

Edward S. Finley, Jr., PLLC
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NC Bar No. 6149

Ms. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh NC 27699 -4300

January 25, 2024

RE: Docket No. W-1318, Sub 1.

Dear Ms. Dunston:

Please accept for filing an application and accompanying exhibits pursuant to N.C. Gen. Stat. § 62-130 *et seq.* for a request for an increase in water service rates on behalf of HH Water, LLC. This application contains no material that needs to be marked confidential. In addition to seeking an increase in the water service rates in the attached application HH Water, LLC requests in this document that the name under which it conducts business in its service area and communicates with its customers be changed to Cashiers Water and Sewer. This filing is being made electronically. The \$100 required filing fee is being submitted to the Clerk's office through personal delivery.

Thank you for your attention to this matter.

Sincerely,
/s/ Edward S. Finley, Jr.
Edward S. Finley, Jr.
Counsel for HH Water Company

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Application to Increase Rates was duly served upon all parties of record either by depositing same in a depository of the United States Postal Service, first class postage prepaid, or by electronic delivery.

This the 25 day of January 2024

Edward S. Finley, Jr.,

/s/ Edward S. Finley, Jr.

Edward S. Finley, Jr., PLLC
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Raleigh, NC 27608
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COUNSEL FOR APPLICANT

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

APPLICATION FOR RATE INCREASE

INSTRUCTIONS

Notes or explanations placed in the margins of the application are acceptable. If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable" or cross out the section.

APPLICANT

- 1. Trade name used for utility business HH Water, LLC
- 2. Name of owner (if different from trade name) _____
- 3. Business mailing address 3104 Blue Lake Drive, Suite 200
City and state: Vestavia Hills, AL Zip Code 35243
- 4. Business street address (if different from mailing address) _____
- 5. Business telephone number 205-443-4730
- 6. List the counties in which you provide water utility service Jackson County
- 7. List the counties in which you provide sewer utility service Not Applicable

PROPOSED AND PRESENT RATES

	<u>Proposed Rates</u>	<u>Present Rates</u>
8. Metered Residential Service:		
Water:	_____	_____
Sewer:	_____	_____
9. Flat Rate Residential Service:		
Water:	<u>\$97.86</u>	<u>\$20.94 Residential</u>
Sewer:	_____	_____
10. Nonresidential Service (explain):		
Water:	<u>\$10,326.05</u>	<u>\$1,504.13 High Hampton Inn & Country Club</u>
Sewer:	_____	_____
11. Tap-on fees:		
Water:	_____	_____
Sewer:	_____	_____

OTHER PROPOSED RATES

- 12. Finance charge for late payment: 1 %
(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
- 13. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: \$14.28
- 14. Reconnection charge if water service discontinued at customer's request: \$14.28.
- 15. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: Not Applicable
- 16. Other charges: \$19.04 Returned Check Charge
- 17. What date are the proposed rates to become effective? February 26, 2024
- 18. How long have the present rates been in effect? September 11, 2017

PROPOSED BILLING

- 19. Frequency of billing shall be (monthly, quarterly, etc.) Monthly
- 20. Billing shall be for service (in advance or arrears) Arrears
- 21. Bills past due 30 days after the billing dates:
(NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).
- 22. Will regular billing be by written statement? (yes or no) Yes

REVENUES AND EXPENSES

For 12 Months Ended December 31, 2022

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
1. Residential service (flat rate)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
2. Residential service (metered rate)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
3. Nonresidential service (flat rate)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
4. Nonresidential service (metered rate)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
5. Other revenues (describe in remarks below)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
6. Total Revenues (Lines 1 thru 5)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
7. Total salaries	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
8. Administrative and office expense (except salaries)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
9. Maintenance and repair expense (except salaries)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
10. Transportation expenses	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
11. Electric power for pumping	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
12. Chemicals for treatment	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
13. Testing fees	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
14. Permit fees	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
15. Purchased water/sewer treatment-	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
16. Annual depreciation	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
17. Taxes: State income taxes	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
18. Federal income taxes	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
19. Gross receipts (or franchise tax)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
20. Property taxes	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
21. Payroll taxes	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
22. Other taxes -Regulatory Fee	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
23. Other expenses (describe in remarks below)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
24. Total Expenses (Lines 7 thru 23)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
25. Net Operating Income (Line 6 minus Line 24)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
26. Interest on debt during year	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>
27. Net Income (Line 25 minus Line 26)	\$ <u>See Exhibit I Sch 3</u>	\$ <u>Not Applicable</u>

Remarks

28. See Exhibit I for the detailed revenues & expenses
29. _____
30. _____
31. _____
32. _____

NUMBER OF CUSTOMERS SERVED

(at end of month)

