

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

**TESTIMONY OF WINDLEY E. HENRY  
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 Windley E. Henry and my business address is 430 N.  
4 Salisbury Street, Raleigh, North Carolina. I am the Supervisor of the  
5 Water Section of the Public Staff – Accounting Division, and  
6 represent the using and consuming public.

7

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

10 A. I have been employed by the Public Staff since July 16, 1990.

11

12 Q. WILL YOU STATE BRIEFLY YOUR EDUCATION AND  
13 EXPERIENCE?

14 A. I am a graduate of the University of North Carolina at Wilmington with  
15 a Bachelor of Science degree in Accountancy. I am a Certified Public  
16 Accountant licensed in the State of North Carolina. Prior to joining  
17 the Public Staff, I was employed by the Seymour Johnson Federal  
18 Credit Union. My duties there involved supervision of the accounting  
19 department and preparing financial reports. I joined the Public Staff

1 as a Staff Accountant on July 16, 1990. Since joining the Public  
2 Staff, I have presented testimony and exhibits in numerous cases  
3 before this Commission involving water, sewer, and natural gas  
4 utilities.

5

6 Q. WHAT ARE YOUR DUTIES?

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

13

14 Q. MR HENRY, WHAT IS THE NATURE OF THE APPLICATION IN  
15 THIS PROCEEDING?

16 A. On March 31, 2015, Carolina Water Service, Inc. of North Carolina  
17 (CWSNC or Company) filed an application with the Commission  
18 seeking authority to adjust and increase rates for all of its water and  
19 sewer service areas in North Carolina. My investigation included a  
20 review of the application filed by CWSNC, an examination of the  
21 Company's books and records for the test year, and a review of  
22 additional documentation provided by the Company in response to  
23 written and verbal data requests.

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
2 PROCEEDING?

3 A. The purpose of my testimony in this proceeding is to present the  
4 results of my investigation of the levels of revenue, expenses, and  
5 investment filed by CWSNC in support of its requested increase in  
6 operating revenues for its uniform water operations (CWSNC water),  
7 uniform sewer operations (CWSNC sewer), Corolla Light & Monterey  
8 Shores sewer operations (CLMS sewer), and Nags Head sewer  
9 operations (Nags Head).

10

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

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

1 calculation of net operating income for a return under present rates,  
2 Company proposed rates, and Public Staff recommended rates.

3

4 Q. WHAT MODIFICATIONS OF THE TEST PERIOD HAVE YOU  
5 MADE IN THIS PROCEEDING?

6 A. In its application, CWSNC made pro forma adjustments to rate base  
7 to include estimated general ledger plant additions and construction  
8 work in progress (CWIP) projects, net of retirements, which will be  
9 placed in service between January 1, 2015, and the hearing date in  
10 this proceeding. The Public Staff agrees with the Company that the  
11 test year should be updated for certain events that occurred after the  
12 test year. Those events should be known and measurable as of a  
13 certain date before they should be considered in evaluating the need  
14 for rate relief. Therefore, the Public Staff witnesses have made  
15 adjustments in this proceeding to update the Company's test year to  
16 recognize certain events affecting rate base, revenues, and  
17 expenses as a result of certain known and measurable events that  
18 occurred through July 31, 2015.

19 As part of this overall update adjustment, I have made the  
20 adjustments to recognize changes to plant in service, accumulated  
21 depreciation, contributions in aid of construction (CIAC), purchase  
22 acquisition adjustment (PAA), deferred charges, and other rate base  
23 changes that occurred through July 31, 2015.

1 In addition, several major CWIP projects expected to be completed  
2 and placed in service prior to the hearing in this proceeding, have  
3 been included in rate base.

4  
5 Q. WHAT ARE THE COMPANY'S PROPOSED INCREASES IN  
6 SERVICE REVENUES IN THIS CASE?

7 A. The service revenues under present rates, the Company's proposed  
8 increases, and the Company's proposed rates are as follows:

	Present	Proposed	Proposed
	<u>Rates</u>	<u>Increase</u>	<u>Rates</u>
9 CWSNC Water	\$ 9,369,220	\$1,582,264	\$10,951,484
10 CWSNC Sewer	5,711,794	1,118,572	6,830,366
11 CLMS Sewer	1,117,239	309,148	1,426,387
12 Nags Head	693,575	166,240	859,815
13 Total CWSNC	<u>\$16,891,828</u>	<u>\$3,176,224</u>	<u>\$20,068,052</u>

16

17 Q. WHAT CONCLUSIONS HAVE YOU REACHED AS TO THE  
18 COMPANY'S RATE INCREASE REQUEST?

19 A. Based on my investigation, the original cost rate base as of  
20 December 31, 2014, updated to July 31, 2015, is as follows:

21 CWSNC Water	\$30,984,960
22 CWSNC Sewer	18,868,610
23 CLMS Sewer	6,668,286
24 Nags Head	<u>2,092,182</u>
25 Total CWSNC	<u>\$58,614,038</u>

26 Based on the overall rate of return of 8.20% stipulated to by CWSNC  
27 and the Public Staff, I recommend that rates be set to produce the  
28 following revenues:

	Service Revenues	Other Revenues & Uncollectibles	Total Operating Revenues
CWSNC Water	\$10,727,674	\$ 82,986	\$10,810,660
Combined Sewer	<u>7,097,654</u>	<u>11,568</u>	<u>7,109,222</u>
Total CWSNC	<u>\$17,825,328</u>	<u>\$ 94,554</u>	<u>\$17,919,882</u>

Based on these levels of revenues, I recommend the following increases in service revenues:

CWSNC Water	\$ 1,358,454
Combined Sewer	<u>1,385,860</u>
Total CWSNC	<u>\$ 2,744,314</u>

Q. DOES HENRY EXHIBIT I REFLECT ADJUSTMENTS SUPPORTED BY OTHER PUBLIC STAFF WITNESSES?

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

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

- (a) Service revenues at present rates
- (b) Service revenues at Company proposed rates
- (c) Purchased water
- (d) Purchased sewer
- (e) Maintenance and repair
- (f) Maintenance testing
- (g) Chemicals

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

- (a) Accumulated deferred income taxes (ADIT)
- (b) Regulatory liability for excess deferred taxes
- (c) Miscellaneous expense

(3) The recommendations of Public Staff witness Zhang regarding the following items:

- 1 (a) Plant in service
- 2 (b) Accumulated depreciation
- 3 (c) Salaries and wages
- 4 (d) Maintenance and repair
- 5 (e) Transportation
- 6 (f) Operating expense charged to plant
- 7 (g) Outside services - other
- 8 (h) Office supplies and other office expense
- 9 (i) Pension and other benefits
- 10 (j) Insurance
- 11 (k) Miscellaneous expense
- 12 (l) Depreciation expense
- 13 (m) Payroll taxes

14

15 Q. WHAT ADJUSTMENTS WILL YOU DISCUSS?

16 A. The accounting and ratemaking adjustments that I will discuss relate  
17 to the following items:

- 18 (1) Plant in service
- 19 (2) Accumulated depreciation
- 20 (3) Contributions in aid of construction (CIAC)
- 21 (4) Cash working capital
- 22 (5) Customer deposits
- 23 (6) Gain on sale and flow back taxes
- 24 (7) Plant acquisition adjustment (PAA)
- 25 (8) Excess book value
- 26 (9) Cost-free capital
- 27 (10) Average tax accruals
- 28 (11) Deferred charges
- 29 (12) Miscellaneous revenues
- 30 (13) Uncollectibles
- 31 (14) Purchased power
- 32 (15) Maintenance and repair
- 33 (16) Outside services – other
- 34 (17) Miscellaneous expense
- 35 (18) Regulatory commission expense
- 36 (19) Depreciation expense
- 37 (20) Amortization of CIAC
- 38 (21) Amortization of PAA
- 39 (22) Franchise tax
- 40 (23) Property taxes

- 1 (24) Regulatory fee
- 2 (25) Gross receipts tax
- 3 (26) State income tax
- 4 (27) Federal income tax

5

6

**PLANT IN SERVICE**

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

9 A. I adjusted direct water and sewer plant in service to remove  
10 estimated post test year general ledger plant additions, which were  
11 to be completed and in service by the hearing date in this proceeding.  
12 I replaced the estimated general ledger additions with the actual and  
13 known additions made on the Company's books from January 1,  
14 2015 through July 31, 2015, the update period for rate base items.

15

16 I have also adjusted CWSNC's proposed level of plant in service to  
17 remove the estimated cost of construction work in progress (CWIP)  
18 projects. Plant in service was adjusted to include actual costs for  
19 projects that have been completed and are in service. I have also  
20 included actual amounts for CWIP projects completed by the hearing  
21 date in this proceeding.

22

23 Plant in service has been adjusted to remove general ledger entries  
24 booked twice to rate base by the Company. My adjustment corrects



1           this error to plant in service as well as similar errors made to CIAC  
2           and PAA.

3  
4           I adjusted plant in service to capitalize legal fees related to the  
5           acquisition of the Linville Ridge water system. The legal fees were  
6           improperly recorded as outside services – other instead of franchise  
7           costs that the Company incurred to acquire this water system.

8  
9           In this proceeding, as well as in the last rate case proceeding, Docket  
10          No. W-354, Sub 336, CWSNC added the gain on sale of systems  
11          sold to CMUD to plant in service. I removed the gain on sale from  
12          plant in service and recommend that the Public Staff's adjusted  
13          amount, net of amortization, be included as a separate line on the  
14          rate base schedule.

15  
16          Finally, I adjusted plant in service for recommended adjustments  
17          made by Public Staff witness Zhang to the Charlotte Office, Charlotte  
18          Warehouse, and North Carolina State cost centers plant balances  
19          allocated to CWSNC water, CWSNC sewer, CLMS sewer, and Nags  
20          Head.

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**ACCUMULATED DEPRECIATION**

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Q. HOW HAVE YOU ADJUSTED ACCUMULATED DEPRECIATION?

A. I adjusted accumulated depreciation to remove depreciation on estimated post-test year general ledger plant additions and depreciation calculated by the Company on its estimated pro forma CWIP projects for CWSNC water, CWSNC sewer, CLMS sewer, and Nags Head. I replaced the estimated general ledger additions with actual and known additions made on the Company's books as of July 31, 2015. Accumulated depreciation also reflects a matching adjustment based on the Public Staff's recommended level of depreciation expense.

I corrected an error made by the Company in its pro forma adjustment to remove AFUDC calculated without using offsetting plant modification fees on the Monterey Shores wastewater treatment plant (WWTP) expansion. After correcting this error, I updated the accumulated depreciation for this item through July 31, 2015.

Accumulated depreciation was adjusted to remove computer system accumulated amortization for the Charlotte Warehouse cost center, which was inappropriately included in accumulated depreciation for CWSNC direct water and sewer plant. Public Staff witness Zhang

1 has calculated an updated amount of accumulated amortization to  
2 include in rate base for this cost center plant item.

3

4 As part of the calculation of direct accumulated depreciation, I  
5 removed general ledger entries included twice in rate base by the  
6 Company. I also removed accumulated amortization on the gain on  
7 sale of system sold to CMUD from accumulated depreciation and  
8 recommend that the amount, net of amortization, be included as a  
9 separate line item on the rate base schedule.

10

11 Accumulated depreciation also includes recommended adjustments  
12 made by Public Staff witness Zhang to the Charlotte Office, Charlotte  
13 Warehouse, and North Carolina State cost centers accumulated  
14 depreciation balances that were allocated to CWSNC water,  
15 CWSNC sewer, CLMS sewer, and Nags Head.

16

17 **CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)**

18 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO CIAC.

19 A. My adjustments to CIAC begin with a correction to the Company's  
20 pro forma adjustment to accumulated amortization – CIAC to reflect  
21 the costs for the Monterey Shores WWTP that were never recovered  
22 from the developer. Additionally, I updated accumulated  
23 amortization for this item through July 31, 2015.

1 Next, I adjusted accumulated amortization – CIAC to remove the  
2 Company's pro forma adjustment to reflect its annualized level of  
3 CIAC amortization expense. I replaced this adjustment with a  
4 matching adjustment based on the Public Staff's recommended level  
5 of CIAC amortization expense. As part of the update, I included the  
6 actual and known additions made on the Company's books as of July  
7 31, 2015, for both CIAC and accumulated amortization.

8  
9 In addition to the adjustments discussed above, I removed general  
10 ledger entries included twice in rate base by the Company to CIAC  
11 and accumulated amortization - CIAC.

12

13 **CASH WORKING CAPITAL**

14 Q. PLEASE DESCRIBE YOUR CALCULATION OF CASH WORKING  
15 CAPITAL.

16 A. Cash working capital provides the Company with the funds  
17 necessary to carry on the day to day operations of the Company. In  
18 my calculation, I have included 1/8 of total O&M and G&A expenses,  
19 less purchased water and sewer expense, as a measure of cash  
20 working capital.

21

22

23

1 **CUSTOMER DEPOSITS**

2 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO CUSTOMER  
3 DEPOSITS.

4 A. Customer deposits were adjusted to correct the Company's pro  
5 forma adjustment, based on a corrected pro forma adjustment  
6 provided by the Company. I also updated customer deposits based  
7 on the balances as of July 31, 2015.  
8

9 **GAIN ON SALE AND FLOW BACK TAXES**

10 Q. WHAT ADJUSTMENTS DID YOU MAKE TO GAIN ON SALE AND  
11 FLOW BACK TAXES?

12 A. I have adjusted gain on sale and flow back taxes to include the gain  
13 on sale of systems sold to CMUD and accumulated amortization that  
14 was inappropriately included in plant in service and accumulated  
15 depreciation as discussed above. Next, I amortized the gain on sale  
16 of systems sold to CMUD through December 31, 2015, so that the  
17 unamortized balance can be re-amortized over a three-year period.  
18

19 **PURCHASE ACQUISITION ADJUSTMENT (PAA)**

20 Q. PLEASE DESCRIBE YOUR ADJUSTMENTS TO PAA.

21 A. I adjusted accumulated amortization – PAA to remove the  
22 Company's pro forma adjustment to reflect its annualized level of  
23 PAA amortization expense. I replaced this adjustment with a

1 matching adjustment based on the Public Staff's recommended level  
2 of PAA amortization expense. Next, as part of the update, I included  
3 actual general ledger additions made on the Company's books as of  
4 July 31, 2015, in my adjusted PAA calculation. Finally, I removed  
5 general ledger entries included twice in rate base by the Company in  
6 PAA and accumulated amortization - PAA.

7

8 **EXCESS BOOK VALUE**

9 Q. WHY DID YOU ADJUST EXCESS BOOK VALUE?

10 A. Excess book value represents the difference between the price paid  
11 by CWSNC to purchase stock of water and sewer systems and the  
12 net book value of the stock. I have adjusted the excess book value  
13 to reflect the accumulated amortization and unamortized balances  
14 as of July 31, 2015. I also corrected the Company's pro forma  
15 adjustment to remove the Britley system from excess book value due  
16 to the sale of the system. The Company's pro forma adjustment  
17 removes the Britley system from excess book value when it had  
18 already been removed and my correction reverses this adjustment.

19

20 **COST-FREE CAPITAL**

21 Q. WHAT ADJUSTMENT DID YOU MAKE TO COST-FREE CAPITAL?

22 A. My adjustment reallocates cost-free capital between water and  
23 sewer operations based on the Docket No. W-354, Sub 266 rate

1 case proceeding. The net effect of this adjustment on total cost-free  
2 capital is zero.

3

4

#### AVERAGE TAX ACCRUALS

5 Q. HOW DID YOU CALCULATE AVERAGE TAX ACCRUALS?

6 A. Average tax accruals, calculated as 1/2 of property taxes plus 1/5 of  
7 regulatory fee, are taxes which the Company collects in rates but  
8 does not pay to the governmental agency every month. Since the  
9 Company has the use of the money until it is paid to the  
10 governmental agency, these tax accruals should be deducted from  
11 rate base. Payroll taxes are not included in my calculation of average  
12 tax accruals since they are paid to the taxing agencies on a more  
13 frequent basis.

14

15

#### DEFERRED CHARGES

16 Q. PLEASE DESCRIBE YOUR ADJUSTMENTS TO DEFERRED  
17 CHARGES.

18 A. I have adjusted deferred charges to reflect the unamortized balance  
19 of deferred maintenance costs for tank painting, tank inspection, and  
20 wastewater treatment plant painting as of July 31, 2015, consistent  
21 with other updates made to rate base by the Public Staff in this  
22 proceeding. I did not include the unamortized balance of the  
23 Belvedere pump and haul cost in deferred charges. It is the Public

1 Staff's recommendation that the Company should not be able to earn  
2 a return on these unusual and nonrecurring expenses that are  
3 abnormally high due to a disagreement with the golf course. My  
4 exclusion of the unamortized balance of the pump and haul  
5 expenses is consistent with the treatment stipulated to by CWSNC  
6 and the Public Staff in the Sub 324 rate case proceeding.

7  
8 Next, I have adjusted unamortized rate case expense to reflect the  
9 Public Staff's recommended level of rate case costs, less one year  
10 of amortization, as discussed later in my testimony under regulatory  
11 commission expense.

12

13 **MISCELLANEOUS REVENUES**

14 Q. WHY DID YOU ADJUST MISCELLANEOUS REVENUES?

15 A. I adjusted miscellaneous revenues to correct the Company's error in  
16 allocating other water/sewer revenues between CWSNC water and  
17 CWSNC sewer operations. The Company mistakenly allocated the  
18 per book balance of these miscellaneous revenues based on test  
19 year service revenues instead of directly assigning them to water or  
20 sewer operations. My adjustment corrects this error.

21

22 I calculated a forfeited discount rate for CWSNC water and sewer  
23 operations by dividing the respective test year forfeited discounts by



1 test year service revenues. The resulting rates were then applied to  
2 the Public Staff's present, proposed and recommended levels of  
3 service revenues to determine an appropriate level of forfeited  
4 discounts to include in miscellaneous revenues.

5

6

### **UNCOLLECTIBLES**

7 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO UNCOLLECTIBLES.

8 A. I have calculated uncollectibles percentages for CWSNC water and  
9 sewer operations based on the per books levels of uncollectibles and  
10 service revenues for the test year. I then applied these percentages  
11 to my adjusted levels of service revenues under present, Company  
12 proposed, and recommended rates to derive my adjusted levels of  
13 uncollectibles.

14

15

### **PURCHASED POWER**

16 Q. WHAT ADJUSTMENTS HAVE YOU MADE TO PURCHASED  
17 POWER?

18 A. My first adjustment to purchased power is to update the test year  
19 amount to reflect the actual amount for electric power as of the twelve  
20 months ending June 30, 2015. This adjustment corresponds with the  
21 adjustment to update revenues to June 30, 2015.

22

1 Next, I removed manual accruals to purchased power made on the  
2 Company books to estimate the monthly electric costs needed for  
3 financial reporting purposes. My updated purchased power expense  
4 includes twelve months of actual purchased power expenses as of  
5 June 30, 2015.

6  
7 Next, I removed purchased power for the College Park sewer  
8 system. Now that CWSNC is purchasing sewer treatment for this  
9 system, the Company will no longer incur electric costs for this  
10 system.

11  
12 Finally, I removed purchased power for the Huntwick water system  
13 from operating expenses, because the system was sold and the  
14 Company will no longer incur electric costs for this system.

15

16 **MAINTENANCE AND REPAIR**

17 Q. HOW HAVE YOU ADJUSTED MAINTENANCE AND REPAIR  
18 EXPENSE?

19 A. Maintenance and repair expense was adjusted to reflect one year of  
20 annual amortization expense on the Public Staff's recommended  
21 level of deferred charges discussed above under deferred charges.  
22 I adjusted maintenance and repair to remove expenses for the  
23 College Park sewer system based on the recommendation of Public

1 Staff witness Casselberry. My ongoing level of maintenance and  
2 repair also includes cost center adjustments recommended by Public  
3 Staff witness Zhang.

4

5 **OUTSIDE SERVICES - OTHER**

6 Q. PLEASE EXPLAIN HOW YOU CALCULATED OUTSIDE  
7 SERVICES – OTHER.

8 A. My adjustments to outside services – other begins with the removal  
9 of legal fees from test year expenses. I removed legal fees incurred  
10 by the Company relating to the sale of the Huntwick water system.  
11 The costs related to the sale of water and sewer systems should be  
12 deducted from the sale proceeds received by the Company in the  
13 transfer proceeding.

14

15 Next, I removed legal fees incurred by CWSNC to acquire the Linville  
16 Ridge water system and capitalized them to plant in service as  
17 franchise costs. Capitalizing these legal fees is the proper rate  
18 making treatment for costs associated with acquiring water and  
19 sewer systems.

20

21 Finally, I have incorporated Public Staff witness Zhang's cost center  
22 adjustment to outside services – other into my exhibit.

23

MISCELLANEOUS EXPENSE

1

2 Q. WHAT ADJUSTMENTS WERE MADE TO MISCELLANEOUS  
3 EXPENSE?

4 A. The Company included in miscellaneous expense, unrecoverable  
5 rate case expense from the last rate case, Docket No. W-354, Sub  
6 336 that were written off to expenses during the test year. In the Sub  
7 336 rate case proceeding, CWSNC and the Public Staff stipulated to  
8 the amount of rate case expense that the Company was entitled to  
9 recover from customers. The Stipulating Parties also agreed that the  
10 rate case costs should be amortized to expenses over a three-year  
11 period.

12 The Public Staff has included the unamortized balance of the Sub  
13 336 rate case expense along with rate case expense for this  
14 proceeding in regulatory commission expense. Any rate case costs  
15 above and beyond the amount agreed to by the Stipulating Parties  
16 in the Sub 336 proceeding should be booked below the line and  
17 recovered from stockholders. Therefore, I removed the  
18 unrecoverable rate case expense from miscellaneous expense.

19

20 Next, I included an adjustment for the amortization of the regulatory  
21 liability related to excess deferred taxes based on the  
22 recommendation of Public Staff witness Fernald. Miscellaneous

1 expense also reflects adjustments recommended by Public Staff  
2 witness Zhang to the various cost centers.  
3

4 **REGULATORY COMMISSION EXPENSE**

5 Q. PLEASE EXPLAIN HOW YOU CALCULATED REGULATORY  
6 COMMISSION EXPENSE.

7 A. Based on information provided by the Company regarding costs  
8 incurred to date and expected costs that will occur to complete this  
9 rate case proceeding, I have included a total of \$304,330 of rate case  
10 expenses for this proceeding, which is comprised of legal fees;  
11 postage and stock for customer notices; FedEx, copying, printing,  
12 and administrative; travel, hotel, meals, and rental car; WSC salaries  
13 and wages; and consulting fees. I have allocated this total rate case  
14 expense to CWSNC water, CWSNC sewer, CLMS sewer and Nags  
15 Head based on the customer allocation percentages calculated from  
16 the Company's ERCs. I also included in my calculation of rate case  
17 expense the unamortized rate case expense from the last rate case  
18 proceeding. I am recommending that the allocated level of rate case  
19 costs be amortized to operating expenses over three years.  
20  
21  
22  
23

**DEPRECIATION EXPENSE**

Q. HOW DID YOU ADJUST DEPRECIATION EXPENSE?

A. I have adjusted depreciation expense to reflect an ongoing annual level of depreciation expense for direct plant in service, based on the Public Staff's adjusted level of plant in service and the depreciation lives for each plant account.

Direct depreciation also includes one-third of the unamortized balance of gain on sale of systems sold to CMUD. The unamortized balance of the gain on sale is being re-amortized over a three-year period, resulting in a reduction in the amount of gain on sale deducted from depreciation expense.

My calculation of depreciation also includes the annual amortization of excess book value for both CWSNC uniform water and sewer operations.

Finally, I have included the annual level of depreciation expense recommended by Public Staff witness Zhang for the allocated plant.

1                                    **AMORTIZATION OF CIAC**

2        Q.        WHAT ADJUSTMENT DID YOU MAKE TO AMORTIZATION OF  
3                    CIAC?

4        A.        CIAC amortization expense was adjusted to reflect the Public Staff's  
5                    recommended level of CIAC times an amortization percentage  
6                    based on the overall depreciation rate for the Public Staff's adjusted  
7                    level of direct plant in service.

8

9                                    **AMORTIZATION OF PAA**

10      Q.        WHY DID YOU ADJUST AMORTIZATION OF PAA?

11      A.        PAA amortization expense was adjusted to reflect the Public Staff's  
12                    recommended level of PAA times an amortization percentage based  
13                    on the composite overall depreciation rate for the Public Staff's  
14                    adjusted level of direct plant in service.

15

16                                    **FRANCHISE TAX**

17      Q.        PLEASE EXPLAIN HOW YOU CALCULATED FRANCHISE TAX.

18      A.        In this proceeding, the Company provided work papers showing the  
19                    calculation of franchise tax for CWSNC in the amount of \$69,553,  
20                    which was based on measurements established by the NC  
21                    Department of Revenue (NCDOR). I allocated this amount to  
22                    CWSNC water, CWSNC sewer, CLMS sewer, and Nags Head based

1 on the percentage of each rate divisions' rate base to the total  
2 combined rate base of the Company.

3

4

#### **PROPERTY TAXES**

5 Q. WHAT ADJUSTMENT DID YOU MAKE TO PROPERTY TAXES?

6 A. The Company inadvertently included interest during construction in  
7 its pro forma balance for property taxes. My adjustment corrects this  
8 error by removing interest during construction from property taxes.

9

10

#### **REGULATORY FEE**

11 Q. WHAT ADJUSTMENT HAVE YOU MADE TO REGULATORY FEE?

12 A. I have calculated regulatory fee using the statutory rate of 0.148%  
13 applied to total operating revenues under present, Company  
14 proposed, and Public Staff recommended rates.

