

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1318, SUB 1

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by HH Water, LLC, )  
for Authority to Adjust and Increase ) **SETTLEMENT AGREEMENT**  
Rates for Water Utility Service in High ) **AND STIPULATION**  
Hampton Service Areas in Jackson County, )  
North Carolina )

HH Water, LLC (Applicant or HH Water), and the Public Staff - North Carolina Utilities Commission (Public Staff) (collectively, the Stipulating Parties), through counsel and pursuant to N.C. Gen. Stat. § 62-69 and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), respectfully submit the following Settlement Agreement and Stipulation (Stipulation) for consideration by the Commission in this proceeding. The Stipulating Parties hereby stipulate and agree as follows:

**I. BACKGROUND**

A. On January 26, 2024, Applicant filed an application with the Commission seeking authority to increase its rates for providing water utility service in the High Hampton service area in Jackson County, North Carolina, and on February 2, 2024, the Applicant filed an amended application (collectively, the Application). The Applicant provides water utility service to 304 customers (302 residential customers and two commercial customers).

B. On February 19, 2024, the Commission declared the proceeding to be a general rate case and suspended rates for up to 270 days.

C. On April 11, 2024, the Commission issued an Order Scheduling Hearings, Establishing Procedural and Filing Requirements, and Requiring Customer Notice, and on April 22, 2024, the Commission issued an Order Rescheduling Public Witness Hearing, Revising Dates for Filing Reports, and Requiring Customer Notice (collectively, the Scheduling Order).

D. The Applicant did not pre-file direct testimony or exhibits.

E. On June 7, 2024, the Public Staff filed the Direct Testimony and Exhibit of Shashi M. Bhatta, Utilities Engineer, Water, Sewer, and Telephone Division; the Direct Joint Testimony and Exhibit of Darrus K. Cofield and Michelle Boswell, Public Utilities Regulatory Analyst, Accounting Division, and Director of the Accounting Division of the Public Staff, respectively; and the Affidavit of Patrick A. Fahey, Public Utilities Regulatory Analyst, Economic Research Division. The Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order).

F. On June 18, 2024, the Applicant filed its Verified Report on Customer Complaints. On July 1, 2024, the Public Staff filed its Verified Response of the Public Staff to Verified Reports on Customer Complaints.

G. On June 25, 2024, the Applicant filed the Joint Rebuttal Testimony of Peedin & Perry Consulting LLC, and Owen Schultz.

H. The Stipulating Parties participated in settlement discussions following the Public Staff's investigation of the Company's Application and the filing of the Company's rebuttal testimony.

I. After settlement negotiations, in which certain concessions from their respective litigation positions were made by both Stipulating Parties, the Stipulating Parties were ultimately able to arrive at a joint settlement proposal, the terms of which are reflected in the following sections of this Stipulation and supported by the Joint Settlement Testimony and Exhibits of Shashi M. Bhatta and Darrus K. Cofield.

## **II. STIPULATION AND AGREEMENT OF THE STIPULATING PARTIES**

The Stipulating Parties have reached an agreement regarding resolution of all issues in this case, and they hereby agree and stipulate as follows:

### **A. PLANT IN SERVICE**

1. The original cost rate base used and useful in providing service to the Applicant's customers for use in this case is \$1,224,531, consisting of plant in service of \$1,495,711, reduced by accumulated depreciation of \$299,236, plus cash working capital of \$28,634 and a deduction for average tax accrual of \$579. The original cost rate base includes \$358,203 for the Preston Haskill Project and \$42,667.91 for communication and SCADA.

2. The Stipulating Parties agree that survey costs and other costs requested in Land and Land Rights for the work done to create maps to

determine service territory and location of service lines as of July 10, 2024, will not be included in this proceeding. This is without prejudice to HH Water seeking recovery of some or all of these costs related to sewer in Docket No. W-1318 Sub 2.