	<u>Month</u>	<u>Water</u>			<u>Sewer</u>		
		<u>Flat Rate Customers</u>	<u>Metered Customers</u>	<u>Gallons Sold to Metered Custs.</u>	<u>Flat Rate Customers</u>	<u>Metered Customers</u>	<u>Gallons Sold to Metered Custs.</u>
33.	January 276	_____	_____	_____	_____	_____	_____
34.	February	276	_____	_____	_____	_____	_____
35.	March	276	_____	_____	_____	_____	_____
36.	April	276	_____	_____	_____	_____	_____
37.	May	276	_____	_____	_____	_____	_____
38.	June	276	_____	_____	_____	_____	_____
39.	July	276	_____	_____	_____	_____	_____
40.	August	276	_____	_____	_____	_____	_____
41.	September	276	_____	_____	_____	_____	_____
42.	October	276	_____	_____	_____	_____	_____
43.	November	276	_____	_____	_____	_____	_____
44.	December	276	_____	_____	_____	_____	_____

ORIGINAL COST OF UTILITY SYSTEM
As of Year Ended December 31, 2022

Note: List the total original cost to construct and establish the system, whether or not paid for by the Present Owner.

<u>Utility Property in Service</u>	<u>Balance at End of Year</u>	
	<u>Water</u>	<u>Sewer</u>
1. Land and rights-of-way	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
2. Structures and site improvement	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
3. Wells	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
4. Pumping equipment	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
5. Treatment equipment	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
6. Storage tanks	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
7. Mains (excluding service connections)	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
8. Service connections	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
9. Meters (including spare meters)	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
10. Office furniture and equipment	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
11. Transportation equipment	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
12. Other utility property in service (describe in remarks below)	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
13. Total utility property in service (Lines 1 thru 12)	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
14. Less: accumulated depreciation	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
15. Less: accumulated tap fees and other contributions in aid of construction	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
16. Less: customer advances	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>
17. Net investment in utility property (Line 13 minus 14, 15, & 16)	\$ <u>See Exhibit I Sch 2</u>	\$ <u>Not Applicable</u>

<u>Utility Property Not in Service</u>	<u>Balance at End of Year</u>	
	<u>Water</u>	<u>Sewer</u>
18. Construction work in progress	\$ <u>Not Applicable</u>	\$ <u>Not Applicable</u>
19. Property held for future use	\$ <u>Not Applicable</u>	\$ <u>Not Applicable</u>
20. Other (describe in remarks below)	\$ <u>Not Applicable</u>	\$ <u>Not Applicable</u>

Remarks

21. See Exhibit I, Schedule 2-1 for detailed Plant in Service and Accumulated Depreciation
22. _____
23. _____

ANNUAL DEPRECIATION

24. If annual depreciation is claimed using a composite rate for the entire system, show composite rate used:
 Water: N/A
 Sewer: N/A
25. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: See Exhibit I - PIS AD DEPR EXP tab

<u>Type of Equipment</u>	<u>Annual Depreciation Rate</u>	<u>Method Used (Straight Line, etc.)</u>	<u>Amount of Annual Depreciation</u>
<u>Exhibit I - PIS AD DEPR EXP tab</u>	_____	_____	<u>Straight Line</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

CONTRIBUTIONS IN AID OF CONSTRUCTION
(Including Tap Fees)

- 1. Has the utility collected any gross-up on contributions in aid of construction (CIAC), such as contributed plant and tap fees, since the test year of its last rate case? (yes or no) No

EMPLOYEE SALARIES
(Including Owner)

Name	Duties	Salaries Paid During Year	Hours Worked During Year
2. <u>Not Applicable</u>			
3. _____	_____	_____	_____
4. _____	_____	_____	_____

FINANCIAL INFORMATION

Source of Loans (For Utility Purposes)	Interest Rates	Amount Unpaid End of Year
5. <u>Not Applicable</u>	<u>Not Applicable</u>	\$ <u>Not Applicable</u>
6. _____	_____	\$ _____
7. _____	_____	\$ _____

OTHER FINANCIAL INFORMATION

8. Stocks issued	\$ <u>0</u>
9. Accumulated (or retained) earnings or losses	\$ <u>1,069,352</u>
10. Cash on hand	\$ <u>22,966</u>
11. Accounts receivable	\$ <u>3,505</u>
12. Accounts payable	\$ <u>188,873</u>
13. Customer deposits on hand	\$ <u>0</u>
14. Materials and supplies	\$ <u>18,593</u>
15. Other investments	\$ <u>0</u>

FILING INSTRUCTIONS

- 16. Seven (7) copies of the application and exhibits shall be filed with the North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325. **Twenty-five (25) copies of a Class A or B utility company should be filed.** One of these copies must have original signature. (Applicants must make their copies if desired.) Class A and B utility companies are also required to file a written letter of intent to file a general rate case with the Commission thirty (30) days in advance of filing this application. Furthermore, Class A utility companies should file a NCUC Form W-1 along with this rate increase application form as required in Rule R1-17(12)(d).
- 17. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$500 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$250 filing fee. A Class C company (annual revenues less than \$200,000) requires a filing fee of \$100. **MAKE CHECK PAYABLE TO N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.**

SIGNATURE

- 18. Application shall be signed and verified by the Applicant. [Signature]
Signature
11/25/24
Date

- 19. (Typed or Printed Name) T. Charles Tickle
personally appearing before me and being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 25th day of January, 2024
Regina H. Ellis
Notary Public

