

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. W-1141, SUB 8**

In the Matter of  
Application by 904 Georgetown Treatment ) **TESTIMONY OF**  
Plant, LLC, for Authority to Increase Rates ) **IRIS MORGAN**  
for Sewer Utility Service in Sandpiper Bay ) **PUBLIC STAFF –**  
Golf and Country Club in Brunswick County, ) **NORTH CAROLINA**  
North Carolina ) **UTILITIES COMMISSION**

**October 17, 2023**

1 **Q. Please state your name, business address, and present**  
2 **position.**

3 A. My name is Iris Morgan. My business address is 430 North Salisbury  
4 Street, Dobbs Building, Raleigh, North Carolina. I am a Public  
5 Utilities Regulatory Analyst with the Accounting Division of the Public  
6 Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. Briefly state your qualifications and experience.**

8 A. My qualifications and duties are attached as Appendix A.

9 **Q. What is the mission of the Public Staff?**

10 A. The Public Staff represents the concerns of the using and consuming  
11 public in all public utility matters that come before the North Carolina  
12 Utilities Commission. Pursuant to N.C. Gen. Stat. § 62-15(d), it is the  
13 Public Staff's duty and responsibility to review, investigate, and make  
14 appropriate recommendations to the Commission with respect to the  
15 following utility matters: (1) retail rates charged, service furnished,  
16 and complaints filed, regardless of retail customer class; (2)  
17 applications for certificates of public convenience and necessity; (3)  
18 transfers of franchises, mergers, consolidations, and combinations  
19 of public utilities; and (4) contracts of public utilities with affiliates or  
20 subsidiaries. The Public Staff is also responsible for appearing  
21 before State and federal courts and agencies in matters affecting  
22 public utility service.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to present the accounting and  
3 ratemaking adjustments I am recommending, as well as those  
4 recommended by other Public Staff witnesses, resulting from the  
5 Public Staff's investigation of revenue, expenses, and rate base  
6 presented by 904 Georgetown Treatment Plant, LLC (Georgetown  
7 or the Company) in support of the Company's July 6, 2023, request  
8 for a rate increase.

9 **Q. Please describe the scope of your investigation into the**  
10 **Company's filing.**

11 A. My investigation included a review of the application, testimony,  
12 exhibits, and other data filed by the Company; an examination of the  
13 books and records for the 12-month test year ended October 31,  
14 2022; and a review of the Company's accounting and end-of-period  
15 adjustments to test year revenue, expenses, and rate base. The  
16 Public Staff has also conducted extensive discovery in this matter,  
17 including reviewing numerous data request responses provided by  
18 the Company in response to Public Staff data requests and a site  
19 visit.

1 **Q. What revenue increase is the Public Staff recommending in this**  
2 **case?**

3 A. Based on the level of rate base, revenue, and expenses annualized  
4 for the 12-month test year ended October 31, 2022, the Public Staff  
5 is recommending an increase in annual operating revenue of  
6 \$79,330 for sewer rates. As allowed under N.C.G.S. § 62-133.1, I  
7 have used the operating ratio method to evaluate the Company's  
8 proposed revenue requirement.

9 **Q. Please briefly describe the Public Staff's presentation of the**  
10 **issues in this case.**

11 A. Each Public Staff witness will present testimony and exhibits  
12 supporting his or her position and will recommend any appropriate  
13 adjustments to the Company's proposed rate base and cost of  
14 service for the test year. My exhibits reflect and summarize these  
15 adjustments, as well as the adjustments I recommend.

16 **Q. Please provide a more detailed description of the organization**  
17 **of your exhibits.**

18 A. Schedule 1 of Morgan Exhibit 1 presents the margin on operating  
19 revenue deductions requiring a return.

20 Schedule 2 of Morgan Exhibit 1 and its supporting Schedule 2-1  
21 present the original cost rate base.

1 Schedule 3 of Morgan Exhibit 1 and its supporting Schedules 3-1  
2 through 3-5 present the net operating income for a return under the  
3 present rates, the Company's proposed rates, and the Public Staff's  
4 recommended rates.

5 Schedule 4 of Morgan Exhibit 1 presents the calculation of the  
6 revenue requirement.

7 Schedule 5 of Morgan Exhibit 1 presents a summary of the revenue  
8 impacts from the Public Staff's adjustments and the Public Staff's  
9 recommended revenue increase.