## **B. O&M EXPENSES**

The Stipulating Parties agree that the total operating and maintenance expenses is \$229,071. The Stipulating Parties have agreed to the amounts included in the Settlement Exhibit I attached to the Stipulation, which includes the adjustments listed below that were accepted by the Applicant:

1. Exclude testing expenses for Well Nos. 8, 11, and 14, and annualized testing costs for four active wells, and adjusted costs for chemical expenses related to the four active wells.
2. Exclude certain costs for Envirolink, a prior contract operator, and other costs that were outside the test year.
3. Reduce total annualized M&R to \$86,888.
4. Exclude sewer related expenses and overhead and profit mark up.
5. Reclassify \$202 for annual report fees from rate case expense to professional fees.

## **C. RATE CASE EXPENSE**

1. The Stipulating Parties agree to rate case expense totaling \$70,991, which includes rate case expense of \$33,853 for consulting fees; \$36,908 for

legal fees; and \$331 for estimated mailing costs. These expenses include the invoices submitted to the Public Staff up to July 9, 2024, as well as an additional \$6,000 for any invoices not covered above and any expenses through the submission of a joint proposed order, and represents the final amount for rate case expense.

2. The Stipulating Parties agree that the rate case expense in the current proceeding will be amortized over a four-year period.

3. The Public Staff will draft the Joint Proposed Order.

#### **D. RATE OF RETURN**

The agreed upon revenue increase is based upon an authorized return on equity of 9.8%, a hypothetical capital structure composed of 50% debt and 50% equity, and an embedded cost of debt of 4.2%. The foregoing factors produce an overall rate of return of 7.0%.

#### **E. REVENUE REQUIREMENT AND RATES**

1. The final revenue requirement is \$385,070, which reflects service revenue requirement of \$385,065 and miscellaneous revenues of \$5. The revenue requirement calculation is supported by the calculations contained in Settlement Exhibit I.

2. The Stipulating Parties agree to the updated billing determinants totaling 304 customers, consisting of 302 residential customers and two commercial customers.

3. The Stipulating Parties agree to the Tap-On Fees as recommended by the Public Staff's filed testimony.

4. A Schedule of Rates will be submitted with the Public Staff's Joint Settlement Testimony.

### **III. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER**

A. The Stipulating Parties will act in good faith to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket. The Stipulating Parties further agree that this Stipulation is in the public interest because it reflects a give-and-take settlement of contested issues.

B. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties but reflect instead the compromise and settlement between the Stipulating Parties as to all issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties regarding any issue in any other proceeding or docket before this Commission or in any court.

C. This Stipulation is a product of negotiation between the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

#### **IV. INTRODUCTION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION**

The pre-filed testimony and exhibits of the Stipulating Parties may be received in evidence without objection, and each Party waives all right to cross-examine any witness with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner or Hearing Examiner, or if questions are asked or positions are taken by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and examining any witness with respect to such testimony and exhibits.

#### **V. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY**

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on either of the Stipulating Parties unless the entire Settlement Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating Party retains the right to seek additional procedures before the

Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

## VI. COUNTERPARTS

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 10th day of July, 2024.

