



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

March 12, 2024

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket Nos. W-1263, Sub 4 – 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

Dear Ms. Dunston,

Attached for filing on behalf of the Public Staff in the above-referenced docket is the Settlement Agreement and Stipulation and Exhibit 1. Exhibit 1 is confidential in its entirety.

By copy of this letter, we are forwarding a copy of the confidential version to JPC Utilities, LLC. The public version will be sent to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ Davia A. Newell
Staff Attorney
davia.newell@psncuc.nc.gov

/s/ James Bernier, Jr.
Staff Attorney
james.bernier@psncuc.nc.gov

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Legal
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Transportation
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(919) 733-5610

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing has been served on JPC Utilities, LLC, 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 of March, 2024.

Electronically submitted
/s/ James Bernier, Jr.
Staff Attorney

**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) **SETTLEMENT AGREEMENT**
Wastewater Utility Service in its Service) **AND STIPULATION**
Areas in Guilford County, North Carolina)

JPC Utilities, LLC (JPC or Company), and the Public Staff - North Carolina Utilities Commission (Public Staff) (collectively the Stipulating Parties), through counsel and pursuant to N.C. Gen. Stat. § 62-69 and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), respectfully submit the following Settlement Agreement and Stipulation (Stipulation) for consideration by the Commission in this proceeding. The Stipulating Parties hereby stipulate and agree as follows:

I. BACKGROUND

A. On September 6, 2023, JPC filed an Application for Rate Increase (Application) pursuant to N.C. Gen. Stat. §§ 62-133 and 62-134 and Commission Rules R1-4, R1-5, and R1-17, along with the direct testimony and exhibits of Darlene Peedin and Philip M. Cooke. In the Application, JPC requested an increase in rates for providing water and sewer utility service in its service areas in Guilford County, North Carolina. JPC provides water utility service to

approximately 68 metered customers and wastewater utility service to approximately 58 metered customers.

B. On October 3, 2023, the Commission issued an Order Establishing General Rate Case and Suspending Rates.

C. On October 20, 2023, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order). The Scheduling Order set a public witness hearing for 7:00 p.m. on Wednesday, January 17, 2024, to be held at the Guilford County Courthouse. The Scheduling Order provided that the public witness hearing could be cancelled if no significant protests were received on or before January 3, 2024. The Scheduling Order also scheduled an expert witness hearing for 10:00 a.m. on March 5, 2024, for the purpose of receiving expert witness testimony from JPC, the Public Staff, and any other party of record.

D. On January 4, 2024, the Public Staff filed a motion and proposed order to cancel the public witness hearing, stating that no significant protest had been received.

E. 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 expert witness hearing to 10:00 a.m. on March 13, 2024.

F. Statements of customer positions, which were mailed prior to the January 3rd deadline for receipt of protest statements, were received by the Public Staff after the Commission's order canceling the public hearing was issued. The Public Staff filed these statements and recommended that a remote public witness hearing be held.

G. 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.

H. Subsequent to the filing of the Company's Application in this docket, the Public Staff engaged in substantial discovery regarding the matters addressed in the Company's Application, its testimony, its exhibits, and its updates, including but not limited to further examining the relevant books and records of JPC, and sending out data requests and reviewing the responses thereto. The Public Staff also conducted a field inspection of JPC's systems.

I. On January 31, 2024, the Public Staff filed the Direct Testimony and Exhibit of Lindsay Q. Darden, Utilities Engineer; 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.

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

K. The Stipulating Parties participated in settlement discussions following the Public Staff's investigation of the Company's Application and the filing of the Public Staff's direct testimony and the Company's rebuttal testimony.

L. After settlement negotiations, in which certain concessions from their respective litigation positions were made by both Stipulating Parties, the Stipulating Parties were ultimately able to arrive at a joint settlement proposal, the terms of which are reflected in the following sections of this Stipulation and supported by the joint settlement testimony of Public Staff witnesses Lentz and Darden.

II. STIPULATION AND AGREEMENT OF THE STIPULATING PARTIES

The Stipulating Parties have reached an agreement regarding resolution of all issues in this case, and they hereby agree and stipulate as follows:

A. Rate Case Expense

Audited actual rate case expense through the close of hearing and post hearing expenses up to and not to exceed \$2,000 of actual audited expenses will be included in the calculation of the final revenue requirement in the accounting schedules to be filed upon the completion of the audit. The Stipulating Parties

agree that the rate case expense in the current proceeding will be amortized over a 4-year period.

B. Maintenance and Repair Expense

1. The Company has stated in rebuttal testimony its acceptance of certain adjustments by the Public Staff, namely:
 - Reclassify per books salaries expenses into the salaries expense line item.
 - Remove invoices dated outside the test year.
 - Calculate allocation factors based on end of period customers.
2. The Public Staff has accepted the direct assignment of maintenance and repair (M&R) expenses identified in JPC's general ledger as either water or sewer, and then the application of the Public Staff's allocation factors to the remaining balance of M&R expenses.
3. The Stipulating parties agree with JPC's end of period M&R expenses of \$9,545 for water and \$31,332 for sewer as shown in JPC Peedin Rebuttal Exhibit I.
4. The Joint Settlement Testimony of Public Staff witnesses Lentz and Darden will also address this expense.

C. RATE BASE

1. The Stipulating Parties agree with the adjustments in rate base reflected in Public Staff Lentz Exhibit 1, Schedule 2, with cash working capital subject to change based on the updated rate case expense.
2. The original cost rate base used and useful in providing service to the Company's customers for use in this case is \$77,837, consisting of plant in service of \$66,258, reduced by accumulated depreciation of \$31,199 and average tax accruals of \$2,839.

D. RATE OF RETURN

The Stipulating Parties agree that the Company should be granted a 7.00% margin on operating expenses based on the operating ratio methodology as allowed under N.C.G.S. § 62-133.1 and recommended by Public Staff witness Reger.

E. REVENUE REQUIREMENT AND RATES

1. The revenue requirement effects of this Stipulation provide sufficient support for the annual revenue required on the issues agreed to in this Stipulation.
2. The Public Staff, after consultation and agreement with the Company, will file accounting schedules detailing the final revenue requirement prior to filing the joint proposed order, schedule of rates, and notice to customers.

III. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER

A. The Stipulating Parties will act in good faith to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket. The Stipulating Parties further agree that this Stipulation is in the public interest because it reflects a give-and-take settlement of contested issues.

B. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties but reflect instead the compromise and settlement between the Stipulating Parties as to all issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties regarding any issue in any other proceeding or docket before this Commission or in any court.

C. This Stipulation is a product of negotiation between the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

IV. INTRODUCTION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

The pre-filed testimony and exhibits of the Stipulating Parties may be received in evidence without objection, and each Party waives all right to cross-

examine any witness with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner or Hearing Examiner, or if questions are asked or positions are taken by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and examining any witness with respect to such testimony and exhibits.

V. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY


This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on either of the Stipulating Parties unless the entire Settlement Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

VI. COUNTERPARTS

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 12th day of March, 2024.

JPC Utilities, LLC



David T. Drooz
Attorney for JPC Utilities, LLC

Public Staff - North Carolina Utilities Commission

Christopher J. Ayers
Executive Director

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JPC Utilities, LLC

David T. Drooz
Attorney for JPC Utilities, LLC

Public Staff - North Carolina Utilities Commission



Christopher J. Ayers
Executive Director

CONFIDENTIAL
DOCKET NO. W-1263, SUB 4
EXHIBIT 1