10 **Q. What adjustments to the Company's cost of service do you**  
11 **recommend?**

12 A. I recommend adjustments to the following areas:

- 13 1. Plant in service;
- 14 2. Accumulated depreciation;
- 15 3. Cash working capital and average tax accruals;
- 16 4. Depreciation expense;
- 17 5. Salaries and wages;
- 18 6. Salaries and wages – Contractor;
- 19 7. Uncollectibles and other expenses – Bad debt expense;
- 20 8. Regulatory expense;
- 21 9. Payroll taxes;

- 1 10. Regulatory fee; and  
2 11. State and Federal income tax.

3 **Q. What adjustments recommended by other Public Staff**  
4 **witnesses do your exhibits incorporate?**

5 A. My exhibit reflects the following adjustments recommended by other  
6 Public Staff witnesses:

7 1. The recommendations of Public Staff witness John R. Hinton,  
8 Director of the Economic Research Division of the Public Staff,  
9 regarding a margin on operating expenses.

10 2. The recommendations of Public Staff witness Evan M. Houser,  
11 Engineer with the Water, Sewer, and Telephone Division of the  
12 Public Staff, regarding the following items:

- 13 a. Service revenues at present rates;  
14 b. Service revenues at Company proposed rates;  
15 c. Maintenance and repair;  
16 d. Landscape, mowing, and effluent;  
17 e. Utilities expenses;  
18 f. Chemicals;  
19 g. Testing;  
20 h. Permit fees; and  
21 i. Sludge removal.

1 **Q. Please describe your recommended adjustments.**

2 A. My adjustments are described below.

### **Plant In Service**

3 **Q. Please explain your adjustments to plant in service.**

4 A. As detailed on Morgan Exhibit 1, Schedule 2, I calculated plant in  
5 service beginning with the net book value approved in the  
6 Company's last general rate case, included plant additions since the  
7 last rate case as recommended by Public Staff witness Houser, and  
8 removed two budgeted projects that were not completed and placed  
9 in service during the review period.

### **Accumulated Depreciation**

10 **Q. Please explain your adjustment to accumulated depreciation.**

11 A. As detailed on Morgan Exhibit 1, Schedule 2-1, accumulated  
12 depreciation was updated to reflect depreciation through December  
13 31, 2023, related to the adjusted plant in service described above,  
14 including updating the accumulated depreciation for the original plant  
15 in service through December 31, 2023, utilizing the depreciation  
16 rates recommended by Public Staff witness Houser.

### Cash Working Capital and Average Tax Accruals

1 **Q. Please describe your calculation of cash working capital and**  
2 **average tax accruals.**

3 A. Cash working capital, net of average tax accruals, provides the  
4 Company with the funds necessary to carry on its daily operations.  
5 As shown on Schedule 2, I included one-eighth of O&M expenses as  
6 a measure of cash working capital and average tax accruals as one-  
7 fifth of payroll taxes plus one-half of property tax.

### Depreciation Expense

8 **Q. Please describe your adjustment to depreciation expense.**

9 A. I have updated depreciation expense to reflect the rates  
10 recommended by Public Staff witness Houser as well as the plant in  
11 service discussed above.

### Salaries and Wages

12 **Q. Please explain your adjustments to salaries and wages.**

13 A. The Company included allocated salaries and wages expense  
14 calculated based on 50 weeks in a calendar year in its application. I  
15 included the employees' actual total annual salaries utilizing 52  
16 weeks of the employee's paystubs, and allocated utilizing the same  
17 allocation factors as the Company.



### Salaries and Wages – Contractor Expense

1 **Q. Please explain your adjustment to salaries and wages –**  
2 **contractor expense.**

3 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-1, I reclassified  
4 salaries and wages – contractor expense of \$41,160 from  
5 maintenance and repair expense to appropriately reflect the  
6 expense.