HH Water, LLC

Electronically signed  
/s/ Edward S. Finley, Jr.  
Attorney for HH Water, LLC

Public Staff - North Carolina Utilities Commission

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





**HH Water, LLC**  
Docket # W-1318 Sub 1  
**RETURN ON ORIGINAL COST RATE BASE**  
For The Test Year December 31, 2022

Settlement Exhibit I  
Schedule 1

Line No.	Item	Capitalization Ratio [1] (a)	Original Cost Rate Base [2] (b)	Embedded Cost [3] (c)	Overall Cost Rate [7] (d)	Net Operating Income [8] (e)
<u>Present rates:</u>						
1.	Debt	50.00%	\$612,265 [2]	4.20% [1]	2.10%	\$25,715 [8]
2.	Equity	50.00%	612,265 [2]	-35.86% [6]	-17.93%	(219,575) [9]
3.	Total	<u>100.00%</u>	<u>\$1,224,531 [3]</u>		<u>-15.83%</u>	<u>(\$193,860) [10]</u>
<u>Company proposed rates:</u>						
4.	Debt	50.00%	\$612,265 [4]	4.20% [1]	2.10%	\$25,715 [8]
5.	Equity	50.00%	612,266 [4]	17.56% [6]	8.78%	\$107,522 [11]
6.	Total	<u>100.00%</u>	<u>\$1,224,531 [3]</u>		<u>10.88%</u>	<u>\$133,237 [12]</u>
<u>Public Staff recommended rates:</u>						
7.	Debt	50.00%	\$612,265 [5]	4.20% [1]	2.10%	\$25,715 [8]
8.	Equity	50.00%	612,266 [5]	9.80% [1]	4.90%	60,002 [8]
9.	Total	<u>100.00%</u>	<u>\$1,224,531 [3]</u>		<u>7.00%</u>	<u>\$85,717</u>

[1] Per Public Staff witness Fahey.  
 [2] Column (a) x Column (b), Line 3.  
 [3] Public Staff Accounting Exhibit I, Schedule 2, Line 10, Column (c)  
 [4] Column(a) x Column (b), Line 6.  
 [5] Column(a) x Column (b), Line 9.  
 [6] Column (e) divided by Column (b).  
 [7] Column (a) x Column (c).  
 [8] Column (b) x Column (c).  
 [9] Line 3 - Line 1, Column (e).  
 [10] Public Staff Accounting Exhibit I, Schedule 3, Column (c), Line 30.  
 [11] Line 6 - Line 4, Column (e).  
 [12] Public Staff Accounting Exhibit I, Schedule 3, Column (e), Line 30.

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

Settlement Exhibit I  
Schedule 2

<u>Line No.</u>	<u>Item</u>	<u>Amount Per Application</u> (a)	<u>Public Staff Adjustments</u> [1] (b)	<u>Amount Per Public Staff</u> (c)
1	Plant in service	\$2,593,175	(\$1,097,463)	\$1,495,711 [2]
2	Accumulated depreciation	(337,119)	\$37,884	(\$299,236) [3]
3	Contributions in aid of construction	0	\$0	\$0
4	Accumulated amortization of CIAC	0	\$0	\$0
5	Customer advances	0	\$0	\$0
6	<b>Net plant in service ( Sum of L1 thru L 5)</b>	<u>2,256,055</u>	<u>(1,059,580)</u>	<u>1,196,476</u>
7	Customer deposits	0	0	0
8	Cash working capital	32327	(3,693)	28,634 [4]
9	Average tax accruals	(579)	0	(579) [5]
10	<b>Original cost rate base (Sum of L7 thru L9 )</b>	<u><u>\$2,287,803</u></u>	<u><u>(\$1,063,273)</u></u>	<u><u>\$1,224,531</u></u>

[1] Column (c) - Column (a), unless otherwise footnoted.

[2] Public Staff Accounting Exhibit I, Schedule 2-1, Line 52, Column (a).

[3] Public Staff Accounting Exhibit I, Schedule 2-1, Line 52, Column (f).

[4] Calculated at one-eighth of operating expense.

[5] Calculated at one-fifth of payroll taxes plus one-half property tax.

