

**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) ORDER GRANTING
Carolina 27340, for Authority to Increase Its) RATE INCREASE AND
Rates and Charges for Water Utility Service in) REQUIRING CUSTOMER
the Village of Saxapahaw in Alamance County,) NOTICE
North Carolina)

BY THE COMMISSION: On March 14, 2019, Saxapahaw Utility Company (Saxapahaw, Applicant, or Company), filed an application with the Commission seeking authority to increase rates for providing water utility service in Village of Saxapahaw in Alamance County, North Carolina. On April 5, 2019, the Commission issued an Order declaring this proceeding to be a general rate case pursuant to N.C. Gen. Stat. § 62-137; suspending the proposed rates for up to 270 days pursuant to N.C. Gen. Stat. § 62-134; scheduling a public hearing for August 8, 2019, in Graham, North Carolina, subject to cancellation if no significant customer protests were received by July 5, 2019; and requiring customer notice.

On July 16, 2019, Saxapahaw filed its certificate of service indicating that customer notice had been given, as required by the April 5, 2019 Order. The Commission received no protests in response to the customer notice. On July 17, 2019, the Public Staff – North Carolina Utilities Commission (Public Staff) filed a motion to cancel the previously scheduled hearing. On July 19, 2019, the Commission issued an Order canceling the hearing and directing Saxapahaw to provide its customers with notice of the cancellation. On July 26, 2019, Saxapahaw filed its certificate of service indicating that notice of the hearing cancellation had been sent to all customers.

On September 4, 2019, the Public Staff filed the affidavits and exhibits of Public Staff affiants Shawn L. Dorgan, Staff Accountant, Public Staff Accounting Division and Lindsay Darden, Utilities Engineer, Public Staff Water, Sewer, and Telephone Division.

Also on September 4, 2019, the Public Staff filed a motion requesting that the Commission approve the rates proposed by the Applicant and recommended by the Public Staff with the exception of the proposed increase to the Company's returned check charge. The Public Staff recommended that Saxapahaw's returned check charge remain at the current Commission-approved rate of \$25.00, the maximum amount presently allowed under N.C. Gen. Stat. § 25-3-506. Further, the Public Staff stated that

Saxapahaw has informed the Public Staff that it is in agreement with the Public Staff's recommendations and that it waives its right to file exceptions and requests that the Commission's approved rates be effective the date of the Commission's Order. A proposed order accompanied the motion.

On September 13, 2019, the Public Staff filed a letter with the Commission recommending that the Commission approve the \$500 tap-on fee requested by Saxapahaw in its application. The Public Staff stated that the affidavits filed by the Public Staff on September 4, 2019, did not explicitly include its recommendation concerning the Company's proposed tap-on fee.

Based on the foregoing, and the entire record in this matter, the Commission makes the following

FINDINGS OF FACT

1. Saxapahaw is a public utility that holds a franchise to provide water utility service in the Village of Saxapahaw in Alamance County, North Carolina. Saxapahaw is properly before the Commission seeking an increase in its rates and charges for water utility service.

2. The test year established for use in this proceeding is the 12-month period ending December 31, 2018.

3. Saxapahaw provides water utility service to approximately 120 metered residential connections and 32 metered commercial connections. Four of the residential connections are for a condominium complex with 72 residential units.

4. Saxapahaw's present rates have been in effect pursuant to the Commission's Order issued on October 11, 2017, in Docket No. W-1250, Sub 6, a general rate case proceeding. Saxapahaw's present and proposed rates are as follows:

RESIDENTIAL AND 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

	<u>Present</u>	<u>Proposed</u>
<u>Other Charges:</u>		
New account fee	\$ 35.48	\$ 39.03
Returned check charge	\$ 25.00	\$ 27.50
Reconnection (during work hours)		
Cutoff by utility for good cause	\$ 35.48	\$ 39.03
Cutoff at customer's request	\$ 35.48	\$ 39.03
Reconnection (after hours, holiday, weekend)	\$ 70.96	\$ 78.06
Discontinue service (during work hours) at customer's request	\$ 35.48	\$ 39.03
Finance charge for late payment	1% per month	1% per month
Tap-on fee	n/a	\$ 500.00

5. The original cost rate base for use in this proceeding is \$291,717, consisting of plant in service of \$915,813 plus working capital of \$13,938, less accumulated depreciation and amortization of \$341,047, contributions in aid of construction of \$295,892, and average tax accruals of \$1,095.