7 **Q. Please explain your adjustment to other expenses – bad debt**  
8 **expense.**

9 A. I reclassified other expenses – bad debt expense to uncollectibles to  
10 appropriately reflect the expense.

### Regulatory Expense

11 **Q. What adjustment did you make to regulatory expense?**

12 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-3, the Company  
13 included an estimated amount of regulatory expenses in its  
14 application. I adjusted regulatory expense to include the actual  
15 expenses consisting of the NCUC filing fee, legal fees, accounting  
16 consulting fees, as well as an estimated amount for notices, printing  
17 envelopes, and postage fees to be incurred after the hearing.  
18 Additionally, I amortized the total regulatory expense over five years  
19 to recognize the time gap between the Company's first Certificate of

1 Public Convenience and Necessity (CPCN) and their last rate case  
2 proceeding.

### Payroll Taxes

3 **Q. What adjustment did you make to payroll taxes?**

4 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-4, payroll taxes  
5 were updated based on the update to salaries and wages as  
6 discussed above.

### Regulatory Fee

7 **Q. How have you adjusted the regulatory fee?**

8 A. I utilized the statutory rate of 0.1475% and applied that to total  
9 operating revenues under present rates, Company proposed rates,  
10 and Public Staff recommended rates.

### State And Federal Income Taxes

11 **Q. Please explain your adjustments to state and federal income  
12 taxes.**

13 A. As detailed on Morgan Exhibit 1, Schedules 3 and 3-5, state and  
14 federal income taxes were calculated based on the statutory  
15 corporate rates for the level of income and expenses presented after  
16 all Public Staff adjustments.

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.



## QUALIFICATIONS AND EXPERIENCE

IRIS MORGAN

I graduated from North Carolina Wesleyan College with a Bachelor of Science in Accounting and Business Administration in 2007. Also, I graduated from Keller Graduate School of Management with a Master of Accounting and Financial Management (2011), Master of Business Administration (2013), and a Master of Public Administration (2014).

I joined the Public Staff Accounting Division in December 2008. Since then I have worked on or assisted in investigating rate cases, and filed testimonies and affidavits for water and sewer companies, such as Old North State Water and Sewer Company in Docket No. W-1300, Sub 60, Fairfield Water in Docket No. 1226, Sub 3, and KRJ Utilities in Docket No. W-1075 Sub 12. I monitored Carolina Water Service, Inc. of North Carolina (CWSNC) emergency operator quarterly earnings for troubled water and sewer systems from various companies, including Harrco Utility Corporation in Docket No. W-796, Sub 12, Cross State Development Company in Docket No. W-408, Sub 9, and Outer Banks / Kinnakeet Associates, LLC. In Docket Nos. W-1125, Sub 9 and Sub 10. I reviewed and audited franchise, transfers, and contiguous and extension filings for various water and sewer companies, such as Aqua NC and CWSNC contiguous extensions in Docket No. W-354, Sub 413, W-218, Sub 590, and W-218, Sub 583; Dillsboro Water and Sewer, Inc. franchise in Docket No. W-1303 Sub 0; and Red Bird Water transfers in Docket No. W1328, Sub 12, Docket No. W1328, Sub 14 and Docket No. W1328,

Sub 25. I also audited monthly reports and performed the annual review for Toccoa Natural Gas in Docket No. G-41 Sub 56.



**904 GEORGETOWN TREATMENT PLANT, LLC**  
Docket No. W-1141, Sub 8  
**MARGIN ON OPERATING REVENUE DEDUCTIONS  
REQUIRING A RETURN**  
For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 1

**Sewer Operations**

<u>Line No.</u>	<u>Item</u>	<u>Present Rates (a)</u>	<u>Company Proposed Rates (b)</u>	<u>Public Staff Proposed Rates (c)</u>
1.	Net operating income for a return	(\$52,897) [1]	\$54,128 [4]	20,288 [6]
2.	Operating revenue deductions requiring a return	<u>289,828 [2]</u>	<u>289,828 [5]</u>	<u>289,828 [7]</u>
3.	Return	<u>-18.25% [3]</u>	<u>18.68% [3]</u>	<u>7.00% [8]</u>

[1] Morgan Exhibit I, Schedule 3, Line 31, Column (c).

[2] Morgan Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (c).

[3] Line 1 divided by Line 2.

[4] Morgan Exhibit I, Schedule 3, Line 31, Column (e).

[5] Morgan Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (e).

[6] Line 2 x Line 3.

[7] Morgan Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (g).

[8] Provided by Public Staff Director Hinton.

