

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. W-1318, SUB 1**

In the Matter of	)	<b>JOINT SETTLEMENT</b>
Application by HH Water, LLC for a	)	<b>TESTIMONY OF</b>
Authority to Adjust and Increase Rates	)	<b>DARRUS K. COFIELD AND</b>
for Water Utility Services in High	)	<b>SHASHI BHATTA</b>
Hampton Service area in Jackson	)	<b>PUBLIC STAFF –</b>
County, North Carolina	)	<b>NORTH CAROLINA</b>
	)	<b>UTILITIES COMMISSION</b>

**July 10, 2024**

1 **Q. Mr. Cofield, please state your name, business address, and**  
2 **present position.**

3 A. My name is Darrus Cofield. My business address is 430 North  
4 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a  
5 Public Utilities Regulatory Analyst with the Accounting Division of the  
6 Public Staff – North Carolina Utilities Commission (Public Staff).

7 **Q. Are you the same Darrus Cofield who filed direct testimony on**  
8 **behalf of the Public Staff in this proceeding on June 7, 2024?**

9 A. Yes.

10 **Q. Are your qualifications and duties the same as stated in your**  
11 **direct testimony?**

12 A. Yes.

13 **Q. Ms. Bhatta, please state your name, business address, and**  
14 **present position.**

15 A. My name is Shashi Bhatta. My business address is 430 North  
16 Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am an  
17 engineer with the Water, Sewer, and Telephone Division of the  
18 Public Staff.

19 **Q. Are you the same Shashi Bhatta who filed direct testimony on**  
20 **behalf of the Public Staff in this proceeding on June 7, 2024?**

21 A. Yes.

1 **Q. Are your qualifications and duties the same as stated in your**  
2 **direct testimony?**

3 A. Yes.

4 **Q. What is the purpose of your joint settlement testimony?**

5 A. The purpose of our joint settlement testimony is to provide support  
6 for the Settlement Agreement and Stipulation (Stipulation) filed on  
7 July 10, 2024, entered into between HH Water, LLC (or Company)  
8 and the Public Staff (the Stipulating Parties) regarding certain issues  
9 the Stipulating Parties resolved in the Stipulation.

10 **Q. Briefly describe the Stipulation.**

11 A. The Stipulation sets forth the agreement between the Stipulating  
12 Parties regarding all revenue requirement issues. Rate base,  
13 operating and maintenance (O&M) expenses, rate case expense,  
14 rate of return, revenue requirement, and rates will be discussed in  
15 greater detail below.

16 **Q. What is the agreed upon original cost rate base in this**  
17 **proceeding?**

18 A. As reflected in Settlement Exhibit I, Schedule 2, the Stipulating  
19 Parties have agreed that the original cost rate base used and useful  
20 in providing service to the Applicant's customers for use in this case  
21 is \$1,224,531, consisting of plant in service of \$1,495,711, reduced  
22 by accumulated depreciation of \$299,236, plus cash working capital

1 of \$28,634 and a deduction for average tax accrual of \$579. The  
2 original cost rate base includes \$358,203 for the Preston Haskill  
3 Project and \$42,667.91 for communication and SCADA.  
4 Furthermore, the Stipulating Parties have agreed that survey costs  
5 and other costs requested in Land and Land Rights for the work done  
6 to create maps to determine service territory and location of service  
7 lines as of July 10, 2024 will not be included in this proceeding. This  
8 is without prejudice to HH Water seeking recovery of some or all of  
9 these costs related to sewer in Docket No. W-1318, Sub 2.

