

**CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA
DOCKET NO. W-354, SUB 344**

**TESTIMONY OF FENG ZHANG
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

October 15, 2015

1 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
2 PRESENT POSITION.

3 A. My name is Feng Zhang, and my business address is 430 North
4 Salisbury Street, Raleigh, North Carolina. I am an Accountant in the
5 Accounting Division of the Public Staff. My qualifications and
6 experience are provided in Appendix A.

7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
8 PROCEEDING?

9 A. The purpose of my testimony is to present the results of my
10 investigation of (1) the expenses and investment allocated between
11 Carolina Water Service, Inc. of North Carolina (CWSNC or the
12 Company) and its affiliated companies; (2) salaries, benefits and
13 payroll taxes; (3) transportation costs; and (4) operating expenses
14 charged to plant.

15 Q. PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION
16 INTO THE COMPANY'S FILING.

1 A. My investigation included a review of the Company's application for
2 rate increase for its CWSNC uniform water operations (CWSNC
3 water), CWSNC uniform sewer operations (CWSNC sewer), Corolla
4 Light & Monterey Shores sewer operations (CLMS sewer), and Nags
5 Head sewer operations (Nags Head), an examination of the books
6 and records for the test year and through July 31, 2015, and a review
7 of additional documentation provided by the Company in response
8 to written and verbal data requests.

9 Q. MS. ZHANG, BASED ON YOUR INVESTIGATION, WHAT
10 ADJUSTMENTS TO THE COMPANY'S RATE BASE AND
11 EXPENSES DO YOU RECOMMEND?

12 A. Based on my investigation, I recommend adjustments for the
13 following items:

- 14 1) Common rate base
- 15 2) Transportation equipment
- 16 3) Outside services
- 17 4) Office supplies & other office expense
- 18 5) Maintenance and repair
- 19 6) Depreciation expense
- 20 7) Miscellaneous expense
- 21 8) Salaries and wages
- 22 9) Transportation expense
- 23 10) Operating expenses charged to plant
- 24 11) Pensions and other benefits
- 25 12) Rent expense
- 26 13) Insurance
- 27 14) Payroll taxes

28 **COMMON RATE BASE**

29 Q. PLEASE BRIEFLY DESCRIBE THE CORPORATE STRUCTURE
30 OF CWSNC AND ITS AFFILIATED COMPANIES.

1 A. Utilities, Inc. (UI), CWSNC's parent company, owns regulated utilities
2 in approximately fifteen states, including six regulated utilities in
3 North Carolina. The regulated utilities in North Carolina are: (1)
4 CWSNC, (2) Bradfield Farms Water Company (Bradfield Farms), (3)
5 Carolina Trace Utilities, Inc., (4) CWS Systems, Inc., (5) Elk River
6 Utilities, Inc., and (6) Transylvania Utilities, Inc.

7 UI also has a service company, Water Service Corporation (WSC),
8 which provides management, administration, engineering,
9 accounting, billing, data processing, and regulatory services to UI's
10 subsidiaries, including CWSNC.

11 Q. MS. ZHANG, WHAT COSTS ARE BEING ALLOCATED TO CWSNC
12 FROM ITS AFFILIATED COMPANIES?

13 A. The following costs are allocated to CWSNC from its affiliated
14 companies:

- 15 1) WSC's costs are allocated to the UI affiliates, including
16 CWSNC, based on the number of equivalent residential
17 customers (ERCs).
- 18 2) Statewide costs related to the operation of the regulated
19 companies in North Carolina (state expenses) are allocated
20 based on the number of ERCs for those companies.
- 21 3) Regional Costs, including the costs associated with the
22 President of CWSNC, are allocated based on the number of

1 ERCs for the regulated companies in the State of North
2 Carolina and the State of Tennessee regions.

3 4) Salaries, benefits, payroll taxes, transportation costs, and
4 operating expenses charged to plant associated with
5 operations personnel are allocated based on the number of
6 ERCs served by the systems that those personnel operate.

7 5) UI has three call centers for customer service, which are
8 located in North Carolina (the Charlotte Office), Nevada, and
9 Florida. The customer service representatives (CSRs) at
10 these three offices handle all customer service calls, including
11 calls from North Carolina customers. Since the Florida and
12 Nevada offices include CSRs who handle customer calls for
13 all of the UI companies, including CWSNC, a portion of the
14 costs related to these offices are allocated to CWSNC based
15 on the number of ERCs.

16 Q. WHAT COSTS HAS THE COMPANY ALLOCATED FROM CWSNC
17 TO ITS AFFILIATED COMPANIES IN ITS APPLICATION?

18 A. The following costs are allocated from CWSNC to its affiliated
19 companies:

20 1) Charlotte Office - CWSNC has an office in Charlotte, North
21 Carolina, where personnel, who oversee the operations in the
22 State of North Carolina, as well as the President and his
23 support staff, are located. This office is also one of three

1 offices nationwide that have CSRs who handle customer
2 calls. The costs for the Charlotte Office are allocated between
3 CWSNC and its affiliates based on the allocation of the
4 salaries for all of the personnel located in this office, including
5 CWSNC operations personnel, regional personnel, the
6 President and his support staff, and the CSRs.

7 2) Charlotte Parent – CWSNC has corporate costs that are
8 recorded to the Charlotte Parent cost center. These costs are
9 allocated between CWSNC and its affiliates using the same
10 factor as the Charlotte Office costs.

11 3) Charlotte Warehouse - CWSNC has a warehouse in Charlotte
12 that is used by CWSNC's systems in the Charlotte area, as
13 well as by Bradfield Farms. The costs for the Charlotte
14 Warehouse are allocated between CWSNC and Bradfield
15 Farms based on the number of ERCs served by the systems
16 that use the warehouse.

17 Q. PLEASE EXPLAIN HOW YOU HANDLE THE RATE BASE FOR
18 CHARLOTTE PARENT, CHARLOTTE OFFICE, AND CHARLOTTE
19 WAREHOUSE COST CENTERS.

20 A. In order to properly present the allocated amounts for these cost
21 centers, Public Staff witness Henry removed 100% of the rate base
22 amount for these cost centers from the direct book amounts for
23 CWSNC uniform. Next, I calculated the appropriate amount of rate

1 base that should be allocated to CWSNC uniform water and sewer
2 operations from these cost centers. In addition, I made adjustments
3 to the Charlotte Warehouse rate base, which are discussed below in
4 the Charlotte Warehouse rate base section.

5 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO WSC RATE BASE
6 AND ASSOCIATED DEPRECIATION EXPENSE.

7 A. I have made a few adjustments to the WSC computers. First, I
8 updated the accumulated depreciation through July 31, 2015.
9 Second, I removed \$25,354 of depreciation expense related to the
10 fully depreciated computers. Third, I made an adjustment to re-
11 amortize the unamortized balance for 2008 computer system cost (or
12 Project Phoenix) over 3 years. This re-amortization decreased the
13 depreciation expense on WSC computers by \$1,826,340 before
14 allocating to CWSNC utility operations.

15 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO THE CHARLOTTE
16 WAREHOUSE RATE BASE AND THE ASSOCIATED
17 DEPRECIATION EXPENSE IN THIS CASE.

18 A. In this case, the Company did not make a pro forma adjustment to
19 remove the Charlotte Warehouse plant and accumulated
20 depreciation associated with systems sold to CMUD. I have made
21 an adjustment to remove the amount of Charlotte Warehouse plant,
22 accumulated depreciation, and depreciation expense associated
23 with the systems sold using the same methodology as was used in

1 the calculation of the gain on sale in the Docket No. W-354, Sub 331
2 transfer proceeding. In addition, I have updated the amount of
3 Charlotte Warehouse computer software accumulated depreciation
4 and removed the related depreciation expense, because the
5 computer software was fully amortized as of July 31, 2015. I then
6 allocated the remaining Charlotte Warehouse rate base and
7 depreciation expense to CWSNC uniform operations based on the
8 ERCs for the systems currently using the warehouse. Finally, I
9 assigned the Charlotte Warehouse rate base and depreciation
10 expense to CWSNC water and CWSNC sewer based on the plant
11 accounts to which the costs were recorded, which is a more direct
12 allocation method than the number of ERCs that was utilized by the
13 Company.

14 **TRANSPORTATION EQUIPMENT**

15 Q. WHAT ADJUSTMENTS HAVE YOU MADE TO TRANSPORTATION
16 EQUIPMENT IN THIS CASE?

17 A. I have adjusted transportation equipment, accumulated depreciation,
18 and depreciation expense to reflect the cost of the current vehicles
19 assigned to the operators and a four-year depreciation life for
20 CWSNC based on the ERC percentage for each operator. I updated
21 accumulated depreciation for transportation equipment through July
22 31, 2015. I also included the transportation equipment, accumulated
23 depreciation, and depreciation expense for the operators who the

1 Company inadvertently left out of rate base in the Company's
2 calculation for CWSNC uniform. In addition, I removed the related
3 amounts for the operators who left the Company and have not been
4 replaced for CWSNC uniform.

5 **OUTSIDE SERVICES**

6 Q. WHAT ADJUSTMENTS HAVE YOU MADE TO OUTSIDE
7 SERVICES?

8 A. The Company included two years of audit and taxes review fees in
9 the per book expenses for WSC. I have made an adjustment to
10 remove the audit and taxes review fees related to 2013 so that only
11 one year is reflected in expenses. Second, I have amortized the
12 audit and taxes review fees that were either out of scope or
13 infrequent in nature over three years. The result of my adjustments
14 is a decrease in outside services of \$45,985 for CWSNC water,
15 \$26,092 for CWSNC sewer, \$2,330 for CLMS sewer, and \$1,831 for
16 Nags Head.

17 **OFFICE SUPPLIES AND OTHER OFFICE EXPENSE**

18 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OFFICE SUPPLIES
19 AND OTHER OFFICE EXPENSE.

20 A. I removed the holiday event expenses associated with Utilities Inc.
21 of FL that should not be allocated to CWSNC utility operations from
22 the Florida cost center.

MAINTENANCE AND REPAIR

1
2 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO MAINTENANCE AND
3 REPAIR.

4 A. The Company booked the CWSNC uniform system permit fees to
5 the Charlotte Parent cost center, which resulted in these costs being
6 allocated from CWSNC to other companies, such as CWS Systems,
7 Inc., when they should have been directly charged to CWSNC. It
8 also resulted in these permit fees being allocated to CLMS sewer
9 and Nags Head in this proceeding. I have made an adjustment to
10 put these permit fees back to CWSNC uniform operations and
11 removed these fees from CLMS sewer and Nags Head. This results
12 in an increase of \$27,760 for CWSNC uniform operations, a
13 decrease of \$345 for CLMS sewer, and a decrease of \$268 for Nags
14 Head.

DEPRECIATION EXPENSE

15
16 Q. WHAT ADJUSTMENTS WERE MADE TO THE ALLOCATION OF
17 DEPRECIATION EXPENSE?