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

Settlement 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 W-574 Sub 2 Rate Case:</b>							
1	44,000 gallon water tank	\$9,513	1996	25	27.5	0	\$9,513
2	730 foot well	5,110	1996	25	27.5	0	5,110
3	New well behind medical center	41,047	1996	25	27.5	0	41,047
4	Galax water lines	22,044	1996	25	27.5	0	22,044
5	Phase #6 well	898	1996	25	27.5	0	898
6	Well tank Halstead Rd	18,993	1997	25	26.5	0	18,993
7	Water lines	6,525	1997	25	26.5	0	6,525
8	Water lines	2,119	1998	25	25.5	0	2,119
9	Water lines	2,729	1998	25	25.5	0	2,729
10	Water lines	14,224	1998	25	25.5	0	14,224
11	Well #5	11,654	1999	25	24.5	466	11,421
12	Water system	5,919	1999	25	24.5	237	5,801
13	Hydrofac well #8	3,500	2000	25	23.5	140	3,290
14	Hydrofac well #2	3,600	2000	25	23.5	144	3,384
15	Well drilling	8,400	2000	25	23.5	336	7,896
16	Well drilling	5,100	2000	25	23.5	204	4,794
17	Well 700 ft	9,841	2001	25	22.5	394	8,857
18	Well	5,494	2001	25	22.5	220	4,945
19	Water lines	11,148	2001	25	22.5	446	10,033
20	Water station	10,000	2002	25	21.5	400	8,600
21	Water lines	6,792	2002	25	21.5	272	5,841
22	Water lines	6,500	2002	25	21.5	260	5,590
23	Water lines	27,656	2002	25	21.5	1,106	23,784
24	Water lines	14,539	2004	25	19.5	582	11,340
25	<b>Total plant in service per W-574 Sub 2 proceeding (Sum of L1 thru L24):</b>	<b>\$253,345</b>				<b>5,206</b>	<b>238,778</b>
26	Chemical pump Replace Well #5 (Envirolink W/P)	2,512 [2]	2022 [2]	5	1.5	502	754
27	New Meters (Envirolink W/P)	2,963 [2]	2022 [2]	15	1.5	198	296
28	New Transmission & Distribution Mains (Envirolink W/P)	8,480 [2]	2022 [2]	17	1.5	499	748
29	Organization	295 [2]	2022 [2]	0	1.5	0	0
30	Structures & Improvements	[2]	2022 [2]	25	1.5	0	0
	a Well 7 Pump Replacement	244 [2]	2022 [2]	7	1.5	35	52
	b Well 7 Pump Replacement	776 [2]	2022 [2]	7	1.5	111	166
	c Well 5 Drilling	98 [2]	2022 [2]	10	1.5	10	15
	d LC Testing	1,208 [2]	2022 [2]	5	1.5	242	363
	e LC Testing	4,402 [2]	2022 [2]	5	1.5	880	1,321

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For The Test Year December 31, 2022

Settlement 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)
	f Distribution Pressure	90	2022	[2]	15	1.5	6
	g SCADA	3,141	2022	[2]	10	1.5	314
	h Well 5 Drilling	9,566	2022	[2]	10	1.5	957
	i New Wells, Well 5	524	2022	[2]	10	1.5	52
	j New Wells, Well 5	644	2022	[2]	10	1.5	64
	k SCADA, Coordination, Planning	2,283	2022	[2]	10	1.5	228
	l Wells 5 7 10, FH, New Wells, Drawings, PRV, Pressure	2,502	2022	[2]	10	1.5	250
	m New Wells, PRV, GST	196	2022	[2]	10	1.5	20
	n Wade Road WM	54,741	2022	[2]	50	1.5	1,095
31	Wells and Springs	-	2022	[2]	0	1.5	0
	a Well 5 Pump	5,136	2022	[2]	10	1.5	514
	b Well 5 Pump	2,555	2022	[2]	10	1.5	255
	c Well 7 Motor Wire	15,431	2022	[2]	10	1.5	1,543
	d Well 5 Drawdown	4,091	2022	[2]	10	1.5	409
	e Well 5 Pump	26,732	2022	[2]	10	1.5	2,673
	f Well 7 Generator	34,000	2022	[2]	20	1.5	1,700
	g Well 10 Generator	34,000	2022	[2]	20	1.5	1,700
32	Land and Land Rights	4,720	2022	[2]	0	1.5	0
33	Communications equipment SCADA	23,983	2022	[2]	10	1.5	2,398
	a GST, SCADA	4,109	2022	[2]	10	1.5	411
	b Wells 5 7 10, GST, SCADA	28,516	2022	[2]	10	1.5	2,852
	c SCADA	12,556	2022	[2]	10	1.5	1,256
34	Other plant & miscellaneous equipment - Custom valve vault	-	2022	[2]	35	1.5	0
35	Pumping equipment	-	2022	[2]	0	1.5	0
36	Transmission and distribution mains	-	2022	[2]	0	1.5	0
	a Wade Road WM	23,500	2022	[2]	50	1.5	470
	b Wade Road WM	164,234	2022	[2]	50	1.5	3,285
	c Wade Road WM	54,741	2022	[2]	50	1.5	1,095
	d Well DCVA 4-inch WM	19,927	2022	[2]	10	1.5	1,993
	e Sawmill WM	30,920	2022	[2]	50	1.5	618
	f Sawmill WM	92,760	2022	[2]	50	1.5	1,855
	g Mt Holly WM	34,851	2022	[2]	50	1.5	697
	h Resort Area WM	22,091	2022	[2]	50	1.5	442
	i WM to serve Church, Overhead, Profit	1,902	2022	[2]	3	1.5	634
	j WM to serve Church, Overhead, Profit	10,738	2022	[2]	35	1.5	307
37	SCADA and Communication	18,685	2023	[2]	10	1.0	1,869
38	Preston Haskill water main	358,203	2024	[2]	50	1.0	7,164
39	<b>Plant in Service additions since W-574 Sub 2 (Sum of Lines 26 thru 38)</b>	<u>1,123,045</u>					<u>41,602</u>
							<u>57,886</u>

