



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 25, 2018

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Mail Service Center 4325
Raleigh, North Carolina 27699-4300

Re: Docket No. W-755 Sub 10 – Application by GGCC Utility, Inc., Post Office Box 368, Linville, North Carolina 28646, for Authority to Increase Rates for Water and Sewer Utility Service in Grandfather Golf and Country Club Development, Avery County, North Carolina

Dear Ms. Jarvis:

In connection with the above-referenced docket, I transmit herewith for filing on behalf of the Public Staff the following:

1. Affidavit and Exhibit of Rodney T. Allison, Staff Accountant, Accounting Division;
2. Affidavit of David C. Furr, Director, Water/Sewer Division; and
3. Affidavit of John R. Hinton, Director, Economic Research Division.

The Public Staff this day filed a motion to cancel the November 14, 2018, public hearing in Avery County as there were not significant customer protests. The Public Staff requests the Commission decide this matter on the filings. GGCC Utility, Inc. (GGCC) has informed the Public Staff that GGCC agrees with the Public Staff’s recommended revenue requirements, recommended rates, and for the Commission to decide this matter on the filings.

By copy of this letter, we are forwarding a copy of the above to GGCC.

Sincerely,

/s/ Layla Cummings
Staff Attorney
layla.cummings@psncuc.nc.gov

Executive Director (919) 733-2435	Communications (919) 733-2810	Economic Research (919) 733-2902	Legal (919) 733-6110	Transportation (919) 733-7766
Accounting (919) 733-4279	Consumer Services (919) 733-9277	Electric (919) 733-2267	Natural Gas (919) 733-4326	Water (919) 733-5610

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-755, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by GGCC Utility, Inc., Post)
Office Box 368, Linville, North Carolina)
28646, for Authority to Increase Rates for)
Water and Sewer Utility Service in)
Grandfather Golf and Country Club)
Development, Avery County, North)
Carolina)

AFFIDAVIT
OF
RODNEY T. ALLISON

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Rodney T. Allison, after first being duly sworn, do depose and say:

I am a Staff Accountant with the Public Staff Accounting Division, 430 N. Salisbury Street, Raleigh, North Carolina, and represent the using and consuming public. I have a Master of Accounting degree from North Carolina State University. After graduating, I accumulated more than three years of auditing experience and one year of general accounting experience. I joined the Public Staff Accounting Division on October 2, 2017. Since joining the Public Staff, I have been involved with various electric, natural gas, and water utility proceedings.

The purpose of my affidavit is to present the accounting and ratemaking adjustments I am recommending as a result of my investigation of the revenue, expenses, and rate base presented by GGCC Utility, Inc. (GGCC or Company), in support of its application to increase rates for water and sewer utility service in Grandfather Golf and Country Club Development in Avery County.

The Company filed its application for a rate increase on June 21, 2018, based on the test year ended February 28, 2018. My investigation included a review of the application filed by GGCC, an examination of the Company's books and records for the test year, and a review of additional documentation provided by the Company in response to Public Staff written and verbal data requests.

Based on my investigation, the Company's original cost rate base at February 28, 2018, is \$1,144,597 for both water and sewer operations. The combined level of operating revenue deductions requiring a return (total operating expenses excluding regulatory fees, gross receipts tax, and income taxes) is \$277,380.

Based upon my investigation, I conclude that the Company's proposed water revenue requirement is not unreasonable and would not be unfair to its customers. Therefore, I recommend that the Commission approve rates designed to recover the water revenue requirement as proposed by the Company.

I have calculated an increase in the gross sewer revenue requirement using the overall rate of return of 7.5%, the reasonable rate recommended by the Public Staff Financial Analyst Hinton. Use of this return on rate base produces an increase in the gross revenue requirement of \$8,454. The resulting total revenue requirement will be \$128,053, of which \$127,973 is service revenues. The Company has agreed to accept the revenue requirement and rates as calculated by the Public Staff. Therefore, the Public Staff recommends that sewer service rates be set to reflect an \$8,454 increase, resulting in an annual level of service revenues of \$127,973.

I have made several adjustments to the Company's operating revenues, expenses, and investment levels. The adjustments are detailed in the attached Allison Exhibit I. The exhibit also includes adjustments recommended to me by Public Staff Engineer Furr, relating to plant in service, depreciation lives, service revenues at present rates, service revenues at proposed rates, maintenance and repair, purchased power, permit fees, contract services, and testing. The accounting and ratemaking adjustments shown on the exhibit relate to the following items:

1. Plant in Service
2. Contributions in Aid of Construction
3. Accumulated Depreciation and Depreciation Expense
4. Cash Working Capital
5. Average Tax Accruals
6. Salaries and Wages
7. Administrative and Office
8. Employee Benefits
9. Insurance
10. Other Expense
11. Other Taxes
12. Interest Expense
13. Rate Case Expense
14. Property Tax
15. Payroll Tax

16. Regulatory Fee
17. Gross Receipts Tax
18. State and Federal Income Taxes

Plant in Service

The Company presented \$808,942 for water plant in service and \$473,097 for sewer plant in service on its application. I made several adjustments to these amounts resulting in \$1,228,731 of plant in service for water operations and \$542,143 for sewer operations.

For water operations, I started with plant in service of \$805,792 from the Company's last general rate case, Docket No. W-755, Sub 9 (Sub 9). To this amount, I added \$418,491 of plant additions made since the last rate case proceeding based on data request responses and my review of the Company's financial records. Next, I added \$4,448 of plant additions recommended by Public Staff Engineer Furr. These adjustments result in a total of \$422,939 plant additions made since the last rate case, as shown on Schedule 2-1(a) of Exhibit I. These adjustments result in a total plant in service of \$1,228,731.

For sewer operations, I started with plant in service of \$503,591 from the Company's last general rate case, Sub 9. To this amount I added \$37,204 of plant additions made since the last general rate case proceeding. Next, based on the recommendation of Public Staff Engineer Furr, I included \$1,348 of plant costs related to a sewer pump expensed as other expenses. These adjustments resulted in a total of plant in service of \$542,143 for sewer operations, as shown on Schedule 2-1(b) of Exhibit I.

Contributions in Aid of Construction (CIAC)

My calculation of CIAC begins with the amounts found reasonable by the Commission and used to calculate rates in the Company's last rate case proceeding, Sub 9. To these amounts, I added tap-on fees collected since the prior rate case, resulting in \$110,119 of CIAC for water operations and \$37,829 for sewer operations, as shown on Schedule 2-2 of Exhibit I.

Accumulated Depreciation and Depreciation Expense

I calculated amounts for accumulated depreciation and depreciation expense to reflect depreciation related to the adjusted plant assets and CIAC discussed above and shown on Schedules 2-1(a), 2-1(b) and 2-2. Accumulated depreciation and depreciation expense were calculated based on the service lives recommended by Public Staff Engineer Furr and the lives approved by the Commission in the Company's last rate case. Accumulated depreciation was also calculated based on the year each plant asset was placed in service, using the half-year convention in the first year of an asset's depreciable life.

Cash Working Capital and Average Tax Accruals

The Company did not provide an amount for this item on its application. In my calculation, I have included 1/8 of total operating expenses as a measure of cash working capital. I have calculated average tax accruals as 1/2 property tax, plus 1/5 payroll taxes.

Salaries and Wages

The Company did not list an amount for salaries and wages on its application. Therefore, I calculated an amount for salaries and wages based on the Company's response to Public Staff data requests. My calculation of salaries and wages begin with the annualized wages paid to both administrative and maintenance personnel. Next, I applied GGCC's utility allocation percentage to the annualized wages of personnel that spent time during the test year on utility operations. This calculation provided a reasonable level of salaries and wages to include in operating expenses. My adjusted level of salaries and wages does not include benefits and payroll taxes because I have included an on-going level of each expense elsewhere in Exhibit I.