10 **Q. Please explain the total O&M expenses reflected in Settlement**  
11 **Exhibit I, Schedule 3.**

12 A. The Stipulating Parties agree that the total operating and  
13 maintenance expenses are \$229,071. The total O&M expense  
14 includes the following adjustments agreed to by the Applicant:

- 15 1. Excludes testing expenses for Well Nos. 8, 11 and 14, and  
16 annualized testing costs for four active wells, and adjusted  
17 costs for chemical expenses related to the four active wells.
- 18 2. Excludes certain costs for Envirolink, a prior contract operator,  
19 and other costs that were outside the test year.
- 20 3. Reduce total annualized M&R to \$86,888.
- 21 4. Excludes sewer-related expenses and overhead and profit  
22 mark up.

1           5. Reclassifies \$202 for annual report fees from rate case  
2           expense to professional fees.

3   **Q.    What is the agreed upon rate case expense and amortization**  
4   **period for this case?**

5   A.    The Stipulating Parties have agreed to a total rate case expense of  
6        \$70,991, which includes \$33,853 for consulting fees, \$36,908 for  
7        legal fees, and \$331 for estimated mailing costs. These fees are for  
8        invoices submitted to the Public Staff up to July 9, 2024, and includes  
9        an additional \$6,000 for any invoices not covered above and any  
10       expenses through the submission of a joint proposed order and  
11       represents the final amount for rate case expense. The Stipulating  
12       Parties agreed that the rate case expense in the current proceeding  
13       will be amortized over a 4-year period.

14   **Q.    What is the final rate of return agreed to by the Stipulating**  
15   **Parties?**

16   A.    The Stipulating Parties have agreed on an overall rate of return of  
17        7.00% based on rate base methodology and as described in the  
18        affidavit of Patrick Fahey, Public Utilities Regulatory Analyst with the  
19        Public Staff.

20   **Q.    Have the Stipulating Parties finalized the revenue requirement?**

1 A. Yes, the Stipulating Parties have agreed to a final revenue  
2 requirement of \$385,070, shown on Settlement Exhibit I, Schedule  
3 4, which includes the full impacts of the Stipulation.

4 **Q. Have the Stipulating Parties agreed to rates?**

5 A. Yes. The Stipulating Parties have agreed to updated billing  
6 determinants totaling 304 customers, consisting of 302 residential  
7 customers and two commercial customers. The billing determinants  
8 and rates are shown in greater detail in Settlement Exhibit II. In  
9 addition, the Applicant has agreed to the tap-on fees as  
10 recommended and described in the pre-filed direct testimony of  
11 Public Staff witness Shashi Bhatta. See the Schedule of Rates  
12 provided as Settlement Exhibit III.

13 **Q. What benefits does the Stipulation provide for ratepayers?**

14 A. The most important benefits provided by the Stipulation are as  
15 follows:

16 1) An aggregate reduction of the total operating revenue  
17 deductions listed above from the levels requested in the Company's  
18 general rate case, resulting from the adjustments agreed to by the  
19 Stipulating Parties.

20 2) An aggregate reduction of total revenue requirement from the  
21 level requested in the Company's general rate case, resulting from  
22 the adjustments agreed to by the Stipulating Parties.

1           3)     A balance between reducing the ratepayer’s burden of paying  
2           a higher utility rate and allowing the utility an opportunity to recover  
3           sufficient revenue to provide quality service to the ratepayers.

4           4)     The avoidance of protracted litigation between the Stipulating  
5           Parties before the Commission and possibly the appellate courts.

6           Based on the foregoing, we recommend that the Commission  
7           approve the Stipulation.

8   **Q.     Does this conclude your testimony?**

9   **A.     Yes, it does.**

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

Settlement Exhibit I  
Schedule 1

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

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



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

Settlement Exhibit I  
Schedule 2

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

- [1] Column (c) - Column (a), unless otherwise footnoted.  
[2] Public Staff Accounting Exhibit I, Schedule 2-1, Line 52, Column (a).  
[3] Public Staff Accounting Exhibit I, Schedule 2-1, Line 52, Column (f).  
[4] Calculated at one-eighth of operating expense.  
[5] Calculated at one-fifth of payroll taxes plus one-half property tax.