**HH Water, LLC**  
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**CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE**  
For The Test Year December 31, 2022

Settlement 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	Chlorine Pump	2,441	2022	5	1.5	488	732
41	Con X parts	4,227	2022	10	1.5	423	634
42	<b>Subtotal Reclassified Plant in Service (Lines 40 + 41)</b>	<u>6,668</u>				<u>911</u>	<u>1,366</u>
43	Organization	0	2023	0	0.5	0	0
44	Structures & Improvements	6,643	2023	25	0.5	266	133
45	Wells and Springs	0	2023	10	0.5	0	0
46	Land and Land Rights	0	2023	0	0.5	0	0
47	Collecting & impounding reservoirs Engineer design water storage	0	2023	25	0.5	0	0
48	Communications equipment SCADA	0	2023	15	0.5	0	0
49	Transmission and distribution mains	0	2023	0	0.5	0	0
	a Wade Road WM, Profit, Overhead	58,072	2023	50	0.5	1,161	581
	b Wade Road wWM, Profit, Overhead	44,988	2023	50	0.5	900	450
	c Vinci and Warriner Services, Profit, Overhead	2,951	2023	35	0.5	84	42
50	Well # 8	0	2024	0	0.5	0	0
51	Well #11 Mitten Lane Construction and Connection	0	2024	0	0.5	0	0
52	Well #14 Construction and Connection	0	2024	0	0.5	0	0
53	<b>Subtotal Post Test year additions (Sum of Lines 43 thru 53)</b>	<u>112,654</u>				<u>2,411</u>	<u>1,206</u>
54	<b>Total plant in service (L25 + L39 + L42 + L53)</b>	<u>\$1,495,711</u>				<u>\$50,129</u>	<u>\$299,236</u>

[1] Information approved per last rate case in Docket W-574 Sub 2.  
[2] Provided by Public Staff Engineer Bhatta.  
[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.