Administrative and Office Expense

On its application, the Company included \$73,617 of administrative and office expense. Some of GGCC's personnel are employed directly by the Company, but certain accounting and administrative services are furnished to the Company by its parent company, Grandfather Golf and Country Club (Country Club). The Company is billed by the Country Club for management fees consisting of salaries, benefits and payroll taxes associated with time spent by Country Club's accounting and administrative personnel on the utility operations, as well as charges for overhead. These management fees are classified as administrative and office expense.

First, I adjusted administrative and office expenses to reflect the updated amount as revised by the Company. Next, based on this revised amount, I

reclassified salaries and wages, benefits and payroll taxes to separate line items in Exhibit I. These adjustments result in a total amount of \$15,498 for administrative and office as shown on Schedule 3-2 of Exhibit I.

Employee Benefits

The Company included employee benefits in administrative and office in error. I removed employee benefits from administrative and office and calculated a reasonable level to include in expenses based on my adjusted level of salaries and wages.

Insurance

The Company included \$11,342 for insurance expense on its application. Based on review of data request responses and financial records, I have made an adjustment to include property and liability insurance premiums and D & O insurance premiums. These adjustments result in a total amount of \$4,032 for insurance expense as shown on Schedule 3-3 of Exhibit I.

Other Expenses

The Company listed \$5,563 for other expense on its application. I made an adjustment to remove professional fees of \$1,922, based on the recommendation of Public Staff Engineer Furr. In addition, I made an adjustment to include the Secretary of State fee in the amount of \$20. Next, based on the recommendation of Public Staff Engineer Furr, I removed \$1,348 for a sewage pump and capitalized it to plant in service. These adjustments result in a total amount of \$2,313 for other expenses as shown on Schedule 3-4 of Exhibit I.

Other Taxes

The Company listed \$526 for other taxes on its application. I made an adjustment to remove accrued taxes from a prior year. Next, I made an adjustment to reclassify regulatory fees. Finally, I made an adjustment to include franchise taxes. The total for other taxes after these adjustments is \$200.

Interest Expense

It has been the Public Staff's position and the North Carolina Utilities Commission's continuing policy that the utility's reasonable level of interest expense should be recovered as a component of net operating income for a return. Therefore, I have removed interest expense from operating revenue deductions included by the Company.

Rate Case Expense

On its application, the Company did not include an amount for rate case expense. Therefore, I have calculated rate case expense to include the cost of the filing fee, administrative salaries and wages, office supplies, and overhead. I amortized the total cost for rate case expense over three years.

Property Tax

I removed property taxes related to sewer property, as shown on Line 20 of Schedule 3(b) of Exhibit 1, since under G.S. 105-275(8), the Company can request exemption of taxes on sewer property.

Payroll Tax

The Company included payroll taxes in administrative and office in error. I removed payroll taxes from administrative and office and calculated a reasonable level to include in expenses based on my adjusted level of salaries and wages.

Regulatory Fee

I have calculated the regulatory fee using the statutory rate of 0.14%.

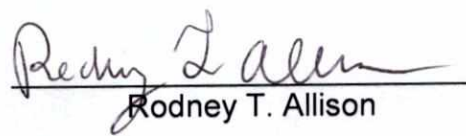
Gross Receipts Tax

The Company listed franchise taxes on its application as gross receipts tax. I reclassified franchise taxes as other taxes.

State and Federal Income Taxes

State and federal income taxes are based on the statutory corporate rates for the level of income presented after all Public Staff adjustments.

This completes my affidavit.


Rodney T. Allison

Sworn to and subscribed before me,
This the 25th day of October 2018.


Notary Public

My Commission expires: 11/13/2018



INDEX TO ALLISON EXHIBIT I

LINE NO.	TITLE	SCHEDULE NO.
1.	RETURN ON ORIGINAL COST RATE BASE - WATER OPERATIONS	1(a)
2.	RETURN ON ORIGINAL COST RATE BASE - SEWER OPERATIONS	1(b)
3.	ORIGINAL COST RATE BASE - WATER AND SEWER COMBINED	2
4.	ORIGINAL COST RATE BASE - WATER OPERATIONS	2(a)
5.	ORIGINAL COST RATE BASE - SEWER OPERATIONS	2(b)
6.	CALCULATION OF PLANT IN SERVICE - WATER OPERATIONS	2-1(a)
7.	CALCULATION OF PLANT IN SERVICE - SEWER OPERATIONS	2-1(b)
8.	CALCULATION OF CIAC, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE	2-2
9.	NET OPERATING INCOME FOR A RETURN - WATER OPERATIONS	3(a) Page 1
10.	FOOTNOTES TO SCHEDULE 3(a) - WATER OPERATIONS	3(a) Page 2
11.	NET OPERATING INCOME FOR A RETURN - SEWER OPERATIONS	3(b) Page 1
12.	FOOTNOTES TO SCHEDULE 3(b) - SEWER OPERATIONS	3(b) Page 2
13.	ADJUSTMENT TO SALARIES AND WAGES, PAYROLL TAXES, AND EMPLOYEE BENEFITS	3-1
14.	ADJUSTMENT TO ADMINISTRATIVE AND OFFICE	3-2
15.	ADJUSTMENT TO INSURANCE	3-3
16.	ADJUSTMENT TO OTHER EXPENSES	3-4
17.	CALCULATION OF RATE CASE EXPENSE	3-5
18.	ADJUSTMENT TO OTHER TAXES	3-6
19.	CALCULATION OF INCOME TAXES - WATER OPERATIONS	3-7(a)
20.	CALCULATION OF INCOME TAXES - SEWER OPERATIONS	3-7(b)

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
RETURN ON ORIGINAL COST RATE BASE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 1(a)

Water Operations

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)
1.	Original cost rate base	\$874,110 [1]	\$874,110 [1]
2.	Overall rate of return	<u>2.12% [2]</u>	<u>6.49% [2]</u>
3.	Net operating income	<u>\$18,562 [3]</u>	<u>\$56,755 [4]</u>

[1] Allison Exhibit I, Schedule 2(a), Line 6, Column (c).

[2] Line 3 divided by Line 1.

[3] Allison Exhibit I, Schedule 3(a), Line 29, Column (c).

[4] Allison Exhibit I, Schedule 3(a), Line 29, Column (e).

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
RETURN ON ORIGINAL COST RATE BASE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 1(b)

Sewer Operations

Line No.	<u>Item</u>	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
1.	Original cost rate base	\$270,487 [1]	\$270,487 [1]	\$270,487 [1]
2.	Overall rate of return	<u>5.11%</u> [2]	<u>8.29%</u> [2]	<u>7.50%</u> [5]
3.	Net operating income	<u>\$13,818</u> [3]	<u>\$22,420</u> [4]	<u>\$20,287</u> [6]

- [1] Allison Exhibit I, Schedule 2(b), Line 6, Column (c).
- [2] Line 3 divided by Line 1.
- [3] Allison Exhibit I, Schedule 3(b), Line 29, Column (c).
- [4] Allison Exhibit I, Schedule 3(b), Line 29, Column (e).
- [5] Per Public Staff witness Hinton
- [6] Line 1 times Line 2.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
ORIGINAL COST RATE BASE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 2

Water and Sewer Combined

Line No.	<u>Item</u>	Per Application [1] (a)	Public Staff Adjustments [2] (b)	After Public Staff Adjustments [3] (c)
1.	Plant in service	\$1,282,039	\$488,835	\$1,770,874
2.	Contributions in aid of construction	(147,648)	219,938	72,290
3.	Accumulated depreciation	(662,837)	(57,291)	(720,128)
4.	Cash working capital	0	23,737	23,737
5.	Average tax accruals	0	(2,176)	(2,176)
6.	Original cost rate base (Sum of L1 thru L5)	<u>\$471,554</u>	<u>\$673,043</u>	<u>\$1,144,597</u>

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

[2] Allison Exhibit I, Schedule 2(a) plus 2(b), Column (b).

