

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-1343, SUB 1

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by GWWTP, LLC for Certificate )  
of Public Convenience and Necessity to )  
Provide Sewer Utility Service to Southern ) **SETTLEMENT AGREEMENT**  
Shores Landing/Ginguite Mixed Use ) **AND STIPULATION**  
Subdivision in Dare County, North Carolina, )  
and Approval of Rates )

GWWTP, LLC (GWWTP or the Company), and the Public Staff - North Carolina Utilities Commission (Public Staff) (collectively the Stipulating Parties), through counsel and pursuant to N.C. Gen. Stat. § 62-69 and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), respectfully submit the following Settlement Agreement and Stipulation (Stipulation) for consideration by the Commission in this proceeding. The Stipulating Parties hereby stipulate and agree as follows:

**I. BACKGROUND**

A. On January 11, 2024, GWWTP filed with the Commission an Application for a Certificate of Public Convenience and Necessity and Approval of Rates (CPCN Application) to provide sewer utility service to Southern Shores Landing/Ginguite Mixed Use Subdivision in Dare County, North Carolina. The Southern Shores Landing Subdivision (Subdivision) currently has approximately

38 wastewater customers. The Ginguite Mixed Use area has not been developed yet and currently does not include any customers.

B. On January 26, 2024, the Public Staff filed a letter with the Commission indicating that this docket now includes all the information required for a complete Application.

C. On February 2, 2024, the Commission issued an Order Establishing New Docket for CPCN Application, Finding CPCN Application Complete, and Requiring the Public Staff to Provide Specific Application Data.

D. On February 9, 2024, the Public Staff filed its letter providing specific application data as requested by the Commission.

E. On February 14, 2024, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order).

F. On March 3, 2024, GWWTP filed the Direct Testimony of Robert Howsare on behalf of GWWTP.

G. Subsequent to the filing of the Company's Application in this docket, the Public Staff engaged in substantial discovery regarding the matters addressed in the Company's Application, its testimony, its exhibits, and its updates, including but not limited to examining the relevant books and records of GWWTP, and sending out data requests and reviewing the responses thereto. The Public Staff also conducted a field inspection of GWWTP's system.

H. On April 5, 2024, the Public Staff filed the Direct Testimony and Exhibit of Lindsay Q. Darden, Utilities Engineer in the Water, Sewer, and Telephone Division; the Direct Testimony and Exhibit of Kuei Fen Sun, Public Utilities Regulatory Analyst, Accounting Division; and Gregory J. Reger, Public Utilities Regulatory Analyst, Economic Research Division.

I. On April 2, 2024, the Company filed its Verified Report on Customer Complaints. On April 16, 2024, the Public Staff filed its Verified Response of the Public Staff to Verified Reports on Customer Complaints.

J. On April 19, 2024, GWWTP filed a Motion to Extend Time to File Rebuttal Testimony.

K. The Stipulating Parties participated in settlement discussions following the Public Staff's investigation of the Company's Application and the filing of the Company's and the Public Staff's direct testimony.

L. After settlement negotiations, in which certain concessions from their respective litigation positions were made by both Stipulating Parties, the Stipulating Parties were ultimately able to arrive at a joint settlement proposal, the terms of which are reflected in the following sections of this Stipulation and supported by the joint settlement testimony of Public Staff witnesses Sun, Reger, and Darden.

## II. STIPULATION AND AGREEMENT OF THE STIPULATING PARTIES

The Stipulating Parties have reached an agreement regarding resolution of all issues in this case, and they hereby agree and stipulate as follows:

### A. Rate Case Expense

1. The maximum rate case expense per the settlement is \$69,355, which includes audited actual rate case expense of \$66,855 for expenses incurred up to the settlement date of April 25, 2024, and additional expenses up to and not to exceed \$2,500 of actual audited expenses through the completion of the case, and will be included in the calculation of the final revenue requirement in the accounting schedules to be filed upon the completion of the audit. The Stipulating Parties agree that the rate case expense in the current proceeding will be amortized over a three-year period.
2. The Public Staff agrees to a three-year amortization period subject to a regulatory liability where the Company will record any overcollection of rate case expense, beginning the first month after the three-year amortization period ends and continuing until a new Commission order is issued determining updated rates, on a monthly basis, with the overcollection to be returned to ratepayers with interest based on the weighted average cost of capital, in a manner determined in the Company's next rate case. Should the Company file for a rate case before the expiration of the amortization period, any unrecovered rate case expense balance will be added in the

new rate case expense and amortized over the number of years approved by the Commission in that rate case.

