

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1226, SUB 3

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Fairfield Water)	
Company, 932 Hendersonville Road,)	ORDER GRANTING RATE
Suite 201, Asheville, North Carolina)	INCREASE AND REQUIRING
28803, for Authority to Increase Rates)	CUSTOMER NOTICE
and Charges for Water Utility Service)	
in the Fairfield Water System in)	
Henderson County, North Carolina)	

BY THE COMMISSION: On May 24, 2019, in the above-captioned docket, Fairfield Water Company (Fairfield or Applicant) filed an application with the Commission seeking authority to increase its rates and charges for water utility service in Fairfield Water System in Henderson County, North Carolina. By Order issued June 17, 2019, the Commission declared the matter to be a general rate case pursuant to N.C. Gen. Stat. § 62-137; suspended the proposed rates for up to 270 days pursuant to N.C. Gen. Stat. § 62-134; and required customer notice.

On August 14, 2019, upon notice from Fairfield to the Commission that customer notice was not provided within 15 days as required by the June 17, 2019 Order, the Commission issued an Order Requiring Customer Notice. The August 14, 2019 Order required customer notice within 15 days and stated that the Commission may decide this matter on the filings and approve rates without scheduling a hearing if no significant protests were filed with the Commission by October 4, 2019.

On August 20, 2019, Fairfield filed a certificate of service indicating that customer notice had been given as required. No protests in response to the customer notice were received by the Public Staff – North Carolina Utilities Commission (Public Staff) or the Commission.

On October 11, 2019, the Public Staff filed the affidavits and exhibits of D. Michael Franklin, Utilities Engineer, Public Staff Water, Sewer, and Telephone Division, and Iris Morgan, Staff Accountant, Public Staff Accounting Division.

Also on October 11, 2019, the Applicant filed an email with the Commission indicating its acceptance of the rates proposed in the Public Staff's affidavits and exhibits.

Further, on October 11, 2019, the Public Staff filed a motion recommending that the Commission approve the rates requested by Fairfield and recommended by the Public Staff. The motion was accompanied by a proposed order.

On October 22, 2019, the Public Staff filed a summary of Fairfield's present and proposed water revenues as prepared by Public Staff Utilities Engineer Franklin to provide additional context to Engineer Franklin's affidavit filed on October 11, 2019.

Based upon the foregoing, and the entire record in this matter, the Commission makes the following

FINDINGS OF FACT

1. Fairfield is a public utility that holds a franchise to provide water utility service in the Fairfield Water System in Henderson County, North Carolina. Fairfield 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, 2018.

3. Fairfield provides water utility service to 12 water customers (using meters at each of 11 quadraplexes and one meter located at a church).

4. Fairfield has transitioned from a well water system to purchasing water from the City of Asheville. This transition was completed in August 2017 and required the installation of new water lines and the abandonment of equipment used by Fairfield to pump and treat well water.

5. The water system has not been issued any unresolved Notice of Violations by the North Carolina Department of Environmental Quality (NCDEQ), Division of Water Resources, in the past three years.

6. No complaints were received by the Public Staff or the Commission subsequent to customer notice.

7. The quality of service provided by Fairfield to its customers is adequate.

8. Fairfield's present rates were established by Order dated October 29, 2004, in Docket No. W-1226, Sub 0, and modified by Order dated February 13, 2015, in Docket Nos. W-1226, Sub 2 and M-100, Sub 138. The present docket is Fairfield's first general rate case proceeding since the Application for a Certificate of Public Convenience and Necessity to Furnish Water Utility Service in Fairfield Water System in Henderson County, North Carolina was approved by the Commission on October 29, 2004, in Docket No. W-1226, Sub 0.

