



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 21, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. E-35, Sub 51 – Application for an Adjustment of Rates and Charges

Dear Ms. Campbell:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the testimony and exhibit of Sonja R. Johnson, Staff Accountant, Accounting Division.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ John D. Little
Staff Attorney
john.little@psncuc.nc.gov

Attachment

Executive Director
(919) 733-2435

Communications
(919) 733-5610

Economic Research
(919) 733-2267

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-35, SUB 51

In the Matter of
Application of Western Carolina
University for an Adjustment of
Rates and Charges for Electric
Utility Service in North Carolina

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TESTIMONY OF
SONJA R. JOHNSON
PUBLIC STAFF – NORTH
CAROLINA UTILITIES
COMMISSION

1 **Q. WILL YOU STATE FOR THE RECORD YOUR NAME, ADDRESS,**
2 **AND PRESENT POSITION?**

3 A. My name is Sonja R. Johnson. My business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am an Accountant with
5 the Public Staff – Accounting Division, and represent the using and
6 consuming public in this proceeding.

7 **Q. HOW LONG HAVE YOU BEEN EMPLOYED BY THE PUBLIC**
8 **STAFF?**

9 A. I have been employed by the Public Staff since January 2006.

10 **Q. WHAT ARE YOUR DUTIES?**

11 A. I am responsible for analyzing testimony, exhibits, and other data
12 presented by parties before this Commission. I have the further
13 responsibility of performing the examinations of books and records
14 of utilities involved in proceedings before the Commission, and
15 summarizing the results into testimony and exhibits for presentation
16 to the Commission.

17 **Q. PLEASE DISCUSS YOUR EDUCATION AND EXPERIENCE.**

18 A. A summary of my education and experience is attached as
19 Appendix A.

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
21 **PROCEEDING?**

1 A. The purpose of my testimony is to present the accounting and
2 ratemaking adjustments I am recommending as a result of my
3 investigation of the revenue, expenses, and rate base presented by
4 Western Carolina University (WCU or the Company), in support of its
5 March 9, 2020, request for \$637,500 in additional North Carolina
6 retail revenue. On June 24, 2020, WCU filed an amendment to their
7 application that detailed a \$12,000 reduction in its request for
8 additional North Carolina retail revenue, for a revised total Company
9 proposed increase of \$625,500. My testimony and exhibits also set
10 forth the Public Staff's overall recommendation regarding the
11 revenue increase that WCU should be granted.

12 **Q. WHAT REVENUE INCREASE ARE YOU PROPOSING?**

13 A. Based on the level of rate base, revenue, and expenses annualized
14 and normalized as of June 30, 2019, the Public Staff is
15 recommending an increase in annual operating revenue of
16 \$612,749.

17 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION**
18 **INTO THE COMPANY'S FILING.**

19 A. My investigation included a review of the application, testimony,
20 exhibits, and other data filed by the Company, an examination of the
21 books and records for the test year, and a review of the Company's
22 accounting adjustments to test year revenue, expenses, and rate

1 base. It also included a review of the Company's responses to the
2 Public Staff's data requests.

3 **Q. WOULD YOU PLEASE BRIEFLY DESCRIBE THE PUBLIC**
4 **STAFF'S PRESENTATION OF THE ISSUES THAT THE**
5 **COMMISSION WILL NEED TO DECIDE IN THIS CASE?**

6 A. Yes. Each Public Staff witness will present testimony and exhibits
7 supporting his or her position, and recommend any appropriate
8 adjustments to the Company's proposed rate base and cost of
9 service. My exhibits reflect and summarize these adjustments, as
10 well as the adjustments that I am recommending.

11 **Q. WOULD YOU PLEASE PROVIDE A MORE DETAILED**
12 **DESCRIPTION OF THE ORGANIZATION OF YOUR EXHIBITS?**

13 A. Yes. First, Schedule 1-1 shows the calculation of the gross revenue
14 effect factors.

15 Schedule 2 presents the Public Staff's adjusted North Carolina retail
16 original cost rate base. The adjustments made to the Company's
17 proposed level of rate base are summarized on Schedule 2-1 and
18 detailed on backup schedules.

19 Schedule 3 presents a statement of net operating income for return
20 as adjusted by the Public Staff. Schedule 3-1 summarizes the Public
21 Staff's adjustments, which are detailed on backup schedules.

1 Schedule 4 presents the calculation of required net operating
2 income, based on the rate base and cost of capital recommended by
3 the Public Staff.

4 Schedule 5 presents the calculation of the increase in operating
5 revenue necessary to achieve the required net operating income.

6 **Q. WHAT ADJUSTMENTS TO THE COMPANY'S COST OF SERVICE**
7 **DO YOU RECOMMEND?**

8 A. In developing the Public Staff's recommendation, the Public Staff has
9 made several adjustments to the University's operating revenue,
10 expenses, and rate base investment levels, as well as to the rate of
11 return to be applied to the rate base. These adjustments are detailed
12 in the attached exhibit entitled Johnson Exhibit I. The accounting and
13 ratemaking adjustments which the Public Staff is proposing and
14 which I discuss below relate to the following items:

- 15 1. Rate of return
- 16 2. Adjustment to working capital
- 17 3. Customer deposits
- 18 4. Revenue accrual
- 19 5. Annualize revenue under present rates
- 20 6. Customer growth
- 21 7. Weather normalization
- 22 8. Test year Inflation
- 23 9. Adjustment to set base purchased power expense
- 24 10. Regulatory expense

- 1 11. Depreciation expense and accumulated depreciation
- 2 12. Adjustment to correct income tax rate
- 3 13. Interest synchronization adjustment

4 **Q. WHAT ADJUSTMENTS RECOMMENDED BY OTHER PUBLIC**
5 **STAFF WITNESSES DO YOUR EXHIBITS INCORPORATE?**

6 A. My exhibits reflect the following adjustments recommended by other
7 Public Staff witnesses:

- 8 1. The recommendation of Public Staff witness Lozier regarding:
 - 9 a. Weather normalization;
 - 10 b. Embedded cost of long-term debt; and
 - 11 c. Return on common equity.
- 12 2. The recommendation of Public Staff witness Sailor regarding:
 - 13 a. Customer growth.

