

**JAARS, INC.
DOCKET NO. W-1136, SUB 3**

**TESTIMONY OF GINA Y. CASSELBERRY
ON BEHALF OF THE PUBLIC STAFF
JAARS, INC.**

OCTOBER 9, 2020

1 **Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS**
2 **ADDRESS, AND PRESENT POSITION.**

3 A. My name is Gina Y. Casselberry. My business address is 430 North
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a
5 Utilities Engineer with the Public Staff's Water, Sewer and Telephone
6 Division.

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND EXPERIENCE**
8 **RELATING TO YOUR PRESENT POSITION WITH THE PUBLIC**
9 **STAFF.**

10 A. I graduated from Michigan Technology University, receiving a
11 Bachelor of Science Degree in Civil Engineering. I have been with
12 the Public Staff's Water Division since February 1992. I have
13 presented recommendations in rate increase proceedings, new
14 franchise and transfer applications, and other matters before the
15 Commission for the past twenty-eight years.

1 **Q. WHAT ARE YOUR DUTIES IN YOUR PRESENT POSITION?**

2 A. My duties with the Public Staff are to monitor the operations of
3 regulated water and sewer utilities with regard to service and rates.
4 Included in these duties are field investigations to review, evaluate, and
5 recommend changes, when needed, in the design, construction, and
6 operations of regulated water and sewer utilities; presentation of expert
7 testimony in formal hearings; and presentation of information, data,
8 and recommendations to the Commission.

9 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION IN**
10 **THIS CASE.**

11 A. On June 23, 2020, JAARS, Inc. (JAARS or the Company) filed an
12 application with the Commission seeking authority to increase its rates
13 for providing water utility service in all its service area in Union County,
14 North Carolina. On July 8, 2020, the Company filed a letter clarifying
15 the proposed rates; and on August 14, 2020 and August 27, 2020, the
16 Company filed updates to its application. My investigation included a
17 review of customer complaints, a review of company records, and an
18 analysis of revenues at existing and proposed rates. I have also
19 assisted Public Staff Accountant June Chiu in reviewing expenses and
20 plant in service.

21 **Q. BRIEFLY DESCRIBE JAARS SERVICE AREAS AND WATER**
22 **SYSTEM.**

1 A. The JAARS Center is located in Waxhaw, North Carolina, and
2 consists of 572 acres of land and approximately 46 buildings. JAARS
3 is a charitable, educational, non-profit 501(c)(3) corporation. The
4 JAARS water system is owned and operated by JAARS and is not a
5 separate legal entity.

6 The water system consists of three wells that operate simultaneously
7 and has a pumping capacity of approximately 127,400 gallons per
8 day. At the end of the test period on December 31, 2019, JAARS
9 provided water utility service to 60 residential flat rate customers and
10 8 commercial customers: 4 residential/apartments, one of Union
11 County's sewer lift stations, Radin Apartments, Waxhaw Creek
12 Apartments, and the JAARS Center, which includes the Lydia
13 House, 10 apartment houses, and 31 facilities owned by JAARS.

14 **Q. HAVE YOU REVIEWED THE OPERATIONAL STATUS OF THE**
15 **WATER SYSTEM WITH THE NORTH CAROLINA DEPARTMENT**
16 **OF ENVIRONMENTAL QUALITY (DEQ), DIVISION OF WATER**
17 **RESOURCES (DWR)?**

18 A. Yes. I contacted the Regional Office in Mooresville. No one in the
19 Public Water Supply Section expressed any major concerns with the
20 water system nor did they identify any violations.

21 **Q. WHAT ARE THE COMPANY'S PRESENT AND PROPOSED**
22 **RATES?**

1 A. The Company's present and proposed rates are shown below:

2 Monthly Water Service:

3		Present	Proposed
4		<u>Rate</u>	<u>Rate</u>
5	Flat Rate per Residential Equivalent Unit (REU)		
6	Residential customers (1.0 REU)	\$ 20.00	\$ 27.75
7	JAARS, Inc. (97.7 REUs)	\$1,954.00	
8	JAARS, Inc. (98.0 REUs)		\$2,719.51
9	Lydia House (1.3 REUs)	\$ 26.00	\$ 36.08
10	Waxhaw Creek Apt. (6.0 REUs)	\$ 120.00	
11	Waxhaw Creek Apt. (20.7 REUs)		\$ 574.43

12 **Q HAS THE PUBLIC STAFF RECEIVED ANY CUSTOMER**
13 **COMPLAINTS AS A RESULT OF THE CUSTOMER NOTICES IN**
14 **THIS PROCEEDING?**

15 A. On September 4, 2020, the Commission issued an Order Scheduling
16 Hearings and Requiring Customer Notice, specifying that the
17 customer hearing was subject to cancellation if no significant
18 complaints were received on or before October 9, 2020. The
19 Certificate of Service was filed on September 15, 2020, as required.
20 As of October 9, 2020, no complaints were received. The Public Staff
21 will file supplemental testimony, if necessary, to address service
22 related issues.

