

INFORMATION SHEET

PRESIDING: Hearing Examiner Hilburn and Li
PLACE: Dobbs Building, Raleigh, NC
DATE: Monday, November 13, 2023
TIME: 3:09 p.m. to 3:33 p.m.
DOCKET NO.: W-1141 Sub 8
COMPANY: 904 Georgetown Treatment Plant, LLC
DESCRIPTION: In the Matter of Application of 904 Georgetown Treatment Plant, LLC,
Authority to Adjust and Increase Rates for Wastewater Utility Service in
Sandpiper Bay Golf and Country, North Carolina

VOLUME NUMBER:

APPEARANCES

See attached

WITNESSES

See attached

EXHIBITS

None attached

REPORTED BY: Kaylene Clayton
TRANSCRIBED BY: Kaylene Clayton
DATE FILED: December 7, 2023

TRANSCRIPT PAGES: 38
PREFILED PAGES: 74
TOTAL PAGES: 112

1 PLACE: Dobbs Building, Raleigh, North Carolina

2 DATE: Monday, November 13, 2023

3 TIME: 3:09 p.m. - 3:33 p.m.

4 DOCKET: W-1141, Sub 8

5 BEFORE: Hearing Examiner Freda Hilburn

6 Hearing Examiner Jenny Li

7

8 IN THE MATTER OF:

9 Application by 904 Georgetown Treatment Plant, LLC,
10 for Authority to Adjust and Increase Rates for
11 Wastewater Utility Service in Sandpiper Bay Golf and
12 Country in Brunswick, North Carolina

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1 A P P E A R A N C E S:
2 FOR 904 GEORGETOWN TREATMENT PLANT, LLC:
3 Brady Allen, Esq.
4 Dwight Allen, Esq.
5 Allen Law Offices, PLLC
6 Raleigh, North Carolina 27609

7
8 FOR THE USING AND CONSUMING PUBLIC
9 William Creech, Esq.
10 North Carolina Utilities Commission
11 4326 Mail Service Center
12 Raleigh, North Carolina 27699-4326

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OF IRIS MORGAN

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OF EVAN HOUSER

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E X H I B I T S:

IDENTIFIED/ADMITTED

Application, Balance Sheet and13
Income Statement, and Effluent
Agreement of 904 Georgetown
Treatment Plant, LLC

Perry Exhibit 128

Morgan Exhibit 137

Houser Exhibit 150

Perry Rebuttal Exhibit 177

Joint Settlement Agreement and94
Stipulation

**NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP**

DATE: 11/13/2023 DOCKET NO.: W-1141 sub 8

ATTORNEY NAME and TITLE: Brady Allen
Dwight Allen

FIRM NAME: the Allen Law Offices, PLLC

ADDRESS: 4030 Wake Forest Rd. Suite 115

CITY: Raleigh STATE: NC ZIP CODE: 27609

APPEARANCE ON BEHALF OF: 904 Georgetown Treatment Plant,
LLC

APPLICANT: COMPLAINANT: ___ INTERVENOR: ___

PROTESTANT: ___ RESPONDENT: ___ DEFENDANT: ___

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ONLY fill out this portion if you have signed an NDA to receive **CONFIDENTIAL** transcripts and/or exhibits:

Yes, I have signed the Confidentiality Agreement.

Email: _____

SIGNATURE: _____

(Signature Required for distribution of **CONFIDENTIAL** information)

NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE: November 13, 2023

DOCKET #: W-1141, Sub 8

PUBLIC STAFF ATTORNEYS: William E.H. Creech, James Bernier, Davia Newell

TO REQUEST A **CONFIDENTIAL** TRANSCRIPT, PLEASE PROVIDE YOUR EMAIL ADDRESS BELOW:

ACCOUNTING _____
CONSUMER SERVICES _____
COMMUNICATIONS _____
ENERGY _____
ECONOMICS _____
LEGAL: zeke.creech@psncuc.nc.gov;
james.bernier@psncuc.nc.gov; davia.newell@psncuc.nc.gov
TRANSPORTATION _____
WATER _____

Non-confidential transcripts are located on the Commission's website. To view and/or print, please access <https://ncuc.net>.

COUNSEL/MEMBER(S) REQUESTING A **CONFIDENTIAL** TRANSCRIPT WHO HAS SIGNED A CONFIDENTIALITY AGREEMENT WILL NEED TO SIGN BELOW.

/s/ William E. H. Creech

/s/ James Bernier

/s/ Davia Newell

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
APPLICATION FOR RATE INCREASE

INSTRUCTIONS

Notes or explanations placed in the margins of the application are acceptable. If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable" or cross out the section.

APPLICANT

1. Trade name used for utility business 904 Georgetown Treatment Plant
2. Name of owner (if different from trade name) _____
3. Business mailing address 800 N. Sandpiper Club Drive
City and state Sunset Beach, NC Zip Code 28468
4. Business street address (if different from mailing address) _____
5. Business telephone number 910-579-9120
6. List the counties in which you provide water utility service Not Applicable
7. List the counties in which you provide sewer utility service Brunswick County

PROPOSED AND PRESENT RATES

	<u>Proposed Rates</u>	<u>Present Rates</u>
8. Metered Residential Service:		
Water:	<u>Not Applicable</u>	<u>Not Applicable</u>
Sewer:	<u>Not Applicable</u>	<u>Not Applicable</u>
9. Flat Rate Residential Service:		
Water:	<u>Not Applicable</u>	<u>Not Applicable</u>
Sewer:	<u>\$37.97 per month</u>	<u>\$25.04 per month</u>
10. Nonresidential Service (explain):		
Water:	<u>Not Applicable</u>	<u>Not Applicable</u>
Sewer:	<u>Not Applicable</u>	<u>Not Applicable</u>
11. Tap-on fees:		
Water:	<u>Not Applicable</u>	<u>Not Applicable</u>
Sewer:	<u>Not Applicable</u>	<u>Not Applicable</u>