14 **Q. PLEASE DESCRIBE YOUR OWN RECOMMENDED**
15 **ADJUSTMENTS.**

16 A. My adjustments are described below.

17 **RATE OF RETURN**

18 **Q. PLEASE EXPLAIN HOW THE COMPANY ADJUSTED RATE OF**
19 **RETURN IN THIS CASE.**

20 A. The Company requested an overall rate of return in its application of
21 6.69%. Based on the recommended embedded cost of long-term
22 debt and return on common equity of Public Staff Witness Lozier, the

1 overall rate of return on rate base will be reduced from the 6.69%
2 requested by WCU in its application, to 6.32%. This reduces the
3 revenue requirement by the amount of \$12,278.

4 **ADJUSTMENT TO WORKING CAPITAL**

5 **Q. PLEASE DESCRIBE YOUR CALCULATION OF WORKING**
6 **CAPITAL.**

7 A. In general, I have calculated working capital as equal to one-eighth
8 of the Public Staff's recommended pro forma level of operating and
9 maintenance (O&M) expenses, net of purchased power expense.
10 However, to determine the working capital amount for purchased
11 power, I have used lead-lag principles, because purchased power is
12 a large component of operation and maintenance expenses. To
13 calculate this component of working capital, I have used a net
14 estimate of 20.75 lag days (an estimate of the average number of
15 days WCU must wait to receive the revenues associated with the
16 payment of each purchased power invoice). The overall adjustment
17 to working capital is shown on Johnson Exhibit I, Schedule 2-1(b),
18 and increases the revenue requirement by \$12,350.

19 **CUSTOMER DEPOSITS**

20 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO CUSTOMER**
21 **DEPOSITS.**

- 1 A. I have made two adjustments to customer deposits.
- 2 1. I have eliminated the accrued interest liability from the rate
- 3 base deduction. The working capital impact of this accrued
- 4 interest is treated as being covered by the one-eighth-of-O&M
- 5 formula for working capital.
- 6 2. I have calculated the rate base deduction on the basis of a 12-
- 7 month average, which is more representative of the ongoing
- 8 balance of customer deposits than the end-of-period balance
- 9 used by the University.

10 The adjustment to customer deposits is shown on Johnson Exhibit I,

11 Schedule 2-1(c), and increases the revenue requirement by \$47.

12 **REVENUE ACCRUAL**

13 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO ACCRUE**

14 **REVENUE.**

15 A. The University presented revenue from electric sales and the

16 generation component of purchased power expense based on the

17 billings made during the test year. I have adjusted them to more

18 closely reflect the capacity and energy actually utilized during the test

19 year. This adjustment is shown on Johnson Exhibit I, Schedule 3-

20 1(a), and increases the revenue requirement by \$71,468.

1

ANNUALIZE REVENUE UNDER PRESENT RATES

2

Q. PLEASE PROVIDE AN EXPLANATION OF THE ANNUALIZATION OF REVENUE UNDER PRESENT RATES.

3

4

A. The Public Staff witness Saillor made certain corrections to test year revenues to reflect revenues under current rates for the test year.

5

6

This resulted in an increase in the revenue requirement in the amount of \$23,677, as shown on Johnson Exhibit I, Schedule 3-1(b).

7

8

It appears that most of this increase is due to the elimination of purchased power true-up revenues, which are dealt with solely in

9

10

each year's purchased power rate adjustment proceeding.

11

CUSTOMER GROWTH

12

Q. WHAT ADJUSTMENT HAVE YOU MADE TO CUSTOMER GROWTH?

13

14

A. Public Staff witness Saillor calculated customer growth adjustments for residential and commercial revenues, to bring these items to an

15

16

appropriate end-of-period level. I supplemented his adjustment with a similar adjustment to certain variable O&M expenses. This

17

18

adjustment is shown on Johnson Exhibit I, Schedule 3-1(c), and

19

decreases the revenue requirement by \$30,925.

1

WEATHER NORMALIZATION

2 **Q. PLEASE EXPLAIN THE WEATHER NORMALIZATION**
3 **ADJUSTMENT.**

4 A. Public Staff witness Lozier has recommended an adjustment to
5 adjust kWh sales and revenues to a level that reflects normal
6 weather. I have incorporated the effects of his adjustment on
7 Johnson Exhibit I, Schedule 3-1(d); it decreases the revenue
8 requirement by \$70,956 (when combined with the effect of removing
9 the Company's adjustment).

10

TEST YEAR INFLATION ADJUSTMENT

11 **Q. WHAT ADJUSTMENTS HAVE YOU MADE TO THE COMPANY'S**
12 **ADJUSTMENT TO RECOGNIZE INFLATION?**

13 A. Based on the Consumer Price Index and standard ratemaking
14 procedure, I have inflated certain O&M expenses by one-half of a
15 year, in order to bring these costs to an appropriate end-of-period
16 level. This adjustment is shown on Johnson Exhibit I, Schedule 3-
17 1(d), and increases the revenue requirement by \$9,409.