**904 GEORGETOWN TREATMENT PLANT, LLC**  
Docket No. W-1141, Sub 8  
**ORIGINAL COST RATE BASE**  
For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 2

<u>Line No.</u>	<u>Item</u>	<u>Amount Per Application (a)</u>	<u>Public Staff Adjustments [1] (b)</u>	<u>Amount Per Public Staff (c)</u>
1	Plant in service	\$1,078,260	(\$805,369)	\$272,891 [2]
2	Accumulated depreciation	(894,998)	734,077	(\$160,921) [2]
3	Contributions in aid of construction	0	0	\$0
4	Accumulated amortization of CIAC	0	0	\$0
5	Customer advances	0	0	\$0
6	Net plant in service	183,262	(71,292)	111,970
7	Customer deposits	0	0	0
8	Cash working capital	33,988	(1,100)	32,888 [3]
9	Average tax accruals	(894)	(54)	(948) [4]
10	<b>Original cost rate base</b>	<u>\$216,356</u>	<u>(\$72,446)</u>	<u>\$143,910</u>

- [1] Column (c) minus Column (a).
- [2] Calculated by the Public Staff based on information provided by the Company.
- [3] Calculated at one-eighth of operating expenses.
- [4] Calculated at one-fifth of payroll taxes plus one-half property tax.



**904 Georgetown Treatment Plant LLC**  
Docket No. W-1141 Sub 8  
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED  
DEPRECIATION AND DEPRECIATION EXPENSE**  
For the Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 2-1

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Life [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
<b>Plant in service per Sub 4 Rate Case:</b>							
1	Pump	\$1,500	2003	7	20.50	\$0	(\$1,500)
2	Pump	604	2003	7	20.50	0	(604)
3	Pump	617	2003	7	20.50	0	(617)
4	Pump	600	2003	7	20.50	0	(600)
5	Time monitor	168	2004	7	19.50	0	(168)
6	File cabinet	131	2004	7	19.50	0	(131)
7	Pump	1,283	2004	7	19.50	0	(1,283)
8	V-belts	97	2004	7	19.50	0	(97)
9	Blower check valve and float	355	2004	7	19.50	0	(355)
10	Pump	603	2004	7	19.50	0	(603)
11	Motor and starter	815	2004	7	19.50	0	(815)
12	Lift station pump	3,871	2004	7	19.50	0	(3,871)
13	Lift station meter	1,225	2004	7	19.50	0	(1,225)
14	Contactors and overload relays	617	2004	7	19.50	0	(617)
15	Contactor	129	2004	7	19.50	0	(129)
16	Cord	736	2004	7	19.50	0	(736)
17	Contactor and overload relay	267	2004	7	19.50	0	(267)
18	Motor starter	435	2004	7	19.50	0	(435)
19	Back-up pump installation	300	2004	7	19.50	0	(300)
20	Float switch	428	2005	7	18.50	0	(428)
21	WWTP signs	150	2005	7	18.50	0	(150)
22	Pump motor	1,393	2005	7	18.50	0	(1,393)
23	Pump	1,538	2005	7	18.50	0	(1,538)
24	Testers	189	2005	7	18.50	0	(189)
25	File cabinet	137	2005	7	18.50	0	(137)
26	Dell computer	1,070	2005	5	18.50	0	(1,070)
27	Testers	170	2005	7	18.50	0	(170)
28	Vertical foot valve	1,150	2005	7	18.50	0	(1,150)
29	Telephone equipment	414	2005	7	18.50	0	(414)
30	Contactor and overload relay	127	2005	7	18.50	0	(127)
31	Sump pump	2,862	2005	7	18.50	0	(2,862)
32	Contactor and overload relay	129	2005	7	18.50	0	(129)
33	Pumps	1,606	2006	7	17.50	0	(1,606)
34	500 watt air conditioner	1,692	2006	7	17.50	0	(1,692)
35	50hp vdf drive	6,154	2006	7	17.50	0	(6,154)
36	Engineering fees	2,455	2006	7	17.50	0	(2,455)
37	Vertical turbine pumps	13,882	2006	7	17.50	0	(13,882)
38	Sand filter	12,800	2006	7	17.50	0	(12,800)
39	Surge pump	2,500	2006	7	17.50	0	(2,500)