OTHER PROPOSED RATES

12. Finance charge for late payment: 1 %
(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
13. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: _____
14. Reconnection charge if water service discontinued at customer's request: _____
15. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: Not Applicable
16. Other charges: _____
17. What date are the proposed rates to become effective? August 6, 2023
18. How long have the present rates been in effect? 2015

PROPOSED BILLING

19. Frequency of billing shall be (monthly, quarterly, etc.) Quarterly
20. Billing shall be for service (in advance or arrears) Arrears
21. Bills past due 30 days after the billing dates:
(NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).
22. Will regular billing be by written statement? (yes or no) Yes

REVENUES AND EXPENSES

For 12 Months Ended October 31, 2022

<u>Revenues</u>	<u>Water</u>	<u>Sewer [1]</u>
1. Residential service (flat rate)	\$ <u>Not Applicable</u>	\$ <u>238,882</u>
2. Residential service (metered rate)	\$ _____	\$ _____
3. Nonresidential service (flat rate)	\$ _____	\$ _____
4. Nonresidential service (metered rate)	\$ _____	\$ _____
5. Other revenues (describe in remarks below)	\$ _____	\$ <u>137</u>
6. Total Revenues (Lines 1 thru 5)	\$ _____	\$ <u>239,019</u>
7. Total salaries	\$ _____	\$ <u>41,390</u>
8. Administrative and office expense (except salaries)	\$ _____	\$ <u>20,684</u>
9. Maintenance and repair expense (except salaries)	\$ _____	\$ <u>70,218</u>
10. Transportation expenses-Landscape, Mowing, & Effluent	\$ _____	\$ <u>41,989</u>
11. Electric power for pumping Utilities	\$ _____	\$ <u>6,313</u>
12. Chemicals for treatment	\$ _____	\$ <u>1,772</u>
13. Testing fees	\$ _____	\$ <u>4,720</u>
14. Permit fees	\$ _____	\$ <u>1,310</u>
15. Purchased water/sewer treatment-Sludge Removal	\$ _____	\$ <u>49,700</u>
16. Annual depreciation	\$ _____	\$ <u>67,639</u>
17. Taxes: State income taxes	\$ _____	\$ _____
18. Federal income taxes	\$ _____	\$ _____
19. Gross receipts (or franchise tax)	\$ _____	\$ _____
20. Property taxes	\$ _____	\$ <u>437</u>
21. Payroll taxes	\$ _____	\$ <u>3,375</u>
22. Other taxes-Regulatory Fee	\$ _____	\$ <u>311</u>
23. Other expenses (describe in remarks below)	\$ _____	\$ <u>23,811 *</u>
24. Total Expenses (Lines 7 thru 23)	\$ _____	\$ <u>343,668</u>
25. Net Operating Income (Line 6 minus Line 24)	\$ _____	\$ <u>(104,649)</u>
26. Interest on debt during year	\$ _____	\$ _____
27. Net Income (Line 25 minus Line 26)	\$ _____	\$ <u>(104,649)</u>

Remarks

28. * Other Expenses = Professional Expenses \$9,794; Insurance Expenses \$13,827; Bad Debt Expense 1,738, 29. and Miscellaneous Expense \$261.
30. * Regulatory Expense \$8,191 is also reflected in Other Expenses.
30. [1] See Exhibit I – Sch 3 NOI tab for more details
31. _____
32. _____

NUMBER OF CUSTOMERS SERVED

(at end of month)

	<u>Month</u>	<u>Water</u>			<u>Sewer</u>		
		<u>Flat Rate Custom</u>	<u>Metered Customers</u>	<u>Gallons Sold to Metered Custs</u>	<u>Flat Rate Customers</u>	<u>Metered Customers</u>	<u>Gallons Sold to Metered Custs.</u>
33.	January	Not Applicable	Not Applicable	Not Applicable	795	Not Applicable	Not Applicable
34.	February	_____	_____	_____	795	_____	_____
35.	March	_____	_____	_____	795	_____	_____
36.	April	_____	_____	_____	795	_____	_____
37.	May	_____	_____	_____	795	_____	_____
38.	June	_____	_____	_____	795	_____	_____
39.	July	_____	_____	_____	795	_____	_____
40.	August	_____	_____	_____	795	_____	_____
41.	September	_____	_____	_____	795	_____	_____
42.	October	_____	_____	_____	795	_____	_____
43.	November	_____	_____	_____	795	_____	_____
44.	December	_____	_____	_____	795	_____	_____

ORIGINAL COST OF UTILITY SYSTEM
As of Year Ended October 31, 2022

Note: List the total original cost to construct and establish the system, whether or not paid for by the Present Owner.

	<u>Balance at End of Year</u>	
	<u>Water</u>	<u>Sewer</u>
<u>Utility Property in Service</u>		
1. Land and rights-of-way	\$ <u>Not Applicable</u>	\$ <u>* see Exhibit I -</u>
2. Structures and site improvement	\$ _____	\$ <u>PIS AD DEPR EXP</u>
3. Wells	\$ _____	\$ _____
4. Pumping equipment	\$ _____	\$ _____
5. Treatment equipment	\$ _____	\$ _____
6. Storage tanks	\$ _____	\$ _____
7. Mains (excluding service connections)	\$ _____	\$ _____
8. Service connections	\$ _____	\$ _____
9. Meters (including spare meters)	\$ _____	\$ _____
10. Office furniture and equipment	\$ _____	\$ _____
11. Transportation equipment	\$ _____	\$ _____
12. Other utility property in service (describe in remarks below)	\$ _____	\$ _____
13. Total utility property in service (Lines 1 thru 12)	\$ _____	\$ <u>1,078,260</u>
14. Less: accumulated depreciation	\$ _____	\$ <u>(894,998)</u>
15. Less: accumulated tap fees and other contributions in aid of construction	\$ _____	\$ _____
16. Less: customer advances	\$ _____	\$ _____
17. Net investment in utility property (Line 13 minus 14, 15, & 16)	\$ _____	\$ <u>183,262</u>