15

16

#### **GROSS RECEIPTS TAX**

17 Q. HOW DID YOU ADJUST GROSS RECEIPTS TAX?

18 A. With the repeal of G.S. 105-116, water and sewer companies are no  
19 longer subject to gross receipts tax, effective July 1, 2014, and,  
20 instead, corporations will be only subject to the standard franchise  
21 tax under G.S. 105-122. I have removed the gross receipts tax that  
22 the Company included in its application from operating expenses  
23 because CWSNC will no longer pay this tax to the NCDOR.



1                                    **STATE INCOME TAX**

2        Q.        PLEASE EXPLAIN YOUR ADJUSTMENT TO STATE INCOME  
3                    TAX.

4        A.        State income tax was calculated based on the adjusted levels of  
5                    revenues and expenses, and the State income tax rate of 4%,  
6                    effective January 1, 2016.

7

8                                    **FEDERAL INCOME TAX**

9        Q.        WHAT ADJUSTMENT HAVE YOU MADE TO FEDERAL INCOME  
10                  TAX?

11      A.        Federal income tax is based on the statutory corporate rates for the  
12                  level of income presented after all Public Staff adjustments.

13

14

15      Q.        DOES THIS CONCLUDE YOUR TESTIMONY?

16      A.        Yes, it does.

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4.	ORIGINAL COST RATE BASE - WATER OPERATIONS	2(a)
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10.	CALCULATION OF PLANT IN SERVICE AND ACCUMULATED DEPRECIATION - WATER OPERATIONS	2-1(a)
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**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**RETURN ON ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 1(a)

**WATER OPERATIONS**

Line No.	Item	Capitalization Ratio [1] (a)	Original Cost Rate Base [2] (b)	Embedded Cost [3] (c)	Overall Cost Rate [4] (d)	Net Operating Income [5] (e)
<b>Present Rates:</b>						
1.	Debt	49.00%	\$15,182,630 [2]	6.60% [1]	3.23%	\$1,002,054 [8]
2.	Equity	51.00%	15,802,330 [2]	4.32% [6]	2.20%	683,347 [9]
3.	Total	100.00%	\$30,984,960 [3]		5.43%	\$1,685,401 [10]
<b>Company Proposed Rates:</b>						
4.	Debt	49.00%	\$15,182,630 [4]	6.60% [1]	3.23%	\$1,002,054 [8]
5.	Equity	51.00%	15,802,330 [4]	10.64% [6]	5.43%	1,681,984 [11]
6.	Total	100.00%	\$30,984,960 [3]		8.66%	\$2,684,038 [12]
<b>Public Staff Recommended Rates:</b>						
7.	Debt	49.00%	\$15,182,630 [5]	6.60% [1]	3.23%	\$1,002,054 [8]
8.	Equity	51.00%	15,802,330 [5]	9.75% [6]	4.97%	1,540,727 [8]
9.	Total	100.00%	\$30,984,960 [3]		8.20%	\$2,542,781 [13]

- [1] Per Joint Stipulation filed on September 2, 2015.  
[2] Column (a) multiplied by Line 3, Column (b).  
[3] Henry Exhibit I, Schedule 2(a), Column (c), Line 16.  
[4] Column (a) multiplied by Line 6, Column (b).  
[5] Column (a) multiplied by Line 9, Column (b).  
[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 Line 1, Column (e).  
[10] Henry Exhibit I, Schedule 3(a), Column (c), Line 38.  
[11] Line 6 minus Line 4, Column (e).  
[12] Henry Exhibit I, Schedule 3(a), Column (e), Line 38.  
[13] Line 7 + Line 8, Column (e).

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**RETURN ON ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 1(b)

**COMBINED SEWER OPERATIONS**

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)
<b><u>Present Rates:</u></b>						
1.	Debt	49.00%	\$13,538,248 [2]	6.60% [1]	3.23%	\$893,524 [8]
2.	Equity	51.00%	14,090,830 [2]	3.54% [6]	1.81%	499,178 [9]
3.	Total	<u>100.00%</u>	<u>\$27,629,078 [3]</u>		<u>5.04%</u>	<u>\$1,392,702 [10]</u>
<b><u>Company Proposed Rates:</u></b>						
4.	Debt	49.00%	\$13,538,248 [4]	6.60% [1]	3.23%	\$893,524 [8]
5.	Equity	51.00%	14,090,830 [4]	10.68% [6]	5.45%	1,505,197 [11]
6.	Total	<u>100.00%</u>	<u>\$27,629,078 [3]</u>		<u>8.68%</u>	<u>\$2,398,721 [12]</u>
<b><u>Public Staff Recommended Rates:</u></b>						
7.	Debt	49.00%	\$13,538,248 [5]	6.60% [1]	3.23%	\$893,524 [8]
8.	Equity	51.00%	14,090,830 [5]	9.75% [6]	4.97%	1,373,856 [8]
9.	Total	<u>100.00%</u>	<u>\$27,629,078 [3]</u>		<u>8.20%</u>	<u>\$2,267,380 [13]</u>

- [1] Per Joint Stipulation filed on September 2, 2015.  
[2] Column (a) multiplied by Line 3, Column (b).  
[3] Henry Exhibit I, Schedule 2(b), Column (c), Line 16.  
[4] Column (a) multiplied by Line 6, Column (b).  
[5] Column (a) multiplied by Line 9, Column (b).  
[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 Line 1, Column (e).  
[10] Henry Exhibit I, Schedule 3(b), Column (c), Line 38.  
[11] Line 6 minus Line 4, Column (e).  
[12] Henry Exhibit I, Schedule 3(b), Column (e), Line 38.  
[13] Line 7 + Line 8, Column (e).

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
ORIGINAL COST RATE BASE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2

COMBINED OPERATIONS

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	Amount Per Public Staff (c)
		[1]	[2]	[3]
1.	Plant in service	\$124,949,485	\$199,161	\$125,148,646
2.	Accumulated depreciation	(28,060,119)	(3,198,882)	(31,259,001)
3.	Net plant in service (L1 + L2)	96,889,366	(2,999,721)	93,889,645
4.	Cash working capital	1,478,812	(296,946)	1,181,866
5.	Contributions in aid of construction	(31,954,475)	2,480,872	(29,473,603)
6.	Advances in aid of construction	(32,940)	0	(32,940)
7.	Accumulated deferred income taxes	(6,351,883)	3,471,512	(2,880,371)
8.	Customer deposits	(251,498)	(1,088)	(252,586)
9.	Gain on sale and flow back taxes	(289,628)	(755,113)	(1,044,741)
10.	Plant acquisition adjustment	(2,918,503)	336,507	(2,581,996)
11.	Excess book value	(846,090)	234,992	(611,098)
12.	Cost-free capital	(261,498)	(1)	(261,499)
13.	Average tax accruals	(102,878)	9,888	(92,990)
14.	Regulatory liability for excess deferred taxes	0	(87,398)	(87,398)
15.	Deferred charges	3,499,535	(2,637,786)	861,749
16.	Original cost rate base (Sum of L3 thru L15)	\$58,858,320	(\$244,282)	\$58,614,038

- [1] Henry Exhibit I, Schedule 2(a) plus Schedule 2(b), Column (a).  
[2] Henry Exhibit I, Schedule 2(a) plus Schedule 2(b), Column (b).  
[3] Henry Exhibit I, Schedule 2(a) plus Schedule 2(b), Column (c).

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CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 344

ORIGINAL COST RATE BASE

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2(a)WATER OPERATIONS

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	[1]	Amount Per Public Staff (c)	[2]
1.	Plant in service	\$65,375,542	(\$42,562)		\$65,332,980	[3]
2.	Accumulated depreciation	(15,460,749)	(1,916,155)		(17,376,904)	[4]
3.	Net plant in service (L1 + L2)	49,914,793	(1,958,717)		47,956,076	
4.	Cash working capital	849,995	(228,967)		621,028	[5]
5.	Contributions in aid of construction	(13,799,538)	1,090,914		(12,708,624)	[6]
6.	Advances in aid of construction	(23,760)	0		(23,760)	
7.	Accumulated deferred income taxes	(2,999,825)	1,105,687		(1,894,138)	[7]
8.	Customer deposits	(160,461)	2,929		(157,532)	[8]
9.	Gain on sale and flow back taxes	(196,947)	(500,264)		(697,211)	[9]
10.	Plant acquisition adjustment	(2,436,263)	133,762		(2,302,501)	[10]
11.	Excess book value	(397,558)	127,925		(269,633)	[11]
12.	Cost-free capital	(174,892)	53,101		(121,791)	[12]
13.	Average tax accruals	(60,817)	5,403		(55,414)	[13]
14.	Regulatory liability for excess deferred taxes	0	(44,640)		(44,640)	[7]
15.	Deferred charges	756,075	(72,975)		683,100	[14]
16.	Original cost rate base (Sum of L3 thru L15)	<u>\$31,270,802</u>	<u>(\$285,842)</u>		<u>\$30,984,960</u>	

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

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

[3] Henry Exhibit I, Schedule 2-1(a), Column (c), Line 11.

[4] Henry Exhibit I, Schedule 2-1(a), Column (c), Line 22.

[5] Henry Exhibit I, Schedule 2-3, Column (a), Line 4.

[6] Henry Exhibit I, Schedule 2-4, Column (c), Line 9.

[7] Provided by Public Staff Accountant Fernald.

[8] Henry Exhibit I, Schedule 2-5, Column (a), Line 5.

[9] Henry Exhibit I, Schedule 2-6, Column (a), Line 5.

[10] Henry Exhibit I, Schedule 2-7, Column (c), Line 7.

[11] Henry Exhibit I, Schedule 2-8, Column (d), Line 9.

[12] Henry Exhibit I, Schedule 2-9, Column (a), Line 3.

[13] Henry Exhibit I, Schedule 2-3, Column (a), Line 9.

[14] Henry Exhibit I, Schedule 2-10, Column (a), Line 4.

CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 344

ORIGINAL COST RATE BASE

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 2(b)

COMBINED SEWER OPERATIONS

Line No.	Item	Amount Per Application (a)	[1] Public Staff Adjustments (b)	[2] Amount Per Public Staff (c)	{3}
1.	Plant in service	\$59,573,943	\$241,723	\$59,815,666	
2.	Accumulated depreciation	(12,599,370)	(1,282,727)	(13,882,097)	
3.	Net plant in service (L1 + L2)	46,974,573	(1,041,004)	45,933,569	
4.	Cash working capital	628,817	(67,979)	560,838	
5.	Contributions in aid of construction	(18,154,937)	1,389,958	(16,764,979)	
6.	Advances in aid of construction	(9,180)	0	(9,180)	
7.	Accumulated deferred income taxes	(3,352,058)	2,365,825	(986,233)	
8.	Customer deposits	(91,037)	(4,017)	(95,054)	
9.	Gain on sale and flow back taxes	(92,681)	(254,849)	(347,530)	
10.	Plant acquisition adjustment	(482,240)	202,745	(279,495)	
11.	Excess book value	(448,532)	107,067	(341,465)	
12.	Cost-free capital	(86,606)	(53,102)	(139,708)	
13.	Average tax accruals	(42,061)	4,485	(37,576)	
14.	Regulatory liability for excess deferred taxes	0	(42,758)	(42,758)	
15.	Deferred charges	2,743,460	(2,564,811)	178,649	
16.	Original cost rate base (Sum of L3 thru L15)	\$27,587,518	\$41,560	\$27,629,078	

[1] Henry Exhibit I Schedule 2(c) plus 2(d), plus 2(e), Column (a).

[2] Henry Exhibit I Schedule 2(c) plus 2(d), plus 2(e), Column (b).

[3] Henry Exhibit I Schedule 2(c) plus 2(d), plus 2(e), Column (c).

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CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
ORIGINAL COST RATE BASE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2(c)

SEWER OPERATIONS

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	[1]	Amount Per Public Staff (c)	[2]
1.	Plant in service	\$42,884,580	\$13,366		\$42,897,946	[3]
2.	Accumulated depreciation	(9,799,533)	(957,301)		(10,756,834)	[4]
3.	Net plant in service (L1 + L2)	33,085,047	(943,935)		32,141,112	
4.	Cash working capital	516,154	(62,208)		453,946	[5]
5.	Contributions in aid of construction	(13,408,369)	1,449,473		(11,958,896)	[6]
6.	Advances in aid of construction	(9,180)	0		(9,180)	
7.	Accumulated deferred income taxes	(2,483,899)	1,804,495		(679,404)	[7]
8.	Customer deposits	(85,937)	(3,447)		(89,384)	[8]
9.	Gain on sale and flow back taxes	(92,681)	(234,272)		(326,953)	[9]
10.	Plant acquisition adjustment	(482,240)	202,745		(279,495)	[10]
11.	Excess book value	(448,532)	107,067		(341,465)	[11]
12.	Cost-free capital	(86,606)	(53,102)		(139,708)	[12]
13.	Average tax accruals	(38,517)	2,019		(36,498)	[13]
14.	Regulatory liability for excess deferred taxes	0	(29,919)		(29,919)	[7]
15.	Deferred charges	2,729,097	(2,564,643)		164,454	[14]
16.	Original cost rate base (Sum of L3 thru L15)	<u>\$19,194,337</u>	<u>(\$325,727)</u>		<u>\$18,868,610</u>	

- [1] Column (c) minus Column (a).  
[2] Column (a) plus Column (b), unless otherwise footnoted.  
[3] Henry Exhibit I, Schedule 2-1(c), Column (c), Line 11.  
[4] Henry Exhibit I, Schedule 2-1(c), Column (c), Line 22.  
[5] Henry Exhibit I, Schedule 2-3, Column (b), Line 4.  
[6] Henry Exhibit I, Schedule 2-4, Column (f), Line 9.  
[7] Provided by Public Staff Accountant Fernald.  
[8] Henry Exhibit I, Schedule 2-5, Column (b), Line 5.  
[9] Henry Exhibit I, Schedule 2-6, Column (b), Line 5.  
[10] Henry Exhibit I, Schedule 2-7, Column (f), Line 7.  
[11] Henry Exhibit I, Schedule 2-8, Column (d), Line 18.  
[12] Henry Exhibit I, Schedule 2-9, Column (b), Line 3.  
[13] Henry Exhibit I, Schedule 2-3, Column (b), Line 9.  
[14] Henry Exhibit I, Schedule 2-10, Column (b), Line 4.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ORIGINAL COST RATE BASE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2(d)

**CLMS SEWER OPERATIONS**

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	Amount Per Public Staff (c)
1.	Plant in service	\$13,263,605	\$69,382	\$13,332,987 [3]
2.	Accumulated depreciation	(1,616,608)	(200,936)	(1,817,544) [4]
3.	Net plant in service (L1 + L2)	11,646,997	(131,554)	11,515,443
4.	Cash working capital	65,914	(3,349)	62,565 [5]
5.	Contributions in aid of construction	(4,679,084)	(60,699)	(4,739,783) [6]
6.	Advances in aid of construction	0	0	0
7.	Accumulated deferred income taxes	(845,414)	701,963	(143,451) [7]
8.	Customer deposits	(3,075)	(825)	(3,900) [8]
9.	Gain on sale and flow back taxes	0	(20,577)	(20,577) [9]
10.	Plant acquisition adjustment	0	0	0
11.	Excess book value	0	0	0
12.	Cost-free capital	0	0	0
13.	Average tax accruals	(2,735)	2,098	(637) [10]
14.	Regulatory liability for excess deferred taxes	0	(10,719)	(10,719) [7]
15.	Deferred charges	8,092	1,253	9,345 [11]
16.	Original cost rate base (Sum of L3 thru L15)	<u>\$6,190,695</u>	<u>\$477,591</u>	<u>\$6,668,286</u>

- [1] Column (c) minus Column (a).  
[2] Column (a) plus Column (b), unless otherwise footnoted.  
[3] Henry Exhibit I, Schedule 2-1(d), Column (c), Line 11.  
[4] Henry Exhibit I, Schedule 2-1(d), Column (c), Line 22.  
[5] Henry Exhibit I, Schedule 2-3, Column (c), Line 4.  
[6] Henry Exhibit I, Schedule 2-4, Column (i), Line 9.  
[7] Provided by Public Staff Accountant Fernald.  
[8] Henry Exhibit I, Schedule 2-5, Column (c), Line 5.  
[9] Henry Exhibit I, Schedule 2-6, Column (c), Line 5.  
[10] Henry Exhibit I, Schedule 2-3, Column (c), Line 9.  
[11] Henry Exhibit I, Schedule 2-10, Column (c), Line 4.

CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 344

ORIGINAL COST RATE BASE

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 2(e)

NAGS HEAD SEWER OPERATIONS

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	[1]	Amount Per Public Staff (c)	[2]
1.	Plant in service	\$3,425,758	\$158,975		\$3,584,733	[3]
2.	Accumulated depreciation	(1,183,229)	(124,490)		(1,307,719)	[4]
3.	Net plant in service (L1 + L2)	2,242,529	34,485		2,277,014	
4.	Cash working capital	46,749	(2,422)		44,327	[5]
5.	Contributions in aid of construction	(67,484)	1,184		(66,300)	[6]
6.	Advances in aid of construction	0	0		0	
7.	Accumulated deferred income taxes	(22,745)	(140,633)		(163,378)	[7]
8.	Customer deposits	(2,025)	255		(1,770)	[8]
9.	Gain on sale and flow back taxes	0	0		0	
10.	Plant acquisition adjustment	0	0		0	
11.	Excess book value	0	0		0	
12.	Cost-free capital	0	0		0	
13.	Average tax accruals	(809)	368		(441)	[9]
14.	Regulatory liability for excess deferred taxes	0	(2,120)		(2,120)	[7]
15.	Deferred charges	6,271	(1,421)		4,850	[10]
16.	Original cost rate base (Sum of L3 thru L15)	<u>\$2,202,486</u>	<u>(\$110,304)</u>		<u>\$2,092,182</u>	

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

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

[3] Henry Exhibit I, Schedule 2-1(e), Column (c), Line 11.

[4] Henry Exhibit I, Schedule 2-1(e), Column (c), Line 22.

[5] Henry Exhibit I, Schedule 2-3, Column (d), Line 4.

[6] Henry Exhibit I, Schedule 2-4, Column (l), Line 9.

[7] Provided by Public Staff Accountant Fernald.

[8] Henry Exhibit I, Schedule 2-5, Column (d), Line 5.

[9] Henry Exhibit I, Schedule 2-3, Column (d), Line 9.

[10] Henry Exhibit I, Schedule 2-10, Column (d), Line 4.

**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**CALCULATION OF PLANT IN SERVICE AND  
ACCUMULATED DEPRECIATION**

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 2-1

**COMBINED OPERATIONS**

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments [1] (b)	Amount Per Public Staff [2] (c)	[3]
<b>Plant In Service:</b>					
1.	Direct plant in service	\$123,348,500	(\$4,897,861)	\$118,450,639	
	Allocation of common plant in service:				
2.	WSC cost center	4,193,524	15,317	4,208,841	
3.	State cost center	1,528,091	68,871	1,596,962	
4.	Charlotte office cost center	(444,873)	627,644	182,771	
5.	Charlotte warehouse cost center	(265,165)	900,052	634,887	
6.	Florida office cost center	114,998	(2)	114,996	
7.	Nevada office cost center	8,303	0	8,303	
8.	JDE Conversion	(48,753)	0	(48,753)	
9.	Gain on sale	(3,485,140)	3,485,140	0	
10.	Other plant adjustments	0	0	0	
11.	Total plant in service (Sum of L1 thru L10)	<u>\$124,949,485</u>	<u>\$199,161</u>	<u>\$125,148,646</u>	
<b>Accumulated Depreciation:</b>					
12.	Direct accumulated depreciation	(\$25,842,122)	(\$362,072)	(\$26,204,194)	
	Allocation of common accumulated depreciation:				
13.	WSC cost center	(3,288,326)	(61,151)	(3,349,477)	
14.	State cost center	(1,173,616)	(83,509)	(1,257,125)	
15.	Charlotte office cost center	213,693	(301,484)	(87,791)	
16.	Charlotte warehouse cost center	79,882	(299,581)	(219,699)	
17.	Florida office cost center	(51,265)	0	(51,265)	
18.	Nevada office cost center	(4,252)	0	(4,252)	
19.	JDE Conversion	9,840	0	9,840	
20.	Gain on sale	2,091,085	(2,091,085)	0	
21.	Other accumulated depreciation adjustments	(95,038)	0	(95,038)	
22.	Total accumulated depr. (Sum of L12 thru L21)	<u>(\$28,060,119)</u>	<u>(\$3,198,882)</u>	<u>(\$31,259,001)</u>	

[1] Henry Exhibit I Schedule 2-1(a) plus 2-1(b), Column (a).

[2] Henry Exhibit I Schedule 2-1(a) plus 2-1(b), Column (b).

[3] Henry Exhibit I Schedule 2-1(a) plus 2-1(b), Column (c).

**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**CALCULATION OF PLANT IN SERVICE AND  
ACCUMULATED DEPRECIATION**

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(a)**WATER OPERATIONS**

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments [1] (b)	Amount Per Public Staff [3] (c)
	<b><u>Plant In Service:</u></b>			
1.	Direct plant in service	\$64,659,389	(\$3,551,063)	\$61,108,326 [4]
	Allocation of common plant in service:			
2.	WSC cost center	2,537,178	0	2,537,178 [5]
3.	State cost center	921,895	43,909	965,804 [5]
4.	Charlotte office cost center	(290,246)	400,446	110,200 [5]
5.	Charlotte warehouse cost center	(169,181)	755,236	586,055 [5]
6.	Florida office cost center	69,368	(2)	69,366 [5]
7.	Nevada office cost center	5,009	0	5,009 [5]
8.	JDE Conversion	(48,958)	0	(48,958)
9.	Gain on sale	(2,308,911)	2,308,911 [2]	0
10.	Other plant adjustments	0	0	0
11.	Total plant in service (Sum of L1 thru L10)	<u>\$65,375,543</u>	<u>(\$42,563)</u>	<u>\$65,332,980</u>
	<b><u>Accumulated Depreciation:</u></b>			
12.	Direct accumulated depreciation	(\$14,307,528)	(\$26,892)	(\$14,334,420) [6]
	Allocation of common accumulated depreciation:			
13.	WSC cost center	(1,998,152)	(20,876)	(2,019,028) [5]
14.	State cost center	(707,023)	(52,832)	(759,855) [5]
15.	Charlotte office cost center	139,418	(192,352)	(52,934) [5]
16.	Charlotte warehouse cost center	50,966	(237,856)	(186,890) [5]
17.	Florida office cost center	(30,923)	0	(30,923) [5]
18.	Nevada office cost center	(2,565)	0	(2,565) [5]
19.	JDE Conversion	9,711	0	9,711
20.	Gain on sale	1,385,347	(1,385,347) [2]	0
21.	Other accumulated depreciation adjustments	0	0	0
22.	Total accumulated depr. (Sum of L12 thru L21)	<u>(\$15,460,749)</u>	<u>(\$1,916,155)</u>	<u>(\$17,376,904)</u>

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

[2] Adjustment to reclassify gain on sale.

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

[4] Henry Exhibit I, Schedule 2-1(a)(1), Column (d), Line 48.

[5] Provided by Public Staff Accountant Zhang.

[6] Henry Exhibit I, Schedule 2-2, Column (a), Line 12.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF DIRECT PLANT IN SERVICE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(a)[1]

**WATER OPERATIONS**

Line No.	Account No.	Item	Amount Per Application [1] (a)	Public Staff Adjustments [2] (b)	Actual Plant Additions [1] (c)	Amount Per Public Staff [3] (d)
1.	1020	Organization	\$266,186	\$0	\$0	\$266,186
2.	1025	Franchises	111,898	0	2,552	114,450
3.	1030	Land & land rights pump	143	0	0	143
4.	1035	Land & land rights water tr.	357,109	0	0	357,109
5.	1040	Land & land rights trans.	0	0	0	0
6.	1045	Land & land rights gen. plt.	558,860	0	700	559,560
7.	1050	Struct & improv. src. supply	3,001,059	(27,430)	138,107	3,111,736
8.	1055	Struct & improv. wtr. trt. plt.	970,440	(2,596)	13,960	981,804
9.	1060	Struct & improv. trans. dist.	39,442	(4,926)	7,711	42,227
10.	1065	Struct & improv. gen. plt.	310,972	0	0	310,972
11.	1080	Wells & springs	9,551,837	(200,772)	7,078	9,358,143
12.	1085	Infiltration gallery	45,185	0	0	45,185
13.	1090	Supply mains	384,447	(10,825)	6,003	379,625
14.	1095	Power generation equip.	5,160	0	0	5,160
15.	1100	Electric pump equip. src. plt.	2,043,184	(215,999)	107,569	1,934,754
16.	1105	Electric pump equip. wtp.	5,331,359	(108,144)	35,037	5,258,252
17.	1110	Electric pump equip. trans.	1,237,346	(32,537)	27,979	1,232,788
18.	1115	Water treatment equip.	2,870,536	(291,054)	61,292	2,640,774
19.	1120	Dist. resv. & standpipes	5,710,745	(862,701)	438,851	5,286,895
20.	1125	Trans. & distr. mains	18,358,150	(471,709)	263,245	18,149,686
21.	1130	Service lines	6,396,533	(713,500)	164,746	5,847,779
22.	1135	Meters	1,156,139	(336,956)	1,300,085	2,119,268
23.	1140	Meter installations	931,870	(18,580)	12,379	925,669
24.	1145	Hydrants	614,860	(74,209)	34,566	575,217
25.	1150	Backflow prevention devic.	13,128	0	0	13,128
26.	1160	Other plt. & misc. equip. src. su.	260	0	0	260
27.	1165	Other plt. & misc. equip. wtp.	5,804	0	0	5,804
28.	1175	Office struct & improv.	69,880	(14,222)	(14)	55,644
29.	1180	Office furn. & equip.	336,132	(226,862)	4,582	113,852
30.	1185	Stores equipment	0	0	0	0
31.	1190	Tool shop & misc. equip.	1,157,941	(354,081)	2,470	806,330
32.	1195	Laboratory equipment	126,829	(23,655)	162	103,336
33.	1200	Power operated equip.	180,644	(3,776)	9,219	186,087
34.	1205	Communication equip.	271,995	(78,953)	1,302	194,344
35.	1210	Misc. equipment	17,610	(6,020)	0	11,590
36.	1215	Water plant allocated	207,809	0	0	207,809
37.	1220	Other tangible pit. water	36,650	(34,362)	0	2,288
38.	1275	Land & land rights reclaim\	2	(2)	0	0
39.	1430	Other plant collection	441	(441)	0	0
40.	1555	Transportation equip.	0	0	0	0
41.	1575	Desktop computer - wtr	0	0	0	0
42.	1580	Mainframe computer - wtr	0	0	0	0
43.	1585	Mlni computer - wtr	0	0	0	0
44.	1590	Comp. system cost - wtr	60,756	(60,756)	0	0
45.	1595	Micro system cost - wtr	0	0	0	0
46.	1805	Plt. held for future use	(313,952)	218,424	0	(95,528)
47.		Pro forma plant additions	<u>2,234,000</u>	<u>(2,234,000)</u>	<u>0</u>	<u>0</u>
48.		Total plant in service (Sum of L1 thru L47)	<u>\$64,659,389</u>	<u>(\$6,190,644)</u>	<u>\$2,639,581</u>	<u>\$61,108,326</u>

- [1] Per examination of Company's financial records.  
[2] Henry Exhibit I, Schedule 2-1(a)[2], Column (d).  
[3] Sum of Column (a) through Column (c).

## CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 344  
 ADJUSTMENT TO DIRECT PLANT IN SERVICE  
 For The Test Year Ended December 31, 2014

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

## WATER OPERATIONS

Line No.	Account No.	Item	Remove Estimates [1] (a)	Cost Center Adjustment [1] (b)	UR Ledger Adjustments [1] (c)	Amount Per Public Staff [2] (d)
1.	1020	Organization	\$0	\$0	\$0	\$0
2.	1025	Franchises	0	0	0	0
3.	1030	Land & land rights pump	0	0	0	0
4.	1035	Land & land rights water tr.	0	0	0	0
5.	1040	Land & land rights trans.	0	0	0	0
6.	1045	Land & land rights gen. pit.	0	0	0	0
7.	1050	Struct & improv. src. supply	(26,952)	(478)	0	(27,430)
8.	1055	Struct & improv. wtr. trt. pit.	(2,260)	(336)	0	(2,596)
9.	1060	Struct & improv. trans. dist.	(4,926)	0	0	(4,926)
10.	1065	Struct & improv. gen. pit.	0	0	0	0
11.	1080	Wells & springs	(1,144)	(1,628)	(198,000)	(200,772)
12.	1085	Infiltration gallery	0	0	0	0
13.	1090	Supply mains	(10,825)	0	0	(10,825)
14.	1095	Power generation equip.	0	0	0	0
15.	1100	Electric pump equip. src. plt.	(215,999)	0	0	(215,999)
16.	1105	Electric pump equip. wtp.	(60,826)	(47,318)	0	(108,144)
17.	1110	Electric pump equip. trans.	(32,537)	0	0	(32,537)
18.	1115	Water treatment equip.	(96,994)	(184,060)	(10,000)	(291,054)
19.	1120	Dist. resv. & standpipes	(289,173)	(110,104)	(463,424)	(862,701)
20.	1125	Trans. & distr. mains	(210,814)	(1,188)	(259,707)	(471,709)
21.	1130	Service lines	(301,746)	(270,039)	(141,715)	(713,500)
22.	1135	Meters	(29,008)	(307,948)	0	(336,956)
23.	1140	Meter installations	(18,580)	0	0	(18,580)
24.	1145	Hydrants	(74,209)	0	0	(74,209)
25.	1150	Backflow prevention devic.	0	0	0	0
26.	1160	Other plt. & misc. equip. src. su.	0	0	0	0
27.	1165	Other plt. & misc. equip. wtp.	0	0	0	0
28.	1175	Office struct & improv.	76	(14,298)	0	(14,222)
29.	1180	Office furn. & equip.	(8,117)	(218,745)	0	(226,862)
30.	1185	Stores equipment	0	0	0	0
31.	1190	Tool shop & misc. equip.	(6,481)	(347,600)	0	(354,081)
32.	1195	Laboratory equipment	0	(23,655)	0	(23,655)
33.	1200	Power operated equip.	(3,776)	0	0	(3,776)
34.	1205	Communication equip.	(7,163)	(71,790)	0	(78,953)
35.	1210	Misc. equipment	0	(6,020)	0	(6,020)
36.	1215	Water plant allocated	0	0	0	0
37.	1220	Other tangible pit. water	0	(34,362)	0	(34,362)
38.	1275	Land & land rights reclaim\	(2)	0	0	(2)
39.	1430	Other plant collection	(441)	0	0	(441)
40.	1555	Transportation equip.	0	0	0	0
41.	1575	Desktop computer - wtr	0	0	0	0
42.	1580	Mainframe computer - wtr	0	0	0	0
43.	1585	Mini computer - wtr	0	0	0	0
44.	1590	Comp. system cost - wtr	0	(60,756)	0	(60,756)
45.	1595	Micro system cost - wtr	0	0	0	0
46.	1805	Pit. held for future use	0	0	218,424	218,424
47.		Pro forma plant additions	(2,234,000)	0	0	(2,234,000)
48.		Total plant in service (Sum of L1 thru L47)	(\$3,635,897)	(\$1,700,325)	(\$854,422)	(\$6,190,644)

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

[2] Sum of Column (a) through Column (c).

**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**CALCULATION OF PLANT IN SERVICE AND  
ACCUMULATED DEPRECIATION**

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(b)**COMBINED SEWER OPERATIONS**

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	Amount Per Public Staff (c)
		[1]	[2]	[3]
	<b><u>Plant In Service:</u></b>			
1.	Direct plant in service	\$58,689,111	(\$1,346,798)	\$57,342,313
	Allocation of common plant in service:			
2.	WSC cost center	1,656,346	15,317	1,671,663
3.	State cost center	606,196	24,962	631,158
4.	Charlotte office cost center	(154,627)	227,198	72,571
5.	Charlotte warehouse cost center	(95,984)	144,816	48,832
6.	Florida office cost center	45,630	0	45,630
7.	Nevada office cost center	3,294	0	3,294
8.	JDE Conversion	205	0	205
9.	Gain on sale	(1,176,229)	1,176,229	0
10.	Other plant adjustments	0	0	0
11.	Total plant in service (Sum of L1 thru L10)	<u>\$59,573,942</u>	<u>\$241,724</u>	<u>\$59,815,666</u>
	<b><u>Accumulated Depreciation:</u></b>			
12.	Direct accumulated depreciation	(\$11,534,594)	(\$335,180)	(\$11,869,774)
	Allocation of common accumulated depreciation:			
13.	WSC cost center	(1,290,174)	(40,275)	(1,330,449)
14.	State cost center	(466,593)	(30,677)	(497,270)
15.	Charlotte office cost center	74,275	(109,132)	(34,857)
16.	Charlotte warehouse cost center	28,916	(61,725)	(32,809)
17.	Florida office cost center	(20,342)	0	(20,342)
18.	Nevada office cost center	(1,687)	0	(1,687)
19.	JDE Conversion	129	0	129
20.	Gain on sale	705,738	(705,738)	0
21.	Other accumulated depreciation adjustments	(95,038)	0	(95,038)
22.	Total accumulated depr. (Sum of L12 thru L21)	<u>(\$12,599,370)</u>	<u>(\$1,282,727)</u>	<u>(\$13,882,097)</u>

[1] Henry Exhibit I Schedule 2-1(c) plus 2-1(d), plus 2-1(e), Column (a).

[2] Henry Exhibit I Schedule 2-1(c) plus 2-1(d), plus 2-1(e), Column (b).

[3] Henry Exhibit I Schedule 2-1(c) plus 2-1(d), plus 2-1(e), Column (c).



**CAROLINA WATER SERVICE, INC., OF NC**  
**Docket No. W-354, Sub 344**  
**CALCULATION OF DIRECT PLANT IN SERVICE**  
**For The Test Year Ended December 31, 2014**

Henry Exhibit I  
Schedule 2-1(b)(1)

**COMBINED SEWER OPERATIONS**

Line No.	Account No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	Actual Plant Additions (c)	Amount Per Public Staff (d)
			(1)	(2)	(1)	(3)
1.	1245	Organization	\$829,246	\$0	\$0	\$829,246
2.	1250	Franchises intang. plt.	127,476	0	0	127,476
3.	1270	Land & land rights trtmnt plt	37,417	0	186,526	223,943
4.	1275	Land & land rights reclaim.	1,150	0	0	1,150
5.	1285	Land & land rights gen. plt.	132,109	0	0	132,109
6.	1290	Struct/improv. coll. plt.	25,867	0	262	26,129
7.	1295	Struct/improv. pump plt. ls.	3,428,406	137,646	(71,605)	3,494,447
8.	1300	Struct/improv. treat. plt.	12,567,261	(1,198,776)	4,673,649	16,042,134
9.	1305	Struct/improv. reclaim. wtp.	3,271	0	0	3,271
10.	1310	Struct/improv. reclaim. wtr.	177,281	0	0	177,281
11.	1315	Struct/improv. gen. plt.	1,313,813	(6,658)	8,551	1,315,706
12.	1320	Power gen. equip. coll. plt.	0	0	0	0
13.	1325	Power gen. equip. pump plt.	1,258	0	50,650	51,908
14.	1330	Power gen. equip. treat. plt.	93,265	0	254	93,519
15.	1345	Sewer force main/serv. lin.	2,186,946	(136,646)	18,590	2,068,890
16.	1350	Sewer gravity main	12,978,331	(561,983)	103,029	12,519,377
17.	1353	Manholes	223,102	(18,105)	15,448	220,445
18.	1355	Special coll. structures	6,502	0	0	6,502
19.	1360	Services to customers	494,993	(66,132)	53,463	482,324
20.	1365	Flow measure devices	73,221	(20,603)	7,407	60,025
21.	1370	Flow measure install	828	0	21	849
22.	1375	Receiving wells	516	0	0	516
23.	1380	Pumping equipment pump plt.	2,042,431	(502,585)	142,970	1,682,816
24.	1385	Pumping equipment reclaim.	37,598	(28,600)	3,452	12,450
25.	1390	Pumping equipment rcl. wtr.	13,927	(413)	1,269	14,783
26.	1395	Treat./disp. equip. lagoon	562,538	(210)	0	562,328
27.	1400	Treat./disp. equip. trt. plt.	16,994,664	(872,802)	79,469	16,201,331
28.	1405	Treat./disp. equip. rct. wtp.	11,007	0	85	11,092
29.	1410	Plant sewers treat. plt.	353,922	(6,835)	6,339	353,426
30.	1415	Plant sewers reclaim wtp.	4,907	0	0	4,907
31.	1420	Outfall lines	95,181	0	0	95,181
32.	1425	Other plt. tangible	1,863	(952)	0	911
33.	1430	Other plt. collection	21,020	0	80	21,100
34.	1435	Other plt. pump	46,128	(526)	169	45,771
35.	1440	Other plt. treatment	31,770	0	1,567	33,337
36.	1445	Other plt. reclaim wtr. trt.	650	0	0	650
37.	1450	Other plt. reclaim wtr. dis.	460	0	0	460
38.	1455	Office struct & improv.	4,327	0	0	4,327
39.	1460	Office furn. & equip.	23,208	(2,439)	1,854	22,623
40.	1465	Stores equipment	3,084	0	182	3,266
41.	1470	Tool shop & misc. equip.	103,737	(1,956)	2,024	103,805
42.	1475	Laboratory equipment	126,076	(56,849)	15,012	84,239
43.	1480	Power operated equip.	67,647	0	2,195	69,842
44.	1485	Communication equip.	67,012	0	0	67,012
45.	1490	Misc equip. sewer	9,772	(3,667)	0	6,105
46.	1495	Sewer plant allocated	526,952	0	0	526,952
47.	1500	Other tangible plt. sewer	1,776	0	0	1,776
48.	1535	Reuse dist. reservoirs	3,110	0	0	3,110
49.	1540	Reuse transmission & dist.	48,131	(5,314)	3,257	46,074
50.	1555	Transportation equip.	0	0	0	0
51.	1575	Desktop computer - wtr	0	0	0	0
52.	1580	Mainframe computer - wtr	0	0	0	0
53.	1585	Mini computer - wtr	0	0	0	0
54.	1590	Comp. system cost - wtr	34,470	(34,470)	0	0
55.	1595	Micro system cost - wtr	0	0	0	0
56.	1805	Plt. held for future use	(1,029,216)	514,608	0	(514,608)
57.		Pro forma plant additions	3,778,700	(3,778,700)	0	0
58.		Total plant in service (Sum of L1 thru L57)	\$58,689,111	(\$6,652,967)	\$5,306,169	\$57,342,313

(1) Per examination of Company's financial records.

(2) Henry Exhibit I, Schedule 2-1(b)(2), Column (d).

(3) Sum of Column (a) through Column (c).

## CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 344  
ADJUSTMENT TO DIRECT PLANT IN SERVICE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(b)(2)

## COMBINED SEWER OPERATIONS

Line No.	Account No.	Item	Remove Estimates (a)	(1)	Cost Center Adjustment (b)	(1)	UR Ledger Adjustments (c)	(1)	Amount Per Public Staff (d)	(2)
1.	1245	Organization	\$0		\$0		\$0		\$0	
2.	1250	Franchises Intang. plt.	0		0		0		0	
3.	1270	Land & land rights trtmnt plt	0		0		0		0	
4.	1275	Land & land rights reclaim.	0		0		0		0	
5.	1285	Land & land rights gen. plt.	0		0		0		0	
6.	1290	Struct/improv. coli. plt.	0		0		0		0	
7.	1295	Struct/improv. pump plt. ls.	137,646		0		0		137,646	
8.	1300	Struct/improv. treat. plt.	(1,195,352)		(3,424)		0		(1,198,776)	
9.	1305	Struct/improv. reclaim. wtp.	0		0		0		0	
10.	1310	Struct/improv. reclaim. wtr.	0		0		0		0	
11.	1315	Struct/improv. gen. plt.	(6,658)		0		0		(6,658)	
12.	1320	Power gen. equip. coll. plt.	0		0		0		0	
13.	1325	Power gen. equip. pump plt.	0		0		0		0	
14.	1330	Power gen. equip. treat. plt.	0		0		0		0	
15.	1345	Sewer force main/serv. lin.	(81,021)		(7,414)		(48,211)		(136,646)	
16.	1350	Sewer gravity main	(68,493)		0		(493,490)		(561,983)	
17.	1353	Manholes	(18,105)		0		0		(18,105)	
18.	1355	Special coll. structures	0		0		0		0	
19.	1360	Services to customers	(66,132)		0		0		(66,132)	
20.	1365	Flow measure devices	(20,603)		0		0		(20,603)	
21.	1370	Flow measure install	0		0		0		0	
22.	1375	Receiving wells	0		0		0		0	
23.	1380	Pumping equipment pump plt.	(497,984)		(4,601)		0		(502,585)	
24.	1385	Pumping equipment reclaim.	(28,600)		0		0		(28,600)	
25.	1390	Pumping equipment rcl. wtr.	(413)		0		0		(413)	
26.	1395	Treat./disp. equip. lagoon	0		(210)		0		(210)	
27.	1400	Treat./disp. equip. trt. plt.	(224,965)		(27,229)		(620,608)		(872,802)	
28.	1405	Treat./disp. equip. rct. wtp.	0		0		0		0	
29.	1410	Plant sewers treat. plt.	(6,835)		0		0		(6,835)	
30.	1415	Plant sewers reclaim wtp.	0		0		0		0	
31.	1420	Outfall lines	0		0		0		0	
32.	1425	Other plt. tangible	0		(952)		0		(952)	
33.	1430	Other plt. collection	0		0		0		0	
34.	1435	Other plt. pump	0		(526)		0		(526)	
35.	1440	Other plt. treatment	0		0		0		0	
36.	1445	Other plt. reclaim wtr. trt.	0		0		0		0	
37.	1450	Other plt. reclaim wtr. dis.	0		0		0		0	
38.	1455	Office struct & improv.	0		0		0		0	
39.	1460	Office furn. & equip.	(1,658)		(781)		0		(2,439)	
40.	1465	Stores equipment	0		0		0		0	
41.	1470	Tool shop & misc. equip.	(1,956)		0		0		(1,956)	
42.	1475	Laboratory equipment	(55,306)		(1,543)		0		(56,849)	
43.	1480	Power operated equip.	0		0		0		0	
44.	1485	Communication equip.	0		0		0		0	
45.	1490	Misc equip. sewer	0		(3,667)		0		(3,667)	
46.	1495	Sewer plant allocated	0		0		0		0	
47.	1500	Other tangible plt. sewer	0		0		0		0	
48.	1535	Reuse dist. reservoirs	0		0		0		0	
49.	1540	Reuse transmission & dist.	(5,314)		0		0		(5,314)	
50.	1555	Transportation equip.	0		0		0		0	
51.	1575	Desktop computer - wtr	0		0		0		0	
52.	1580	Mainframe computer - wtr	0		0		0		0	
53.	1585	Mini computer - wtr	0		0		0		0	
54.	1590	Comp. system cost - wtr	0		(34,470)		0		(34,470)	
55.	1595	Micro system cost - wtr	0		0		0		0	
56.	1805	Plt. held for future use	0		0		514,608		514,608	
57.		Pro forma plant additions	(3,778,700)		0		0		(3,778,700)	
58.		Total plant in service (Sum of L1 thru L57)	(\$5,920,449)		(\$84,817)		(\$647,701)		(\$6,652,967)	

(1) Per examination of Company's financial records.

(2) Sum of Column (a) through Column (c).

**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**CALCULATION OF PLANT IN SERVICE AND  
ACCUMULATED DEPRECIATION**

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(c)**SEWER OPERATIONS**

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	[1]	Amount Per Public Staff (c)	[3]
	<b><u>Plant In Service:</u></b>					
1.	Direct plant in service	\$42,221,597	(\$1,464,866)		\$40,756,731	[4]
	Allocation of common plant in service:					
2.	WSC cost center	1,439,457	0		1,439,457	[5]
3.	State cost center	523,033	24,962		547,995	[5]
4.	Charlotte office cost center	(164,670)	227,198		62,528	[5]
5.	Charlotte warehouse cost center	(95,984)	144,816		48,832	[5]
6.	Florida office cost center	39,356	0		39,356	[5]
7.	Nevada office cost center	2,842	0		2,842	[5]
8.	JDE Conversion	205	0		205	
9.	Gain on sale	(1,081,256)	1,081,256	[2]	0	
10.	Other plant adjustments	0	0		0	
11.	Total plant in service (Sum of L1 thru L10)	<u>\$42,884,580</u>	<u>\$13,366</u>		<u>\$42,897,946</u>	
	<b><u>Accumulated Depreciation:</u></b>					
12.	Direct accumulated depreciation	(\$9,002,661)	(\$95,725)		(\$9,098,386)	[6]
	Allocation of common accumulated depreciation:					
13.	WSC cost center	(1,133,642)	(11,951)		(1,145,593)	[5]
14.	State cost center	(401,127)	(30,014)		(431,141)	[5]
15.	Charlotte office cost center	79,098	(109,132)		(30,034)	[5]
16.	Charlotte warehouse cost center	28,916	(61,725)		(32,809)	[5]
17.	Florida office cost center	(17,544)	0		(17,544)	[5]
18.	Nevada office cost center	(1,456)	0		(1,456)	[5]
19.	JDE Conversion	129	0		129	
20.	Gain on sale	648,754	(648,754)	[2]	0	
21.	Other accumulated depreciation adjustments	0	0		0	
22.	Total accumulated depr. (Sum of L12 thru L21)	<u>(\$9,799,533)</u>	<u>(\$957,301)</u>		<u>(\$10,756,834)</u>	

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

[2] Adjustment to reclassify gain on sale.

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

[4] Henry Exhibit I, Schedule 2-1(c)(1), Column (d), Line 58.

[5] Provided by Public Staff Accountant Zhang.

[6] Henry Exhibit I, Schedule 2-2, Column (b), Line 12.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF DIRECT PLANT IN SERVICE**  
For The Test Year Ended December 31, 2014

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

**SEWER OPERATIONS**

Line No.	Account No.	Item	Amount Per Application (1) (a)	Public Staff Adjustments (2) (b)	Actual Plant Additions (1) (c)	Amount Per Public Staff (3) (d)
1.	1245	Organization	\$178,599	\$0	\$0	\$178,599
2.	1250	Franchises intang. plt.	15,898	0	0	15,898
3.	1270	Land & land rights trtmnt plt	37,417	0	186,526	223,943
4.	1275	Land & land rights reclaim.	1,150	0	0	1,150
5.	1285	Land & land rights gen. plt.	132,109	0	0	132,109
6.	1290	Struct/improv. coll. plt.	24,427	0	262	24,689
7.	1295	Struct/improv. pump plt. ls.	2,885,614	137,646	(46,538)	2,976,722
8.	1300	Struct/improv. treat. plt.	2,654,991	(1,198,776)	4,118,110	5,574,325
9.	1305	Struct/improv. reclaim. wtp.	3,271	0	0	3,271
10.	1310	Struct/improv. reclaim. wtr.	104,665	0	0	104,665
11.	1315	Struct/improv. gen. plt.	1,135,223	(6,658)	5,093	1,133,658
12.	1320	Power gen. equip. coll. plt.	0	0	0	0
13.	1325	Power gen. equip. pump plt.	1,258	0	0	1,258
14.	1330	Power gen. equip. treat. plt.	93,265	0	254	93,519
15.	1345	Sewer force main/serv. lln.	2,016,136	(136,646)	15,651	1,895,141
16.	1350	Sewer gravity main	12,082,780	(561,983)	100,690	11,621,487
17.	1353	Manholes	218,588	(18,105)	15,448	215,931
18.	1355	Special coll. structures	6,502	0	0	6,502
19.	1360	Services to customers	481,309	(66,132)	51,569	466,746
20.	1365	Flow measure devices	55,415	(20,603)	7,407	42,219
21.	1370	Flow measure install	828	0	21	849
22.	1375	Receiving wells	516	0	0	516
23.	1380	Pumping equipment pump plt.	1,738,700	(502,585)	109,729	1,345,844
24.	1385	Pumping equipment reclaim.	37,598	(28,600)	3,452	12,450
25.	1390	Pumping equipment rcl. wtr.	7,723	(413)	1,269	8,579
26.	1395	Treat./disp. equip. lagoon	381,728	(210)	0	381,518
27.	1400	Treat./disp. equip. trt. plt.	14,267,411	(872,802)	67,069	13,461,678
28.	1405	Treat./disp. equip. rct. wtp.	6,535	0	85	6,620
29.	1410	Plant sewers treat. plt.	320,856	(6,835)	6,131	320,152
30.	1415	Plant sewers reclaim wtp.	(285)	0	0	(285)
31.	1420	Outfall lines	95,181	0	0	95,181
32.	1425	Other plt. tangible	1,863	(952)	0	911
33.	1430	Other plt. collection	21,020	0	80	21,100
34.	1435	Other plt. pump	44,882	(526)	169	44,525
35.	1440	Other plt. treatment	23,929	0	1,567	25,496
36.	1445	Other plt. reclaim wtr. trt.	650	0	0	650
37.	1450	Other plt. reclaim wtr. dis.	0	0	0	0
38.	1455	Office struct & improv.	4,327	0	0	4,327
39.	1460	Office furn. & equip.	22,539	(2,439)	1,854	21,954
40.	1465	Stores equipment	3,084	0	182	3,266
41.	1470	Tool shop & misc. equip.	76,866	(1,956)	2,024	76,934
42.	1475	Laboratory equipment	119,313	(56,849)	14,779	77,243
43.	1480	Power operated equip.	25,861	0	1,961	27,822
44.	1485	Communication equip.	67,012	0	0	67,012
45.	1490	Misc equip. sewer	9,772	(3,667)	0	6,105
46.	1495	Sewer plant allocated	517,496	0	0	517,496
47.	1500	Other tangible plt. sewer	276	0	0	276
48.	1535	Reuse dist. reservoirs	2,962	0	0	2,962
49.	1540	Reuse transmission & dist.	30,383	(5,314)	3,257	28,326
50.	1555	Transportation equip.	0	0	0	0
51.	1575	Desktop computer - wtr	0	0	0	0
52.	1580	Mainframe computer - wtr	0	0	0	0
53.	1585	Mini computer - wtr	0	0	0	0
54.	1590	Comp. system cost - wtr	34,470	(34,470)	0	0
55.	1595	Micro system cost - wtr	0	0	0	0
56.	1805	Plt. held for future use	(1,029,216)	514,608	0	(514,608)
57.		Pro forma plant additions	3,258,700	(3,258,700)	0	0
58.		Total plant in service (Sum of L1 thru L57)	\$42,221,597	(\$6,132,967)	\$4,668,101	\$40,756,731

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

[2] Henry Exhibit I, Schedule 2-1(c)(2), Column (d).

[3] Sum of Column (a) through Column (c).