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

Settlement Exhibit I  
Schedule 3  
Page 1 of 2

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Line No.	Item	Present Rate		Company Proposed Rates		Public Staff Recommended Rates		
		Amount Per Company Application	Public Staff Adjustments [1]	Amount Per Public Staff [2]	Net Company Increase [10]	Operations After Rate Increase [11]	Net Public Staff Increase [14]	Operations After Rate Increase [15]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>Operating Revenues:</b>								
1	Service revenues	\$82,971	\$4,181	\$87,152 [3]	\$359,699	\$446,851 [3]	\$297,913	385,065 [16]
2	Miscellaneous revenues	5	0	5	0	5	\$0	5
3	Uncollectibles	0	\$0	0	0	0	\$0	0
4	Total operating revenues ( Sum Line 1 thru Line 3)	<u>82,976</u>	<u>4,181</u>	<u>87,157</u>	<u>359,699</u>	<u>446,856</u>	<u>297,913</u>	<u>385,070</u>
<b>Operating and Maintenance Expenses:</b>								
5	Administrative & Office Expenses	282	(0)	282	0	282	0	282
6	Professional Expenses	2,802	(2,600) [4]	202	0	202	0	202
7	Maintenance & Repair expenses	102,808	(15,920) [3]	86,888	0	86,888	0	86,888
8	Contract Operator	81,241	(27) [3]	81,214	0	81,214	0	81,214
9	Electric power/Utilities	34,098	(20) [3]	34,078	0	34,078	0	34,078
10	Insurance expense	0	0	0	0	0	0	0
11	Chemical expense	3,150	0 [3]	3,150	0	3,150	0	3,150
12	Testing expenses	13,015	(8,581) [3]	4,434	0	4,434	0	4,434
13	Permit Fees	295	780 [3]	1,075	0	1,075	0	1,075
14	Regulatory expenses	<u>20,925</u>	<u>(3,177)</u>	<u>17,748</u> [5]	<u>0</u>	<u>17,748</u>	<u>0</u>	<u>17,748</u>
15	Total operating and maintenance expenses ( Sum Line 5 thru Line 14)	<u>258,616</u>	<u>(29,546)</u>	<u>229,071</u>	<u>0</u>	<u>229,071</u>	<u>0</u>	<u>229,071</u>
16								
17	<b>Depreciation and Taxes:</b>							
18	Depreciation expense	110,304	(60,175)	50,129 [6]	0	50,129	0	50,129
19	Amortization expense - CIAC	0	0	0	0	0	0	0
20	Property taxes	1,158	0	1,158	0	1,158	0	1,158
21	Payroll taxes	0	0	0	0	0	0	0
22	Other taxes	530	0	530	0	530	0	530
23	Regulatory fee	840	(711)	129 [7]	531	659 [7]	439	568 [7]
24	State income tax	3,639	(3,639)	0 [8]	3,490	3,490 [12]	1,947	1,947 [17]
25	Federal income tax	<u>29,799</u>	<u>(29,799)</u>	<u>0</u> [9]	<u>28,582</u>	<u>28,582</u> [13]	<u>15,950</u>	<u>15,950</u> [18]
26	Total depreciation and taxes ( Sum of Line 18 thru Line 25)	<u>146,270</u>	<u>(94,324)</u>	<u>51,946</u>	<u>32,602</u>	<u>84,548</u>	<u>18,337</u>	<u>70,282</u>
27								
28	<b>Total operating revenue deductions (Line 15 + Line 26)</b>	<u>404,886</u>	<u>(123,870)</u>	<u>281,016</u>	<u>32,602</u>	<u>313,618</u>	<u>18,337</u>	<u>299,353</u>
29								
30	<b>Net operating income for return ( Line 4- Line 28)</b>	<u>(\$321,910)</u>	<u>\$128,051</u>	<u>(\$193,860)</u>	<u>\$327,097</u>	<u>\$133,237</u>	<u>\$279,577</u>	<u>\$85,717</u>

**HH Water, LLC**

Docket No. W-1318, Su b 1  
FOOTNOTES TO SCHEDULE 3  
For The Test Year December 31, 2022

