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NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION

April 5, 2024

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

Re: Docket No. W-1343, Sub 1 – Application by GWWTP, LLC for a Certificate of Public Convenience and Necessity to Provide Wastewater Utility Service to Southern Shores Landing and Ginguite Mixed Use Development in Dare County, North Carolina, and for Approval of Rates

Dear Ms. Dunston,

Attached for filing on behalf of the Public Staff in the above-referenced dockets is the testimony and exhibit of Kuei Fen Sun, Public Utility Regulatory Analyst, Accounting Division of the Public Staff – North Carolina Utilities Commission.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ Davia A. Newell
Staff Attorney
davia.newell@psncuc.nc.gov

/s/ James Bernier, Jr.
Staff Attorney
james.bernier@psncuc.nc.gov

cc: Parties of Record

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CERTIFICATE OF SERVICE

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

This the 5th day of April, 2024.

Electronically submitted
/s/ Davia A. Newell
Staff Attorney

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BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1343, SUB 1

In the Matter of Application by GWWTP, LLC for a Certificate of Public Convenience and Necessity to Provide Wastewater Utility Service to Southern Shores Landing and Ginguite Mixed Use Development in Dare County, North Carolina, and for Approval of Rates	)))))))	**TESTIMONY OF KUEI FEN SUN PUBLIC STAFF – NORTH CAROLINA UTILITIES COMMISSION**

April 5, 2024

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

A. My name is Kuei Fen Sun. My business address is 430 North Salisbury Street, Raleigh, North Carolina. I am a Public Utility Regulatory Analyst with the Accounting Division of the Public Staff – North Carolina Utilities Commission (Public Staff).

Q. Briefly state your qualifications and experience.

A. My qualifications and duties are included in Appendix A.

Q. What is the mission of the Public Staff?

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

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Q. What is the purpose of your testimony?

A. The purpose of my testimony in this proceeding is to present the results of my investigation of the application filed by GWWTP, LLC (GWWTP or the Company) for a Certificate of Public Convenience and Necessity (CPCN) to provide wastewater utility service to Southern Shores Landing and Ginguite Mixed Use Development (collectively Ginguite Woods) in Dare County and for approval of rates (Application). Specifically, I will discuss my calculation of: (1) net book value for plant in service; (2) the Public Staff's recommended O&M expenses; (3) the Public Staff's recommended revenue requirement to be recovered through monthly rates; (4) the amounts for future improvements and acquisition adjustment; and (5) the estimated revenue requirements associated with due diligence expenses, future improvements, and acquisition adjustment.

Q. Please describe the scope of your investigation into the Company's filings.

A. My investigation includes a review of the application, exhibits, a prior transfer application, historical activities for the Company, and the testimony filed by the Company; and an examination of the books and records for the 12-month test year ended August 31, 2023. The Public Staff has also conducted extensive discovery in this matter,

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including auditing information provided by the Company in response to the Public Staff's data requests.

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

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

Q. Briefly describe the presentation of your testimony and exhibits.

A. My testimony contains a discussion of each issue resulting from my investigation, and my exhibits consist of schedules showing the calculation of my adjustments to revenues, expenses, and rate base. My schedules also reflect adjustments recommended by other Public Staff witnesses.

Schedule 1 of Public Staff Sun Exhibit I presents the return on original cost rate base under present rates, the Company's proposed rates, and the Public Staff's recommended rates.

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Schedule 2 of Public Staff Sun Exhibit I, along with its supporting schedules, presents the original cost rate base, revenue impact associated with acquisition adjustment and future improvement.

Schedule 3 of Public Staff Sun Exhibit I, along with its supporting schedules, presents the calculation of net operating income for a return under present rates, the Company's proposed rates, and the Public Staff's recommended rates.

Schedule 4 of Public Staff Sun Exhibit I, presents the calculation of composite tax rate, rate of return, and gross up factor.

Q. What conclusions have you reached regarding the Company's rates requested for sewer operations?

A. Based on the results of my investigation, the Company's original cost rate base as of August 31, 2023, is $416,097 for sewer operations. The test year level of operating revenue deductions requiring a return is $139,894. Based on the foregoing, I utilized the rate base method to evaluate the Company's proposed revenue requirement.

