

**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) Wastewater Utility Service to Ginguite Woods) Subdivision in Dare County, North Carolina) and for Approval of Rates)	JOINT PROPOSED ORDER APPROVING STIPULATION AND RATES, GRANTING FRANCHISE, AND REQUIRING BOND AND CUSTOMER NOTICE
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BY THE COMMISSION: On January 11, 2024, GWWTP, LLC (GWWTP or Company), filed with the North Carolina Utilities Commission (Commission) an Application for a Certificate of Public Convenience and Necessity (CPCN) and for Approval of Rates (Application) seeking authority to provide sewer utility service to Southern Shores Landing and Ginguite Mixed Use Development (collectively Ginguite Woods) in Dare County, North Carolina. The Southern Shores Landing Subdivision (Subdivision) currently has approximately 38 wastewater customers. The Ginguite Mixed Use Development has not yet been developed and currently does not serve any customers.

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

On February 2, 2024, the Commission issued an order requiring the Public Staff to provide data, which was provided on February 9, 2024.

On February 14, 2024, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order) that, among other things, established that a public witness hearing would take place on March 18, 2024, subject to cancellation if no significant protests were received; and that an expert witness hearing would take place on May 7, 2024.

On March 1, 2023, GWWTP filed its Certificate of Service attesting that customer notice was provided as required by the Commissions' Scheduling Order.

On March 11, 2024, GWWTP filed the Direct Testimony of Robert Howsare on behalf of GWWTP.

On March 18, 2024, a public witness hearing was held on the date and in the location set out in the Scheduling Order. Five customers testified at the public witness hearing, each expressing concerns regarding the Company's requested rate increase.

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.

On April 5, 2024, the Public Staff filed the Direct Testimony and Exhibits of Lindsay Q. Darden, Utilities Engineer, Water, Sewer, and Telephone Division; the Direct Testimony and Exhibits of Kuei Fen Sun, Public Utilities Regulatory Analyst,

Accounting Division; and the Direct Testimony of Gregory J. Reger, Public Utilities Regulatory Analyst, Economic Research Division.

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, 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 sewer system.

The Public Staff and GWWTP (Stipulating Parties) engaged in settlement discussions following the Public Staff's investigation of the Company's Application, the filing of the Company's and the Public Staff's direct testimony, and the customer hearing.

On April 19, 2024, GWWTP filed a Motion to Extend Time to File Rebuttal Testimony due to continued settlement discussions with the Public Staff, which was granted the same day.

On April 25, 2024, the Public Staff and GWWTP notified the Commission that they had agreed in principle to a settlement.

On May 6, 2024, the parties filed their Settlement Agreement and Stipulation (Stipulation) resolving all issues between the Stipulating Parties in this docket.

Also on May 6, 2024, the Public Staff filed the Joint Settlement Testimony of Kuei Fen Sun, Gregory Reger, and Lindsay Darden in support of the Stipulation, and a joint motion to excuse witnesses from appearing at the evidentiary hearing; admit into evidence without objection all prefiled testimony, exhibits, and affidavits, the Application, and the Stipulation; waive each party's right to cross examine any witnesses; and allow 60 days to file final schedules and a joint proposed order.

The expert witness hearing commenced on May 7, 2024, at which time the Commission granted the Stipulating Parties' motion to excuse witnesses, accept testimony, and waive cross examination. The Stipulating Parties addressed questions from the Commission regarding the terms of the Stipulation.

DESCRIPTION OF THE STIPULATION

The Stipulation provides, in pertinent part, the following provisions:

- A. GWWTP should be granted a CPCN to provide sewer utility service to Ginguite Woods in Dare County, North Carolina.
- B. Pursuant to future order by the Commission, GWWTP shall post a bond in the amount of \$85,000 and in a form acceptable to the Commission for Ginguite Woods.
- C. The maximum rate case expense to be recovered 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, which will be included in the calculation of the final revenue requirement in the accounting schedules to be filed upon the completion of the audit.

D. The rate case expense will be amortized over three years 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.

E. 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. 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.

F. The Company accepted certain adjustments by the Public Staff as noted in Section II (B) of the Stipulation.

G. GWWTP agrees not to recover the acquisition premium.

H. The Stipulating Parties agree that the original cost rate base used and useful in providing service to the Company's customers for use in this case is \$463,668.