**904 Georgetown Treatment Plant LLC**  
Docket No. W-1141 Sub 8  
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED**  
**DEPRECIATION AND DEPRECIATION EXPENSE**  
For the Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 2-1

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Life [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
40	<b>Total plant in service per Sub 4 proceeding (Sum of L1 thru L39):</b>	<u>65,199</u>				<u>0</u>	<u>(65,199)</u>
	<b>Plant additions since Sub 4 rate case proceeding:</b>						
41	Pilot Control	516	2007	7	16.50	0	(516)
42	Pump	1,145	2008	7	15.50	0	(1,145)
43	4" Diesel Pump	646	2008	5	15.50	0	(646)
44	Blower Aerifier for Holding Tanks	1,980	2009	5	14.50	0	(1,980)
45	Bay Station control Panel	3,500	2010	10	13.50	0	(3,500)
46	Pump	10,022	2013	5	10.50	0	(10,022)
47	2HP Grinder Pump	13,908	2015	5	8.50	0	(13,908)
48	Pump Wyndfall Lift Station	15,651	2019	5	4.50	3,130	(14,085)
49	2 Pumps	11,625	2020	5	3.50	2,325	(8,138)
50	Mapping - Structure and Improvements	20,875	2020	10	3.50	2,088	(7,308)
51	2 pump installs at main plant	7,000	2020	5	3.50	1,400	(4,900)
52	Control Panel	51,240	2021	10	2.50	5,124	(12,810)
53	Control Panel	5,818	2021	10	2.50	582	(1,455)
54	Generator	34,000	2021	10	2.50	3,400	(8,500)
55	Pump	1,519	2021	5	2.50	304	(760)
56	Pull and Replace Pump at WWTP	2,800	2022	5	1.50	560	(840)
57	Zoe E295-2in flange 2 hp swr pump	1,513	2022	5	1.50	303	(455)
58	10 horsepower motor	1,276	2022	5	1.50	255	(383)
59	New Railings on Lift Station	6,200	2022	10	1.50	620	(930)
60	Sunny Install New Pump for Plant Influent Tank	2,028	2022	5	1.50	406	(609)
61	Sunny Install New Pump for Plant Lift Station	6,939	2022	5	1.50	1,388	(2,082)
62	Noise Dampening Foam Fence for Blower Motors	7,490	2023	10	1.00	749	(749)
63	<b>Total plant additions since Sub 4 rate case proceeding:</b>	<u>207,692</u>				<u>22,634</u>	<u>(95,722)</u>
64	<b>Total plant in service (L41 + L62):</b>	<u>\$272,891</u>				<u>\$22,634</u>	<u>(\$160,921)</u>

[1] Per examination of Company's financial records, unless otherwise footnoted.  
[2] Provided by Public Staff Engineer Houser.  
[3] Calculated based on year placed in service using half year convention through 12/31/2023.  
[4] Column (a) divided by Column (c), unless fully depreciated.  
[5] Column (d) multiplied by Column (e), unless fully depreciated.

**904 GEORGETOWN TREATMENT PLANT, LLC**  
Docket No. W-1141, Sub 8  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Public Staff  
Schedule 3  
Page 1 of 2