Settlement 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 Bhatta.
- [4] Reclassified to correct the Company's mistake.
- [5] Public Staff Accounting Exhibit I Schedule 3-1, Column (c) Line 6
- [6] Public Staff Accounting Exhibit I Schedule 2-1, Column (e) Line 52
- [7] Line 4 multiplied by .1475%.
- [8] Public Staff Accounting Exhibit I, Schedule 3-2, Column (a), Line 12.
- [9] Public Staff Accounting Exhibit I, Schedule 3-2, Column (a), Line 14.
- [10] Column (e) minus Column (c), unless otherwise footnoted.
- [11] Column (c) plus Column (d), unless otherwise footnoted.
- [12] Public Staff Accounting Exhibit I, Schedule 3-2, Column (b), Line 12.
- [13] Public Staff Accounting Exhibit I, Schedule 3-2, Column (b), Line 14.
- [14] Column (g) minus Column (c), unless otherwise footnoted.
- [15] Column (c) plus Column (f), unless otherwise footnoted.
- [16] Revenue requirement as calculated by the Public Staff.
- [17] Public Staff Accounting Exhibit I, Schedule 3-2, Column (c), Line 12.
- [18] Public Staff Accounting Exhibit I, Schedule 3-2, Column (c), Line 14.



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

Settlement Exhibit I  
Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Actual Amounts</u> [1] (a)	<u>Adjustments</u> (b)	<u>Total Amount</u> [3] (c)
1.	Consulting fees	\$33,853	(\$101)	\$33,752
2.	Legal fees	36,908	0	36,908
3.	Miscellaneous costs (mailing customer notices, filing fee)	<u>                    </u>	<u>331</u> [2]	<u>331</u>
4.	Total Regulatory Expenses (Sum of Lines 1 -3)			70,991
5.	Amortization Period			<u>4</u> [4]
6.	Regulatory Expense per Public Staff (Line 4 / Line 5)			17,748
7.	Regulatory Expense per Company			20,925 [5]
8.	Adjustment to Regulatory Expense (Line 6 - Line 7)			<u><u>(3,177)</u></u>

[1] Per examination of the Company's financial records.

[2] Based on estimated mailing notice, postage cost times customer counts times 2.

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

[4] Public Staff recommended amortization period to realize the time gap between the last franchise application and the current proceeding.

[5] Public Staff Accounting Exhibit I, Schedule 3.

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

Settlement Exhibit I  
Schedule 3-2

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [2] (b)	Public Staff Recommended Rates [3] (c)
1	Operating revenue	<u>\$87,157</u>	<u>\$446,856</u>	<u>\$385,070</u>
	Operating revenue deductions:			
2	Total O&M expenses	229,071	229,071	229,071
3	Depreciation expense	50,129	50,129	50,129
4	Amortization expense	0	0	0
5	Property taxes	1,158	1,158	1,158
6	Payroll taxes	0	0	0
7	Other taxes	530	530	530
8	Regulatory fee	129	659	568
9	Interest expense	<u>25,715</u>	<u>25,715</u>	<u>25,715</u>
10	Total deductions (Sum of L2 thru L9)	<u>306,731</u>	<u>307,262</u>	<u>307,171</u>
11	Taxable income (L1 - L10)	<u>(219,575)</u>	<u>139,594</u>	<u>77,899</u>
12	State income tax (L11 x 2.50%)	<u>0</u>	<u>3,490</u>	<u>1,947</u>
13	Federal taxable income (L11 - L12)	<u>(219,575)</u>	<u>136,104</u>	<u>75,952</u>
14	Federal income tax (L13 x 21.00%)	<u>0</u>	<u>28,582</u>	<u>15,950</u>
15	Net amount (L13 - L14)	(219,575)	107,522	60,002
16	Add: interest expense	<u>25,715</u>	<u>25,715</u>	<u>25,715</u>
17	Net income for return (L15 + L16)	<u>(\$193,860)</u>	<u>\$133,237</u>	<u>\$85,717</u>