I. The Stipulating Parties agree to a rate of return of 7.0%.

Based upon the foregoing, including the Application, the testimony and exhibits of the witnesses, the Stipulation, and the entire record in this proceeding, the Commission makes the following:

FINDINGS OF FACT

1. GWWTP is a duly organized limited liability company in the State of North Carolina and is before this Commission seeking a Certificate of Public Convenience and Necessity (CPCN) to furnish sewer utility service in Southern Shores Landing and Ginguite Mixed Use Development in Dare County, North Carolina and approval of rates.

2. GWWTP is subject to the jurisdiction of the Commission, pursuant to Chapter 62 of the General Statutes of North Carolina, and the Commission has

authority to determine the justness and reasonableness of GWWTP's proposed rates for its sewer utility operations in North Carolina.

3. By Commission order issued on January 12, 2024, GWWTP was appointed as the emergency operator of the Ginguite Woods wastewater utility system effective January 1, 2024. As the emergency operator, GWWTP currently serves 38 residential customers in the Southern Shores Landing subdivision. The Ginguite Mixed Use Development is in development and currently has no customers. The current interim rates for GWWTP were approved in Docket No. W-1139, Sub 4, effective January 12, 2024.

4. GWWTP has filed all required exhibits with its Application.

5. The test year established for use in this proceeding is the 12-month period ended August 31, 2023, updated for certain items.

6. The rates for sewer utility service presently charged by GWWTP (as emergency operator) and the proposed rates as agreed to by the Stipulating Parties are as follows:

	<u>Present</u>	<u>Proposed</u>
<u>Monthly Sewer Utility Service:</u>		
Residential Flat Rate (per SFE ¹)	\$ 180.00	\$ 150.38
<u>Connection Charge:</u> (per SFE)	\$ 3,500	\$ 3,500
<u>Reconnection Charge:</u>		
If sewer utility service is cut off by utility	\$ 15.00	\$ 15.00

¹ Single-Family Equivalent (SFE)

7. The Company's original cost rate base, as per the settlement, is \$463,668 consisting of plant in service of \$517,067, including a Standby Generator at a cost of \$46,431 and a Natural Gas Connection at a cost of \$3,458, reduced by accumulated depreciation of \$70,244 as of December 31, 2023, plus cash working capital of \$16,845.

8. The total revenue requirement is \$203,915, of which all is attributed to service revenue, as shown on Joint Settlement Exhibit I, Schedule 3.

9. The total rate case expense for this proceeding is \$69,355, amortized over a period of three years, resulting in an annual rate case expense of \$23,118, and subject to a regulatory liability or mechanism for under recovery as described in Section D of the Description of the Stipulation

10. The appropriate level of depreciation and amortization expense for use in this proceeding is \$29,620.

11. Regulatory fees expense should be calculated using the regulatory fee rate of 0.1475% effective July 1, 2023, pursuant to the Commission's June 30, 2023, Order issued in Docket No. M-100, Sub 142.

12. An imputed hypothetical capital structure comprised of 50.00% common equity and 50.00% long-term debt ratio is reasonable and appropriate for GWWTP for purposes of this proceeding.

13. An imputed 4.20% cost of debt for GWWTP is reasonable and appropriate for purposes of this proceeding.

14. A 9.80% rate of return on common equity for GWWTP is just and reasonable for purposes of this proceeding.

15. The cost of capital and revenue increase approved in this Order is intended to provide GWWTP, through sound management, the opportunity to earn an overall rate of return of 7.00%. This overall rate of return is derived from applying a cost of debt of 4.20% and a rate of return on common equity of 9.80%, to a hypothetical capital structure consisting of 50.00% long-term debt and 50.00% common equity.

16. The overall rate of return and capital structure approved by the Commission appropriately balances the benefits received by GWWTP's customers from the provision of safe, adequate, and reliable wastewater utility service with the difficulties that some of GWWTP's customers will experience in paying the Company's increased rates and are supported by competent, material, and substantial record evidence consistent with the requirements of N.C.G.S. § 62-133.

17. As emergency operator, GWWTP has provided adequate service to its customers.

18. The Stipulation resolves all contested issues related to GWWTP's application for a CPCN and approval of rates.

19. GWWTP has the technical, managerial, and financial capacity to own and operate the Ginguite Woods System.

20. A bond in the amount of \$85,000 for the Ginguite Woods System is just, reasonable, and appropriate.

21. The parties have waived² their right to file exceptions to the Recommended Order, and request that it become the final order and the new rates become effective upon the date of the Recommended Order.