18 A. In addition to the depreciation expense adjustments mentioned
19 above for WSC and the Charlotte Warehouse cost centers, I have
20 also made an adjustment to remove the depreciation expense that
21 should not be allocated from the Florida cost center. Further, I
22 removed the depreciation expenses allocated from the Regional and

1 Charlotte Parent cost centers since there are no plant in service and
2 accumulated depreciation allocated from these two cost centers.

3 **MISCELLANEOUS EXPENSE**

4 Q. WHAT ADJUSTMENTS HAVE YOU MADE TO MISCELLANEOUS
5 EXPENSE?

6 A. I have recommended several adjustments to the allocation of
7 miscellaneous expense. First, although the Company calculated the
8 amount of other income allocated from common cost centers on its
9 supporting workpaper, the amount was not carried forward to the pro
10 forma adjustment for CWSNC uniform. So I made an adjustment to
11 correct this error. Second, I removed the items that should not have
12 been allocated from the Florida cost center to CWSNC.

13 **SALARIES AND WAGES**

14 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO SALARIES AND
15 WAGES.

16 A. I have adjusted salaries and wages to reflect the updated payroll
17 information provided by the Company. These adjustments resulted
18 in a decrease in salaries and wages of \$37,039 for CWSNC water,
19 \$21,014 for CWSNC sewer, \$1,539 for CLMS sewer, and \$1,212 for
20 Nags Head, as shown on Schedule 2-2(a), Schedule 2-2(b), and
21 Schedule 2-2(c) of Zhang Exhibit I.

TRANSPORTATION EXPENSE

1
2 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO TRANSPORTATION
3 EXPENSE.

4 A. I have calculated transportation expense based on the average
5 transportation expense per vehicle for the twelve months ended
6 December 31, 2014, allocated to CWSNC water, CWSNC sewer,
7 CLMS sewer, and Nags Head and based on the number of vehicles
8 allocated to each of those operations. My adjustment also includes
9 the operators who the Company left out in the calculation for CWSNC
10 uniform.

OPERATING EXPENSES CHARGED TO PLANT

11
12 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OPERATING
13 EXPENSES CHARGED TO PLANT.

14 A. Operating expenses charged to plant is the credit to expenses for
15 time spent by employees on capital projects, and is calculated by
16 multiplying the hours worked by the employee on the capital project
17 times a loaded hourly rate for the employee. Since I have updated
18 salaries, benefits, and payroll taxes to current amounts, I have also
19 adjusted the credit to expenses for operating expenses charged to
20 plant to reflect the current loaded hourly rates and the number of
21 hours capitalized for the twelve months ended June 30, 2015. In
22 addition, I have annualized the hours for the employees who were
23 hired less than a year and removed the employees who are no longer

1 with the Company or promoted to positions that are not applicable in
2 the allocation to CWSNC. This results in an increase in the credit to
3 expenses of \$85,599 for CWSNC water, \$48,564 for CWSNC sewer,
4 \$2,648 for CLMS sewer, and \$2,074 for Nags Head.

5 **PENSIONS AND OTHER BENEFITS**

6 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PENSIONS AND
7 OTHER BENEFITS.

8 A. I have adjusted pensions and other benefits to reflect my updated
9 level of salaries. Also, during the investigation, I found out that the
10 Company included a duplicate expense and an expense outside the
11 test year in the health benefit per employee calculation. Therefore, I
12 removed these expenses and adjusted the amount for health benefit
13 per employee to include in the calculation of pensions and other
14 benefits. I then allocated these pensions and other benefits amounts
15 to CWSNC water, CWSNC sewer, CLMS sewer, and Nags Head
16 using the same percentage as was used to allocate the employee's
17 salary.

18 **RENT EXPENSE**

19 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO RENT EXPENSE.

20 A. I have made several adjustments to rent expense. First, I adjusted
21 the State, Charlotte Office, and Charlotte Warehouse rent to reflect
22 the current annual lease amount. Second, I reclassified the
23 statewide rent from the Charlotte Parent cost center to the State cost

1 center so that the correct allocation factor is used to allocate this rent
2 expense. Third, I included the Fairfield Mountain office rent in the
3 State cost center so that the correct allocation of rent is applied
4 consistently across the state. I then allocated the rent expense to
5 CWSNC water, CWSNC sewer, CLMS sewer, and Nags Head based
6 on the allocation percentage of each cost center.

7 **INSURANCE EXPENSE**

8 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO INSURANCE
9 EXPENSE.

10 A. I have updated the annual insurance premiums to reflect the current
11 insurance policies in effect. Also, since the pollution liability
12 insurance is a three-year policy, I made an adjustment to include only
13 one-third of the pollution liability insurance premium to reflect an
14 annual level of premium for this policy.

15 I also made adjustments to update the allocation factors for
16 insurance expense as follows:

17 (1) I have updated the allocation factors for automobile insurance
18 to reflect my adjusted allocation of transportation equipment
19 for CWSNC uniform.

20 (2) I have updated the allocation factors for property insurance to
21 reflect the value of the property covered by the current
22 insurance policies, and

1 (3) I have adjusted the allocation of workers compensation
2 insurance to reflect my adjusted level of payroll.

3 **PAYROLL TAXES**

4 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PAYROLL TAXES.

5 A. In its application, the Company included a pro forma level of payroll
6 taxes for operations and maintenance, customer service, and WSC
7 employees.

8 I have made an adjustment to reflect payroll taxes for operations and
9 maintenance, customer service, and WSC employees based on my
10 adjusted level of salaries and wages at the current payroll tax rates.

11 Q. DOES THIS COMPLETE YOUR TESTIMONY?

12 A. Yes, it does.

Appendix A

Fenge Zhang**Qualifications and Experience**

I graduated from North Carolina State University in 2011 with a Bachelor of Science degree and a Masters degree in Accounting. I am a Certified Public Accountant licensed in North Carolina. I joined the Public Staff on March 28, 2012. Since then, I have been involved in various topics related to the regulated telephone, water, sewer, electric and natural gas industries. I have filed and/or assisted in the following Demand Side Management and Energy Efficiency (DSM/EE) riders, electric fuel rider cases, gas annual reviews, lead lag study, and general rate case audits:

CWS Systems, Inc.	Docket No. W-778, Sub 89
Bradfield Farms Water Company	Docket No. W-1044, Sub 19
Carolina Water Service, Inc. of North Carolina	Docket No. W-354, Sub 336
Duke Energy Carolinas, LLC	Docket No. E-7, Sub 1001, Sub 1026, and Sub 1072,
Dominion North Carolina Power	Docket No. E-22, Sub 513 and Sub 524
Progress Energy Carolinas, Inc.	Docket No. E-2, Sub 1019, Sub 1023, and Sub 1069
Frontier Natural Gas, LLC	Docket No. G-40, Sub 110, Sub 119, and Sub 125
Piedmont Natural Gas Company, Inc.	Docket No. G-9, Sub 631

INDEX TO ZHANG EXHIBIT I

Line No.	Title	Schedule No.
1.	CALCULATION OF ALLOCATED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - CWSNC UNIFORM (UNIFORM)	1(a)
2.	CALCULATION OF ALLOCATED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - COROLLA LIGHT AND MONTERAY SHORES (CLMS)	1(b)
3.	CALCULATION OF ALLOCATED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - NAGS HEAD (NH)	1(c)
4.	CALCULATION OF WSC ALLOCATED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - UNIFORM	1-1(a)
5.	ADJUSTMENT TO DEPRECIATION EXPENSE ON WSC COMPUTER SYSTEM COST	1-1(a)(1)
6.	CALCULATION OF WSC ALLOCATED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - CLMS	1-1(b)
7.	CALCULATION OF WSC ALLOCATED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - NH	1-1(c)
8.	CALCULATION OF CHARLOTTE WAREHOUSE ALLOCATED PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - UNIFORM	1-2(a)
9.	ADJUSTMENT OF CHARLOTTE WAREHOUSE COMPUTER SOFTWARE ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - UNIFORM	1-2(a)(1)
10.	CALCULATION OF TRANSPORTATION EQUIPMENT, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - UNIFORM	1-3(a)
11.	CALCULATION OF TRANSPORTATION EQUIPMENT, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - CLMS	1-3(b)
12.	CALCULATION OF TRANSPORTATION EQUIPMENT, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - NH	1-3(c)
13.	ADJUSTMENT TO COST CENTER ALLOCATED EXPENSES - UNIFORM	2-1(a)
14.	CALCULATION OF ALLOCATED WSC EXPENSE FOR OUTSIDE SERVICES - OTHER (UNIFORM)	2-1(a)(1)
15.	ADJUSTMENT TO COST CENTER ALLOCATED MISCELLANEOUS EXPENSE - UNIFORM	2-1(a)(2)
16.	ADJUSTMENT TO COST CENTER ALLOCATED EXPENSES - CLMS	2-1(b)
17.	CALCULATION OF ALLOCATED WSC EXPENSE FOR OUTSIDE SERVICES - OTHER (CLMS)	2-1(b)(1)
18.	ADJUSTMENT TO COST CENTER ALLOCATED EXPENSES - NH	2-1(c)
19.	CALCULATION OF ALLOCATED WSC EXPENSE FOR OUTSIDE SERVICES - OTHER (NH)	2-1(c)(1)
20.	ADJUSTMENT TO SALARIES AND WAGES - UNIFORM	2-2(a)
21.	ADJUSTMENT TO SALARIES AND WAGES - CLMS	2-2(b)
22.	ADJUSTMENT TO SALARIES AND WAGES - NH	2-2(c)
23.	CALCULATION OF TRANSPORTATION EXPENSE - UNIFORM	2-3(a)
24.	ADJUSTMENT TO OPERATING EXPENSE CHARGE TO PLANT - UNIFORM	2-4(a)
25.	ADJUSTMENT TO OPERATING EXPENSE CHARGE TO PLANT - CLMS	2-4(b)
26.	ADJUSTMENT TO OPERATING EXPENSE CHARGE TO PLANT - NH	2-4(c)
27.	ADJUSTMENT TO PENSION AND OTHER BENEFITS - UNIFORM	2-5(a)
28.	ADJUSTMENT TO PENSION AND OTHER BENEFITS - CLMS	2-5(b)
29.	ADJUSTMENT TO PENSION AND OTHER BENEFITS - NH	2-5(c)
30.	CALCULATION OF RENT EXPENSE - UNIFORM	2-6(a)
31.	CALCULATION OF RENT EXPENSE - CLMS	2-6(b)
32.	CALCULATION OF RENT EXPENSE - NH	2-6(c)
33.	CALCULATION OF INSURANCE EXPENSE - UNIFORM	2-7(a)
34.	CALCULATION OF INSURANCE EXPENSE - CLMS	2-7(b)
35.	CALCULATION OF INSURANCE EXPENSE - NH	2-7(c)
36.	ADJUSTMENT TO PAYROLL TAXES - UNIFORM	2-8(a)
37.	ADJUSTMENT TO PAYROLL TAXES - CLMS	2-8(b)
38.	ADJUSTMENT TO PAYROLL TAXES - NH	2-8(c)

