

**PLURIS HAMPSTEAD, LLC
DOCKET NO. W-1305, SUB 12**

**TESTIMONY OF JENNY LI
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

July 14, 2020

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

3 A. My name is Jenny Li, and my business address is 430 N. Salisbury
4 Street, Raleigh, North Carolina. I am a Staff Accountant with the
5 Accounting Division of the Public Staff – North Carolina Utilities
6 Commission, and represent the using and consuming public.

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

9 A. I have been employed by the Public Staff since August 1, 2016.

10 **Q. WILL YOU STATE BRIEFLY YOUR EDUCATION AND**
11 **EXPERIENCE?**

12 A. I graduated from North Carolina State University with a Bachelor of
13 Science degree in Accounting. Prior to joining the Public Staff, I was
14 employed by MDU Enterprises Inc. and Neusoft America Inc. Since
15 joining the Public Staff, I have filed testimony and affidavits in Duke
16 Energy Carolinas, LLC (DEC) fuel rider, Duke Energy Progress, LLC
17 (DEP) fuel rider, Dominion Energy North Carolina REPS rider. I have
18 also assisted on several electric cases and performed reviews in

1 DEC and DEP rate cases. I have also performed reviews of DEC's
2 Existing DSM Program Rider and BPM/NFPTP Rider; Western
3 Carolina University's PPA Rider and New River Light and Power
4 Company's PPA Factor.

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

6 A. I am responsible for the performance of the following activities: (1)
7 the examination and analysis of testimony, exhibits, books and
8 records, and other data presented by utilities and other parties under
9 the jurisdiction of the Commission or involved in Commission
10 proceedings; and (2) the preparation and presentation to the
11 Commission of testimony, exhibits, and other documents in those
12 proceedings.

13 **Q. WHAT IS THE NATURE OF THE APPLICATION IN THIS**
14 **PROCEEDING?**

15 A. On January 22, 2020, Pluris Hampstead, LLC (Pluris Hampstead or
16 Company), filed an application with the Commission seeking
17 authority to increase rates for its sewer utility service in all of its
18 service areas in Pender County, North Carolina. On April 15, 2020,
19 the Company filed an update to rate base and operating expenses.

20 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR INVESTIGATION**
21 **INTO THE COMPANY'S FILING.**

1 A. My investigation included a review of the original and updated
2 application filed by the Company, an examination of the Company's
3 books and records for the test year and post-test year, and a review
4 of any additional documentation provided by the Company in
5 response to written and verbal data requests.

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

8 A. The purpose of my testimony in this proceeding is to present the
9 results of investigation of the levels of revenues, expenses, and
10 investment filed by Pluris Hampstead in support of its requested
11 increase in operating revenues.

12 **Q. WOULD YOU BRIEFLY DESCRIBE THE PRESENTATION OF**
13 **YOUR TESTIMONY AND EXHIBITS?**

14 A. Yes. My testimony contains a discussion of each issue resulting from
15 my investigation, and my exhibit consists of schedules showing the
16 calculation of my adjustments to revenues, expenses, and rate base.
17 My schedules also reflect adjustments recommended by other Public
18 Staff witnesses. Schedule 1 of my Exhibit I presents the return on
19 original cost rate base under present rates, Company proposed
20 rates, and Public Staff recommended rates. Schedule 2 of Exhibit I,
21 along with its supporting schedules, presents the original cost rate
22 base. Schedule 3, along with its supporting schedules, presents the
23 net operating income for a return.

1 **Q. WHAT IS THE COMPANY'S PROPOSED INCREASE IN SERVICE**
2 **REVENUE IN THIS CASE?**

3 A. The service revenues under present rates, the Company's proposed
4 increase, and the Company's proposed rates are as follows:

	Present Rates	Proposed Increase	Proposed Rates
Sewer Service Revenue	<u>\$ 648,647</u>	<u>\$ 266,278</u>	<u>\$ 914,925</u>

5 **Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE**
6 **COMPANY'S RATE INCREASE REQUEST?**

7 A. Based on my investigation, the Company's original cost rate base as
8 of September 30, 2019 is \$1,824,392. Based on the overall rate of
9 return of 6.32% recommended by Public Staff witness Craig, I
10 recommend that rates to be set to produce the following revenues:

	Service Revenues	Miscellaneous Revenues & Uncollectible	Total Operating Revenues
Pluris Hampstead	<u>\$ 796,826</u>	<u>\$ 15,541</u>	<u>\$ 812,367</u>

11 Based on these levels of revenues, I recommend an increase in
12 Pluris Hampstead's service revenues in the amount of \$148,179.

