

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1034, SUB 13

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application of Water Resources, Inc., for)
Authority to Adjust and 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
GREGORY J. REGER
PUBLIC STAFF –
NORTH CAROLINA
UTILITIES COMMISSION**

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Gregory J. Reger, being first duly sworn do depose and say:

I am a Public Utilities Regulatory Analyst with the Economic Research Division of the Public Staff of the North Carolina Utilities Commission (Public Staff), which represents the using and consuming public.

I received a Bachelor of Arts degree in Business, with a Minor in Mathematics from Lake Forest College in 2008, and a Master of Public Administration degree from Syracuse University in 2012. Prior to joining the Public Staff in December of 2023, I held data analytics, budget and performance management, and process improvement roles at the local and federal government level for ten years; I was awarded a one-year local government management fellowship with the City of Hamilton, Ohio Electric Department; and I was a

Contractor Operations Specialist/Assessor & Final Inspector for two years in the Weatherization Department of a nonprofit in Chicago. Since joining the Public Staff, I have conducted rate of return and financial viability studies in water and wastewater utility cases and filed an affidavit on fair rate of return in a small water and sewer utility rate case in Docket No. W-1263, Sub 4. In addition, I have been involved in the evaluation of ferry operations, as well as the investigation and analysis of electric utilities' proposed riders, avoided cost rates, and integrated resource plans.

The purpose of my affidavit is to make a recommendation to the North Carolina Utilities Commission (Commission) regarding the 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 services in the Rocky River Plantation Subdivision in Cabarrus County and the River Walk Subdivision in Mecklenburg County, North Carolina.

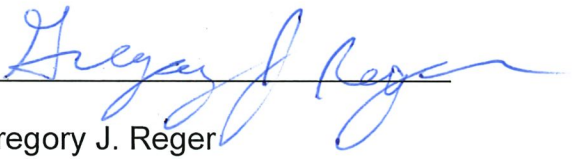
For the water utility service in the Rocky River Plantation service area, I recommend that WRI be granted a 7.00% return on rate base. After investigation, the Public Staff has determined that WRI's rate base for this service area is greater than the reasonable level of operating expenses. As allowed under N.C. Gen. Stat. § 62-133, I have used the rate base method to evaluate the Company's proposed rate increase for the Rocky River Plantation service area. This recommended overall rate of return recommendation is based on a cost rate of long-term debt of 4.20%, and a cost rate for common equity of 9.80%. The overall rate of return is to

be used in conjunction with a reasonable capital structure consisting of 50% debt and 50% equity.

For the water utility service in the River Walk service area, I recommend that WRI be granted a 7.00% margin on expenses. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses for this service area. 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 the River Walk service area.

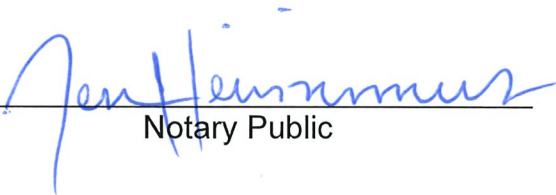
As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service. In considering these factors 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 interest rate on bonds that reflect investor expectations of the future levels of inflation. In my opinion, the recommended rate of return on rate base for Rocky River Plantation and recommended operating margin for River Walk provide an adequate level of income after interest expense. The 7.00% overall rate of return on rate base for the Rocky River Plantation service area and 7.00% margin on expenses for the River Walk service area are also consistent with other approved overall rates of return for other water and sewer utilities in North Carolina.

For these reasons, I recommend to the Commission that WRI be granted a 7.00% rate of return on rate base for the Rocky River Plantation service area and 7.00% margin on expenses for the River Walk service area. This concludes my affidavit.



Gregory J. Reger

Sworn to and subscribed before me,
This the 10th day of April 2024.



Notary Public

Jessica Heironimus
Printed Name



My Commission expires: June 4, 2028

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing has been served on all parties of record or their attorneys, 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 12th day April, 2024.

Electronically submitted
/s/ Gina C. Holt
Staff Attorney