3. GWWTP reserves the right to challenge the Public Staff rate case expense refund mechanism in the next rate case for future rate case expenses associated with a future rate case based on what GWWTP believes to be accepted regulatory principles, accounting rules, and previous Commission policy. Should the Company file for a rate case before the expiration of the three-year amortization period, any unrecovered rate case expense balance will be added in the new rate case expense and amortized over the number of years approved by the Commission in the next rate case.

## **B. Expenses**

1. The Company has accepted the following adjustments by the Public Staff:
  - Reclassification of sludge hauling to plant in service during the construction front-end upgrade;
  - Reclassification of maintenance and repair (M&R) expense to testing fees;
  - Normalized/ annualized Albetuck Land Development LLC cost of \$14,000 over five years.

## **C. Rate Base**

1. GWWTP agrees not to recover the acquisition premium.

2. The original cost rate base used and useful in providing service to the Company's customers for use in this case is \$463,668, consisting of plant in service of \$517,067, including a Standby Generator at a cost of \$46,430 and a Natural Gas Connection at a cost of \$3,458, reduced by accumulated depreciation of \$70,244, plus cash working capital of \$16,845.

#### **D. RATE OF RETURN**

1. The agreed upon revenue increase is based upon an authorized return on equity of 9.8%, a hypothetical capital structure composed of 50% debt and 50% equity, and an embedded cost of debt of 4.2%. The foregoing factors produce an overall rate of return of 7.0%.

#### **E. REVENUE REQUIREMENT AND RATES**

1. The revenue requirement effects of this Stipulation provide sufficient support for the annual revenue required on the issues agreed to in this Stipulation.
2. The Public Staff, after consultation and agreement with the Company, will file accounting schedules detailing the final revenue requirement prior to filing the joint proposed order, schedule of rates, and notice to customers.
3. Based on the fact that GWWTP will not be recovering its allowed revenue requirement based on the billing of only 38 existing customers, the Company reserves the right to change its rate methodology in the next general rate case if the mixed-use development does not come online.

### **III. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER**

A. The Stipulating Parties will act in good faith to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket. The Stipulating Parties further agree that this Stipulation is in the public interest because it reflects a give-and-take settlement of contested issues.

B. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties but reflect instead the compromise and settlement between the Stipulating Parties as to all issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties regarding any issue in any other proceeding or docket before this Commission or in any court.

C. This Stipulation is a product of negotiation between the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

### **IV. INTRODUCTION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION**

The pre-filed testimony and exhibits of the Stipulating Parties may be received in evidence without objection, and each Party waives all right to cross-

examine any witness with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner or Hearing Examiner, or if questions are asked or positions are taken by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and examining any witness with respect to such testimony and exhibits.

**V. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY**

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on either of the Stipulating Parties unless the entire Settlement Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.



**VI. COUNTERPARTS**

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 6th day of May, 2024.

GWWTP, LLC

/s/Edward S. Finley, Jr.  
Edward S. Finley, Jr.  
Attorney for GWWTP, LLC

Public Staff - North Carolina Utilities Commission

/s/Lucy E. Edmondson  
Lucy E. Edmondson  
Chief Counsel



**GWWTP, LLC**  
Docket No. W-1343 Sub 1  
**RETURN ON ORIGINAL COST RATE BASE**  
For the Test Year Ended August 31, 2023