18 **ADJUSTMENT TO SET BASE PURCHASED POWER EXPENSE**

19 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO SET BASE**
20 **PURCHASED POWER EXPENSE.**

1 A. I have adjusted purchased power expense to be equal to the total
2 prospective purchased power expense which was found reasonable
3 in the most recent Purchased Power Adjustment rider (PPA)
4 proceeding (Docket No. E-35, Sub 50). As a result, when the rates
5 set in this proceeding become effective, the base purchased power
6 rate will be set at this level (\$0.07759 per kWh), and the prospective
7 portion of the PPA rider will be set to zero. The PPA Experience
8 Modification Factor will continue in effect, to true up purchased power
9 collections related to 2019. This adjustment is shown on Johnson
10 Exhibit I, Schedule 3-1(e), and increases the revenue requirement
11 by \$32,398.

12 **ADJUSTMENT TO EQUALIZE PURCHASED POWER REVENUE**
13 **AND EXPENSE**

14 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO EQUALIZE**
15 **PURCHASED POWER REVENUE AND EXPENSE.**

16 A. The University's purchased power expenses are trued up on an
17 annual basis through the PPA rider proceedings. Therefore, there is
18 no need to increase or decrease base rates for changes in
19 purchased power expense (other than transferring the then-existing
20 PPA rider to the base purchased power rate). Accordingly, I have
21 adjusted purchased power revenue in this proceeding to be equal to
22 adjusted purchased power expense by removing any earnings
23 differential between these two items that might consequently drive a

1 base rate increase or decrease. This adjustment is shown on
2 Johnson Exhibit I, Schedule 3-1(f), and increases the revenue
3 requirement by \$1.

4 **REGULATORY EXPENSE**

5 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REGULATORY**
6 **EXPENSES.**

7 A. I have concluded that an annual level of \$5,000 is adequate to
8 recover the estimated legal costs associated with filing this rate case.
9 The Company's technical ratemaking consultant is on an annual
10 retainer, and I have not recommended an adjustment to his
11 compensation. This amount differs from the \$8,333 the Company
12 included in its filing, resulting from changing the amortization period
13 for these costs from three to five years. This adjustment is shown on
14 Johnson Exhibit I, Schedule 3-1(h), and decreases the revenue
15 requirement by \$3,333. I would also like to note that the total amount
16 of legal costs is based on an estimate; the Public Staff may wish to
17 have this estimate updated prior to the close of the hearing.

18 **DEPRECIATION EXPENSE**

19 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO DEPRECIATION**
20 **EXPENSE.**

21 A. I have adjusted depreciation expense to reflect an ongoing annual
22 level of depreciation expense for direct plant in service, based on the

1 Public Staff's adjusted level of plant in service and the depreciation
2 lives for each plant account. This adjustment is shown on Johnson
3 Exhibit I, Schedule 3-1 (j), and decreases the revenue requirement
4 by 22,674. The contra-adjustment to accumulated depreciation is set
5 forth on Johnson Exhibit I, Schedule 2-1, and increases the revenue
6 requirement by \$1,737.

7 **ADJUSTMENT TO CORRECT INCOME TAX RATE**

8 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO CORRECT INCOME**
9 **TAX RATE.**

10 A. The Company inadvertently used an outdated North Carolina state
11 income tax rate (3.00 percent, the rate effective for 2018) to calculate
12 the Unrelated Business Income Tax (UBIT) for the adjusted test year.
13 I have used 2.50%, the rate effective for years 2019 and after.

14 **INTEREST SYNCHRONIZATION ADJUSTMENT**

15 **Q. PLEASE EXPLAIN YOUR INTEREST SYNCHRONIZATION**
16 **ADJUSTMENT.**

17 A. I have adjusted UBIT expense to reflect the deduction of the pro
18 forma level of interest, resulting from the application of the Public
19 Staff's recommended return and capital structure, from its
20 recommended rate base.

- 1 Q. DOES THIS COMPLETE YOUR TESTIMONY?
- 2 A. Yes, it does.

APPENDIX A

QUALIFICATIONS AND EXPERIENCE

SONJA R. JOHNSON

I am a graduate of North Carolina State University with a Bachelor of Science and Master of Science degree in Accounting. I was initially an employee of the Public Staff from December 2002 until May 2004, and rejoined the Public Staff in January 2006.

I am responsible for analyzing testimony, exhibits, and other data presented by parties before this Commission. I have the further responsibility of performing and supervising the examinations of books and records of utilities involved in proceedings before the Commission, and summarizing the results into testimony and exhibits for presentation to the Commission.

Since initially joining the Public Staff in December 2002, I have filed testimony or affidavits in several water and sewer general rate cases. I have also filed testimony in applications for certificates of public convenience and necessity to construct water and sewer systems and noncontiguous extension of existing systems. My experience also includes filing affidavits in several fuel clause rate cases and Renewable Energy and Energy Efficiency Portfolio Standard (REPS) cost recovery cases for the utilities currently organized as Duke Energy Carolinas, LLC, Duke Energy

Progress, LLC, and Virginia Electric and Power Company d/b/a Dominion North Carolina Power.

While away from the Public Staff, I was employed by Clifton Gunderson, LLP. My duties included the performance of cost report audits of nursing homes, hospitals, federally qualified health centers, intermediate care facilities for the mentally retarded, residential treatment centers and health centers.

