

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-632, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Application by John T. Billingsley, et al.,)	ORDER GRANTING
149 Penn Road, Reidsville, North Carolina)	RATE INCREASE AND
27320, for Authority to Increase Rates for)	REQUIRING CUSTOMER
Water Utility Service in Dogwood Acres)	NOTICE
Subdivision in Rockingham County,)	
North Carolina)	

BY THE COMMISSION: On July 3, 2017, John T. Billingsley, et al. (Applicant), filed an application with the Commission seeking authority to increase its rates for water utility service in Dogwood Acres Subdivision in Rockingham County, North Carolina. The Applicant serves approximately 29 residential water customers. The Applicant's last general rate increase was approved in 1994, in Docket No. W-632, Sub 3. The present water rates have been in effect since January 1, 2017, pursuant to the Commission's Order issued on December 6, 2016, in Docket Nos. W-632, Sub 5 and M-100, Sub 138, to revise rates to implement tax law changes enacted by the North Carolina General Assembly in Session Law 2013-316 (House Bill 998).

On July 24, 2017, the Commission issued an Order that declared the matter to be a general rate case, suspended the proposed rates for up to 270 days pursuant to G.S. 62-134, scheduled a public hearing for November 28, 2017, in Reidsville, North Carolina, and required customer notice. The Order provided that the hearing could be canceled if no significant protests were received subsequent to public notice.

On September 28, 2017, the Applicant filed its certificate of service indicating that customer notice had been given as required by the July 24, 2017 Order. No customers submitted letters or emails protesting the Applicant's proposed rates.

On October 5, 2017, the Public Staff – North Carolina Utilities Commission (Public Staff) filed a motion to cancel the hearing scheduled for November 28, 2017, stating that no consumer protests have been received. The Applicant did not oppose the Public Staff's motion.

On October 6, 2017, the Commission issued an Order Canceling Hearing and Requiring Customer Notice. On October 31, 2017, the Applicant filed its certificate of service indicating that the customers had been notified that the public hearing previously scheduled on November 28, 2017, in Reidsville, North Carolina had been canceled.

On November 16, 2017, the Public Staff filed the affidavit and exhibit of Lynn Feasel, Staff Accountant, Accounting Division (Accountant Feasel) and the affidavit of Babette McKemie, Utilities Engineer, Water, Sewer, and Telecommunications Division (Engineer McKemie).

Also on November 16, 2017, the Public Staff filed a Motion for Order Granting Rate Increase and Requiring Customer Notice. A Proposed Order, attached as Exhibit A, was provided with the Public Staff's motion.

On November 27, 2017, the Public Staff filed revised Appendices A and B to its Proposed Order filed on November 16, 2017, to include the \$20.00 reconnection charges requested by the Applicant in its application and recommended by the Public Staff.

Based upon the foregoing, the verified application, the evidence and exhibits filed by the Public Staff, and the entire record in this proceeding, the Commission makes the following

FINDINGS OF FACT

1. The Applicant holds a franchise to provide water utility service to approximately 29 residential customers in Dogwood Acres Subdivision in Rockingham County, North Carolina. The Applicant is properly before the Commission seeking an increase in its rates and charges for water utility service.

2. The test year established for use in this proceeding is the 12-month period ended December 31, 2016.

3. The Applicant's present and proposed rates are as follows:

<u>Residential Water Utility Service:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Monthly Rates:</u>		
Base charge, zero usage	\$ 8.51	\$ 17.02
Usage charge, per 1,000 gallons	\$ 1.20	\$ 4.80
<u>Other Charges:</u>		
Reconnect, Cut-off for Cause	\$ 4.77	\$ 20.00
Reconnect, Cut-off Requested	\$ 4.77	\$ 20.00

4. The water system serving Dogwood Acres Subdivision consists of one well, one treatment building with chemical feed pumps, one 20,000 gallon storage tank, and a pumping distribution system.

5. The Public Staff has received no customer protests in this matter.

6. The Applicant is providing adequate service to its customers.

7. The original cost rate base for use in this proceeding is \$3,060, consisting of utility plant in service of \$17,717, less accumulated depreciation of \$15,576, plus cash working capital of \$919.

8. The Applicant's total annual operating revenues under present rates are \$3,422, and under proposed rates are \$7,767.