WHEREUPON, the Commission reaches the following:

CONCLUSIONS

GWWTTP and the Public Staff are the only parties to this proceeding, and the Stipulation resolves all issues between the Stipulating Parties in this proceeding. Based upon the foregoing and the entire record herein, the Commission finds that the Stipulation represents a negotiated settlement of all issues in this proceeding and concludes that the provisions of the Stipulation are just and reasonable to customers of the Ginguite Woods service area and to all parties to this proceeding. In addition, the Commission finds that the provisions of the Stipulation serve the public interest and that it is appropriate to approve the Stipulation in its entirety.

Consistent with the Stipulation, the Commission also concludes that the appropriate plant in service for the GWWTTP wastewater system is \$517,067 with accumulated depreciation of \$70,244 reflected through December 31, 2023.

² The waiver is based on the wording in the Joint Proposed Order and is conditioned upon the Recommended Order not materially changing the Joint Proposed Order.

Furthermore, the Commission notes that GWWTP has agreed not to pursue an acquisition adjustment. Based upon the entire record in this proceeding, the Commission concludes that the adjusted levels of rate base, revenues, and expenses set forth in Joint Settlement Exhibit I, are the appropriate levels for use in this proceeding. Moreover, the Commission concludes that the rates agreed upon by the Stipulating Parties are just and reasonable and should be approved. Such rates and charges are set forth in ^(OBJ) Joint Settlement Exhibit II^(OBJ), filed on June 7, 2024, and the Schedule of Rates (Appendix B) attached hereto. T

IT IS, THEREFORE, ORDERED as follows:

1. That GWWTP is granted a CPCN to provide wastewater utility service to the Ginguite Woods Service Area;
2. That Appendix A, attached hereto, constitutes the CPCN;
3. That, GWWTP shall post a \$85,000 bond in a form acceptable to the Commission and in compliance with N.C.G.S. § 62-110.3 and that GWWTP shall file a copy of the same within 30 days from the date of this Order;
4. That the Schedule of Rates, attached hereto as Appendix B, is hereby approved and deemed filed with the Commission pursuant to N.C.G.S. § 62-138. This Schedule of Rates shall become effective for service rendered on and after the effective date of this Order;

5. That a copy of Appendix C shall be mailed with sufficient postage or hand delivered to GWWTP's customers contemporaneously with the next billing cycle and that GWWTP shall submit to the Commission the attached Certificate of Service, properly signed and notarized, not later than 15 days after the mailing or hand delivery of Appendix C; and
6. That with the granting of a CPCN to GWWTP herein, effective the date of this Order, GWWTP shall be discharged as the EO of the Ginguite Woods wastewater system.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1343, SUB 1

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

GWWTP, LLC

is granted this

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

to provide sewer utility service

to

SOUTHERN SHORES LANDING SUBDIVISION &
GINGUITE MIXED USE DEVELOPMENT SERVICE AREAS

in

Dare County, North Carolina

subject to any orders, rules, regulations
and conditions now or hereafter lawfully made
by the North Carolina Utilities Commission.

ISSUED BY ORDER OF THE COMMISSION.

This the ____ day of June 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

SCHEDULE OF RATES

for

GWWTP, LLC

for providing sewer utility service to

SOUTHERN SHORES LANDING SUBDIVISION AND GINGUITE MIXED USE
DEVELOPMENT

in

Dare County, North Carolina

Monthly Residential Flat Rate, per SFE: ^{1/} \$ 150.38

^{1/} Single-Family Equivalent (SFE) is 225 gallons per day

Reconnection Charge:

If sewer service cut off by utility for good cause: \$ 15.00

Bills Due: On billing date

Bills Past Due: 25 days after billing date

Billing Frequency: Shall be monthly for service in arrears

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission
in Docket No. W-1343, Sub 1, on this the __th day of _____, 2024.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

**NOTICE TO CUSTOMERS
DOCKET NO. W-1343, Sub 1
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

Notice is given that the North Carolina Utilities Commission has issued an Order granting an increase in rates to GWWTP, LLC. The Order approved the following rates for sewer utility service provided on and after the date of this notice.

Monthly Residential Flat Rate, per SFE: ^{1/} \$ 150.38

^{1/} Single-Family Equivalent (SFE) is 225 gallons per day

Reconnection Charge:

If sewer service cut off by utility for good cause: \$ 15.00

Bills Due: On billing date

Bills Past Due: 25 days after billing date

Billing Frequency: Shall be monthly for service in arrears

Finance Charge for Late Payment: 1% per month will be applied to the unpaid balance of all bills still past due 25 days after the billing date.

This the ____ day of _____, 2024.

NORTH CAROLINA UTILITIES COMMISSION

A. Shonta Dunston, Chief Clerk

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-1343, Sub 1, and the Notice was mailed or hand delivered by the date specified in the Order.