Public Staff  
Settlement Exhibit I  
Schedule 1

**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)
<u>Present rates:</u>						
1.	Debt	50.00%	\$231,834 [2]	4.20% [1]	2.10%	\$9,737 [8]
2.	Equity	50.00%	231,834 [2]	23.12% [6]	11.56%	53,611 [9]
3.	Total	<u>100.00%</u>	<u>\$463,668 [3]</u>		<u>13.66%</u>	<u>\$63,348 [10]</u>
<u>Company proposed rates:</u>						
4.	Debt	50.00%	\$231,834 [4]	4.20% [1]	2.10%	\$9,737 [8]
5.	Equity	50.00%	231,834 [4]	19.89% [6]	9.95%	46,123 [11]
6.	Total	<u>100.00%</u>	<u>\$463,668 [3]</u>		<u>12.05%</u>	<u>\$55,860 [12]</u>
<u>Public Staff recommended rates:</u>						
7.	Debt	50.00%	\$231,834 [5]	4.20% [1]	2.10%	\$9,737 [8]
8.	Equity	50.00%	231,834 [5]	9.80% [1]	4.90%	22,720 [8]
9.	Total	<u>100.00%</u>	<u>\$463,668 [3]</u>		<u>7.00%</u>	<u>\$32,457</u>

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

**GWTP, LLC**  
Docket No. W-1343 Sub 1  
**ORIGINAL COST RATE BASE**  
For the Test Year Ended August 31, 2023

Public Staff  
Settlement Exhibit I  
Schedule 2

**Sewer Operations**

<u>Line No.</u>	<u>Item</u>	<u>Per Application</u> (a)	<u>Public Staff Adjustments</u> [1] (b)	<u>After Public Staff Adjustments</u> (c)
1.	Plant in service	\$550,345	(\$33,278)	\$517,067 [2]
2.	Accumulated depreciation	(96,556)	26,312	(70,244) [3]
3.	Contributions in aid of construction	0	0	0
4.	Accumulated amortization of CIAC	0	0	0
5.	Cash working capital	0	16,845	16,845 [4]
6.	Average tax accruals	<u>0</u>	<u>0</u>	<u>0</u>
7.	Original cost rate base (Sum of L1 thru L6)	<u>\$453,789</u>	<u>\$9,879</u>	<u>\$463,668</u>

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

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

Public Staff  
Settlement Exhibit I  
Schedule 2-1

Line No.	<u>Item</u>	Plant in Service [1] (a)	Year Placed In Service [1] (b)	Service Life In Years [1] (c)	Years in Service [3] (d)	GWWTP, LLC Annual Depreciation [4] (e)	GWWTP, LLC Accumulated Depreciation [5] (f)
<b>Sewer:</b>							
1.	Upgrade WWTP per State Regulations	\$6,008	2007	5	16.5	\$0	\$6,008
2.	Blower	1,159	2008	5	15.5	-	1,159
3.	Blower	381	2008	5	15.5	-	381
4.	Rotary Blower	34,924	2019	5	4.5	6,985	31,432
5.	Lift Station Pump	5,407	2022	5	1.5	1,081	1,622
6.	WWTP Steel Tank Replacement/Front End Upgrade	404,458	2022	25	1.5	16,178	24,267
7.	Fencing for Wastewater Treatment Plant	14,841	2023	25	1.0	594	594
8.	New Standby generator	46,431 [2]	2024	10	1.0	4,643	4,643
9.	Natural gas connection	3,458 [2]	2024	25	1.0	138	138
10.	Total Sewer Plant (Sum L1 thru L8)	<u>\$517,067</u>				<u>\$29,620</u>	<u>\$70,244</u>

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

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

Public Staff  
Settlement Exhibit I  
Schedule 2-2

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

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

**GWTP, LLC**  
 Docket No. W-1343 Sub 1  
**CALCULATION OF PURCHASE ACQUISITION ADJUSTMENT**  
 For the Test Year Ended August 31, 2023

Public Staff  
 Settlement Exhibit I  
 Schedule 2-3

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

[1] Per Asset Purchase Agreement.  
 [2] Per Docket No. W-1139, Sub 3

**GWWT, LLC**  
Docket No. W-1343 Sub 1  
**CALCULATION OF FUTURE IMPROVEMENT, ACCUMULATED  
DEPRECIATION, AND DEPRECIATION EXPENSE**  
For the Test Year Ended August 31, 2023

Public Staff  
Settlement Exhibit I  
Schedule 2-4

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

[1] Per Public Staff witness Darden

[2] Calculated based on year placed in service.