Carolina Water Service, Inc. of North Carolina
 Docket No. W-354, Sub 344
CALCULATION OF ALLOCATED PLANT IN SERVICE,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
 For the Test Year Ended December 31, 2014

Zhang Exhibit I
 Schedule 1(a)

CWSNC Uniform

Line No.	Item	Water (a)	[1]	Sewer (b)	[2]	Total (c)	[3]
<u>Plant in Service:</u>							
1.	WSC	\$2,537,178		\$1,439,457		\$3,976,635	[4]
2.	State	965,804		547,995		1,513,799	[5]
3.	Charlotte office	110,200		62,528		172,728	[5]
4.	Charlotte warehouse	586,055	[6]	48,832	[7]	634,887	[8]
5.	Florida office	69,368		39,356		108,724	
6.	Nevada office	5,009		2,842		7,851	
7.	Total plant in service (Sum of L1 thru L6)	<u>\$4,273,614</u>		<u>\$2,141,010</u>		<u>\$6,414,624</u>	
<u>Accumulated Depreciation:</u>							
8.	WSC	(\$2,019,028)		(\$1,145,593)		(\$3,164,621)	[9]
9.	State	(759,855)		(431,141)		(1,190,996)	[5]
10.	Charlotte office	(52,934)		(30,034)		(82,968)	[5]
11.	Charlotte warehouse	(186,890)	[10]	(32,809)	[11]	(219,699)	[8]
12.	Florida office	(30,923)		(17,544)		(48,467)	
13.	Nevada office	(2,565)		(1,456)		(4,021)	
14.	Total accumulated depreciation (Sum of L8 thru L13)	<u>(\$3,052,195)</u>		<u>(\$1,658,577)</u>		<u>(\$4,710,772)</u>	
<u>Depreciation Expense:</u>							
15.	WSC	\$133,315		\$75,642		\$208,957	[12]
16.	State	106,620		60,496		167,116	[5]
17.	Charlotte office	8,382		4,756		13,138	[5]
18.	Charlotte warehouse	16,357	[13]	1,328	[14]	17,685	[8]
19.	Florida office	2,223		1,261		3,484	
20.	Nevada office	0		0		0	
21.	Total depreciation expense (Sum of L15 thru L20)	<u>\$266,897</u>		<u>\$143,483</u>		<u>\$410,380</u>	

[1] Column (c) multiplied by water allocation factor of 63.80%, unless otherwise footnoted.

[2] Column (c) multiplied by sewer allocation factor of 36.20%, unless otherwise footnoted.

[3] Per Company workpapers, unless otherwise footnoted.

[4] Zhang Exhibit I, Schedule 1-1(a), Line 7, Column (a).

[5] Public Staff calculated amount based on Company's books and records.

[6] Zhang Exhibit I, Schedule 1-2(a), Line 7, Column (a).

[7] Zhang Exhibit I, Schedule 1-2(a), Line 8, Column (a).

[8] Column (a) plus column (b).

[9] Zhang Exhibit I, Schedule 1-1(a), Line 7, Column (b).

[10] Zhang Exhibit I, Schedule 1-2(a), Line 7, Column (b).

[11] Zhang Exhibit I, Schedule 1-2(a), Line 8, Column (b).

[12] Zhang Exhibit I, Schedule 1-1(a), Line 7, Column (c).

[13] Zhang Exhibit I, Schedule 1-2(a), Line 7, Column (c).

[14] Zhang Exhibit I, Schedule 1-2(a), Line 8, Column (c).

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF ALLOCATED PLANT IN SERVICE,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1(b)

Corolla Light and Monteray Shores

Line No.	Item	Amount	[1]
	<u>Plant in Service:</u>		
1.	WSC	\$131,699	[2]
2.	State	46,919	[3]
3.	Charlotte office	5,649	[3]
4.	Florida office	3,550	
5.	Nevada office	258	
6.	Total plant in service (Sum of L1 thru L5)	<u>\$188,075</u>	
	<u>Accumulated Depreciation:</u>		
7.	WSC	(\$104,844)	[4]
8.	State	(37,309)	[3]
9.	Charlotte office	(2,713)	[3]
10.	Florida office	(1,584)	
11.	Nevada office	(132)	
12.	Total accumulated depreciation (Sum of L7 thru L11)	<u>(\$146,582)</u>	
	<u>Depreciation Expense:</u>		
13.	WSC	\$6,923	[5]
14.	State	4,668	[3]
15.	Charlotte office	430	[3]
16.	Florida office	114	
17.	Nevada office	0	
18.	Total depreciation expense (Sum of L13 thru L17)	<u>\$12,135</u>	

[1] Per Company workpapers, unless otherwise footnoted.

[2] Zhang Exhibit I, Schedule 1-1(b), Line 7, Column (a).

[3] Public Staff calculated amount based on Company's books and records.

[4] Zhang Exhibit I, Schedule 1-1(b), Line 7, Column (b).

[5] Zhang Exhibit I, Schedule 1-1(b), Line 7, Column (c).

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF ALLOCATED PLANT IN SERVICE,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1(c)

Nags Head

Line No.	Item	Amount	[1]
	<u>Plant in Service:</u>		
1.	WSC	\$100,507	[2]
2.	State	36,244	[3]
3.	Charlotte office	4,394	[3]
4.	Florida office	2,724	
5.	Nevada office	194	
6.	Total plant in service (Sum of L1 thru L5)	<u>\$144,063</u>	
	<u>Accumulated Depreciation:</u>		
7.	WSC	(\$80,012)	[4]
8.	State	(28,820)	[3]
9.	Charlotte office	(2,110)	[3]
10.	Florida office	(1,214)	
11.	Nevada office	(99)	
12.	Total accumulated depreciation (Sum of L7 thru L11)	<u>(\$112,255)</u>	
	<u>Depreciation Expense:</u>		
13.	WSC	\$5,283	[5]
14.	State	3,606	[3]
15.	Charlotte office	334	[3]
16.	Florida office	87	
17.	Nevada office	0	
18.	Total depreciation expense (Sum of L13 thru L17)	<u>\$9,310</u>	

- [1] Per Company workpapers, unless otherwise footnoted.
 [2] Zhang Exhibit I, Schedule 1-1(c), Line 7, Column (a).
 [3] Public Staff calculated amount based on Company's books and records.
 [4] Zhang Exhibit I, Schedule 1-1(c), Line 7, Column (b).
 [5] Zhang Exhibit I, Schedule 1-1(c), Line 7, Column (c).

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF WSC ALLOCATED PLANT IN SERVICE,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
 Schedule 1-1(a)

CWSNC Uniform

Line No.	Item	Plant In Service (a)	Accumulated Depreciation (b)	Depreciation Expense (c)
1.	WSC rate base	\$34,658,028 [1]	(\$27,294,896) [1]	\$3,673,462 [1]
2.	Adjustment to update A/D on WSC computers through July 31, 2015	0	(295,522) [2]	0
3.	Adjustment to remove depreciation expense on fully depreciated WSC computers	0	0	(25,354) [2]
4.	Adjustment to reflect amortization of undepreciated computer system cost	0	0	(1,826,340) [3]
5.	Adjusted WSC rate base per Public Staff (Sum of L1 thru L4)	<u>34,658,028</u>	(27,590,418)	1,821,768
6.	Percentage allocated to CWSNC Uniform		11.47% [1]	11.47% [1]
7.	Allocated WSC rate base per Public Staff (L5 x L6)	<u>\$3,976,635 [1]</u>	<u>(\$3,164,621)</u>	<u>\$208,957</u>

- [1] Per examination of Company's financial records and workpapers.
 [2] Calculated based on review of Company's application workpapers.
 [3] Zhang Exhibit I, Schedule 1-1(a)(1), Line 9.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO DEPRECIATION EXPENSE ON
WSC COMPUTER SYSTEM COST

For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-1(a)(1)

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	
1.	2008 Computer system cost (Project Phoenix)	\$21,073,140	[1]
2.	Depreciation life in years	8	[2]
3.	Annual depreciation expense (L1 / L2)	2,634,143	
4.	Years in service as of 07/31/15	7.08	[3]
5.	Accumulated depreciation as of 07/31/15 (L3 x L4)	18,649,732	
6.	Undepreciated balance as of 07/31/15 (L1 - L5)	2,423,408	
7.	Amortization period in years	3	
8.	Amortization expense for undepreciated computer system cost (L6 / L7)	807,803	
9.	Adjustment to depreciation expense on computer system cost (L8 - L3)	(\$1,826,340)	

[1] Stipulated amount approved in Docket No. W-354, Sub 314 for CWSNC.

[2] Per Company work paper w/p-p4.

[3] Calculated based on the year placed in service using half year convention.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
**CALCULATION OF WSC ALLOCATED PLANT IN SERVICE,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE**
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-1(b)

Corolla Light and Monteray Shores

Line No.	Item	Plant In Service (a)		Accumulated Depreciation (b)		Depreciation Expense (c)	
1.	WSC rate base	\$34,658,028	[1]	(\$27,294,896)	[1]	\$3,673,462	[1]
2.	Adjustment to update A/D on WSC computers through July 31, 2015	0		(295,522)	[2]	0	
3.	Adjustment to remove depreciation expense on fully depreciated WSC computers	0		0		(25,354)	[2]
4.	Adjustment to reflect amortization of undepreciated computer system cost	0		0		(1,826,340)	[3]
5.	Adjusted WSC rate base per Public Staff (Sum of L1 thru L4)	34,658,028		(27,590,418)		1,821,768	
6.	Percentage allocated to Corolla Light and Monteray Shores	0.38%	[1]	0.38%	[1]	0.38%	[1]
7.	Allocated WSC rate base per Public Staff (L5 x L6)	\$131,699		(\$104,844)		\$6,923	

- [1] Per examination of Company's financial records and workpapers.
[2] Calculated based on review of Company's application workpapers.
[3] Zhang Exhibit I, Schedule 1-1(a)(1), Line 9.

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF WSC ALLOCATED PLANT IN SERVICE,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-1(c)

Nags Head

Line No.	Item	Plant In Service (a)		Accumulated Depreciation (b)		Depreciation Expense (c)	
1.	WSC rate base	\$34,658,028	[1]	(\$27,294,896)	[1]	\$3,673,462	[1]
2.	Adjustment to update A/D on WSC computers through July 31, 2015	0		(295,522)	[2]	0	
3.	Adjustment to remove depreciation expense on fully depreciated WSC computers	0		0		(25,354)	[2]
4.	Adjustment to reflect amortization of undepreciated computer system cost	0		0		(1,826,340)	[3]
5.	Adjusted WSC rate base per Public Staff (Sum of L1 thru L4)	34,658,028		(27,590,418)		1,821,768	
6.	Percentage allocated to Nags Head	0.29%	[1]	0.29%	[1]	0.29%	[1]
7.	Allocated WSC rate base per Public Staff (L5 x L6)	\$100,507		(\$80,012)		\$5,283	

- [1] Per examination of Company's financial records and workpapers.
 [2] Calculated based on review of Company's application workpapers.
 [3] Zhang Exhibit I, Schedule 1-1(a)(1), Line 9.