13 **Q. DOES LI EXHIBIT I REFLECT ADJUSTMENTS SUPPORTED BY**
14 **OTHER PUBLIC STAFF WITNESSES?**

15 A. Yes. My exhibit reflects the following adjustments supported by other
16 Public Staff witnesses:

1 (1) The recommendations of Public Staff witness Casselberry
2 regarding the following items:

- 3 (a) Service revenues at present rates
- 4 (b) Service revenues at Company proposed rates
- 5 (c) Purchased power
- 6 (d) Chemicals
- 7 (e) Testing
- 8 (f) Sludge Removal
- 9 (g) Excess capacity percentage for Pluris Hampstead
10 Wastewater Treatment Plant (WWTP)

11 (2) The recommendations of Public Staff witness Craig regarding
12 the following items:

- 13 (a) Capital structure
- 14 (b) Embedded cost of long-term debt; and
- 15 (c) Return on common equity

16 **Q. WHAT ADJUSTMENTS WILL YOU DISCUSS?**

17 A. The accounting and ratemaking adjustments that I will discuss
18 reflects the following items:

- 19 (1) Plant in service
- 20 (2) Accumulated depreciation and depreciation expense
- 21 (3) Cash working capital
- 22 (4) Average tax accruals
- 23 (5) Contract services – Direct utility fees
- 24 (6) Contract services – Other
- 25 (7) Regulatory commission expense
- 26 (8) Amortization of CIAC
- 27 (9) Regulatory fee
- 28 (10) State and federal income taxes

1

PLANT IN SERVICE

2

**Q. IN WHAT AREAS HAVE YOU MADE ADJUSTMENTS TO PLANT
IN SERVICE?**

3

4

A. I have made adjustments to plant in service in the following areas:

5

(1) Organization

6

(2) Franchises

7

(3) Structures & Improvements

8

(4) Excess capacity

9

I have adjusted plant in service to remove \$17,013 of organization cost, \$11,354 of franchise cost, and \$1,296 of structures & improvements cost. These three adjustments were travel related expenses capitalized to plant in service in error based on the Company's data request response. Removal of these amounts results in a decrease in plant in service of \$29,663. Next, I made an excess capacity adjustment to remove of \$1,462,937 of wastewater treatment plant costs from plant in service based on the excess capacity percentage recommended by Public Staff witness Casselberry. These adjustments are summarized on Schedule 2-1 of Li Exhibit I. The net effect of my adjustments to plant in service is a decrease of \$1,492,600.

20

1 **ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE**

2 **Q. WHAT ADJUSTMENTS HAVE YOU MADE TO ACCUMULATED**
3 **DEPRECIATION AND DEPRECIATION EXPENSE?**

4 A. I adjusted accumulated depreciation and depreciation expense to
5 reflect depreciation related to the adjusted plant assets discussed
6 above and on Schedule 2-1 of Li Exhibit I. Accumulated depreciation
7 and depreciation expense were calculated based on the service lives
8 from the Company's depreciation schedule. Accumulated
9 depreciation was also calculated based on the year each plant asset
10 was placed in service, using the half-year convention in the first year
11 of an asset's depreciable life. Finally, I adjusted accumulated
12 depreciation and depreciation expense to remove amounts
13 associated with the adjustment made to plant in service for excess
14 capacity.

15 **CASH WORKING CAPITAL**

16 **Q. PLEASE DESCRIBE YOUR CALCULATION OF CASH WORKING**
17 **CAPITAL.**

18 A. Cash working capital provides the Company with the funds
19 necessary to carry on the day-to-day operations of the Company. In
20 my calculation, I have included 1/8 of operating and maintenance
21 expenses as a measure of cash working capital.

1

AVERAGE TAX ACCRUALS

2 **Q. HOW DID YOU CALCULATE AVERAGE TAX ACCRUALS?**

3 A. The Company did not provide an amount for this item on its
4 application. I have calculated an amount for average tax accruals as
5 one-fifth payroll taxes.

6

CONTRACT SERVICES – DIRECT UTILITY FEES

7 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO DIRECT UTILITY
8 FEES?**

9 A. Based on review of data request responses and the Company's
10 financial records, I made an adjustment to remove duplicate trash
11 removal fees in the amount of \$2,024. This adjustment resulted in a
12 recommended level of \$8,808 for Contract Services – Direct Utility
13 Fees as shown on Schedule 3-2.