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
**RECONCILIATION OF COMPANY & PUBLIC
STAFF PROPOSED GROSS REVENUE INCREASE**
For the Test Year Ended June 30, 2019
(000's Omitted)

Johnson Exhibit I
Schedule 1-1

Line No.	Item	Capital Structure (a)	[1]	Cost Rates (b)	[2]	Retention Factor (c)	Gross Revenue Effect (d)	[5]
1.	Rate Base Factor							
2.	Long-term debt	50.00%		3.64%		1.0000000	0.0182000	[3]
3.	Common equity	50.00%		9.00%		0.7702500	0.0584226	[4]
4.	Total (Sum of Lines 1-3)	<u>100.00%</u>					<u>0.0766226</u>	
5.	Net Income Factor							
6.	Total revenue			1.0000000				
7.	Gross receipts tax (L6 x 0)			-				[6]
8.	Regulatory fee (L6 x 0)			-				[6]
9.	Balance (L6-L7-L8)			<u>1.0000000</u>				
10.	N.C. state income tax (L9 x 2.5%)			0.0250000				[6]
11.	Balance (L9-L10)			0.9750000				
12.	Federal income tax (L11 x 21%)			0.2047500				[6]
13.	Retention factor (L11-L12)			<u>0.7702500</u>				

[1] Per Public Staff Analyst Calvin Craig.
[2] Per Public Staff Analyst Calvin Craig.
[3] Line 9.
[4] Line 13.
[5] Column (a) x Column (b), divided by Column (c).
[6] Statutory rate.

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

ORIGINAL COST RATE BASE

For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 2

<u>Line No.</u>	<u>Item</u>	<u>Per Application</u> [1] (a)	<u>Public Staff Adjustments</u> [2] (b)	<u>After Public Staff Adjustments</u> [3] (c)
1.	Plant in service (net of cost-free capital)	\$ 6,937,255	\$ -	\$ 6,937,255
2.	Supplies and Material Inventory	313,580	-	313,580
3.	Accumulated depreciation	<u>(3,865,491)</u>	<u>22,674</u>	<u>(3,842,817)</u>
4.	Net plant in service (Sum of L1 thru L4)	3,385,345	22,674	3,408,019
5.	Working capital	203,723	161,180	364,903
6.	Customer Deposits	<u>(225,289)</u>	<u>618</u>	<u>(224,671)</u>
7.	Total original cost rate base (L4 + L5 + L6)	<u>\$ 3,363,779</u>	<u>\$ 184,472</u>	<u>\$ 3,548,251</u>

[1] University Exhibit WRO-2.

[2] Johnson Exhibit I, Schedule 2-1, Column (d).

[3] Column (a) + Column (b).

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

**SUMMARY OF THE PUBLIC STAFF'S
RATE BASE ADJUSTMENTS**

For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 2-1

Line No.	Item	Correction To Accumulated Depreciation (a)	Annualize Accumulated Depreciation (b)	Working Capital (c)	Customer Deposits (d)	Total Rate Base Adjustment [4] (e)
1.	Plant in service	\$ -	\$ -	\$ -	\$ -	\$ -
2.	Supplies and Material Inventory	-	-	-	-	-
3.	Accumulated depreciation	-	22,674 [1]	-	-	22,674
4.	Net plant in service (Sum of L1 thru L3)	-	22,674	-	-	22,674
5.	Working capital	-	-	161,180 [2]	-	161,180
6.	Less: Customer Deposits	-	-	-	618 [3]	618
7.	Total original cost rate base (L4 + L5 + L6)	\$ -	\$ 22,674	\$ 161,180	\$ 618	\$ 184,472
8.	Revenue requirement impact	\$ -	\$ 1,737	\$ 12,350	\$ 47	\$ 14,135

[1] Johnson Exhibit I, Schedule 3-1()

[2] Johnson Exhibit I, Schedule 2-1(b)

[3] Johnson Exhibit I, Schedule 2-1(c)

[4] Sum of columns (a) - (d).

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

ADJUSTMENT TO WORKING CAPITAL

For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 2-1(b)

Line No.	Item	Amount
1.	Working capital per Public Staff:	
2.	O&M expense, excluding purchased power	\$ 1,421,582 [1]
3.	Working capital factor	0.125 [2]
4.	Working capital subtotal (L2 x L3)	<u>\$ 177,698</u>
5.	Estimated revenue lag days	48.25 [3]
6.	Estimated purchased power expense lag days	27.50 [4]
7.	Net lag days (L5 - L6)	<u>20.75</u>
8.	Adjusted purchased power expense	<u>\$ 3,293,007 [5]</u>
9.	Average daily amount (L8/365)	9,022
10.	Working capital related to purchased power (L7 x L9)	<u>187,205</u>
11.	Total working capital per Public Staff (L4 + L10)	364,903
12.	Working capital per University	<u>203,723 [6]</u>
13.	Adjustment to working capital (L11 - L12)	<u>\$ 161,180</u>

[1] Johnson Exhibit I, Schedule 3, Column (c), Lines 13-20.

[2] Traditional one-eighth working capital formula.

[3] Based on a 15.25-day half service period, a 13-day lag in billing, and a 20-day lag in payment.

[4] Based on review of Company payment practices during test year.

[5] Johnson Exhibit I, Schedule 3, Line 12, Column (c).

[6] Johnson Exhibit I, Schedule 2, Line 5, Column (a).