9. Fairfield’s present and proposed rates are as follows:

<u>Water Utility Service:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Monthly Metered Water Rates:</u>		
Base Charge, zero usage – Apartment Building	\$ 84.48	\$ 121.32
Base Charge, zero usage – Church	\$ 21.12	\$ 30.33
 Usage Charge, per 1,000 gallons	 \$ 2.16	 \$ 4.76
<u>Reconnection Charges:</u>		
Cut-off by utility for good cause	\$ 14.40	\$ 15.00
Cut-off at customer’s request	\$ 14.40	\$ 15.00

10. The original cost rate base for use in this proceeding is \$44,954, consisting of plant in service of \$44,557 plus cash working capital of \$3,312, less accumulated depreciation of \$2,915.

11. The appropriate level of total annual operating revenues for use in this proceeding is \$16,498 under Fairfield’s present rates, and \$27,590 under Fairfield’s proposed rates. Total annual operating revenues include \$11 in miscellaneous revenues.

12. The appropriate annual level of service revenues, after Public Staff adjustments, under present rates is \$16,487, and under the Applicant’s proposed rates is \$27,579.

13. The Applicant requested an increase in rates that would produce \$11,092 in additional service revenues, an increase of 67% over present annual service revenues as adjusted by Public Staff Utilities Engineer Franklin.

14. The total rate case costs for this proceeding are \$117. These costs should be amortized over three years, resulting in annual rate case expense of \$39.

15. For purposes of this proceeding, the appropriate level of operations and maintenance expenses is \$26,496.

16. The appropriate level of depreciation and amortization expense for use in this proceeding is \$1,154.

17. It is reasonable and appropriate to calculate regulatory fees expense using the regulatory fee rate of 0.13% effective July 1, 2019, pursuant to the Commission’s June 18, 2019 Order issued in Docket No. M-100, Sub 142.

18. 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.

19. The Applicant's request to increase the reconnection charge, if water utility service is cut off for good cause or at the customer's request, from \$14.40 to \$15.00 is reasonable and should be approved.

20. The appropriate level of total operating revenue deductions under present rates for use in this proceeding is \$27,671. Operating revenue deductions exclusive of regulatory fee and income taxes amount to \$27,650.

21. The rate base method is the appropriate method for determining Fairfield's revenue requirement for water operations in this proceeding.

22. The rates proposed by the Applicant will produce an overall rate of return of (0.22%) on rate base. This return is not in excess of a reasonable level, and accordingly, the proposed rates are reasonable.

23. The Public Staff has calculated a recommended revenue requirement for annual service revenues of \$27,579.

24. The Public Staff is in agreement with Fairfield's proposed revenue requirements and proposed rates. The rates proposed by Fairfield and recommended by the Public Staff are just and reasonable and should be approved. These rates are as follows:

<u>Water Utility Service:</u>	<u>Rates</u>
<u>Monthly Metered Water Rates:</u>	
Base Charge, zero usage – Apartment Building	\$ 121.32
Base Charge, zero usage – Church	\$ 30.33
Usage Charge, per 1,000 gallons	\$ 4.76
<u>Reconnection Charges:</u>	
Cut-off by utility for good cause	\$ 15.00
Cut-off at customer's request	\$ 15.00

25. Fairfield has notified the Public Staff regarding its acceptance of the rates proposed in the Public Staff's affidavits and exhibits.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

The evidence for the foregoing findings of fact is contained in the application; the Commission records; the uncontested affidavits and exhibits of Public Staff Engineer D. Michael Franklin and Public Staff Accountant Iris Morgan; the Public Staff's motion; and the Public Staff's summary of Fairfield's present and proposed water revenues filed on October 22, 2019. Based upon the foregoing and the entire record in this proceeding, the Commission reaches the following conclusions pertaining to Fairfield's application for a general rate increase.

In regard to the quality of service provided by Fairfield, Public Staff Engineer Franklin stated that, based upon the Public Staff's investigation, the information provided by the Applicant and the NCDEQ, and the absence of any customer complaints, the Public Staff concludes that Fairfield is providing adequate service to its customers. Therefore, based upon the Public Staff's engineering and service quality investigation, the Commission finds and concludes that the quality of water utility service provided by the Applicant to its customers is adequate.