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

**CALCULATION OF CHARLOTTE WAREHOUSE ALLOCATED
PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND
DEPRECIATION EXPENSE**

For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-2(a)

CWSNC Uniform

Line No.	Item	Plant In Service (a)	Accumulated Depreciation (b)	Depreciation Expense (c)
1.	Charlotte warehouse rate base per application	\$1,157,499 [1]	(\$348,703) [1]	\$61,733 [1]
2.	Adjustment to remove plant amounts related to systems sold to CMUD	(333,933) [2]	90,165 [3]	(7,050) [2]
3.	Adjustment to fully computer software amortization	0	(26,452) [4]	(31,742) [5]
4.	Adjusted Charlotte warehouse rate base (Sum of L1 thru L3)	823,566	(284,990)	22,941
5.	Percentage allocated to CWSNC Uniform	77.09% [1]	77.09% [1]	77.09% [1]
6.	Allocated Charlotte warehouse rate base per Public Staff (L4 x L5)	<u>\$634,887</u>	<u>(\$219,699)</u>	<u>\$17,685</u>
7.	Allocated rate base - water operations	<u>\$586,055</u> [6]	<u>(\$186,890)</u> [6]	<u>\$16,357</u> [6]
8.	Allocated rate base - sewer operations	<u>\$48,832</u> [6]	<u>(\$32,809)</u> [6]	<u>\$1,328</u> [6]

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

[2] Calculated based on percentage related to systems sold from
gain on sale proceeding, Docket No. W-354, Sub 331.

[3] Calculated based on 1.33 years of additional accumulated depreciation
plus the amount calculated in Bradfield Farm rate case proceeding, Docket No. W-1044, Sub 21.

[4] From Zhang Exhibit I, Schedule 1-2(a)(1), Line 7.

[5] From Zhang Exhibit I, Schedule 1-2(a)(1), Line 8.

[6] Directly assigned amount per review of company's financial records and workpapers.

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

**ADJUSTMENT OF CHARLOTTE WAREHOUSE
COMPUTER SOFTWARE ACCUMULATED DEPRECIATION
AND DEPRECIATION EXPENSE**

For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-2(a)(1)

CWSNC Uniform

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	
1.	2012 Computer system cost	\$95,226	[1]
2.	Depreciation life in years	3	[1]
3.	Annual depreciation expense (L1 / L2)	31,742	
4.	Years in service as of 07/31/15	3	[1]
5.	Accumulated depreciation as of 07/31/15 (L3 x L4)	(95,226)	
6.	Accumulated depreciation per application	(68,774)	[1]
7.	Adjustment to accumulated depreciation (L5 - L6)	(\$26,452)	
8.	Adjustment to depreciation expense	(\$31,742)	[2]

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

[2] Remove the annual depreciation amount for the fully depreciated computer system.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
**CALCULATION OF TRANSPORTATION EQUIPMENT,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE**
For the Test Year Ended December 31, 2014

Zhang Exhibit i
Schedule 1-3(a)

CWSNC Uniform

Line No.	Driver	Plant In Service (a)	Year Purchased (b)	Years In Service at 07/31/15 (c)	Depreciation Expense (d)	Accumulated Depreciation (e)
		[1]		[1]	[2]	[3]
						[4]
1.	Abernathy, Teresa	\$22,181	2013	2.08	\$5,545	(\$11,534)
2.	Adcock, James S	28,560	2013	2.08	7,140	(14,851)
3.	Alexander, Richard W.	22,189	2013	2.08	5,547	(11,538)
4.	Baldwin, Brandon	26,761	2013	2.08	6,690	(13,915)
5.	Baldwin, Eddie R.	31,882	2013	2.08	7,970	(16,578)
6.	Capps, Thomas C.	22,189	2013	2.08	5,547	(11,538)
7.	Chapman, Lawrence	26,150	2013	2.08	6,537	(13,597)
8.	Cohen, Traddeus	21,940	2011	4.08	0	(21,940)
9.	Cooke, Jeffrey J.	22,773	2013	2.08	5,693	(11,841)
10.	Corn, Douglas M.	27,532	2013	2.08	6,883	(14,317)
11.	Cornett, Shaun M.	31,651	2011	4.08	0	(31,651)
12.	Devos, Dustin	25,486	2011	4.08	0	(25,486)
13.	Daniel Carl	29,220	2007	8.08	0	(29,220)
14.	English, Alan R.	27,520	2013	2.08	6,880	(14,310)
15.	Estes, Christopher L.	26,966	2012	3.08	6,741	(20,762)
16.	Futrell, Anthony	26,644	2013	2.08	6,661	(13,855)
17.	Godfrey, Christopher L	19,793	2011	4.08	0	(19,793)
18.	Goff, Stacy A.	25,616	2013	2.08	6,404	(13,320)
19.	Golden, Matthew	20,851	2011	4.08	0	(20,851)
20.	Grindstaff, Jason	31,885	2012	3.08	7,971	(24,551)
21.	Hagwood, Jimmie L.	22,895	2013	2.08	5,724	(11,906)
22.	Harrell, Stephen B.	29,958	2011	4.08	0	(29,958)
23.	Harris, Kenneth P	22,222	2011	4.08	0	(22,222)
24.	Haver, Mark R.	32,861	2013	2.08	8,215	(17,087)
25.	Henry, Larry D.	25,927	2013	2.08	6,482	(13,483)
26.	Hughes, David M.	22,566	2013	2.08	5,641	(11,733)
27.	James, Robert A.	29,873	2013	2.08	7,468	(15,533)
28.	Jenkins, James A.	22,744	2013	2.08	5,686	(11,827)
29.	Johansen, John E.	22,007	2013	2.08	5,502	(11,444)
30.	Jones, Jack D.	27,633	2013	2.08	6,908	(14,369)
31.	King, Jeremy	22,773	2013	2.08	5,693	(11,841)
32.	Konsul, Anthony J.	31,828	2007	8.08	0	(31,828)
33.	Lashua, Martin J.	32,506	2006	9.08	0	(32,506)
34.	Lassiter, Danny W.	35,567	2006	9.08	0	(35,567)
35.	Leary, Donald W.	25,720	2011	4.08	0	(25,720)
36.	Leners, Mark	20,330	2011	4.08	0	(20,330)
37.	Lightie, Richard D.	20,317	2008	7.08	0	(20,317)
38.	Loper, Robert W.	25,174	2011	4.08	0	(25,174)
39.	Mcintosh, Grady E.	24,931	2011	4.08	0	(24,931)
40.	Medling, David G.	29,888	2012	3.08	7,472	(23,014)
41.	Miller, Dean R	25,616	2013	2.08	6,404	(13,320)
42.	Murphy, Phillip K.	25,942	2012	3.08	6,486	(19,977)
43.	Nixon, Oanny L.	22,181	2013	2.08	5,545	(11,534)
44.	Norris, Joel F.	24,523	2011	4.08	0	(24,523)
45.	Ogle, Brian J.	26,966	2012	3.08	6,741	(20,762)
46.	Palmliter, Matthew	27,291	2013	2.08	6,823	(14,192)
47.	Peacock II, Gary M.	29,956	2011	4.08	0	(29,956)
48.	Peedin, Ryan	26,517	2011	4.08	0	(26,517)
49.	Phillips, Andrew R.	25,003	2011	4.08	0	(25,003)
50.	Plank, Leland Flint	32,947	2011	4.08	0	(32,947)
51.	Pritchard, Charles R.	25,720	2011	4.08	0	(25,720)
52.	Puckett, Michael S.	24,387	2011	4.08	0	(24,387)
53.	Queen, Matthew	22,189	2013	2.08	5,547	(11,538)
54.	Reece, Ronnie N.	25,720	2011	4.08	0	(25,720)
55.	Robinson, Javario	22,492	2011	4.08	0	(22,492)
56.	Robinson, Kyle	22,373	2013	2.08	5,593	(11,633)
57.	Rollins, Ernest B	27,532	2013	2.08	6,883	(14,317)
58.	Ryniak, David	22,765	2013	2.08	5,691	(11,837)
59.	Scanlon, Martin L.	25,987	2013	2.08	6,497	(13,514)
60.	Shultz, John R.	27,291	2013	2.08	6,823	(14,192)
61.	Strickler, Jill M.	23,496	2011	4.08	0	(23,496)
62.	Surrett, William M.	24,523	2011	4.08	0	(24,523)
63.	Thomas, Travis	19,611	2004	11.08	0	(19,611)
64.	Umphrey, Daniel L.	22,895	2013	2.08	5,724	(11,906)
65.	Welborn, Leigh A.	25,367	2011	4.08	0	(25,367)
66.	Whitaker III, Harold K.	27,528	2013	2.08	6,882	(14,315)
67.	Wilson, Randi R.	26,966	2012	3.08	6,741	(20,762)
68.	Woody Jr, Rex	29,887	2013	2.08	7,472	(15,542)

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF TRANSPORTATION EQUIPMENT,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-3(a)

CWSNC Uniform

Line No.	Driver	Plant In Service (a)	[1]	Year Purchased (b)	[1]	Years In Service at 07/31/15 (c)	[2]	Depreciation Expense (d)	[3]	Accumulated Depreciation (e)	[4]
69.	Woody, Rex R.	25,631		2013		2.08		6,408		(13,329)	
70.	Young, Richard D.	28,518		2013		2.08		7,130		(14,830)	
71.	Total transportation equipment (Sum of L1 thru L70)	<u>\$1,813,327</u>						<u>\$266,390</u>		<u>(\$1,343,999)</u>	