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
ADJUSTMENT TO CUSTOMER DEPOSITS
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 2-1(c)

Line No.	Item	Amount
1.	Customer deposit balances by month: [1]	
2.	July 2018	\$ (225,164)
3.	August 2018	(225,834)
4.	September 2018	(225,959)
5.	October 2018	(226,259)
6.	November 2018	(224,279)
7.	December 2018	(225,554)
8.	January 2019	(223,269)
9.	February 2019	(225,664)
10.	March 2019	(223,934)
11.	April 2019	(224,454)
12.	May 2019	(220,389)
13.	June 2019	(225,289)
14.	Total (Sum of Lines 2-13)	<u>(2,696,048)</u>
15.	Monthly divisor	<u>12</u>
14.	12-month average of customer deposits (L14/L15)	(224,671)
15.	Customer deposits per University	<u>(225,289) [2]</u>
16.	Public Staff adjustment to customer deposits (L14 - L15)	<u>\$ 618</u>

[1] Provided by the University at the Public Staff's request.

[2] Johnson Exhibit I, Schedule 2, Line 6, Column (a).

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3

Line No.	Item	Present Rates		
		Per Application [1] (a)	Public Staff Adjustments [2] (b)	Per Public Staff [3] (c)
1.	Operating revenues:			
2.	Electric sales revenues	\$ 4,513,813	11,157	\$ 4,524,970
3.	Other Licenses and Fees	36,388	-	36,388
4.	Pcard Rebate	23	-	23
5.	Recovery of Bad Debts	621	-	621
6.	STIF Interest	-	-	-
7.	Sales of Surplus Prop	-	-	-
8.	Late Fees	7,740	-	7,740
9.	Investment Income	-	-	-
	Total operating revenues (sum of Lines 2-8)	<u>4,558,585</u>	<u>11,157</u>	<u>4,569,742</u>
10.	Operating revenue deductions:			
11.	O&M expenses:			
12.	Purchases for resale	3,260,609	32,398	3,293,007
13.	Salaries and fringe benefits	784,939	-	784,939
14.	Contracted services	-	-	-
15.	Repairs and maintenance	301,104	13,831	314,935
16.	Billing and collection expense	64,935	-	64,935
17.	Insurance expense	-	-	-
18.	Other expense	251,773	-	251,773
19.	Tree Trimming	-	-	-
20.	Regulatory expenses	8,333	(3,333)	5,000
21.	Total O&M expenses (Total Lines 12-20)	<u>4,671,693</u>	<u>42,896</u>	<u>4,714,589</u>
22.	Depreciation expense	218,700	(22,674)	196,026
23.	Amortization expense	-	-	-
24.	Income tax expense	-	(93,153)	(93,153)
25.	Total operating revenue deductions (Total Lines 21-24)	<u>4,890,393</u>	<u>(72,931)</u>	<u>4,817,462</u>
26.	Net operating income for return (L9 - L25)	<u>\$ (331,808)</u>	<u>\$ 84,087</u>	<u>\$ (247,721)</u>

[1] University Exhibit WRO-1

[2] Johnson Exhibit I, Schedule 3-1, Column (e).

[3] Column (a) + Column (b).

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
SUMMARY OF PUBLIC STAFF
NET OPERATING INCOME ADJUSTMENTS
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1

Line No.	Item	Adjustment To Revenue Accrual (a)	Billing Determinant Corrections (b)	Customer Growth (c)	Weather Normalization (d)	Test Year Inflation Adjustment (e)	Adjust Purchased Power Expense (f)	Adjust Purchased Power Revenue (g)	Correction To Income Tax Rate (h)	Adjust Regulatory Expense (i)	Adjust Depreciation Expense (j)	Interest Synchronization (k)	Total Public Staff Adjustments (l) [5]
1.	Operating revenues:												
2.	Electric sales revenues	\$ (71,468) [1]	\$ (23,677)	34,267	72,036			(1)					11,157
3.	Other Licenses and Fees												-
4.	Card Rebate												-
5.	Recovery of Bad Debts												-
6.	STIF Interest												-
7.	Sales of Surplus Prop												-
8.	Late Fees												-
9.	Total operating revenues (sum of Lines 2-8)	<u>(71,468)</u>	<u>(23,677)</u>	<u>34,267</u>	<u>72,036</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,157</u>
10.	Operating revenue deductions:												
11.	O&M expenses:												
12.	Purchases for resale						32,398						-
13.	Salaries and fringe benefits												32,398
14.	Contracted services												-
15.	Repairs and maintenance			3,342	1,080	9,409			-				13,831
16.	Billing and collection expense												-
17.	Insurance expense												-
18.	Other expense												-
19.	Tree Trimming												-
20.	Regulatory expenses									(3,333)			(3,333)
21.	Total O&M expenses (Total Lines 12-20)	<u>-</u>	<u>-</u>	<u>3,342</u>	<u>1,080</u>	<u>9,409</u>	<u>32,398</u>	<u>-</u>	<u>-</u>	<u>(3,333)</u>	<u>-</u>	<u>-</u>	<u>42,896</u>
22.	Depreciation expense										(22,674)		(22,674)
23.	Amortization expense												-
24.	Income tax expense	<u>(16,420)</u>	<u>(5,440)</u>	<u>7,105</u>	<u>16,302</u>	<u>(2,162)</u>	<u>(7,443)</u>	<u>(0)</u>	<u>(76,233)</u>	<u>766</u>	<u>5,209</u>	<u>(14,837)</u>	<u>(93,153)</u>
25.	Total operating revenue deductions (Total Lines 21-24)	<u>(16,420)</u>	<u>(5,440)</u>	<u>10,447</u>	<u>17,382</u>	<u>7,247</u>	<u>24,955</u>	<u>(0)</u>	<u>(76,233)</u>	<u>(2,567)</u>	<u>(17,465)</u>	<u>(14,837)</u>	<u>(72,931)</u>
26.	Net operating income for return (L9 - L25)	<u>\$ (55,049)</u>	<u>\$ (18,237)</u>	<u>\$ 23,820</u>	<u>\$ 54,654</u>	<u>\$ (7,247)</u>	<u>\$ (24,955)</u>	<u>\$ (1)</u>	<u>\$ 76,233</u>	<u>\$ 2,567</u>	<u>\$ 17,465</u>	<u>\$ 14,837</u>	<u>\$ 84,087</u>
27.	Revenue requirement impact	<u>\$ 71,468</u>	<u>\$ 23,677</u>	<u>\$ (30,925)</u>	<u>\$ (70,956)</u>	<u>\$ 9,409</u>	<u>\$ 32,398</u>	<u>\$ 1</u>	<u>\$ (98,972)</u>	<u>\$ (3,333)</u>	<u>\$ (22,674)</u>	<u>\$ (19,263)</u>	<u>\$ (109,169)</u>