[3] Column (a) divided by Column (c), unless fully depreciated.

[4] Column (d) multiplied by Column (e), unless fully depreciated.



**GWTP, LLC**  
 Docket No. W-1343 Sub 1  
**CALCULATION OF CASH WORKING CAPITAL  
 AND AVERAGE TAX ACCRUALS**  
 For the Test Year Ended August 31, 2023

Public Staff  
 Settlement Exhibit I  
 Schedule 2-5

<u>Line No.</u>	<u>Item</u>	<u>Company</u> (a)
	<b><u>Cash Working Capital:</u></b>	
1.	Total O&M expenses	<u>\$134,761</u> [1]
2.	Cash working capital (L1 x 1/8)	<u><u>\$16,845</u></u>

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

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

Public Staff  
Settlement Exhibit I  
Schedule 3  
Page 1 of 2

**Sewer Operations**

Line No.	Item	Present Rates			Company Proposed Rates		Public Staff Recommended Rates	
		Amount Per Application (a)	Public Staff Adjustments [1] (b)	Per Public Staff [2] (c)	Net Company Increase [10] (d)	Operations After Rate Increase [11] (e)	Net Public Staff Increase [14] (f)	Operations After Rate Increase [15] (g)
<b>Operating Revenues:</b>								
1.	Service revenues	\$41,040	\$203,040	\$244,080 [3]	(\$9,736)	\$234,344 [3]	(\$40,165)	\$203,915 [16]
2.	Miscellaneous revenues	0	0	0	0	0	0	0
3.	Uncollectible accounts	0	0	0	0	0	0	0
4.	<b>Total operating revenues (Sum L1 thru L3)</b>	<u>41,040</u>	<u>203,040</u>	<u>244,080</u>	<u>(9,736)</u>	<u>234,344</u>	<u>(40,165)</u>	<u>203,915</u>
<b>Operating Expenses:</b>								
5.	Salaries	0	0	0	0	0	0	0
6.	Administrative and office expense	4,162	0	4,162	0	4,162	0	4,162
7.	Maintenance and repair	38,037	(11,573)	26,465 [3]	0	26,465	0	26,465
8.	Contractor operator	48,000	0	48,000 [3]	0	48,000	0	48,000
9.	Purchase Power/Electric	5,554	0	5,554 [3]	0	5,554	0	5,554
10.	Chemicals	2,265	0	2,265 [3]	0	2,265	0	2,265
11.	Testing	11,802	823	12,625 [3]	0	12,625	0	12,625
12.	Permit fees	1,310	0	1,310 [3]	0	1,310	0	1,310
13.	Sludge removal	28,958	(22,258)	6,700 [3]	0	6,700	0	6,700
14.	Insurance expense	347	0	347	0	347	0	347
15.	Contract management	0	0	0	0	0	0	0
16.	Lease Expense	0	0	0	0	0	0	0
17.	Other Expense: Legal fees	0	0	0	0	0	0	0
18.	Other Expense: Professional expenses	7,659	(3,445)	4,215 [4]	0	4,215	0	4,215
19.	Rate case expense	0	23,118	23,118 [5]	0	23,118	0	23,118
20.	<b>Total operating expenses (Sum L5 thru L19)</b>	<u>148,096</u>	<u>(13,335)</u>	<u>134,761</u>	<u>0</u>	<u>134,761</u>	<u>0</u>	<u>134,761</u>
<b>Depreciation and Taxes:</b>								
21.	Depreciation	28,165	1,455	29,620 [6]	0	29,620	0	29,620
22.	Property tax	0	0	0	0	0	0	0
23.	Payroll tax	0	0	0	0	0	0	0
24.	Regulatory fee - other taxes	0	360	360 [7]	(14)	346 [6]	(59)	301 [6]
25.	Gross receipts tax	0	0	0	0	0	0	0
26.	State income tax	0	1,740	1,740 [8]	(243)	1,497 [12]	(1,003)	737 [17]
27.	Federal income tax	0	14,251	14,251 [9]	(1,991)	12,260 [13]	(8,212)	6,039 [18]
28.	<b>Total depreciation and taxes (Sum L21 thru L27)</b>	<u>28,165</u>	<u>17,806</u>	<u>45,971</u>	<u>(2,248)</u>	<u>43,723</u>	<u>(9,274)</u>	<u>36,697</u>
29.	Total operating revenue deductions (L20 + L28)	<u>176,261</u>	<u>4,471</u>	<u>180,732</u>	<u>(2,248)</u>	<u>178,484</u>	<u>(9,274)</u>	<u>171,458</u>
30.	<b>Net operating income for return (L4 - L29)</b>	<u>(\$135,221)</u>	<u>\$198,569</u>	<u>\$63,348</u>	<u>(\$7,488)</u>	<u>\$55,860</u>	<u>(\$30,891)</u>	<u>\$32,457</u>

