

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1136, SUB 3

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by JAARS, Inc., Post Office Box)
248, Waxhaw, North Carolina 28173, for)
Authority to Increase Rates for Water Utility) NOTICE OF AFFIDAVIT
Service in All of Its Service Areas in Union)
County, North Carolina)

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission,
by and through its Executive Director, Christopher J. Ayers, as constituted by
N.C. Gen. Stat. § 62-15, and gives notice that the Affidavit of:

Calvin C. Craig, III, Financial Analyst, Economic Research Division
Public Staff - North Carolina Utilities Commission
430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4300

will be used in evidence at the hearing in this docket scheduled for
November 10, 2020, pursuant to N.C. Gen. Stat. § 62-68. The affiant will not be
called to testify orally and will not be subject to cross-examination unless an
opposing party or the Commission demands the right of cross-examination by
notice mailed or delivered to the proponent at least five days prior to the hearing,
pursuant to N.C. Gen. Stat. § 62-68.

THEREFORE, the Public Staff moves that the Affidavit of Calvin C. Craig, III
be admitted into evidence in the absence of notice pursuant to
N.C. Gen. Stat. § 62-68.

Respectfully submitted this the 9th day of September, 2020.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

Dianna W. Downey
Chief Counsel

Electronically submitted
/s/ Reita D. Coxton
Staff Attorney
reita.coxton@psncuc.nc.gov

430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4300
Telephone: (919) 733-6110

CERTIFICATE OF SERVICE

I certify I have this day served a copy of the foregoing Notice of Affidavit and Affidavit on each of the parties of record in this proceeding or their attorneys of record by causing a copy to be deposited in the United States Mail, postage prepaid, properly addressed to each or by electronic delivery upon agreement from the parties.

This the 9th day of October, 2020.

Electronically submitted
/s/ Reita D. Coxton
Staff Attorney

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1136, SUB 3

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by JAARS, Inc., Post Office)
Box 248 Waxhaw, North Carolina 28173) AFFIDAVIT OF
for Authority to Increase Rates for Water Utility) CALVIN C. CRAIG, III
Service in All of Its Service Areas in Union)
County, North Carolina)

State of North Carolina

County of Wake

I, Calvin C. Craig, III, being first duly sworn do depose and say:

I am a Public Utilities Financial Analyst with the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a BS degree in Industrial Relations from the University of North Carolina at Chapel Hill in 1985, an MBA degree from East Carolina University in 1993, and a Juris Doctor degree from North Carolina Central University in 2006. Since joining the Public Staff in November 1995, I have been involved with natural gas expansion projects, have conducted rate of return studies, and have filed affidavits assessing financial viability and a fair rate of return in numerous water utility rate cases.

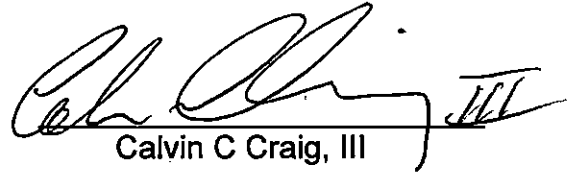
The purpose of my affidavit is to make a recommendation to the Commission regarding a fair rate of return to be employed as a basis for determining the appropriate revenue requirements for JAARS, Inc., (JAARS or the Company) to provide water utility service in all of its service areas in Union County, North Carolina

For the water utility service of JAARS, I recommend that they be granted a 7.50% margin on expenses which relates to an operating ratio of 93.03% (including taxes) or 93.02% (excluding taxes). This recommendation is based upon my investigation of the cost of capital for small water and sewer companies. As allowed under G. S. 62-133.1, I have used the operating ratio method to evaluate JAARS's proposed rate increase. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses.


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 operating margin provides an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that JAARS be granted a 7.50% margin on expenses. This concludes my affidavit.


Calvin C Craig, III

Sworn to and subscribed before me,
This the 8th day of October, 2020.


Notary Public
JOANNE M. BERUBE
Printed Name

Joanne M. Berube
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 12-17-2022.

My Commission expires 12/17/2022