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

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
ORIGINAL COST RATE BASE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 2(a)

Water 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	\$808,942	\$419,789	\$1,228,731 [2]
2.	Contributions in aid of construction	(109,819)	219,938	110,119 [3]
3.	Accumulated depreciation	(415,493)	(61,298)	(476,791) [4]
4.	Cash working capital	0	13,884	13,884 [5]
5.	Average tax accruals	<u>0</u>	<u>(1,833)</u>	<u>(1,833)</u> [6]
6.	Original cost rate base (Sum of L1 thru L5)	<u>\$283,630</u>	<u>\$590,480</u>	<u>\$874,110</u>

- [1] Column (c) minus Column (a).
[2] Allison Exhibit I, Schedule 2-1(a), Column (a), Line 79.
[3] Allison Exhibit I, Schedule 2-2, Column (a), Line 3.
[4] Allison Exhibit I, Schedule 2-2, Column (a), Line 9.
[5] Calculated at one-eighth of operating expenses.
[6] Calculated at one-half property tax plus one-fifth payroll taxes.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
ORIGINAL COST RATE BASE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 2(b)

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	\$473,097	\$69,046	\$542,143 [2]
2.	Contributions in aid of construction	(37,829)	0	(37,829) [3]
3.	Accumulated depreciation	(247,344)	4,007	(243,337) [4]
4.	Cash working capital	0	9,853	9,853 [5]
5.	Average tax accruals	0	(343)	(343) [6]
6.	Original cost rate base (Sum of L1 thru L5)	<u>\$187,924</u>	<u>\$82,563</u>	<u>\$270,487</u>

- [1] Column (c) minus Column (a).
- [2] Allison Exhibit I, Schedule 2-1(b), Column (a), Line 38.
- [3] Allison Exhibit I, Schedule 2-2, Column (b), Line 3.
- [4] Allison Exhibit I, Schedule 2-2, Column (b), Line 9.
- [5] Calculated at one-eighth of operating expenses.
- [6] Calculated at one-fifth payroll taxes.

GGCC UTILITY, INC.

Docket No. W-755, Sub 10

CALCULATION OF PLANT IN SERVICE

For the Test Year Ended February 28, 2018

Public Staff

Allison Exhibit I

Schedule 2-1(a)

Water Operations

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Depreciation Life In Years [1] (c)	Years In Service [4] (d)	Annual Depreciation [5] (e)	Accumulated Depreciation [6] (f)
<u>Per Sub 9 Rate Case:</u>							
1.	Fully depreciated plant	\$152,659	Various			\$0	(\$152,659)
2.	Wells	6,362	1988	25	29.67	0	(6,362)
3.	Water lines	2,143	1991	50	26.67	43	(1,147)
4.	Water line extension	714	1993	50	24.67	14	(345)
5.	Water tank	24,378	1994	25	23.67	975	(23,078)
6.	Water line extension	8,265	1994	50	23.67	165	(3,906)
7.	Water line extension	3,372	1995	50	22.67	67	(1,519)
8.	Well #2 and #3	4,551	1996	25	21.67	182	(3,944)
9.	Pump house renovations	6,340	1997	40	20.67	159	(3,287)
10.	Wells	7,970	1997	25	20.67	319	(6,594)
11.	Roads to wells and tank	1,301	1998	15	19.67	0	(1,301)
12.	Water line extension	855	1998	50	19.67	17	(334)
13.	Distribution line	782	2000	50	17.67	16	(283)
14.	Well	5,312	2000	25	17.67	212	(3,746)
15.	30,000 gallon storage tank	57,431	2000	25	17.67	2,297	(40,588)
16.	Well house	1,587	2000	39	17.67	41	(724)
17.	Pipe extension	1,700	2000	25	17.67	68	(1,202)
18.	Water line extension	455	2002	20	15.67	23	(360)
19.	Pressure reducer valves	3,981	2003	10	14.67	0	(3,981)
20.	Well #3	40,325	2003	25	14.67	1,613	(23,663)
21.	Well #4	6,481	2004	25	13.67	259	(3,541)
22.	Repaving	1,200	2005	15	12.67	80	(1,014)
23.	Pressure reducer valves	3,813	2005	10	12.67	0	(3,813)
24.	Wells #7 and #8	55,929	2007	25	10.67	2,237	(23,869)
25.	Exterior tank renovations	8,487	2007	10	10.67	0	(8,487)
26.	Interior tank renovations	11,496	2007	10	10.67	0	(11,496)
27.	Exterior tank renovations	7,039	2008	10	9.67	704	(6,808)
28.	Interior tank renovations	11,496	2008	10	9.67	1,150	(11,121)

GGCC UTILITY, INC.

Docket No. W-755, Sub 10

CALCULATION OF PLANT IN SERVICE

For the Test Year Ended February 28, 2018

Public Staff

Allison Exhibit I

Schedule 2-1(a)

Water Operations

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Depreciation Life In Years [1] (c)	Years In Service [4] (d)	Annual Depreciation [5] (e)	Accumulated Depreciation [6] (f)
29.	Well #1 pump	7,928	2008	5	9.67	0	(7,928)
30.	Chemical feed pump	518	2009	7	8.67	0	(518)
31.	Chemical building - GF System	13,057	2009	39	8.67	335	(2,904)
32.	Boulder Ridge booster pump	28,580	2011	10	6.67	2,858	(19,063)
33.	Storage tank improvements	23,150	2011	10	6.67	2,315	(15,441)
34.	Well #5 Mountain Springs	23,255	2011	25	6.67	930	(6,203)
35.	Pressure reducing valve	26,552	2011	10	6.67	2,655	(17,709)
36.	Chemical feed pump	1,575	2011	7	6.67	225	(1,501)
37.	Island well #1 pump	4,309	2011	20	6.67	215	(1,434)
38.	Island well #3 pump	5,691	2011	20	6.67	285	(1,901)
39.	Well #4 pump	2,698	2011	20	6.67	135	(900)
40.	Well #5 - Mountain Springs Building	1,946	2011	39	6.67	50	(334)
41.	Well #5 - Mountain Springs Road	1,062	2011	15	6.67	71	(474)
42.	Well #5 - Mountain Springs Well	17,981	2011	20	6.67	899	(5,996)
43.	Wellhouses - improvement	19,890	2012	10	5.67	1,989	(11,278)
44.	New clubhouse well pump	3,598	2012	20	5.67	180	(1,021)
45.	Well #1 renovations	2,421	2012	10	5.67	242	(1,372)
46.	Chemical feed pump	2,154	2012	7	5.67	308	(1,746)
47.	Well #8 Pump	2,990	2013	7	4.67	427	(1,994)
48.	Water tanks roof replacement	2,204	2013	39	4.67	57	(266)
49.	Water monitoring system - GF system	23,200	2013	7	4.67	3,314	(15,476)
50.	GF system generator - QT 27KW Generac	23,094	2014	10	3.67	2,309	(8,474)
51.	MS Boulder Ridge booster pump	1,953	2014	20	3.67	98	(360)
52.	(2) MS pressusre valves	2,952	2014	7	3.67	422	(1,549)
53.	MS pressure reducing valves	5,457	2014	7	3.67	780	(2,863)
54.	MS pressure reducing valves	1,942	2014	7	3.67	277	(1,017)
55.	Generator @Mountain Springs Well Tank	22,459	2015	10	2.67	2,246	(5,997)
56.	Tennis wellhouse	8,911	2015	20	2.67	446	(1,191)
57.	Electric Study	5,301	2015	10	2.67	530	(1,415)

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
CALCULATION OF PLANT IN SERVICE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 2-1(a)