505 N 20th St, Bham, AL 35203
Address

My Commission Expires: 11-3-2025
Date



EXHIBIT I

REVENUE REQUIREMENT MODEL

HH Water, LLC
Docket No. W-1318 Sub 1
INDEX TO EXHIBIT I
For The Test Year Ended December 31, 2022

<u>LINE NO.</u>	<u>TITLE</u>	<u>SCHEDULE NO.</u>
1	RETURN ON ORIGINAL COST RATE BASE	1
2	CALCULATION OF GROSS REVENUE EFFECT FACTORS	1-2
3	ORIGINAL COST RATE BASE	2
4	CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE	2-1
5	CALCULATION OF CASH WORKING CAPITAL AND AVERAGE TAX ACCRUALS	2-2
6	NET OPERATING INCOME FOR A RETURN - WATER OPERATIONS	3
7	ADJUSTMENT TO MAINTENANCE & REPAIR EXPENSE	3-1
8	ADJUSTMENT TO CONTRACT OPERATOR EXPENSE	3-2
9	ADJUSTMENT TO CHEMICALS EXPENSE	3-3
10	ADJUSTMENT TO TESTING EXPENSE	3-4
11	TESTING SUPPORT	3-4 (a)
12	ADJUSTMENT TO REGULATORY EXPENSE	3-5
13	CALCULATION OF INCOME TAXES	3-6
14	CALCULATION OF REVENUE REQUIREMENT	4

Exhibit I
Schedule 1

HH Water, LLC
Docket No. W-1318 Sub 1
RETURN ON ORIGINAL COST RATE BASE
For The Test Year Ended December 31, 2022

Line No.	Item	Capitalization Ratio [1] (a)	Filed Amounts (b)	Embedded Cost (c)	Overall Cost Rate (d)	Net Operating Income (e)
<u>Company Present Rates:</u>						
1	Debt	50.00%	\$529,705 [2]	4.60% [1]	2.30%	\$24,366 [5]
2	Equity	50.00%	529,706 [2]	-51.92% [4]	-25.96%	(275,015) [6]
3	Total	<u>100.00%</u>	<u>\$1,059,411 [3]</u>		<u>-23.66%</u>	<u>(\$250,649) [7]</u>
<u>Company After ProForma Adjustments:</u>						
4	Debt	50.00%	\$1,143,902 [2]	4.60% [1]	2.30%	\$52,619 [5]
5	Equity	50.00%	1,143,901 [2]	-29.76% [4]	-14.88%	(340,375) [6]
6	Total	<u>100.00%</u>	<u>\$2,287,803 [3]</u>		<u>-12.58%</u>	<u>(\$287,756) [7]</u>
<u>Company Proposed Rates:</u>						
7	Debt	50.00%	\$1,143,902 [2]	4.60% [1]	2.30%	\$52,619 [8]
8	Equity	50.00%	1,143,901 [2]	9.80% [1]	4.90%	112,102 [8]
9	Total	<u>100.00%</u>	<u>\$2,287,803 [3]</u>		<u>7.20%</u>	<u>\$164,722</u>

[1] Per Application

[2] Column (a) multiplied by Column (b).

[3] Exhibit I, Schedule 2, Column (a), Line 7. After Proforma Adjustments and Proposed rates Exhibit I, Schedule 2, Column (c).

[4] Column (e) divided by Column (b).

[5] Column (b) multiplied by Column (c).

[6] Line 3 minus Column (e), Line 1.

[7] Exhibit I, Schedule 3, Column (c), Line 30.

[8] Column (b) multiplied by Column (c).

HH Water, LLC
Docket No. W-1318 Sub 1
CALCULATION OF GROSS REVENUE EFFECT FACTORS
For The Test Year Ended December 31, 2022

Line No.	Item	Capital Structure (a)	Cost Rates (b)	Retention Factor (c)	Gross Revenue Effect (d)
Rate Base Factor:					
1	Debt	50.00% [1]	4.60% [1]	0.998525 [2]	0.023034 [4]
2	Equity	50.00% [1]	9.80% [1]	0.769114 [3]	0.063710 [4]
3	Total	<u>100.00%</u>			<u>0.086744</u>
Net Income Factor:					
4	Total revenue	1.000000			
5	Regulatory fee (L4 x .1475%)	<u>0.001475</u>			
6	Balance (L4 - L5)	0.998525			
7	State income tax (L6 x 2.5%)	<u>0.024963</u>			
8	Balance (L6 - L7)	0.973562			
9	Federal income tax (L8 X 21%)	<u>0.204448</u>			
10	Retention factor (L8 - L9)	<u>0.769114</u>			

- [1] Per Application.
- [2] Column (a), Line 6.
- [3] Column (a), Line 10.
- [4] Column (a) multiplied by Column (b) divided by Column (c).