23 **Q. HAS THE COMPANY MADE ANY CHANGES TO THE NUMBER**
24 **OF RESIDENTIAL EQUIVALENT UNITS (REUs) SINCE THE LAST**
25 **GENERAL RATE CASE?**

1 A. Yes. In the last rate case the JAARS Center had 97.7 REUs and did
2 not include the Lydia House. In this proceeding, the Company re-
3 evaluated the number of REUs at the JAARS Center and included
4 the Lydia House in the JAARS Center as part of that analysis. This
5 increased the number of REUs in the JAARS Center to 98.0. I have
6 reviewed the documentation provided by Company and agree with
7 the Company's assessment. The Company has also informed the
8 Public Staff that there is an error in the Company's Updated Figures
9 for JAARS, Inc., filed on August 27, 2020. On page 3, the Company
10 states that there are 20.7 REUs for Waxhaw Creek Apartments. The
11 correct number of REUs for Waxhaw Creek Apartments is 14.7. The
12 Public Staff agrees.

13 **Q. WHAT WERE THE RESULTS OF YOUR BILLING ANALYSIS?**

14 A. I determined the number of end of period customers (EOP) using the
15 billing data provided by the Company for the test year period ending
16 December 31, 2019. Based on my review, JAARS billed 60 single
17 family homes the current flat rate of \$20 per month, one small
18 apartment building (with 5 bedrooms) a flat rate of \$50 per month,
19 four residential customers with a small rental unit \$30 per month, and
20 one commercial customer (a Union County sewer lift station) the
21 current flat rate of \$20 per month. JAARS also billed the JAARS
22 Center \$1,826, which includes the Lydia House, versus the approved
23 rate of \$1,954 per month and Waxhaw Creek Apartments \$264 per

1 month (which equates to 13.2 REUs). It is the Public Staff's opinion
 2 that the previous administrator for JAARS determined the number of
 3 REUs for new customers to the best of their ability. When asked
 4 about the rate for the JAARS Center, the Company informed the
 5 Public Staff that they continued to charge what the previous
 6 administrator was charging. In all likelihood, some of the buildings
 7 were closed and the previous administrator adjusted the rate to
 8 account for those closures. Based on the billing data and information
 9 provided by the Company, I have updated the number of REUs and
 10 reclassified some of the residential customers to commercial
 11 customers as shown below.

12 Residential Customers:

	<u>EOP</u>	<u>REUs</u>	<u>Total REUs</u>
13 Single family homes	60	1.00	60.00

15 Commercial Customers:

16 Union County	1	1.00	1.00
17 Residential/apartment	4	1.50	6.00
18 Radin Apartments	1	1.67	1.67
19 Waxhaw Creek Apt.	1	14.7	14.70
20 JAARS Center	1	98.00	98.00
21 Total REUs			181.37

1 I have discussed the updates and reclassification of residential
2 customers with the Company and they have indicated that they
3 agree.

4 **Q. WHAT ARE THE ANNUAL SERVICE REVENUES UNDER**
5 **PRESENT AND PROPOSED RATES?**

6 A. The annual service revenue at present rates and the Company's
7 proposed rates are \$43,529 and \$60,396, respectively. My
8 calculations are shown in Casselberry Exhibit Nos. 1 and 2.

9 **Q. HAVE YOU RECOMMENDED ANY ADJUSTMENTS TO**
10 **EXPENSES RELATED TO WATER OPERATIONS?**

11 A. Yes, I have provided Public Staff Accountant Chiu with
12 recommendations for maintenance and repair expenses, testing
13 expenses, and permitting expenses.

14 Maintenance and Repair (M&R) Expenses

15 The Company expensed \$4,197 for M&R expenses associated with
16 operating the water system. Based on my review of invoices provided
17 by the Company, I determined \$4,379 for M&R expenses associated
18 with operating the water system. I recommend \$4,379 for M&R
19 expenses.

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Testing Expenses

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The Company expensed \$6,720 for testing. I recommend \$2,866, which reflects current testing costs for the various tests and testing frequencies required under the Safe Drinking Water Act. My calculations are shown in Casselberry Exhibit No. 3.

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Permitting Expenses

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The Company's updated expenses for permits was \$1,464. Based on my review of invoices provided by the Company, I determined \$1,764 for permits and fees. I then made three downward adjustments. I removed \$150 for an annual training class which was included for both 2019 and 2020. I removed \$44 for NC regulatory fees, which is a separate line item and calculated by Public Staff Accountant Chiu. I reclassified \$760 for memberships and certifications from permitting expenses to expenses related to professional development. Based on the foregoing, I recommend \$810 for permitting expenses.

16 **Q.**

WHAT IS YOUR RECOMMENDATION CONCERNING THE COMPANY'S PROPOSED RATES?