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**GWTP, LLC**

Docket No. W-1343 Sub 1

**FOOTNOTES TO SCHEDULE 3(b)**

For The Test Year Ended December 31, 2022

Public Staff  
Settlement Exhibit I  
Schedule 3  
Page 2 of 2

**Sewer Operations**

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

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

Public Staff  
Settlement Exhibit I  
Schedule 3-1

Line No.	Sewer Operations Item	Present	Company	Public Staff
		Rates [1] (a)	Proposed Rates [2] (b)	Recommended Rates [3] (c)
1.	Operating revenue	\$244,080	\$234,344	\$203,915
2.	Operating revenue deductions:			
3.	Operating expenses	134,761	134,761	134,761
4.	Depreciation expense	29,620	29,620	29,620
5.	Property taxes	0	0	0
6.	Other taxes	0	0	0
7.	Regulatory fee	360	346	301
8.	Gross receipts tax	0	0	0
9.	Interest expense	9,737	9,737	9,737
10.	Total deductions (Sum of L3 thru L9)	174,478	174,464	174,419
11.	State taxable income (L1 - L10)	69,602	59,880	29,496
12.	State income tax (L11 x 2.5%)	1,740	1,497	737
13.	Federal taxable income (L11 - L12)	67,862	58,383	28,759
14.	Federal income tax (L13 x 21%)	14,251	12,260	6,039
15.	Net amount (L13 - L14)	53,611	46,123	22,720
16.	Add: Interest expense (L9)	9,737	9,737	9,737
17.	Net income for return (L15 + L16)	\$63,348	\$55,860	\$32,457

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

**GWWTP, LLC**  
 Docket No. W-1343 Sub 1  
**RETURN ON ORIGINAL COST RATE BASE**  
 For the Test Year Ended August 31, 2023

Public Staff  
 Settlement Exhibit I  
 Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> (a)
1.	Cost to mail notices	\$67 [1]
2.	NCUC filing fees	200 [2]
2.	Legal fees	57,725 [3]
3.	Accounting fees	<u>11,363 [4]</u>
4.	Total rate case expense (Sum of L1 thru L4)	69,355
5.	Amortization period in years	<u>3</u>
6.	Rate case expense per Public Staff (L5 / L6)	<u><u>\$23,118</u></u>

[1] Based on 38 customers times 2 (mailings) times \$0.68 for stamps plus \$0.20 for envelopes and copying.  
 [2] Filing fee per application.  
 [3] Based on proposed settlement provided by the Company and recommended of Public Staff Witness Darden.  
 [4] Based on proposed settlement provided by the Company and recommended of Public Staff Witness Sun

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

Public Staff  
 Settlement Exhibit I  
 Schedule 4

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

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



## CERTIFICATE OF SERVICE

I certify that I have this day served a copy of the foregoing Settlement Agreement and Stipulation upon each of the parties of record in this proceeding or the attorney of record of such party, or both, in accordance with Commission Rule R1-39, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 6th day of May, 2024.

Electronically submitted  
/s/ Davia Newell