE, OAK RIDGE MARKETPLACE, CENTRAL
BAPTIST CHURCH, AND A BOJANGLES FRANCHISE

Guilford County, North Carolina

Monthly Metered Water Rates:

Base Charge, Zero Usage	
5/8-inch meter	\$44.86
1-inch meter	\$112.15
1 1/2-inch meter	\$224.30
2-inch meter	\$358.88
Usage Charge, per 1,000 gallons	\$13.15

Monthly Metered Wastewater Rates:

Base Charge, Zero Usage	
5/8-inch meter	\$51.50
1-inch meter	\$128.75
1 1/2-inch meter	\$257.50
2-inch meter	\$412.00
Usage Charge, per 1,000 gallons	\$27.50
Water Connection Fee:	\$600.00

Note: Sewer Connection charge included in Water Connection Fee

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-1263, Sub 4
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 JPC Utilities, LLC. The Order approved the following rates for water and sewer utility service provided on and after the date of this notice.

Monthly Metered Water Rates:

Base Charge, Zero Usage	
5/8-inch meter	\$44.86
1-inch meter	\$112.15
1 1/2-inch meter	\$224.30
2-inch meter	\$358.88
Usage Charge, per 1,000 gallons	\$13.15

Monthly Metered Wastewater Rates:

Base Charge, Zero Usage	
5/8-inch meter	\$51.50
1-inch meter	\$128.75
1 1/2-inch meter	\$257.50
2-inch meter	\$412.00
Usage Charge, per 1,000 gallons	\$27.50
Water Connection Fee:	\$600.00

Note: Sewer Connection charge included in Water Connection Fee

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

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

CERTIFICATE OF SERVICE

I certify that I have this day served a copy of the foregoing Joint Proposed Order upon each of the parties of record in this proceeding or the attorney of record of such party, or both, 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 7th day of May, 2024.

Electronically submitted
/s/ James Bernier, Jr.