14

CONTRACT SERVICES – OTHER

15 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO CONTRACT
16 SERVICES - OTHER?**

17 A. The Company presented an amount of \$10,746 on its application for
18 Contract Services - Other. Based on review of data request
19 responses and the Company's financial records, I made an
20 adjustment to remove the \$1,608 of meter reading expense charged
21 by Pender County Utilities for the service period outside of the test

1 year. This adjustment resulted in a recommended amount of \$9,138
2 for Contract Services – Other as shown on Schedule 3-3.

3 **REGULATORY COMMISSION EXPENSE**

4 **Q HOW HAVE YOU ADJUSTED REGULATORY COMMISSION**
5 **EXPENSE?**

6 A Based on information provided by the Company regarding costs
7 incurred to date and expected costs that will occur to complete this
8 rate case proceeding, I have included a total of \$91,833 of rate case
9 expenses for this proceeding, which is comprised of the rate case
10 filing fee, postage and printing to mail customer notices, legal fees
11 and contract labor. I recommend these expenses be amortized over
12 a 5 year period, resulting in an annual expense of \$18,377 per year,
13 as show on Schedule 3-4.

14 **AMORTIZATION OF CONTRIBUTIONS IN AID OF**
15 **CONSTRUCTION (CIAC)**

16 **Q. WHY DID YOU ADJUST AMORTIZATION OF CIAC?**

17 A. I made a corresponding adjustment to amortization of CIAC to
18 remove the amount of expense related to the excess capacity
19 adjustment to plant in service discussed elsewhere in my prefile
20 testimony.

1

REGULATORY FEE

2 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO REGULATORY**
3 **FEE?**

4 A. I have calculated the regulatory fee to reflect the statutory rate of
5 0.13% applied to total operating revenues under present rates,
6 Company proposed rates, and Public Staff recommended rates as
7 shown on Schedule 3, page 1.

8

STATE AND FEDERAL INCOME TAXES

9 **Q. WHAT ADJUSTMENTS HAVE YOU MADE TO STATE AND**
10 **FEDERAL INCOME TAXES?**

11 A. State and federal income taxes were calculated based on the
12 statutory corporate rates for the level of income presented after all
13 Public Staff adjustments. The State income tax rate is 2.5%, effective
14 January 1, 2019, and Federal income tax is a flat 21% effective
15 January 1, 2018. The calculation of state and federal income taxes
16 is shown on Schedule 3-5.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes, it does.

INDEX TO PUBLIC STAFF LI EXHIBIT I

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2	ORIGINAL COST RATE BASE	2
3	ADJUSTMENT TO PLANT IN SERVICE	2-1
4	CALCULATION OF EXCESS CAPACITY	2-1(a)
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PLURIS HAMPSTEAD, LLC

Docket No. W-1305, Sub 12

RETURN ON ORIGINAL COST RATE BASE

For The Test Year Ended September 30, 2019

Public Staff

Li 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)
Present Rates:						
1	Debt	57.66%	\$1,051,945 [2]	4.35% [1]	2.51%	\$45,760 [8]
2	Equity	42.34%	772,447 [2]	-7.47% [6]	-3.16%	(57,730) [9]
3	Total	<u>100.00%</u>	<u>\$1,824,392</u> [3]		<u>-0.65%</u>	<u>(\$11,970)</u> [10]
Company Proposed Rates:						
4	Debt	57.66%	\$1,051,945 [4]	4.35% [1]	2.51%	\$45,760 [8]
5	Equity	42.34%	772,447 [4]	20.76% [6]	8.79%	160,367 [11]
6	Total	<u>100.00%</u>	<u>\$1,824,392</u> [3]		<u>11.30%</u>	<u>\$206,127</u> [12]
Public Staff Recommended Rates:						
7	Debt	57.66%	\$1,051,945 [5]	4.35% [1]	2.51%	\$45,760 [8]
8	Equity	42.34%	772,447 [5]	9.00% [1]	3.81%	69,520 [8]
9	Total	<u>100.00%</u>	<u>\$1,824,392</u> [3]		<u>6.32%</u>	<u>\$115,280</u>

[1] Provided by Public Staff Financial Analyst Craig.

[2] Column (a) multiplied by Column (b), Line 3.

[3] Li Exhibit I, Schedule 2, Column (c), Line 11.

[4] Column (a) multiplied by Column (b), Line 6.

[5] Column (a) multiplied by Column (b), Line 9.

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

[7] Column (a) multiplied by Column (c).

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

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

[10] Li Exhibit I, Schedule 3, Column (c), Line 35.

[11] Line 6 minus Line 4, Column (e).

[12] Li Exhibit I, Schedule 3, Column (e), Line 35.