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO DIRECT PLANT IN SERVICE**  
For The Test Year Ended December 31, 2014

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

**SEWER OPERATIONS**

Line No.	Account No.	Item	Remove Estimates (a)	(1)	Cost Center Adjustment (b)	(1)	UR Ledger Adjustments (c)	(1)	Amount Per Public Staff (d)	(2)
1.	1245	Organization	\$0		\$0		\$0		\$0	
2.	1250	Franchises intang. plt.	0		0		0		0	
3.	1270	Land & land rights trtmnt plt	0		0		0		0	
4.	1275	Land & land rights reclaim.	0		0		0		0	
5.	1285	Land & land rights gen. plt.	0		0		0		0	
6.	1290	Struct/improv. coll. plt.	0		0		0		0	
7.	1295	Struct/improv. pump plt. ls.	137,646		0		0		137,646	
8.	1300	Struct/improv. treat. plt.	(1,195,352)		(3,424)		0		(1,198,776)	
9.	1305	Struct/improv. reclaim. wtp.	0		0		0		0	
10.	1310	Struct/improv. reclaim. wtr.	0		0		0		0	
11.	1315	Struct/improv. gen. plt.	(6,658)		0		0		(6,658)	
12.	1320	Power gen. equip. coll. plt.	0		0		0		0	
13.	1325	Power gen. equip. pump plt.	0		0		0		0	
14.	1330	Power gen. equip. treat. plt.	0		0		0		0	
15.	1345	Sewer force main/serv. lin.	(81,021)		(7,414)		(48,211)		(136,646)	
16.	1350	Sewer gravity main	(68,493)		0		(493,490)		(561,983)	
17.	1353	Manholes	(18,105)		0		0		(18,105)	
18.	1355	Special coll. structures	0		0		0		0	
19.	1360	Services to customers	(66,132)		0		0		(66,132)	
20.	1365	Flow measure devices	(20,603)		0		0		(20,603)	
21.	1370	Flow measure install	0		0		0		0	
22.	1375	Receiving wells	0		0		0		0	
23.	1380	Pumping equipment pump plt.	(497,984)		(4,601)		0		(502,585)	
24.	1385	Pumping equipment reclaim.	(28,600)		0		0		(28,600)	
25.	1390	Pumping equipment rcl. wtr.	(413)		0		0		(413)	
26.	1395	Treat./disp. equip. lagoon	0		(210)		0		(210)	
27.	1400	Treat./disp. equip. trt. plt.	(224,965)		(27,229)		(620,608)		(872,802)	
28.	1405	Treat./disp. equip. rct. wtp.	0		0		0		0	
29.	1410	Plant sewers treat. plt.	(6,835)		0		0		(6,835)	
30.	1415	Plant sewers reclaim wtp.	0		0		0		0	
31.	1420	Outfall lines	0		0		0		0	
32.	1425	Other plt. tangible	0		(952)		0		(952)	
33.	1430	Other plt. collection	0		0		0		0	
34.	1435	Other plt. pump	0		(526)		0		(526)	
35.	1440	Other plt. treatment	0		0		0		0	
36.	1445	Other plt. reclaim wtr. trt.	0		0		0		0	
37.	1450	Other plt. reclaim wtr. dis.	0		0		0		0	
38.	1455	Office struct & improv.	0		0		0		0	
39.	1460	Office furn. & equip.	(1,658)		(781)		0		(2,439)	
40.	1465	Stores equipment	0		0		0		0	
41.	1470	Tool shop & misc. equip.	(1,956)		0		0		(1,956)	
42.	1475	Laboratory equipment	(55,306)		(1,543)		0		(56,849)	
43.	1480	Power operated equip.	0		0		0		0	
44.	1485	Communication equip.	0		0		0		0	
45.	1490	Misc equip. sewer	0		(3,667)		0		(3,667)	
46.	1495	Sewer plant allocated	0		0		0		0	
47.	1500	Other tangible plt. sewer	0		0		0		0	
48.	1535	Reuse dist. reservoirs	0		0		0		0	
49.	1540	Reuse transmission & dist.	(5,314)		0		0		(5,314)	
50.	1555	Transportation equip.	0		0		0		0	
51.	1575	Desktop computer - wtr	0		0		0		0	
52.	1580	Mainframe computer - wtr	0		0		0		0	
53.	1585	Mini computer - wtr	0		0		0		0	
54.	1590	Comp. system cost - wtr	0		(34,470)		0		(34,470)	
55.	1595	Micro system cost - wtr	0		0		0		0	
56.	1805	Plt. held for future use	0		0		514,608		514,608	
57.		Pro forma plant additions	(3,258,700)		0		0		(3,258,700)	
58.		Total plant in service (Sum of L1 thru L57)	(\$5,400,449)		(\$84,817)		(\$647,701)		(\$6,132,967)	

(1) Per examination of Company's financial records.

(2) Sum of Column (a) through Column (c).

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**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**CALCULATION OF PLANT IN SERVICE AND  
ACCUMULATED DEPRECIATION**

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(d)**CLMS SEWER OPERATIONS**

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	[1]	Amount Per Public Staff (c)	[3]
<b>Plant In Service:</b>						
1.	Direct plant in service	\$13,186,043	(\$41,131)		\$13,144,912	[4]
	Allocation of common plant in service:					
2.	WSC cost center	116,158	15,541		131,699	[5]
3.	State cost center	46,919	0		46,919	[5]
4.	Charlotte office cost center	5,649	0		5,649	[5]
5.	Charlotte warehouse cost center	0	0		0	[5]
6.	Florida office cost center	3,550	0		3,550	[5]
7.	Nevada office cost center	258	0		258	[5]
8.	JDE Conversion	0	0		0	
9.	Gain on sale	(94,973)	94,973	[2]	0	
10.	Other plant adjustments	0	0		0	
11.	Total plant in service (Sum of L1 thru L10)	<u>\$13,263,604</u>	<u>\$69,383</u>		<u>\$13,332,987</u>	
<b>Accumulated Depreciation:</b>						
12.	Direct accumulated depreciation	(\$1,589,545)	(\$115,934)		(\$1,705,479)	[6]
	Allocation of common accumulated depreciation:					
13.	WSC cost center	(77,200)	(27,644)		(104,844)	[5]
14.	State cost center	(36,935)	(374)		(37,309)	[5]
15.	Charlotte office cost center	(2,713)	0		(2,713)	[5]
16.	Charlotte warehouse cost center	0	0		0	[5]
17.	Florida office cost center	(1,584)	0		(1,584)	[5]
18.	Nevada office cost center	(132)	0		(132)	[5]
19.	JDE Conversion	0	0		0	
20.	Gain on sale	56,984	(56,984)	[2]	0	
21.	Other accumulated depreciation adjustments	34,517	0		34,517	
22.	Total accumulated depr. (Sum of L12 thru L21)	<u>(\$1,616,608)</u>	<u>(\$200,936)</u>		<u>(\$1,817,544)</u>	

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

[2] Adjustment to reclassify gain on sale.

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

[4] Henry Exhibit I, Schedule 2-1(d)(1), Column (d), Line 58.

[5] Provided by Public Staff Accountant Zhang.

[6] Henry Exhibit I, Schedule 2-2, Column (c), Line 12.

## CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 344

CALCULATION OF DIRECT PLANT IN SERVICE  
For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 2-1(d)(1)

## CLMS SEWER OPERATIONS

Line No.	Account No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	Actual Plant Additions (c)	Amount Per Public Staff (d)
			(1)	(2)	(1)	(3)
1.	1245	Organization	\$493,286	\$0	\$0	\$493,286
2.	1250	Franchises intang. plt.	0	0	0	0
3.	1270	Land & land rights trtmnt plt	0	0	0	0
4.	1275	Land & land rights reclaim.	0	0	0	0
5.	1285	Land & land rights gen. plt.	0	0	0	0
6.	1290	Struct/improv. coll. plt.	1,290	0	0	1,290
7.	1295	Struct/improv. pump plt. ls.	195,223	0	0	195,223
8.	1300	Struct/improv. treat. plt.	9,895,161	0	2,588	9,897,749
9.	1305	Struct/improv. reclaim. wtp.	0	0	0	0
10.	1310	Struct/improv. reclaim. wtr.	56,315	0	0	56,315
11.	1315	Struct/improv. gen. plt.	114,140	0	1,765	115,905
12.	1320	Power gen. equip. coli. plt.	0	0	0	0
13.	1325	Power gen. equip. pump plt.	0	0	0	0
14.	1330	Power gen. equip. treat. plt.	0	0	0	0
15.	1345	Sewer force main/serv. lln.	87,104	0	2,346	89,450
16.	1350	Sewer gravity main	532,231	0	1,745	533,976
17.	1353	Manholes	3,634	0	0	3,634
18.	1355	Special coll. structures	0	0	0	0
19.	1360	Services to customers	8,263	0	0	8,263
20.	1365	Flow measure devices	17,406	0	0	17,406
21.	1370	Flow measure install	0	0	0	0
22.	1375	Receiving wells	0	0	0	0
23.	1380	Pumping equipment pump plt.	199,980	0	10,088	210,068
24.	1385	Pumping equipment reclaim.	0	0	0	0
25.	1390	Pumping equipment rci. wtr.	0	0	0	0
26.	1395	Treat./disp. equip. lagoon	180,810	0	0	180,810
27.	1400	Treat./disp. equip. trt. plt.	1,287,735	0	104	1,287,839
28.	1405	Treat./disp. equip. rct. wtp.	0	0	0	0
29.	1410	Plant sewers treat. plt.	14,142	0	0	14,142
30.	1415	Plant sewers reclaim wtp.	420	0	0	420
31.	1420	Outfall lines	0	0	0	0
32.	1425	Other plt. tangible	0	0	0	0
33.	1430	Other plt. collection	0	0	0	0
34.	1435	Other plt. pump	1,246	0	0	1,246
35.	1440	Other plt. treatment	3,681	0	0	3,681
36.	1445	Other plt. reclaim wtr. trt.	0	0	0	0
37.	1450	Other plt. reclaim wtr. dis.	460	0	0	460
38.	1455	Office struct & improv.	0	0	0	0
39.	1460	Office furn. & equip.	0	0	0	0
40.	1465	Stores equipment	0	0	0	0
41.	1470	Tool shop & misc. equip.	1,594	0	0	1,594
42.	1475	Laboratory equipment	2,931	0	233	3,164
43.	1480	Power operated equip.	1,639	0	0	1,639
44.	1485	Communication equip.	0	0	0	0
45.	1490	Misc equip. sewer	0	0	0	0
46.	1495	Sewer plant allocated	9,456	0	0	9,456
47.	1500	Other tangible plt. sewer	0	0	0	0
48.	1535	Reuse dist. reservoirs	148	0	0	148
49.	1540	Reuse transmission & dist.	17,748	0	0	17,748
50.	1555	Transportation equip.	0	0	0	0
51.	1575	Desktop computer - wtr	0	0	0	0
52.	1580	Mainframe computer - wtr	0	0	0	0
53.	1585	Mini computer - wtr	0	0	0	0
54.	1590	Comp. system cost - wtr	0	0	0	0
55.	1595	Micro system cost - wtr	0	0	0	0
56.	1805	Plt. held for future use	0	0	0	0
57.		Pro forma plant additions	60,000	(60,000)	0	0
58.		Total plant in service (Sum of L1 thru L57)	\$13,186,043	(\$60,000)	\$18,869	\$13,144,912

(1) Per examination of Company's financial records.

(2) Henry Exhibit I, Schedule 2-1(d)(2), Column (d).

(3) Sum of Column (a) through Column (c).

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
ADJUSTMENT TO DIRECT PLANT IN SERVICE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(d)(2)

CLMS SEWER OPERATIONS

Line No.	Account No.	Item	Remove Estimates [1] (a)	Cost Center Adjustment [1] (b)	UR Ledger Adjustments [1] (c)	Amount Per Public Staff [2] (d)
1.	1245	Organization	\$0	\$0	\$0	\$0
2.	1250	Franchises intang. plt.	0	0	0	0
3.	1270	Land & land rights trtmnt plt	0	0	0	0
4.	1275	Land & land rights reclaim.	0	0	0	0
5.	1285	Land & land rights gen. plt.	0	0	0	0
6.	1290	Struct/Improv. coll. plt.	0	0	0	0
7.	1295	Struct/Improv. pump plt. is.	0	0	0	0
8.	1300	Struct/Improv. treat. plt.	0	0	0	0
9.	1305	Struct/Improv. reclaim. wtp.	0	0	0	0
10.	1310	Struct/Improv. reclaim. wtr.	0	0	0	0
11.	1315	Struct/Improv. gen. plt.	0	0	0	0
12.	1320	Power gen. equip. coll. plt.	0	0	0	0
13.	1325	Power gen. equip. pump plt.	0	0	0	0
14.	1330	Power gen. equip. treat. plt.	0	0	0	0
15.	1345	Sewer force main/serv. lin.	0	0	0	0
16.	1350	Sewer gravity main	0	0	0	0
17.	1353	Manholes	0	0	0	0
18.	1355	Special coll. structures	0	0	0	0
19.	1360	Services to customers	0	0	0	0
20.	1365	Flow measure devices	0	0	0	0
21.	1370	Flow measure install	0	0	0	0
22.	1375	Receiving wells	0	0	0	0
23.	1380	Pumping equipment pump plt.	0	0	0	0
24.	1385	Pumping equipment reclaim.	0	0	0	0
25.	1390	Pumping equipment rcl. wtr.	0	0	0	0
26.	1395	Treat./disp. equip. lagoon	0	0	0	0
27.	1400	Treat./disp. equip. trt. plt.	0	0	0	0
28.	1405	Treat./disp. equip. rct. wtp.	0	0	0	0
29.	1410	Plant sewers treat. plt.	0	0	0	0
30.	1415	Plant sewers reclaim wtp.	0	0	0	0
31.	1420	Outfall lines	0	0	0	0
32.	1425	Other plt. tangible	0	0	0	0
33.	1430	Other plt. collection	0	0	0	0
34.	1435	Other plt. pump	0	0	0	0
35.	1440	Other plt. treatment	0	0	0	0
36.	1445	Other plt. reclaim wtr. trt.	0	0	0	0
37.	1450	Other plt. reclaim wtr. dis.	0	0	0	0
38.	1455	Office struct & improv.	0	0	0	0
39.	1460	Office furn. & equip.	0	0	0	0
40.	1465	Stores equipment	0	0	0	0
41.	1470	Tool shop & misc. equip.	0	0	0	0
42.	1475	Laboratory equipment	0	0	0	0
43.	1480	Power operated equip.	0	0	0	0
44.	1485	Communication equip.	0	0	0	0
45.	1490	Misc equip. sewer	0	0	0	0
46.	1495	Sewer plant allocated	0	0	0	0
47.	1500	Other tangible plt. sewer	0	0	0	0
48.	1535	Reuse dist. reservoirs	0	0	0	0
49.	1540	Reuse transmission & dist.	0	0	0	0
50.	1555	Transportation equip.	0	0	0	0
51.	1575	Desktop computer - wtr	0	0	0	0
52.	1580	Mainframe computer - wtr	0	0	0	0
53.	1585	Mini computer - wtr	0	0	0	0
54.	1590	Comp. system cost - wtr	0	0	0	0
55.	1595	Micro system cost - wtr	0	0	0	0
56.	1805	Plt. held for future use	0	0	0	0
57.		Pro forma plant additions	(60,000)	0	0	(60,000)
58.		Total plant in service (Sum of L1 thru L57)	(\$60,000)	\$0	\$0	(\$60,000)

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

[2] Sum of Column (a) through Column (c).



**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**CALCULATION OF PLANT IN SERVICE AND  
ACCUMULATED DEPRECIATION**

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(e)**NAGS HEAD SEWER OPERATIONS**

Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b)	[1]	Amount Per Public Staff (c)	[2]
	<b><u>Plant In Service:</u></b>					
1.	Direct plant in service	\$3,281,471	\$159,199		\$3,440,670	[3]
	Allocation of common plant in service:					
2.	WSC cost center	100,731	(224)		100,507	[4]
3.	State cost center	36,244	0		36,244	[4]
4.	Charlotte office cost center	4,394	0		4,394	[4]
5.	Charlotte warehouse cost center	0	0		0	[4]
6.	Florida office cost center	2,724	0		2,724	[4]
7.	Nevada office cost center	194	0		194	[4]
8.	JDE Conversion	0	0		0	
9.	Gain on sale	0	0		0	
10.	Other plant adjustments	0	0		0	
11.	Total plant in service (Sum of L1 thru L10)	<u>\$3,425,758</u>	<u>\$158,975</u>		<u>\$3,584,733</u>	
	<b><u>Accumulated Depreciation:</u></b>					
12.	Direct accumulated depreciation	(\$942,388)	(\$123,521)		(\$1,065,909)	[5]
	Allocation of common accumulated depreciation:					
13.	WSC cost center	(79,332)	(680)		(80,012)	[4]
14.	State cost center	(28,531)	(289)		(28,820)	[4]
15.	Charlotte office cost center	(2,110)	0		(2,110)	[4]
16.	Charlotte warehouse cost center	0	0		0	[4]
17.	Florida office cost center	(1,214)	0		(1,214)	[4]
18.	Nevada office cost center	(99)	0		(99)	[4]
19.	JDE Conversion	0	0		0	
20.	Gain on sale	0	0		0	
21.	Other accumulated depreciation adjustments	(129,555)	0		(129,555)	
22.	Total accumulated depr. (Sum of L12 thru L21)	<u>(\$1,183,229)</u>	<u>(\$124,490)</u>		<u>(\$1,307,719)</u>	

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

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

[3] Henry Exhibit I, Schedule 2-1(e)(1), Column (d), Line 58.

[4] Provided by Public Staff Accountant Zhang.

[5] Henry Exhibit I, Schedule 2-2, Column (d), Line 12.

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**CALCULATION OF DIRECT PLANT IN SERVICE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(e)(1)

NAGS HEAD SEWER OPERATIONS

Line No.	Account No.	Item	Amount Per Application [1] (a)	Public Staff Adjustments [2] (b)	Actual Plant Additions [1] (c)	Amount Per Public Staff [3] (d)
1.	1245	Organization	\$157,361	\$0	\$0	\$157,361
2.	1250	Franchises intang. pit.	111,578	0	0	111,578
3.	1270	Land & land rights trtmnt pit	0	0	0	0
4.	1275	Land & land rights reclaim.	0	0	0	0
5.	1285	Land & land rights gen. pit.	0	0	0	0
6.	1290	Struct/improv. coll. pit.	150	0	0	150
7.	1295	Struct/improv. pump plt. ls.	347,569	0	(25,067)	322,502
8.	1300	Struct/improv. treat. plt.	17,109	0	552,951	570,060
9.	1305	Struct/improv. reclaim. wtp.	0	0	0	0
10.	1310	Struct/improv. reclaim. wtr.	16,301	0	0	16,301
11.	1315	Struct/improv. gen. plt.	64,450	0	1,693	66,143
12.	1320	Power gen. equip. coll. plt.	0	0	0	0
13.	1325	Power gen. equip. pump plt.	0	0	50,650	50,650
14.	1330	Power gen. equip. treat. plt.	0	0	0	0
15.	1345	Sewer force main/serv. lln.	83,706	0	593	84,299
16.	1350	Sewer gravity main	363,320	0	594	363,914
17.	1353	Manholes	880	0	0	880
18.	1355	Special coll. structures	0	0	0	0
19.	1360	Services to customers	5,421	0	1,894	7,315
20.	1365	Flow measure devices	400	0	0	400
21.	1370	Flow measure install	0	0	0	0
22.	1375	Receiving wells	0	0	0	0
23.	1380	Pumping equipment pump plt.	103,751	0	23,153	126,904
24.	1385	Pumping equipment reclaim.	0	0	0	0
25.	1390	Pumping equipment rci. wtr.	6,204	0	0	6,204
26.	1395	Treat./disp. equip. lagoon	0	0	0	0
27.	1400	Treat./disp. equip. trt. plt.	1,439,518	0	12,296	1,451,814
28.	1405	Treat./disp. equip. rct. wtp.	4,472	0	0	4,472
29.	1410	Plant sewers treat. plt.	18,924	0	208	19,132
30.	1415	Plant sewers reclaim wtp.	4,772	0	0	4,772
31.	1420	Outfall lines	0	0	0	0
32.	1425	Other plt. tangible	0	0	0	0
33.	1430	Other plt. collection	0	0	0	0
34.	1435	Other plt. pump	0	0	0	0
35.	1440	Other plt. treatment	4,160	0	0	4,160
36.	1445	Other plt. reclaim wtr. trt.	0	0	0	0
37.	1450	Other plt. reclaim wtr. dis.	0	0	0	0
38.	1455	Office struct & improv.	0	0	0	0
39.	1460	Office furn. & equip.	669	0	0	669
40.	1465	Stores equipment	0	0	0	0
41.	1470	Tool shop & misc. equip.	25,277	0	0	25,277
42.	1475	Laboratory equipment	3,832	0	0	3,832
43.	1480	Power operated equip.	40,147	0	234	40,381
44.	1485	Communication equip.	0	0	0	0
45.	1490	Misc equip. sewer	0	0	0	0
46.	1495	Sewer plant allocated	0	0	0	0
47.	1500	Other tangible plt. sewer	1,500	0	0	1,500
48.	1535	Reuse dist. reservoirs	0	0	0	0
49.	1540	Reuse transmission & dist.	0	0	0	0
50.	1555	Transportation equip.	0	0	0	0
51.	1575	Desktop computer - wtr	0	0	0	0
52.	1580	Mainframe computer - wtr	0	0	0	0
53.	1585	Mini computer - wtr	0	0	0	0
54.	1590	Comp. system cost - wtr	0	0	0	0
55.	1595	Micro system cost - wtr	0	0	0	0
56.	1805	Plt. held for future use	0	0	0	0
57.		Pro forma plant additions	460,000	(460,000)	0	0
58.		Total plant in service (Sum of L1 thru L57)	\$3,281,471	(\$460,000)	\$619,199	\$3,440,670

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

[2] Henry Exhibit I, Schedule 2-1(e)(2), Column (d).

[3] Sum of Column (a) through Column (c).

## CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 344  
ADJUSTMENT TO DIRECT PLANT IN SERVICE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-1(e)(2)

## NAGS HEAD SEWER OPERATIONS

Line No.	Account No.	Item	Remove Estimates [1] (a)	Cost Center Adjustment [1] (b)	UR Ledger Adjustments [1] (c)	Amount Per Public Staff [2] (d)
1.	1245	Organization	\$0	\$0	\$0	\$0
2.	1250	Franchises intang. plt.	0	0	0	0
3.	1270	Land & land rights trtmnt plt	0	0	0	0
4.	1275	Land & land rights reclaim.	0	0	0	0
5.	1285	Land & land rights gen. plt.	0	0	0	0
6.	1290	Struct/improv. coll. plt.	0	0	0	0
7.	1295	Struct/improv. pump plt. ls.	0	0	0	0
8.	1300	Struct/improv. treat. plt.	0	0	0	0
9.	1305	Struct/improv. reclaim. wtp.	0	0	0	0
10.	1310	Struct/improv. reclaim. wtr.	0	0	0	0
11.	1315	Struct/improv. gen. plt.	0	0	0	0
12.	1320	Power gen. equip. coll. plt.	0	0	0	0
13.	1325	Power gen. equip. pump plt.	0	0	0	0
14.	1330	Power gen. equip. treat. plt.	0	0	0	0
15.	1345	Sewer force main/serv. lin.	0	0	0	0
16.	1350	Sewer gravity main	0	0	0	0
17.	1353	Manholes	0	0	0	0
18.	1355	Special coll. structures	0	0	0	0
19.	1360	Services to customers	0	0	0	0
20.	1365	Flow measure devices	0	0	0	0
21.	1370	Flow measure install	0	0	0	0
22.	1375	Receiving wells	0	0	0	0
23.	1380	Pumping equipment pump plt.	0	0	0	0
24.	1385	Pumping equipment reclaim.	0	0	0	0
25.	1390	Pumping equipment rcl. wtr.	0	0	0	0
26.	1395	Treat./disp. equip. lagoon	0	0	0	0
27.	1400	Treat./disp. equip. trt. plt.	0	0	0	0
28.	1405	Treat./disp. equip. rct. wtp.	0	0	0	0
29.	1410	Plant sewers treat. plt.	0	0	0	0
30.	1415	Plant sewers reclaim wtp.	0	0	0	0
31.	1420	Outfall lines	0	0	0	0
32.	1425	Other plt. tangible	0	0	0	0
33.	1430	Other plt. collection	0	0	0	0
34.	1435	Other plt. pump	0	0	0	0
35.	1440	Other plt. treatment	0	0	0	0
36.	1445	Other plt. reclaim wtr. trt.	0	0	0	0
37.	1450	Other plt. reclaim wtr. dls.	0	0	0	0
38.	1455	Office struct & improv.	0	0	0	0
39.	1460	Office furn. & equip.	0	0	0	0
40.	1465	Stores equipment	0	0	0	0
41.	1470	Tool shop & misc. equip.	0	0	0	0
42.	1475	Laboratory equipment	0	0	0	0
43.	1480	Power operated equip.	0	0	0	0
44.	1485	Communication equip.	0	0	0	0
45.	1490	Misc equip. sewer	0	0	0	0
46.	1495	Sewer plant allocated	0	0	0	0
47.	1500	Other tangible plt. sewer	0	0	0	0
48.	1535	Reuse dist. reservoirs	0	0	0	0
49.	1540	Reuse transmission & dlst.	0	0	0	0
50.	1555	Transportation equip.	0	0	0	0
51.	1575	Desktop computer - wtr	0	0	0	0
52.	1580	Mainframe computer - wtr	0	0	0	0
53.	1585	Mini computer - wtr	0	0	0	0
54.	1590	Comp. system cost - wtr	0	0	0	0
55.	1595	Micro system cost - wtr	0	0	0	0
56.	1805	Plt. held for future use	0	0	0	0
57.		Pro forma plant additions	(460,000)	0	0	(460,000)
58.		Total plant in service (Sum of L1 thru L57)	(\$460,000)	\$0	\$0	(\$460,000)

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

[2] Sum of Column (a) through Column (c).