HH Water, LLC
Docket No. W-1318 Sub 1
ORIGINAL COST RATE BASE
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Item</u>	Amount Per Company Books [1] (a)	Pro Forma Adjustments [2] (b)	Company Proposed [4] (c)
1	Plant in service	\$1,342,226	\$1,250,949 [3]	\$2,593,175
2	Accumulated depreciation	<u>(282,815)</u>	<u>(54,304) [3]</u>	<u>(337,119)</u>
3	Net plant in service (L1 + L2)	1,059,411		2,256,055
4	Contributions in aid of construction (CIAC)	0	0	0
5	Cash working capital	0	32,327	32,327 [5]
6	Average tax accruals	<u>0</u>	<u>(579)</u>	<u>(579) [6]</u>
7	Original cost rate base (Sum of L3 thru L6)	<u>\$1,059,411</u>	<u>\$31,748</u>	<u>\$2,287,803</u>

- [1] Exhibit 1, Schedule 2-1, Line 33.
- [2] Column (c) minus Column (a), unless otherwise footnoted.
- [3] Exhibit I, Schedule 2-1, Line 35 plus line 43.
- [4] Column (a) plus Column (b), unless otherwise footnoted.
- [5] Exhibit I, Schedule 2-2, Line 2.
- [6] Exhibit I, Schedule 2-2, Line 7.

HH Water, LLC
Docket No. W-1318 Sub 1
ORIGINAL COST RATE BASE
CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION, AND DEPRECIATION EXPENSE
For The Test Year Ended December 31, 2022

Line No.	Item	Plant in Service		Service Life		Years in Service		Annual Depreciation [4]	Accumulated Depreciation [5]	
		(a)	[1]	(c)	[2]	(d)	[2]			(e)
1	44,000 gallon water tank	\$9,513	[1]	1996		25		26.5	\$ -	\$9,513
2	730 foot well	5,110	[1]	1996		25		26.5	-	5,110
3	New well behind medical center	41,047	[1]	1996		25		26.5	-	41,047
4	Galax water lines	22,044	[1]	1996		25		26.5	-	22,044
5	Phase #6 well	898	[1]	1996		25		26.5	-	898
6	Well tank Halstead Rd	18,993	[1]	1997		25		25.5	-	18,993
7	Water lines	6,525	[1]	1997		25		25.5	-	6,525
8	Water lines	2,119	[1]	1998		25		24.5	85	2,077
9	Water lines	2,729	[1]	1998		25		24.5	109	2,674
10	Water lines	14,224	[1]	1998		25		24.5	569	13,940
11	Well #5	11,654	[1]	1999		25		23.5	466	10,955
12	Water system	5,919	[1]	1999		25		23.5	237	5,564
13	Hydrofac well #8	3,500	[1]	2000		25		22.5	140	3,150
14	Hydrofac well #2	3,600	[1]	2000		25		22.5	144	3,240
15	Well drilling	8,400	[1]	2000		25		22.5	336	7,560
16	Well drilling	5,100	[1]	2000		25		22.5	204	4,590
17	Well 700 ft	9,841	[1]	2001		25		21.5	394	8,463
18	Well	5,494	[1]	2001		25		21.5	220	4,725
19	Water lines	11,148	[1]	2001		25		21.5	446	9,587
20	Water station	10,000	[1]	2002		25		20.5	400	8,200
21	Water lines	6,792	[1]	2002		25		20.5	272	5,569
22	Water lines	6,500	[1]	2002		25		20.5	260	5,330
23	Water lines	27,656	[1]	2002		25		20.5	1,106	22,678
24	Water lines	14,539	[1]	2004		25		18.5	582	10,759
25	Chemical pump Replace Well #5 (EnviroLink W/P)	2,512	[2]	2022		18		0.5	140	70
26	New Meters (EnviroLink W/P)	2,963	[2]	2022		17		0.5	174	87
27	New Transmission & Distribution Mains (EnviroLink W/P)	8,480	[2]	2022		17		0.5	499	249
28	Organization	285	[2]	2022		0		0.5	-	-
29	Structures & Improvements	237,472	[2]	2022		25		1.0	9,499	9,499
30	Wells and Springs	135,985	[2]	2022		25		1.0	5,439	5,439
31	Land and Land Rights	60,776	[2]	2022		-		1.0	-	-
32	Communications equipment SCADA	144,388	[2]	2022		10		1.0	14,439	14,439
33	Other plant & miscellaneous equipment - Custom valve vault	5,994	[2]	2022		25		1.0	240	240
34	Pumping equipment	30,630	[2]	2022		25		1.0	1,225	1,225
31	Transmission and distribution mains	459,397	[2]	2022		25		1.0	18,376	18,376
32	Subtotal Plant in Service (Sum of Lines 1-31)	\$1,342,226							\$55,999	\$282,815
Reclassified to Plant In Service from Maintenance & Repair										
33	Chlorine Pump	2,441		2022		5		1.0	488	488
34	Con X parts	8,453		2022		5		1.0	1,691	1,691
35	Subtotal Reclassified Plant in Service (Line 33 + 34)	10,894							2,179	2,179
Post Test year additions:										
36	Organization	5,190	[2]	2023		5		1.0	1,038	1,038
37	Structures & Improvements	16,354	[2]	2023		25		1.0	654	654
38	Wells and Springs	2,805	[2]	2023		25		1.0	112	112
39	Land and Land Rights	3,922	[2]	2023		-		-	-	-
40	Collecting & impounding reservoirs Engineer design water storage	2,805	[2]	2023		10		1.0	281	281
41	Communications equipment SCADA	28,027	[2]	2023		10		1.0	2,803	2,803
42	Transmission and distribution mains	179,201	[2]	2023		25		1.0	7,168	7,168
43.	Well # 8	102,000	[6]	2024		25		1.0	4,080	4,080
44	Well #11 Mitten Lane Construction and Connection	614,752	[6]	2024		25		1.0	24,590	24,590
45	Well #14 Construction and Connection	285,000	[6]	2024		25		1.0	11,400	11,400
43	Subtotal Post Test year additions (Sum of Lines 36-43)	\$1,240,055							\$52,126	\$52,126
44	Water Plant per Books (Sum of Lines 32, 35 and 43)	\$2,593,175							\$110,304	\$337,119