	<u>Balance at End of Year</u>	
	<u>Water</u>	<u>Sewer</u>
<u>Utility Property Not in Service</u>		
18. Construction work in progress	\$ <u>Not Applicable</u>	\$ <u>Not Applicable</u>
19. Property held for future use	\$ <u>Not Applicable</u>	\$ <u>Not Applicable</u>
20. Other (describe in remarks below)	\$ <u>Not Applicable</u>	\$ <u>** See note.</u>

Remarks

- 21. * See Depreciation Schedule in Rate Case Exhibit I – PIS AD DEPR EXP tab
- 22. ** Cash Working Capital & Average Tax Accruals of \$33,988 and (\$894), respectively.
- 23. _____
- 24. _____

ANNUAL DEPRECIATION

- 25. If annual depreciation is claimed using a composite rate for the entire system, show composite rate used:
Water: Not Applicable
Sewer: Not Applicable
- 26. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: See in Exhibit I - PIS AD DEPR EXP tab

<u>Type of Equipment</u>	<u>Annual Depreciation Rate</u>	<u>Method Used (Straight Line, etc.)</u>	<u>Amount of Annual Depreciation</u>
<u>Exhibit I - PIS AD DEPR EXP tab</u>	_____	_____	<u>Straight Line</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

CONTRIBUTIONS IN AID OF CONSTRUCTION (Including Tap Fees)

1. Has the utility collected any gross-up on contributions in aid of construction (CIAC), such as contributed plant and tap fees, since the test year of its last rate case? (yes or no) No

EMPLOYEE SALARIES (Including Owner)

Table with 4 columns: Name, Duties, Salaries Paid During Year, Hours Worked During Year. Rows include Tim Tilma (Manager), Tonda Hockenberry / ED Otmar (Bookkeeping), and Sunny Wright (Contract Operator).

FINANCIAL INFORMATION

Table with 3 columns: Source of Loans (For Utility Purposes), Interest Rates, Amount Unpaid End of Year. Row 5: Not Applicable, Not Applicable, \$ Not Applicable.

OTHER FINANCIAL INFORMATION

- 8. Stocks issued \$ Not Applicable
9. Accumulated (or retained) earnings or losses \$ Not Applicable
10. Cash on hand \$ 14,724.37
11. Accounts receivable \$ 13,662.56
12. Accounts payable \$ 319,562.20
13. Customer deposits on hand \$ Not Applicable
14. Materials and supplies \$ Not Applicable
15. Other investments \$ Not Applicable

FILING INSTRUCTIONS

- 16. Seven (7) copies of the application and exhibits shall be filed with the North Carolina Utilities Commission...
17. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$500 filing fee...

SIGNATURE

18. Application shall be signed and verified by the Applicant. [Handwritten Signature] 7/16/23

19. (Typed or Printed Name) Timothy P. Tilma personally appearing before me and being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 6th day of July, 2023. [Handwritten Signature] Notary Public



127 Carseway Dr. SW, Ocean Isle Beach, NC 28469 Address

My Commission Expires: August 23, 2023 Date

Docket No. W-1141, Sub 8

**904 GEORGETOWN TREATMENT PLANT, LLC
SUNSET BEACH, NORTH CAROLINA**

FINANCIAL STATEMENTS

October 31, 2022

and

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT



SMITH
SAPP

Certified Public Accountants & Consultants

MYRTLE BEACH

4728 Jenn Drive
Suite 100
Myrtle Beach, SC 29577

Phone (843) 448-8334
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PAWLEYS ISLAND

245 Business Center Drive
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Pawleys Island, SC 29585

Phone (843) 237-3453
Fax (843) 237-4809
www.sccpa.com

To the Members
904 Georgetown Treatment Plant, LLC
Sunset Beach, North Carolina

Management is responsible for the accompanying financial statements of 904 Georgetown Treatment Plant, LLC which comprise the statements of assets, liabilities, and members' equity - income tax basis as of October 31, 2022, and the related statement of revenues and expenses - income tax basis for the month and twelve months then ended in accordance with the income tax basis of accounting, and for determining that the income tax basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the income tax basis of accounting, which is the basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

SMITH SAPP PROFESSIONAL ASSOCIATION
Certified Public Accountants & Consultants

Pawleys Island, South Carolina
November 22, 2022

904 Georgetown Treatment Plant, LLC
Statement of Assets, Liabilities and Members' Equity - Income Tax Basis
October 31, 2022

OFFICIAL COPY

Dec 07 2023

		<u>October 31, 2022</u>
ASSETS		
Current Assets		
Checking/Savings		
1080	SPT-GENERAL CHECK # 74338	\$ 13,786.32
1085	SPT BUS.CASH MGMNT # 61716	938.05
	Total Checking/Savings	<u>14,724.37</u>
 Accounts Receivable		
1200	ACCOUNTS RECEIVABLE-HOMEOWNERS	13,662.56
	Total Accounts Receivable	<u>13,662.56</u>
 Other Current Assets		
1175	BB&T CO.-CUST FOR NCUC FBO 904	60,000.00
1499	CHECKS TO DEPOSIT	0.00
	Total Other Current Assets	<u>60,000.00</u>
	Total Current Assets	88,386.93
 Fixed Assets		
1720	TREATMENT PLANT	833,925.00
1760	EQUIPMENT	189,774.51
1810	COMPUTER EQUIP/SOFTWARE	1,070.06
1790	ACCUMULATED DEPRECIATION	(912,245.56)
	Total Fixed Assets	<u>112,524.01</u>
	TOTAL ASSETS	<u>\$ 200,910.94</u>

See Independent Accountants' Compilation Report.