Water Operations

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Depreciation Life In Years [1] (c)	Years In Service [4] (d)	Annual Depreciation [5] (e)	Accumulated Depreciation [6] (f)
58.	Mountain Springs PRV/manhole repair	64,808	2016	7	1.67	9,258	(15,461)
59.	Mountain Springs Well #4 pump and motor	2,752	2016	7	1.67	393	(656)
60.	(10) Water valve replacements	14,980	2016	10	1.67	1,498	(2,502)
61.	Total Sub 9 Plant In Service (Sum of L1 through L60)	<u>805,792</u>				<u>46,388</u> 0	<u>(506,116)</u>
Plant Additions Since Last Rate Case:							
62.	Mtn Springs Well #8 Pump	2,220 [2]	2016 [2]	7 [3]	1.67	317	(529)
63.	Beach well sandwash sand filter	1,700 [2]	2016 [2]	7 [3]	1.67	243	(406)
64.	Mtn Springs Well #1 Pump & Motor	5,938 [2]	2017 [2]	7 [3]	1.00	848	(848)
65.	Chemical Pump	1,249 [3]	2017 [3]	7 [3]	1.00	178	(178)
66.	Chemical Feed System	3,199 [3]	2017 [3]	7 [3]	1.00	457	(457)
67.	Ms Well #1 Lakos Sand Filter	2,765 [2]	2017 [2]	7 [3]	1.00	395	(395)
68.	(10) Gate Valves & Valve Boxes	15,000 [2]	2017 [2]	10 [3]	1.00	1,500	(1,500)
69.	(4) PRV stations and release valve	10,868 [2]	2017 [2]	7 [3]	1.00	1,553	(1,553)
70.	Mtn Springs PRV Stations	53,600 [2]	2017 [2]	30 [3]	1.00	1,787	(1,787)
71.	Well House - Mtn Springs #2	7,260 [2]	2017 [2]	20 [3]	1.00	363	(363)
72.	Mtn Springs Well #2 - Equipment	7,352 [2]	2017 [2]	7 [3]	1.00	1,050	(1,050)
73.	Island Well #1 Motor & Pump	5,460 [2]	2018 [2]	7 [3]	1.00	780	(780)
74.	Clubhouse Waterline Extension	251,959 [2]	2018 [2]	50 [3]	1.00	5,039	(5,039)
75.	(3) PRV Stations	42,700 [2]	2018 [2]	30 [3]	1.00	1,423	(1,423)
76.	2 PRVs	2,918 [2]	2018 [2]	7 [3]	1.00	417	(417)
77.	(5) 2" Valves	8,750 [2]	2018 [2]	10 [3]	1.00	875	(875)
78.	Total Plant Additions (Sum of L62 through L77)	<u>422,939</u>				<u>17,225</u>	<u>(17,600)</u>
79.	Total Plant In Service (L61 + L78)	<u>\$1,228,731</u>				<u>\$63,613</u>	<u>(\$523,716)</u>

[1] Based on prior rate case, Docket No. W-755, Sub 9, unless otherwise footnoted.
 [2] Per examination of Company's financial records.
 [3] Provided by Public Staff Engineer Furr
 [4] Calculated based on year placed in service using half year convention.
 [5] Column (a) divided by Column (c), unless fully depreciated.
 [6] Column (d) multiplied by Column (e), unless fully depreciated.

GGCC UTILITY, INC.
 Docket No. W-755, Sub 10
CALCULATION OF PLANT IN SERVICE
 For the Test Year Ended February 28, 2018

Public Staff
 Allison Exhibit I
 Schedule 2-1(b)

Sewer Operations

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Depreciation Life In Years [1] (c)	Years In Service [4] (d)	Annual Depreciation [5] (e)	Accumulated Depreciation [6] (f)
Per Sub 9 Rate Case:							
1.	Fully depreciated plant	\$136,544	Various			\$0	(\$136,544)
2.	Building addition	3,287	1993	30	24.67	110	(2,714)
3.	Flow meter	3,312	1994	20	23.67	0	(3,312)
4.	Pump	576	1996	20	21.67	0	(576)
5.	Sewer plant landscaping	550	1997	15	20.67	0	(550)
6.	Water line to sewer plant	961	1998	50	19.67	19	(374)
7.	Pump station renovations	1,259	2000	39	17.67	32	(565)
8.	Ultraviolet system	19,416	2000	20	17.67	971	(17,158)
9.	Pump	1,122	2001	20	16.67	56	(934)
10.	Ultraviolet system	2,922	2001	10	16.67	0	(2,922)
11.	Pump	2,369	2002	20	15.67	118	(1,849)
12.	Drainage around sewer plant	9,950	2003	20	14.67	498	(7,306)
13.	UV system shelter	2,046	2003	39	14.67	52	(763)
14.	Blower	2,106	2005	7	12.67	0	(2,106)
15.	Compressor	2,450	2005	7	12.67	0	(2,450)
16.	Sewer plant pump	2,369	2006	7	11.67	0	(2,369)
17.	Clean chamber	5,495	2008	20	9.67	275	(2,659)
18.	Compressor/blower	2,450	2009	7	8.67	0	(2,450)
19.	Ten diffusers	1,400	2009	7	8.67	0	(1,400)
20.	Clubhouse sewer line	29,480	2012	20	2.67	1,474	(3,936)
21.	Sewer gradings and pumps	4,935	2012	7	2.67	705	(1,882)
22.	Lift station renovations	43,482	2012	20	2.67	2,174	(5,805)
23.	UV system	2,367	2013	25	4.67	95	(444)
24.	Sewer line replacement	7,479	2013	39	4.67	192	(897)
25.	Sewer air scrubber	2,858	2013	7	4.67	408	(1,905)
26.	Sewer system evaluation	29,000	2013	15	4.67	1,933	(9,027)
27.	Beach sewer line	172,516	2013	20	4.67	8,626	(40,283)
28.	Breaker panel box at sewer plant	5,589	2015	10	2.67	559	(1,493)
29.	Electric Study	5,301	2015	10	2.67	530	(1,415)
30.	Total Sub 9 Plant In Service (Sum of L1 through L30)	<u>503,591</u>				<u>18,827</u>	<u>(256,088)</u>

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
CALCULATION OF PLANT IN SERVICE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 2-1(b)

Sewer Operations

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Depreciation Life In Years [1] (c)	Years In Service [4] (d)	Annual Depreciation [5] (e)	Accumulated Depreciation [6] (f)
<u>Plant Additions Since Last Rate Case:</u>							
31.	Goulds 1 HP 230 V Sewage Pump	1,348 [3]	2017	[2] 7	[3] 1.00	193	(193)
32.	Flow Proportional Sampler	9,282 [2]	2018	[2] 7	[3] 1.00	1,326	(1,326)
33.	Flow Meter	5,200 [2]	2018	[2] 7	[3] 1.00	743	(743)
34.	(2) Manhole air scrubbers	6,500 [2]	2018	[2] 7	[3] 1.00	929	(929)
35.	(2) 5 hp pumps @ Beach lift station	12,013 [2]	2018	[2] 7	[3] 1.00	1,716	(1,716)
36.	Roots Blower	4,209 [2]	2018	[2] 7	[3] 1.00	601	(601)
37.	Total Plant Additions (Sum of L31 through L36)	<u>38,552</u>				<u>5,508</u>	<u>(5,508)</u>
38.	Total Plant in Service (L30 + L37)	<u>\$542,143</u>				<u>\$24,335</u>	<u>(\$261,596)</u>

[1] Based on prior rate case, Docket No. W-755, Sub 9, unless otherwise footnoted.
 [2] Per examination of Company's financial records.
 [3] Provided by Public Staff Engineer Furr
 [4] Calculated based on year placed in service using half year convention.
 [5] Column (a) divided by Column (c), unless fully depreciated.
 [6] Column (d) multiplied by Column (e), unless fully depreciated.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
**CALCULATION OF CIAC, ACCUMULATED DEPRECIATION
AND DEPRECIATION EXPENSE**
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 2-2