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
ORIGINAL COST RATE BASE
For The Test Year Ended September 30, 2019

Public Staff
Li Exhibit I
Schedule 2

Line No.	Item	Amount Per Company's Update (a)	Public Staff Adjustments [1] (b)	Amount Per Public Staff [4] (c)
1	Plant in service	\$9,574,826	(\$1,492,600) [2]	\$8,082,226
2	Accumulated depreciation	(941,667)	116,458 [3]	(825,209)
3	Net plant in service (L1 + L2)	<u>8,633,159</u>	<u>(1,376,142)</u>	<u>7,257,016</u>
4	Contributions in aid of construction (CIAC)	(1,757,964)	0	(1,757,964)
5	Accumulated amortization of CIAC	99,253	0	99,253
6	Pre-paid tap on fees	(3,453,160)	0	(3,453,160)
7	Customer deposits	(20,750)	0	(20,750)
8	Accumulated deferred income taxes (ADIT)	(356,023)	0	(356,023)
9	Cash working capital	59,040	(1,569)	57,471 [5]
10	Average tax accruals	<u>0</u>	<u>(1,451)</u>	<u>(1,451) [6]</u>
11	Original cost rate base (Sum of L3 thru L10)	<u>\$3,203,555</u>	<u>(\$1,379,162)</u>	<u>\$1,824,392</u>

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

[2] Li Exhibit I, Schedule 2-1, Line 5.

[3] Li Exhibit I, Schedule 2-2, Line 5.

[4] Column (a) plus Column (b), unless otherwise footnoted.

[5] Li Exhibit I, Schedule 2-3, Line 2.

[6] Li Exhibit I, Schedule 2-3, Line 7.

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
ADJUSTMENT TO PLANT IN SERVICE
For The Test Year Ended September 30, 2019

Public Staff
Li Exhibit I
Schedule 2-1

<u>Line No.</u>	<u>Account No.</u>	<u>Item</u>	<u>Amount</u> [1]
1	351.1	Adjustment to remove organization	(\$17,013)
2	352.1	Adjustment to remove franchises	(11,354)
3	354.6	Adjustment to remove structures & Improvements-Recl	(1,296)
4	354.4 thru 354.7 & 380.4	Adjustment to remove excess capacity	<u>(1,462,937)</u> [2]
5	Total Adjustment to Plant in Service (Sum of L1 thru L4)		<u>(\$1,492,600)</u>

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

[2] Li Exhibit I, Schedule 2-1(a), Column (a), Line 5.

PLURIS HAMPSTEAD, LLC

Docket No. W-1305, Sub 12

CALCULATION OF EXCESS CAPACITY

For The Test Year Ended September 30, 2019

Public Staff
Li Exhibit I
Schedule 2-1(a)

<u>Line No.</u>	<u>Item</u>	<u>Plant, net of CIAC</u> (a)	<u>Accumulated Depreciation</u> (b)	<u>Plant, net of Accum. Depr. & CIAC</u> [3] (c)	<u>Depreciation Expense</u> (d)	<u>CIAC Amortization Expense</u> (e)
1.	Pluris Hampstead WWTP plant cost	\$5,528,418 [1]	(\$407,603) [1]	\$5,120,815	\$117,052 [1]	\$0
2.	Pluris Hampstead WWTP CIAC	(1,757,964) [1]	110,475 [1]	(1,647,488)	0	(44,888) [1]
3.	Plant, net of CIAC (L1 + L2)	3,770,455	(297,128)	3,473,327	117,052	(44,888)
4.	Excess capacity percentage	38.80% [2]	38.80% [2]	38.80% [2]	38.80% [2]	38.80% [2]
5.	Excess capacity to be removed (L3 x L4)	\$1,462,937	(\$115,286)	\$1,347,651	\$45,415	(\$17,417)

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

[2] Provided by Public Staff Engineer Casselberry.

[3] Column (a) plus Column (b), unless otherwise footnoted.

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
ADJUSTMENT TO ACCUMULATED DEPRECIATION
For The Test Year Ended September 30, 2019

Public Staff
Li Exhibit I
Schedule 2-2

Line No.	Account No.	<u>Item</u>	<u>Amount</u> [1]
1	351.1	Organization	\$681
2	352.1	Franchises	454
3	354.6	Structures & Improvements-Recl	37
4	354.4 thru 354.7 & 380.4	Adjustment to remove excess capacity	<u>115,286</u> [2]
5	Total Accumulated Depreciation (Sum of L1 thru L4)		<u>\$116,458</u>

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

[2] Li Exhibit I, Schedule 2-1(a), Column (b), Line 5.

