



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 4, 2019

Janice H. Fulmore, Deputy Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Re: Docket No. W-1250, Sub 7

Dear Ms. Fulmore:

In connection with the above-captioned docket, I transmit herewith for filing on behalf of the Public Staff the Affidavit of Lindsay Darden.

By copy of this letter, I am serving all parties of record.

Sincerely yours,
Electronically submitted
s/ John D. Little
john.little@psncuc.nc.gov

JDL/sld

Executive Director
(919) 733-2435

Communications
(919) 733-2810

Economic Research
(919) 733-2902

Legal
(919) 733-6110

Transportation
(919) 733-7766

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Electric
(919) 733-2267

Natural Gas
(919) 733-4326

Water
(919) 733-5610

4326 Mail Service Center • Raleigh, North Carolina 27699-4326
An Equal Opportunity / Affirmative Action Employer

OFFICIAL COPY

Sep 04 2019

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1250, SUB 7

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Saxapahaw Utility Company,)	
Post Office Box 128, Saxapahaw, North)	AFFIDAVIT OF
Carolina 27340, for Authority to Increase Rates)	LINDSAY DARDEN
for Water Utility Service in all its service areas)	
in Alamance County, North Carolina)	

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Lindsay Darden, being duly sworn, do depose and say:

My name is Lindsay Darden. My business address is 430 North Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a Utilities Engineer with the Public Staff's Water, Sewer & Telephone Division.

I graduated from North Carolina State University, earning a Bachelor of Science Degree in Civil Engineering. I am a licensed Professional Engineer (State of North Carolina #042110). I am also a certified as a B-Well Operator (#130281) by the North Carolina Operators Certification Board. I worked for the North Carolina Department of Environmental Quality (NCDEQ), Public Water Supply Section for four years and then joined the Public Staff in December 2016. I have presented recommendations in water/sewer rate proceedings, new franchise applications, and other matters relating to water and sewer utility regulation before the Commission.

My duties with the Public Staff are to monitor the operations of regulated water and sewer utilities with regard to rates and service. Included in these duties are field

investigations to review, evaluate, and recommend changes, when needed, in the design, construction, and operations of regulated water and sewer utilities; presentation of expert testimony in formal hearings; and presentation of information, data, and recommendations to the Commission.

The purpose of this affidavit is to describe my investigation and make recommendations concerning the application filed by Saxapahaw Utility Company (Saxapahaw or Applicant) with the Commission on March 14, 2019, seeking authority to increase its rates for water utility service in all of its service areas in Alamance County, North Carolina.

On April 5, 2019, the Commission issued an order establishing a general rate case, suspending rates, requiring customer notice and scheduling a customer hearing subject to cancellation if no significant protests were received subsequent to customer notice. The Certificate of Service was filed on July 19, 2017, stating that all customers were noticed on or before May 5, 2019. There were no customer protests and on July 19, 2019, the Commission issued an order cancelling the hearing and requiring customer notice.

My investigation of the rate case included: a field inspection, review of company records, and review of records from the NCDEQ. I have conducted an analysis of revenues at existing and proposed rates, and assisted Public Staff Accountant Shawn Dorgan in reviewing capital improvements and expenses.

The water system currently serves approximately 120 residential connections and 32 commercial connections. Four (4) of the residential connections are for a condominium complex with 72 residential units.

Saxapahaw Utility Company's system consists of three (3) active wells with three (3) entry points, well houses, and chlorine feed equipment. Orthophosphate is fed at Well No. 3 to sequester iron and manganese. Storage and pressure are provided by a 50,000-gallon elevated tank, a 12,500-gallon hydro-pneumatic tank, and seven (7) backup well pressure tanks. The backup well pressure tanks are located in the well houses.

On June 26, 2019, Public Staff Accountant Dorgan accompanied me on a field inspection of Saxapahaw's water system. We met with Deborah Perotti, Arthur Ferguson, and Carter Jordan of Saxapahaw Utility Company, who together provided a guided tour of the Company's facilities. The treatment and distribution facilities appeared to be operating properly.