6. Total annual operating revenues, as presented on Dorgan Exhibit I, Schedule 3, Page 1 of 2, are \$131,346 under Saxapahaw's present rates, and \$153,027 under the proposed rates. Total annual operating revenues include \$1,371 in miscellaneous revenues.

7. The appropriate annual level of service revenues, after Public Staff adjustments, under present rates is \$137,871, and under the Applicant's proposed rates is \$151,655, as presented on Darden Exhibit 1.

8. The Applicant requested an increase in rates that would produce \$13,784 in additional service revenues, an increase of 10% over present annual service revenues, as adjusted by Public Staff Utilities Engineer Darden.

9. The total rate case costs for this proceeding are \$313. These costs should be amortized over three years, resulting in annual rate case expense of \$104.

10. For purposes of this proceeding, the appropriate level of operating and maintenance expenses is \$111,507.

11. The appropriate level of depreciation and amortization expense for use in this proceeding is \$23,102.

12. The appropriate level of property taxes and payroll taxes for use in this proceeding is \$420 and \$4,424, respectively.

13. It is reasonable and appropriate to calculate regulatory fees expense using the regulatory fee rate of 0.13% effective July 1, 2019, pursuant to the Commission's June 18, 2019 Order issued in Docket No. M-100, Sub 142.

14. It is reasonable and appropriate to calculate income taxes for the level of income found reasonable in this proceeding based upon the statutory corporate tax rates of 21% and 2.50% for federal and State income taxes, respectively.

15. The Applicant's request to increase the new account fee from \$35.48 to \$39.03 is reasonable and should be approved.

16. The Applicant's request to increase the returned check charge from \$25.00 to \$27.50 is inappropriate and should be denied. The Company's returned check charge should remain at \$25.00, which is the maximum amount presently allowed under N.C. Gen. Stat. § 25-3-506.

17. The Applicant's request to increase the reconnection charge (during work hours), if water utility service is cut off for good cause or at the customer's request, from \$35.48 to \$39.03 is reasonable and should be approved.

18. The Applicant's request to increase the reconnection charge (after hours, holiday, and weekend), if water utility service is cut off for good cause, from \$70.96 to \$78.06 is reasonable and should be approved.

19. The Applicant's request to increase the charge to discontinue service (during work hours) at the customer's request from \$35.48 to \$39.03 is reasonable and should be approved.

20. The Applicant's request to charge a tap-on fee of \$500 is reasonable and should be approved.

21. The appropriate level of operating revenue deductions under present rates for use in this proceeding is \$139,882. Operating revenue deductions exclusive of regulatory fee and income taxes amount to \$139,453.

22. The rate base method is the appropriate method for determining Saxapahaw's revenue requirement for water operations in this proceeding.

23. The rates proposed by the Applicant will produce an overall rate of return of 3.98% on rate base. This return is not in excess of a reasonable level, and accordingly, the proposed rates are reasonable, with the exception of the proposed return check charge of \$27.50, which exceeds the maximum amount of \$25.00 presently allowed by N.C. Gen. Stat. § 25-3-506.

24. The rates proposed by Saxapahaw and recommended by the Public Staff, with the adjustment to maintain the returned check charge at \$25.00, the maximum

amount presently allowed by N.C. Gen. Stat. § 25-3-506, are just and reasonable and should be approved. These rates are as follows:

RESIDENTIAL & COMMERCIAL WATER UTILITY SERVICE:

Monthly Metered Rates:

Base charge, zero consumption

<1" meter	\$ 32.69
1" meter	\$ 81.79
1.5" meter	\$ 163.54
2" meter	\$ 261.66
3" meter	\$ 490.61
4" meter	\$ 817.67
6" meter	\$ 1,635.35

Usage charge, per 1,000 gallons	\$ 7.81
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Other Charges:

New account fee	\$ 39.03
Returned check charge	\$ 25.00
Reconnect (during work hours)	
Cutoff by utility for good cause	\$ 39.03
Cutoff at customer's request	\$ 39.03
Reconnect (after hours, holiday, weekends)	\$ 78.06
Discontinue service (during work hours)	\$ 39.03
Finance charge for late payment	1% per month
Tap-on fee	\$ 500.00

25. Saxapahaw is providing adequate service to its customers.

26. In the present proceeding, the Public Staff noted that Saxapahaw has engaged in related-party transactions with affiliated entities, many of which are not evidenced by written, legally enforceable affiliate services agreements. The Public Staff recommended that Saxapahaw identify and document its related-party transactions in a written, legally enforceable affiliate services contract. The Company agreed with the Public Staff's recommendation. Saxapahaw is required to document its related-party transactions and file them with the Commission, for review and approval, as required by N.C. Gen. Stat. § 62-153.