904 Georgetown Treatment Plant, LLC
Statement of Assets, Liabilities and Members' Equity - Income Tax Basis
October 31, 2022

OFFICIAL COPY

Dec-07 2023

		<u>October 31, 2022</u>
LIABILITIES & MEMBERS' EQUITY		
Liabilities		
Current Liabilities		
	Accounts Payable	
2010	ACCOUNTS PAYABLE	\$ <u>319,562.20</u>
	Total Accounts Payable	<u>319,562.20</u>
Other Current Liabilities		
2951	DUE TO BLAIR TANNER	20,000.00
2960	INTERCOMPANY-NORTH STAR CAROLINA	<u>38,000.00</u>
	Total Other Current Liabilities	<u>58,000.00</u>
	Total Liabilities	377,562.20
Members' Equity		
3030	MEMBER CAPITAL - BEAZER HOMES INV., LLC	(10,705.13)
3020	MEMBER CAPITAL - NORTH STAR	(21,410.27)
3040	MEMBER CAPITAL - SPB LAND	(10,705.13)
	Net Income (Loss)	<u>(133,830.73)</u>
	Total Members' Equity	<u>(176,651.26)</u>
	TOTAL LIABILITIES & MEMBERS' EQUITY	<u>\$ <u>200,910.94</u></u>

See Independent Accountants' Compilation Report.

904 Georgetown Treatment Plant, LLC
Statement of Revenues and Expenses - Income Tax Basis
For the Month and Period Ending October 31, 2022

OFFICIAL COPY

Dec-07 2023

	October '22	Nov '21 - Oct '22
Ordinary Income/Expense		
Income		
4000 REVENUE- HOMEOWNERS	\$ 41,916.96	\$ 239,257.20
4500 INTEREST INCOME	0.01	0.14
9600 LATE FEES INCURRED	34.00	137.00
Total Income	41,950.97	239,394.34
Expense		
6052 EQUIP. MAINT. & REPAIRS	3,619.05	23,242.44
6055-PH PUMPHOUSE SHARED UPKEEP/REPAIRS	400.00	4,800.00
6100 BAD DEBT/WRITE-OFFS	3.00	1,738.72
6220 RENTAL OFFICE SPACE	1,000.00	12,000.00
6230 RENT EQUIP/MACHINES-OFFICE	220.00	2,640.00
6240 OFFICE PHONE	130.00	1,560.00
6245 PHONE EXPENSE CELL	28.00	336.00
6250 PHONE SUB STATIONS	212.79	2,520.87
6280 OFFICE ELECTRIC	156.00	1,872.00
6310 ELECTRIC	1,569.87	18,499.65
6310-PH PUMPHOUSE ELECTRIC OFFSET	636.60	7,216.99
6325 EFFLUENT WATER APPLICATIONS	1,653.08	19,836.96
6326 LAND LEASE WASTEWATER APPLICATION	375.00	4,500.00
6327 USE OF IRRIGATION SYSTEM	825.00	9,900.00
6330 SLUDGE REMOVAL	34,800.00	65,100.00
6335 UNEXPECTED EXP/ACCIDENTAL SPILLAGE	0.00	625.00
6340 GROUNDS & LANDSCAPING	175.00	2,100.00
6345 MOWING COSTS	806.00	9,672.00
6350 CHEMICALS & SUPPLIES	260.00	1,772.00
6560 PAYROLL EXPENSES	22.00	264.00
6565 PAYROLL TAXES	286.00	3,192.00
8110 BANK CHARGES	4.00	60.00
8190 INSURANCE GENERAL	1,534.70	13,827.36
8215 LICENSES & PERMITS	0.00	1,310.00
8245 OFFICE SUPPLIES & EXPENSE	200.00	2,400.00
8250 PRINTING/OTHER	300.00	906.00
8255 POSTAGE/UPS/FED EXPRESS, ETC.	249.09	1,033.58
8260 PROF. FEES-ARCHITECTS/ENGINEERS	0.00	2,810.00
8265 PROF. FEES-ACCOUNTING	2,700.00	8,200.00
8270 PROF. FEES-LEGAL	0.00	189.00
8280 PROF. FEES - CHEMIST	205.00	4,720.00
8520 BRUNSWICK COUNTY TAX	0.00	285.67
8530 SUNSET BEACH PROPERTY TAX	0.00	151.34
8780 TRMT.PLANT OPERATIONS	2,870.00	34,440.00
9010 DEPRECIATION EXPENSE	6,243.44	70,108.41
9555 CONTRACT WAGE, EXECUTIVE MGR.	1,250.00	15,000.00
9581 BOOKKEEPING/ACCOUNTING	2,000.00	24,000.00
9930 STATE UTILITY FEE	82.51	395.08
Total Expense	64,796.13	373,225.07
Net Ordinary Income	(22,845.16)	(133,830.73)
Net Income (Loss)	\$ (22,845.16)	\$ (133,830.73)

See Independent Accountants' Compilation Report

Docket No. W-1141, Sub 8

NORTH CAROLINA

BRUNSWICK COUNTY

EFFLUENT EASEMENT AND IRRIGATION AGREEMENT

This EFFLUENT EASEMENT AGREEMENT is made and entered into as of ____ day of _____, 2023, by Northstar Carolina Corp, d/b/a Sandpiper Bay Golf and Country Club ("Sandpiper"), and 904 Georgetown Treatment Plant, LLC ("904"),

WITNESSETH THAT:

WHEREAS, Sandpiper is the owner of the Sandpiper Bay Golf Course which is located on and near Sandpiper Bay Drive off Old Georgetown Road in Sunset Beach, North Carolina; and

WHEREAS, 904 is a public utility company in the business of providing wastewater services to communities such as Sandpiper Bay.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Sandpiper and 904 intending to be legally bound, agree as follows:

I. Definitions.

1.1 "Sandpiper Bay" shall mean the property being developed by Sandpiper located at or near Sandpiper Bay Drive off Old Georgetown Road in Sunset Beach, North Carolina.