[1] Per Docket No. W-574, Sub 2.
 [2] Per Company Books.
 [3] Based on year placed in service using half year convention.
 [4] Column (a) or Column (b) divided by Column (d), unless fully depreciated.
 [5] Column (e) x Column (f) or Column (g), unless fully depreciated.
 [6] Estimated costs for Wells #8, #11 and #14, expected to come on line before the close of hearing.

HH Water, LLC
Docket No. W-1318 Sub 1
**CALCULATION OF CASH WORKING CAPITAL
AND AVERAGE TAX ACCRUALS**
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
	<u>Cash Working Capital:</u>	
1	Total O&M expenses	<u>\$258,617</u> [1]
2	Cash working capital (L1 x 1/8)	<u>\$32,327</u>
	<u>Average Tax Accruals:</u>	
3	Property taxes	<u>1,158</u> [2]
4	Average accrual (L3 x 1/2)	<u>579</u>
5	Payroll taxes	<u>0</u> [3]
6	Average accrual (L5 x 1/5)	<u>0</u>
7	Average tax accruals	<u>\$579</u>

- [1] Exhibit I, Schedule 3, Column (c), Line 15.
 [2] Exhibit I, Schedule 3, Column (c), Line 18.
 [3] Exhibit I, Schedule 3, Column (c), Line 19.

HH Water, LLC
Docket No. W-1318 Sub 1
NET OPERATING INCOME FOR A RETURN
For The Test Year Ended December 31, 2022

Line No.	Item	Present Rates			Proposed Rates	
		Amount	Pro Forma	Company	Proposed	After Rate
		Per Company Books [1] (a)	Adjustments (b)	Filed Amount [7] (c)	Increase (d)	Increase [10] (e)
<u>Operating Revenues:</u>						
1	Service revenues	\$82,971	0	\$82,971	\$486,633	\$569,603 [11]
2	Miscellaneous revenues	5	0	5	0	5
3	Uncollectible accounts	0	0	0	0	0
4	Total operating revenues (Sum of L1 thru L3)	<u>82,975</u>	<u>0</u>	<u>82,975</u>	<u>486,633</u>	<u>569,608</u>
<u>Operating & Maintenance Expenses:</u>						
5	Administrative & Office Expenses	282	0	282	0	282
6	Professional Expenses	2,802	0	2,802	0	2,802
7	Maintenance & Repair expenses	106,201	(3,394) [2]	102,808	0	102,808
8	Contract Operator	158,392	(77,150) [3]	81,241	0	81,241
9	Electric power/Utilities	34,098	0	34,098	0	34,098
10	Insurance expense	0	0	0	0	0
11	Chemical expense	687	2,463 [4]	3,150	0	3,150
12	Testing expenses	0	13,015 [5]	13,015	0	13,015
13	Permit Fees	295	0	295	0	295
14	Regulatory expenses	0	20,925 [6]	20,925	0	20,925
15	Total O&M expenses (Sum of L5 thru L14)	<u>302,758</u>	<u>(44,141)</u>	<u>258,617</u>	<u>0</u>	<u>258,617</u>
<u>Depreciation and Taxes:</u>						
16	Depreciation expense	29,071	81,233	110,304 [8]	0	110,304
17	Other Taxes	530	0	530	0	530
18	Property taxes	1,158	0	1,158	0	1,158
19	Payroll taxes	0	0	0	0	0
20	Regulatory Fee	108	15	122 [9]	718	840 [9]
21	State income tax	0	0	0	3,639	3,639 [12]
22	Federal income tax	0	0	0	29,799	29,799 [13]
23	Total depreciation and taxes (Sum of L16 thru L22)	<u>30,866</u>	<u>81,247</u>	<u>112,114</u>	<u>34,156</u>	<u>146,269</u>
24	Total operating revenue deductions (L15 + L23)	<u>333,624</u>	<u>37,107</u>	<u>370,731</u>	<u>34,156</u>	<u>404,886</u>
25	Net operating income for a return (L4 - L24)	<u>(\$250,649)</u>	<u>(\$37,107)</u>	<u>(\$287,756)</u>	<u>\$452,477</u>	<u>\$164,722</u>