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
**CALCULATION OF CASH WORKING CAPITAL
AND AVERAGE TAX ACCRUALS**
For The Test Year Ended September 30, 2019

Public Staff
Li Exhibit I
Schedule 2-3

<u>Line No.</u>	<u>Item</u>	<u>Amount (a)</u>
<u>Cash Working Capital:</u>		
1	Total O&M expenses	<u>\$459,771 [1]</u>
2	Cash working capital (L1 x 1/8)	<u><u>\$57,471</u></u>
<u>Average Tax Accruals:</u>		
3	Property taxes	<u>0 [2]</u>
4	Average accrual (L3 x 1/2)	<u>0</u>
5	Payroll taxes	<u>7,257 [3]</u>
6	Average accrual (L5 x 1/5)	<u>1,451</u>
7	Total tax accrual (L4 + L6)	<u><u>\$1,451</u></u>

[1] Li Exhibit I, Schedule 3, Page 1 of 2, Column C, Line 24

[2] Li Exhibit I, Schedule 3, Page 1 of 2, Column C, Line 28

[3] Li Exhibit I, Schedule 3, Page 1 of 2, Column C, Line 29

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
NET OPERATING INCOME FOR A RETURN
For The Test Year Ended September 30, 2019

Public Staff
Li Exhibit I
Schedule 3
Page 1 of 2

Line No.	Item	Present Rates			Company Proposed Rates		Public Staff Recommended Rates	
		Amount Per Company's Update [1]	Public Staff Adjustments [2]	Amount Per Public Staff [9]	Net Company Increase [13]	Operations After Rate Increase [14]	Net Public Staff Increase [17]	Operations After Rate Increase [18]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
Operating Revenues:								
1	Service revenues	\$470,463	178,184	\$648,647	\$266,278	\$914,925	\$148,179	\$796,826 [19]
2	Miscellaneous revenues	17,684	0	17,684	0	17,684	0	17,684
3	Uncollectible accounts	(2,143)	0	(2,143)	0	(2,143)	0	(2,143)
4	Total operating revenues (Sum of L1 thru L3)	486,004	178,184	664,188	266,278	930,466	148,179	812,367
Operation & Maintenance Expenses:								
5	Salaries and wages	146,828	0	146,828	0	146,828	0	146,828
6	Employee benefits	(19,896)	0	(19,896)	0	(19,896)	0	(19,896)
7	Sludge removal expense	70,385	(6,397) [3]	63,988	0	63,988	0	63,988
8	Purchased power	72,066	(13,143) [3]	58,923	0	58,923	0	58,923
9	Chemicals	39,214	11,473 [3]	50,687	0	50,687	0	50,687
10	Materials & supplies (M&R)	9,398	0	9,398	0	9,398	0	9,398
11	Contract services - Engineering	1,550	0	1,550	0	1,550	0	1,550
12	Contract services - Accounting	8,250	0	8,250	0	8,250	0	8,250
13	Contract services - Legal	4,944	0	4,944	0	4,944	0	4,944
14	Contract services - Management fees	33,242	0	33,242	0	33,242	0	33,242
15	Contract services - Direct utility fees	10,832	(2,024) [4]	8,808	0	8,808	0	8,808
16	Contract services - Testing	14,642	3,668 [3]	18,310	0	18,310	0	18,310
17	Contract services - Other	10,746	(1,608) [5]	9,138	0	9,138	0	9,138
18	Rent expense	0	0	0	0	0	0	0
19	Insurance - General liability	5,798	0	5,798	0	5,798	0	5,798
20	Insurance - Workers compensation	1,015	0	1,015	0	1,015	0	1,015
21	Insurance - Other	17,960	0	17,960	0	17,960	0	17,960
22	Miscellaneous expenses	22,451	0	22,451	0	22,451	0	22,451
23	Regulatory commission expense	13,500	4,877 [6]	18,377	0	18,377	0	18,377
24	Total O&M expenses (Sum of L5 thru L23)	462,925	(3,154)	459,771	0	459,771	0	459,771
Depreciation and Taxes:								
25	Depreciation expense	279,622	(45,415) [7]	234,207	0	234,207	0	234,207
26	Amortization of CIAC	(43,357)	17,417 [8]	(25,940)	0	(25,940)	0	(25,940)
27	Franchise and other taxes	0	0	0	0	0	0	0
28	Property taxes	0	0	0	0	0	0	0
29	Payroll taxes	7,257	0	7,257	0	7,257	0	7,257
30	Regulatory fee	529	334	863 [10]	347	1,210 [10]	193	1,056 [10]
31	State income tax	0	0	0 [11]	5,205	5,205 [15]	2,256	2,256 [20]
32	Federal income tax	0	0	0 [12]	42,629	42,629 [16]	18,480	18,480 [21]
33	Total depreciation and taxes (Sum of L25 thru L32)	244,051	(27,664)	216,387	48,181	264,568	20,929	237,316
34	Total operating revenue deductions (L24 + L33)	706,976	(30,818)	676,158	48,181	724,339	20,929	697,087
35	Net operating income for a return (L4 - L34)	(\$220,972)	\$209,002	(\$11,970)	\$218,097	\$206,127	\$127,250	\$115,280