1.2 "Reuse Effluent Pumping Station" shall mean that certain pump house, pumps and controls located near the Effluent Irrigation Pond at Sandpiper Bay, the function of which is to pump Reuse Effluent to and through the Spray Irrigation Facilities.

1.3 "Upset Storage Pond" shall mean the existing five-day retention pond approved by DWQ and located near the WWTP at Sandpiper Bay for the retention of wastewater during WWTP upsets.

1.4 "Effluent Irrigation Pond" shall mean the existing storage pond at Sandpiper Bay owned and operated by 904 pursuant to this Effluent Easement and Irrigation Agreement in which the Reuse Effluent (as described below) is stored after treatment at the WWTP (as defined below) and from which the Reuse Effluent is then pumped to Effluent Irrigation Pond to be sprayed on the Spray Areas (as defined below).

1.5 "Golf Course Pump Station" shall mean the pump station operated by Sandpiper for the purpose of irrigating the golf course facility.

1.6 "Certified Spray Irrigation Operator" shall mean the person certified by the State of North Carolina for operating spray application of treated effluent systems.

1.7 "DWQ" shall mean the Division of Water Quality of the North Carolina Department of Environment and Natural Resources.

1.8 "Effluent Easement and Irrigation Agreement" shall mean this Effluent Easement and Irrigation Agreement, including all exhibits and schedules hereto, if any, as may be amended from time to time.

1.9 "Golf Course" shall mean the golf course and areas appurtenant to the golf course at Sandpiper Bay Golf and Country Club.

1.10 "Permit" shall mean the permit for the Wastewater Utility System (as defined below) and Spray Irrigation Facilities as defined below) issued by DWQ, as the same may be modified or renewed from time to time.

1.11 "Reuse Effluent" shall mean the wastewater that has been treated by 904 to the point that it meets the effluent quality standards required by the Permit.

1.12 "Spray Areas" shall mean all areas on the Golf Course, Golf Course buffers, Golf Course rough, Golf Course cart paths and Golf Course access areas, and other specific tracts of land at Sandpiper Bay that have been or may in the future be permitted by DWQ for spray irrigation of Reuse Effluent. The Reuse Effluent currently sprayed onto holes 19, 20, 21, 22, 23, 24, 25, and 26 of the Golf Course.

1.13 "Spray Irrigation Facilities" shall mean the Reuse Effluent Pumping Station and all Reuse Effluent irrigation lines, pumps, booster pumps, irrigation and spray devices, controls and other devices used in the application of Reuse Effluent upon the Spray Areas.

1.14 "Wastewater Utility System" shall mean the WWTP, the collection system that delivers wastewater to the WWTP, the Upset Storage Pond, the Effluent Irrigation Pond, all lift stations, and other facilities used in the collection, treatment, holding and discharge of the wastewater, except the Spray Irrigation Facilities.

1.15 "WWTP" shall mean the wastewater treatment plant located within Sandpiper Bay.

2. Treatment and Storage. 904 will treat the wastewater created by customers and common area facilities within Sandpiper Bay in the WWTP and then discharge the Reuse Effluent into the Effluent Irrigation Pond. The Reuse Effluent will be treated by 904 to the tertiary standards established by DWQ in its Permit No. WQ0013398, and any modified or successive Permits issued by DWQ. The permitted flow from Sandpiper Bay based upon this DWQ Permit is 550,000 gallons per day ("gpd").

3. Withdrawal and Spray Irrigation. Sandpiper shall be responsible for the operation, maintenance, repair, and replacement of the Golf Course Pump Station, and for all aspects of the daily operation of the Spray Irrigation Facilities by a Certified Spray Irrigation Officer.

4. Spraying Activities and Reports. Sandpiper will cause its Certified Spray Irrigation Operator to spray the Reuse Effluent onto the Spray Areas. The spray irrigation shall be performed in compliance with all DWQ requirements subject to oversight by 904 as the DWQ permittee. Sandpiper will cause its Certified Spray Irrigation Operator to provide to 904 all information required on 904's monthly reports to DWQ including, but not limited to, amounts withdrawn from the Effluent Irrigation Pond, amounts sprayed on

each DWQ approved Spray Area, and application rates. This information shall be provided in a timely manner each month signed by Sandpiper's Certified Spray Irrigation Operator.

5. Application.

5.1 Sandpiper shall cause its Certified Spray Operator to spray onto the Spray Areas all of the available Reuse Effluent up to a maximum annual amount of 54.75 million gallons.

6. 904's Right to Assume Spraying Operations. Sandpiper shall operate the Spray Irrigation Facilities in such a manner and with sufficient frequency to distribute Reuse Effluent in accordance with Section 5. If, in the reasonable opinion of 904, Sandpiper is not operating or maintaining the Spray Irrigation Facilities in accordance with the term of this Effluent Easement and Irrigation Agreement or DWQ requirements, then 904 shall give Sandpiper written notice to make such repairs or improve such operation and maintenance procedures. If Sandpiper fails or refuses to do so within thirty (30) calendar days after receipt of said written notice, then, at 904's option, 904 shall have the right to enter the Irrigation Pump Station and the Spray Areas and undertake such responsibilities to the extent necessary to operate the Spray Irrigation Facilities to accomplish the purposes of this Effluent Easement and Irrigation Agreement, and charge Sandpiper for the reasonable and necessary costs actually incurred thereby; provided, however, that nothing herein shall relieve Sandpiper from the continuing obligation of operation and maintenance of the Spray Irrigation Facilities. Should 904 assume the responsibility to operate and maintain the Spray Irrigation Facilities, it shall have no obligation to maintain the Spray Areas or Spray Irrigation Facilities for any purpose other than the irrigation with the Reuse Effluent; provided, however, that 904 shall use commercially reasonable efforts to avoid damage to the Spray Irrigation Facilities and the Spray Areas.