Line No.	Item	Present Rates		Company Proposed Rates		Public Staff Recommended Rates		
		Amount Per Company Application (a)	Public Staff Adjustments [1] (b)	Amount Per Public Staff [2] (c)	Net Company Increase [13] (d)	Operations After Rate Increase [14] (e)	Net Public Staff Increase [17] (f)	Operations After Rate Increase [18] (g)
<b><u>Operating Revenues</u></b>								
1	Service revenues	\$238,882	(\$0)	\$238,882 [3]	\$123,352	\$362,234 [3]	\$79,354	\$318,235 [19]
2	Miscellaneous revenues	137	0	137	0	137	0	137
3	Uncollectibles	0	(1,738)	(1,738) [4]	0	(1,738)	0	(1,738)
4	Total operating revenues	239,019	(1,738)	237,281	123,352	360,633	79,354	316,634
<b><u>Operating and Maintenance Expenses</u></b>								
5	Salaries and wages	41,390	1,451	42,841 [5]	0	42,841	0	42,841
6	Salaries and wages - Contractor	0	41,160	41,160 [6]	0	41,160	0	41,160
7	Administrative and office expense	20,684	0	20,684	0	20,684	0	20,684
8	Maintenance & repair expense	70,218	(55,123)	15,095 [3]	0	15,095	0	15,095
9	Landscape, Mowing, & Effluent	41,989	(18,010)	23,979 [3]	0	23,979	0	23,979
10	Utilities	6,313	18,620	24,933 [3]	0	24,933	0	24,933
11	Chemicals	1,772	0	1,772 [3]	0	1,772	0	1,772
12	Testing	4,720	440	5,160 [3]	0	5,160	0	5,160
13	Permit fees	1,310	0	1,310 [3]	0	1,310	0	1,310
14	Sludge removal	49,700	8,900	58,600 [3]	0	58,600	0	58,600
15	Other Expenses: Professional expenses	9,794	0	9,794	0	9,794	0	9,794
16	Other Expenses: Insurance Expense	13,827	0	13,827	0	13,827	0	13,827
17	Other Expenses: Bad Debt Expense	1,738	(1,738)	0	0	0	0	0
18	Other expenses - Miscellaneous expense	261	0	261	0	261	0	261
19	Regulatory expense	8,191	(4,498)	3,693 [7]	0	3,693	0	3,693
20	Total operating and maintenance expenses	271,907	(8,799)	263,108	0	263,108	0	263,108
<b><u>Depreciation and Taxes</u></b>								
21	Depreciation expense	67,639	(45,005)	22,634 [8]	0	22,634	0	22,634
22	Amortization expense - CIAC	0	0	0	0	0	0	0
23	Property taxes	437	0	437	0	437	0	437
24	Payroll taxes	3,375	274	3,649 [9]	0	3,649	0	3,649
25	Other taxes	0	0	0	0	0	0	0
26	Regulatory fee	311	39	350 [10]	182	532 [10]	117	467 [10]
27	State income tax	0	0	0 [11]	1,757	1,757 [15]	658	658 [20]
28	Federal income tax	0	0	0 [12]	14,388	14,388 [16]	5,393	5,393 [21]
29	Total depreciation and taxes	71,762	(44,692)	27,070	16,327	43,397	6,168	33,238
30	<b>Total operating revenue deductions</b>	<b>343,669</b>	<b>(53,491)</b>	<b>290,178</b>	<b>16,327</b>	<b>306,505</b>	<b>6,168</b>	<b>296,346</b>
31	<b>Net operating income for return</b>	<b>(\$104,650)</b>	<b>\$51,753</b>	<b>(\$52,897)</b>	<b>\$107,025</b>	<b>\$54,128</b>	<b>\$73,186</b>	<b>\$20,288</b>

**904 GEORGETOWN TREATMENT PLANT, LLC**

Docket No. W-1141, Sub 8

**FOOTNOTES TO SCHEDULE 3**

For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 3  
Page 2 of 2

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Column (a) plus Column (b), unless otherwise footnoted.
- [3] Provided by Public Staff Engineer Houser.
- [4] Reclassified Other expenses: Bad debt to uncollectibles.
- [5] Morgan Exhibit I, Schedule 3-1, Line 3.
- [6] Morgan Exhibit I, Schedule 3-2, Line 5.
- [7] Morgan Exhibit I, Schedule 3-3, Line 7.
- [8] Morgan Exhibit I, Schedule 2-1, Column (e), Line 62.
- [9] Morgan Exhibit I, Schedule 3-4, Line 3.
- [10] Line 4 multiplied by .14%.
- [11] Morgan Exhibit I, Schedule 3-5, Column (a), Line 12.
- [12] Morgan Exhibit I, Schedule 3-5, Column (a), Line 14.
- [13] Column (e) minus Column (c), unless otherwise footnoted.
- [14] Column (c) plus Column (d), unless otherwise footnoted.
- [15] Morgan Exhibit I, Schedule 3-5, Column (b), Line 12.
- [16] Morgan Exhibit I, Schedule 3-5, Column (b), Line 14.
- [17] Column (g) minus Column (c), unless otherwise footnoted.
- [18] Column (c) plus Column (f), unless otherwise footnoted.
- [19] Revenue requirement as calculated by the Public Staff.
- [20] Morgan Exhibit I, Schedule 3-5, Column (c), Line 12.
- [21] Morgan Exhibit I, Schedule 3-5, Column (c), Line 14.