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

Settlement Exhibit I  
Schedule 2-1

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Life [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
<b>Plant in service per W-574 Sub 2 Rate Case:</b>							
1	44,000 gallon water tank	\$9,513	1996	25	27.5	0	\$9,513
2	730 foot well	5,110	1996	25	27.5	0	5,110
3	New well behind medical center	41,047	1996	25	27.5	0	41,047
4	Galax water lines	22,044	1996	25	27.5	0	22,044
5	Phase #6 well	898	1996	25	27.5	0	898
6	Well tank Halstead Rd	18,993	1997	25	26.5	0	18,993
7	Water lines	6,525	1997	25	26.5	0	6,525
8	Water lines	2,119	1998	25	25.5	0	2,119
9	Water lines	2,729	1998	25	25.5	0	2,729
10	Water lines	14,224	1998	25	25.5	0	14,224
11	Well #5	11,654	1999	25	24.5	466	11,421
12	Water system	5,919	1999	25	24.5	237	5,801
13	Hydrofac well #8	3,500	2000	25	23.5	140	3,290
14	Hydrofac well #2	3,600	2000	25	23.5	144	3,384
15	Well drilling	8,400	2000	25	23.5	336	7,896
16	Well drilling	5,100	2000	25	23.5	204	4,794
17	Well 700 ft	9,841	2001	25	22.5	394	8,857
18	Well	5,494	2001	25	22.5	220	4,945
19	Water lines	11,148	2001	25	22.5	446	10,033
20	Water station	10,000	2002	25	21.5	400	8,600
21	Water lines	6,792	2002	25	21.5	272	5,841
22	Water lines	6,500	2002	25	21.5	260	5,590
23	Water lines	27,656	2002	25	21.5	1,106	23,784
24	Water lines	14,539	2004	25	19.5	582	11,340
25	<b>Total plant in service per W-574 Sub 2 proceeding (Sum of L1 thru L24):</b>	<b>\$253,345</b>				<b>5,206</b>	<b>238,778</b>
26	Chemical pump Replace Well #5 (Envirolink W/P)	2,512 [2]	2022 [2]	5	1.5	502	754
27	New Meters (Envirolink W/P)	2,963 [2]	2022 [2]	15	1.5	198	296
28	New Transmission & Distribution Mains (Envirolink W/P)	8,480 [2]	2022 [2]	17	1.5	499	748
29	Organization	295 [2]	2022 [2]	0	1.5	0	0
30	Structures & Improvements	[2]	2022 [2]	25	1.5	0	0
	a Well 7 Pump Replacement	244 [2]	2022 [2]	7	1.5	35	52
	b Well 7 Pump Replacement	776 [2]	2022 [2]	7	1.5	111	166
	c Well 5 Drilling	98 [2]	2022 [2]	10	1.5	10	15
	d LC Testing	1,208 [2]	2022 [2]	5	1.5	242	363
	e LC Testing	4,402 [2]	2022 [2]	5	1.5	880	1,321