PLURIS HAMPSTEAD, LLC

Docket No. W-1305, Sub 12

FOOTNOTES TO SCHEDULE 3

For The Test Year Ended September 30, 2019

Public Staff

Li Exhibit I

Schedule 3

Page 2 of 2

- [1] Li Exhibit I, Schedule 3-1, Column (s).
- [2] Column (c) minus Column (a), unless otherwise footnoted.
- [3] Provided by Public Staff Engineer Casselberry.
- [4] Li Exhibit I, Schedule 3-2, Line 2.
- [5] Li Exhibit I, Schedule 3-3, Line 2.
- [6] Li Exhibit I, Schedule 3-4, Line 9.
- [7] Li Exhibit I, Schedule 2-1(a), Column (d), Line 5.
- [8] Li Exhibit I, Schedule 2-1(a), Column (e), Line 5.
- [9] Column (a) plus Column (b), unless otherwise footnoted.
- [10] Line 4 multiplied by 0.13%.
- [11] Li Exhibit I, Schedule 3-5, Column (a), Line 12.
- [12] Li Exhibit I, Schedule 3-5, Column (a), Line 14.
- [13] Column (e) minus Column (c), unless otherwise footnoted.
- [14] Column (c) plus Column (d), unless otherwise footnoted.
- [15] Li Exhibit I, Schedule 3-5, Column (b), Line 12.
- [16] Li Exhibit I, Schedule 3-5, Column (b), Line 14.
- [17] Column (g) minus Column (c), unless otherwise footnoted.
- [18] Column (c) plus Column (f), unless otherwise footnoted.
- [19] Revenue requirement as calculated by the Public Staff.
- [20] Li Exhibit I, Schedule 3-5, Column (c), Line 12.
- [21] Li Exhibit I, Schedule 3-5, Column (c), Line 14.

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
**CALCULATION OF UPDATED NET OPERATING
INCOME FOR A RETURN**
For The Test Year Ended September 30, 2019

Public Staff
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Schedule 3-1
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Line No.	Item	COMPANY PRO FORMA ADJUSTMENTS													
		Balance 09/30/19 (a)	Purchased Power (b)	Sludge (c)	Meter Readings (d)	Consulting Fees (e)	Waste Management (f)	Bond (g)	Bank Fees (h)	Travel (i)	Donations (j)	Regional Man. Salaries (k)	Management Fees (l)		
Operating Revenues:															
1	Service revenues	\$355,353	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Miscellaneous revenues	17,684	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Uncollectible accounts	(2,143)	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Total operating revenues (Sum of L1 thru L3)	370,894	0	0	0	0	0	0	0	0	0	0	0	0	0
Operation & Maintenance Expenses:															
5	Salaries and wages	89,412	0	0	0	0	0	0	0	0	0	10,431	0	0	0
6	Employee benefits	22,489	0	(42,385)	0	0	0	0	0	0	0	0	0	0	0
7	Sludge removal expense	70,385	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Purchased power	50,593	15,483	0	0	0	0	0	0	0	0	0	0	0	0
9	Chemicals	39,214	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Materials & supplies (M&R)	9,398	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Contract services - Engineering	1,550	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Contract services - Accounting	8,250	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Contract services - Legal	4,944	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Contract services - Management fees	157,635	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Contract services - Direct utility fees	31,884	0	0	0	0	2,024	0	0	0	0	0	0	0	(124,393)
16	Contract services - Testing	14,642	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Contract services - Other	34,786	0	0	(1,540)	(22,500)	0	0	0	0	0	0	0	0	0
18	Rent expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Insurance - General liability	5,798	0	0	0	0	0	0	0	0	0	0	0	0	0
20	Insurance - Workers compensation	1,015	0	0	0	0	0	0	0	0	0	0	0	0	0
21	Insurance - Other	17,960	0	0	0	0	0	0	0	0	0	0	0	0	0
22	Miscellaneous expenses	28,381	0	0	0	0	0	3,387	1,407	(2,124)	(8,600)	0	0	0	0
23	Regulatory commission expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	Total O&M expenses (Sum of L5 thru L23)	594,326	15,483	(42,385)	(1,540)	(22,500)	2,024	3,387	1,407	(2,124)	(8,600)	10,431	(124,393)	0	0
Depreciation and Taxes:															
25	Depreciation expense	310,647	0	0	0	0	0	0	0	0	0	0	0	0	0
26	Amortization of CIAC	(43,357)	0	0	0	0	0	0	0	0	0	0	0	0	0
27	Franchise and other taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28	Property taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29	Payroll taxes	7,257	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Regulatory fee	529	0	0	0	0	0	0	0	0	0	0	0	0	0
31	State income tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	Federal income tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33	Total depreciation and taxes (Sum of L25 thru L32)	275,076	0	0	0	0	0	0	0	0	0	0	0	0	0
34	Total operating revenue deductions (L24 + L33)	869,402	15,483	(42,385)	(1,540)	(22,500)	2,024	3,387	1,407	(2,124)	(8,600)	10,431	(124,393)	0	0
35	Net operating income for a return (L4 - L34)	(\$498,508)	(\$15,483)	\$42,385	\$1,540	\$22,500	(\$2,024)	(\$3,387)	(\$1,407)	\$2,124	\$8,600	(\$10,431)	\$124,393	0	0