I calculated the gross revenue requirement using the overall rate of return of 7.00% recommended by Public Staff witness Gregory J. Reger. The resulting total revenue requirement is $175,361, of which all is attributed to service revenue. Therefore, the Public Staff recommends that sewer service rates be set to reflect a service

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revenue decrease of $68,719 based on the difference between the recommended revenue requirement of $175,361 and the service revenue under the present emergency operator rates of $244,080 approved in Docket W-1139 Sub 4 on January 12, 2024.

Q. Does Public Staff Sun Exhibit I reflect adjustments supported by other Public Staff Witness?

A. Yes, Public Staff Sun Exhibit I reflects the following adjustments supported by other Public Staff witnesses:

1. The recommendation of Public Staff Regulatory Analyst Reger regarding the overall rate of return; and

2. The recommendations of Public Staff Engineer Lindsay Darden for the following items:

   (a) Service revenues at present rates;
   (b) Service revenues at Company's proposed rates;
   (c) Maintenance and repairs (M&R);
   (d) Contract operator;
   (e) Purchase power/electric;
   (f) Chemicals;
   (g) Testing;
   (h) Permit fees; and
   (i) Sludge removal;

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Q. What adjustment will you discuss?

A. I will discuss the following recommended accounting and ratemaking adjustments:

(a) Plant in service;

(b) Accumulated depreciation and depreciation expense;

(c) Acquisition Adjustment;

(d) Future Improvement;

(e) Cash working capital;

(f) Other expense: professional expenses;

(g) Regulatory fees; and

(h) State and federal income taxes.

PLANT IN SERVICE

Q. In what areas have you made adjustments to plant in service?

A. The Company reported $550,345 for sewer plant in service, including a Purchase Acquisition Adjustment (PAA) of $110,000. Based on the recommendation of Public Staff witness Darden, I removed $110,000 from the plant in service for the PAA as well as reclassified $26,833 from sludge removal in operations and maintenance expense to plant in service for the Front-End Upgrade project.

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ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

Q. How have you adjusted accumulated depreciation and depreciation?

A. I calculated amounts for accumulated depreciation and depreciation expense to reflect depreciation related to the adjusted plant balance as of December 31, 2023. Accumulated depreciation and depreciation expense were calculated based on the service lives recommended by Public Staff witness Darden and the year each plant asset was placed in service, using the half-year convention methodology. Details can be found on Public Staff Sun Exhibit I, Schedules 2-1.

ACQUISITION ADJUSTMENT

Q. Please explain your calculation of purchase acquisition adjustment.

A. GWWTP purchased one acre of land, the utility facilities on the land, and the wastewater lagoon in 2017 for $110,000. At the time the system was acquired, the net plant in service was zero. Therefore, the Company has included the entire purchase price in plant in service. Public Staff witness Darden recommends no acquisition adjustment for this proceeding. Witness Darden further discusses the requested acquisition adjustment in her testimony.

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Q. What is the estimated revenue requirement associated with an acquisition adjustment?

A. As shown on Public Staff Sun Exhibit I, Schedule 2-2, the revenue requirement associated with the Company's $110,000 acquisition adjustment would be $13,355.

FUTURE IMPROVEMENT

Q. What is the estimated revenue requirement associated with future improvements to the GWWTP wastewater system?

A. As shown in the Public Staff Sun Exhibit I, Schedule 2-2, the revenue requirement associated with the Company's estimated future capital improvement of $600,000 would be $75,291.

CASH WORKING CAPITAL

Q. Please describe your calculation of cash working capital.

A. Cash working capital provides the Company with the funds necessary to carry on its day-to-day operations. I included one-eighth (1/8) of total operating and maintenance expenses as a measure of cash working capital.

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OTHER EXPENSE – PROFESSIONAL EXPENSES

Q. Please explain your adjustment to other expense- professional expenses.

A. I adjusted other expense – professional expenses to reflect the actual amount on the invoices provided by the Company.

REGULATORY FEE

Q. Please explain your adjustment to regulatory fees.

A. The statutory regulatory fee rate of 0.1475% was applied to revenues under the service areas' present rates, the Company's proposed rates, and the Public Staff's recommended rates.