Line No.	Item	Water (a)	Sewer (b)
1.	Accumulated tap on fees in Sub 9	\$107,119 [1]	\$36,629 [1]
2.	Tap on fees collected since last rate case	3,000 [2]	1,200 [2]
3.	Accumulated tap on fees per Public Staff (L1 + L2)	110,119	37,829
4.	Plant in service per Public Staff	1,228,731 [3]	542,143 [6]
5.	Percentage recovered through tap on fees (L3 / L4)	8.96%	6.98%
6.	Percentage not recovered through tap on fees (1 - L5)	<u>91.04%</u>	<u>93.02%</u>
7.	Accumulated depreciation per Public Staff	(\$523,716) [4]	(\$261,596) [7]
8.	Percentage not recovered through tap on fees (L6)	91.04%	93.02%
9.	Accumulated depreciation per Public Staff (L7 x L8)	<u>(\$476,791)</u>	<u>(\$243,337)</u>
10.	Depreciation expense per Public Staff	\$63,613 [5]	\$24,335 [8]
11.	Percentage not recovered through tap on fees (L6)	91.04%	93.02%
12.	Depreciation expense per Public Staff (L10 x L11)	<u>\$57,913</u>	<u>\$22,636</u>

[1] Based on last general rate case, Docket No. W-755, Sub 9.

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

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

[4] Allison Exhibit I, Schedule 2-1(a), Column (f), Line 79.

[5] Allison Exhibit I, Schedule 2-1(a), Column (e), Line 79.

[6] Allison Exhibit I, Schedule 2(b), Column (c), Line 1.

[7] Allison Exhibit I, Schedule 2-1(b), Column (f), Line 38.

[8] Allison Exhibit I, Schedule 2-1(b), Column (e), Line 38.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3(a)
Page 1 of 2

Water Operations

Line No.	Item	Present Rates			Company Proposed Rates	
		Amount Per Application (a)	Public Staff Adjustments [1] (b)	Per Public Staff [2] (c)	Net Company Increase [18] (d)	Operations After Rate Increase [19] (e)
Operating Revenues:						
1.	Service revenues	\$192,214	\$742	\$192,956 [3]	\$49,574	\$242,530 [3]
2.	Miscellaneous revenues	0	0	0	0	0
3.	Uncollectible accounts	0	0	0	0	0
4.	Total operating revenues	<u>192,214</u>	<u>742</u>	<u>192,956</u>	<u>49,574</u>	<u>242,530</u>
Operating Expenses:						
5.	Salaries and wages	0	26,420	26,420 [4]	0	26,420
6.	Maintenance and repair	42,067	(4,448)	37,619 [3]	0	37,619
7.	Purchased power	7,959	(109)	7,850 [3]	0	7,850
8.	Chemicals	3,233	0	3,233	0	3,233
9.	Permit fees	690	(10)	680 [3]	0	680
10.	Administrative and office	42,009	(33,175)	8,834 [5]	0	8,834
11.	Employee benefits	0	3,919	3,919 [6]	0	3,919
12.	Insurance	6,465	(4,167)	2,298 [7]	0	2,298
13.	Contract services	9,759	0	9,759	0	9,759
14.	Other expense	4,072	(2,754)	1,318 [8]	0	1,318
15.	Testing	22,656	(15,673)	6,983 [3]	0	6,983
16.	Interest expense	24,032	(24,032)	0 [9]	0	0
17.	Rate case expense	0	2,155	2,155 [10]	0	2,155
18.	Total operating expenses	<u>162,942</u>	<u>(51,873)</u>	<u>111,069</u>	<u>0</u>	<u>111,069</u>
Depreciation and Taxes:						
19.	Depreciation expense	55,483	2,430	57,913 [11]	0	57,913
20.	Property tax	2,755	0	2,755	0	2,755
21.	Payroll taxes	0	2,273	2,273 [12]	0	2,273
22.	Other taxes	320	(206)	114 [13]	0	114
23.	Regulatory fee	0	270	270 [14]	70	340 [14]
24.	Gross receipts tax	114	(114)	0 [15]	0	0
25.	State income tax	0	0	0 [16]	1,452	1,452 [20]
26.	Federal income tax	0	0	0 [17]	9,859	9,859 [21]
27.	Total depreciation and taxes	<u>58,672</u>	<u>4,653</u>	<u>63,325</u>	<u>11,381</u>	<u>74,706</u>
28.	Total operating revenue deductions	<u>221,614</u>	<u>(47,220)</u>	<u>174,394</u>	<u>11,381</u>	<u>185,775</u>
29.	Net operating income for return	<u>(\$29,400)</u>	<u>\$47,962</u>	<u>\$18,562</u>	<u>\$38,193</u>	<u>\$56,755</u>

GGCC UTILITY, INC.

Docket No. W-755, Sub 10

FOOTNOTES TO SCHEDULE 3(a)

For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3(a)
Page 2 of 2**Water 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 Furr.
- [4] Allison Exhibit I, Schedule 3-1, Column (b), Line 1.
- [5] Allison Exhibit I, Schedule 3-2, Column (b), Line 4.
- [6] Allison Exhibit I, Schedule 3-1, Column (b), Line 7.
- [7] Allison Exhibit I, Schedule 3-3, Column (b), Line 4.
- [8] Allison Exhibit I, Schedule 3-4, Column (b), Line 5.
- [9] Adjustment to remove interest expense.
- [10] Allison Exhibit I, Schedule 3-5, Column (b), Line 6.
- [11] Allison Exhibit I, Schedule 2-2, Column (a), Line 12.
- [12] Allison Exhibit I, Schedule 3-1, Column (b), Line 4.
- [13] Allison Exhibit I, Schedule 3-6, Column (b), Line 5.
- [14] Line 4 multiplied by .14%.
- [15] Adjustment to reclassify the franchise taxes
- [16] Allison Exhibit I, Schedule 3-7(a), Column (a), Line 13.
- [17] Allison Exhibit I, Schedule 3-7(a), Column (a), Line 15.
- [18] Column (e) minus Column (c), unless otherwise footnoted.
- [19] Column (c) plus Column (d), unless otherwise footnoted.
- [20] Allison Exhibit I, Schedule 3-7(a), Column (b), Line 13.
- [21] Allison Exhibit I, Schedule 3-7(a), Column (b), Line 15.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3(b)
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 [18] (d)	Operations After Rate Increase [19] (e)	Net Public Staff Increase [22] (f)	Operations After Rate Increase [23] (g)
Operating Revenues:								
1.	Service revenues	\$119,843	(\$324)	\$119,519 [3]	\$11,241	\$130,760 [3]	\$8,454	\$127,973 [24]
2.	Miscellaneous revenues	80	0	80	0	80	0	80
3.	Uncollectible accounts	0	0	0	0	0	0	0
4.	Total operating revenues	<u>119,923</u>	<u>(324)</u>	<u>119,599</u>	<u>11,241</u>	<u>130,840</u>	<u>8,454</u>	<u>128,053</u>
Operating Expenses:								
5.	Salaries and wages	0	19,931	19,931 [4]	0	19,931	0	19,931
6.	Maintenance and repair	18,176	0	18,176	0	18,176	0	18,176
7.	Purchased power	12,255	109	12,364 [3]	0	12,364	0	12,364
8.	Chemicals	91	0	91	0	91	0	91
9.	Permit fees	870	(10)	860 [3]	0	860	0	860
10.	Administrative and office	31,608	(24,944)	6,664 [5]	0	6,664	0	6,664
11.	Employee benefits	0	2,956	2,956 [6]	0	2,956	0	2,956
12.	Insurance	4,877	(3,143)	1,734 [7]	0	1,734	0	1,734
13.	Contract services	13,425	0	13,425	0	13,425	0	13,425
14.	Other expense	1,491	(496)	995 [8]	0	995	0	995
15.	Testing	0	0	0	0	0	0	0
16.	Interest expense	0	0	0	0	0	0	0
17.	Rate case expense	0	1,625	1,625 [9]	0	1,625	0	1,625
18.	Total operating expenses	<u>82,793</u>	<u>(3,973)</u>	<u>78,820</u>	<u>0</u>	<u>78,820</u>	<u>0</u>	<u>78,820</u>
Depreciation and Taxes:								
19.	Depreciation expense	17,127	5,509	22,636 [10]	0	22,636	0	22,636
20.	Property tax	1,486	(1,486)	0 [11]	0	0	0	0
21.	Payroll taxes	0	1,714	1,714 [12]	0	1,714	0	1,714
22.	Other taxes	206	(120)	86 [13]	0	86	0	86
23.	Regulatory fee	0	167	167 [14]	16	183 [14]	12	179 [14]
24.	Gross receipts tax	86	(86)	0 [15]	0	0	0	0
25.	State income tax	0	303	303 [16]	336	639 [20]	253	556 [25]
26.	Federal income tax	0	2,055	2,055 [17]	2,287	4,342 [21]	1,720	3,775 [26]
27.	Total depreciation and taxes	<u>18,905</u>	<u>8,056</u>	<u>26,961</u>	<u>2,639</u>	<u>29,600</u>	<u>1,985</u>	<u>28,946</u>
28.	Total operating revenue deductions	<u>101,698</u>	<u>4,083</u>	<u>105,781</u>	<u>2,639</u>	<u>108,420</u>	<u>1,985</u>	<u>107,766</u>
29.	Net operating income for return	<u>\$18,225</u>	<u>(\$4,407)</u>	<u>\$13,818</u>	<u>\$8,602</u>	<u>\$22,420</u>	<u>\$6,469</u>	<u>\$20,287</u>