[1] Johnson Exhibit I, Schedule 3-1(a), Line 17.
[2] Comprehensive insurance premium provided by the Company at the Public Staff's request.
[3] Johnson Exhibit I, Schedule 3-1(b), Line 17, Column (c).
[4] Undepreciated value of lost trucks, \$158,639, amortized over five years.
[5] Sum of columns (a) - (d).

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

ADJUSTMENT TO ACCRUE ELECTRIC SALES REVENUE

For the Test Year Ended June 30, 2019

Johnson Exhibit I

Schedule 3-1(a)

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	REVENUE:	
2.	Accrue June 2019 usage	\$ 291,247 [1]
3.	Remove June 2018 usage	<u>(326,968) [1]</u>
4.	Net accrual entry (L2 + L3)	(35,721)
5.	Company accrual entry	<u>35,747 [3]</u>
6.	Correction to revenue accrual adjustment (L4-L5)	<u>\$ (71,468)</u>

[1] Per examination of WCU billing registers and Company workpapers.

[2] Per information provided by the University at the Public Staff's request.

[3] Per Exhibit C of Amendment to Application.

WESTERN CAROLINA UNIVERSITY
 Docket No. E-35, Sub 51
ADJUSTMENT TO CORRECT BILLING DETERMINANTS
 For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(b)

Line No.	Item	Amount
1.	Electric sales revenues after correction of billing determinants	\$ 4,513,137 [1]
2.	Per books electric sales revenue per Company	(4,399,758) [2]
3.	WCU adjustment to remove EMF	(33,456) [2]
4.	WCU adjustment to prospective purchased power revenue	<u>(103,600) [2]</u>
5.	Adjustment to correct revenues for billing determinants (L1 - L4)	<u>\$ (23,677)</u>

[1] Provided by the Public Staff Energy Division.

[2] Per Company Amendment to Application, Exhibit C.

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
CUSTOMER GROWTH ADJUSTMENT
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(c)

Line No.	Item	kWh Adjustment (a)	Applicable Rate (\$/kWh) (b)	Adjustment (c)
1.	Operating revenues:			
2.	Residential	(111,126) [1]	\$ 0.11121 [1]	\$ (12,359) [4]
3.	Commercial	493,953 [1]	\$ 0.09439 [1]	46,626 [4]
4.	Lighting	<u>- [1]</u>	\$ 0.16842 [1]	<u>- [4]</u>
5.	Total adjustment to revenues (L2 + L3)	<u>382,827</u>		<u>\$ 34,267</u>
6.	O&M expenses (contracted services, repairs & maintenance, and billing & collection expenses)	<u>382,827 [1]</u>	\$ 0.00873 [2]	<u>\$ 3,342 [4]</u>

[1] Provided by the Public Staff Energy Division.

[2] Total of per books contracted services, repairs and maintenance, and billing and collection expenses per Schedule 3, Column (a), Lines 14-16, divided by per book test period kWh sales of 42,079,129 kWh [3].

[3] Schedule 3-1(c)(1), Line 13.

[4] Column (a) x Column (b).

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
CALCULATION OF TEST YEAR USAGE
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(c)(1)

Line No.	Test Year Month	Test Year Usage (a)	[1]
1.	Jul-18	2,976,297	
2.	Aug-18	2,921,277	
3.	Sep-18	3,435,469	
4.	Oct-18	2,989,500	
5.	Nov-18	3,159,063	
6.	Dec-18	4,197,717	
7.	Jan-19	4,473,843	
8.	Feb-19	5,139,108	
9.	Mar-19	3,719,031	
10.	Apr-19	3,278,344	
11.	May-19	2,823,435	
12.	Jun-19	2,821,495	
13.	Total (Sum of Lines 1-12)	<u>41,934,579</u>	

[1] Per examination of billing registers.