HH Water, LLC
Docket No. W-1318 Sub 1
NET OPERATING INCOME FOR A RETURN
For The Test Year Ended December 31, 2022

Exhibit I
Schedule 3

- [1] Per Company 2022 General Ledger.
- [2] Exhibit I, Schedule 3-1, Line 5.
- [3] Exhibit I, Schedule 3-2, Line 5.
- [4] Exhibit I, Schedule 3-3.
- [5] Exhibit I, Schedule 3-4.
- [6] Exhibit I, Schedule 3-5, Line 8.
- [7] Column (a) + Column (b), unless otherwise footnoted.
- [8] Exhibit I, Schedule 2-1, Column (f) Line 41.
- [9] Based on Statutory Rate of 0.1475%.
- [10] Column (c) + Column (d), unless otherwise footnoted.
- [11] Exhibit I, Schedule 4, Column (c), Line 11.
- [12] Exhibit I, Schedule 3-6, Line 11.
- [13] Exhibit I, Schedule 3-6, Line 13.

HH Water, LLC
Docket No. W-1318 Sub 1
ADJUSTMENT TO MAINTENANCE & REPAIR EXPENSES
For The Test Year Ended December 31, 2022

Line No.	Item	Amount
1	Maintenance & Repair Expense per Books	\$106,201
	Reclass the following items to Plant in Service:	
2	Chlorine Pump	(\$2,441) [1]
3	Con X parts	(8,453) [1]
4	Total of Amounts reclassified to Plant in Service (L2 + L3)	(10,894)
5	Transition fee assessment of water system	7,500 [2]
6	Total Adjustments to Maintenance & Repair Expense (L4 + L5)	(3,394)
7	Maintenance & Repair Expense after Pro Forma Adjustments (L1+L6)	\$102,808

- [1] Reclassify amounts to plant in service, Exhibit I, Schedule 2-1, Lines 33-34. Assessment of water system by Sure Water Services. Sure Water Services replaced Envirolink as the Contract Operator, therefore 50% of the \$15,000 transition assessment charge allocated to water operations.
- [2] Contract Operator, therefore 50% of the \$15,000 transition assessment charge allocated to water operations.

HH Water, LLC
Docket No. W-1318 Sub 1
ADJUSTMENT TO CONTRACT OPERATOR EXPENSE
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Monthly Contract Operator expense	\$6,770 [1]
2	Months in Year	<u>12</u>
3	Annualized Contract Operator expense (L1 x L2)	81,241
4	Amount in Test year Expenses	<u>158,392</u>
5	Adjustment to Contract Operator expense (L3 - L4)	<u><u>(\$77,150)</u></u>

[1] Per Contract - Sure Water Services, Inc.

HH Water, LLC
Docket No. W-1318 Sub 1
ADJUSTMENT TO CHEMICALS EXPENSE
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Chemical expense per books	\$687 [1]
2	Projected Chemical expense	<u>3,150 [2]</u>
3	Adjustment to chemical expense (L2-L1)	<u><u>\$2,463</u></u>

[1] Per books.

[2] Per Ken Deaver, Sure Water Services, Inc. - Contract Operator.

This assumes that Well #8 comes on line and requires the same volume as Well #s 5, 7 & 10. Chlorine is the only chemical currently being used.

HH Water, LLC
Docket No. W-1318 Sub 1
ADJUSTMENT TO TESTING EXPENSE
For The Test Year Ended December 31, 2022

Line No.	Item	Amount
1	Testing expense per books	\$0 [1]
2	Adjustment to Normalize required testing by year:	
3	2023	\$1,485
4	2024	1,350 [2]
5	2025	3,390
6	Total Testing Expense (Sum of lines 3-5)	\$6,225
7	Normalize testing expenses over 3 years for ongoing level (Line 6 / 3)	\$2,075 [3]
8	Less Test period testing expenses	-
9	Normalized testing expense	2,075
10	Testing expenses for Well #8	\$10,940 [4]
11	Testing expenses for Well #11 and Well #14	\$21,880 [5]
12	Amortize Well #8 testing over 3 years (Line 10 /3)	3,647
13	Amortize Well #11 and Well #14 testing over 3 years (Line 11 / 3)	7,293
14	Total testing expenses (L9+L12+L13)	13,015
15	Adjustment to testing expense (L9-L1)	\$13,015

- [1] Per books.
- [2] Testing expenses for 2024 if Well #8 does not come on line.
Per Ken Deaver, Sure Water Services, Inc. Contract Operator - Estimated testing for the remainder of 2023 and the next two years. If PFAS/PFOS testing is established by EPA then these costs will need to be included. As of now, NCDEQ cannot give an exact time as to when this will happen for the frequency of testing that will be required.
- [3] See Schedule 3-4(a)- Testing Support. Testing expenses related to Well #8 estimated to come online in January 2024. Some of the required tests are on a quarterly basis for the first year, then revert to normal testing requirements.
- [4] See Schedule 3-4(a)- Testing Support. Estimated testing for Well #11 and Well #14 estimated to come on line in June 2024.