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO DIRECT ACCUMULATED DEPRECIATION**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-2

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e)
1.	Direct accumulated depreciation per application	<u>(\$14,307,528)</u>	<u>(\$9,002,661)</u>	<u>(\$1,589,545)</u>	<u>(\$942,388)</u>	<u>(\$11,534,594) [2]</u>
2.	Adjustment to correct Company calculation of accumulated depreciation	0	0	12,349 [1]	0	12,349
3.	Adjustment to update Company calculation of accumulated depreciation through 7/31/2015	0	0	3,602 [1]	0	3,602
4.	Adjustment to remove computer system accumulated amortization	0	68,774 [1]	0	0	68,774
5.	Adjustment to remove UR ledger entries included twice by the Company	9,261 [1]	20,687 [1]	0	0	20,687
6.	Adjustment to remove Charlotte Office and Charlotte Warehouse accumulated depreciation	567,774 [1]	82,442 [1]	0	0	82,442
7.	Adjustment to remove A/D related to general ledger estimated additions	32,945 [1]	47,333 [1]	0	0	47,333
8.	Adjustment to remove A/D calculated on pro forma plant in service	(103,501) [1]	(29,983) [1]	(13,530) [1]	(139,052) [1]	(182,565)
9.	Adjustment to include actual general ledger A/D additions through 7/31/2015	(510,020) [1]	(225,889) [1]	(118,297) [1]	34,157 [1]	(310,029)
10.	Adjustment to reflect annual level of depreciation	<u>(23,351) [1]</u>	<u>(59,089) [1]</u>	<u>(58) [1]</u>	<u>(18,626) [1]</u>	<u>(77,773)</u>
11.	Adjustment to accumulated depreciation (Sum of L2 thru L10)	<u>(26,892)</u>	<u>(95,725)</u>	<u>(115,934)</u>	<u>(123,521)</u>	<u>(335,180)</u>
12.	Direct accumulated depreciation per Public Staff (L1 + L11)	<u>(\$14,334,420)</u>	<u>(\$9,098,386)</u>	<u>(\$1,705,479)</u>	<u>(\$1,065,909)</u>	<u>(\$11,869,774)</u>

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

[2] Sum of Column (b) through Column (d).

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF CASH WORKING CAPITAL**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-3

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e) [17]
<b>Cash Working Capital:</b>						
1.	Maintenance expenses, excluding purchased water and sewer	\$3,288,839 [1]	\$2,726,187 [5]	\$395,608 [9]	\$276,117 [13]	\$3,397,912
2.	General expenses	1,679,383 [2]	905,380 [6]	104,913 [10]	78,499 [14]	1,088,792
3.	Total cash working capital expenses (L1 + L2)	<u>4,968,222</u>	<u>3,631,567</u>	<u>500,521</u>	<u>354,616</u>	<u>4,486,704</u>
4.	Cash working capital (L3 x 1/8)	<u>621,028</u>	<u>453,946</u>	<u>62,565</u>	<u>44,327</u>	<u>560,838</u>
<b>Average Tax Accruals:</b>						
5.	Property taxes	105,230 [3]	69,605 [7]	612 [11]	472 [15]	70,689
6.	Average accrual (L5 x 1/2)	<u>52,615</u>	<u>34,803</u>	<u>306</u>	<u>236</u>	<u>35,345</u>
7.	Regulatory fee	13,994 [4]	8,475 [8]	1,653 [12]	1,025 [16]	11,153
8.	Average accrual (L7 x 1/5)	<u>2,799</u>	<u>1,695</u>	<u>331</u>	<u>205</u>	<u>2,231</u>
9.	Total tax accrual (L6 + L8)	<u>55,414</u>	<u>36,498</u>	<u>637</u>	<u>441</u>	<u>37,576</u>
10.	Total cash working capital (L4 - L9)	<u>\$565,614</u>	<u>\$417,448</u>	<u>\$61,928</u>	<u>\$43,886</u>	<u>\$523,262</u>

- [1] Henry Exhibit I, Schedule 3(a), Column (c), Line 15 minus Line 7.  
[2] Henry Exhibit I, Schedule 3(a), Column (c), Line 24.  
[3] Henry Exhibit I, Schedule 3(a), Column (c), Line 30.  
[4] Henry Exhibit I, Schedule 3(a), Column (c), Line 32.  
[5] Henry Exhibit I, Schedule 3(c), Column (c), Line 15 minus Line 7.  
[6] Henry Exhibit I, Schedule 3(c), Column (c), Line 24.  
[7] Henry Exhibit I, Schedule 3(c), Column (c), Line 30.  
[8] Henry Exhibit I, Schedule 3(c), Column (c), Line 32.  
[9] Henry Exhibit I, Schedule 3(d), Column (c), Line 15 minus Line 7.

- [10] Henry Exhibit I, Schedule 3(d), Column (c), Line 24.  
[11] Henry Exhibit I, Schedule 3(d), Column (c), Line 30.  
[12] Henry Exhibit I, Schedule 3(d), Column (c), Line 32.  
[13] Henry Exhibit I, Schedule 3(e), Column (c), Line 15 minus Line 7.  
[14] Henry Exhibit I, Schedule 3(e), Column (c), Line 24.  
[15] Henry Exhibit I, Schedule 3(e), Column (c), Line 30.  
[16] Henry Exhibit I, Schedule 3(e), Column (c), Line 32.  
[17] Sum of Column (b) through Column (d).

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO CONTRIBUTIONS IN AID OF  
CONSTRUCTION, NET OF AMORTIZATION**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-4

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Line No.	Item	CWSNC Water Operations			[2]	CWSNC Sewer Operations			[3]
		CIAC (a)	Accumulated Amortization (b)	CIAC, Net of Amortization (c)		CIAC (d)	Accumulated Amortization (e)	CIAC, Net of Amortization (f)	
1.	CIAC and accumulated amortization per application	(\$19,614,594)	\$5,815,056	(\$13,799,538)		(\$19,140,936)	\$5,732,567	(\$13,408,369)	
2.	Adjustment to remove pro forma adjustments to accumulated amortization	0	(4,637) [1]	(4,637)		0	41,750 [1]	41,750	
3.	Adjustment to correct Company calculation of accumulated amortization	0	0	0		0	0	0	
4.	Adjustment to update Company calculation of accumulated amortization through 7/31/2015	0	0	0		0	0	0	
5.	Adjustment to remove UR ledger entries included twice by the Company	889,927 [1]	6,183 [1]	896,110		1,262,699 [1]	(50,770) [1]	1,211,929	
6.	Adjustment to include actual general ledger additions through 7/31/2015	(110,067) [1]	270,983 [1]	160,916		(95,724) [1]	206,404 [1]	110,680	
7.	Adjustment to reflect annual level of amortization	0	38,525 [1]	38,525		0	85,114 [1]	85,114	
8.	Adjustment to CIAC (Sum of L2 thru L7)	779,860	311,054	1,090,914		1,166,975	282,498	1,449,473	
9.	CIAC per Public Staff (L1 + L8)	(\$18,834,734)	\$6,126,110	(\$12,708,624)		(\$17,973,961)	\$6,015,065	(\$11,958,896)	

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

[2] Column (a) plus Column (b).

[3] Column (d) plus Column (e).

[4] Column (g) plus Column (h).

[5] Column (j) plus Column (k).

[6] Column (d) plus Column (g) plus Column (j)

[7] Column (e) plus Column (h) plus Column (k)

[8] Column (m) plus Column (n).

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO CONTRIBUTIONS IN AID OF  
CONSTRUCTION, NET OF AMORTIZATION**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-4

Line No.	Item	CLMS Sewer Operations			[4]	Nags Head Sewer Operations			[5]
		CIAC (g)	Accumulated Amortization (h)	CIAC, Net of Amortization (i)		CIAC (j)	Accumulated Amortization (k)	CIAC, Net of Amortization (l)	
1.	CIAC and accumulated amortization per application	(\$5,583,926)	\$904,842	(\$4,679,084)		(\$83,867)	\$16,383	(\$67,484)	
2.	Adjustment to remove pro forma adjustments to accumulated amortization	0	(9,562) [1]	(9,562)		0	(162) [1]	(162)	
3.	Adjustment to correct Company calculation of accumulated amortization	0	1,325 [1]	1,325		0	0	0	
4.	Adjustment to update Company calculation of accumulated amortization through 7/31/2015	0	344 [1]	344		0	0	0	
5.	Adjustment to remove UR ledger entries included twice by the Company	0	0	0		0	0	0	
6.	Adjustment to include actual general ledger additions through 7/31/2015	(148,860)	76,238 [1]	(72,622)		(366) [1]	1,083 [1]	717	
7.	Adjustment to reflect annual level of amortization	0	19,816 [1]	19,816		0	629 [1]	629	
8.	Adjustment to CIAC (Sum of L2 thru L7)	(148,860)	88,161	(60,699)		(366)	1,550	1,184	
9.	CIAC per Public Staff (L1 + L8)	(\$5,732,786)	\$993,003	(\$4,739,783)		(\$84,233)	\$17,933	(\$66,300)	

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

[2] Column (a) plus Column (b).

[3] Column (d) plus Column (e).

[4] Column (g) plus Column (h).

[5] Column (j) plus Column (k).

[6] Column (d) plus Column (g) plus Column (i)

[7] Column (e) plus Column (h) plus Column (k)

[8] Column (m) plus Column (n).

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO CONTRIBUTIONS IN AID OF  
CONSTRUCTION, NET OF AMORTIZATION**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-4

Line No.	Item	Combined Sewer Operations			[8]
		CIAC (m)	[6] Accumulated Amortization (n)	[7] CIAC, Net of Amortization (o)	
1.	CIAC and accumulated amortization per application	(\$24,808,729)	\$6,653,792	(\$18,154,937)	
2.	Adjustment to remove pro forma adjustments to accumulated amortization	0	32,026	32,026	
3.	Adjustment to correct Company calculation of accumulated amortization	0	1,325	1,325	
4.	Adjustment to update Company calculation of accumulated amortization through 7/31/2015	0	344	344	
5.	Adjustment to remove UR ledger entries included twice by the Company	1,262,699	(50,770)	1,211,929	
6.	Adjustment to include actual general ledger additions through 7/31/2015	(244,950)	283,725	38,775	
7.	Adjustment to reflect annual level of amortization	0	105,559	105,559	
8.	Adjustment to CIAC (Sum of L2 thru L7)	1,017,749	372,209	1,389,958	
9.	CIAC per Public Staff (L1 + L8)	(\$23,790,980)	\$7,026,001	(\$16,764,979)	

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

[2] Column (a) plus Column (b).

[3] Column (d) plus Column (e).

[4] Column (g) plus Column (h).

[5] Column (j) plus Column (k).

[6] Column (d) plus Column (g) plus Column (j)

[7] Column (e) plus Column (h) plus Column (k)

[8] Column (m) plus Column (n).



CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO CUSTOMER DEPOSITS**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-5

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e) [2]
1.	Customer deposits per application	<u>(\$160,461)</u>	<u>(\$85,937)</u>	<u>(\$3,075)</u>	<u>(\$2,025)</u>	<u>(\$91,037)</u>
2.	Adjustment to correct pro forma adjustment errors	0	(1,080) [1]	825 [1]	255 [1]	0
3.	Adjustment to update customer deposits to 7/31/2015	<u>2,929 [1]</u>	<u>(2,367) [1]</u>	<u>(1,650) [1]</u>	<u>0 [1]</u>	<u>(4,017)</u>
4.	Adjustment to customer deposits (L2 + L3)	<u>2,929</u>	<u>(3,447)</u>	<u>(825)</u>	<u>255</u>	<u>(4,017)</u>
5.	Customer deposits per Public Staff (L1 + L4)	<u>(\$157,532)</u>	<u>(\$89,384)</u>	<u>(\$3,900)</u>	<u>(\$1,770)</u>	<u>(\$95,054)</u>

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

[2] Sum of Column (b) through Column (d).

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**CAROLINA WATER SERVICE, INC., OF NC**


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Docket No. W-354, Sub 344

**ADJUSTMENT TO GAIN ON SALE**

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 2-6

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Combined Sewer (d)
1.	Gain on sale per application	(\$196,947)	(\$92,681)	\$0	(\$92,681) [4]
2.	Gain on sale of systems sold to CMUD	(2,308,911) [1]	(1,081,256) [1]	(94,973) [1]	(1,176,229)
3.	Less: accumulated amortization	1,808,647 [2]	846,984 [2]	74,396 [2]	921,380
4.	Gain on sale, net of amortization (L2 + L3)	(500,264)	(234,272)	(20,577)	(254,849)
5.	Gain on sale per Public Staff (L1 + L4)	(\$697,211)	(\$326,953)	(\$20,577)	(\$347,530)
6.	Gain on sale amortization expense per application	(\$461,782)	(\$235,246)	(\$18,994)	(\$254,240)
7.	Gain on sale amortization expense per Public Staff	(166,755) [3]	(78,091) [3]	(6,859) [3]	(84,950)
8.	Adjustment to gain on sale amortization expense (L6 - L7)	\$295,027	\$157,155	\$12,135	\$169,290

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

[2] Line 2 divided by 60 months times 47 months (1/31/2012 thru 12/31/2015).

[3] Line 4 divided by 3 year reamortization period.

{4} Column (b) plus Column (c).

**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**ADJUSTMENT TO PURCHASE ACQUISITION**

**ADJUSTMENT, NET OF AMORTIZATION**

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 2-7

Line No.	Item	CWSNC Water Operations			[2]	CWSNC Sewer Operations			[3]
		PAA (a)	Accumulated Amortization (b)	PAA, Net of Amortization (c)		PAA (d)	Accumulated Amortization (e)	PAA, Net of Amortization (f)	
1.	PAA and accumulated amortization per application	<u>(\$3,649,025)</u>	<u>\$1,212,762</u>	<u>(\$2,436,263)</u>		<u>(\$1,150,021)</u>	<u>\$667,781</u>	<u>(\$482,240)</u>	
2.	Adjustment to remove UR ledger entries included twice by the Company	81,860 [1]	(8,344) [1]	73,516		211,605 [1]	(25,160) [1]	186,445	
3.	Adjustment to remove pro forma adjustments to accumulated amortization	0	2,057 [1]	2,057		0	3,413 [1]	3,413	
4.	Adjustment to include actual general ledger additions through 7/31/2015	0	51,380 [1]	51,380		0	29,099 [1]	29,099	
5.	Adjustment to reflect annual level of amortization	<u>0</u>	<u>6,809 [1]</u>	<u>6,809</u>		<u>0</u>	<u>(16,212) [1]</u>	<u>(16,212)</u>	
6.	Adjustment to PAA (Sum of L2 thru L5)	<u>81,860</u>	<u>51,902</u>	<u>133,762</u>		<u>211,605</u>	<u>(8,860)</u>	<u>202,745</u>	
7.	PAA per Public Staff (L1 + L6)	<u>(\$3,567,165)</u>	<u>\$1,264,664</u>	<u>(\$2,302,501)</u>		<u>(\$938,416)</u>	<u>\$658,921</u>	<u>(\$279,495)</u>	

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

[2] Column (a) plus Column (b).

[3] Column (d) plus Column (e).

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF EXCESS BOOK VALUE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-8

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Oct 15 2015

Line No.	Item	Unamortized Balance 12/31/07 (a)	[1]	Annual Amortization (b)	[1]	Accumulated Amortization To 7/31/15 (c)	[4]	Unamortized Balance At 7/31/15 (d)	[5]
<b><u>CWSNC Uniform Water:</u></b>									
1.	Sugar Mountain	\$105,579		\$8,366		\$63,414		\$42,165	
2.	Carolina Forest, Woodrun	76,911		4,694		35,581		41,330	
3.	Brandywine Bay	65,905		3,139		23,794		42,111	
4.	Queens Harbor	60,897		2,679		20,307		40,590	
5.	Belvedere	0		0 [3]		0 [3]		0	
6.	Riverpointe	146,755		6,052		45,874		100,881	
7.	Watauga Vista	3,314		100		758		2,556	
8.	Britley	0 [2]		0 [2]		0 [2]		0 [2]	
9.	Total excess book value (Sum of L1 thru L8)	<u>\$459,361</u>		<u>\$25,030</u>		<u>\$189,728</u>		<u>\$269,633</u>	
<b><u>CWSNC Uniform Sewer:</u></b>									
10.	Sugar Mountain	\$159,698		\$12,654		\$95,917		\$63,781	
11.	Carolina Forest, Woodrun	0		0		0		0	
12.	Brandywine Bay	99,684		4,748		35,990		63,694	
13.	Queens Harbor	92,114		4,052		30,714		61,400	
14.	Belvedere	0		0 [3]		0 [3]		0	
15.	Riverpointe	221,977		9,154		69,387		152,590	
16.	Watauga Vista	0		0		0		0	
17.	Britley	0 [2]		0 [2]		0 [2]		0 [2]	
18.	Total excess book value (Sum of L10 thru L17)	<u>\$573,473</u>		<u>\$30,608</u>		<u>\$232,008</u>		<u>\$341,465</u>	

[1] Based on prior rate cases, unless otherwise footnoted.

[2] The Britley system was sold to CMUD in January 2012.

[3] Removed systems that have been fully amortized.

[4] Column (b) multiplied by 7.58 years, unless otherwise footnoted.

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

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**CALCULATION OF COST-FREE CAPITAL**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-9

<u>Line No.</u>	<u>Item</u>	<u>CWSNC Water (a)</u>	<u>CWSNC Sewer (b)</u>
1.	Cost-free capital per application	(\$174,892)	(\$86,606)
2.	Adjustment to reclassify Sub 266 cost-free capital	<u>53,101 [1]</u>	<u>(53,102) [1]</u>
3.	Cost-free capital per Public Staff (L1 + L2)	<u>(\$121,791)</u>	<u>(\$139,708)</u>

[1] Calculated by the Public Staff based on work papers filed in Docket No. W-354, Sub 266.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF DEFERRED CHARGES**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-10

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e) [7]
1.	Unamortized deferred maintenance - water	\$501,379 [1]	\$0	\$0	\$0	\$0
2.	Unamortized deferred maintenance - sewer	0	61,352 [3]	0	0	61,352
3.	Unamortized rate case expense per application	<u>181,721 [2]</u>	<u>103,102 [4]</u>	<u>9,345 [5]</u>	<u>4,850 [6]</u>	<u>117,297</u>
4.	Unamortized deferred charges per Public Staff (L1 + L2 + L3)	<u>\$683,100</u>	<u>\$164,454</u>	<u>\$9,345</u>	<u>\$4,850</u>	<u>\$178,649</u>

- [1] Henry Exhibit I, Schedule 2-10(a), Column (g), Line 4.  
[2] Henry Exhibit I, Schedule 3-6, Column (d), Line 10.  
[3] Henry Exhibit I, Schedule 2-10(a), Column (g), Line 6.  
[4] Henry Exhibit I, Schedule 3-6, Column (e), Line 10.  
[5] Henry Exhibit I, Schedule 3-6, Column (f), Line 10.  
[6] Henry Exhibit I, Schedule 3-6, Column (g), Line 10.  
[7] Sum of Column (b) thru Column (d)

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**CALCULATION OF DEFERRED MAINTENANCE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 2-10(a)

Line No.	Item	Unamortized Total Cost Per Public Staff [1]	Amortization Period In Years [1]	Date Amortization Began [1]	Annual Amortization [2]	Accumulated Amortization [3]	Unamortized Balance [4]
		(a)	(b)	(c)	(e)	(f)	(g)
	<u>Deferred maintenance - water</u>						
1.	Deferred elevated storage tank painting	\$274,738	10	Various	\$27,474	\$64,802	\$209,936
2.	Deferred hydro storage tank painting	247,374	5	Various	49,475	81,109	166,265
3.	Deferred hydro storage tank inspection	156,472	5	Various	31,294	31,294	125,178
4.	Total deferred maintenance - water (Sum of L1 thru L3)	<u>678,584</u>			<u>108,243</u>	<u>177,205</u>	<u>501,379</u>
	<u>Deferred maintenance - sewer</u>						
5.	Belvedere pump and haul	3,261,808	10	Various	326,181	1,038,723	2,223,085
6.	WWTP painting	132,267	5	Various	26,453	70,915	61,352
7.	Total deferred maintenance - sewer (L5 + L6)	<u>3,394,075</u>			<u>352,634</u>	<u>1,109,638</u>	<u>2,284,437</u>
8.	Total deferred maintenance (L4 + L7)	<u>\$4,072,659</u>			<u>\$460,877</u>	<u>\$1,286,843</u>	<u>\$2,785,816</u>

- [1] Per examination of Company's financial records.  
[2] Column (a) divided by Column (b).  
[3] Total monthly amortization through July 31, 2015.  
[4] Column (a) minus Column (f).

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
NET OPERATING INCOME FOR A RETURN  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3

COMBINED OPERATIONS

Line No.	Item	Present Rates			Company Proposed Rates		Public Staff Recommended Rates	
		Amount Per Application	Public Staff Adjustments [1]	Amount Per Public Staff [1]	Net Company Increase [1]	Operations After Rate Increase [1]	Net Public Staff Increase [1]	Operations After Rate Increase [1]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b>Operating Revenues:</b>								
1.	Service revenues	\$16,369,757	\$522,071	\$16,891,828	\$3,176,224	\$20,068,052	\$2,744,314	\$19,636,142
2.	Miscellaneous revenues	186,309	(1,964)	184,345	8,259	192,604	7,134	191,479
3.	Uncollectible accounts	(87,857)	3,398	(84,459)	(15,881)	(100,340)	(13,720)	(98,179)
4.	Total operating revenues	16,468,209	523,505	16,991,714	3,168,602	20,160,316	2,737,728	19,723,442
<b>Maintenance Expenses:</b>								
5.	Salaries and wages	2,622,402	(26,751)	2,595,651	0	2,595,651	0	2,595,651
6.	Purchased power	1,419,532	(25,773)	1,393,759	0	1,393,759	0	1,393,759
7.	Purchased water and sewer	1,118,085	94,143	1,212,228	0	1,212,228	0	1,212,228
8.	Maintenance and repair	1,686,005	57,121	1,743,126	0	1,743,126	0	1,743,126
9.	Maintenance testing	334,677	17,830	352,507	0	352,507	0	352,507
10.	Meter reading	115,212	0	115,212	0	115,212	0	115,212
11.	Chemicals	524,439	(3,696)	520,743	0	520,743	0	520,743
12.	Transportation	282,655	17,787	300,442	0	300,442	0	300,442
13.	Operating expenses charged to plant	(388,762)	(138,885)	(527,647)	0	(527,647)	0	(527,647)
14.	Outside services - other	284,305	(91,347)	192,958	0	192,958	0	192,958
15.	Total maintenance expenses	7,998,550	(99,571)	7,898,979	0	7,898,979	0	7,898,979
<b>General Expenses:</b>								
16.	Salaries and wages	803,753	(34,053)	769,700	0	769,700	0	769,700
17.	Office supplies and other office expense	288,323	(1,437)	286,886	0	286,886	0	286,886
18.	Regulatory commission expense	130,962	18,546	149,508	0	149,508	0	149,508
19.	Pension and other benefits	752,486	(14,960)	737,526	0	737,526	0	737,526
20.	Rent	53,569	12,606	66,175	0	66,175	0	66,175
21.	Insurance	300,297	(29,953)	270,344	0	270,344	0	270,344
22.	Office utilities	473,325	0	473,325	0	473,325	0	473,325
23.	Miscellaneous	85,377	(70,666)	14,711	0	14,711	0	14,711
24.	Total general expenses	2,888,092	(119,317)	2,768,775	0	2,768,775	0	2,768,775
<b>Depreciation and Taxes:</b>								
25.	Depreciation expense	2,611,377	586,645	3,198,022	0	3,198,022	0	3,198,022
26.	Amortization of CIAC	(1,044,833)	(51,290)	(1,096,123)	0	(1,096,123)	0	(1,096,123)
27.	Amortization of PAA	(110,483)	(7,489)	(117,972)	0	(117,972)	0	(117,972)
28.	Amortization of ITC	(519)	0	(519)	0	(519)	0	(519)
29.	Franchise and other taxes	148	69,406	69,554	0	69,554	0	69,554
30.	Property taxes	173,311	2,608	175,919	0	175,919	0	175,919
31.	Payroll taxes	341,722	(33,129)	308,593	0	308,593	0	308,593
32.	Regulatory fee	22,289	2,859	25,148	4,689	29,837	4,052	29,200
33.	Gross receipts tax	406,383	(406,383)	0	0	0	0	0
34.	State income tax	63,985	10,670	74,655	126,556	201,211	109,346	184,001
35.	Federal income tax	413,367	195,813	609,180	1,032,701	1,641,881	892,272	1,501,452
36.	Total depreciation and taxes	2,876,747	369,710	3,246,457	1,163,946	4,410,403	1,005,670	4,252,127
37.	Total operating revenue deductions	13,763,389	150,222	13,913,611	1,163,946	15,077,557	1,005,670	14,919,281
38.	Net operating income for a return	\$2,704,820	\$373,283	\$3,078,103	\$2,004,656	\$5,082,759	\$1,732,058	\$4,810,161

[1] Henry Exhibit I, Schedule 3(a) plus Schedule 3(b).



CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
NET OPERATING INCOME FOR A RETURN  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3(a)  
Page 1 of 2

WATER OPERATIONS

		Present Rates			Company Proposed Rates			Public Staff Recommended Rates		
Line No.	Item	Amount Per Application	Public Staff Adjustments [1]	Amount Per Public Staff [3]	Net Company Increase [20]	Operations After Rate Increase [21]	Net Public Staff Increase [26]	Operations After Rate Increase [27]		
		[a]	[b]	[c]	[d]	[e]	[f]	[g]		
<b><u>Operating Revenues:</u></b>										
1.	Service revenues	\$9,077,806	\$291,414	\$9,369,220 [4]	\$1,582,264	\$10,951,484 [4]	\$1,358,454	\$10,727,674 [28]		
2.	Miscellaneous revenues	104,236	28,856	133,092 [5]	4,114	137,206 [22]	3,532	136,624 [29]		
3.	Uncollectible accounts	(49,154)	2,308	(46,846) [6]	(7,911)	(54,757) [23]	(6,792)	(53,638) [30]		
4.	Total operating revenues	9,132,888	322,578	9,455,466	1,578,467	11,033,933	1,355,194	10,810,660		
<b><u>Maintenance Expenses:</u></b>										
5.	Salaries and wages	1,525,474	(16,505)	1,508,969 [2]	0	1,508,969	0	1,508,969		
6.	Purchased power	809,743	(18,942)	790,801 [7]	0	790,801	0	790,801		
7.	Purchased water	880,843	83,904	964,747 [4]	0	964,747	0	964,747		
8.	Maintenance and repair	611,718	(143,729)	467,989 [8]	0	467,989	0	467,989		
9.	Maintenance testing	102,943	11,828	114,771 [4]	0	114,771	0	114,771		
10.	Meter reading	115,212	0	115,212	0	115,212	0	115,212		
11.	Chemicals	334,604	[38,314]	296,290 [4]	0	296,290	0	296,290		
12.	Transportation	171,010	11,342	182,352 [2]	0	182,352	0	182,352		
13.	Operating expenses charged to plant	(220,149)	(85,599)	(305,748) [2]	0	(305,748)	0	(305,748)		
14.	Outside services - other	173,827	(55,624)	118,203 [9]	0	118,203	0	118,203		
15.	Total maintenance expenses	4,505,225	(251,639)	4,253,586	0	4,253,586	0	4,253,586		
<b><u>General Expenses:</u></b>										
16.	Salaries and wages	484,643	(20,534)	464,109 [2]	0	464,109	0	464,109		
17.	Office supplies and other office expense	174,834	(867) [2]	173,967	0	173,967	0	173,967		
18.	Regulatory commission expense	78,975	11,885	90,860 [10]	0	90,860	0	90,860		
19.	Pension and other benefits	446,082	(9,301)	436,781 [2]	0	436,781	0	436,781		
20.	Rent	33,355	7,304	40,659 [2]	0	40,659	0	40,659		
21.	Insurance	180,181	(17,851)	162,330 [2]	0	162,330	0	162,330		
22.	Office utilities	296,445	0	296,445	0	296,445	0	296,445		
23.	Miscellaneous	52,989	(38,757)	14,232 [11]	0	14,232	0	14,232		
24.	Total general expenses	1,747,504	(68,121)	1,679,383	0	1,679,383	0	1,679,383		
<b><u>Depreciation and Taxes:</u></b>										
25.	Depreciation expense	1,357,674	343,634	1,701,308 [12]	0	1,701,308	0	1,701,308		
26.	Amortization of CIAC	(461,501)	(40,135)	(501,636) [13]	0	(501,636)	0	(501,636)		
27.	Amortization of PAA	(85,752)	[9,135]	(94,887) [14]	0	(94,887)	0	(94,887)		
28.	Amortization of ITC	(274)	0	(274)	0	(274)	0	(274)		
29.	Franchise and other taxes	87	36,680	36,767 [15]	0	36,767	0	36,767		
30.	Property taxes	105,230	0	105,230	0	105,230	0	105,230		
31.	Payroll taxes	202,082	(20,656)	181,426 [2]	0	181,426	0	181,426		
32.	Regulatory fee	12,470	1,524	13,994 [16]	2,336	16,330 [16]	2,006	16,000 [16]		
33.	Gross receipts tax	227,362	(227,362)	0 [17]	0	0	0	0		
34.	State income tax	25,600	17,541	43,141 [18]	63,045	106,186 [24]	54,127	97,268 [31]		
35.	Federal income tax	165,391	186,636	352,027 [19]	514,449	866,476 [25]	441,681	793,708 [32]		
36.	Total depreciation and taxes	1,548,369	288,727	1,837,096	579,830	2,416,926	497,814	2,334,910		
37.	Total operating revenue deductions	7,801,098	(31,033)	7,770,065	579,830	8,349,895	497,814	8,267,879		
38.	Net operating income for a return	\$1,331,790	\$353,611	\$1,685,401	\$998,637	\$2,684,038	\$857,380	\$2,542,781		

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CAROLINA WATER SERVICE, INC., OF NC

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Docket No. W-354, Sub 344

FOOTNOTES TO SCHEDULE 3(a)

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 3(a)

Page 2 of 2

CWSNC WATER OPERATIONS

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Provided by Public Staff Accountant Zhang.
- [3] Column (a) plus Column (b), unless otherwise footnoted.
- [4] Provided by Public Staff Engineer Casselberry.
- [5] Henry Exhibit I, Schedule 3-1(a), Column (c), Line 3.
- [6] Henry Exhibit I, Schedule 3-2, Column (a), Line 6.
- [7] Henry Exhibit I, Schedule 3-3, Column (a), Line 7.
- [8] Henry Exhibit I, Schedule 3-4, Column (a), Line 6.
- [9] Henry Exhibit I, Schedule 3-5, Column (a), Line 6.
- [10] Henry Exhibit I, Schedule 3-6, Column (d), Line 9.
- [11] Henry Exhibit I, Schedule 3-7, Column (a), Line 6.
- [12] Henry Exhibit I, Schedule 3-8, Column (a), Line 13.
- [13] Henry Exhibit I, Schedule 3-8, Column (a), Line 18.
- [14] Henry Exhibit I, Schedule 3-8, Column (a), Line 21.
- [15] Amount provided by the Company allocated on rate base.
- [16] Line 4 multiplies by 0.148%.
- [17] Adjustment to remove gross receipts tax.
- [18] Henry Exhibit I, Schedule 3-10(a), Column (a), Line 16.
- [19] Henry Exhibit I, Schedule 3-10(a), Column (a), Line 18.
- [20] Column (e) minus Column (c), unless otherwise footnoted.
- [21] Column (c) plus Column (d), unless otherwise footnoted.
- [22] Henry Exhibit I, Schedule 3-1(a), Column (c), Line 6.
- [23] Henry Exhibit I, Schedule 3-2, Column (a), Line 9.
- [24] Henry Exhibit I, Schedule 3-10(a), Column (b), Line 16.
- [25] Henry Exhibit I, Schedule 3-10(a), Column (b), Line 18.
- [26] Column (g) minus Column (c), unless otherwise footnoted.
- [27] Column (e) plus Column (f), unless otherwise footnoted.
- [28] Revenue requirement as calculated by the Public Staff.
- [29] Henry Exhibit I, Schedule 3-1(a), Column (c), Line 9.
- [30] Henry Exhibit I, Schedule 3-2, Column (a), Line 12.
- [31] Henry Exhibit I, Schedule 3-10(a), Column (c), Line 16.
- [32] Henry Exhibit I, Schedule 3-10(a), Column (c), Line 18.

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CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
NET OPERATING INCOME FOR A RETURN  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3(b)  
Page 1 of 2

COMBINED SEWER OPERATIONS

Line No.	Item	Present Rates			Company Proposed Rates			Public Staff Recommended Rates		
		Amount Per Application	Public Staff Adjustments	Amount Per Public Staff	Net Company Increase	Operations After Rate Increase	Net Public Staff Increase	Operations After Rate Increase		
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(10)	(11)
<b>Operating Revenues:</b>										
1.	Service revenues	\$7,291,951	\$230,657	\$7,522,608	\$1,593,960	\$9,116,568 [4]	\$1,385,860	\$8,908,468 [12]		
2.	Miscellaneous revenues	82,073	(30,820)	51,253	4,145	55,398 [5]	3,602	54,855 [13]		
3.	Uncollectible accounts	(38,703)	1,090	(37,613)	(7,970)	(45,583) [6]	(6,928)	(44,541) [14]		
4.	Total operating revenues	7,335,321	200,927	7,536,248	1,590,135	9,126,383	1,382,534	8,918,782		
<b>Maintenance Expenses:</b>										
5.	Salaries and wages	1,096,928	(10,246)	1,086,682	0	1,086,682	0	1,086,682		
6.	Purchased power	609,789	(6,831)	602,958	0	602,958	0	602,958		
7.	Purchased sewer	237,242	10,239	247,481	0	247,481	0	247,481		
8.	Maintenance and repair	1,074,287	200,850	1,275,137	0	1,275,137	0	1,275,137		
9.	Maintenance testing	231,734	6,002	237,736	0	237,736	0	237,736		
10.	Meter reading	0	0	0	0	0	0	0		
11.	Chemicals	189,835	34,618	224,453	0	224,453	0	224,453		
12.	Transportation	111,645	6,445	118,090	0	118,090	0	118,090		
13.	Operating expenses charged to plant	(168,613)	(53,286)	(221,899)	0	(221,899)	0	(221,899)		
14.	Outside services - other	110,478	(35,723)	74,755	0	74,755	0	74,755		
15.	Total maintenance expenses	3,493,325	152,068	3,645,393	0	3,645,393	0	3,645,393		
<b>General Expenses:</b>										
16.	Salaries and wages	319,110	(13,519)	305,591	0	305,591	0	305,591		
17.	Office supplies and other office expense	113,489	(570)	112,919	0	112,919	0	112,919		
18.	Regulatory commission expense	51,987	6,661	58,648	0	58,648	0	58,648		
19.	Pension and other benefits	306,404	(5,659)	300,745	0	300,745	0	300,745		
20.	Rent	20,214	5,302	25,516	0	25,516	0	25,516		
21.	Insurance	120,116	(12,102)	108,014	0	108,014	0	108,014		
22.	Office utilities	176,880	0	176,880	0	176,880	0	176,880		
23.	Miscellaneous	32,388	(31,909)	479	0	479	0	479		
24.	Total general expenses	1,140,588	(51,796)	1,088,792	0	1,088,792	0	1,088,792		
<b>Depreciation and Taxes:</b>										
25.	Depreciation expense	1,253,703	243,011	1,496,714	0	1,496,714	0	1,496,714		
26.	Amortization of CIAC	(583,332)	(11,155)	(594,487)	0	(594,487)	0	(594,487)		
27.	Amortization of PAA	(24,731)	1,646	(23,085)	0	(23,085)	0	(23,085)		
28.	Amortization of ITC	(245)	0	(245)	0	(245)	0	(245)		
29.	Franchise and other taxes	61	32,726	32,787	0	32,787	0	32,787		
30.	Property taxes	68,081	2,608	70,689	0	70,689	0	70,689		
31.	Payroll taxes	139,640	(12,473)	127,167	0	127,167	0	127,167		
32.	Regulatory fee	9,819	1,335	11,154	2,353	13,507 [7]	2,046	13,200 [7]		
33.	Gross receipts tax	179,021	(179,021)	0	0	0	0	0		
34.	State income tax	38,385	(6,871)	31,514	63,511	95,025 [8]	55,219	86,733 [15]		
35.	Federal income tax	247,976	9,177	257,153	518,252	775,405 [9]	450,591	707,744 [16]		
36.	Total depreciation and taxes	1,328,378	80,983	1,409,361	584,116	1,993,477	507,856	1,917,217		
37.	Total operating revenue deductions	5,962,291	181,255	6,143,546	584,116	6,727,662	507,856	6,651,402		
38.	Net operating income for a return	\$1,373,030	\$19,672	\$1,392,702	\$1,006,019	\$2,398,721	\$874,678	\$2,267,380		

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CAROLINA WATER SERVICE, INC., OF NC

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Docket No. W-354, Sub 344

FOOTNOTES TO SCHEDULE 3(b)

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 3(b)

Page 2 of 2

COMBINED SEWER OPERATIONS

- [1] Henry Exhibit I, Schedule 3(c) plus Schedule 3(d) plus Schedule 3(e).
- [2] Column (e) minus Column (c), unless otherwise footnoted.
- [3] Column (c) plus Column (d), unless otherwise footnoted.
- [4] Provided by Public Staff Engineer Casselberry.
- [5] Henry Exhibit I, Schedule 3-1(b), Column (c), Line 6.
- [6] Henry Exhibit I, Schedule 3-2, Column (e), Line 9.
- [7] Line 4 multiplies by 0.148%.
- [8] Henry Exhibit I, Schedule 3-10(b), Column (b), Line 16.
- [9] Henry Exhibit I, Schedule 3-10(b), Column (b), Line 18.
- [10] Column (g) minus Column (c), unless otherwise footnoted.
- [11] Column (e) plus Column (f), unless otherwise footnoted.
- [12] Revenue requirement as calculated by the Public Staff.
- [13] Henry Exhibit I, Schedule 3-1(b), Column (c), Line 9.
- [14] Henry Exhibit I, Schedule 3-2, Column (e), Line 12.
- [15] Henry Exhibit I, Schedule 3-10(b), Column (c), Line 16.
- [16] Henry Exhibit I, Schedule 3-10(b), Column (c), Line 18.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3(c)  
Page 1 of 2

**SEWER OPERATIONS**

		Present Rates		
Line No.	Item	Amount Per Application (a)	Public Staff Adjustments (b) [1]	Amount Per Public Staff (c) [3]
<u>Operating Revenues:</u>				
1.	Service revenues	\$5,593,424	\$118,370	\$5,711,794 [4]
2.	Miscellaneous revenues	75,465	(32,012)	43,453 [5]
3.	Uncollectible accounts	(38,352)	9,793	(28,559) [6]
4.	Total operating revenues	5,630,537	96,151	5,726,688
<u>Maintenance Expenses:</u>				
5.	Salaries and wages	865,471	(9,364)	856,107 [2]
6.	Purchased power	469,436	(6,043)	463,393 [7]
7.	Purchased sewer	237,242	10,239	247,481 [4]
8.	Maintenance and repair	855,978	201,463	1,057,441 [8]
9.	Maintenance testing	179,251	7,660	186,911 [4]
10.	Meter reading	0	0	0
11.	Chemicals	133,497	34,618	168,115 [4]
12.	Transportation	97,021	6,445	103,466 [2]
13.	Operating expenses charged to plant	(124,901)	(48,564)	(173,465) [2]
14.	Outside services - other	95,781	(31,562)	64,219 [9]
15.	Total maintenance expenses	2,808,776	164,892	2,973,668
<u>General Expenses:</u>				
16.	Salaries and wages	274,960	(11,650)	263,310 [2]
17.	Office supplies and other office expense	96,174	(492) [2]	95,682
18.	Regulatory commission expense	44,806	6,745	51,551 [10]
19.	Pension and other benefits	253,083	(5,278)	247,805 [2]
20.	Rent	18,924	4,146	23,070 [2]
21.	Insurance	102,225	(10,120)	92,105 [2]
22.	Office utilities	128,088	0	128,088
23.	Miscellaneous	29,044	(25,275)	3,769 [11]
24.	Total general expenses	947,304	(41,924)	905,380
<u>Depreciation and Taxes:</u>				
25.	Depreciation expense	861,552	175,962	1,037,514 [12]
26.	Amortization of CIAC	(443,352)	967	(442,385) [13]
27.	Amortization of PAA	(24,731)	1,646	(23,085) [14]
28.	Amortization of ITC	(245)	0	(245)
29.	Franchise and other taxes	56	22,333	22,389 [15]
30.	Property taxes	69,605	0	69,605
31.	Payroll taxes	114,651	(11,720)	102,931 [2]
32.	Regulatory fee	9,819	(1,344)	8,475 [16]
33.	Gross receipts tax	179,021	(179,021)	0 [17]
34.	State income tax	24,383	(5,894)	18,489 [18]
35.	Federal income tax	157,523	(6,651)	150,872 [19]
36.	Total depreciation and taxes	948,282	(3,722)	944,560
37.	Total operating revenue deductions	4,704,362	119,246	4,823,608
38.	Net operating income for a return	\$926,175	(\$23,095)	\$903,080

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CAROLINA WATER SERVICE, INC., OF NC

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Docket No. W-354, Sub 344

FOOTNOTES TO SCHEDULE 3(c)

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 3(c)

Page 2 of 2

SEWER OPERATIONS

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Provided by Public Staff Accountant Zhang.
- [3] Column (a) plus Column (b), unless otherwise footnoted.
- [4] Provided by Public Staff Engineer Casselberry.
- [5] Henry Exhibit I, Schedule 3-1(c), Column (c), Line 3.
- [6] Henry Exhibit I, Schedule 3-2, Column (b), Line 6.
- [7] Henry Exhibit I, Schedule 3-3, Column (b), Line 7.
- [8] Henry Exhibit I, Schedule 3-4, Column (b), Line 6.
- [9] Henry Exhibit I, Schedule 3-5, Column (b), Line 6.
- [10] Henry Exhibit I, Schedule 3-6, Column (e), Line 9.
- [11] Henry Exhibit I, Schedule 3-7, Column (b), Line 6.
- [12] Henry Exhibit I, Schedule 3-8, Column (b), Line 13.
- [13] Henry Exhibit I, Schedule 3-8, Column (b), Line 18.
- [14] Henry Exhibit I, Schedule 3-8, Column (b), Line 21.
- [15] Amount provided by the Company allocated on rate base.
- [16] Line 4 multiplies by 0.148%.
- [17] Adjustment to remove gross receipts tax.
- [18] Henry Exhibit I, Schedule 3-10(c), Column (a), Line 16.
- [19] Henry Exhibit I, Schedule 3-10(c), Column (a), Line 18.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3(d)  
Page 1 of 2

**CLMS SEWER OPERATIONS**

		Present Rates		
Line No.	Item	Amount Per Application (a)	Public Staff Adjustments [1] (b)	Amount Per Public Staff [3] (c)
<b><u>Operating Revenues:</u></b>				
1.	Service revenues	\$1,104,058	\$13,181	\$1,117,239 [4]
2.	Miscellaneous revenues	4,414	589	5,003 [5]
3.	Uncollectible accounts	(418)	(5,168)	(5,586) [6]
4.	Total operating revenues	1,108,054	8,602	1,116,656
<b><u>Maintenance Expenses:</u></b>				
5.	Salaries and wages	130,584	(485)	130,099 [2]
6.	Purchased power	72,318	1,284	73,602 [7]
7.	Purchased sewer	0	0	0
8.	Maintenance and repair	119,164	(345)	118,819 [8]
9.	Maintenance testing	44,518	(1,683)	42,835 [4]
10.	Meter reading	0	0	0
11.	Chemicals	42,226	0	42,226 [4]
12.	Transportation	8,251	0	8,251 [2]
13.	Operating expenses charged to plant	(24,678)	(2,648)	(27,326) [2]
14.	Outside services - other	9,432	(2,330)	7,102 [9]
15.	Total maintenance expenses	401,815	(6,207)	395,608
<b><u>General Expenses:</u></b>				
16.	Salaries and wages	24,909	(1,054)	23,855 [2]
17.	Office supplies and other office expense	10,383	(44) [2]	10,339
18.	Regulatory commission expense	4,046	627	4,673 [10]
19.	Pension and other benefits	30,083	(212)	29,871 [2]
20.	Rent	414	964	1,378 [2]
21.	Insurance	10,085	(1,090)	8,995 [2]
22.	Office utilities	29,253	0	29,253
23.	Miscellaneous	2,030	(5,481)	(3,451) [11]
24.	Total general expenses	111,203	(6,290)	104,913
<b><u>Depreciation and Taxes:</u></b>				
25.	Depreciation expense	299,285	49,579	348,864 [12]
26.	Amortization of CIAC	(137,984)	(11,642)	(149,626) [13]
27.	Amortization of PAA	0	0	0
28.	Amortization of ITC	0	0	0
29.	Franchise and other taxes	3	7,912	7,915 [14]
30.	Property taxes	612	0	612
31.	Payroll taxes	13,677	(2)	13,675 [2]
32.	Regulatory fee	0	1,653	1,653 [15]
33.	Gross receipts tax	0	0	0
34.	State income tax	10,968	(3,872)	7,096 [16]
35.	Federal income tax	70,853	(12,953)	57,900 [17]
36.	Total depreciation and taxes	257,414	30,675	288,089
37.	Total operating revenue deductions	770,432	18,178	788,610
38.	Net operating income for a return	\$337,622	(\$9,576)	\$328,046

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CAROLINA WATER SERVICE, INC., OF NC

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Docket No. W-354, Sub 344

FOOTNOTES TO SCHEDULE 3(d)

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 3(d)

Page 2 of 2

CLMS SEWER OPERATIONS

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Provided by Public Staff Accountant Zhang.
- [3] Column (a) plus Column (b), unless otherwise footnoted.
- [4] Provided by Public Staff Engineer Casselberry.
- [5] Henry Exhibit I, Schedule 3-1(d), Column (c), Line 3.
- [6] Henry Exhibit I, Schedule 3-2, Column (c), Line 6.
- [7] Henry Exhibit I, Schedule 3-3, Column (c), Line 7.
- [8] Henry Exhibit I, Schedule 3-4, Column (c), Line 6.
- [9] Henry Exhibit I, Schedule 3-5, Column (c), Line 6.
- [10] Henry Exhibit I, Schedule 3-6, Column (f), Line 9.
- [11] Henry Exhibit I, Schedule 3-7, Column (c), Line 6.
- [12] Henry Exhibit I, Schedule 3-8, Column (c), Line 13.
- [13] Henry Exhibit I, Schedule 3-8, Column (c), Line 18.
- [14] Amount provided by the Company allocated on rate base.
- [15] Line 4 multiplies by 0.148%.
- [16] Henry Exhibit I, Schedule 3-10(d), Column (a), Line 16.
- [17] Henry Exhibit I, Schedule 3-10(d), Column (a), Line 18.