9. The Applicant requested an increase in rates that would produce \$4,345 in additional service revenues, an increase of 127% over present annual service revenues.

10. The total rate case costs for this proceeding are \$146. These costs should be amortized over three years, resulting in annual rate case expense of \$49.

11. The appropriate level of operations and maintenance (O&M) expenses for use in this proceeding is \$7,351.

12. The appropriate level of depreciation expense for use in this proceeding is \$293.

13. The appropriate level of other taxes for use in this proceeding is \$11.

14. It is reasonable and appropriate to calculate regulatory fees using the statutory rate of 0.14%.

15. It is reasonable and appropriate to calculate income taxes based upon the statutory rates for the level of income found reasonable in this proceeding, which includes a State corporate income tax rate of 3%.

16. The Applicant's request to increase its reconnection charge (both for cause and upon the customer's request) from \$4.77 to \$20.00 is just and reasonable and should be approved.

17. The reasonable level of operating revenue deductions requiring a return (excluding regulatory fee and income taxes) is \$7,644.

18. The operating ratio method, which allows a margin on operating revenue deductions requiring a return, is the appropriate method to be used in this proceeding for determining fair and reasonable rates for water service as allowed by G.S. 62-133.1.

19. The Applicant's proposed revenues of \$7,767 are not unreasonable, would not be unfair to customers, and should be approved. As calculated on Feasel Exhibit I, Schedule 1, the Applicant's proposed revenues would allow the Applicant an opportunity to earn a 1.21% return on the operating revenue deductions requiring a return found reasonable in this proceeding.

20. The Applicant's proposed water rates shown below and provided in Appendix A, attached hereto, are just and reasonable and should be approved.

Monthly Water Rates:

Base charge, zero usage	\$ 17.02
Usage charge, per 1,000 gallons	\$ 4.80

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1 THROUGH 3

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, and the affidavits of Accountant Feasel and Engineer McKemie. These findings are primarily jurisdictional and informational and are uncontested.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 4 THROUGH 6

The evidence supporting these findings of fact is contained in the affidavit of Engineer McKemie and in the Commission's records and is uncontested.

On October 3, 2017, Engineer McKemie inspected the water system serving Dogwood Acres Subdivision. Engineer McKemie described the water system as consisting of one well, one treatment building with chemical feed pumps, one 20,000 gallon storage tank, and a pumping and distribution system. She observed that the water system appeared to be properly operated and maintained. Further, witness McKemie stated that there have been no customer protests.

Engineer McKemie testified that, based upon the Public Staff's investigation, the Public Staff concludes that the Applicant is providing adequate service to its customers. Therefore, the Commission finds and concludes that the quality of water utility service provided by the Applicant to its customers is adequate.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The evidence supporting this finding of fact is contained in the Commission's records, the verified application, and in the affidavit and exhibit of Accountant Feasel.

The adjustments made by the Public Staff to the Applicant's original cost rate base included adjustments to plant in service, accumulated depreciation, and cash working capital.

Accountant Feasel testified that the amount of original cost plant in service provided by the Applicant on its application was \$27,717, which was the same amount the Company submitted in its last general rate case proceeding, Docket No. W-632, Sub 3 (Sub 3 Rate Case). She stated that in the Sub 3 Rate Case, \$17,717 of the \$26,717 amount was found reasonable by the Commission and used to calculate ongoing rates. Accountant Feasel commented that in response to the Public Staff's data requests in the present proceeding, the Applicant indicated that it has not added any additional plant to rate base since the Sub 3 Rate Case. As a result, Accountant Feasel used the \$17,717

amount as approved by the Commission in the Sub 3 Rate Case as her adjusted level of plant in service for this proceeding.

Accountant Feasel explained that the amount of accumulated depreciation recommended by the Public Staff in this proceeding was calculated based on the year each plant asset was placed in service and years in service using the half-year convention in the first year of an asset's depreciable life, unless fully depreciated. Further, Accountant Feasel stated that the Public Staff included 1/8 of operating expenses in original cost rate base as a measure of cash working capital which provides the Applicant with the funds necessary to carry on the day-to-day operations of the water utility business.

The adjustments made by Accountant Feasel to the various components of original cost rate base resulted in an amount of \$3,060 for original cost rate base for use in this proceeding.