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18 **A.**

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The Public Staff recommends service revenue of \$58,033 for water service. I recommend a partial rate increase. Using 181.37 REUs, I recommend a monthly flat rate of \$26.67 for residential customers and a monthly flat rate of \$26.67 per REU for commercial customers. My

1 revenue calculations are shown in Casselberry Exhibit No. 4. My
2 recommended rates are shown below.

3 Residential Customers: (Monthly Flat Rate)

4 Single family homes \$ 26.67

5 Commercial Customers: (Monthly Flat Rate per REU)

6		REUs	Rate
7	Union County	1.00	\$ 26.67
8	Residential/apartment	1.50	\$ 40.00
9	Radin Apartments	1.67	\$ 44.54
10	Waxhaw Creek Apt.	14.70	\$ 392.05
11	JAARS Center	98.00	\$2,613.66

12 The Company has indicated that they agree with the Public Staff's
13 recommended rates.

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 A. Yes.

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Casselberry
Exhibit No. 1

Public Staff Revenue at Present Rates
Updated to Reflect Current End of Period Customers (EOPs)
and Residential Equivalent Units (REUs)

Type of User	EOP Customers	REUs	Total REUs	Annual REUs	Flat Rate per REU	Total Revenue
Residential Customers						
Single Family Home	60	1.00	60.00	720.00	20.00	14,400
Commercial Customers						
Union County	1	1.00	1.00	12.00	20.00	240
Residential/apartment	4	1.50	6.00	72.00	20.00	1,440
Radin Apartments	1	1.67	1.67	20.04	20.00	401
Waxhaw Creek Apartments	1	14.70	14.70	176.40	20.00	3,528
JAARS Center	1	98.00	98.00	1,176.00	20.00	23,520
Totals			181.37			43,529

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Casselberry
Exhibit No. 2

Public Staff Revenue at Proposed Rates
Updated to Reflect Current End of Period Customers (EOP)
and Residential Equivalent Units (REUs)

Type of User	EOP Customers	REUs	Total REUs	Annual REUs	Flat Rate per REU	Total Revenue
Residential Customers						
Single Family Home	60	1.00	60.00	720.00	27.75	19,980
Commercial Customers						
Union County	1	1.00	1.00	12.00	27.75	333
Residential/apartment	4	1.50	6.00	72.00	27.75	1,998
Radin Apartments	1	1.67	1.67	20.04	27.75	556
Waxhaw Creek Apartments	1	14.70	14.70	176.40	27.75	4,895
JAARS Center	1	98.00	98.00	1,176.00	27.75	32,634
Totals			181.37			60,396

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Casselberry
Exhibit No. 3

TESTING

Test	Total No. of Tests	Frequency	Unit Cost	Annual Cost	Location
Coliform	12	monthly	\$ 45	\$ 540.00	Dist. Syst.
Asbestos 1/9 syst.	1	1/9 yrs	\$ 200	\$ 22.22	Dist. Syst.
THM	1	annually	\$ 75	\$ 75.00	Dist. Syst.
HAA5	1	annually	\$ 165	\$ 165.00	Dist. Syst.
PB/Cu 10/3	10	3 years	\$ 50	\$ 166.67	Dist. Syst.
Inorganics 1/3	3	1/3 years	\$ 300	\$ 300.00	Wells # 5, 7 & 8
Nitrate	3	annually	\$ 40	\$ 120.00	Wells # 5, 7 & 8
VOC	1	annually	\$ 195	\$ 195.00	Well #5
VOC 1/3	2	1/3years	\$ 195	\$ 130.00	Wells # 7 & 8
SOC/Pestic. 1/3	3	1/3 years	\$ 975	\$ 975.00	Wells # 5, 7 & 8
Gross Alpha 1/9	2	1/9 years	\$ 152	\$ 33.78	Wells # 7 & 8
Gross Alpha 1/6	1	1/6 years	\$ 152	\$ 25.33	Well #5
Comb. Uran. 1/9	3	1/9 years	\$ 152	\$ 50.67	Wells # 5, 7 & 8
Comb. Rad. 1/6	1	1/9 years	\$ 152	\$ 16.89	Well #5
Comb. Rad. 1/6	2	1/6 years	\$ 152	\$ 50.67	Wells # 7 & 8

Total Testing Costs

\$ 2,866.22

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Casselberry
Exhibit No. 4

Public Staff Recommended Rates
Updated to Reflect Current End of Period Customers (EOP)
and Residential Equivalent Units (REUs)

Type of User	EOP Customers	REUs	Total REUs	Annual EOP x 12	Flat Rate per REU	Total Revenue
Residential Customers						
Single Family Home	60	1.00	60.00	720	26.67	19,202
Commercial Customers						
Union County	1	1.00	1.00	12	26.67	320
Residential/apartment	4	1.50	6.00	48	40.00	1,920
Radin Apartments	1	1.67	1.67	12	44.54	534
Waxhaw Creek Apartments	1	14.70	14.70	12	392.05	4,705
JAARS Center	1	98.00	98.00	12	2,613.66	31,364
Totals	68		181.37	816		58,045