7. Testing and Inspections. 904 shall have the right, at any time and upon reasonable notice to Sandpiper, to enter the Spray Areas and inspect and review the operation and maintenance of the Spray Irrigation Facilities, take tests including water samples, soil borings, and conduct other tests and monitoring of the Spray Areas (including the installation and maintenance of monitoring wells) in relation to the operations to be conducted under this Effluent Easement and Irrigation Agreement; provided, however, that (i) 904's testing and inspection activities on the Spray Areas shall not interfere with the intended use of the Spray Areas, and (ii) 904 shall use commercially reasonable efforts to avoid damage to the Spray Irrigation Facilities and the Spray Areas.

8. Reuse Effluent Quality. 904 SHALL NOT BE RESPONSIBLE FOR ACHIEVING WATER QUALITY LEVELS IN THE REUSE EFFLUENT OTHER THAN THE REQUIREMENTS OF THE SPRAY IRRIGATION PERMIT ISSUED BY DWQ.

9. Maintaining Effluent Irrigation Pond Level. Sandpiper shall require its Certified Spray Irrigation Operator to monitor the level of the Reuse Effluent in the Effluent Irrigation Pond and to maintain the level in the Effluent Irrigation Pond at or below the DWQ required freeboard. During the spring, summer, and fall months, Sandpiper shall remove Reuse Effluent from the Effluent Irrigation Pond and spray it onto the Spray Areas, to the maximum extent practicable, to maximize storage capacity for winter months when demand for irrigation is low. During winter months, Sandpiper shall remove Reuse Effluent from the Effluent Irrigation Pond and spray it onto the Spray Area as conditions permit. Notwithstanding the foregoing, nothing in this document shall be construed to require Sandpiper or its Certified Spray Irrigation Operator to take any action that would constitute a violation of the Permit or of any law or regulation.

10. Service Interruption. In the event of service interruptions caused by the malfunction of the wastewater utility system, 904 shall exercise due diligence in completing the necessary repairs and restoring Reuse Effluent delivery to the Effluent Irrigation Pond. In the event of service interruption caused by a malfunction of the Spray Irrigation Facilities, Sandpiper shall exercise due diligence in completing the necessary repairs and restoring Reuse Effluent irrigation to the Spray Areas; failing which 904 may undertake such repairs as provided in Section 6 above.

11. Grant of Easement. Sandpiper previously granted to 904, its successors and assigns an easement which was filed with the Commission on August 27, 2007, in Docket No. W-1141, Sub 4 and recorded in the Office of the Register of Deeds in Brunswick County in Book 2662, Page 1302. It is a perpetual non-exclusive Reuse Effluent spray irrigation easement within all the Spray Areas, for the purpose of spraying Reuse Effluent, operating the Spray Irrigation Facilities, and other activities related thereto, as more fully set forth in this Effluent Easement and Irrigation Agreement. Sandpiper shall not further encumber the Spray Areas, or engage in any activity, therein, or grant any other interest or privilege therein to any other party, that would interfere with 904's enjoyment of its right or fulfillment of its obligations created by this Effluent Easement and Irrigation Agreement.

12. Right of Entry. Sandpiper hereby grants to 904, its successors and assigns, a right of ingress, egress, regress, and access to and from the Easement Areas, and over, across, upon, and through the Spray Areas, as necessary for 904 to enjoy the rights and fulfill its obligations under this Effluent Easement and Irrigation Agreement. 904's right of ingress, egress, regress and access shall be non-exclusive; provided, however, Sandpiper shall not interfere with or permit any other party to interfere with 904's right of ingress, egress, regress and access, which shall exist so long as this Effluent Easement and Irrigation Agreement remains in force and shall inure to the benefit of 904's successors and assigns. In the exercise of 904's right of ingress, egress, regress, and access, 904 shall where possible, use existing roads, paths, and other ways of travel, but shall exercise ordinary care in its use of the roads, paths, and other ways of travel. Where roads, paths, or other ways of travel do not exist, Sandpiper shall make reasonable efforts to specify ways of travel for 904's use to permit 904 to enjoy the privileges and fulfill the obligations created by this Effluent Easement and Irrigation Agreement without undue interference. 904 shall use its best efforts to conduct its activities on the Spray Areas to avoid any unreasonable and adverse interference with the normal use of the Golf Course and Spray Areas.

13. Payments for Reuse Effluent or Operation of the Irrigation Facilities. 904 shall remit payments to Sandpiper for the Reuse Effluent that will be sprayed on the Spray Areas (also referred to as the Effluent Water Application Charge). The initial amount of the Effluent Water Application Charge will be \$2,518.05, which is based on the actual cost incurred to provide the service. The amount of the charge may be revised on an annual basis beginning on January 1, 2025. The amount of the Effluent Water Application Charge cannot at any time exceed the actual cost incurred to provide the service and beginning on January 1, 2025, and in subsequent years, shall be based on the actual cost to provide the service during the year immediately preceding the date that the new charge is implemented. Sandpiper represents that the proposed Effluent Water Application Charge is based on its actual cost to provide the service without markup and that any future adjustments to the Effluent Water Application Charge will be based on its actual cost. At its discretion, 904 shall have the right to obtain any information and, at its option, conduct an audit to assure that the Effluent Water Application Charge is based on actual costs.

14. Replacement of the Spray Irrigation Facilities. If it becomes necessary to replace any portion of the Spray Irrigation Facilities, it shall be Sandpiper's sole responsibility to replace such portion of the Spray Irrigation Facilities at Sandpiper's cost.