[1] Per examination of the Company's financial records.
[2] Per Company's update filed on April 15, 2020.
[3] Sum of Column (b) thru Column (q)
[4] Column (a) plus Column (r)

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Line No.	Item	Utility Expense (m)	Rate Case Expense (n)	Depreciation (o)	Service Revenue (p)	Additional Proforma Adjustment #1 (q)	Total Adjustments (r)	Proforma Balance (s)
		[1]	[1]	[1]	[1]	[2]	[3]	[4]
Operating Revenues:								
1	Service revenues	0	0	0	115,110	0	115,110	470,463
2	Miscellaneous revenues	0	0	0	0	0	0	17,684
3	Uncollectible accounts	0	0	0	0	0	0	(2,143)
4	Total operating revenues (Sum of L1 thru L3)	0	0	0	115,110	0	115,110	486,004
Operation & Maintenance Expenses:								
5	Salaries and wages	0	0	0	0	46,985	57,416	146,828
6	Employee benefits	0	0	0	0	0	(42,385)	(19,896)
7	Sludge removal expense	0	0	0	0	0	0	70,385
8	Purchased power	0	0	0	0	0	15,483	72,066
9	Chemicals	0	0	0	0	0	0	39,214
10	Materials & supplies (M&R)	0	0	0	0	0	0	9,398
11	Contract services - Engineering	0	0	0	0	0	0	1,550
12	Contract services - Accounting	0	0	0	0	0	0	8,250
13	Contract services - Legal	0	0	0	0	0	0	4,944
14	Contract services - Management fees	0	0	0	0	0	(124,393)	33,242
15	Contract services - Direct utility fees	(23,076)	0	0	0	0	(21,052)	10,832
16	Contract services - Testing	0	0	0	0	0	0	14,642
17	Contract services - Other	0	0	0	0	0	(24,040)	10,746
18	Rent expense	0	0	0	0	0	0	0
19	Insurance - General liability	0	0	0	0	0	0	5,798
20	Insurance - Workers compensation	0	0	0	0	0	0	1,015
21	Insurance - Other	0	0	0	0	0	0	17,960
22	Miscellaneous expenses	0	0	0	0	0	(5,930)	22,451
23	Regulatory commission expense	0	13,500	0	0	0	13,500	13,500
24	Total O&M expenses (Sum of L5 thru L23)	(23,076)	13,500	0	0	46,985	(131,401)	462,925
Depreciation and Taxes:								
25	Depreciation expense	0	0	(38,236)	0	7,211	(31,025)	279,622
26	Amortization of CIAC	0	0	0	0	0	0	(43,357)
27	Franchise and other taxes	0	0	0	0	0	0	0
28	Property taxes	0	0	0	0	0	0	0
29	Payroll taxes	0	0	0	0	0	0	7,257
30	Regulatory fee	0	0	0	0	0	0	529
31	State income tax	0	0	0	0	0	0	0
32	Federal income tax	0	0	0	0	0	0	0
33	Total depreciation and taxes (Sum of L25 thru L32)	0	0	(38,236)	0	7,211	(31,025)	244,051
34	Total operating revenue deductions (L24 + L33)	(23,076)	13,500	(38,236)	0	54,196	(162,426)	706,976
35	Net operating income for a return (L4 - L34)	\$23,076	(\$13,500)	\$38,236	\$115,110	(\$54,196)	\$277,536	(\$220,972)