The Applicant did not contest the Public Staff's adjustments to original cost rate base. Based upon the foregoing, the Commission finds and concludes that the appropriate level of original cost rate base for use in this proceeding is \$3,060.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8 AND 9

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, the affidavit of Engineer McKemie, and the affidavit and exhibit of Accountant Feasel and is uncontested.

Engineer McKemie calculated annual water service revenues of \$3,422 under the currently approved rates and \$7,767 under the Applicant's proposed rates. The Applicant did not contest the Public Staff's calculations of water service revenues.

Based upon the foregoing, the Commission finds and concludes that the appropriate levels of annual service revenues at present and proposed rates for use in this proceeding are \$3,422, and \$7,767, respectively.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 10 AND 11

The evidence supporting these findings of fact is contained in the Commission's records, the affidavit of Engineer McKemie, and the affidavit and exhibit of Accountant Feasel. The following table summarizes the amounts that the Public Staff recommended for inclusion in determining the proper level of total O&M expenses for use in this proceeding:

<u>Item</u>	<u>Amount</u>
Salaries and wages	\$2,215
Maintenance and repairs	2,714
Electric power	1,070
Testing	973
Chemicals	60
Permit fees and licenses	270
Rate case expense	<u>49</u>
Total O&M expenses	<u>\$7,351</u>

The Public Staff made adjustments to the levels of maintenance and repairs, testing, and tank painting expense based upon recommendations by Engineer McKemie. Accountant Feasel stated that the Applicant did not include an amount for rate case expense in its application. Accountant Feasel explained that she calculated an amount of rate case expense for this proceeding based upon the cost of the filing fee and the costs for copying and mailing notices to customers. Accountant Feasel recommended that the total rate case costs of \$146 be amortized over three years resulting in annual rate case expense of \$49.

The Applicant did not contest the Public Staff's adjustments to its O&M expenses.

Based upon the foregoing, the Commission finds and concludes that the appropriate level of O&M expenses for use in this proceeding is \$7,351.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12 THROUGH 15

The evidence supporting these findings of fact is contained in the Commission's records, the affidavit of Engineer McKemie, and the affidavit and exhibit of Accountant Feasel. The following table summarizes the amounts that the Public Staff recommended for inclusion in determining the proper level of total ongoing depreciation expense and taxes for use in this proceeding:

<u>Item</u>	<u>Amount</u>
Depreciation expense	\$ 293
Property taxes	0
Regulatory fees	11
State income taxes	3
Federal income taxes	<u>16</u>
Total depreciation and taxes	<u>\$ 323</u>

The Public Staff made adjustments to the levels of depreciation expense, regulatory fees, and state and federal income taxes. The Applicant did not contest the Public Staff's adjustments to depreciation expense and taxes.

Based upon the foregoing, the Commission finds and concludes that the appropriate level of depreciation expense and taxes for use in this proceeding is \$323.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 16

The evidence supporting this finding of fact is contained in the Commission's records, the verified application, and the Public Staff's filing on November 27, 2017, in this docket and is uncontested.

In its application, the Applicant requested approval to increase the reconnection charge (both for cause and upon the customer's request) from \$4.77 to \$20.00. Engineer McKemie reviewed the Applicant's request and found the proposed reconnection fees of \$20.00 to be fair and reasonable. Engineer McKemie recommended approval of the Applicant's proposed reconnection charges.

Therefore, the Commission finds and concludes that the Applicant's request to increase its reconnection charge (both for cause and upon the customer's request) from \$4.77 to \$20.00, is just and reasonable and should be approved.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 17 THROUGH 20

The evidence supporting these findings of fact is contained in the Commission's records, the verified application, the affidavit of Engineer McKemie, and the affidavit and exhibit of Accountant Feasel.

Accountant Feasel testified that based upon her investigation, the Applicant's original cost rate base at December 31, 2016, is \$3,060 and the level of operating revenue deductions requiring a return (total operating expenses excluding regulatory fees and income taxes) is \$7,644. Accountant Feasel stated that pursuant to G.S. 62-133.1, she used the operating ratio method to evaluate the Applicant's proposed revenue requirement. Accountant Feasel stated that the Applicant's proposed revenues are not unreasonable and would not be unfair to customers. She recommended that the revenues as proposed by the Applicant be granted.

