

**NORTH CAROLINA UTILITIES COMMISSION
RALEIGH**

Docket No. W-1263, Sub 4

Exceptions Due on or Before July 18, 2024

NOTICE TO PARTIES

Parties to the above proceeding may file exceptions to the report and recommended Order, hereto attached on or before the day above shown as provided in G.S. 62-78. Exceptions, if any, must be filed with the North Carolina Utilities Commission, Raleigh, North Carolina, and a copy thereof mailed or delivered to each party of record, or to the attorney for such party, as shown by appearances noted. Each exception must be numbered and clearly and specifically stated in one paragraph without argument. The grounds for each exception must be stated in one or more paragraphs, immediately following the statement of the exception, and may include any argument, explanation, or citations the party filing the same desires to make. In the event exceptions are filed, as herein provided, a time will be fixed for oral argument before the Commission upon the exceptions so filed, and due notice will be given to all parties of the time so fixed; provided, oral argument will be deemed waived unless written request is made therefor at the time exceptions are filed. If exceptions are not filed, as herein provided, the attached report and recommended decision will become effective and final on July 19, 2024, unless the Commission, upon its own initiative, with notice to parties of record, modifies or changes said Order or decision or postpones the effective date thereof.

The report and Recommended Order attached shall be construed as tentative only until the same becomes final in the manner hereinabove set out.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1263, Sub 4

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application of JPC Utilities, LLC, for)	RECOMMENDED ORDER
Authority to Adjust and Increase Rates)	APPROVING STIPULATION,
for Water and Sewer Utility Service in its)	GRANTING PARTIAL RATE
Service Areas in Guilford County, North)	INCREASE, AND REQUIRING
Carolina)	CUSTOMER NOTICE

BY THE HEARING EXAMINER:¹ On August 2, 2023, in the above-captioned docket, pursuant to Commission Rule R1-17(a), JPC Utilities, LLC (JPC or Applicant or Company), filed notice of its intent to file a general rate case application. On September 6, 2023, JPC filed its verified application (Application) with the Commission seeking authority to increase its rates for providing water and sewer utility service in its service area in Guilford County, North Carolina. JPC provides water utility service to 68 metered commercial customers and sewer utility service to 58 metered commercial customers.

The current proceeding is JPC's first general rate case. The present rates have been in effect since May 30, 2008, pursuant to the Commission Orders issued 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 M. Cooke, Managing Member of JPC, and Darlene Peedin, Principal Consultant with Peedin & Perry Consulting, LLC.

On October 3, 2023, the Commission issued an Order that declared this 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 established the test year period for this case as the 12-month period ending December 31, 2022.

On October 20, 2023, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order). The Scheduling Order, 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 - North Carolina Utilities Commission (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 scheduled an expert witness hearing to be held on March 5, 2024.

¹ Commission Hearing Examiner Jenny Li.

On October 27, 2023, JPC filed its certification of customer notice in accordance with the Commission's Scheduling Order.

On January 4, 2024, the Public Staff filed a motion to cancel the public witness hearing stating 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 and intervenors 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 with the Commission stating that it had received a letter on January 12, 2024, containing customer protests and requesting a public witness hearing. The Public Staff commented that the letter had been postmarked by the U.S. Post Office on or before December 22, 2023, but not received by the Commission 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. There are no other intervenors in this proceeding.

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 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 service confirming that all affected customers had been served with the required virtual public witness hearing notice as required by the Commission's February 7, 2024 Order.

On February 26, 2024, JPC filed the rebuttal testimony and exhibit of Darlene Peedin, Principal Consultant with Peedin & Perry, LLC.

On March 5, 2024, JPC and the Public Staff notified the Commission that they had agreed in principle to a settlement.

On March 6, 2024, JPC, on behalf of the parties, filed a witness list and estimates of cross-examination times for the expert witness hearing as required by the Commission's January 5, 2024 Order.

On March 12, 2024, the Public Staff and JPC 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 expert witness hearing; to admit into evidence without objection all the 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 Order.

On May 7, 2024, the Public Staff filed Late-Filed Joint Settlement Exhibit I-Confidential 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. Also, the Public Staff filed a joint proposed order for the Commission's consideration.

On June 20, 2024, the Public Staff filed a public version of its confidential Late-Filed Joint Settlement Exhibit I filed on May 7, 2024.