Saxapahaw's presently charged and proposed water utility service rates are as follows:

RESIDENTIAL & COMMERCIAL WATER UTILITY SERVICE:

<u>Monthly Metered Rates:</u>	<u>Present</u>	<u>Proposed</u>
Base charge, zero consumption		
<1" meter	\$ 29.72	\$ 32.69
1" meter	\$ 74.35	\$ 81.79
1.5" meter	\$ 148.67	\$ 163.54
2" meter	\$ 237.87	\$ 261.66
3" meter	\$ 446.01	\$ 490.61
4" meter	\$ 743.34	\$ 817.67
6" meter	\$ 1,486.68	\$ 1,635.35
Usage charge, per 1,000 gallons	\$ 7.10	\$ 7.81

OTHER CHARGES:

New Account	\$ 35.48	\$ 39.03
Returned Check	\$ 25.00	\$ 27.50
Reconnect (during work hours, cut-off for good cause)		
	\$ 35.48	\$ 39.03
Reconnect (after hours, holiday, weekends)		
	\$ 70.96	\$ 78.06
Discontinued (during work hours, cut-off requested)		
	\$ 35.48	\$ 35.48
Late Charge	1% per month	1% per month

I have calculated annual water revenues of \$137,871 under the currently approved rates and \$151,655 under the Applicant's proposed rates. In calculating the revenues, the amount of gallons sold provided on the Application was adjusted after billing discussions with Deborah Perotti. The commercial customer, "Building B", consists of a compound meter followed by smaller, separate meters. Both readings are included in the total gallons sold provided on the Application, yet the billing is adjusted to only charge the customer the compound meter usage. The double reading of gallons sold to Building B was removed from the total gallons sold when calculating the annual water revenues. Calculation of the present and proposed annual revenues are shown in Darden Exhibit 1.

The water system has not been issued any unresolved Notice of Violations by NCDEQ, Division of Water Resources since before the last rate case. Based on the lack of customer protests, information provided by the Applicant and

NCDEQ, and the Public Staff's investigation, I have found that the Applicant is providing adequate service to the customers.

In conjunction with Public Staff Accountant Dorgan, I have reviewed the following expenses for the Test Year Ended December 31, 2018: Saxapahaw's administrative and office, maintenance and repair, chemicals, power, water quality testing, and permit fee expenses, and make recommendations as follows¹:

	<u>Application</u>	<u>Adjustment</u>	<u>Expense</u>
Administrative and Office	\$ 1,373	\$ 0	\$ 1,373
Maintenance and Repair	\$ 11,813	(\$ 8,654)	\$ 3,159
Chemicals	\$ 1,425	(\$ 587)	\$ 838
Power	\$ 6,857	\$ 0	\$ 6,857
Testing	\$ 731	\$ 1,207	\$ 1,938
Permit Fees	\$ 356	\$ 307	\$ 663

Upon review of the water quality testing expenses, it was determined that Saxapahaw did not include testing that will be required in years outside the test year, due to testing frequencies being greater than once per year, as presented in the Application. Saxapahaw provided the testing costs from their contracted laboratory, Meritech, Incorporated. The testing that is not required on an annual basis was annualized and proportionally included in the average yearly testing expense. The North Carolina Rural Water Association (NCRWA) completes the Annual CCR report for Saxapahaw at no additional cost to the Company. Calculation of the water quality testing expense is shown in Darden Exhibit 2.

¹ See Affidavit of Public Staff Accountant Dorgan, and Dorgan Exhibit I, Schedule 3

For the permit fees expense, invoices provided for operator license renewal fees, annual reporting fees, annual boiler inspection fee, and NCDEQ permit renewal fees have been verified and included in the Public Staff recommendation.

In conjunction with Public Staff Accountant Dorgan, I reviewed Saxapahaw's additions to plant in service and recommend the following additions/adjustments to plant in service²:

	Company	Public Staff	
	<u>Application</u>	<u>Adjustment</u>	<u>Plant</u>
Pump installation	\$ 0	\$ 6,464	\$ 6,464
Well pressure tank installation	\$ 0	\$ 2,250	\$ 2,250
Piping installation	\$ 0	\$ 1,153	\$ 1,153
Check valve installation	\$ 0	\$ 410	\$ 410
Meter installation	\$ 0	\$ 1,598	\$ 1,598
Chemical feed pump installation	\$ 0	\$ 452	\$ 452

The chemical feed pump item is a reclassification of an expensed cost originally filed by Saxapahaw under chemical expenses. The check valve and piping items and a portion of the pump installation above are reclassifications of expensed costs originally filed by Saxapahaw under maintenance and repair expenses.

The plant in service items are further detailed in Public Staff Accountant Dorgan Exhibit I, Schedule 2-1, with my recommended depreciation lives.

² See Affidavit of Public Staff Accountant Dorgan, and Dorgan Exhibit I, Schedule 2-1

The following adjustment was made to the Returned Check fee to comply with the General Statute 25-3-506 which states that the processing fee for a returned check is not to exceed twenty-five dollars.

	<u>Application</u>	<u>Adjustment</u>	<u>Fee</u>
Returned Check	\$ 27.50	(\$ 2.50)	\$ 25

Based upon the Public Staff's investigation and the absence of customer complaints, with the exception of the recommended returned check fee, the Public Staff finds that the rates requested by Saxapahaw are justified, and should be approved.