STATE AND FEDERAL INCOME TAXES

Q. What adjustment have you made to state and federal income taxes?

A. State and federal income taxes are based on the statutory corporate rates for the income after all Public Staff adjustments. The calculation of state and federal income taxes is shown on Public Staff Sun Exhibit I, Schedule 3-1.

Q. Does this conclude your testimony?

A. Yes, it does.

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APPENDIX A

QUALIFICATIONS AND EXPERIENCE

KUEI FEN SUN

I graduated from North Carolina State University with a Master of Science in Accountancy in 2010. Prior to joining the Public Staff, I worked in state government and the private sector in North Carolina for 14 years as an external and internal auditor.

I am responsible for (1) examining and analyzing the applications, testimony, exhibits, books and records, and other data presented by utilities and other parties involved in Commission proceedings; and (2) preparing and presenting testimony, exhibits, and other documents for presentation to the Commission in those proceedings.

Since joining the Public Staff in September 2021, I have performed several audits and presented testimony and exhibits before the Commission regarding a range of electric, natural gas, and water and sewer topics, general rates, quarterly earnings, annual review, and riders. I have filed testimony and exhibits regarding the C&P Enterprises, Inc. general rate case, the Water and Sewer Investment Plans of Carolina Water Service, Inc. of North Carolina and Aqua North Carolina, Inc. and reviewed transfer and contiguous extension filings. I have worked on electric rider rate proceedings, particularly in program cost review of demand-side

management and energy efficiency (DSM-EE) programs for DEC, DEP and DENC, the Joint Agency Asset Rider proceeding (JAAR), the Existing Demand Side Management Program Rider, the Bulk Power Marketing Rider (BPM), and the review of New River Light and Power Purchase Power Adjustment (PPA). I also assisted on the Performance-Base Regulation (PBR) for DEC and DEP.

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GWWTP, LLC

Docket No. W-1343 Sub 1

RETURN ON ORIGINAL COST RATE BASE

For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 1

Sewer Operations

Line No.	Item	Capitalization Ratio [1] (a)	Original Cost Rate Base (b)	Embedded Cost (c)	Overall Cost Rate [7] (d)	Net Operating Income (e)
	Present rates:					
1.	Debt	50.00%	$208,049 [2]	4.20% [1]	2.10%	$8,738 [8]
2.	Equity	50.00%	208,048 [2]	35.20% [6]	17.60%	73,242 [9]
3.	Total	100.00%	$416,097 [3]		19.70%	$81,980 [10]
	Company proposed rates:					
4.	Debt	50.00%	$208,049 [4]	4.20% [1]	2.10%	$8,738 [8]
5.	Equity	50.00%	208,048 [4]	31.60% [6]	15.80%	65,753 [11]
6.	Total	100.00%	$416,097 [3]		17.90%	$74,491 [12]
	Public Staff recommended rates:					
7.	Debt	50.00%	$208,049 [5]	4.20% [1]	2.10%	$8,738 [8]
8.	Equity	50.00%	208,048 [5]	9.80% [1]	4.90%	20,389 [8]
9.	Total	100.00%	$416,097 [3]		7.00%	$29,127

[1] Provided by Public Staff Regulatory Analyst Reger.
[2] Column (a) x Line 3, Column (b).
[3] Public Staff Sun Exhibit I, Schedule 2, Line 7, Column (c).
[4] Column (a) x Line 6, Column (b).
[5] Column (a) x Line 9, Column (b).
[6] Column (e) divided by Column (b).
[7] Column (a) x Column (c).
[8] Column (b) x Column (c).
[9] Line 3 - Line 1, Column (e).
[10] Public Staff Sun Exhibit I, Schedule 3, Line 30, Column (c).
[11] Line 6 - Line 4, Column (e).
[12] Public Staff Sun Exhibit I, Schedule 3, Line 30, Column (e).

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GWWTP, LLC

Docket No. W-1343 Sub 1

ORIGINAL COST RATE BASE

For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 2

Sewer Operations

Line No.	Item	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1.	Plant in service	$550,345	($83,167)	$467,178 [2]
2.	Accumulated depreciation	(96,556)	31,093	(65,463) [3]
3.	Contributions in aid of construction	0	0	0
4.	Accumulated amortization of CIAC	0	0	0
5.	Cash working capital	0	14,382	14,382 [4]
6.	Average tax accruals	0	0	0
7.	Original cost rate base (Sum of L1 thru L6)	$453,789	($37,692)	$416,097

[1] Column (c) minus Column (a).
[2] Public Staff Sun Exhibit I, Schedule 2-1, Line 8, Column (a).
[3] Public Staff Sun Exhibit I, Schedule 2-1, Line 8, Column (f).
[4] Public Staff Sun Exhibit I, Schedule 2-2, Line 2.