GGCC UTILITY, INC.

Docket No. W-755, Sub 10

FOOTNOTES TO SCHEDULE 3(b)

For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3(b)
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 Furr.
- [4] Allison Exhibit I, Schedule 3-1, Column (c), Line 1.
- [5] Allison Exhibit I, Schedule 3-2, Column (c), Line 4.
- [6] Allison Exhibit I, Schedule 3-1, Column (c), Line 7.
- [7] Allison Exhibit I, Schedule 3-3, Column (c), Line 4.
- [8] Allison Exhibit I, Schedule 3-4, Column (c), Line 5.
- [9] Allison Exhibit I, Schedule 3-5, Column (c), Line 6.
- [10] Allison Exhibit I, Schedule 2-2, Column (b), Line 12.
- [11] Adjustment to remove property taxes.
- [12] Allison Exhibit I, Schedule 3-1, Column (c), Line 4.
- [13] Allison Exhibit I, Schedule 3-6, Column (c), Line 5.
- [14] Line 4 multiplied by .14%.
- [15] Adjustment to reclassify the franchise taxes
- [16] Allison Exhibit I, Schedule 3-7(b), Column (a), Line 13.
- [17] Allison Exhibit I, Schedule 3-7(b), Column (a), Line 15.
- [18] Column (e) minus Column (c), unless otherwise footnoted.
- [19] Column (c) plus Column (d), unless otherwise footnoted.
- [20] Allison Exhibit I, Schedule 3-7(b), Column (b), Line 13.
- [21] Allison Exhibit I, Schedule 3-7(b), Column (b), Line 15.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
**ADJUSTMENT TO SALARIES AND WAGES,
PAYROLL TAXES, AND EMPLOYEE BENEFITS**
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-1

Line No.	Item	Total (a)	Water (b)	Sewer (c)
Salaries and Wages				
1.	Salaries and wages per Public Staff	\$46,351 [1]	\$26,420 [2]	\$19,931 [3]
2.	Salaries and wages per application	0	0	0
3.	Adjustment to salaries and wages (L1 - L2)	<u>\$46,351</u>	<u>\$26,420</u>	<u>\$19,931</u>
Payroll Taxes				
4.	Payroll taxes per Public Staff	\$3,987 [1]	\$2,273 [2]	\$1,714 [3]
5.	Payroll taxes per application	0	0	0
6.	Adjustment to payroll taxes (L4 - L5)	<u>\$3,987</u>	<u>\$2,273</u>	<u>\$1,714</u>
Employee Benefits				
7.	Employee benefits per Public Staff	\$6,875 [1]	\$3,919 [2]	\$2,956 [3]
8.	Employee benefits per application	0	0	0
9.	Adjustment to employee benefits (L7 - L8)	<u>\$6,875</u>	<u>\$3,919</u>	<u>\$2,956</u>

[1] Calculated by the Public Staff based on information provided by the Company.

[2] Column (a) multiplied by water allocation factor of 57%.

[3] Column (a) multiplied by sewer allocation factor of 43%.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
ADJUSTMENT TO ADMINISTRATIVE AND OFFICE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Total</u> (a)	<u>Water</u> (b)	<u>Sewer</u> (c)
1.	Administrative and office per application	73,617		
2.	Adjustment to administrative and office as revised by the company	477		
3.	Adjustment to remove salaries and wages and payroll overhead	<u>(58,596)</u>		
4.	Administrative and office per Public Staff (Sum of L1 thru L3)	<u>\$15,498</u>	8,834 [2]	6,664 [3]
5.	Administrative and office per application		<u>42,009</u>	<u>31,608</u>
6.	Adjustment to administrative and office (L4 - L5)		<u>(\$33,175)</u>	<u>(\$24,944)</u>

[1] Calculated by the Public Staff based on information provided by the Company.
[2] Column (a) multiplied by water allocation factor of 57%.
[3] Column (a) multiplied by sewer allocation factor of 43%.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
ADJUSTMENT TO INSURANCE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-3

Line No.	Item	Total [1] (a)	Water [2] (b)	Sewer [3] (c)
1.	Allocated property & liability premium - direct	\$3,210	\$1,830	\$1,380
2.	Allocated property & liability premium - indirect	322	184	138
3.	Allocated d & o insurance premium	<u>500</u>	<u>285</u>	<u>215</u>
4.	Insurance per Public Staff (Sum of L1 thru L3)	4,032	2,298	1,734
5.	Insurance per application	<u>11,342</u>	<u>6,465</u>	<u>4,877</u>
6.	Adjustment to insurance (L4 - L5)	<u>(\$7,310)</u>	<u>(\$4,167)</u>	<u>(\$3,143)</u>

[1] Calculated by the Public Staff based on information provided by the Company.
[2] Column (a) multiplied by water allocation factor of 57%.
[3] Column (a) multiplied by sewer allocation factor of 43%.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
ADJUSTMENT TO OTHER EXPENSES
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-4

Line No.	Item	Total [1] (a)	Water (b)	Sewer (c)
1.	Other expenses per application	\$5,563		
2.	Adjustment to remove professional fees	(1,922)		
3.	Adjustment to include secretary of state fee	20 [2]		
4.	Adjustment to capitalize sewage pump	<u>(1,348) [2]</u>		
5.	Other expenses per Public Staff (Sum of L1 through L4)	<u>\$2,313</u>	1,318 [3]	995 [4]
6.	Other expenses per application		<u>4,072</u>	<u>1,491</u>
7.	Adjustment to other expenses (L5 - L6)		<u>(\$2,754)</u>	<u>(\$496)</u>

- [1] Per examination of Company's financial records, unless otherwise footnoted.
[2] Provided by Public Staff Engineer Furr.
[3] Column (a) multiplied by water allocation factor of 57%.
[4] Column (a) multiplied by sewer allocation factor of 43%.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
CALCULATION OF RATE CASE EXPENSE
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-5