Line No.	Driver	Allocation Factor (a)	[1]	Allocated Transportation Equipment (b)	[5]	Allocated Depreciation Expense (c)	[6]	Allocated Accumulated Depreciation (d)	[7]
72.	Abernathy, Teresa	27.81%		\$6,169		\$1,542		(\$3,208)	
73.	Adcock, James S	3.88%		1,109		277		(577)	
74.	Alexander, Richard W.	100.00%		22,189		5,547		(11,538)	
75.	Baldwin, Brandon	46.04%		12,321		3,080		(6,407)	
76.	Baldwin, Eddie R.	46.81%		14,923		3,731		(7,760)	
77.	Capps, Thomas C.	100.00%		22,189		5,547		(11,538)	
78.	Chapman, Lawrence	3.88%		1,015		254		(528)	
79.	Cohen, Traddicus	88.36%		19,387		0		(19,387)	
80.	Cooke, Jeffrey J.	61.54%		14,014		3,503		(7,287)	
81.	Corn, Douglas M.	9.35%		2,573		643		(1,338)	
82.	Cornett, Shaun M.	9.35%		2,959		0		(2,959)	
83.	Devos, Dustin	100.00%		25,486		0		(25,486)	
84.	Daniel Carl	57.67%		16,850		0		(16,850)	
85.	English, Alan R.	92.89%		25,563		6,391		(13,292)	
86.	Estes, Christopher L.	3.88%		1,047		262		(806)	
87.	Futrell, Anthony	100.00%		26,644		6,661		(13,855)	
88.	Godfrey, Christopher L	100.00%		19,793		0		(19,793)	
89.	Goff, Stacy A.	19.24%		4,929		1,232		(2,563)	
90.	Golden, Matthew	24.62%		5,134		0		(5,134)	
91.	Grindstaff, Jason	92.89%		29,617		7,404		(22,805)	
92.	Hagwood, Jimmie L.	88.11%		20,173		5,044		(10,491)	
93.	Harrell, Stephen B.	50.70%		15,187		0		(15,187)	
94.	Harris, Kenneth P	76.28%		16,950		0		(16,950)	
95.	Haver, Mark R.	73.56%		24,173		6,043		(12,570)	
96.	Henry, Larry D.	67.56%		17,516		4,379		(9,109)	
97.	Hughes, David M.	88.11%		19,883		4,970		(10,338)	
98.	James, Robert A.	100.00%		29,873		7,468		(15,533)	
99.	Jenkins, James A.	100.00%		22,744		5,686		(11,827)	
100.	Johansen, John E.	100.00%		22,007		5,502		(11,444)	
101.	Jones, Jack D.	100.00%		27,633		6,908		(14,369)	
102.	King, Jeremy	41.83%		9,525		2,381		(4,953)	
103.	Konsul, Anthony J.	70.67%		22,492		0		(22,492)	
104.	Lashua, Martin J.	57.67%		18,745		0		(18,745)	
105.	Lassiter, Danny W.	48.70%		17,321		0		(17,321)	
106.	Leary, Donald W.	47.35%		12,179		0		(12,179)	
107.	Leners, Mark	62.03%		12,611		0		(12,611)	
108.	Lightle, Richard D.	9.35%		1,899		0		(1,899)	
109.	Loper, Robert W.	100.00%		25,174		0		(25,174)	
110.	McIntosh, Grady E.	100.00%		24,931		0		(24,931)	
111.	Medling, David G.	37.36%		11,167		2,792		(8,599)	
112.	Miller, Dean R	6.50%		1,664		416		(865)	
113.	Murphy, Phillip K.	100.00%		25,942		6,486		(19,977)	
114.	Nixon, Danny L.	100.00%		22,181		5,545		(11,534)	
115.	Norris, Joel F.	0.00%		0		0		0	
116.	Ogle, Brian J.	6.72%		1,813		453		(1,396)	
117.	Palmiter, Matthew	0.00%		0		0		0	
118.	Peacock II, Gary M.	4.82%		1,444		0		(1,444)	
119.	Peedin, Ryan	100.00%		26,517		0		(26,517)	
120.	Phillips, Andrew R.	100.00%		25,003		0		(25,003)	
121.	Plank, Leland Filint	3.88%		1,279		0		(1,279)	
122.	Pritchard, Charles R.	100.00%		25,720		0		(25,720)	
123.	Puckett, Michael S.	100.00%		24,387		0		(24,387)	
124.	Queen, Matthew	100.00%		22,189		5,547		(11,538)	
125.	Reece, Ronnie N.	55.44%		14,260		0		(14,260)	
126.	Robinson, Javario	100.00%		22,492		0		(22,492)	
127.	Robinson, Kyle	100.00%		22,373		5,593		(11,633)	
128.	Rollins, Ernest B	100.00%		27,532		6,883		(14,317)	

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF TRANSPORTATION EQUIPMENT,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit 1
Schedule 1-3(a)

CWSNC Uniform					
Line No.	Driver	Allocation Factor (a)	[1] Allocated Transportation Equipment (b)	[5] Allocated Depreciation Expense (c)	[6] Allocated Accumulated Depreciation (d) [7]
129.	Ryniak, David	96.73%	22,020	5,505	(11,450)
130.	Scanlon, Martin L.	57.67%	14,986	3,747	(7,793)
131.	Shultz, John R.	0.00%	0	0	0
132.	Strickler, Jill M.	60.84%	14,295	0	(14,295)
133.	Surrett, William M.	100.00%	24,523	0	(24,523)
134.	Thomas, Travis	100.00%	19,611	0	(19,611)
135.	Umphrey, Daniel L.	62.03%	14,203	3,551	(7,386)
136.	Weiborn, Leigh A.	64.85%	16,449	0	(16,449)
137.	Whitaker III, Harold K.	100.00%	27,528	6,882	(14,315)
138.	Wilson, Randi R.	6.72%	1,813	453	(1,396)
139.	Woody Jr, Rex	91.11%	27,228	6,807	(14,160)
140.	Woody, Rex R.	100.00%	25,631	6,408	(13,329)
141.	Young, Richard D.	77.77%	22,178	5,545	(11,533)
142.	Total allocated transportation equipment (Sum of L72 thru L141)		<u>\$1,141,355</u>	<u>\$167,068</u>	<u>(\$838,435)</u>

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

[2] Calculated based on the year purchased using half year convention.

[3] Column (a), Line 1 thru Line 70, multiplied by 25%, unless fully depreciated.

[4] Column (c), Line 1 thru Line 70, multiplied by Column (d), Line 1 thru Line 70, unless fully depreciated.

[5] Percentage in Column (a), Line 72 thru Line 141 multiplied by operator amount in Column (a), Line 1 thru Line 70.

[6] Percentage in Column (a), Line 72 thru Line 141 multiplied by operator amount in Column (d), Line 1 thru Line 70.

[7] Percentage in Column (a), Line 72 thru Line 141 multiplied by operator amount in Column (e), Line 1 thru Line 70.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF TRANSPORTATION EQUIPMENT,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-3(b)

Corolla Light and Monterey Shores

Line No.	Driver	Plant In Service [1] (a)	Year Purchased [1] (b)	Years In Service at 07/31/15 [2] (c)	Depreciation Expense [3] (d)	Accumulated Depreciation [4] (e)
1.	Baldwin, Eddie R.	\$31,882	2013	2.08	\$7,970	(\$16,578)
2.	Norris, Joel F.	24,523	2011	4.08	0	(24,523)
3.	Shultz, John R.	27,291	2013	2.08	6,823	(14,192)
4.	Lassiter, Danny W.	35,567	2006	9.08	0	(35,567)
5.	Lashua, Martin	32,506	2006	9.08	0	(32,506)
6.	Scanlon, Martin	25,987	2013	2.08	6,497	(13,514)
7.	Total transportation equipment (Sum of L1 thru L6)	<u>\$177,756</u>			<u>\$21,290</u>	<u>(\$136,880)</u>

Line No.	Driver	Allocation Factor [1] (a)	Allocated Transportation Equipment [5] (b)	Allocated Depreciation Expense [6] (c)	Allocated Accumulated Depreciation [7] (d)
8.	Baldwin, Eddie R.	8.71%	\$2,776	\$694	(\$1,444)
9.	Norris, Joel F.	56.42%	13,835	0	(13,835)
10.	Shultz, John R.	56.42%	15,397	3,849	(8,007)
11.	Lassiter, Danny W.	4.47%	1,591	0	(1,591)
12.	Lashua, Martin	1.89%	615	0	(615)
13.	Scanlon, Martin	1.89%	491	123	(256)
14.	Total allocated transportation equipment (Sum of L8 thru L13)		<u>\$34,705</u>	<u>\$4,666</u>	<u>(\$25,748)</u>

- [1] Per examination of Company's financial records and workpapers.
[2] Calculated based on the year purchased using half year convention.
[3] Column (a), Line 1 thru Line 6, multiplied by 25%, unless fully depreciated.
[4] Column (c), Line 1 thru Line 6, multiplied by Column (d), Line 1 thru Line 6, unless fully depreciated.
[5] Percentage in Column (a), Line 8 thru Line 13 multiplied by operator amount in Column (a), Line 1 thru Line 6.
[6] Percentage in Column (a), Line 8 thru Line 13 multiplied by operator amount in Column (d), Line 1 thru Line 6.
[7] Percentage in Column (a), Line 8 thru Line 13 multiplied by operator amount in Column (e), Line 1 thru Line 6.

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF TRANSPORTATION EQUIPMENT,
ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE
 For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 1-3(c)

Nags Head

Line No.	Driver	Plant In Service (a)	[1]	Year Purchased (b)	[1]	Years In Service at 07/31/14 (c)	[2]	Depreciation Expense (d)	[3]	Accumulated Depreciation (e)	[4]
1.	Baldwin, Eddie R.	\$31,882		2013		2.08		\$7,970		(\$16,578)	
2.	Norris, Joel F.	24,523		2011		4.08		0		(24,523)	
3.	Shultz, John R.	27,291		2013		2.08		6,823		(14,192)	
4.	Lassiter, Danny W.	35,567		2006		9.08		0		(35,567)	
5.	Lashua, Martin	32,506		2006		9.08		0		(32,506)	
6.	Scanlon, Martin	25,987		2013		2.08		6,497		(13,514)	
7.	Total transportation equipment (Sum of L1 thru L6)	<u>\$177,756</u>						<u>\$21,290</u>		<u>(\$136,880)</u>	

Line No.	Driver	Allocation Factor (a)	[1]	Allocated Transportation Equipment (b)	[5]	Allocated Depreciation Expense (c)	[6]	Allocated Accumulated Depreciation (d)	[7]
8.	Baldwin, Eddie R.	6.73%		\$2,145		\$536		(\$1,115)	
9.	Norris, Joel F.	43.58%		10,688		0		(10,688)	
10.	Shultz, John R.	43.58%		11,894		2,974		(6,185)	
11.	Lassiter, Danny W.	3.46%		1,229		0		(1,229)	
12.	Lashua, Martin	1.46%		475		0		(475)	
13.	Scanlon, Martin	1.46%		380		95		(197)	
14.	Total allocated transportation equipment (Sum of L8 thru L13)			<u>\$26,811</u>		<u>\$3,605</u>		<u>(\$19,889)</u>	

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

[2] Calculated based on year purchased using half year convention.

[3] Column (a), Line 1 thru Line 6, multiplied by 25%, unless fully depreciated.

[4] Column (c), Line 1 thru Line 6, multiplied by Column (d), Line 1 thru Line 6, unless fully depreciated.

[5] Percentage in Column (a), Line 8 thru Line 13 multiplied by operator amount in Column (a), Line 1 thru Line 6.