27. In the present proceeding, the Public Staff stated that the Company experienced difficulty providing the Public Staff with working copies of its test year trial balance and general ledger, which required the Public Staff to invest time reconstructing portions of the Applicant's accounting records so it could verify amounts included on the Company's application. The Public Staff recommended that the Company work with the

Public Staff's Accounting Division in advance of any future general rate case filing to ensure that all requisite accounting records are in proper order and in a condition suitable for examination prior to filing a general rate case application. The Company agreed with the Public Staff's recommendation. Saxapahaw is required to work with the Public Staff's Accounting Division in advance of filing its next general rate case application as recommended by the Public Staff and agreed to by the Company.

28. Saxapahaw has notified the Public Staff that it is in agreement with the Public Staff's recommendations, and that it waives its right to file exceptions, and requests the Commission approved rates become effective upon the issuance date of the Commission's Order.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

The evidence for the foregoing findings of fact is contained in the application; the Commission records; the affidavit and exhibits of Public Staff Accountant Shawn L. Dorgan and Public Staff Utilities Engineer Lindsay Darden; the Public Staff's motion; and the Public Staff's filing on September 13, 2019. Based upon the foregoing, the Commission reaches the following conclusions pertaining to Saxapahaw's application for a general rate increase.

In regard to the quality of service provided by Saxapahaw, Public Staff Engineer Darden stated that, based upon the Public Staff's investigation, the information provided by the Applicant and the North Carolina Department of Environmental Quality, and the absence of any customer complaints, the Public Staff concludes that the Company is providing adequate service to its customers. Therefore, based upon the Public Staff's engineering and service quality investigation, the Commission finds and concludes that the quality of water utility service provided by the Applicant to its customers is adequate.

Concerning the increase in rates and charges requested by Saxapahaw, the Commission finds and concludes that the Applicant has sufficiently demonstrated the need to increase its rates and charges for providing water utility service. The Commission, therefore, concludes that the rates and charges proposed by Saxapahaw, and recommended by the Public Staff with the adjustment to maintain the returned check charge at \$25.00, the maximum amount presently allowed under N.C. Gen. Stat. § 25-3-506, are just and reasonable and should be approved. Such rates and charges are set forth in Darden Exhibit 1, attached to the Affidavit of Public Staff Utilities Engineer Darden, filed on September 4, 2019, and the Schedule of Rates (Schedule A) attached hereto. Consequently, the Commission finds and concludes that Saxapahaw should be allowed to increase its rates and charges so as to produce total annual operating revenues of \$153,027, comprised of \$151,655 in service revenues and \$1,371 in miscellaneous revenues. Moreover, the Commission determines that the adjusted levels of rate base, revenues, and expenses set forth in Dorgan Exhibit I, attached to the Affidavit of Public Staff Accountant Dorgan, are the appropriate levels for use in this

proceeding. Such amounts are supported by the affidavits and exhibits of Public Staff affiants Dorgan and Darden which were filed on September 4, 2019.

With respect to the recommendations by Public Staff Accountant Dorgan regarding Saxapahaw's related-party transactions with affiliated entities and the Public Staff's concerns pertaining to the condition of the Company's accounting records in the present proceeding, the Commission finds and concludes that the Public Staff's recommendations as set forth in the Affidavit of Accountant Dorgan and Finding of Fact Nos. 26 and 27 herein, which have been agreed to by the Company, are reasonable and should be approved.

IT IS, THEREFORE, ORDERED as follows:

1. That the affidavits and exhibits of Shawn L. Dorgan, Staff Accountant, Public Staff Accounting Division and Public Staff Utilities Engineer Lindsay Darden, Utilities Engineer, Public Staff Water, Sewer, and Telephone Division filed by the Public Staff on September 4, 2019, in this docket are hereby received as evidence in this proceeding.