<u>Line No.</u>	<u>Item</u>	<u>Total</u> (a)	<u>Water</u> [3] (b)	<u>Sewer</u> [4] (c)
1.	Rate case application filing fee	\$250 [1]		
2.	Administrative salaries and wages	8,591 [2]		
3.	Office supplies and overhead	<u>2,500 [2]</u>		
4.	Total rate case expense (Sum of L1 thru L3)	11,341		
5.	Amortization period in years	<u>3</u>		
6.	Rate case expense per Public Staff (L4 / L5)	<u>\$3,780</u>	<u>\$2,155</u>	<u>\$1,625</u>

- [1] Statutory filing fee for Class C water and sewer companies.
[2] Provided by the Company in response to Public Staff data request.
[3] Column (a) multiplied by water allocation factor of 57%.
[4] Column (a) multiplied by sewer allocation factor of 43%.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
ADJUSTMENT TO OTHER TAXES
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-6

<u>Line No.</u>	<u>Item</u>	<u>Total</u> (a)	<u>Water</u> (b)	<u>Sewer</u> (c)
1.	Other taxes per application	\$526		
2.	Adjustment to remove accrued taxes	(84)		
3.	Adjustment to reclassify the regulatory fee	(442)		
4.	Adjustment to include franchise tax	<u>200</u>		
5.	Other taxes per Public Staff (Sum of L1 thru L4)	<u>\$200</u>	114 [2]	86 [3]
6.	Other taxes per application		<u>320</u>	<u>206</u>
7.	Adjustment to other taxes (L5 - L6)		<u>(\$206)</u>	<u>(\$120)</u>

[1] Calculated by the Public Staff based on information provided by the Company.
[2] Column (a) multiplied by water allocation factor of 57%.
[3] Column (a) multiplied by sewer allocation factor of 43%.

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
CALCULATION OF INCOME TAXES
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-7(a)

Line No.	Water Operations Item	Present	Company
		Rates [1] (a)	Proposed Rates [3] (b)
1.	Operating revenue	\$192,956	\$242,530
2.	Operating revenue deductions:		
3.	Operating expenses	111,069	111,069
4.	Depreciation expense	57,913	57,913
5.	Property taxes	2,755	2,755
6.	Payroll taxes	2,273	2,273
7.	Other taxes	114	114
8.	Regulatory fee	270	340
9.	Gross receipts tax	0	0
10.	Interest expense	19,667 [2]	19,667 [2]
11.	Total deductions (Sum of L3 thru L10)	194,061	194,131
12.	State taxable income (L1 - L11)	(1,105)	48,399
13.	State income tax (L12 x 3%)	0	1,452
14.	Federal taxable income (L12 - L13)	(1,105)	46,947
15.	Federal income tax (L14 x 21%)	0	9,859
16.	Net amount (L14 - L15)	(1,105)	37,088
17.	Add: Interest expense	19,667 [2]	19,667 [2]
18.	Net income for return (L16 + L17)	\$18,562	\$56,755

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

[2] Interest expense as calculated by the Public Staff.

[3] Allison Exhibit I, Schedule 3(a), Column (e).

GGCC UTILITY, INC.
Docket No. W-755, Sub 10
CALCULATION OF INCOME TAXES
For the Test Year Ended February 28, 2018

Public Staff
Allison Exhibit I
Schedule 3-7(b)

Line No.	Sewer Operations <u>Item</u>	Present	Company	Public Staff
		Rates [1] (a)	Proposed Rates [3] (b)	Recommended Rates [4] (c)
1.	Operating revenue	\$119,599	\$130,840	\$128,053
2.	Operating revenue deductions:			
3.	Operating expenses	78,820	78,820	78,820
4.	Depreciation expense	22,636	22,636	22,636
5.	Property taxes	0	0	0
6.	Payroll taxes	1,714	1,714	1,714
7.	Other taxes	86	86	86
8.	Regulatory fee	167	183	179
9.	Gross receipts tax	0	0	0
10.	Interest expense	6,086 [2]	6,086 [2]	6,086 [2]
11.	Total deductions (Sum of L3 thru L9)	109,509	109,525	109,521
12.	State taxable income (L1 - L10)	10,090	21,315	18,532
13.	State income tax (L11 x 3%)	303	639	556
14.	Federal taxable income (L11 - L12)	9,787	20,676	17,976
15.	Federal income tax (L13 x 21%)	2,055	4,342	3,775
16.	Net amount (L13 - L14)	7,732	16,334	14,201
17.	Add: Interest expense	6,086 [2]	6,086 [2]	6,086 [2]
18.	Net income for return (L15 + L16)	<u>\$13,818</u>	<u>\$22,420</u>	<u>\$20,287</u>

[1] Allison Exhibit I, Schedule 3(b), Column (c).
[2] Interest expense as calculated by the Public Staff.
[3] Allison Exhibit I, Schedule 3(b), Column (e).
[4] Allison Exhibit I, Schedule 3(b), Column (g).

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-755, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by GGCC Utility Co., Inc., Post)
Office Box 368, Linville, North Carolina 28646,)
for Authority to Increase Rates for Water and) AFFIDAVIT OF
Sewer Utility Service in the Grandfather Golf &) DAVID C. FURR
Country Club Development in Avery County,)
North Carolina)

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, David Furr, being duly sworn, do depose and say:

I am the Director of the Public Staff's Water, Sewer and Telephone Division. I graduated from North Carolina State University receiving a Bachelor of Science degree in Mechanical Engineering. I hold registration as an Engineer-in-Training (EIT – State of North Carolina # A-7217). I've received certification as a Grade 1 Wastewater Treatment Plant Operator (# 17423) and Subsurface System Operator (# 19554) by the North Carolina Water Pollution Control System Operators Certification Commission. I have completed the North Carolina Waterworks Operators School for C-well Operators. I worked with the Public Staff from June 1994 to June 2001 and returned in June 2005. I became Director of the Public Staff Water/Sewer Division in January 2013. I have presented recommendations in rate increase proceedings, new franchise and transfer

applications and other matters relating to water and sewer utility regulation before the Commission.

The purpose of this affidavit is to describe my investigation and make recommendations concerning the application filed by GGCC Utility, Inc. (GGCC or Applicant) with the Commission on June 21, 2018, seeking authority to increase rates for water and sewer operations in the Grandfather Golf and Country Club development in Avery County, North Carolina. On July 2, 2018, a clarification to the proposed rates was filed with the Commission. The Applicant provides water utility service to 267 residential customers and one commercial customer (the Club) using two separate water systems (GGCC system and Mountain Springs system). The Applicant provides sewer service to 191 residential customers and the Club. The Club facilities receiving nonresidential water service are GGCC's administrative building, beach pavilion, clubhouse, general maintenance building, indoor/outdoor tennis and golf course maintenance building, and security hut. The Club facilities receiving nonresidential sewer service are GGCC's administrative building, beach pavilion, clubhouse, general maintenance building, and security hut.

The water utility's two systems, Mountain Springs and GGCC, consist of a total of eight active wells with five entry points with well houses, chlorine feed equipment, polyphosphate feed equipment, three 30,000 gallon gravity feed ground storage tanks, a 5,000 gallon hydro tank, and distribution mains. The wastewater is collected and treated in a 70,000 gallon per day wastewater treatment plant.

On July 9, 2018, the Commission issued an Order establishing a general rate case, suspending rates, scheduling a customer hearing, and requiring customer notice. The public hearing was scheduled subject to cancellation if no significant protests were received from customers prior to September 28, 2018. The Certificate of Service was filed with the Commission on August 3, 2018. As of the date of this affidavit, there have been no customer protests.