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 Stipulating 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 Sewer 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 is included in the Water Connection Fee

Water Operations

6. The Company's original cost rate base, as presented on Late-Filed Joint Settlement Exhibit I-Public, Schedule 2(a), 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 Late-Filed Joint Settlement Exhibit I-Public, Schedule 3(a), Page 1 of 2, are \$66,487 under JPC's present rates and \$166,761 under the proposed settlement rates. Total annual operating revenues include 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 and regulatory fee) is \$152,643. These amounts are shown on Late-Filed Joint Settlement Exhibit I-Public, Schedule 3(a), Page 1 of 2.

10. The total rate case cost for this proceeding is \$35,100 as presented on Late-Filed Joint Settlement Exhibit I-Public, Schedule 3-3. It is reasonable and appropriate to amortize this cost over a period of four years, as stipulated, 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 presented on Late-Filed Joint Settlement Exhibit I-Public, Schedule 2(a), 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 Late-Filed Joint Settlement Exhibit I-Public, Schedule 3(b), Page 1 of 2, are \$130,831 under JPC's present rates and \$251,956 under the settlement 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 and regulatory fee) is \$230,625. These amounts are shown on Late-Filed Joint Settlement Exhibit I-Public, Schedule 3(b), Page 1 of 2.

17. The total rate case cost for this proceeding is \$29,900 as presented on Late-Filed Joint Settlement Exhibit I-Public, Schedule 3-3. It is reasonable and appropriate to amortize this cost over a period of four years, as stipulated, 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. JPC and the Public Staff are the only parties to this proceeding and the Stipulation resolves all issues between the Stipulating Parties in this proceeding. The Stipulation is the product of give-and-take in settlement negotiations between the Public Staff and JPC, is material evidence in this proceeding, and is entitled to be given appropriate weight in this case, along with other evidence from JPC and the Public Staff.

WHEREUPON, the Hearing Examiner reaches the following

CONCLUSIONS

The evidence for the foregoing findings of fact is contained in the verified Application filed in this docket; the Commission records; the testimony and exhibits of Public Staff witnesses Darden and Lentz; the affidavit of Public Staff witness Reger; the testimony and exhibits of the Applicant's witnesses; the Stipulation; the Late-Filed Joint Settlement Exhibit I, and the joint proposed order. Based upon the foregoing, the Hearing Examiner reaches the following conclusions pertaining to JPC's Application for a general rate increase.

With 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.

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 the joint proposed order filed by the Stipulating Parties, and in 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 to produce total annual operating revenues of \$166,761, comprised of \$166,761 in service revenues, \$0 in miscellaneous revenues, and \$0 in uncollectibles as set forth in Late-Filed Joint Settlement Exhibit I-Public. JPC should also be allowed to increase its sewer rates and charges to produce total annual operating revenues of \$251,956, comprised of \$251,956 in service revenues, \$0 in miscellaneous revenues, and \$0 in uncollectibles as set forth in Late-Filed Joint Settlement Exhibit I-Public. In addition, the Hearing Examiner determines that the adjusted levels of rate base, revenues, and expenses set forth in Late-Filed Joint Settlement Exhibit I-Public, 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 Late-Filed Joint Settlement Exhibit I-Public.

IT IS, THEREFORE, ORDERED as follows:


1. That the Joint Proposed Order and the Late-Filed Joint Settlement Exhibit I-Confidential filed on May 7, 2024, and the Late-Filed Joint Settlement Exhibit I-Public filed on June 20, 2024, in this docket, are hereby admitted into evidence;
2. That the Stipulation between the Public Staff and JPC is hereby accepted and approved in its entirety;
3. 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, North Carolina as reflected in the Schedule of Rates attached hereto as Appendix A. These rates shall be effective for service rendered on and after the effective date of this Order;
4. 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;

5. 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 15 days after the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 3rd day of July, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, reading "A. Shonta Dunston". The signature is written in a cursive, flowing style.

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 Sewer 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
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Note: Sewer Connection charge included in the 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 hereby 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 effective date of the Order.

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 Sewer 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
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Note: Sewer Connection charge included in the 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.

ISSUED BY ORDER OF THE COMMISSION.

This the 3rd day of July, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "A. Shonta Dunston". The signature is fluid and cursive, with the first name "A." and last name "Dunston" clearly distinguishable.

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