2. That Saxapahaw is authorized to increase its rates for water utility service in the Village of Saxapahaw as stated herein.

3. That the Schedule of Rates, attached hereto as Appendix A, is hereby approved and deemed filed with the Commission pursuant to N.C. Gen. Stat. § 62-138. These rates shall be effective for service rendered on and after the date of this Order.

4. That a copy of the Notice to Customers, attached hereto as Appendix B, shall be mailed or hand delivered by the Applicant to all customers of Saxapahaw contemporaneously with the next billing of customers; and that Saxapahaw shall submit to the Commission the attached Certificate of Service properly signed and notarized not later than 10 days after the date of the next billing.

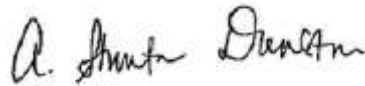
5. That Saxapahaw shall document and reduce to writing any agreements with any business entities with which the Company is affiliated, and file them with the Commission, for review and approval pursuant to N.C. Gen. Stat. § 62-153, within 120 days after the issuance date of this Order.

6. That Saxapahaw shall work with the Public Staff Accounting Division in advance of filing its next general rate case application to ensure that all requisite accounting records are in proper order and in a condition suitable for examination prior to filing such application, as recommended by the Public Staff and agreed to by the Company.

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of September, 2019.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, appearing to read "A. Shonta Dunston". The signature is written in a cursive, flowing style.

A. Shonta Dunston, Deputy Clerk

SCHEDULE OF RATES

for

SAXAPAHAW UTILITY COMPANY

for providing water utility service in the

VILLAGE OF SAXAPAHAW

Alamance County, North Carolina

Monthly Metered Rates:

Base charge, zero consumption

<1" meter	\$ 32.69
1" meter	\$ 81.79
1.5" meter	\$ 163.54
2" meter	\$ 261.66
3" meter	\$ 490.61
4" meter	\$ 817.67
6" meter	\$ 1,635.35

Usage charge, per 1,000 gallons \$ 7.81

Reconnection Charge:

If water service is cut off by utility for good cause	\$ 39.03 ^{1/}
If water service is cut off by utility at customer's request	\$ 39.03 ^{1/}

^{1/} \$39.03, if during regular business hours, \$78.06, if after hours, holiday, weekend

Discontinue Service Charge (during regular business hours):

If water service is cut off by utility at customer's request \$ 39.03

Tap-on Fee: \$500.00 ^{2/}

^{2/} See August 26, 2019 Order issued in Docket No. W-100, Sub 57 concerning federal income taxes on contributions in aid of construction.

<u>New Account Fee:</u>	\$39.03
<u>Returned Check Fee:</u>	\$25.00
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be monthly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-1250, SUB 7
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

Notice is hereby given that the North Carolina Utilities Commission has issued an Order granting an increase in rates to Saxapahaw Utility Company. The Order approved the following rates for water utility service provided on and after the date of this notice.

Monthly Metered Rates:

Base charge, zero consumption

<1" meter	\$ 32.69
1" meter	\$ 81.79
1.5" meter	\$ 163.54
2" meter	\$ 261.66
3" meter	\$ 490.61
4" meter	\$ 817.67
6" meter	\$ 1,635.35

Usage charge, per 1,000 gallons \$ 7.81

Reconnection Charge:

If water service is cut off by utility for good cause	\$39.03 ^{1/}
If water service is cut off by utility at customer's request	\$39.03 ^{1/}

^{1/} \$39.03, if during regular business hours, \$78.06, if after hours, holiday, weekend

Discontinue Service Charge (during regular business hours):

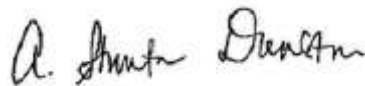
If water service is cut off by utility at customer's request	\$ 39.03
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Tap-on Fee: \$500.00

<u>New Account Fee:</u>	\$39.03
<u>Returned Check Fee:</u>	\$25.00
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be monthly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

This the 17th day of September, 2019.

NORTH CAROLINA UTILITIES COMMISSION



A. Shonta Dunston, Deputy Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-1250, Sub 7, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____ 2019.

By: _____
Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket No. W-1250, Sub 7.

Witness my hand and notarial seal, this the ____ day of _____, 2019.

Notary Public

Printed or Typed Name

(SEAL) My Commission Expires:

Date