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

Settlement Exhibit I  
Schedule 2-1

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Life [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
	f Distribution Pressure	90	2022	[2]	15	1.5	6
	g SCADA	3,141	2022	[2]	10	1.5	314
	h Well 5 Drilling	9,566	2022	[2]	10	1.5	957
	i New Wells, Well 5	524	2022	[2]	10	1.5	52
	j New Wells, Well 5	644	2022	[2]	10	1.5	64
	k SCADA, Coordination, Planning	2,283	2022	[2]	10	1.5	228
	l Wells 5 7 10, FH, New Wells, Drawings, PRV, Pressure	2,502	2022	[2]	10	1.5	250
	m New Wells, PRV, GST	196	2022	[2]	10	1.5	20
	n Wade Road WM	54,741	2022	[2]	50	1.5	1,095
31	Wells and Springs	-	2022	[2]	0	1.5	0
	a Well 5 Pump	5,136	2022	[2]	10	1.5	514
	b Well 5 Pump	2,555	2022	[2]	10	1.5	255
	c Well 7 Motor Wire	15,431	2022	[2]	10	1.5	1,543
	d Well 5 Drawdown	4,091	2022	[2]	10	1.5	409
	e Well 5 Pump	26,732	2022	[2]	10	1.5	2,673
	f Well 7 Generator	34,000	2022	[2]	20	1.5	1,700
	g Well 10 Generator	34,000	2022	[2]	20	1.5	1,700
32	Land and Land Rights	4,720	2022	[2]	0	1.5	0
33	Communications equipment SCADA	23,983	2022	[2]	10	1.5	2,398
	a GST, SCADA	4,109	2022	[2]	10	1.5	411
	b Wells 5 7 10, GST, SCADA	28,516	2022	[2]	10	1.5	2,852
	c SCADA	12,556	2022	[2]	10	1.5	1,256
34	Other plant & miscellaneous equipment - Custom valve vault	-	2022	[2]	35	1.5	0
35	Pumping equipment	-	2022	[2]	0	1.5	0
36	Transmission and distribution mains	-	2022	[2]	0	1.5	0
	a Wade Road WM	23,500	2022	[2]	50	1.5	470
	b Wade Road WM	164,234	2022	[2]	50	1.5	3,285
	c Wade Road WM	54,741	2022	[2]	50	1.5	1,095
	d Well DCVA 4-inch WM	19,927	2022	[2]	10	1.5	1,993
	e Sawmill WM	30,920	2022	[2]	50	1.5	618
	f Sawmill WM	92,760	2022	[2]	50	1.5	1,855
	g Mt Holly WM	34,851	2022	[2]	50	1.5	697
	h Resort Area WM	22,091	2022	[2]	50	1.5	442
	i WM to serve Church, Overhead, Profit	1,902	2022	[2]	3	1.5	634
	j WM to serve Church, Overhead, Profit	10,738	2022	[2]	35	1.5	307
37	SCADA and Communication	18,685	2023	[2]	10	1.0	1,869
38	Preston Haskill water main	358,203	2024	[2]	50	1.0	7,164
39	<b>Plant in Service additions since W-574 Sub 2 (Sum of Lines 26 thru 38)</b>	<u>1,123,045</u>					<u>41,602</u>
							<u>57,886</u>

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

Settlement Exhibit I  
Schedule 2-1

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Life [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
40	Chlorine Pump	2,441	2022	5	1.5	488	732
41	Con X parts	4,227	2022	10	1.5	423	634
42	<b>Subtotal Reclassified Plant in Service (Lines 40 + 41)</b>	<u>6,668</u>				<u>911</u>	<u>1,366</u>
43	Organization	0	2023	0	0.5	0	0
44	Structures & Improvements	6,643	2023	25	0.5	266	133
45	Wells and Springs	0	2023	10	0.5	0	0
46	Land and Land Rights	0	2023	0	0.5	0	0
47	Collecting & impounding reservoirs Engineer design water storage	0	2023	25	0.5	0	0
48	Communications equipment SCADA	0	2023	15	0.5	0	0
49	Transmission and distribution mains	0	2023	0	0.5	0	0
	a Wade Road WM, Profit, Overhead	58,072	2023	50	0.5	1,161	581
	b Wade Road wWM, Profit, Overhead	44,988	2023	50	0.5	900	450
	c Vinci and Warriner Services, Profit, Overhead	2,951	2023	35	0.5	84	42
50	Well # 8	0	2024	0	0.5	0	0
51	Well #11 Mitten Lane Construction and Connection	0	2024	0	0.5	0	0
52	Well #14 Construction and Connection	0	2024	0	0.5	0	0
53	<b>Subtotal Post Test year additions (Sum of Lines 43 thru 53)</b>	<u>112,654</u>				<u>2,411</u>	<u>1,206</u>
54	<b>Total plant in service (L25 + L39 + L42 + L53)</b>	<u>\$1,495,711</u>				<u>\$50,129</u>	<u>\$299,236</u>

[1] Information approved per last rate case in Docket W-574 Sub 2.  
[2] Provided by Public Staff Engineer Bhatta.  
[3] Calculated based on year placed in service using half year convention through 12/31/2023.  
[4] Column (a) divided by Column (c), unless fully depreciated.  
[5] Column (d) multiplied by Column (e), unless fully depreciated.