15. General Provisions.

15.1 Binding upon Successors and Assigns. This Effluent Easement and Irrigation Agreement shall be binding upon and shall inure to the benefit of Sandpiper and 904, and the successors and assigns of each.

15.2 No Third Party Beneficiary Rights. Nothing expressed or referred to in this Effluent Easement and Irrigation Agreement will be construed give any person other than the parties to this Effluent Easement and Irrigation Agreement any legal or equitable right, remedy or claim under or with respect to this Effluent Easement and Irrigation Agreement or any provision of this Effluent Easement and Irrigation Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to the "Binding Upon Successors and Assigns" in Section 15.1 above.

15.3 Enforcement of Effluent Easement and Irrigation Agreement. Each party acknowledges and agrees that the other party would be irreparably damaged if any of the provisions of this Effluent Easement Agreement are not performed in accordance with their specific terms and that any breach of this Effluent Easement and Irrigation Agreement by a party could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which a party may be entitled, at law or in equity, it shall be entitled to enforce any provision of this Effluent Easement and Irrigation Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent any breach or threatened breach of any of the provisions of this Effluent Easement and Irrigation Agreement, without posting any bond or other undertaking.

15.4 Entire Agreement. This writing and any other documents referred to herein embody the entire agreement and understanding between the parties hereto and there are no other agreements or understandings, oral or written, with reference to the subject matter hereof that are not merged herein and superseded hereby.

15.5 Modifications in Writing. This Effluent Easement and Irrigation Agreement shall not be modified, amended, or changed in any respect except in writing, duly signed by the parties hereto, and each party hereby waives any right to amend this Effluent Easement and Irrigation Agreement in any other way.

15.6 Consent to Jurisdiction. The parties agree that the General Court of Justice of North Carolina shall have exclusive jurisdiction over this Effluent Easement and Irrigation Agreement and shall have exclusive right to resolve any controversies arising out of, relating to, or referring to this Effluent Easement and Irrigation Agreement, the formation of this document, and actions undertaken by the parties hereto as a result of this Effluent Easement and Irrigation Agreement, whether such controversies sound in tort law, contract law or otherwise. Each of the parties hereto expressly and irrevocably consents to the personal jurisdiction of the General Court of Justice and agrees to accept service of process by mail and expressly waives any jurisdictional or venue defenses otherwise available.

15.7 Governing Law. This Effluent Easement and Irrigation Agreement shall be governed by the internal substantive laws of the State of North Carolina, without regard to such State's conflict of law or choice of law rules.

15.8 Recordation. The Effluent Easement and Irrigation Agreement remains the same and is recorded in the Register of Deeds office of Brunswick County, North Carolina in Book 2662, Page 1302.

15.9 Signatures. Authorized Representatives of Each Party with a Notary Attestation below.

IN WITNESS WHEREOF, the parties have caused this Effluent Easement and Irrigation Agreement to be duly executed in their respective corporate names, all by authority duly given, the day and year first above written.

<SIGNATURES ON NEXT PAGE>

Northstar Carolina Corp, d/b/a Sandpiper Bay Golf and Country Club

By

Printed Name/Title

904 Georgetown Treatment Plant, LLC

By

Printed Name/Title

The undersigned Notary Public hereby certifies that the above named individuals personally appeared before me and in the capacities indicated stated that they were authorized to execute this document and that that the information contained in this Agreement are true to the best of his/her knowledge and belief.

This _____ day of _____, 2023.

(NOTARY SEAL)

Notary Public

Address

My Commission Expires:

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
INDEX TO EXHIBITS
For The Test Year Ended October 31, 2022

<u>LINE NO.</u>	<u>TITLE</u>	<u>SCHEDULE NO.</u>
1	MARGIN ON OPERATING REVENUE DEDUCTIONS REQUIRING A RETURN	1
2	CALCULATION OF GROSS REVENUE EFFECT FACTORS	1-1
3	ORIGINAL COST RATE BASE	2
4	CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE	2A
5	CALCULATION OF CASH WORKING CAPITAL AND AVERAGE TAX ACCRUALS	2-1
6	NET OPERATING INCOME FOR A RETURN	3
7	CALCULATION OF UPDATED NET OPERATING INCOME FOR A RETURN	3A
8	ADJUSTMENT TO SERVICE REVENUES	3-1
9	ADJUSTMENT TO SALARY EXPENSE	3-2
10	ADJUSTMENT TO ADMINISTRATIVE & OFFICE EXPENSE	3-3
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14	ADJUSTMENT TO LANDSCAPE, MOWING & EFFLUENT EXPENSES	3-7
15	ADJUSTMENT TO PROFESSIONAL EXPENSES	3-8
16	ADJUSTMENT TO REGULATORY EXPENSE	3-9
17	CALCULATION OF INCOME TAXES	3-10
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19	CALCULATION OF OPERATING RATIOS	4A

OFFICIAL COPY

Dec 07 2023

904 Georgetown Treatment Plant LLC
 Docket No. W-1141, Sub 8
MARGIN ON OPERATING REVENUE DEDUCTIONS
REQUIRING A RETURN
 For The Test Year Ended October 31, 2022

Exhibit I
 Schedule 1

Line No.	Item	Per Books (a)	After Proforma Adjustments (b)	Company Proposed Rates (c)
1	Net operating income for a return	(\$133,831) [1]	(\$104,649) [4]	\$24,550 [6]
2	Operating revenue deductions requiring a return	<u>372,830</u> [2]	<u>343,357</u> [5]	<u>343,357</u> [7]
3	Return	<u>-35.90%</u> [3]	<u>-30.48%</u> [3]	<u>7.15%</u> [8]

- [1] Exhibit I, Schedule 3, Line 30, Column (a).
- [2] Exhibit I, Schedule 3, Line 19 + Line 20 + Line 21 + Line 22 + Line 23, Column (a).
- [3] Line 1 divided by Line 2.
- [4] Exhibit I, Schedule 3, Line 30, Column (c).
- [5] Exhibit I, Schedule 3, Line 19 + Line 20 + Line 21 + Line 22 + Line 23, Column (c).
- [6] Line 2 x Line 3.
- [7] Exhibit I, Schedule 3, Line 19 + Line 20 + Line 21 + Line 22 + Line 23, Column (e).
- [8] Per Company.