HH Water, LLC
Docket No. W-1318 Sub 1
Testing Support
For the Test Year Ended December 31, 2022

Exhibit I
Schedule 3-4(a)

ANALYTE GROUP NAME	REQUIREMENTS	LAST DONE	DUE	Price Each	2023	2024	2025
					Sept - Dec	Jan-Dec	Jan-Dec
BACTERIOLOGICAL	1 - Monthly	Aug 8, 2023	Monthly	\$62.50	\$250.00	\$750.00	\$750.00
DBP - Stage 2	1 - Annually	Nov 20, 2022	Sept 2023	\$285.00	\$285.00		
LEAD & COPPER	10 - Every 3 years	July/Aug 2023	June 2026	\$48.50			
P01 - Well #1							
IOC	1 - Every 3 years	Nov 15, 2022	April 2025	\$445.00			
NITRATE	1 - Annually	Nov 15, 2022	Sept 2023	\$50.00	\$50.00	\$50.00	\$50.00
RADS: 4000 - Gross Alpha	1 - Every 9 years	Dec 11, 2019	Aug 2028	\$275.00			
RADS: 4006 - Combined Uranium	1 - Every 6 years	Dec 11, 2019	Aug 2025	\$140.00			\$140.00
RADS: 4010 - Combined Radium	1 - Every 6 years	Dec 11, 2019	Aug 2025	\$345.00			\$345.00
SOC	1 - Every 3 years	Nov 15, 2022	March 2025	\$1,240.00			\$1,240.00
VOC	1 - Every 3 years	Nov 15, 2022	May 2025	\$265.00			\$265.00
P05 - Well #5							
IOC	1 - Every 3 years	March 28, 2023	April 2026	\$445.00			
NITRATE	1 - Annually	March 28, 2023	Feb 2024	\$50.00		\$50.00	\$50.00
RADS: 4000 - Gross Alpha	1 - Every 6 years	March 3, 2020	Aug 2026	\$275.00			
RADS: 4006 - Combined Uranium	1 - Every 6 years	March 3, 2020	Aug 2026	\$140.00			
RADS: 4010 - Combined Radium	1 - Every 9 years	March 3, 2020	Aug 2029	\$345.00			
SOC **Still need 504.1 & 515.4	1 - Every 3 years	March 28, 2023	March 2026	\$1,240.00			
VOC	1 - Every 3 years	March 28, 2023	May 2026	\$265.00			
P07 - Well #7							
IOC	1 - Every 3 years	March 20, 2023	April 2026	\$445.00			
NITRATE	1 - Annually	March 20, 2023	Feb 2024	\$50.00		\$50.00	\$50.00
RADS: 4000 - Gross Alpha	1 - Every 6 years	March 20, 2020	Aug 2026	\$275.00			
RADS: 4006 - Combined Uranium	1 - Every 6 years	March 20, 2020	Aug 2026	\$140.00			
RADS: 4010 - Combined Radium	1 - Every 6 years	March 20, 2020	Aug 2026	\$345.00			
SOC	1 - Every 3 years	March 20, 2023	March 2026	\$1,240.00			
VOC	1 - Every 3 years	March 20, 2023	May 2026	\$265.00			
P10 - Well #10							
IOC	1 - Every 3 years	Feb 14, 2023	April 2026	\$445.00			
NITRATE	1 - Annually	Feb 14, 2023	Feb 2024	\$50.00		\$50.00	\$50.00
RADS: 4000 - Gross Alpha	1 - Every 9 years	July 24, 2018	Aug 2027	\$275.00			
RADS: 4006 - Combined Uranium	1 - Every 6 years	July 15, 2020	Aug 2026	\$140.00			
RADS: 4010 - Combined Radium	1 - Every 9 years	July 24, 2018	Aug 2027	\$345.00			
SOC	1 - Every 3 years	Feb 14, 2023	March 2026	\$1,240.00			
VOC	1 - Every 3 years	Feb 19, 2023	May 2026	\$265.00			
P08- Well # 8 (proposed 1/1/24)							
IOC	Quarterly 1st year	N/A	Quarterly	\$445.00		\$1,780.00	
NITRITE	1- Lifetime	N/A	Jan 2024	\$50.00		\$50.00	
NITRATE	1 - Annually	N/A	Jan 2024	\$50.00		\$50.00	\$50.00
RADS: 4000 - Gross Alpha	Quarterly 1st year	N/A	Quarterly	\$275.00		\$1,100.00	
RADS: 4006 - Combined Uranium	Quarterly 1st year	N/A	Quarterly	\$140.00		\$560.00	
RADS: 4010 - Combined Radium	Quarterly 1st year	N/A	Quarterly	\$345.00		\$1,380.00	
SOC	Quarterly 1st year	N/A	Quarterly	\$1,240.00		\$4,960.00	
VOC	Quarterly 1st year	N/A	Quarterly	\$265.00		\$1,060.00	
CCR - for 2022	Annually		2023	\$400.00	\$400.00	\$400.00	\$400.00
TOTAL FOR YEAR					\$985.00	\$12,290.00	\$3,390.00

Expenses for Well #8 \$10,940.00

Testing for 2024 w/o Well #8 \$1,350.00

Est. Testing For Well #11 & #14 \$21,880.00

Source: Ken Deaver, Sure Water Services

* These are current lab prices and are subject to change.