My investigation included a field inspection of the water and sewer systems, review of North Carolina Department of Environmental Quality (NCDEQ) records, and gathering of information from other sources. I conducted an analysis of revenues at existing and proposed rates, assisted Public Staff Accountant Rodney Tyler Allison in reviewing capital improvements and operating expenses, and designed rates to generate the service revenue requirements determined by the Public Staff.

On October 10, 2018, I inspected the Applicant's systems with Mr. Mark Moore, GGCC General Maintenance Staff. GGCC has made numerous improvements to both the water and sewer systems in the last two years. Based on my inspection, review of GGCC and NCDEQ records, and that no issues have been reported by GGCC customers, I believe the Applicant is providing adequate service to its water and sewer customers.

The present rates were set by Commission Order in the most recent general rate case dated October 12, 2016, in Docket No. W-755, Sub 9. The Applicant's present and proposed water and sewer utility service rates filed in the application are as follows:

<u>Water Utility Service:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Quarterly Flat Rates:</u>		
Residential	\$161.58	\$189.39
Nonresidential	\$161.58/REU ^{1/}	\$319.08 /REU ^{1/}

<u>Sewer Utility Service:</u>		
<u>Quarterly Flat Rates:</u>		
Residential	\$134.30	\$143.09
Nonresidential	\$134.30/REU ^{1/}	\$170.23/REU ^{1/}

^{1/} Residential Equivalent Unit (REU)

Plant in Service

I recommend a positive adjustment to water plant in service in the total amount of \$4,448, which is reclassified from water maintenance and repair expense. Further detail can be found in Allison Exhibit I, Schedule 2-1(a). In addition, I recommend a positive adjustment to sewer plant in service in the amount of \$1,348, which is reclassified from sewer - other expenses. Further detail can be found in Allison Exhibit I, Schedule 2-1(b) and Schedule 3-4.

Depreciation Lives

I recommend estimated depreciation lives for the plant additions used in both water and sewer operations as detailed in Allison Exhibit I, Schedule 2-1(a) and (b) .

Operating Expenses

With regard to water operating expenses, I recommend the following adjustments:

Maintenance and Repair Expense

Based upon review of the invoices provided by GGCC, a portion of the maintenance and repair expenses extended the life of the system and should be capitalized. I recommend that chemical pumps, \$1,249, and a chemical feed system, \$3,199, be capitalized. I recommend an annual maintenance and repair expense of \$37,619, which is the remaining balance.

Electric Power

On the application, GGCC indicated an electric power expense of \$7,959. Based upon review of the invoices, two invoices totaling \$109 were sewer related, and have been moved to sewer expenses. I recommend an annual electric power expense of \$7,850.

Permit Fees

On the application, GGCC indicated a permit fees expense of \$690. Based upon review of the invoices, I recommend reclassifying \$10 for the Secretary of State annual report filing fee to miscellaneous expense and an annual permit fees expense of \$680.

Testing Fees

On the application, GGCC indicated testing fees expense of \$22,656. Different water quality tests have different testing frequency requirements, some being conducted only once every three or six years. This results in the test year expense not being representative of the average annual expense. Using information provided by GGCC and NCDEQ's Sampling Status Reports for both water systems, and based on current testing quantities, frequencies, and costs, I

have calculated average annual water quality testing expenses of \$6,983. This is a reduction of \$15,673.

With regard to sewer operating expenses, I recommend the following adjustments:

Electric Power

On the application, GGCC indicated an electric power expense of \$12,255. Based upon review of the invoices, two invoices totaling \$109 have been moved from the water expense to sewer expenses. I recommend an annual electric power expense of \$12,364.

Permit Fees

On the application, GGCC indicated a permit fees expense of \$870. Based upon review of the invoices, I recommend reclassifying \$10 for the Secretary of State annual report filing fee to miscellaneous expense and an annual permit fees expense of \$860.

Revenues and Rates

I have calculated annual water service revenues of \$192,956 under present rates and \$242,530 under the Applicant's proposed rates. I have calculated annual sewer service revenues of \$119,519 under present rates and \$130,760 under the Applicant's proposed rates. Public Staff Accountant Allison has completed his analysis of revenues and expenses and has determined that the Applicant's proposed water rates are justified, and recommends a service revenue requirement of \$127,973 for sewer utility service.

GGCC is an affiliate of the Club. GGCC has requested through its proposed rates that the Club take on more of the increased cost of water and sewer utility service, since a larger portion of the capital improvements to the systems benefited the Club. The Public Staff's recommended rates are as follows:

<u>Water Utility Service:</u>	<u>Recommended Rates</u>
<u>Quarterly Flat Rates:</u>	
Residential	\$ 189.39
Nonresidential	\$ 319.08 /REU ^{1/}

The Club facilities, equivalent to a total of 31.545 REUs, receiving nonresidential water service are GGCC's administrative building, beach pavilion, clubhouse, fitness center, general maintenance building, indoor/outdoor tennis and golf course maintenance building, and security hut.

Sewer Utility Service:

<u>Quarterly Flat Rates:</u>	
Residential	\$ 139.45
Nonresidential	\$ 170.23 / REU ^{1/}

The Club facilities, equivalent to a total of 31.486 REUs, receiving nonresidential sewer service are GGCC's administrative building, beach pavilion, clubhouse, fitness center, general maintenance building, and security hut.

^{1/} Residential Equivalent Unit (REU)

GGCC has requested to increase its Return Check Fee from \$5.00 to \$12.00. The Public Staff finds the request to be reasonable, and recommends approval.

The Applicant has agreed with the Public Staff's recommendations.

This completes my affidavit.

David C Furr
David C. Furr

Sworn to and Subscribed before me,

This is the 25 day of October, 2018.

NR Patel (NEHA R PATEL)
Notary Public

My Commission expires 11/13/2018



STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-755, SUB 10

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by GGCC Utility Co., Inc.,)
Post Office Box 368, Linville North ,)
Carolina 28646, for Authority to Increase)
Rates for Water and Sewer Utility)
Service in the Grandfather Golf &)
Country Club Development in Avery)
County, North Carolina)

AFFIDAVIT
OF
JOHN R. HINTON

State of North Carolina

County of Wake

I, John R. Hinton, being first duly sworn do depose and say:

I am a Public Utilities Financial Analyst and the Director of the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a Bachelor of Science degree in Economics from the University of North Carolina at Wilmington in 1980, a Master of Economics from North Carolina State University in 1983. Since joining the Public Staff in May 1985, I have been involved with various electrical utility issues related to costs and planning, natural gas expansion projects, and I have testified on the rate of return in numerous general rate case proceedings for electric, natural gas, and water utilities, including affidavits assessing financial viability and the fair rate of return with small water and sewer utility rate cases.

The purpose of this affidavit is to recommend to the Commission a fair rate of return to be employed as a basis for determining the appropriate revenue requirement for GGCC Utility Co., Inc. (GGCC) to provide water and sewer utility service in Avery County, North Carolina.

For the water utility and sewer, I recommend that GGCC be granted a 7.50% overall return on rate base. After investigation, the Public Staff has determined its utility rate base is greater than the reasonable level of operating expenses for both water and sewer utility service. As allowed under G. S. 62-133, I have used the rate base method to evaluate GGCC's proposed rate increase for utility service.

As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the U.S. Treasury bond rate by investor expectations of the future levels of inflation. In my opinion, the overall return on rate base provides an adequate level of income after interest expense and for an appropriate return on equity.


For these reasons, I recommend to the Commission that GGCC be granted a 7.50% return on rate base. This concludes my affidavit.



John R. Hinton

Sworn to and subscribed before me
this the 25 day of October, 2018.

Joanne M. Berube
NOTARY PUBLIC
WAKE COUNTY, N.C.
My Commission Expires 12-17-2022.



Notary Public
JOANNE M. BERUBE

My Commission expires: 12/17/22