**904 GEORGETOWN TREATMENT PLANT, LLC**  
Docket No. W-1141, Sub 8  
**ADJUSTMENT TO SALARIES AND WAGES**  
For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Salaries and wages per application	\$41,390
2.	Adjustment to reflect actual salaries expense calculated using 52 weeks per calendar year.	<u>1,451</u>
3.	Salaries and wages per Public Staff (L1 + L2)	<u>42,841</u>
4.	Adjustment to salaries and wages (L3 - L1)	<u><u>\$1,451</u></u>

[1] Calculated by the Public Staff based on information provided by the Company.

**904 GEORGETOWN TREATMENT PLANT, LLC**

Docket No. W-1141, Sub 8

**ADJUSTMENT TO CONTRACTOR SALARY**

For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Contract salary per application	\$0
2.	Adjustment to reclassify contractor salary expense from maintenance & repair.	34,440
3.	Adjustment to add contractor expenses for lift station operations.	<u>6,720</u>
4.	Contract salary per Public Staff (L1 + L2)	<u>41,160</u>
5.	Adjustment to contractor salary (L3 - L1)	<u>\$41,160</u>

[1] Calculated by the Public Staff based on information provided by the Company.

**904 GEORGETOWN TREATMENT PLANT, LLC**  
Docket No. W-1300, Sub 60  
**ADJUSTMENT TO REGULATORY EXPENSE**  
For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 3-3

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Rate case application filing fee	\$250 [1]
2	Legal fees	7,537 [2]
3	Accounting consulting fees	9,563 [2]
4	Notices, Printing envelopes and postage	<u>1,113 [2]</u>
5	Total rate case expense (Sum of L1 thru L4)	18,463
6	Amortization Period	<u>5</u>
7	Rate case expense per Public Staff (L5 / L6)	<u><u>\$3,693</u></u>

[1] Statutory filing fee for Class C water and sewer companies.

[2] Based on information provided by the Company.

**904 GEORGETOWN TREATMENT PLANT, LLC**

Docket No. W-1141, Sub 8

**ADJUSTMENT TO PAYROLL TAXES**

For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 3-4

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Payroll taxes expense per application	\$3,375
2.	Adjustment to reflect actual payroll taxes based on total annual salary using the actual tax rate and allocation factor.	274
3.	Payroll taxes expense per Public Staff (L1 + L2)	<u>3,649</u>
4.	Adjustment to payroll taxes (L3 - L1)	<u>\$274</u>

[1] Calculated by the Public Staff based on information provided by the Company.



**904 GEORGETOWN TREATMENT PLANT, LLC**  
Docket No. W-1141, Sub 8  
**CALCULATION OF INCOME TAXES**  
For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exh bit I  
Schedule 3-5

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [2] (b)	Public Staff Recommended Rates [3] (c)
1	Operating revenue	\$237,281	\$360,633	\$316,634
	Operating revenue deductions:			
2	Total O&M expenses	263,108	263,108	263,108
3	Depreciation expense	22,634	22,634	22,634
4	Amortization expense	0	0	0
5	Property taxes	437	437	437
6	Payroll taxes	3,649	3,649	3,649
7	Other taxes	0	0	0
8	Regulatory fee	350	532	467
9	Interest expense	0	0	0
10	Total deductions (Sum of L2 thru L9)	<u>290,178</u>	<u>290,360</u>	<u>290,295</u>
11	Taxable income (L1 - L10)	<u>(52,897)</u>	<u>70,273</u>	<u>26,339</u>
12	State income tax (L11 x 2.50%)	<u>0</u>	<u>1,757</u>	<u>658</u>
13	Federal taxable income (L11 - L12)	<u>(52,897)</u>	<u>68,516</u>	<u>25,681</u>
14	Federal income tax (L13 x 21.00%)	<u>0</u>	<u>14,388</u>	<u>5,393</u>
15	Net amount (L13 - L14)	<u>(52,897)</u>	<u>54,128</u>	<u>20,288</u>
16	Add: interest expense	<u>0</u>	<u>0</u>	<u>0</u>
17	Net income for return (L15 + L16)	<u><u>(\$52,897)</u></u>	<u><u>\$54,128</u></u>	<u><u>\$20,288</u></u>

[1] Morgan Exhibit I, Schedule 3, Column (c), unless footnoted otherwise.  
[2] Morgan Exhibit I, Schedule 3, Column (e), unless footnoted otherwise.  
[3] Morgan Exhibit I, Schedule 3, Column (g), unless footnoted otherwise.

