

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1075, SUB 12

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by KRJ, Inc., d/b/a KRJ Utilities,)
for Authority to Increase Rates for Water and)
Sewer Utility Service in Its Southern Trace) ORDER ON MOTION
and Rockbridge Subdivisions in Wake County,)
North Carolina)

BY THE CHAIR: On January 10, 2018, KRJ, Inc., d/b/a KRJ Utilities (KRJ or Company) filed an application with the Commission seeking authority to increase its rates and charges for water utility service in Southern Trace Subdivision and for water and sewer utility service in Rockbridge Subdivision, both in Wake County, North Carolina.

On August 6, 2018, the Commission issued an Order Approving Stipulation with a Condition, Granting Partial Rate Increase, and Requiring Customer Notice (Rate Case Order). Pursuant to the Rate Case Order, KRJ was authorized to increase its rates partially, but Ordering Paragraph 14 requires the Company to:

update the Commission on a quarterly basis concerning the status of the project to restore Well 2 in Southern Trace to increased pumping capacity. The first quarterly report shall be filed on or before October 15, 2018, for the quarter ending September 30, 2018. Such quarterly reporting shall continue until the actual project completion date has been reported by KRJ.

Rate Case Order at 31.

KRJ consistently filed the required quarterly reports from October 10, 2018, until October 17, 2022. Thereafter it ceased filing the required quarterly reports. Thus, KRJ has failed to file any quarterly reports since October 17, 2022. Consequently, on April 8, 2024, the Public Staff filed a motion requesting an order to show cause as to why KRJ should not be required to pay penalties as authorized by N.C. Gen. Stat. § 62-310(a) for its violations of the Rate Case Order (Motion).

In support of its Motion, the Public Staff provides that through July 11, 2022, James Butler, former Vice President of Management Group of NC, Inc., and Contract Manager of KRJ, had filed the previous quarterly reports of KRJ. On June 13, 2022, the Public Staff emailed Mr. Butler Public Staff Engineering Data Request No. 8 (EDR 8) which was prepared by Mr. Charles Junis, Director of the Public Staff's Water, Sewer, and Telephone Division. On June 22, 2022, Mr. Butler responded to EDR 8 on behalf of KRJ. However, KRJ's October 17, 2022, quarterly report was filed by John Wiley Johnson, PE, Contract Manager of KRJ Utilities.

On October 22, 2022, Mr. Butler provided notice via email to the Commission and the Public Staff that after managing the utility for over 20 years, he had resigned from his position and that he and his management company would cease management of the KRJ facility at the end of 2022. Mr. Butler explains that KRJ is in transition as it obtains replacement personnel or a contractor to manage the facility and provides the name, address, phone number, and email address for Robert R. Stafford, President of KRJ, as the updated contact person for the Company.

On June 16, 2023, Mr. Junis called Mr. Stafford and left a message informing him that KRJ was delinquent in filing its quarterly status reports and requesting that the Company file the reports as soon as possible. Mr. Junis did not receive a return call. Further, on August 18, 2023, Mr. Junis emailed Mr. Stafford requesting that he file the missing quarterly status reports due from October 14, 2022, through June 30, 2023, not later than August 31, 2023. The Public Staff did not receive a response to this email.

The Public Staff then contacted Robert Bennink, attorney for KRJ, to obtain the contact at KRJ regarding delinquent reports. Mr. Bennink referred the Public Staff to Mr. Johnson, the individual that filed the most recent quarterly status report. On September 20, 2023, Mr. Junis emailed Mr. Johnson regarding the delinquent filings and on October 4, 2023, Mr. Johnson responded that he thought KRJ had retained someone to prepare the Public Staff documents, but now understands those documents were for another purpose, and he would “make an effort to respond ASAP.” Motion Exhibit 2. Mr. Johnson included in his email response a brief status update on the Company’s efforts to obtain additional water supply for the Southern Trace service area.

The Public Staff notes that as of the date of the filing of its Motion, no updates have been filed and KRJ has failed to file six quarterly status reports since its last filing on October 17, 2022. Additionally, the Public Staff has been in communication with the North Carolina Department of Environmental Quality, Division of Water Resources, Public Water Supply Section (PWSS) regarding KRJ’s compliance and the status of approval of the new Well #4 for Southern Trace and understands PWSS is also experiencing similar reporting and responsiveness issues with KRJ.

The Public Staff states that it does not believe KRJ has restored the pumping capacity from Well #2 and is concerned about the status of service quality and reliability to KRJ’s customers. Prior to filing the instant Motion, the Public Staff considered the transition period from the Company’s long-time manager to new management; however, the transition occurred more than a year ago and despite several requests for updates, KRJ continues to disregard its responsibility to comply with the Rate Case Order.

The Public Staff requests that the Commission order the Company (1) to appear and show cause why a substantial penalty of at least \$1,000 per day should not be imposed for violation of the Rate Case Order; (2) to file the delinquent quarterly reports, or a cumulative update for the delinquent period, and then continue to file quarterly reports until otherwise ordered; and (3) to comply with Commission Rule R7-7 by taking reasonable and prudent actions in a timely manner.

Based on the Public Staff's motion and the record in this docket, the Chair determines that KRJ has not complied with the terms of the Rate Case Order entered on August 6, 2018, and finds that KRJ should file a cumulative update for the delinquent reporting period, including, specifically, the status of pumping capacity at Well #2.

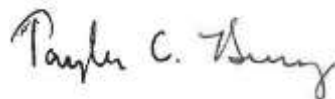
IT IS, THEREFORE, ORDERED as follows:

1. That KRJ shall file a cumulative update for the delinquent reporting period no later than 30 days after the date of this Order including, specifically, the status of pumping capacity at Well #2;
2. That if KRJ does not timely file the cumulative update requested in this Order, then the Commission will by subsequent order schedule a hearing requiring KRJ to appear and show cause why a substantial penalty should not be imposed for the Company's violations of the Rate Case Order issued on August 6, 2018;
3. That KRJ shall continue to file quarterly reports concerning the status of the project to restore Well #2 in Southern Trace to increased pumping capacity until the actual project completion date has been reported by KRJ as required by the Rate Case Order; and
4. That KRJ shall comply with Commission Rule R7-7 by taking reasonable and prudent actions in a timely manner.

ISSUED BY ORDER OF THE COMMISSION.

This the 2nd day of May, 2024.

NORTH CAROLINA UTILITIES COMMISSION



Taylor C. Berry, Deputy Clerk