[6] Percentage in Column (a), Line 8 thru Line 13 multiplied by operator amount in Column (d), Line 1 thru Line 6.

[7] Percentage in Column (a), Line 8 thru Line 13 multiplied by operator amount in Column (e), Line 1 thru Line 6.

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
ADJUSTMENT TO COST CENTER ALLOCATED EXPENSES
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-1(a)

CWSNC Uniform

Line No.	Item	Amount Per Application (a)	[1]	Adjustment Amount (b)		Amount Per Public Staff (c)	[8]	Adjustment to Water (d)	[10]	Adjustment to Sewer (e)	[11]
1.	Outside Services - Other (WSC)	\$170,210		(\$72,077)	[3]	\$98,133	[2]	(\$45,985)		(\$26,092)	
2.	Office Supplies & Other Office Exp. (Florida)	3,345		(1,359)	[4]	1,986		(867)		(492)	
3.	Maintenance and repair (Charlotte Parent)	(33,179)		27,760	[5]	(5,419)		17,711		10,049	
4.	Depreciation (Florida)	4,743		(1,259)	[6]	3,484		(803)		(456)	
5.	Miscellaneous and other income (State, Char. Parent, and Florida)	<u>2,303</u>		<u>(18,715)</u>	[7]	<u>(16,412)</u>	[9]	<u>(11,940)</u>		<u>(6,775)</u>	
6.	Total adjustment (Sum of L1 thru L5)	<u>\$147,422</u>		<u>(\$65,650)</u>		<u>\$81,772</u>		<u>(\$41,885)</u>		<u>(\$23,765)</u>	

- [1] Per examination of Company's financial records and workpapers.
[2] Zhang Exhibit I, Schedule 2-1(a)(1), Line 16.
[3] Column (c) minus Column (a).
[4] Adjustment to remove expenses that should not be allocated to CW
[5] Adjustment to move the permit fees to CWSNC Uniform.
[6] Adjustment to remove depreciation expenses that should not be allocated to CWSNC Uniform.
[7] Zhang Exhibit I, Schedule 2-1(a)(2), Column (b), Line 4.
[8] Column (a) plus Column (b), unless otherwise footnoted.
[9] Zhang Exhibit I, Schedule 2-1(a)(2), Column (c), Line 4.
[10] Column (b) multiplied by water allocation factor of 63.80%
[11] Column (b) multiplied by sewer allocation factor of 36.20%

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

**CALCULATION OF ALLOCATED WSC EXPENSE
FOR OUTSIDE SERVICES - OTHER**

For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-1(a)(1)**CWSNC Uniform**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>[1]</u>
1.	Audit fees per application	\$440,175	
2.	Adjustment to reclassify tax related expense booked under audit fee	(14,000)	
3.	Adjustment to remove expense related to 2013 audit	(82,021)	
4.	Adjustment to amortize audit expense - ICFR over 3 years	(51,987)	[2]
5.	Total adjusted audit fees	<u>292,167</u>	
6.	Tax review fees per application	930,717	
7.	Adjustment to reclassify tax related expense booked under audit fee	14,000	
8.	Adjustment to remove the 2013 tax compliance fees	(301,933)	
9.	Adjustment to remove the 2013 tax provision fees	(101,237)	
10.	Adjustment to amortize infrequent tax expenses over 3 years	(90,707)	[2]
11.	Total adjusted tax review fees	<u>450,840</u>	
12.	Employee finder fees	2,268	
13.	Payroll services	91,828	
14.	Temporary employment	18,459	
15.	Total adjusted Outside Services - Other (L5 + L11 + L12 + L13 + L14)	<u>\$855,562</u>	
16.	Total allocated Outside Services - Other per Public Staff	<u>\$98,133</u>	[3]

[1] Per examination of Company's financial records and workpapers, unless otherwise footnoted.

[2] Adjustment to remove two third of the expense.

[3] Line 15 multiplied by WSC cost center allocation factor of 11.47%.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

**ADJUSTMENT TO COST CENTER ALLOCATED
MISCELLANEOUS EXPENSE**

For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-1(a)(2)

CWSNC Uniform

Line No.	Item	Allocated Amount Per Application [1] (a)	Public Staff Adjustment [5] (b)	Amount per Public Staff (c)
1.	Miscellaneous (Florida)	\$2,303	(\$2,303)	\$0 [2]
2.	Other Income (State)	0	(10,588)	(10,588) [3]
3.	Other Income (Charlotte Parent)	0	(5,824)	(5,824) [4]
4.	Total miscellaneous expense (Sum L1 thru L3)	<u>\$2,303</u>	<u>(\$18,715)</u>	<u>(\$16,412)</u>

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

[2] Adjustment to remove expense that should not be allocated to CWSNC Uniform.

[3] Adjustment to add back gain on sale of state vehicle.

[4] Adjustment to add back other income that the Company inadvertently left out.

[5] Column (c) minus Column (a).

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
ADJUSTMENT TO COST CENTER ALLOCATED EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
 Schedule 2-1(b)

Corolla Light and Monterey Shores

Line No.	Item	Allocated Amount Per Application [1] (a)	Public Staff Adjustment [3] (b)	Amount per Public Staff [7] (c)
1.	Outside Services - Other (WSC)	\$5,581	(\$2,330) [3]	\$3,251 [2]
2.	Office Supplies & Other Office Exp. (Florida)	109	(44) [4]	65
3.	Maintenance and repair (Charlotte Parent)	412	(345) [5]	67
4.	Depreciation (Florida)	<u>155</u>	<u>(41) [6]</u>	<u>114</u>
5.	Miscellaneous (Florida)	75	(75) [4]	0
6.	Other Income (Florida)	<u>46</u>	<u>(46) [4]</u>	<u>0</u>
7.	Miscellaneous and other income (L5+ L6)	<u>121</u>	<u>(121)</u>	<u>0</u>
8.	Total adjustment (L1 + L2 + L3 + L4 + L7)	<u>\$6,378</u>	<u>(\$2,881)</u>	<u>\$3,497</u>

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

[2] Zhang Exhibit I, Schedule 2-1(b)(1), Line 16.

[3] Column (c) minus Column (a).

[4] Adjustment to remove expenses that should not be allocated to CLMS.

[5] Adjustment to remove the permit fees that belong to CWSNC Uniform.

[6] Adjustment to remove depreciation expenses that should not be allocated to CLMS.

[7] Column (a) plus Column (c), unless otherwise footnoted.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

Zhang Exhibit I
Schedule 2-1(b)(1)**CALCULATION OF ALLOCATED WSC EXPENSE****FOR OUTSIDE SERVICES - OTHER**

For the Test Year Ended December 31, 2014

Corolla Light and Monteray Shores

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>[1]</u>
1.	Audit fees per application	\$440,175	
2.	Adjustment to reclassify tax related expense booked under audit fee	(14,000)	
3.	Adjustment to remove expense related to 2013 audit	(82,021)	
4.	Adjustment to amortize audit expense - ICFR over 3 years	(51,987)	[2]
5.	Total adjusted audit fees	<u>292,167</u>	
6.	Tax review fees per application	930,717	
7.	Adjustment to reclassify tax related expense booked under audit fee	14,000	
8.	Adjustment to remove the 2013 tax compliance fees	(301,933)	
9.	Adjustment to remove the 2013 tax provision fees	(101,237)	
10.	Adjustment to amortize infrequent tax expenses over 3 years	(90,707)	[2]
11.	Total adjusted tax review fees	<u>450,840</u>	
12.	Employee finder fees	2,268	
13.	Payroll services	91,828	
14.	Temporary employment	18,459	
15.	Total adjusted Outside Services - Other (L5 + L11 + L12 + L13 + L14)	<u>\$855,562</u>	
16.	Total allocated Outside Services - Other per Public Staff	<u>\$3,251</u>	[3]

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

[2] Adjustment to remove two third of the expense.

[3] Line 15 multiplied by WSC cost center allocation factor of 0.38%.

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
ADJUSTMENT TO COST CENTER ALLOCATED EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
 Schedule 2-1(c)

Nags Head					
Line No.	Item	Allocated Amount Per Application [1] (a)	Public Staff Adjustment [2] (b)	Amount per Public Staff [3] (c)	[7]
1.	Outside Services - Other (WSC)	\$4,312	(\$1,831) [3]	\$2,481	[2]
2.	Office Supplies & Other Office Exp. (Florida)	84	(34) [4]	50	
3.	Maintenance and repair (Charlotte Parent)	320	(268) [5]	52	
4.	Depreciation (Florida)	119	(32) [6]	87	
5.	Miscellaneous (Florida)	58	(58) [4]	0	
6.	Other Income (Florida)	35	(35) [4]	0	
7.	Miscellaneous and other income (L5+ L6)	93	(93)	0	
8.	Total adjustment (L1 + L2 + L3 + L4 + L7)	\$4,928	(\$2,258)	\$2,670	

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

[2] Zhang Exhibit I, Schedule 2-1(c)(1), Line 16.

[3] Column (c) minus Column (a).

[4] Adjustment to remove expenses that should not be allocated to Nags Head.

[5] Adjustment to remove the permit fees that belong to CWSNC Uniform.

[6] Adjustment to remove depreciation expenses that should not be allocated to Nags Head.

[7] Column (a) plus Column (c), unless otherwise footnoted.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

**CALCULATION OF ALLOCATED WSC EXPENSE
FOR OUTSIDE SERVICES - OTHER**

For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-1(c)(1)

Nags Head

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>[1]</u>
1.	Audit fees per application	\$440,175	
2.	Adjustment to reclassify tax related expense booked under audit fee	(14,000)	
3.	Adjustment to remove expense related to 2013 audit	(82,021)	
4.	Adjustment to amortize audit expense - ICFR over 3 years	(51,987)	[2]
5.	Total adjusted audit fees	<u>292,167</u>	
6.	Tax review fees per application	930,717	
7.	Adjustment to reclassify tax related expense booked under audit fee	14,000	
8.	Adjustment to remove the 2013 tax compliance fees	(301,933)	
9.	Adjustment to remove the 2013 tax provision fees	(101,237)	
10.	Adjustment to amortize infrequent tax expenses over 3 years	(90,707)	[2]
11.	Total adjusted tax review fees	<u>450,840</u>	
12.	Employee finder fees	2,268	
13.	Payroll services	91,828	
14.	Temporary employment	18,459	
15.	Total adjusted Outside Services - Other (L5 + L11 + L12 + L13 + L14)	<u>\$855,562</u>	
16.	Total allocated Outside Services - Other per Public Staff	<u>\$2,481</u>	[3]

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

[2] Adjustment to remove two third of the expense.

[3] Line 15 multiplied by WSC cost center allocation factor of 0.29%.