PLURIS HAMPSTEAD, LLC

Docket No. W-1305, Sub 12

ADJUSTMENT TO CONTRACT SERVICES - DIRECT UTILITY FEES

For The Test Year Ended September 30, 2019

Public Staff

Li Exhibit I

Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1	Contract services - Direct utility fees per Company's update	\$10,832
2	Adjustment to remove duplicated trash expenses	<u>(2,024)</u>
3	Contract services - Direct utility fees per Public Staff (L1 + L2)	<u><u>\$8,808</u></u>

[1] Per examination of the company's response to accounting data requests

PLURIS HAMPSTEAD, LLC
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ADJUSTMENT TO CONTRACT SERVICES - OTHER
For The Test Year Ended September 30, 2019

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Schedule 3-3

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1	Contract services - Other per Company's update	\$10,746
2	Adjustment to Pender County Utilities for meter reading expense	<u>(1,608)</u>
3	Contract services - Other per Public Staff (L1 + L2)	<u><u>\$9,138</u></u>

[1] Per examination of the company's response to accounting data requests

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
ADJUSTMENT TO RATE CASE EXPENSE
For The Test Year Ended September 30, 2019

Public Staff
Li Exhibit I
Schedule 3-4

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1	Rate case expense per application	<u>\$13,500</u>
2	Legal service: Burns, Day & Presnell, P.A.	18,108
3	Contract labor: Jerry Tweed	1,500
4	Capitalized labor: M Gallarda and D Winters	67,275
5	Notices, Printing envelopes, Postage, and Miscellaneous	<u>5,000</u>
6	Total rate case expense (Sum of L2 thru L5)	\$91,883
7	Amortization period in years	<u>5</u>
8	Rate case expense per Public Staff (L6 / L7)	<u>\$18,377</u>
9	Adjustment to rate case expense per Public Staff (L8 - L1)	<u><u>\$4,877</u></u>

[1] Per examination of the company's response to accounting data requests

PLURIS HAMPSTEAD, LLC
Docket No. W-1305, Sub 12
CALCULATION OF INCOME TAXES
For The Test Year Ended September 30, 2019

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Schedule 3-5

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [3] (b)	Public Staff Recommended Rates [5] (c)
1	Operating revenue	\$664,188	\$930,466	\$812,367
	Operating revenue deductions:			
2	Operating & maintenance expenses	459,771	459,771	459,771
3	Depreciation expense	234,207	234,207	234,207
4	Amortization of CIAC	(25,940)	(25,940)	(25,940)
5	Franchise and other taxes	0	0	0
6	Property taxes	0	0	0
7	Payroll taxes	7,257	7,257	7,257
8	Regulatory fee	863	1,210	1,056
9	Interest expense	45,760 [2]	45,760 [4]	45,760 [6]
10	Total deductions (Sum of L2 thru L9)	<u>721,918</u>	<u>722,265</u>	<u>722,111</u>
11	Taxable income (L1 - L10)	<u>(57,730)</u>	<u>208,201</u>	<u>90,256</u>
12	State income tax (L11 x 2.5%)	<u>0</u>	<u>5,205</u>	<u>2,256</u>
13	Federal taxable income after state income tax (L1 - L12)	<u>(57,730)</u>	<u>202,996</u>	<u>88,000</u>
14	Federal income tax (L13 x 21%)	<u>0</u>	<u>42,629</u>	<u>18,480</u>
15	Net amount (L11 - L12 - L14)	(57,730)	160,367	69,520
16	Add: Interest expense	<u>45,760 [2]</u>	<u>45,760 [4]</u>	<u>45,760 [6]</u>
17	Net income for a return (L15 + L16)	<u>(\$11,970)</u>	<u>\$206,127</u>	<u>\$115,280</u>

- [1] Li Exhibit I, Schedule 3, Page 1, Column (c).
[2] Li Exhibit I, Schedule 1, Column (e), Line 1.
[3] Li Exhibit I, Schedule 3, Page 1, Column (e).
[4] Li Exhibit I, Schedule 1, Column (e), Line 4.
[5] Li Exhibit I, Schedule 3, Page 1, Column (g).
[6] Li Exhibit I, Schedule 1, Column (e), Line 7.