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
WEATHER NORMALIZATION ADJUSTMENT
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(d)

Line No.	Item	kWh Adjustment (a)	Applicable Rate (\$/kWh) (b)	Adjustment (c)
1.	Operating revenues:			
2.	Residential	231,534 [1]	\$ 0.10021 [1]	\$ 23,202 [4]
3.	Commercial	<u>(107,812) [1]</u>	\$ 0.09196 [1]	<u>(9,914) [4]</u>
4.	Total Public Staff adjustment to revenues (L2 + L3)	<u>123,722</u>		13,288
5.	WCU weather normalization adjustment			<u>(58,748) [5]</u>
6.	Total Public Staff adjustment (L4-L5)			<u>\$ 72,036</u>
	O&M expenses (contracted services, repairs & maintenance, and billing & collection expenses)	<u>123,722</u>	0.00873 [2]	<u>\$ 1,080 [4]</u>

[1] Provided by the Public Staff Economic Research Division.

[2] Total of per books contracted services, repairs and maintenance, and billing and collection expenses per Schedule 3, Column (a), Lines 14-16, divided by per book test period kWh sales of 42,079,129 kWh [3].

[3] Schedule 3-1(c)(1), Line 13.

[4] Column (a) x Column (b).

[5] Per Company Amendment to Application, Exhibit C.

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

TEST YEAR INFLATION ADJUSTMENT

For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(e)

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	CPI index - June 2018	251.989 [1]
2.	CPI index - June 2019	256.143 [1]
3.	Mid point index (L1 + L2, divided by 2)	<u>254.066</u>
4.	Half-year inflation factor (L2/L3, minus 1)	0.008175
5.	O&M expenses (excluding purchased power, tree trimming, regulatory expenses, and overhead)	<u>1,150,978 [2]</u>
6.	Test year inflation adjustment (L4 x L5)	<u><u>\$ 9,409</u></u>

[1] Per monthly CPI Detailed Reports, Table 1.

[2] Per Schedule 3, Column (a), Lines 13-17.

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
ADJUSTMENT TO PURCHASED POWER EXPENSE
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(f)

Line No.	Item	Amount
1.	Public Staff recommended base purchased power factor	<u>\$ 0.07759</u> [1]
2.	Pro forma kWh sales:	
3.	Per books	41,934,579 [2]
4.	Customer growth	382,827 [3]
5.	Weather normalization	<u>123,722</u> [4]
6.	Total pro forma kWh sales (Sum of Lines 3-5)	<u>42,441,128</u>
7.	Adjusted purchased power expense (L1 x L6)	<u>\$ 3,293,007</u>
8.	Purchased power expense as previously recorded:	
9.	Per University	3,260,609 [5]
10.	Public Staff accrual adjustment	<u>[6]</u>
11.	Net purchased power expense as previously adjusted (L9 + L10)	<u>3,260,609</u>
12.	Adjustment to purchased power expense (L7 - L11)	<u>\$ 32,398</u>

[1] Total purchased power expense factor (base plus prospective PPA) in Docket No. E-35, Sub 50, by order dated February 17, 2020.

[2] Johnson Exhibit I, Schedule 3-1(c)(1), Line 13.

[3] Johnson Exhibit I, Schedule 3-1(c), Line 4, Column (a).

[4] Johnson Exhibit I, Schedule 3-1(d), Line 4, Column (a).

[5] Johnson Exhibit I, Schedule 3, Line 12, Column (a).

[6] Johnson Exhibit I, Schedule 3-1(a), Line 14.

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
**ADJUSTMENT TO EQUALIZE PURCHASED POWER REVENUE
TO PURCHASED POWER EXPENSE**
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(g)

Line No.	Item	kWh Amount (a)	Weighted Rate (b)	Dollar Amount (c)
1.	Targeted purchased power revenue			<u>\$ 3,293,007</u> [1]
2.	Purchased power revenue already recognized:			
3.	Per books, adjusted for current rates	41,934,579 [2]	\$ 0.07759 [4]	3,253,704 [3]
4.	Customer growth	382,827 [5]	\$ 0.07759 [7]	29,704 [8]
5.	Weather normalization	<u>123,722</u> [6]	\$ 0.07759 [7]	<u>9,600</u> [8]
6.	Total already recorded (Sum of Lines 3-5)	<u><u>42,441,128</u></u>		<u><u>3,293,008</u></u>
7.	Adjustment to purchased power revenue (L1- L6)			<u><u>\$ (1)</u></u>

- [1] Johnson Exhibit I, Schedule 3-1(f), Line 7.
[2] Johnson Exhibit I, Schedule 3-1(c)(1), Line 13.
[3] Per examination of University billing registers.
[4] Johnson Exhibit I, Schedule 3-1(f), Line 1.
[5] Johnson Exhibit I, Schedule 3-1(c), Line 4, Column (a).
[6] Johnson Exhibit I, Schedule 3-1(d), Line 4, Column (a).
[7] Line 2, Column (b).
[8] Column (a) x Column (b).

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

ADJUSTMENT TO REGULATORY EXPENSE

For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(i)

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Estimate of rate case expenses	\$ 25,000 [1]
2.	Amortization period	5
3.	Annual rate case expense amortization (L1/L2)	5,000
4.	Reasonable annual amount related to other work	- [1]
5.	Total regulatory expense recommended by Public Staff (L3 + L4)	5,000
6.	Regulatory expense specifically included by Company	8,333 [2]
7.	Adjustment to regulatory expense line item (L5 - L6)	<u>\$ (3,333)</u>
8.	Adjustment to remove per books regulatory expense from contracted services	<u>\$ -</u> [1]

[1] Determined on the basis of information provided by University consultant.

[2] Johnson Exhibit I, Schedule 3, Line 20, Column (a).