**904 GEORGETOWN TREATMENT PLANT, LLC**

Docket No. W-1141, Sub 8

**CALCULATION OF REVENUE REQUIREMENT**

For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 4

Line No.	Item	Rate Base Method (a)	Retention Factor (b)	Revenue Requirement (c)	Operating Ratio Method (d)	Retention Factor (e)	Revenue Requirement (f)
	Operating revenue deductions:						
1.	Total O&M and G&A expense	\$263,108			\$263,108		
2.	Depreciation expense	22,634			22,634		
3.	Amortization expense	0			0		
4.	Property taxes	437			437		
5.	Payroll taxes	3,649			3,649		
6.	Other taxes	0			0		
7.	Regulatory fee	0			0		
8.	Total operating revenue deductions	<u>289,828</u>	0.998525	\$290,256	<u>\$289,828</u>	0.998525	\$290,256
9.	Net operating income for return:						
10.	Debt service return	3,022	0.998525	3,026			
11.	Equity return:	7,052	0.769114	9,168	20,288	0.769114	26,378
	Revenue requirement			<u>\$302,450</u>			<u>\$316,634</u>
							\$316,634

**904 GEORGETOWN TREATMENT PLANT, LLC**  
Docket No. W-1141, Sub 8  
**CALCULATION OF GROSS REVENUE**  
**IMPACT OF PUBLIC STAFF ADJUSTMENTS**  
For The Test Year Ended October 31, 2022

Public Staff  
Morgan Exhibit I  
Schedule 5

<u>Line No.</u>	<u>Item</u>	<u>904 Georgetown Sewer</u> [1]
1	Increase / (decrease) in total revenues per Company	<u>\$136,737</u>
2	<u>Difference in calculation of revenue requirement based on Company amounts:</u>	
3	Adjust capital structure to 50% debt and 50% equity	0
4	Adjust debt cost rate to 4.20%	0
5	Adjust return on equity to 9.80%	0
6	Adjustment to plant in service	0
7	Adjustment to accumulated depreciation	0
8	Adjustment to contributions in aid of construction	0
9	Adjustment to accumulated amortization of CIAC	0
10	Adjustment to customer advances	0
11	Adjustment to average tax accrual	0
12	Adjustment to cash working capital	0
13	Adjustment to service revenues	0
14	Adjustment to reclassify uncollected - bad debt	1,738
15	Adjustment to Salaries and wages	1,453
16	Adjustment to Contractor Salaries	41,221
17	Adjustment to Administrative and office expense	0
18	Adjustment to Maintenance & repair expense	(55,205)
19	Adjustment to Landscape, Mowing and Effluent	(18,037)
20	Adjustment to Utilities	18,647
21	Adjustment to Chemicals	0
22	Adjustment to Testing	441
23	Adjustment to Permit fees	0
24	Adjustment to Sludge removal	8,913
25	Adjustment Other Expenses: Professional expenses	0
26	Adjustment to Other expenses - Insurance expense	0
27	Adjustment to Other expenses - Bad debt expense	(1,741)
28	Adjustment to Other expenses - Miscellaneous expense	0
29	Adjustment to Regulatory expense	(4,505)
30	Adjustment to Depreciation expense	(45,071)
31	Adjustment to Payroll taxes	274
32	Adjustment for return	(4,872)
33	Adjustment to regulatory fee	28
34	Difference of return	(670)
	Rounding difference	<u>0</u>
35	Revenue impact of Public Staff adjustments	<u>(57,385)</u>
36	Increase / (decrease) per Public Staff	<u><u>\$79,352</u></u>

[1] Calculated by the Public Staff.



## CERTIFICATE OF SERVICE

I certify that a copy of the foregoing has been served on all parties of record or their attorneys, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 17th day of October, 2023.

Electronically submitted  
/s/ James Bernier, Jr.  
Staff Attorney