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO SALARIES AND WAGES
For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-2(a)

CWSNC Uniform

<u>Line No.</u>	<u>Item</u>	<u>Water</u> (a)	[1]	<u>Sewer</u> (b)	[1]
	<u>Maintenance:</u>				
1.	Operator and supervisor salaries	\$1,508,969		\$856,107	
2.	Maintenance salaries per application	1,525,474		865,471	
3.	Adjustment to maintenance salaries (L1 - L2)	<u>(\$16,505)</u>		<u>(\$9,364)</u>	
	<u>General:</u>				
4.	Customer service salaries	\$102,339		\$58,061	
5.	NC/TN salaries	157,961		89,619	
6.	WSC salaries	203,809		115,630	
7.	Total general salaries (Sum of L4 thru L6)	<u>464,109</u>		<u>263,310</u>	
8.	General salaries per application	484,643		274,960	
9.	Adjustment to general salaries (L7 - L8)	<u>(\$20,534)</u>		<u>(\$11,650)</u>	

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

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO SALARIES AND WAGES

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-2(b)

Corolla Light and Monteray Shores

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
	<u>Maintenance:</u>	
1.	Operator and supervisor salaries	\$130,099
2.	Maintenance salaries per application	130,584
3.	Adjustment to maintenance salaries (L1 - L2)	<u>(\$485)</u>
	<u>General:</u>	
4.	Customer service salaries	\$5,260
5.	NC/TN salaries	8,119
6.	WSC salaries	10,476
7.	Total general salaries (Sum of L4 thru L6)	23,855
8.	General salaries per application	24,909
9.	Adjustment to general salaries (L7 - L8)	<u>(\$1,054)</u>

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

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO SALARIES AND WAGES

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-2(c)

Nags Head

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
	<u>Maintenance:</u>	
1.	Operator and supervisor salaries	\$100,476
2.	Maintenance salaries per application	100,873
3.	Adjustment to maintenance salaries (L1 - L2)	<u>(\$397)</u>
	<u>General:</u>	
4.	Customer service salaries	\$4,063
5.	NC/TN salaries	6,271
6.	WSC salaries	8,092
7.	Total general salaries (Sum of L4 thru L6)	<u>18,426</u>
8.	General salaries per application	19,241
9.	Adjustment to general salaries (L7 - L8)	<u>(\$815)</u>

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

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

CALCULATION OF TRANSPORTATION EXPENSE

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-3(a)

CWSNC Uniform

Line No.	Item	NC State Transportation Expense [1] (a)	Vehicles In NC [1] (b)	Transportation Expense Per Vehicle [1] (c)	
	<u>Fleet Transportation Expenses:</u>				
1.	Fuel	\$401,853	85	\$4,728	[3]
2.	Auto repair/Tires	119,274	85	1,403	[3]
3.	Auto licenses	7,348	85	86	[3]
4.	Other Transportation expenses	11,169	85	131	[3]
5.	Total fleet transportation expenses (Sum of L1 thru L4)	<u>\$539,645</u>		<u>\$6,348</u>	

Line No.	Driver	Allocation Percentage [1] (a)	Transp. Exp. Per Vehicle [2] (b)	Allocated Amount [4] (c)	
6.	Abernathy, Teresa	27.81%	\$6,348	\$1,766	
7.	Adcock, James S	3.88%	6,348	246	
8.	Alexander, Richard W.	100.00%	6,348	6,348	
9.	Baldwin, Brandon	46.04%	6,348	2,923	
10.	Baldwin, Eddie R.	46.81%	6,348	2,971	
11.	Capps, Thomas C.	100.00%	6,348	6,348	
12.	Chapman, Lawrence	3.88%	6,348	246	
13.	Cohen, Traddeus	88.36%	6,348	5,609	
14.	Cooke, Jeffrey J.	61.54%	6,348	3,906	
15.	Corn, Douglas M.	9.35%	6,348	593	
16.	Cornett, Shaun M.	9.35%	6,348	593	
17.	Devos, Dustin	100.00%	6,348	6,348	
18.	Klein, Matthew	57.67%	6,348	3,661	
19.	English, Alan R.	92.89%	6,348	5,897	
20.	Estes, Christopher L.	3.88%	6,348	246	
21.	Futrell, Anthony	100.00%	6,348	6,348	
22.	Godfrey, Christopher L	100.00%	6,348	6,348	
23.	Goff, Stacy A.	19.24%	6,348	1,221	
24.	Golden, Matthew	24.62%	6,348	1,563	
25.	Grindstaff, Jason	92.89%	6,348	5,897	
26.	Hagwood, Jimmie L.	88.11%	6,348	5,593	
27.	Harrell, Stephen B.	50.70%	6,348	3,218	
28.	Harris, Kenneth P	76.28%	6,348	4,842	
29.	Haver, Mark R.	73.56%	6,348	4,670	
30.	Henry, Larry D.	67.56%	6,348	4,288	
31.	Hughes, David M.	88.11%	6,348	5,593	
32.	James, Robert A.	100.00%	6,348	6,348	
33.	Jenkins, James A.	100.00%	6,348	6,348	
34.	Johansen, John E.	100.00%	6,348	6,348	
35.	Jones, Jack D.	100.00%	6,348	6,348	
36.	King, Jeremy	41.83%	6,348	2,655	
37.	Konsul, Anthony J.	70.67%	6,348	4,486	
38.	Lashua, Martin J.	57.67%	6,348	3,661	
39.	Lassiter, Danny W.	48.70%	6,348	3,091	
40.	Leary, Donald W.	47.35%	6,348	3,006	
41.	Leners, Mark	62.03%	6,348	3,938	
42.	Lightle, Richard D.	9.35%	6,348	593	
43.	Loper, Robert W.	100.00%	6,348	6,348	
44.	McIntosh, Grady E.	100.00%	6,348	6,348	
45.	Medling, David G.	37.36%	6,348	2,372	
46.	Miller, Dean R	6.50%	6,348	412	
47.	Murphy, Phillip K.	100.00%	6,348	6,348	

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

CALCULATION OF TRANSPORTATION EXPENSE

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-3(a)

CWSNC Uniform

Line No.	Driver	Allocation Percentage (a)	[1]	Transp. Exp. Per Vehicle (b)	[2]	Allocated Amount (c)	[4]
48.	Nixon, Danny L.	100.00%		6,348		6,348	
49.	Norris, Joel F.	0.00%		6,348		0	
50.	Ogle, Brian J.	6.72%		6,348		427	
51.	Palmiter, Matthew	0.00%		6,348		0	
52.	Peacock II, Gary M.	4.82%		6,348		306	
53.	Peedin, Ryan	100.00%		6,348		6,348	
54.	Phillips, Andrew R.	100.00%		6,348		6,348	
55.	Plank, Leland Flint	3.88%		6,348		246	
56.	Pritchard, Charles R.	100.00%		6,348		6,348	
57.	Puckett, Michael S.	100.00%		6,348		6,348	
58.	Queen, Matthew	100.00%		6,348		6,348	
59.	Reece, Ronnie N.	55.44%		6,348		3,519	
60.	Robinson, Javario	100.00%		6,348		6,348	
61.	Robinson, Kyle	100.00%		6,348		6,348	
62.	Rollins, Ernest B	100.00%		6,348		6,348	
63.	Ryniak, David	96.73%		6,348		6,140	
64.	Scanlon, Martin L.	57.67%		6,348		3,661	
65.	Shultz, John R.	0.00%		6,348		0	
66.	Strickler, Jill M.	60.84%		6,348		3,862	
67.	Surrett, William M.	100.00%		6,348		6,348	
68.	Thomas, Travis	100.00%		6,348		6,348	
69.	Umphrey, Daniel L.	62.03%		6,348		3,938	
70.	Welborn, Leigh A.	64.85%		6,348		4,116	
71.	Whitaker III, Harold K.	100.00%		6,348		6,348	
72.	Wilson, Randi R.	6.72%		6,348		427	
73.	Woody Jr, Rex	91.11%		6,348		5,783	
74.	Woody, Rex R.	100.00%		6,348		6,348	
75.	Young, Richard D.	77.77%		6,348		4,937	
76.	Total transportation expense allocation					<u>\$285,818</u>	
77.	State vehicles - water operations					<u>\$182,352</u>	[5]
78.	State vehicles - sewer operations					<u>\$103,466</u>	[6]

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

[2] Column (c), Line 5 amount.

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

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

[5] Column (c), Line 76 multiplied by water allocation factor of 63.80%.

[6] Column (c), Line 76 multiplied by sewer allocation factor of 36.20%.

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
ADJUSTMENT TO OPERATING EXPENSE CHARGED TO PLANT
 For the Test Year Ended December 31, 2014

Zhang Exhibit I
 Schedule 2-4(a)

CWSNC Uniform

Line No.	Item	Water (a)	[1]	Sewer (b)	[1]
1.	Operator and supervisor capitalized salaries and wages	(\$231,190)		(\$131,165)	
2.	Customer service capitalized salaries and wages	(340)		(193)	
3.	NC/TN capitalized salaries and wages	(72,098)		(40,905)	
4.	WSC capitalized salaries and wages	(2,120)		(1,202)	
5.	Total capitalized salaries and wages (Sum of L1 thru L4)	(305,748)		(173,465)	
6.	Capitalized salaries and wages per application	(220,149)		(124,901)	
7.	Adjustment to capitalized salaries and wages (L5 - L6)	(\$85,599)		(\$48,564)	

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

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
ADJUSTMENT TO OPERATING EXPENSE CHARGED TO PLANT
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-4(b)

Corolla Light and Monteray Shores

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Operator and supervisor capitalized salaries and wages	(\$23,496)
2.	Customer service capitalized salaries and wages	(17)
3.	NC/TN capitalized salaries and wages	(3,705)
4.	WSC capitalized salaries and wages	<u>(108)</u>
5.	Total capitalized salaries and wages (Sum of L1 thru L4)	(27,326)
6.	Capitalized salaries and wages per application	<u>(24,678)</u>
7.	Adjustment to capitalized salaries and wages (L5 - L6)	<u><u>(\$2,648)</u></u>

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

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
ADJUSTMENT TO OPERATING EXPENSE CHARGED TO PLANT
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-4(c)

Nags Head		
<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Operator and supervisor capitalized salaries and wages	(\$18,150)
2.	Customer service capitalized salaries and wages	(13)
3.	NC/TN capitalized salaries and wages	(2,862)
4.	WSC capitalized salaries and wages	(83)
5.	Total capitalized salaries and wages (Sum of L1 thru L4)	(21,108)
6.	Capitalized salaries and wages per application	(19,034)
7.	Adjustment to capitalized salaries and wages (L5 - L6)	(\$2,074)

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

Carolina Water Service, Inc. of North Carolina
 Docket No. W-354, Sub 344
ADJUSTMENT TO PENSION AND OTHER BENEFITS
 For the Test Year Ended December 31, 2014

Zhang Exhibit I
 Schedule 2-5(a)