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GWWTP, LLC
Docket No. W-1343 Sub 1
CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE
For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 2-1

Line No.	Item	Plant in Service [1] (a)	Year Placed In Service [1] (b)	Service Life In Years [1] (c)	Years in Service [2] (d)	GWWTP, LLC Annual Depreciation [3] (e)	GWWTP, LLC Accumulated Depreciation [4] (f)
	Sewer:						
1.	Upgrade WWTP per State Regulations	$6,008	2007	5	16.5	$0	$6,008
2.	Blower	1,159	2008	5	15.5	-	1,159
3.	Blower	381	2008	5	15.5	-	381
4.	Rotary Blower	34,924	2019	5	4.5	6,985	31,432
5.	Lift Station Pump	5,407	2022	5	1.5	1,081	1,622
6.	WWTP Steel Tank Replacement/Front End Upgrade	404,458	2022	25	1.5	16,178	24,267
7.	Fencing for Wastewater Treatment Plant	14,841	2023	25	1.0	594	594
8.	Total Sewer Plant (Sum L1 thru L8)	$467,178				$24,838	$65,463

[1] Per Docket No. W-1139, Sub 3 and recommendation of the Public Staff witness Darden.
[2] Based on year placed in service using half year convention through 12/31/2023.
[3] Column (a) divided by Column (c), unless fully depreciated.
[4] Column (d) multiplied by Column (e), unless fully depreciated.

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GWWTP, LLC

Docket No. W-1343 Sub 1

CALCULATION OF REVENUE REQUIREMENT

For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 2-2

Line No.	Item	Acquisition Adjustment		Future Improvement	
1	Rate base additions	$110,000	[1]	$600,000	[6]
2	Depreciation rate	4.00%	[2]		
3	Annual depreciation expense (L1 x L2)	(4,400)		(26,667)	
4	Net plant in service (L1 - L3)	105,600		573,333	
5	Pre tax rate of return	8.462%	[3]	8.462%	[3]
6	Return on plant in service (L4 x L5)	8,935		48,513	
7	Annual depreciation expense	4,400	[4]	26,667	[4]
8	Revenue requirement before GRT (L6 + L7)	13,335		75,180	
9	GRT gross up factor	99.85%	[5]	99.85%	[5]
10	Annual revenue requirement (L8 / L9)	$13,355		$75,291	

[1] Public Staff Sun Exhibit 1, Schedule 2-3, Line 5.
[2] Per Public Staff Witness Darden.
[3] Public Staff Sun Exhibit 1, Schedule 4, Line 6, Column (d).
[4] Line 3 amount.
[5] Public Staff Sun Exhibit 1, Schedule 4, Line 8, Column (c).
[6] Public Staff Sun Exhibit 1, Schedule 2-4, Line 3, Column (a).

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GWWTP, LLC

Docket No. W-1343 Sub 1

CALCULATION OF PURCHASE ACQUISITION ADJUSTMENT

For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 2-3

Line No.	Item	Amount	
1	Purchase price	$110,000	[1]
2	Plant in service	7,548	[2]
3	Accumulated depreciation	(7548)	[2]
4	Net plant in service (L2 - L3)	0	
5	Purchase acquisition adjustment (L1 - L4)	$110,000	

[1] Per Asset Purchase Agreement.

[2] Per Docket No. W-1139, Sub 3

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GWWTP, LLC

Docket No. W-1343 Sub 1

CALCULATION OF FUTURE IMPROVEMENT, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE

For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 2-4

Line No.	Item	Plant in Service [1] (a)	Year Placed In Service [1] (b)	Service Life In Years [1] (c)	Years in Service [2] (d)	GWWTP, LLC Annual Depreciation [3] (e)	GWWTP, LLC Accumulated Depreciation [4] (f)
1.	Back-end replacement sewer plant	$500,000	2024	25	1.0	$20,000	$20,000
2.	Additions and upgrades to the sewer plant	100,000	2024	15	1.0	6,667	6,667
3.	Total Future Improvement (L1+L2)	$600,000				$26,667	$26,667

[1] Per Public Staff witness Darden
[2] Calculated based on year placed in service.
[3] Column (a) divided by Column (c), unless fully depreciated.
[4] Column (d) multiplied by Column (e), unless fully depreciated.