Concerning the increase in rates and charges requested by Fairfield, the Commission finds and concludes that the Applicant has sufficiently demonstrated the need to increase its rates and charges for providing water utility service. The Commission, therefore, concludes that the rates and charges proposed by Fairfield, and recommended by the Public Staff are just and reasonable and should be approved. Such rates and charges are set forth in the affidavit of Public Staff Utilities Engineer Franklin filed on October 11, 2019, in the Public Staff's summary of Fairfield's present and proposed water revenues filed on October 22, 2019, and in the Schedule of Rates (Appendix A) attached hereto. Consequently, the Commission finds and concludes that Fairfield should be allowed to increase its rates and charges so as to produce total annual operating revenues of \$27,590, comprised of \$27,579 in service revenues and \$11 in miscellaneous revenues. Moreover, the Commission determines that the adjusted levels of rate base, revenues, and expenses set forth in Public Staff Morgan Exhibit I, attached to the affidavit of Public Staff Accountant Morgan, are the appropriate levels for use in this proceeding. Such amounts are supported by the affidavits and exhibits of Public Staff affiants Franklin and Morgan which were filed on October 11, 2019 and the Public Staff's summary of Fairfield's present and proposed water revenues filed on October 22, 2019.

IT IS, THEREFORE, ORDERED as follows:

1. That the affidavits and exhibits of D. Michael Franklin, Utilities Engineer, Public Staff Water, Sewer, and Telephone Division, and Iris Morgan, Staff Accountant, Public Staff Accounting Division filed by the Public Staff on October 11, 2019, and the Public Staff's summary of Fairfield's present and proposed water revenues filed on October 22, 2019, in this docket are hereby received as evidence in this proceeding.

2. That Fairfield is hereby authorized to increase its rates and charges for water utility service in the Fairfield Water System in Henderson County, North Carolina as stated herein.

3. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed filed with the Commission pursuant to N.C. Gen. Stat. § 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, attached hereto as Appendix B, shall be mailed or hand delivered by the Applicant to all customers of Fairfield contemporaneously with the next billing of customers; and that Fairfield shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 10 days after the date of the next billing.

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of October, 2019.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Kimberley A. Campbell". The signature is written in a cursive style with a large initial 'K'.

Kimberley A. Campbell, Chief Clerk

SCHEDULE OF RATES

for

FAIRFIELD WATER COMPANYfor providing water utility service inFAIRFIELD WATER SYSTEM

Henderson County, North Carolina

Monthly Metered Water Rates:

Base Charge, zero usage – Apartment Building	\$ 121.32
Base Charge, zero usage – Church	\$ 30.33
Usage Charge, per 1,000 gallons	\$ 4.76

Reconnection Charges:

If water service cut-off by utility for good cause	\$ 15.00
If water service discontinued at customer's request	\$ 15.00

Returned Check Charge: \$ 24.00Bills Due: On billing dateBills Past Due: 15 days after billing dateBilling Frequency: Shall be monthly for service in arrearsFinance Charges for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1226, Sub 3, on this 23rd day of October, 2019.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

NOTICE TO CUSTOMERS
DOCKET NO. W-1226, SUB 3
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 Fairfield Water Company. The Order approved the following rates for water utility service provided on and after the date of this Notice.

Approved
Rates

Monthly Metered Water Rates:

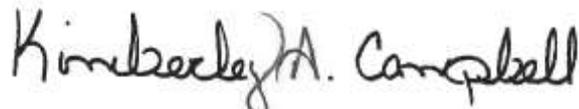
Base Charge, zero usage – Apartment Building	\$ 121.32
Base Charge, zero usage – Church	\$ 30.33
Usage Charge, per 1,000 gallons	\$ 4.76

Reconnection Charges:

If water service cut-off by utility for good cause	\$ 15.00
If water service discontinued at customer's request	\$ 15.00

This the 23rd day of October, 2019.

NORTH CAROLINA UTILITIES COMMISSION



Kimberley A. Campbell, 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-1226, Sub 3, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2019.

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-1226, Sub 3.

Witness my hand and notarial seal, this the ____ day of _____, 2019.

Notary Public

Printed Name

(SEAL) My Commission Expires:

Date