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

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

Settlement Exhibit I  
Schedule 4

Line No.	Item	Rate Base Method [1] (a)	Retention Factor (b)	Revenue Requirement [3] (c)	Operating Ratio Method [1] (d)	Retention Factor (e)	Revenue Requirement [4] (f)
<b>Operating revenue deductions:</b>							
1.	Total O&M and G&A expense	\$229,071			\$229,071		
2.	Depreciation expense	50,129			50,129		
3.	Amortization expense	0			0		
4.	Property taxes	1,158			1,158		
5.	Payroll taxes	0			0		
6.	Other taxes	530			530		
7.	Regulatory fee	0			0		
8.	Total operating revenue deductions (Sum of L1 to L7)	<u>280,888</u>	0.998525	\$281,303	<u>\$280,888</u>	0.998525	\$281,303
Net operating income for return:							
9.	Debt service return	25,715 [2]	0.998525	25,753			
10.	Equity return:	60,002 [2]	0.769114	78,014	19,662 [5]	0.769114	25,565
11.	Total Revenue requirement under each method (L8 + L9 + L10)			<u>\$385,070</u>			<u>\$306,868</u>
12.	Total Revenue Requirement recommended (the higher of Line 11)						<u>\$385,070</u>

[1] Public Staff Accounting Exhibit I, Schedule 3, unless otherwise footnoted.

[2] Public Staff Accounting Exhibit I, Schedule 1, Column (e), Line 7, Line 8.

[3] Column (a) divided by Column (b).

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

[5] Operating revenue deductions (excluding taxes and regulatory fee) times Public Staff recommended overall rate of return.

**HH Water, LLC**  
Docket No. W-1318, Sub 1  
CALCULATION OF GROSS REVENUE  
IMPACT OF PUBLIC STAFF ADJUSTMENTS  
For The Test Year December 31, 2022

Settlement Exhibit I  
Schedule 5

Line No.	Item	HH Water
1	Proposed increase / (decrease) in total revenues per Company	\$486,633
2	<u>Difference in calculation of revenue requirement based on Company amounts:</u>	
3	Adjustment for Change in Capital Structure to 50% debt and 50% equity	0
4	Adjustment for debt cost rate to 4.60%	(4,582)
5	Adjustment for return on equity to 9.80%	0
6	Adjustment to Plant in service	(93,000)
7	Adjustment to accumulated depreciation	3,210
8	Adjustment to contribution in aid of construction	0
9	Adjustment to accumulated amortization of CIAC	0
10	Adjustments to Customer Advances	0
11	Adjustments to Customer Deposits	0
12	Adjustments to Cash Working Capital	(313)
13	Adjustments to Average Tax Accrual	0
14	Adjustments to Service Revenues	(4,181)
15	Adjustments to Uncollectibles	0
16	Adjustments to Misc. Revenues	0
17	Adjustments for Return	0
18	Adjustments to Difference of Return	0
19	Adjustments to Regulatory Fee	0
20	Adjustments for Change in Regulatory Fee Rate	(0)
21	Adjustments to Removal of Gross Receipts Tax	0
22	Adjustment Change in SIT Rate	0
23	Adjustments to Professional Services	(2,604)
24	Adjustment for Maintenance & Repair Expense	(15,944)
25	Adjustment for Contractor Operator	(27)
26	Adjustment for Electric/Power Utilities	(20)
27	Adjustment for Insurance Expense	0
28	Adjustment for Chemical Expense	0
29	Adjustment for Testing Expense	(8,594)
30	Adjustment for Permit Fees	781
31	Adjustment for Regulatory Expenses	(3,182)
32	Adjustment to Depreciation Expense	(60,264)
33	Adjustment to Administrative & Office Expense	(0)
34	Adjustment to Amortization of CIAC	0
35	Adjustments to Property Taxes	0
36	Adjustment to Other taxes	0
37	Adjustment for Payroll Taxes	0
38	Revenue impact of Public Staff adjustments	0
39	Recommended increase / (decrease) per Public Staff	(\$188,718)
40	Amount of total revenue increase calculated by the Public Staff (L1 + L39)	\$297,915



## CERTIFICATE OF SERVICE

I certify that I have this day served a copy of the foregoing Settlement Agreement and Stipulation upon each of the parties of record in this proceeding or the attorney of record of such party, 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 10th day of July, 2024.

Electronically submitted  
/s/ James Bernier, Jr.