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GWWTP, LLC

Docket No. W-1343 Sub 1

CALCULATION OF CASH WORKING CAPITAL AND AVERAGE TAX ACCRUALS

For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 2-5

Line No.	Item	Company (a)
	Cash Working Capital:	
1.	Total O&M expenses	$115,056 [1]
2.	Cash working capital (L1 x 1/8)	$14,382

[1] Public Staff Sun Exhibit I, Schedule 3, Line 20, Column (c).

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GWWTP, LLC
Docket No. W-1343 Sub 1
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 3
Page 1 of 2

Sewer Operations

Line No.	Item	Present Rates: Amount Per Application (a)	Present Rates: Public Staff Adjustments [1] (b)	Present Rates: Per Public Staff [2] (c)	Company Proposed Rates: Net Company Increase [9] (d)	Company Proposed Rates: Operations After Rate Increase [10] (e)	Public Staff Recommended Rates: Net Public Staff Increase [13] (f)	Public Staff Recommended Rates: Operations After Rate Increase [14] (g)
	Operating Revenues:							
1.	Service revenues	$41,040	$203,040	$244,080 [3]	($9,736)	$234,344 [3]	($68,719)	$175,361 [15]
2.	Miscellaneous revenues	0	0	0	0	0	0	0
3.	Uncollectible accounts	0	0	0	0	0	0	0
4.	**Total operating revenues (Sum L1 thru L3)**	41,040	203,040	244,080	(9,736)	234,344	(68,719)	175,361
	Operating Expenses:							
5.	Salaries	0	0	0	0	0	0	0
6.	Administrative and office expense	4,162	0	4,162	0	4,162	0	4,162
7.	Maintenance and repair	38,037	(11,573)	26,465 [3]	0	26,465	0	26,465
8.	Contractor operator	48,000	0	48,000 [3]	0	48,000	0	48,000
9.	Purchase Power/Electric	5,554	0	5,554 [3]	0	5,554	0	5,554
10.	Chemicals	2,265	0	2,265 [3]	0	2,265	0	2,265
11.	Testing	11,802	823	12,625 [3]	0	12,625	0	12,625
12.	Permit fees	1,310	0	1,310 [3]	0	1,310	0	1,310
13.	Sludge removal	28,958	(22,258)	6,700 [3]	0	6,700	0	6,700
14.	Insurance expense	347	0	347	0	347	0	347
15.	Contract management	0	0	0	0	0	0	0
16.	Lease Expense	0	0	0	0	0	0	0
17.	Other Expense: Legal fees	0	0	0	0	0	0	0
18.	Other Expense: Professional expenses	7,659	(32)	7,627 [4]	0	7,627	0	7,627
19.	Rate case expense	0	0	0	0	0	0	0
20.	**Total operating expenses (Sum L5 thru L19)**	148,096	(33,040)	115,056	0	115,056	0	115,056
	Depreciation and Taxes:							
21.	Depreciation	28,165	(3,327)	24,838 [5]	0	24,838	0	24,838
22.	Property tax	0	0	0	0	0	0	0
23.	Payroll tax	0	0	0	0	0	0	0
24.	Regulatory fee - other taxes	0	360	360 [6]	(14)	346 [6]	(101)	259 [6]
25.	Gross receipts tax	0	0	0	0	0	0	0
26.	State income tax	0	2,377	2,377 [7]	(243)	2,134 [11]	(1,715)	662 [16]
27.	Federal income tax	0	19,469	19,469 [8]	(1,990)	17,479 [12]	(14,049)	5,420 [17]
28.	**Total depreciation and taxes (Sum L21 thru L27)**	28,165	18,879	47,044	(2,247)	44,797	(15,865)	31,179
29.	Total operating revenue deductions (L20 + L28)	176,261	(14,161)	162,100	(2,247)	159,853	(15,865)	146,235
30.	**Net operating income for return (L4 - L29)**	($135,221)	$217,201	$81,980	($7,489)	$74,491	($52,854)	$29,126