Further, Engineer McKemie testified that, based upon its investigation, the Public Staff concludes that the rates requested by the Applicant are not unreasonable and should be approved.

Based upon the foregoing, the Commission finds and concludes that the operating ratio method is the appropriate method for evaluating the Applicant's proposed revenue requirement and that the monthly rates for water utility service requested by the Applicant and recommended by the Public Staff are just and reasonable and should be approved. Consequently, the Commission finds and concludes that John T. Billingsley, et al., should be allowed to increase its rates and charges so as to produce total annual operating revenues of \$7,767.

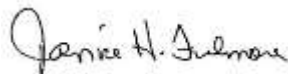
IT IS, THEREFORE, ORDERED as follows:

1. That the affidavits and exhibits of Public Staff witnesses Lynn Feasel, Staff Accountant, Accounting Division and Babette McKemie, Utilities Engineer, Water, Sewer, and Communications Division filed by the Public Staff on November 16, 2017, in this docket are hereby received as evidence in this proceeding.
2. That John T. Billingsley, et al., is authorized to increase its rates for water utility service, in Dogwood Acres Subdivision in Rockingham County, North Carolina.
3. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed to be filed with the Commission pursuant to G.S. 62-138. These rates shall be effective for service rendered on and after the date of this Order.
4. That a copy of the Notice to Customers of New Rates, attached hereto as Appendix B, shall be mailed with sufficient postage or hand delivered to all customers of the Applicant within 30 days of the date of this Order; and that the Applicant shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 45 days after the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 1st day of December, 2017.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in dark ink, appearing to read "Janice H. Fulmore".

Janice H. Fulmore, Deputy Clerk

SCHEDULE OF RATES

for

JOHN T. BILLINGSLEY, ET AL.

for providing water utility service in

DOGWOOD ACRES SUBDIVISION

Rockingham County, North Carolina

Monthly Metered Water Rates:

Base charge, zero usage	\$ 17.02
Usage charge, per 1,000 gallons	\$ 4.80

Tap-on Fee: None

Reconnection Charges:

If water service cut off by utility for good cause	\$ 20.00
If water service discontinued at customer's request	\$ 20.00

Bills Due: On billing date

Bills Past Due: 15 days after billing date

Billing Frequency: Shall be monthly 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 billing date.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by John T. Billingsley, et al.,)
149 Penn Road, Reidsville, North Carolina)
27320, for Authority to Increase Rates) NOTICE TO CUSTOMERS
for Water Utility Service in Dogwood) OF NEW RATES
Acres Subdivision in Rockingham County,)
North Carolina)

BY THE COMMISSION: Notice is hereby given that the North Carolina Utilities Commission (Commission) has granted a rate increase to John T. Billingsley, et al. (Applicant), for water utility service provided in Dogwood Acres Subdivision in Rockingham County, North Carolina.

The Commission's decision followed customer notice and investigation by the Public Staff – North Carolina Utilities Commission (Public Staff). The Commission issued an Order on July 24, 2017, requiring the Applicant to provide customer notice stating that the matter may be determined without public hearing if no significant protests were received subsequent to customer notice. No customer protests were received. On October 6, 2017, the Commission ordered that the hearing be canceled due to the lack of protests received.

The new rates for water utility service are as follows and are effective for service rendered on and after the date of this Notice.

Monthly Metered Water Rates:

Base charge, zero usage	\$17.02
Usage charge, per 1,000 gallons	\$ 4.80

Tap-on Fee: None

Reconnection Charges:

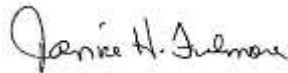
If water service is cut off by utility for good cause	\$20.00
If water service discontinued at customer's request	\$20.00

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be monthly 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 billing date.

ISSUED BY ORDER OF THE COMMISSION.

This the 1st day of December, 2017.

NORTH CAROLINA UTILITIES COMMISSION



Janice H. Fulmore, Deputy 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-632, Sub 6, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2017.

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-632, Sub 6.

Witness my hand and notarial seal, this the ____ day of _____, 2017.

Notary Public

Address

(SEAL) My Commission Expires: _____
Date