** Due to increased shipping costs there will be additional shipping fees when samples are shipped for analysis.

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Jan 26 2024

HH Water, LLC
Docket No. W-1318 Sub 1
ADJUSTMENT TO REGULATORY EXPENSE
For The Test Year Ended December 31, 2022

<u>Line No.</u>	<u>Actual Amounts</u> [1] (a)	<u>Estimates</u> [2] (b)	<u>Total Amount</u> [3] (c)
Consulting fees:			
1	\$0	\$15,000	\$15,000
2	9,716	17,060	26,776
3	0	20,000	20,000
4	<u>0</u>	<u>1,000</u>	<u>1,000</u>
5	<u>\$9,716</u>	<u>\$53,060</u>	62,776
6			<u>3</u>
7			<u><u>\$20,925</u></u>

[1] Per actual Invoices.

[2] Per Company. Based on Consultant estimates to be trued up to actual.

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

Exhibit I
Schedule 3-6

HH Water, LLC
Docket No. W-1318 Sub 1
CALCULATION OF INCOME TAXES
For The Test Year Ended December 31, 2022

Line No.	Item	Present Rates [1] (a)	After Pro Forma Adjustments [2] (b)	Proposed Rates [3] (c)
1	Operating revenues	\$82,975	\$82,975	\$569,608
	Operating revenue deductions:			
2	Operating & maintenance expenses	302,758	258,617	258,617
3	Depreciation expense	29,071	110,304	110,304
4	Other Taxes	530	530	530
5	Property taxes	1,158	1,158	1,158
6	Payroll taxes	0	0	0
7	Regulatory Fee	108	122	840
8	Interest expense	52,619	52,619	52,619
9	Total deductions (Sum of Lines 2 thru 8)	<u>386,243</u>	<u>423,350</u>	<u>424,067</u>
10	Taxable income (L1 - L9)	<u>(303,268)</u>	<u>(340,375)</u>	<u>145,541</u>
11	State income tax (L10 x 2.5%)	<u>0</u>	<u>0</u>	<u>3,639</u>
12	Federal taxable income after state income tax (L1 - L11)	<u>(303,268)</u>	<u>(340,375)</u>	<u>141,902</u>
13	Federal income tax (L12 x 21%)	<u>0</u>	<u>0</u>	<u>29,799</u>
14	Net amount (L10 - L11 - L13)	<u>(303,268)</u>	<u>(340,375)</u>	<u>112,103</u>
15	Add: Interest expense	<u>52,619</u>	<u>52,619</u>	<u>52,619</u>
16	Net income for a return (L14 + L15)	<u><u>(\$250,649)</u></u>	<u><u>(\$287,756)</u></u>	<u><u>\$164,722</u></u>

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

[2] Exhibit I, Schedule 3, Column (c).

[3] Exhibit I, Schedule 3, Column (e).

HH Water, LLC
Docket No. W-1318 Sub 1
CALCULATION OF REVENUE REQUIREMENT
For The Test Year Ended December 31, 2022

Line No.	<u>Item</u>	Rate Base Method	Retention Factor	Revenue Requirement	Operating Ratio Method	Retention Factor	Revenue Requirement
		(a)	(b)	(c)	(d)	(e)	(f)
Operating revenue deductions:							
1	Operating & maintenance expenses	258,617			\$258,617		
2	Depreciation expense	110,304			110,304		
3	Other Taxes	530			530		
4	Property taxes	1,158			1,158		
5	Payroll taxes	0			0		
6	Regulatory Fee	0			0		
7	Total operating revenue deductions	<u>\$370,608</u>	0.998525	\$371,156	<u>370,608</u>	0.9985250	\$371,156
Net operating income for a return:							
8	Debt service return	52,619	0.998525	52,697			
9	Equity return	112,102	0.769114	145,755	\$26,684	0.7691139	34,694
10	Revenue requirement			<u>\$569,608</u>			<u>\$405,850</u>
11	Company Requested Revenue Requirement			<u>\$569,608</u>			

EXHIBIT II

RATE DESIGN

Exhibit II

HH Water, LLC
Docket No. W-1318 Sub 1
RATE DESIGN
For the Test Year Ended December 31, 2022

	Reference	Present Rates		Proposed Rates		
		Residential	Commercial	Total	Residential	Commercial
1 Monthly Flat Rate		\$20.94	\$1,504.13		\$97.86	\$10,326.05
Calculation of Proposed Rates:						
2 Per Books Revenues	Schedule 3, Column (a)			\$82,971	\$46,871	\$36,099
3 Allocation of Per Books Revenues	Per Books Revenues / Total Revenues				56.49%	43.51%
4 Company Proposed Revenue Requirement	Schedule 3, Column (e)			\$569,603	321,778	247,825
5 End of Period Customers	Per Company				274	2
6 Annual Rate per Customer	Line 4 / Line 5				\$1,174.37	\$123,912.58
7 Monthly Rate per Customer	Line 6 / 12				\$97.86	\$10,326.05