The Company has agreed with the Public Staff's adjustments.

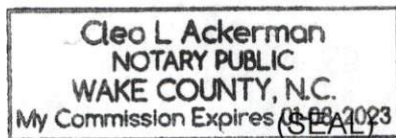
This completes my affidavit.


Lindsay Darden

Witness my hand and notarial seal, this the 4th day of September, 2019.


Notary Public

Cleo L. Ackerman
Printed or Typed Name



Commission Expires: 01-08-2023

Present Revenue

<u>Rate Description</u>	<u>Meter Size</u>	<u>Accounts</u>	<u>Base Charge</u>	<u>Base Charge Monthly</u>	<u>Base Charge Annual</u>				
Residential	3/4 inch	117	\$ 29.72	\$ 3,477.24	\$ 41,727				
Residential	1 inch	1	\$ 29.72	\$ 29.72	\$ 357				
Residential	2 inch	2	\$ 29.72	\$ 59.44	\$ 713				
Commercial	3/4 inch	25	\$ 29.72	\$ 743.00	\$ 8,916				
Commercial	1 inch	2	\$ 74.35	\$ 148.70	\$ 1,784				
Commercial	1 1/2 inch	1	\$ 148.67	\$ 148.67	\$ 1,784				
Commercial	2 inch	4	\$ 237.87	\$ 951.48	\$ 11,418				
Commercial	3 inch	0	\$ 446.01	\$ -	\$ -				
Commercial	4 inch	0	\$ 743.34	\$ -	\$ -				
Commercial	6 inch	0	\$ 1,486.68	\$ -	\$ -				
Total:		152		\$ 5,558.25	\$ 66,699.00	UsageTotal	Usage Rate	Subtotal	Base + Usage Charge Total
						10,024,249	\$ 7.10	\$ 71,172.17	\$ 137,871.17

Proposed Revenue

<u>Rate Description</u>	<u>Meter Size</u>	<u>Accounts</u>	<u>Base Charge</u>	<u>Base Charge Monthly</u>	<u>Base Charge Annual</u>				
Residential		120	\$ 32.69	\$ 3,922.80	\$ 47,074				
Commercial	3/4 inch	25	\$ 32.69	\$ 817.25	\$ 9,807				
Commercial	1 inch	2	\$ 81.79	\$ 163.58	\$ 1,963				
Commercial	1 1/2 inch	1	\$ 163.54	\$ 163.54	\$ 1,962				
Commercial	2 inch	4	\$ 261.66	\$ 1,046.64	\$ 12,560				
Commercial	3 inch	0	\$ 490.61	\$ -	\$ -				
Commercial	4 inch	0	\$ 817.67	\$ -	\$ -				
Commercial	6 inch	0	\$ 1,635.35	\$ -	\$ -				
Total:		152		\$ 6,113.81	\$ 73,365.72	UsageTotal	Usage Rate	Subtotal	Base + Usage Charge Total
						10,024,249	\$ 7.81	\$ 78,289.38	\$ 151,655.10

Darden Exhibit 2

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

NC0201130, 3 wells

Water Quality Testing Expenses

<u>Test</u>		<u>No. of Tests</u>	<u>Freq. of Tests</u>	<u>Annual Tests</u>	<u>Cost Per Sample</u>	<u>Annual Expense</u>
Coliform Bacteria	S	12	per year	12.00	\$ 35.00	\$ 420
Asbestos	S	-	-	0.00	\$ 250.00	\$ -
THM/HAA5	S	1	per 3 years	0.33	\$ 170.00	\$ 57
Lead/Copper	S	10	per 3 years	3.33	\$ 25.00	\$ 83
Inorganics	EP	3	per 3 years	1.00	\$ 295.00	\$ 295
Secondaires	EP	3	per 3 years	1.00	\$ 80.00	\$ 80
VOCs	EP	3	per 3 years	1.00	\$ 120.00	\$ 120
SOCs	EP	3	per 3 years	1.00	\$ 750.00	\$ 750
Nitrate	EP	3	per year	3.00	\$ 12.00	\$ 36
Radiologicals						
Gross Alpha	EP	3	per 9 years	0.33	\$ 55.00	\$ 18
Comb. Uranium	EP	3	per 9 years	0.33	\$ 75.00	\$ 25
Comb. Rad.	EP	3	per 9 years	0.33	\$ 75.00	\$ 25
Radionuclides	EP	3	per 9 years	0.33	\$ 85.00	\$ 28
Annual CCR*		1	per year	1.00	\$ -	\$ -

Total Average Annual Expense **\$ 1,938**

*cost paid for by NCRWA