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**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**NET OPERATING INCOME FOR A RETURN**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3(e)  
Page 1 of 2

**NAGS HEAD SEWER OPERATIONS**

		Present Rates		
Line No.	Item	Amount Per Application (a)	Public Staff Adjustments [1] (b)	Amount Per Public Staff [3] (c)
<u>Operating Revenues:</u>				
1.	Service revenues	\$594,469	\$99,106	\$693,575 [4]
2.	Miscellaneous revenues	2,194	603	2,797 [5]
3.	Uncollectible accounts	67	(3,535)	(3,468) [6]
4.	Total operating revenues	596,730	96,174	692,904
<u>Maintenance Expenses:</u>				
5.	Salaries and wages	100,873	(397)	100,476 [2]
6.	Purchased power	68,035	(2,072)	65,963 [7]
7.	Purchased sewer	0	0	0
8.	Maintenance and repair	99,145	(268)	98,877 [8]
9.	Maintenance testing	7,965	25	7,990 [4]
10.	Meter reading	0	0	0
11.	Chemicals	14,112	0	14,112
12.	Transportation	6,373	0	6,373 [2]
13.	Operating expenses charged to plant	(19,034)	(2,074)	(21,108) [2]
14.	Outside services - other	5,265	(1,831)	3,434 [9]
15.	Total maintenance expenses	282,734	(6,617)	276,117
<u>General Expenses:</u>				
16.	Salaries and wages	19,241	(815)	18,426 [2]
17.	Office supplies and other office expense	6,932	(34) [2]	6,898
18.	Regulatory commission expense	3,135	(711)	2,424 [10]
19.	Pension and other benefits	23,238	(169)	23,069 [2]
20.	Rent	876	192	1,068 [2]
21.	Insurance	7,806	(892)	6,914 [2]
22.	Office utilities	19,539	0	19,539
23.	Miscellaneous	1,314	(1,153)	161 [11]
24.	Total general expenses	82,081	(3,582)	78,499
<u>Depreciation and Taxes:</u>				
25.	Depreciation expense	92,866	17,470	110,336 [12]
26.	Amortization of CIAC	(1,996)	(480)	(2,476) [13]
27.	Amortization of PAA	0	0	0
28.	Amortization of ITC	0	0	0
29.	Franchise and other taxes	2	2,481	2,483 [14]
30.	Property taxes	(2,136)	2,608	472 [15]
31.	Payroll taxes	11,312	(751)	10,561 [2]
32.	Regulatory fee	0	1,025	1,025 [16]
33.	Gross receipts tax	0	0	0
34.	State income tax	3,034	2,895	5,929 [17]
35.	Federal income tax	19,600	28,781	48,381 [18]
36.	Total depreciation and taxes	122,682	54,029	176,711
37.	Total operating revenue deductions	487,497	43,830	531,327
38.	Net operating income for a return	\$109,233	\$52,344	\$161,577

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CAROLINA WATER SERVICE, INC., OF NC

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Docket No. W-354, Sub 344

FOOTNOTES TO SCHEDULE 3(e)

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 3(e)

Page 2 of 2

NAGS HEAD SEWER OPERATIONS

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Provided by Public Staff Accountant Zhang.
- [3] Column (a) plus Column (b), unless otherwise footnoted.
- [4] Provided by Public Staff Engineer Casselberry.
- [5] Henry Exhibit I, Schedule 3-1(e), Column (c), Line 3.
- [6] Henry Exhibit I, Schedule 3-2, Column (d), Line 6.
- [7] Henry Exhibit I, Schedule 3-3, Column (d), Line 7.
- [8] Henry Exhibit I, Schedule 3-4, Column (d), Line 6.
- [9] Henry Exhibit I, Schedule 3-5, Column (d), Line 6.
- [10] Henry Exhibit I, Schedule 3-6, Column (g), Line 9.
- [11] Henry Exhibit I, Schedule 3-7, Column (d), Line 6.
- [12] Henry Exhibit I, Schedule 3-8, Column (d), Line 13.
- [13] Henry Exhibit I, Schedule 3-8, Column (d), Line 18.
- [14] Amount provided by the Company allocated on rate base.
- [15] Henry Exhibit I, Schedule 3-9, Line 3.
- [16] Line 4 multiplies by 0.148%.
- [17] Henry Exhibit I, Schedule 3-10(e), Column (a), Line 16.
- [18] Henry Exhibit I, Schedule 3-10(e), Column (a), Line 18.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO MISCELLANEOUS REVENUES**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-1(a)

**WATER OPERATIONS**

Line No.	Item	Amount Per Before Adjustment (a)	Public Staff Adjustments [3] (b)	Amount Per Public Staff [5] (c)
<b><u>Present Rates:</u></b>				
1.	Forfeited discounts	\$25,671 [1]	(\$1,311)	\$24,360 [6]
2.	Other water/sewer revenues	78,565 [1]	30,167 [4]	108,732
3.	Total miscellaneous revenues (L1 + L2)	<u>\$104,236</u>	<u>\$28,856</u>	<u>\$133,092</u>
<b><u>Company Proposed Rates:</u></b>				
4.	Forfeited discounts	\$24,360 [2]	\$4,114	\$28,474 [7]
5.	Other water/sewer revenues	108,732 [2]	0	108,732
6.	Total miscellaneous revenues (L4 + L5)	<u>\$133,092</u>	<u>\$4,114</u>	<u>\$137,206</u>
<b><u>Public Staff Recommended Rates:</u></b>				
7.	Forfeited discounts	\$24,360 [2]	\$3,532	\$27,892 [8]
8.	Other water/sewer revenues	108,732 [2]	0	108,732
9.	Total miscellaneous revenues (L7 + L8)	<u>\$133,092</u>	<u>\$3,532</u>	<u>\$136,624</u>

- [1] Per examination of Company's financial records.  
[2] Adjusted amount per Public Staff, Column (c), Lines 1 and 2.  
[3] Column (c) minus Column (a), unless otherwise footnoted.  
[4] Adjustment to directly assign other water/sewer revenues.  
[5] Column (a) plus Column (b), unless otherwise footnoted.  
[6] Henry Exhibit I, Schedule 3-1(a)(1), Column (a), Line 6.  
[7] Henry Exhibit I, Schedule 3-1(a)(1), Column (a), Line 9.  
[8] Henry Exhibit I, Schedule 3-1(a)(1), Column (a), Line 12.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO MISCELLANEOUS REVENUES**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-1(b)

**COMBINED SEWER OPERATIONS**

Line No.	Item	Amount Per Before Adjustment (a)		Public Staff Adjustments (b)	[3]	Amount Per Public Staff (c)	[5]
	<b><u>Present Rates:</u></b>						
1.	Forfeited discounts	\$20,212	[1]	(\$653)		\$19,559	[6]
2.	Other water/sewer revenues	61,861	[1]	(30,167)	[4]	31,694	
3.	Total miscellaneous revenues (L1 + L2)	<u>\$82,073</u>		<u>(\$30,820)</u>		<u>\$51,253</u>	
	<b><u>Company Proposed Rates:</u></b>						
4.	Forfeited discounts	\$19,559	[2]	\$4,145		\$23,704	[7]
5.	Other water/sewer revenues	31,694	[2]	0		31,694	
6.	Total miscellaneous revenues (L4 + L5)	<u>\$51,253</u>		<u>\$4,145</u>		<u>\$55,398</u>	
	<b><u>Public Staff Recommended Rates:</u></b>						
7.	Forfeited discounts	\$19,559	[2]	\$3,602		\$23,161	[8]
8.	Other water/sewer revenues	31,694	[2]	0		31,694	
9.	Total miscellaneous revenues (L7 + L8)	<u>\$51,253</u>		<u>\$3,602</u>		<u>\$54,855</u>	

- [1] Per examination of Company's financial records.  
[2] Adjusted amount per Public Staff, Column (c), Lines 1 and 2.  
[3] Column (c) minus Column (a), unless otherwise footnoted.  
[4] Adjustment to directly assign other water/sewer revenues.  
[5] Column (a) plus Column (b), unless otherwise footnoted.  
[6] Henry Exhibit I, Schedule 3-1(a)(1), Column (e), Line 6.  
[7] Henry Exhibit I, Schedule 3-1(a)(1), Column (e), Line 9.  
[8] Henry Exhibit I, Schedule 3-1(a)(1), Column (e), Line 12.

CAROLINA WATER SERVICE, INC., OF NC  
 Docket No. W-354, Sub 344  
**ADJUSTMENT TO MISCELLANEOUS REVENUES**  
 For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-1(c)

SEWER OPERATIONS

Line No.	<u>Item</u>	Amount Per Before Adjustment (a)	Public Staff Adjustments [2] (b)	Amount Per Public Staff [4] (c)
	<u>Present Rates:</u>			
1.	Forfeited discounts	\$16,696 [1]	(\$1,845)	\$14,851 [5]
2.	Other water/sewer revenues	58,769 [1]	(30,167) [3]	28,602
3.	Total miscellaneous revenues (L1 + L2)	<u>\$75,465</u>	<u>(\$32,012)</u>	<u>\$43,453</u>

- [1] Per examination of Company's financial records.  
 [2] Column (c) minus Column (a), unless otherwise footnoted.  
 [3] Adjustment to directly assign other water/sewer revenues.  
 [4] Column (a) plus Column (b), unless otherwise footnoted.  
 [5] Henry Exhibit I, Schedule 3-1(a)(1), Column (b), Line 6.

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO MISCELLANEOUS REVENUES**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-1(d)

**CLMS SEWER OPERATIONS**

Line No.	Item	Amount Per Before Adjustment (a)	Public Staff Adjustments [2] (b)	Amount Per Public Staff [3] (c)
	<b><u>Present Rates:</u></b>			
1.	Forfeited discounts	\$2,316 [1]	\$589	\$2,905 [4]
2.	Other water/sewer revenues	2,098 [1]	0	2,098
3.	Total miscellaneous revenues (L1 + L2)	<u>\$4,414</u>	<u>\$589</u>	<u>\$5,003</u>

- [1] Per examination of Company's financial records.  
[2] Column (c) minus Column (a), unless otherwise footnoted.  
[3] Column (a) plus Column (b), unless otherwise footnoted.  
[4] Henry Exhibit I, Schedule 3-1(a)(1), Column (c), Line 6.

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO MISCELLANEOUS REVENUES**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-1(e)

**NAGS HEAD SEWER OPERATIONS**

Line No.	<u>Item</u>	Amount Per Before Adjustment (a)	Public Staff Adjustments (b)	[2]	Amount Per Public Staff (c)	[3]
	<u>Present Rates:</u>					
1.	Forfeited discounts	\$1,200 [1]	\$603		\$1,803 [4]	
2.	Other water/sewer revenues	994 [1]	0		994	
3.	Total miscellaneous revenues (L1 + L2)	<u>\$2,194</u>	<u>\$603</u>		<u>\$2,797</u>	

- [1] Per examination of Company's financial records.  
[2] Column (c) minus Column (a), unless otherwise footnoted.  
[3] Column (a) plus Column (b), unless otherwise footnoted.  
[4] Henry Exhibit I, Schedule 3-1(a)(1), Column (d), Line 6.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF FORFEITED DISCOUNTS**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-1(a)(1)

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Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e)
<b>Test Year:</b>						
1.	Service revenues	\$9,808,256 [1]				\$7,722,841 [1]
2.	Forfeited discounts	\$25,670 [1]				20,211 [1]
3.	Forfeited discounts percentage (L2 / L1)	0.26%				0.26%
<b>Present Rates:</b>						
4.	Service revenues	\$9,369,220 [2]	\$5,711,794 [5]	\$1,117,239 [6]	\$693,575 [7]	\$7,522,608 [8]
5.	Forfeited discounts percentage	0.26%	0.26%	0.26%	0.26%	0.26%
6.	Forfeited discounts (L4 x L5)	\$24,360	\$14,851	\$2,905	\$1,803	\$19,559
<b>Company Proposed Rates:</b>						
7.	Service revenues	\$10,951,484 [3]				\$9,116,568 [9]
8.	Forfeited discounts percentage	0.26%				0.26%
9.	Forfeited discounts (L7 x L8)	\$28,474				\$23,704
<b>Public Staff Recommended Rates:</b>						
10.	Service revenues	\$10,727,674 [4]				\$8,908,468 [10]
11.	Forfeited discounts percentage	0.26%				0.26%
12.	Forfeited discounts (L10 x L11)	\$27,892				\$23,161

- [1] Per examination of Company's financial records.  
[2] Henry Exhibit I, Schedule 3(a), Column (c), Line 1.  
[3] Henry Exhibit I, Schedule 3(a), Column (e), Line 1.  
[4] Henry Exhibit I, Schedule 3(a), Column (g), Line 1.  
[5] Henry Exhibit I, Schedule 3(c), Column (c), Line 1.

- [6] Henry Exhibit I, Schedule 3(d), Column (c), Line 1.  
[7] Henry Exhibit I, Schedule 3(e), Column (c), Line 1.  
[8] Henry Exhibit I, Schedule 3(b), Column (c), Line 1.  
[9] Henry Exhibit I, Schedule 3(b), Column (e), Line 1.  
[10] Henry Exhibit I, Schedule 3(b), Column (g), Line 1.



**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF UNCOLLECTIBLE ACCOUNTS**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-2

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e)
<b>Test Year:</b>						
1.	Service revenues	\$9,808,256 [1]				\$7,722,841 [1]
2.	Uncollectible accounts	\$49,154 [1]				38,703 [1]
3.	Uncollectible accounts percentage (L2 / L1)	<u>0.50%</u>				<u>0.50%</u>
<b>Present Rates:</b>						
4.	Service revenues	\$9,369,220 [2]	\$5,711,794 [5]	\$1,117,239 [6]	\$693,575 [7]	\$7,522,608 [8]
5.	Uncollectible accounts percentage	0.50%	0.50%	0.50%	0.50%	0.50%
6.	Uncollectible accounts (L4 x L5)	<u>\$46,846</u>	<u>\$28,559</u>	<u>\$5,586</u>	<u>\$3,468</u>	<u>\$37,613</u>
<b>Company Proposed Rates:</b>						
7.	Service revenues	\$10,951,484 [3]				\$9,116,568 [9]
8.	Uncollectible accounts percentage	0.50%				0.50%
9.	Uncollectible accounts (L7 x L8)	<u>\$54,757</u>				<u>\$45,583</u>
<b>Public Staff Recommended Rates:</b>						
10.	Service revenues	\$10,727,674 [4]				\$8,908,468 [10]
11.	Uncollectible accounts percentage	0.50%				0.50%
12.	Uncollectible accounts (L10 x L11)	<u>\$53,638</u>				<u>\$44,541</u>

- [1] Per examination of Company's financial records.  
[2] Henry Exhibit I, Schedule 3(a), Column (c), Line 1.  
[3] Henry Exhibit I, Schedule 3(a), Column (c), Line 1.  
[4] Henry Exhibit I, Schedule 3(a), Column (g), Line 1.  
[5] Henry Exhibit I, Schedule 3(c), Column (c), Line 1.

- [6] Henry Exhibit I, Schedule 3(d), Column (c), Line 1.  
[7] Henry Exhibit I, Schedule 3(e), Column (c), Line 1.  
[8] Henry Exhibit I, Schedule 3(b), Column (c), Line 1.  
[9] Henry Exhibit I, Schedule 3(b), Column (e), Line 1.  
[10] Henry Exhibit I, Schedule 3(b), Column (g), Line 1.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO PURCHASED POWER**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-3

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e) [2]
1.	Purchased power per application	\$809,743	\$469,436	\$72,318	\$68,035	\$609,789
2.	Adjustment to update purchase power to 12 months ending June 30, 2015	(7,664) [1]	6,826 [1]	1,961 [1]	(2,434) [1]	6,353
3.	Adjustment to manual accruals to electric power	(11,278) [1]	(9,777) [1]	(677) [1]	362 [1]	(10,092)
4.	Adjustment to remove College Park electric power	0	(1,727) [1]	0	0	(1,727)
5.	Adjustment to remove Huntwick electric power	0	(1,365) [1]	0	0	(1,365)
6.	Adjustment to purchased power (Sum of L2 thru L5)	(18,942)	(6,043)	1,284	(2,072)	(6,831)
7.	Purchased power per Public Staff (L1 + L6)	\$790,801	\$463,393	\$73,602	\$65,963	\$602,958

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

[2] Sum of Column (b) thru Column (d)

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO MAINTENANCE AND REPAIR**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-4

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e) [5]
1.	Maintenance and repair per application	\$611,718	\$855,978	\$119,164	\$99,145	\$1,074,287
2.	Adjustment to deferred maintenance and repair	(161,440) [1]	199,631 [3]	0	0	199,631
3.	Adjustment to maintenance and repair for College Park	0	(8,217) [4]	0	0	(8,217)
4.	Adjustment to cost center maintenance and repair	17,711 [2]	10,049 [2]	(345) [2]	(268) [2]	9,436
5.	Adjustment to maintenance and repair (Sum of L2 thru L4)	(143,729)	201,463	(345)	(268)	200,850
6.	Maintenance and repair per Public Staff (L1 + L5)	\$467,989	\$1,057,441	\$118,819	\$98,877	\$1,275,137

[1] Henry Exhibit I, Schedule 3-4(a), Column (a), Line 3.

[2] Provided by Public Staff Accountant Zhang.

[3] Henry Exhibit I, Schedule 3-4(a), Column (b), Line 3.

[4] Provided by Public Staff Engineer Casselberry.

[5] Sum of Column (b) thru Column (d)

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO DEFERRED MAINTENANCE AND REPAIR**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-4(a)

<u>Line No.</u>	<u>Item</u>	<u>CWSNC Water (a)</u>	<u>CWSNC Sewer (b)</u>
1.	Annual deferred maintenance and repair	\$108,243 [1]	\$352,634 [3]
2.	Deferred maintenance and repair per application	<u>269,683 [2]</u>	<u>153,003 [2]</u>
3.	Adjustment to deferred maintenance and repair (L1 - L2)	<u>(\$161,440)</u>	<u>\$199,631</u>

[1] Henry Exhibit I, Schedule 2-10(a), Column (e), Line 4.

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

[3] Henry Exhibit I, Schedule 2-10(a), Column (e), Line 7.

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**ADJUSTMENT TO OUTSIDE SERVICES - OTHER**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-5

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e) [3]
1.	Outside services - other per application	<u>\$173,827</u>	<u>\$95,781</u>	<u>\$9,432</u>	<u>\$5,265</u>	<u>\$110,478</u>
2.	Adjustment to remove legal fees related to sale of the Huntwick sewer system	(8,011) [1]	(4,546) [1]	0	0	(4,546)
3.	Adjustment to remove legal fees related to acquisition of the Linville Ridge water system	(1,628) [1]	(924) [1]	0	0	(924)
4.	Adjustment to cost center outside services	<u>(45,985) [2]</u>	<u>(26,092) [2]</u>	<u>(2,330)</u>	<u>(1,831)</u>	<u>(30,253)</u>
5.	Adjustment to outside services - other (Sum of L2 thru L4)	<u>(55,624)</u>	<u>(31,562)</u>	<u>(2,330)</u>	<u>(1,831)</u>	<u>(35,723)</u>
6.	Outside services - other per Public Staff (L1 + L5)	<u><u>\$118,203</u></u>	<u><u>\$64,219</u></u>	<u><u>\$7,102</u></u>	<u><u>\$3,434</u></u>	<u><u>\$74,755</u></u>

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

[2] Provided by Public Staff Accountant Zhang.

[3] Sum of Column (b) thru Column (d)

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CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**CALCULATION OF REGULATORY COMMISSION EXPENSE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-6

Line No.	Item	Amount Per Application (a)	Public Staff Adjustment (b)	[1]	Amount Per Public Staff (c)	CWSNC Water (d)	CWSNC Sewer (e)	CLMS Sewer (f)	Nags Head Sewer (g)	Combined Sewer (h)	[11]
1.	Rate case expenses for current proceeding	<u>\$226,656</u>	<u>\$77,674</u>		<u>\$304,330</u> [2]						
2.	Amortization period in years				<u>3</u>						
3.	Annual rate case expense for current proceeding (L1 / L2)				<u>101,443</u>	<u>\$61,170</u> [4]	<u>\$34,704</u> [6]	<u>\$3,145</u> [8]	<u>\$2,424</u> [10]	<u>\$40,273</u>	
4.	Unamortized balance of rate case expense (L1 - L3)				<u>202,887</u>	<u>122,341</u> [4]	<u>69,408</u> [6]	<u>6,289</u> [8]	<u>4,850</u> [10]	<u>80,547</u>	
5.	Sub 336 unamortized rate case expense	<u>\$166,235</u>	<u>(\$22,040)</u>		<u>144,195</u> [3]						
6.	Amortization period in years				<u>3</u>						
7.	Sub 336 unamortized annual rate case expense (L5 / L6)				<u>48,065</u>	<u>29,690</u> [5]	<u>16,847</u> [7]	<u>1,528</u> [9]		<u>18,375</u>	
8.	Unamortized balance of rate case expense (L5 - L7)				<u>96,130</u>	<u>59,380</u> [5]	<u>33,694</u> [7]	<u>3,056</u> [9]		<u>36,750</u>	
9.	Total annual rate case expense (L3 + L7)				<u>\$149,508</u>	<u>\$90,860</u>	<u>\$51,551</u>	<u>\$4,673</u>	<u>\$2,424</u>	<u>\$58,648</u>	
10.	Total unamortized balance of rate case expense (L4 + L8)				<u>\$299,017</u>	<u>\$181,721</u>	<u>\$103,102</u>	<u>\$9,345</u>	<u>\$4,850</u>	<u>\$117,297</u>	

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

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

[3] Calculated base on amount approved in Sub 336 rate case.

[4] Column (c) multiplied by CWSNC Uniform water allocation factor of 60.30%.

[5] Column (c) multiplied by CWSNC Uniform water allocation factor of 61.77%.

[6] Column (c) multiplied by CWSNC Uniform sewer allocation factor of 34.21%.

[7] Column (c) multiplied by CWSNC Uniform sewer allocation factor of 35.05%.

[8] Column (c) multiplied by CLMS sewer allocation factor of 3.10%.

[9] Column (c) multiplied by CLMS sewer allocation factor of 3.18%.

[10] Column (c) multiplied by Nags Head sewer allocation factor of 2.39%.

[11] Sum of Column (e) thru Column (g).

**CAROLINA WATER SERVICE, INC., OF NC**

Docket No. W-354, Sub 344

**ADJUSTMENT TO MISCELLANEOUS EXPENSE**

For The Test Year Ended December 31, 2014

Henry Exhibit I

Schedule 3-7

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)	Combined Sewer (e)	[4]
1.	Miscellaneous expense per application	\$52,989	\$29,044	\$2,030	\$1,314	\$32,388	
2.	Adjustment to remove unrecoverable Sub 336 rate case expense	(4,497) [1]	(3,541) [1]	0	0	(3,541)	
3.	Adjustment for excess deferred taxes	(22,320) [2]	(14,959) [2]	(5,360) [2]	(1,060) [2]	(21,379)	
4.	Adjustment to cost center miscellaneous expense	(11,940) [3]	(6,775) [3]	(121) [3]	(93) [3]	(6,989)	
5.	Adjustment to miscellaneous expense (Sum of L2 thru L4)	(38,757)	(25,275)	(5,481)	(1,153)	(31,909)	
6.	Miscellaneous expense per Public Staff (L1 + L5)	\$14,232	\$3,769	(\$3,451)	\$161	\$479	

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

[2] Provided by Public Staff Accountant Fernald.

[3] Provided by Public Staff Accountant Zhang.

[4] Sum of Column (b) thru Column (d)

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF DEPRECIATION AND  
AMORTIZATION EXPENSE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-8

Line No.	Item	CWSNC Water (a)	CWSNC Sewer (b)	CLMS Sewer (c)	Nags Head Sewer (d)
1.	Depreciation on direct plant	\$1,626,196 [1]	\$1,002,730 [9]	\$343,588 [15]	\$101,026 [19]
	Depreciation on allocated plant:				
2.	WSC cost center	133,315 [2]	75,642 [2]	6,923 [2]	5,283 [2]
4.	State cost center	106,620 [2]	60,496 [2]	4,668 [2]	3,606 [2]
8.	Charlotte office cost center	8,382 [2]	4,756 [2]	430 [2]	334 [2]
9.	Charlotte warehouse cost center	16,357 [2]	1,328 [2]	0 [2]	0 [2]
10.	Florida office cost center	2,223 [2]	1,261 [2]	114 [2]	87 [2]
11.	Gain on sale	(166,755) [3]	(78,091) [10]	(6,859) [16]	0
12.	Excess book value	(25,030) [4]	(30,608) [11]	0	0
13.	Total depreciation expense (Sum of L1 thru L12)	<u>\$1,701,308</u>	<u>\$1,037,514</u>	<u>\$348,864</u>	<u>\$110,336</u>
14.	Contributions in aid of construction	(\$18,834,734) [5]	(\$17,973,961) [12]	(\$5,732,786) [17]	(\$84,233) [20]
15.	Advances in aid of construction	(23,760) [6]	(9,180) [6]	0	0
16.	Depreciable CIAC and AIA (L14 + L15)	<u>(18,858,494)</u>	<u>(17,983,141)</u>	<u>(5,732,786)</u>	<u>(84,233)</u>
17.	Amortization rate	2.66% [7]	2.46% [13]	2.61% [18]	2.94% [21]
18.	CIAC and AIA amortization expense (L16 x L17)	<u>(\$501,636)</u>	<u>(\$442,385)</u>	<u>(\$149,626)</u>	<u>(\$2,476)</u>
19.	Purchase acquisition adjustment	(\$3,567,165) [8]	(\$938,416) [14]	\$0	\$0
20.	Amortization rate	2.66% [7]	2.46% [13]	2.61% [18]	2.94% [21]
21.	PAA amortization expense (L19 x L20)	<u>(\$94,887)</u>	<u>(\$23,085)</u>	<u>\$0</u>	<u>\$0</u>

- [1] Henry Exhibit I, Schedule 3-8(a), Column (c), Line 48.  
[2] Provided by Public Staff Accountant Zhang.  
[3] Henry Exhibit I, Schedule 2-6, Column (a), Line 7.  
[4] Henry Exhibit I, Schedule 2-8, Column (b), Line 9.  
[5] Henry Exhibit I, Schedule 2-4, Column (a), Line 9.  
[6] Per examination of Company's financial records.  
[7] Henry Exhibit I, Schedule 3-8(a), Column (d), Line 48.  
[8] Henry Exhibit I, Schedule 2-7, Column (a), Line 7.  
[9] Henry Exhibit I, Schedule 3-8(b), Column (c), Line 58.  
[10] Henry Exhibit I, Schedule 2-6, Column (b), Line 7.  
[11] Henry Exhibit I, Schedule 2-8, Column (b), Line 18.

- [12] Henry Exhibit I, Schedule 2-4, Column (d), Line 9.  
[13] Henry Exhibit I, Schedule 3-8(b), Column (d), Line 58.  
[14] Henry Exhibit I, Schedule 2-7, Column (d), Line 7.  
[15] Henry Exhibit I, Schedule 3-8(c), Column (c), Line 58.  
[16] Henry Exhibit I, Schedule 2-6, Column (c), Line 7.  
[17] Henry Exhibit I, Schedule 2-4, Column (g), Line 9.  
[18] Henry Exhibit I, Schedule 3-8(c), Column (d), Line 58.  
[19] Henry Exhibit I, Schedule 3-8(d), Column (c), Line 58.  
[20] Henry Exhibit I, Schedule 2-4, Column (j), Line 9.  
[21] Henry Exhibit I, Schedule 3-8(d), Column (d), Line 58.



CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
**CALCULATION OF DIRECT DEPRECIATION EXPENSE**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-8(a)

WATER OPERATIONS

Line No.	Account No.	Item	Plant in Service (a)	Depreciation Rate (b)	Annual Depreciation (c)	Composite Rate (d)
			[1]	[2]	[3]	
1.	1020	Organization	\$266,186	2.50%	\$6,655	
2.	1025	Franchises	114,450	2.50%	2,861	
3.	1030	Land & land rights pump	143	0.00%	0	
4.	1035	Land & land rights water tr.	357,109	0.00%	0	
5.	1040	Land & land rights trans.	0	0.00%	0	
6.	1045	Land & land rights gen. plt.	559,560	0.00%	0	
7.	1050	Struct & improv. src. supply	3,111,736	2.00%	62,235	
8.	1055	Struct & improv. wtr. trt. plt.	981,804	2.00%	19,636	
9.	1060	Struct & improv. trans. dist.	42,227	2.00%	845	
10.	1065	Struct & improv. gen. plt.	310,972	2.00%	6,219	
11.	1080	Wells & springs	9,358,143	2.00%	187,163	
12.	1085	infiltration gallery	45,185	2.50%	1,130	
13.	1090	Supply mains	379,625	1.00%	3,796	
14.	1095	Power generation equip.	5,160	10.00%	516	
15.	1100	Electric pump equip. src. plt.	1,934,754	14.29%	276,476	
16.	1105	Electric pump equip. wtp.	5,258,252	3.33%	175,100	
17.	1110	Electric pump equip. trans.	1,232,788	14.29%	176,165	
18.	1115	Water treatment equip.	2,640,774	2.50%	66,019	
19.	1120	Dist. resv. & standpipes	5,286,895	2.00%	105,738	
20.	1125	Trans. & distr. mains	18,149,686	1.00%	181,497	
21.	1130	Service lines	5,847,779	2.00%	116,956	
22.	1135	Meters	2,119,268	3.33%	70,572	
23.	1140	Meter installations	925,669	3.33%	30,825	
24.	1145	Hydrants	575,217	2.50%	14,380	
25.	1150	Backflow prevention devic.	13,128	10.00%	1,313	
26.	1160	Other plt. & misc. equip. src. su.	260	2.50%	7	
27.	1165	Other plt. & misc. equip. wtp.	5,804	2.50%	145	
28.	1175	Office struct & improv.	55,644	10.00%	5,564	
29.	1180	Office furn. & equip.	113,852	10.00%	11,385	
30.	1185	Stores equipment	0	3.33%	0	
31.	1190	Tool shop & misc. equip.	806,330	5.00%	40,317	
32.	1195	Laboratory equipment	103,336	10.00%	10,334	
33.	1200	Power operated equip.	186,087	10.00%	18,609	
34.	1205	Communication equip.	194,344	10.00%	19,434	
35.	1210	Misc. equipment	11,590	3.33%	386	
36.	1215	Water plant allocated	207,809	6.67%	13,861	
37.	1220	Other tangible plt. water	2,288	2.50%	57	
38.	1275	Land & land rights reclaim	0	0.00%	0	
39.	1430	Other plant collection	0	2.50%	0	
40.	1555	Transportation equip.	0	0.00%	0	
41.	1575	Desktop computer - wtr	0	0.00%	0	
42.	1580	Mainframe computer - wtr	0	0.00%	0	
43.	1585	Mini computer - wtr	0	0.00%	0	
44.	1590	Comp. system cost - wtr	0	0.00%	0	
45.	1595	Micro system cost - wtr	0	0.00%	0	
46.	1805	Plt. held for future use	(95,528)	0.00%	0	
47.		Pro forma plant additions	0	0.00%	0	
48.		Total plant in service (Sum of L1 thru L47)	<u>\$61,108,326</u>		<u>\$1,626,196</u>	<u>2.66%</u> [4]

[1] Henry Exhibit I, Schedule 2-1(a)(1), Column (d).

[2] Depreciation rates approved in Docket No. W-354, Sub 336.

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

[4] Column (c) divided by Column (a), Line 48.

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
CALCULATION OF DIRECT DEPRECIATION EXPENSE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-8(b)

SEWER OPERATIONS

Line No.	Account No.	Item	Plant In Service [1] (a)	Depreciation Rate [2] (b)	Annual Depreciation [3] (c)	Composite Rate (d)
1.	1245	Organization	\$178,599	2.50%	\$4,465	
2.	1250	Franchises intang. plt.	15,898	2.50%	397	
3.	1270	Land & land rights trtmnt plt	223,943	0.00%	0	
4.	1275	Land & land rights reclaim.	1,150	0.00%	0	
5.	1285	Land & land rights gen. plt.	132,109	0.00%	0	
6.	1290	Struct/improv. coll. plt.	24,689	2.00%	494	
7.	1295	Struct/improv. pump plt. ls.	2,976,722	2.00%	59,534	
8.	1300	Struct/improv. treat. plt.	5,574,325	2.50%	139,358	
9.	1305	Struct/improv. reclaim. wtp.	3,271	2.50%	82	
10.	1310	Struct/improv. reclaim. wtr.	104,665	2.50%	2,617	
11.	1315	Struct/improv. gen. plt.	1,133,658	2.00%	22,673	
12.	1320	Power gen. equip. coli. plt.	0	10.00%	0	
13.	1325	Power gen. equip. pump plt.	1,258	10.00%	126	
14.	1330	Power gen. equip. treat. plt.	93,519	10.00%	9,352	
15.	1345	Sewer force main/serv. lin.	1,895,141	1.33%	25,205	
16.	1350	Sewer gravity main	11,621,487	1.00%	116,215	
17.	1353	Manholes	215,931	1.00%	2,159	
18.	1355	Special coll. structures	6,502	2.00%	130	
19.	1360	Services to customers	466,746	1.33%	6,208	
20.	1365	Flow measure devices	42,219	4.00%	1,689	
21.	1370	Flow measure install	849	4.00%	34	
22.	1375	Receiving wells	516	2.00%	10	
23.	1380	Pumping equipment pump plt.	1,345,844	14.29%	192,321	
24.	1385	Pumping equipment reclaim.	12,450	14.29%	1,779	
25.	1390	Pumping equipment rcl. wtr.	8,579	14.29%	1,226	
26.	1395	Treat./disp. equip. lagoon	381,518	2.50%	9,538	
27.	1400	Treat./disp. equip. trt. plt.	13,461,678	2.50%	336,542	
28.	1405	Treat./disp. equip. rct. wtp.	6,620	2.50%	166	
29.	1410	Plant sewers treat. plt.	320,152	2.50%	8,004	
30.	1415	Plant sewers reclaim wtp.	(285)	2.50%	(7)	
31.	1420	Outfall lines	95,181	1.00%	952	
32.	1425	Other plt. tangible	911	2.50%	23	
33.	1430	Other plt. collection	21,100	2.50%	528	
34.	1435	Other plt. pump	44,525	2.50%	1,113	
35.	1440	Other plt. treatment	25,496	2.50%	637	
36.	1445	Other plt. reclaim wtr. trt.	650	2.50%	16	
37.	1450	Other plt. reclaim wtr. dis.	0	2.50%	0	
38.	1455	Office struct & improv.	4,327	10.00%	433	
39.	1460	Office furn. & equip.	21,954	10.00%	2,195	
40.	1465	Stores equipment	3,266	3.33%	109	
41.	1470	Tool shop & misc. equip.	76,934	5.00%	3,847	
42.	1475	Laboratory equipment	77,243	10.00%	7,724	
43.	1480	Power operated equip.	27,822	10.00%	2,782	
44.	1485	Communication equip.	67,012	10.00%	6,701	
45.	1490	Misc equip. sewer	6,105	3.33%	203	
46.	1495	Sewer plant allocated	517,496	6.67%	34,517	
47.	1500	Other tangible plt. sewer	276	2.50%	7	
48.	1535	Reuse dist. reservoirs	2,962	2.00%	59	
49.	1540	Reuse transmission & dist.	28,326	2.00%	567	
50.	1555	Transportation equip.	0	0.00%	0	
51.	1575	Desktop computer - wtr	0	0.00%	0	
52.	1580	Mainframe computer - wtr	0	0.00%	0	
53.	1585	Mini computer - wtr	0	0.00%	0	
54.	1590	Comp. system cost - wtr	0	0.00%	0	
55.	1595	Micro system cost - wtr	0	0.00%	0	
56.	1805	Plt. held for future use	(514,608)	0.00%	0	
57.		Pro forma plant additions	0	0.00%	0	
58.		Total plant in service (Sum of L1 thru L57)	\$40,756,731		\$1,002,730	2.46% [4]

[1] Henry Exhibit I, Schedule 2-1(c)(1), Column (d).

[2] Depreciation rates approved in Docket No. W-354, Sub 336.

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

[4] Column (c) divided by Column (a), Line 58.

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
CALCULATION OF DIRECT DEPRECIATION EXPENSE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-8(c)

CLMS SEWER OPERATIONS

Line No.	Account No.	Item	Plant In Service (a)	Depreciation Rate (b)	Annual Depreciation (c)	Composite Rate (d)
1.	1245	Organization	\$493,286	2.50%	\$12,332	
2.	1250	Franchises intang. plt.	0	2.50%	0	
3.	1270	Land & land rights trtmnt plt	0	0.00%	0	
4.	1275	Land & land rights reclaim.	0	0.00%	0	
5.	1285	Land & land rights gen. plt.	0	0.00%	0	
6.	1290	Struct/improv. coll. plt.	1,290	2.00%	26	
7.	1295	Struct/improv. pump plt. ls.	195,223	2.00%	3,904	
8.	1300	Struct/improv. treat. plt.	9,897,749	2.50%	247,444	
9.	1305	Struct/improv. reclaim. wtp.	0	2.50%	0	
10.	1310	Struct/improv. reclaim. wtr.	56,315	2.50%	1,408	
11.	1315	Struct/improv. gen. plt.	115,905	2.00%	2,318	
12.	1320	Power gen. equip. coll. plt.	0	10.00%	0	
13.	1325	Power gen. equip. pump plt.	0	10.00%	0	
14.	1330	Power gen. equip. treat. plt.	0	10.00%	0	
15.	1345	Sewer force main/serv. lin.	89,450	1.33%	1,190	
16.	1350	Sewer gravity main	533,976	1.00%	5,340	
17.	1353	Manholes	3,634	1.00%	36	
18.	1355	Special coll. structures	0	2.00%	0	
19.	1360	Services to customers	8,263	1.33%	110	
20.	1365	Flow measure devices	17,406	4.00%	696	
21.	1370	Flow measure install	0	4.00%	0	
22.	1375	Receiving wells	0	2.00%	0	
23.	1380	Pumping equipment pump plt.	210,068	14.29%	30,019	
24.	1385	Pumping equipment reclaim.	0	14.29%	0	
25.	1390	Pumping equipment rcl. wtr.	0	14.29%	0	
26.	1395	Treat./disp. equip. lagoon	180,810	2.50%	4,520	
27.	1400	Treat./disp. equip. trt. plt.	1,287,839	2.50%	32,196	
28.	1405	Treat./disp. equip. rct. wtp.	0	2.50%	0	
29.	1410	Plant sewers treat. plt.	14,142	2.50%	354	
30.	1415	Plant sewers reclaim wtp.	420	2.50%	11	
31.	1420	Outfall lines	0	1.00%	0	
32.	1425	Other plt. tangible	0	2.50%	0	
33.	1430	Other plt. collection	0	2.50%	0	
34.	1435	Other plt. pump	1,246	2.50%	31	
35.	1440	Other plt. treatment	3,681	2.50%	92	
36.	1445	Other plt. reclaim wtr. trt.	0	2.50%	0	
37.	1450	Other plt. reclaim wtr. dis.	460	2.50%	12	
38.	1455	Office struct & improv.	0	10.00%	0	
39.	1460	Office furn. & equip.	0	10.00%	0	
40.	1465	Stores equipment	0	3.33%	0	
41.	1470	Tool shop & misc. equip.	1,594	5.00%	80	
42.	1475	Laboratory equipment	3,164	10.00%	316	
43.	1480	Power operated equip.	1,639	10.00%	164	
44.	1485	Communication equip.	0	10.00%	0	
45.	1490	Misc equip. sewer	0	3.33%	0	
46.	1495	Sewer plant allocated	9,456	6.67%	631	
47.	1500	Other tangible plt. sewer	0	2.50%	0	
48.	1535	Reuse dist. reservoirs	148	2.00%	3	
49.	1540	Reuse transmission & dist.	17,748	2.00%	355	
50.	1555	Transportation equip.	0	0.00%	0	
51.	1575	Desktop computer - wtr	0	0.00%	0	
52.	1580	Mainframe computer - wtr	0	0.00%	0	
53.	1585	Mini computer - wtr	0	0.00%	0	
54.	1590	Comp. system cost - wtr	0	0.00%	0	
55.	1595	Micro system cost - wtr	0	0.00%	0	
56.	1805	Plt. held for future use	0	0.00%	0	
57.		Pro forma plant additions	0	0.00%	0	
58.		Total plant in service (Sum of L1 thru L57)	<u>\$13,144,912</u>		<u>\$343,588</u>	<u>2.61% [4]</u>

[1] Henry Exhibit I, Schedule 2-1(d)(1), Column (d).

[2] Depreciation rates approved in Docket No. W-354, Sub 336.

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

[4] Column (c) divided by Column (a), Line 58.

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
CALCULATION OF DIRECT DEPRECIATION EXPENSE  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-8(d)

NAGS HEAD SEWER OPERATIONS

Line No.	Account No.	Item	Plant In Service (a)	Depreciation Rate (b)	Annual Depreciation (c)	Composite Rate (d)
1.	1245	Organization	\$157,361	2.50%	\$3,934	
2.	1250	Franchises intang. pit.	111,578	2.50%	2,789	
3.	1270	Land & land rights trtmnt pit	0	0.00%	0	
4.	1275	Land & land rights reclaim.	0	0.00%	0	
5.	1285	Land & land rights gen. pit.	0	0.00%	0	
6.	1290	Struct/improv. coli. pit.	150	2.00%	3	
7.	1295	Struct/improv. pump pit. ls.	322,502	2.00%	6,450	
8.	1300	Struct/improv. treat. pit.	570,060	2.50%	14,252	
9.	1305	Struct/improv. reclaim. wtp.	0	2.50%	0	
10.	1310	Struct/improv. reclaim. wtr.	16,301	2.50%	408	
11.	1315	Struct/improv. gen. pit.	66,143	2.00%	1,323	
12.	1320	Power gen. equip. coil. pit.	0	10.00%	0	
13.	1325	Power gen. equip. pump pit.	50,650	10.00%	5,065	
14.	1330	Power gen. equip. treat. pit.	0	10.00%	0	
15.	1345	Sewer force main/serv. lin.	84,299	1.33%	1,121	
16.	1350	Sewer gravity main	363,914	1.00%	3,639	
17.	1353	Manholes	880	1.00%	9	
18.	1355	Special coll. structures	0	2.00%	0	
19.	1360	Services to customers	7,315	1.33%	97	
20.	1365	Flow measure devices	400	4.00%	16	
21.	1370	Flow measure install	0	4.00%	0	
22.	1375	Receiving wells	0	2.00%	0	
23.	1380	Pumping equipment pump pit.	126,904	14.29%	18,135	
24.	1385	Pumping equipment reclaim.	0	14.29%	0	
25.	1390	Pumping equipment rel. wtr.	6,204	14.29%	887	
26.	1395	Treat./disp. equip. lagoon	0	2.50%	0	
27.	1400	Treat./disp. equip. trt. pit.	1,451,814	2.50%	36,295	
28.	1405	Treat./disp. equip. rct. wtp.	4,472	2.50%	112	
29.	1410	Plant sewers treat. pit.	19,132	2.50%	478	
30.	1415	Plant sewers reclaim wtp.	4,772	2.50%	119	
31.	1420	Outfall lines	0	1.00%	0	
32.	1425	Other pit. tangible	0	2.50%	0	
33.	1430	Other pit. collection	0	2.50%	0	
34.	1435	Other pit. pump	0	2.50%	0	
35.	1440	Other pit. treatment	4,160	2.50%	104	
36.	1445	Other pit. reclaim wtr. trt.	0	2.50%	0	
37.	1450	Other pit. reclaim wtr. dis.	0	2.50%	0	
38.	1455	Office struct & improv.	0	10.00%	0	
39.	1460	Office furn. & equip.	669	10.00%	67	
40.	1465	Stores equipment	0	3.33%	0	
41.	1470	Tool shop & misc. equip.	25,277	5.00%	1,264	
42.	1475	Laboratory equipment	3,832	10.00%	383	
43.	1480	Power operated equip.	40,381	10.00%	4,038	
44.	1485	Communication equip.	0	10.00%	0	
45.	1490	Misc equip. sewer	0	3.33%	0	
46.	1495	Sewer plant allocated	0	6.67%	0	
47.	1500	Other tangible pit. sewer	1,500	2.50%	38	
48.	1535	Reuse dist. reservoirs	0	2.00%	0	
49.	1540	Reuse transmission & dist.	0	2.00%	0	
50.	1555	Transportation equip.	0	0.00%	0	
51.	1575	Desktop computer - wtr	0	0.00%	0	
52.	1580	Mainframe computer - wtr	0	0.00%	0	
53.	1585	Mini computer - wtr	0	0.00%	0	
54.	1590	Comp. system cost - wtr	0	0.00%	0	
55.	1595	Micro system cost - wtr	0	0.00%	0	
56.	1805	Pit. held for future use	0	0.00%	0	
57.		Pro forma plant additions	0	0.00%	0	
58.		Total plant in service (Sum of L1 thru L57)	\$3,440,670		\$101,026	2.94% [4]

[1] Henry Exhibit I, Schedule 2-1(e)(1), Column (d).

[2] Depreciation rates approved in Docket No. W-354, Sub 336.

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

[4] Column (c) divided by Column (a), Line 58.

CAROLINA WATER SERVICE, INC., OF NC  
Docket No. W-354, Sub 344  
ADJUSTMENT TO PROPERTY TAXES  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-9

<u>Line No.</u>	<u>Item</u>	<u>Nags Head Sewer</u>
1.	Property taxes per application	(\$2,136)
2.	Adjustment to remove interest during construction improperly classified as property taxes	<u>2,608</u> [1]
3.	Property taxes per Public Staff (L1 + L2)	<u><u>\$472</u></u>

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

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF INCOME TAXES**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-10(a)

**WATER OPERATIONS**

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [3] (b)	Public Staff Recommended Rates [5] (c)
1.	Operating revenue	\$9,455,466	\$11,033,933	\$10,810,660
	Operating revenue deductions:			
2.	Maintenance expenses	4,253,586	4,253,586	4,253,586
3.	General expenses	1,679,383	1,679,383	1,679,383
4.	Depreciation expense	1,701,308	1,701,308	1,701,308
5.	Amortization of CIAC	(501,636)	(501,636)	(501,636)
6.	Amortization of PAA	(94,887)	(94,887)	(94,887)
7.	Amortization of ITC	(274)	(274)	(274)
8.	Franchise and other taxes	36,767	36,767	36,767
9.	Property taxes	105,230	105,230	105,230
10.	Payroll taxes	181,426	181,426	181,426
11.	Regulatory fee	13,994	16,330	16,000
12.	Gross receipts tax	0	0	0
13.	Interest expense	1,002,054 [2]	1,002,054 [4]	1,002,054 [6]
14.	Total deductions (Sum of L2 thru L13)	8,376,951	8,379,287	8,378,957
15.	Taxable income (L1 - L14)	1,078,515	2,654,646	2,431,703
16.	State income tax (L15 x 4%)	43,141	106,186	97,268
17.	Federal taxable income after state income tax (L15 - L16)	1,035,374	2,548,460	2,334,435
18.	Federal income tax (L17 x 34%)	352,027	866,476	793,708
19.	Net amount (L15 - L16 - L18)	683,347	1,681,984	1,540,727
20.	Add: interest expense	1,002,054 [2]	1,002,054 [4]	1,002,054 [6]
21.	Net income for a return (L19 + L20)	\$1,685,401	\$2,684,038	\$2,542,781

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

**CAROLINA WATER SERVICE, INC., OF NC**  
Docket No. W-354, Sub 344  
**CALCULATION OF INCOME TAXES**  
For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-10(b)

**COMBINED SEWER OPERATIONS**

Line No.	Item	Present Rates (a)	[1]	Company Proposed Rates (b)	[3]	Public Staff Recommended Rates (c)	[5]
1.	Operating revenue	\$7,536,248		\$9,126,383		\$8,918,782	
	Operating revenue deductions:						
2.	Maintenance expenses	3,645,393		3,645,393		3,645,393	
3.	General expenses	1,088,792		1,088,792		1,088,792	
4.	Depreciation expense	1,496,714		1,496,714		1,496,714	
5.	Amortization of CIAC	(594,487)		(594,487)		(594,487)	
6.	Amortization of PAA	(23,085)		(23,085)		(23,085)	
7.	Amortization of ITC	(245)		(245)		(245)	
8.	Franchise and other taxes	32,787		32,787		32,787	
9.	Property taxes	70,689		70,689		70,689	
10.	Payroll taxes	127,167		127,167		127,167	
11.	Regulatory fee	11,154		13,507		13,200	
12.	Gross receipts tax	0		0		0	
13.	Interest expense	893,524	[2]	893,524	[4]	893,524	[6]
14.	Total deductions (Sum of L2 thru L13)	6,748,403		6,750,756		6,750,449	
15.	Taxable income (L1 - L14)	787,845		2,375,627		2,168,333	
16.	State income tax (L15 x 4%)	31,514		95,025		86,733	
17.	Federal taxable income after state income tax (L15 - L16)	756,331		2,280,602		2,081,600	
18.	Federal income tax (L17 x 34%)	257,153		775,405		707,744	
19.	Net amount (L15 - L16 - L18)	499,178		1,505,197		1,373,856	
20.	Add: Interest expense	893,524	[2]	893,524	[4]	893,524	[6]
21.	Net income for a return (L19 + L20)	\$1,392,702		\$2,398,721		\$2,267,380	

[1] Henry Exhibit I, Schedule 3(b), Column (c).

[2] Henry Exhibit I, Schedule 1(b), Column (e), Line 1.

[3] Henry Exhibit I, Schedule 3(b), Column (e).

[4] Henry Exhibit I, Schedule 1(b), Column (e), Line 4.

[5] Henry Exhibit I, Schedule 3(b), Column (g).

[6] Henry Exhibit I, Schedule 1(b), Column (e), Line 7.

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**CAROLINA WATER SERVICE, INC., OF NC**


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Docket No. W-354, Sub 344

**CALCULATION OF INCOME TAXES**

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-10(c)**SEWER OPERATIONS**

<u>Line . No.</u>	<u>Item</u>	<u>Present Rates</u> [1] <u>(a)</u>
1.	Operating revenue	<u>\$5,726,688</u>
	Operating revenue deductions:	
2.	Maintenance expenses	2,973,668
3.	General expenses	905,380
4.	Depreciation expense	1,037,514
5.	Amortization of CIAC	(442,385)
6.	Amortization of PAA	(23,085)
7.	Amortization of ITC	(245)
8.	Franchise and other taxes	22,389
9.	Property taxes	69,605
10.	Payroll taxes	102,931
11.	Regulatory fee	8,475
12.	Gross receipts tax	0
13.	Interest expense	610,211 [2]
14.	Total deductions (Sum of L2 thru L13)	<u>5,264,458</u>
15.	Taxable income (L1 - L14)	<u>462,230</u>
16.	State income tax (L15 x 4%)	<u>18,489</u>
17.	Federal taxable income after state income tax (L15 - L16)	<u>443,741</u>
18.	Federal income tax (L17 x 34%)	<u>150,872</u>
19.	Net amount (L15 - L16 - L18)	292,869
20.	Add: Interest expense	<u>610,211 [2]</u>
21.	Net income for a return (L19 + L20)	<u>\$903,080</u>

[1] Henry Exhibit I, Schedule 3(c), Column (c).

[2] Henry Exhibit I, Schedule 1(c), Column (e), Line 1.



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**CAROLINA WATER SERVICE, INC., OF NC**


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Docket No. W-354, Sub 344

**CALCULATION OF INCOME TAXES**

For The Test Year Ended December 31, 2014

Henry Exhibit I  
Schedule 3-10(d)**CLMS SEWER OPERATIONS**

<u>Line No.</u>	<u>Item</u>	<u>Present Rates</u> [1] <u>(a)</u>
1.	Operating revenue	<u>\$1,116,656</u> [1]
	Operating revenue deductions:	
2.	Maintenance expenses	395,608
3.	General expenses	104,913
4.	Depreciation expense	348,864
5.	Amortization of CIAC	(149,626)
6.	Amortization of PAA	0
7.	Amortization of ITC	0
8.	Franchise and other taxes	7,915
9.	Property taxes	612
10.	Payroll taxes	13,675
11.	Regulatory fee	1,653
12.	Gross receipts tax	0
13.	Interest expense	<u>215,652</u> [2]
14.	Total deductions (Sum of L2 thru L13)	<u>939,266</u>
15.	Taxable income (L1 - L14)	<u>177,390</u>
16.	State income tax (L15 x 4%)	<u>7,096</u>
17.	Federal taxable income after state income tax (L15 - L16)	<u>170,294</u>
18.	Federal income tax (L17 x 34%)	<u>57,900</u>
19.	Net amount (L15 - L16 - L18)	112,394
20.	Add: Interest expense	<u>215,652</u> [2]
21.	Net income for a return (L19 + L20)	<u><u>\$328,046</u></u>

[1] Henry Exhibit I, Schedule 3(d), Column (c).

[2] Henry Exhibit I, Schedule 1(d), Column (e), Line 1.

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CAROLINA WATER SERVICE, INC., OF NC

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Docket No. W-354, Sub 344

CALCULATION OF INCOME TAXES

For The Test Year Ended December 31, 2014

NAGS HEAD SEWER OPERATIONS

Henry Exhibit I  
Schedule 3-10(e)

Line No.	Item	Present Rates (a)
1.	Operating revenue	\$692,904 [1]
	Operating revenue deductions:	
2.	Maintenance expenses	276,117
3.	General expenses	78,499
4.	Depreciation expense	110,336
5.	Amortization of CIAC	(2,476)
6.	Amortization of PAA	0
7.	Amortization of ITC	0
8.	Franchise and other taxes	2,483
9.	Property taxes	472
10.	Payroll taxes	10,561
11.	Regulatory fee	1,025
12.	Gross receipts tax	0
13.	Interest expense	67,661 [2]
14.	Total deductions (Sum of L2 thru L13)	544,678
15.	Taxable income (L1 - L14)	148,226
16.	State income tax (L15 x 4%)	5,929
17.	Federal taxable income after state income tax (L15 - L16)	142,297
18.	Federal income tax (L17 x 34%)	48,381
19.	Net amount (L15 - L16 - L18)	93,916
20.	Add: Interest expense	67,661 [2]
21.	Net income for a return (L19 + L20)	\$161,577

[1] Henry Exhibit I, Schedule 3(e), Column (c).

[2] Henry Exhibit I, Schedule 1(e), Column (e), Line 1.