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

**CALCULATION OF
DEPRECIATION EXPENSE**

For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(j)

<u>Line No.</u>	<u>Item</u>	<u>Plant In Service</u> [1] (a)	<u>Depreciation Rate</u> [1] (b)	<u>Annual Depreciation</u> [3] (c)
1.	Land	\$ 6,440		\$ -
2.	Structures & Improvements	6,234	2.00%	125
3.	Poles, Towers & Fixtures	1,182,085	3.50%	41,373
4.	Overhead Conductors	652,014	2.60%	16,952
5.	Underground Conductors	86	2.05%	2
6.	Underground Conductors	735,680	2.45%	18,024
7.	Line Transformers	1,220,263	2.95%	35,998
8.	Services	1,016,526	2.60%	26,430
9.	Meters	232,025	3.25%	7,541
10.	Installation on Customer Premises	355,289	3.00%	10,659
11.	Capital Improvement	223,088	2.75%	6,135
12.	Transportation Equipment	191,392	25.00%	47,848
13.	Power Operated Equipment	-	20.00%	-
				-
15.	Totals per Public Staff (Sum Lines 1-14)	<u>\$ 5,821,122</u>		211,087
16.	Depreciation expense per University Exhibits			<u>233,761</u> [4]
17.	Adjustment to depreciation expense (L15-L16)			<u>\$ (22,674)</u>

[1] Per examination of University's financial records by the Public Staff.

[2] Per University.

[3] Column (a) multiplied by Column (b), unless otherwise noted.

[4] University Exhibit WRO-1.

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

**CORRECTION OF INCOME TAX EXPENSE PER COMPANY
POSITION UNDER PRESENT RATES**

For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(k)

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Adjusted revenues under present rates, per WCU	\$ 4,558,585 [1]
2.	O&M expenses	(4,671,693) [1]
3.	Depreciation expense	<u>(218,700) [1]</u>
4.	Adjusted net operating income before income taxes, per WCU (Sum of Lines 1-3)	(331,808)
5.	Combined income tax rate	<u>0.2297500 [2]</u>
6.	Income taxes associated with WCU position under present rates (L4 x L5)	(76,233)
7.	Income taxes under present rates included by WCU	<u>-</u>
8.	Public Staff adjustment (L6 - L7)	<u><u>\$ (76,233)</u></u>

[1] Johnson Exhibit I, Schedule 3, Column (a).

[2] Based on the current N.C. state income tax rate of 2.50% and the federal income tax rate of 21%.

WESTERN CAROLINA UNIVERSITY
 Docket No. E-35, Sub 51
INTEREST SYNCHRONIZATION ADJUSTMENT
 For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 3-1(l)

Line No.	Item	Amount
1.	Public Staff recommended interest on rate base	\$ 64,578 [1]
2.	Combined income tax rate	<u>0.2297500 [2]</u>
3.	Income tax savings related to rate base interest (L1 x L2)	(14,837)
4.	Interest-related income tax savings included by WCU	<u>-</u>
5.	Public Staff interest synchronization adjustment (L3 - L4)	<u><u>\$ (14,837)</u></u>

[1] Johnson Exhibit I, Schedule 4, Line 4, Column (e).

[2] Based on the current N.C. state income tax rate of 2.50% and the federal income tax rate of 21%.

WESTERN CAROLINA UNIVERSITY

Docket No. E-35, Sub 51

RETURN ON ORIGINAL COST NET INVESTMENT

For the Test Year Ended June 30, 2019

Johnson Exhibit I

Schedule 4

Before Public Staff Proposed Increase						
Line No.	Item	Capitalization Ratio	Original Cost Rate Base	Cost Rates	Weighted Cost Rates	Net Operating Income
		(a)	(b)	(c)	(d)	(e)
1.	Long-term debt	50.00%	\$ 1,774,125	3.64%	1.82%	\$ 64,578
2.	Common equity	50.00%	1,774,125	-17.60%	-8.80%	(312,299)
3.	Total (L1 + L2)	<u>100.00%</u>	<u>\$ 3,548,251</u>		<u>-6.98%</u>	<u>\$ (247,721)</u>

After Public Staff Proposed Increase						
Line No.	Item	Capitalization Ratio	Original Cost Rate Base	Cost Rates	Weighted Cost Rates	Net Operating Income
		(a)	(b)	(c)	(d)	(e)
4.	Long-term debt	50.00%	\$ 1,774,125	3.64%	1.82%	\$ 64,578
5.	Common equity	50.00%	1,774,125	9.00%	4.50%	159,671
6.	Total (L1 + L2)	<u>100.00%</u>	<u>\$ 3,548,251</u>		<u>6.32%</u>	<u>\$ 224,249</u>

WESTERN CAROLINA UNIVERSITY
Docket No. E-35, Sub 51
**CALCULATION OF THE PUBLIC STAFF'S
ADDITIONAL REVENUE REQUIREMENT**
For the Test Year Ended June 30, 2019

Johnson Exhibit I
Schedule 5

Line No.	Item	Amount
1.	Required net operating income	\$ 224,249 [1]
2.	Net operating income before proposed increase	<u>(247,721) [2]</u>
3.	Additional net operating income requirement (L1 - L2)	471,970
4.	Retention factor	<u>0.7702500 [3]</u>
5.	Additional revenue requirement (L3/L4)	<u><u>\$ 612,749</u></u>

[1] Johnson Exhibit I, Schedule 4, Line 6.

[2] Johnson Exhibit I, Schedule 4, Line 3.

[3] Johnson Exhibit I, Schedule 1-1, Line 13.