CWSNC Uniform

Line No.	<u>Item</u>	Water (a)	[1]	Sewer (b)	[1]
1.	Operator and supervisor pension and benefits	\$342,495		\$194,313	
2.	Customer service pension and benefits	31,329		17,774	
3.	NC/TN pension and benefits	27,392		15,540	
4.	WSC pension and benefits	35,565		20,178	
5.	Total pension and benefits (Sum of L1 thru L4)	436,781		247,805	
6.	Pension and benefits per application	446,082		253,083	
7.	Adjustment to pension and benefits (L5 - L6)	(\$9,301)		(\$5,278)	

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

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO PENSION AND OTHER BENEFITS

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-5(b)

Corolla Light and Monteray Shores

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	[1]
1.	Operator and supervisor pension and benefits	\$25,025	
2.	Customer service pension and benefits	1,610	
3.	NC/TN pension and benefits	1,408	
4.	WSC pension and benefits	1,828	
5.	Total pension and benefits (Sum of L1 thru L4)	29,871	
6.	Pension and benefits per application	30,083	
7.	Adjustment to pension and benefits (L5 - L6)	(\$212)	

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

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO PENSION AND OTHER BENEFITS

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-5(c)

Nags Head		
Line No.	Item	Amount [1]
1.	Operator and supervisor pension and benefits	\$19,325
2.	Customer service pension and benefits	1,244
3.	NC/TN pension and benefits	1,088
4.	WSC pension and benefits	1,412
5.	Total pension and benefits (Sum of L1 thru L4)	23,069
6.	Pension and benefits per application	23,238
7.	Adjustment to pension and benefits (L5 - L6)	(\$169)

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

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

CALCULATION OF RENT EXPENSE

For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-6(a)

CWSNC Uniform

Line No.	Item	WSC Expense (a)	[1]	State Expense (b)	[1]	Char. Parent Expense (c)	[1]	Char. Office Expense (d)	[1]	Char. Warehouse Expense (e)	[1]	Total (f)	
1.	Rent expense to be allocated	\$19,760		\$28,896		\$0		\$83,430		\$28,089		<u>\$160,175</u>	[2]
2.	Allocation factors	<u>11.47%</u>		<u>58.31%</u>		<u>27.52%</u>		<u>27.52%</u>		<u>77.09%</u>			
3.	Allocated rent expense per Public Staff (L1 x L2)	<u>\$2,266</u>		<u>\$16,849</u>		<u>\$0</u>		<u>\$22,960</u>		<u>\$21,654</u>		<u>\$63,729</u>	[2]
4.	Allocated rent expense - water operations											<u>\$40,659</u>	[3]
5.	Allocated rent expense - sewer operations											<u>\$23,070</u>	[4]

[1] Per examination of Company's financial records and lease agreements.

[2] Sum of Column (a) thru Column (e).

[3] Column (f), Line 3 multiplied by water allocation factor of 63.80%.

[4] Column (f), Line 3 multiplied by sewer allocation factor of 36.20%.

OFFICIAL COPY

Oct 15 2015

Carolina Water Service, Inc. of North Carolina
 Docket No. W-354, Sub 344
CALCULATION OF RENT EXPENSE
 For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-6(b)

Corolla Light and Monteray Shores

Line No.	Item	WSC Expense (a)	[1]	State Expense (b)	[1]	Char. Parent Expense (c)	[1]	Char. Office Expense (d)	[1]	Char. Warehouse Expense (e)	[1]	Total (f)	[2]
1.	Rent expense to be allocated	\$19,760		\$28,896		\$0		\$83,430		\$28,089		<u>\$160,175</u>	
2.	Allocation factors	<u>0.38%</u>		<u>1.91%</u>		<u>0.90%</u>		<u>0.90%</u>		<u>0.00%</u>			
3.	Allocated rent expense per Public Staff (L1 x L2)	<u>\$75</u>		<u>\$552</u>		<u>\$0</u>		<u>\$751</u>		<u>\$0</u>		<u>\$1,378</u>	

[1] Per examination of Company's financial records and lease agreements.

[2] Sum of Column (a) thru Column (e).

Carolina Water Service, Inc. of North Carolina
 Docket No. W-354, Sub 344
CALCULATION OF RENT EXPENSE
 For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-6(c)

Nags Head

Line No.	Item	WSC Expense (a)	[1]	State Expense (b)	[1]	Char. Parent Expense (c)	[1]	Char. Office Expense (d)	[1]	Char. Warehouse Expense (e)	[1]	Total (f)	[2]
1.	Rent expense to be allocated	\$19,760		\$28,896		\$0		\$83,430		\$28,089		<u>\$160,175</u>	
2.	Allocation factors	<u>0.29%</u>		<u>1.48%</u>		<u>0.70%</u>		<u>0.70%</u>		<u>0.00%</u>			
3.	Allocated rent expense per Public Staff (L1 x L2)	<u>\$57</u>		<u>\$427</u>		<u>\$0</u>		<u>\$584</u>		<u>\$0</u>		<u>\$1,068</u>	

[1] Per examination of Company's financial records and lease agreements.

[2] Sum of Column (a) thru Column (e).

Carolina Water Service, Inc. of North Carolina
Docket No. W-354, Sub 344
CALCULATION OF INSURANCE EXPENSE
For the Test Year Ended December 31, 2014

Zhang Exhibit I
Schedule 2-7(a)

CWSNC Uniform

Line No.	<u>Item</u>	Annual Premium (a)	[1]	Allocation Factor (b)	Allocated Insurance (c)	[6]
1.	Auto insurance	\$343,000		11.20%	\$38,416	
2.	Property insurance	315,107		9.75%	30,723	
3.	Workers compensation	476,839		13.81%	65,870	[7]
4.	General liability	588,974		11.47%	67,555	
5.	Umbrella and excess liability	295,595		11.47%	33,905	
6.	Executive liability	84,169		11.47%	9,654	
7.	Pollution liability	72,466		11.47%	8,312	
8.	Total allocated insurance per expense (Sum of L1 thru 7)	\$2,176,150			\$254,435	
9.	Allocated insurance - water operations				\$162,330	[8]
10.	Allocated insurance - sewer operations				\$92,105	[9]

- [1] Current annual premium provided by the Company.
[2] Percentage of vehicles allocated to CWSNC Uniform.
[3] Based on schedule of property covered provided by the Company.
[4] Column (c) divided by Column (a).
[5] Per examination of Company's financial records and workpapers.
[6] Column (a) multiplied by Column (b), unless otherwise footnoted.
[7] Adjusted salaries multiplied by overall workers compensation rate of 2.13%.
[8] Column (c), Line 8 multiplied by water allocation factor of 63.80%.
[9] Column (c), Line 8 multiplied by sewer allocation factor of 36.20%.

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

CALCULATION OF INSURANCE EXPENSE

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-7(b)

Corolla Light and Monteray Shores

Line No.	Item	Annual Premium (a)	[1]	Allocation Factor (b)	Allocated Insurance (c)	[6]
1.	Auto insurance	\$343,000		0.32%	\$1,098	
2.	Property insurance	315,107		0.21%	662	
3.	Workers compensation	476,839		0.69%	3,279	[7]
4.	General liability	588,974		0.38%	2,238	
5.	Umbrella and excess liability	295,595		0.38%	1,123	
6.	Executive liability	84,169		0.38%	320	
7.	Pollution liability	72,466		0.38%	275	
8.	Total insurance per expense (Sum of L1 thru 7)	<u>\$2,176,150</u>			<u>\$8,995</u>	

[1] Current annual premium provided by the Company.

[2] Percentage of vehicles allocated to CLMS.

[3] Based on schedule of property covered provided by the Company.

[4] Column (c) divided by Column (a).

[5] Per examination of Company's financial records and workpapers.

[6] Column (a) multiplied by Column (b), unless otherwise footnoted.

[7] Adjusted salaries multiplied by overall workers compensation rate of 2.13%.

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

CALCULATION OF INSURANCE EXPENSE

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-7(c)

Nags Head

Line No.	Item	Annual Premium (a)	[1]	Allocation Factor (b)	Allocated Insurance (c)	[6]
1.	Auto insurance	\$343,000		0.25%	\$858	
2.	Property insurance	315,107		0.16%	504	
3.	Workers compensation	476,839		0.53%	2,533	[7]
4.	General liability	588,974		0.29%	1,708	
5.	Umbrella and excess liability	295,595		0.29%	857	
6.	Executive liability	84,169		0.29%	244	
7.	Pollution liability	72,466		0.29%	210	
8.	Total insurance per expense (Sum of L1 thru 7)	<u>\$2,176,150</u>			<u>\$6,914</u>	

[1] Current annual premium provided by the Company.

[2] Percentage of vehicles allocated to Nags Head.

[3] Based on schedule of property covered provided by the Company.

[4] Column (c) divided by Column (a).

[5] Per examination of Company's financial records and workpapers.

[6] Column (a) multiplied by Column (b), unless otherwise footnoted.

[7] Adjusted salaries multiplied by overall workers compensation rate of 2.13%.

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO PAYROLL TAXES

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-8(a)

CWSNC Uniform

<u>Line No.</u>	<u>Item</u>	<u>Water</u> [1] <u>(a)</u>	<u>Sewer</u> [1] <u>(b)</u>
1.	Operator and supervisor payroll taxes	\$142,006	\$80,566
2.	Customer service payroll taxes	9,761	5,538
3.	NC/TN payroll taxes	13,001	7,376
4.	WSC payroll taxes	16,658	9,451
5.	Total payroll taxes (Sum of L1 thru L4)	181,426	102,931
6.	Payroll taxes per application	202,082	114,651
7.	Adjustment to payroll taxes (L5 - L6)	<u>(\$20,656)</u>	<u>(\$11,720)</u>

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

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO PAYROLL TAXES

For the Test Year Ended December 31, 2014

Corolla Light and Monteray Shores

Zhang Exhibit I

Schedule 2-8(b)

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	<u>[1]</u>
1.	Operator and supervisor payroll taxes	\$11,649	
2.	Customer service payroll taxes	502	
3.	NC/TN payroll taxes	668	
4.	WSC payroll taxes	856	
5.	Total payroll taxes (Sum of L1 thru L4)	13,675	
6.	Payroll taxes per application	13,677	
7.	Adjustment to payroll taxes (L5 - L6)	(\$2)	

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

Carolina Water Service, Inc. of North Carolina

Docket No. W-354, Sub 344

ADJUSTMENT TO PAYROLL TAXES

For the Test Year Ended December 31, 2014

Zhang Exhibit I

Schedule 2-8(c)

Nags Head		
Line No.	Item	Amount [1]
1.	Operator and supervisor payroll taxes	\$8,996
2.	Customer service payroll taxes	388
3.	NC/TN payroll taxes	516
4.	WSC payroll taxes	661
5.	Total payroll taxes (Sum of L1 thru L4)	10,561
6.	Payroll taxes per application	11,312
7.	Adjustment to payroll taxes (L5 - L6)	(\$751)

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