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

Settlement Exhibit I  
Schedule 3  
Page 1 of 2

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

**HH Water, LLC**

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

Settlement Exhibit I  
Schedule 3  
Page 2 of 2

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

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

Settlement Exhibit I  
Schedule 3-1

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

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

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

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

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

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

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

Settlement Exhibit I  
Schedule 3-2

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

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



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

Settlement Exhibit I  
Schedule 4

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

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

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

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

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

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

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

Settlement Exhibit I  
Schedule 5

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

HH Water, LLC

Docket No. W-1318, Sub 1

For the 12 Months Ending December 31, 2022

Public Staff

Settlement Exhibit II

Page 1 of 1

**Company's Present and Proposed, and the Public Staff's Recommended Revenue**

Revenue at Present Rates							
Billing Type	Usage (gallons)	Usage Rate (\$ per 1000 gal)	Usage Revenue (\$)	EOP Customers	EOP x 12 months	Monthly Flat Charge (\$)	Annual Revenue (\$)
Residential				275	3,300	\$20.94	\$69,102
Commerical				1	12	\$1,504.13	\$18,050
							\$87,152
<b>Total Annual Revenue</b>							<b>\$87,152</b>

Revenue at Proposed Rates							
Billing Type	Usage (gallons)	Usage Rate (\$/1000 gal)	Usage Revenue (\$)	EOP Customers	EOP x 12 months	Monthly Flat Charge (\$)	Annual Revenue (\$)
Residential				301	3,612	\$97.86	\$353,470
Commerical				1	12	\$10,326.05	\$123,913
							\$477,383
<b>Total Annual Revenue</b>							<b>\$477,383</b>

Revenue at Recommended Rates							
Billing Type	Usage (gallons)	Usage Rate (\$/1000 gal)	Usage Revenue (\$)	EOP Customers	EOP x 12 months	Base Charge (\$)	Base Revenue (\$)
Residential				302	3,624	\$70.67	\$256,108
Commerical (Club, 63.9 REUs)				1	12	\$4,515.81	\$54,190
Commerical (Inn, 88.2 REUs)				1	12	\$6,233.09	\$74,797
<b>Total Revenue (at PS Recommended Rate)</b>							<b>\$385,095</b>

SCHEDULE OF RATES

for

HH WATER, LLC,

for providing water utility service in

HIGH HAMPTON SERVICE AREA

Jackson County, North Carolina

Monthly Flat Water Rates:

Residential service	\$ 70.67
Club, Commercial (63.9 REUs)	\$ 4,515.81
Inn, Commercial (88.2 REUs)	\$ 6,233.09

Connection Charge:

Residential (per bedroom)	\$ 1,500.00
Commercial (per REU)	\$ 4,500.00

Reconnection Charge:

If water utility service cut off by utility for good cause:	\$ 14.28
If water utility service discontinued at customer request: <sup>1/</sup>	\$ 14.28

<sup>1/</sup> Customers who request to be reconnected, within nine months of a requested disconnection, will be assessed normal water rates for the period of disconnection.

Returned Check Charge: \$19.04

Bills Due: On billing date

Bills Past Due: 30 days after billing date

Billing Frequency: Shall be quarterly for service in arrears

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 90 days after the billing date.

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Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1318, Sub 1, on this the \_\_\_\_ day of \_\_\_\_\_, 2024.