This the ____ day of _____, 2024.

By: _____
Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____ in Docket No. W-1343, Sub 1.

Witness my hand and notarial seal, this the ____ day of _____, 2024.

Notary Public

Address

(SEAL) My Commission Expires: _____
Date

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

Public Staff
Joint 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</u> [3]		<u>13.66%</u>	<u>\$63,348</u> [10]
<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</u> [3]		<u>12.05%</u>	<u>\$55,860</u> [12]
<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</u> [3]		<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 Joint 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 Joint Settlement Exhibit I , Schedule 3, Line 30, Column (c).

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

[12] Public Staff Joint Settlement Exhibit I , Schedule 3, Line 30, Column (e).

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

Public Staff
Joint Settlement Exhibit
Schedule 2

Sewer Operations

Line No.	Item	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1.	Plant in service	\$550,345	(\$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	0	0	0
7.	Original cost rate base (Sum of L1 thru L6)	\$453,789	\$9,879	\$463,668

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

[2] Public Staff Joint Settlement Exhibit I , Schedule 2-1, Line 8, Column (a).

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

[4] Public Staff Joint 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
Joint Settlement Exhibit I
Schedule 2-1

Line No.	Item	Plant in Service [1] (a)	Year Placed In Service [1] (b)	Service Life In Years [1] (c)	Years in Service [3] (d)	GWWTP, LLC Annual Depreciation [4] (e)	GWWTP, LLC Accumulated Depreciation [5] (f)
<u>Sewer:</u>							
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.

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

Public Staff
Joint Settlement Exhibit I
Schedule 2-2

Line		Acquisition	Future
<u>No.</u>	<u>Item</u>	<u>Adjustment</u>	<u>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	<u>4,400</u> [4]	<u>26,667</u> [4]
8	Revenue requirement before GRT (L6 + L7)	13,335	75,180
9	GRT gross up factor	<u>99.85%</u> [5]	<u>99.85%</u> [5]
10	Annual revenue requirement (L8 / L9)	<u>\$13,355</u>	<u>\$75,291</u>

[1] Public Staff Joint Settlement Exhibit I, Schedule 2-3, Line 5.

[2] Per Public Staff Witness Darden.

[3] Public Staff Joint Settlement Exhibit I, Schedule 4, Line 6, Column (d).

[4] Line 3 amount.

[5] Public Staff Joint Settlement Exhibit I, Schedule 4, Line 8, Column (c).

[6] Public Staff Joint Settlement Exhibit I, Schedule 2-4, Line 3, Column (a).

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

Public Staff
Joint 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

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

Public Staff
Joint Settlement Exhibit I
Schedule 2-4

Line No.	Item	Plant in Service (a)	[1]	Year Placed In Service (b)	[1]	Service Life In Years (c)	[1]	Years in Service (d)	[2]	GWWTP, LLC Annual Depreciation (e)	[3]	GWWTP, LLC Accumulated Depreciation (f)	[4]
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.

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Jun 07 2024

GWOTP, 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
Joint Settlement Exhibit I
Schedule 2-5

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

[1] Public Staff Joint 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
Joint 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	Public Staff Adjustments	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)	
Operating Revenues:									
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.	Total operating revenues (Sum L1 thru L3)	<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>	
Operating Expenses:									
5.	Salaries	0	0	0	0	0	0	0	
6.	Administrative and office expense	4,162	0	4,162	0	4,162	0	4,162	
7.	Maintenance and repair	38,037	(11,573)	26,465	[3] 0	26,465	0	26,465	
8.	Contractor operator	48,000	0	48,000	[3] 0	48,000	0	48,000	
9.	Purchase Power/Electric	5,554	0	5,554	[3] 0	5,554	0	5,554	
10.	Chemicals	2,265	0	2,265	[3] 0	2,265	0	2,265	
11.	Testing	11,802	823	12,625	[3] 0	12,625	0	12,625	
12.	Permit fees	1,310	0	1,310	[3] 0	1,310	0	1,310	
13.	Sludge removal	28,958	(22,258)	6,700	[3] 0	6,700	0	6,700	
14.	Insurance expense	347	0	347	0	347	0	347	
15.	Contract management	0	0	0	0	0	0	0	
16.	Lease Expense	0	0	0	0	0	0	0	
17.	Other Expense: Legal fees	0	0	0	0	0	0	0	
18.	Other Expense: Professional expenses	7,659	(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.	Total operating expenses (Sum L5 thru L19)	<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>	
Depreciation and Taxes:									
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.	Total depreciation and taxes (Sum L21 thru L27)	<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.	Net operating income for return (L4 - L29)	<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>	