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GWWTP, LLC

Docket No. W-1343 Sub 1

FOOTNOTES TO SCHEDULE 3(b)

For The Test Year Ended December 31, 2022

Public Staff
Sun Exhibit 1
Schedule 3
Page 2 of 2

Sewer Operations

[1] Column (c) minus Column (a), unless otherwise footnoted.
[2] Column (a) plus Column (b), unless otherwise footnoted.
[3] Provided by Public Staff Engineer Darden.
[4] Per examination of the Company's financial records.
[5] Public Staff Sun Exhibit I, Schedule 2-1, Column (e), Line 8.
[6] Line 4 multiplied by .1475%.
[7] Public Staff Sun Exhibit I, Schedule 3-1 ,Column (a), Line 12.
[8] Public Staff Sun Exhibit I, Schedule 3-1 ,Column (a), Line 14.
[9] Column (e) minus Column (c), unless otherwise footnoted.
[10] Column (c) plus Column (d), unless otherwise footnoted.
[11] Public Staff Sun Exhibit I, Schedule 3-1, Column (b), Line 12.
[12] Public Staff Sun Exhibit I, Schedule 3-1, Column (b), Line 14.
[13] Column (g) minus Column (c), unless otherwise footnoted.
[14] Column (c) plus Column (f), unless otherwise footnoted.
[15] Revenue requirement as calculated by the Public Staff.
[16] Public Staff Sun Exhibit I, Schedule 3-1,Column (c), Line 12.
[17] Public Staff Sun Exhibit I, Schedule 3-1,Column (c), Line 14.

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GWWTP, LLC
Docket No. W-1343 Sub 1
CALCULATION OF INCOME TAXES
For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 3-1

Sewer Operations

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [2] (b)	Public Staff Recommended Rates [3] (c)
1.	Operating revenue	$244,080	$234,344	$175,361
2.	Operating revenue deductions:			
3.	Operating expenses	115,056	115,056	115,056
4.	Depreciation expense	24,838	24,838	24,838
5.	Property taxes	0	0	0
6.	Other taxes	0	0	0
7.	Regulatory fee	360	346	259
8.	Gross receipts tax	0	0	0
9.	Interest expense	8,738	8,738	8,738
10.	Total deductions (Sum of L3 thru L9)	148,992	148,978	148,891
11.	State taxable income (L1 - L10)	95,088	85,366	26,470
12.	State income tax (L11 x 2.5%)	2,377	2,134	662
13.	Federal taxable income (L11 - L12)	92,711	83,232	25,808
14.	Federal income tax (L13 x 21%)	19,469	17,479	5,420
15.	Net amount (L13 - L14)	73,242	65,753	20,388
16.	Add: Interest expense (L9)	8,738	8,738	8,738
17.	Net income for return (L15 + L16)	$81,980	$74,491	$29,126

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

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GWWTP, LLC
Docket No. W-1343 Sub 1
CALCULATION OF COMPOSITE TAX RATE, RATE OF RETURN, AND GROSS UP FACTOR
For the Test Year Ended August 31, 2023

Public Staff
Sun Exhibit I
Schedule 4

Line No.	Item						
	Composite Tax Rate:						
1	State income tax rate			2.500%	[1]		
2	Federal income tax rate			21.000%	[1]		
3	Composite tax rate (1-((1-2.5%) x (1-21%))			22.975%			
	Pre-Tax Rate of Return:	Ratio	[2]	Embedded Cost	[2]	Weighted Cost	[3]	Pre Tax Weighted Cost
		(a)		(b)		(c)		(d)
4	Debt	50.00%		4.20%		2.100%		2.100% [4]
5	Equity	50.00%		9.80%		4.900%		6.362% [5]
6	Totals (L4+L5)	100.00%				7.000%		8.462%
	Gross Up:							
7	Regulatory fee rate					0.1475%	[1]	
8	Regulatory fee gross up factor (1 - .1475%)					99.8525%		

[1] Statutory rates.
[2] Per Public Staff witness Greg.
[3] Column (a) multiplied by Column (b).
[4] Column (c), Line 4 amount.
[5] Column (c), Line 5 divided by (1 minus Line 3).