GWOTP, LLC

Docket No. W-1343 Sub 1

FOOTNOTES TO SCHEDULE 3(b)

For The Test Year Ended December 31, 2022

Public Staff

Joint Joint 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 Joint Settlement Exhibit I , Schedule 3-2 ,Column (a), Line 6.
- [6] Public Staff Joint Settlement Exhibit I , Schedule 2-1, Column (e), Line 8.
- [7] Line 4 multiplied by .1475%.
- [8] Public Staff Joint Settlement Exhibit I , Schedule 3-1 ,Column (a), Line 12.
- [9] Public Staff Joint 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 Joint Settlement Exhibit I , Schedule 3-1, Column (b), Line 12.
- [13] Public Staff Joint 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 Joint Settlement Exhibit I , Schedule 3-1,Column (c), Line 12.
- [18] Public Staff Joint Settlement Exhibit I , Schedule 3-1,Column (c), Line 14.

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Jun 07 2024

GWWTP, LLC

Docket No. W-1343 Sub 1

CALCULATION OF INCOME TAXES

For the Test Year Ended August 31, 2023

Public Staff

Joint Settlement Exhibit I

Schedule 3-1

Line No.	Sewer Operations Item	Present Rates	[1]	Company Proposed Rates	[2]	Public Staff Recommended Rates	[3]
		(a)		(b)		(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 Joint Settlement Exhibit I , Schedule 3, Column (c), unless footnoted otherwise.

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

[3] Public Staff Joint Settlement Exhibit I , Schedule 3, Column (g), unless footnoted otherwise.

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

Public Staff
Joint Settlement Exhibit I
Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Amount (a)</u>
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
Joint Settlement Exhibit
Schedule 4

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

GWWTP, LLC

Docket No. W-1343 Sub 1

CALCULATION OF REVENUE REQUIREMENT

For the Test Year Ended August 31, 2023

Public Staff

Joint Settlement Exhibit I

Schedule 4-1

Sewer Operations

Line No.	Item	Rate Base Method (a)	Retention Factor (b)	Revenue Requirement [1] (c)	Operating Ratio Method (d)	Retention Factor (e)	Revenue Requirement [1] (f)
1.	<u>Operating revenue deductions:</u>						
2.	Maintenance expenses	\$134,761			\$134,761		
3.	Depreciation expense	29,620			29,620		
4.	Property tax	0			0		
5.	Payroll Tax	0			0		
6.	Other tax	0			0		
7.	Regulatory fee - other taxes	0			0		
8.	Total	164,381	0.9985250	\$164,624	164,381	0.9985250	\$164,624
	Adjustment for regulatory fee						
	<u>Net operating income for return:</u>						
9.	Debt service return	9,737	0.9985250	9,751			
10.	Equity return:						
11.	REG @ .1475%, SIT @ 2.5%, FIT @ 21%	22,720	0.7691139	29,540	11,507	0.7691139	14,961
12.	Revenue requirement - both methods			\$203,915			\$179,585
13.	Revenue requirement recommended by Public Staff						\$203,915

GWWTP, LLC
Docket No. W-1343, Sub 1
For the 12 Months Ending August 31, 2023

Joint Settlement
Exhibit No. II
Page 1 of 1

Revenue at Joint Settlement Rates

Joint Settlement Recommended Rates

SEWER

Billing Type	Flow Allocation ¹ (gallons per day)	SFE ²	SFE x 12 months	Monthly Flat Rate ⁵	Total Annual Revenue
\$150.38					
Residential Customers ³	8,550	38	456		\$68,573
Mixed Use Residential ⁴	10,500	47	564		\$84,814
Mixed Use Restaurant	4,800	21	252		\$37,896
Mixed Use Retail Space	1,624	7	84		\$12,632
Total		113			\$203,915

Notes:

1. Flow Allocation based on the design standards determined by 15A NCAC 02T .0014 rules.
2. SFE = Single-Family Equivalent.
3. Residential Customers represents the 38 existing customers of Southern Shores Landing subdivision. SFE based off of design standards of 3-bedroom home.
4. Represents the 36 townhome units in the Ginguite Mixed Use Development. SFE based on 140 total bedroom units.
5. Monthly flat rate is per SFE.

CERTIFICATE OF SERVICE

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

This the 7th day of June, 2024.

Electronically submitted
/s/ Davia A. Newell
Staff Attorney