Exhibit I
Schedule 1-1

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
CALCULATION OF GROSS REVENUE EFFECT FACTORS
For The Test Year Ended October 31, 2022

Line No.	<u>Item</u>	<u>Capital Structure</u> (a)	<u>Cost Rates</u> (b)	<u>Retention Factor</u> (c)	<u>Gross Revenue Effect</u> (d)
<u>Rate Base Factor:</u>					
1	Debt	50.00% [1]	4.50% [1]	0.998700 [2]	0.022529 [4]
2	Equity	50.00% [1]	9.80% [1]	0.769249 [3]	0.063699 [4]
3	Total	<u>100.00%</u>			<u>0.086228</u>
<u>Net Income Factor:</u>					
4	Total revenue	1.000000			
5	Regulatory fee (L4 x .13%)	<u>0.001300</u>			
6	Balance (L4 - L5)	0.998700			
7	State income tax (L10 x 2.5%)	<u>0.024968</u>			
8	Balance (L10 - L11)	0.973733			
9	Federal income tax (L12 X 21%)	<u>0.204484</u>			
10	Retention factor (L12 - L13)	<u>0.769249</u>			

[1] Per Application.

[2] Column (a), Line 6.

[3] Column (a), Line 10.

[4] Column (a) multiplied by Column (b) divided by Column (c).

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ORIGINAL COST RATE BASE
For The Test Year Ended October 31, 2022

Line No.	Item	Company Books @ 10/31/2022 [1]	Pro Forma Adjustments (b)	Company Amounts [5]
		(a)	(b)	(c)
1	Plant in service	\$1,010,047	\$68,213 [2]	\$1,078,260
2	Accumulated depreciation	(900,338)	5,340 [2]	(894,998)
3	Net plant in service (L1 + L2)	109,710	73,553	183,262
4	Contributions in aid of construction (CIAC)	0	0	0
5	Accumulated amortization of CIAC	0	0	0
6	Customer Advances	0	0	0
7	Accumulated deferred income taxes (ADIT)	0	0	0
8	Cash working capital	0	33,988 [3]	33,988
9	Average tax accruals	0	(894) [4]	(894)
10	Original cost rate base (Sum of L3 thru L9)	<u>\$109,710</u>	<u>\$106,647</u>	<u>\$216,356</u>

[1] Per Sewer Fixed Assets as of 10-31-2022.
 [2] Exhibit I, Schedule 2A, Line 48.
 [3] Exhibit I, Schedule 2-1, Line 2.
 [4] Exhibit I, Schedule 2-1, Line 7.
 [5] Column (a) plus Column (b), unless otherwise footnoted.

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION, AND DEPRECIATION EXPENSE**
For The Test Year Ended October 31, 2022

Exhibit I
Schedule 2A

Line No.	Asset Description	Cost Basis	Placed in Service Date [1]	Service Life in Years	Accum Depr through 10/31/2021 per Books	Depr Expense @ 10/31/2022 + Updates Column (b)/(d)	Accum Depreciation thru 10/31/2022 + Updates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Treatment Plant	\$219,911	4/20/1999	25	\$197,920	\$8,796	\$206,716
2	Plant Foundation	255,974	4/20/1999	25	230,377	10,239	240,616
3	Tanks	101,000	4/20/1999	25	90,900	4,040	94,940
4	Pump	141,825	4/20/1999	25	127,643	5,673	133,316
5	Motor	101,000	4/20/1999	25	90,900	4,040	94,940
6	Fence	8,775	4/20/1999	15	8,775	-	8,775
7	Road	5,440	4/20/1999	15	5,440	-	5,440
8	Computer	1,070	10/14/2005	5	1,070	-	1,070
9	Time Monitor	168	1/13/2004	7	84	-	84
10	Filing Cabinet	131	2/2/2004	7	66	-	66
11	Float, Valve	355	3/30/2004	7	177	-	177
12	Motor	815	9/1/2004	7	408	-	408
13	Delay Switch	55	9/1/2004	7	27	-	27
14	Pump	3,871	10/26/2004	7	1,936	-	1,936
15	Lift Station Meter	1,225	11/3/2004	7	613	-	613
16	Float/Switch	428	2/3/2005	7	428	-	428
17	Signs	150	2/8/2005	7	150	-	150
18	Manhole Cover	49	2/21/2005	7	49	-	49
19	Pump	1,393	4/25/2005	7	1,393	-	1,393
20	2 Pumps	1,569	5/1/2005	7	1,569	-	1,569
21	Testers	189	5/1/2005	7	189	-	189
22	Storage File	137	6/1/2005	7	137	-	137
23	Testers	170	1/30/2006	7	170	-	170
24	Equipment	414	5/1/2006	7	414	-	414
25	Vertical Turbine Pumps	13,882	5/1/2007	7	13,882	-	13,882
26	Pilot Control	516	5/31/2007	7	516	-	516
27	Pump	1,145	5/12/2008	7	573	-	573
28	4" Diesel Pump	646	10/29/2008	5	323	-	323
29	Blower Aerifier for Holding Tanks	1,980	3/9/2009	5	1,980	-	1,980
30	Bay Station control Panel	3,500	3/11/2010	5	3,500	-	3,500
31	Pump	10,022	2/27/2013	5	5,011	-	5,011
32	2HP Grinder Pump	13,908	5/14/2015	5	13,908	-	13,908
33	Pump Wyndfall Lift Station	15,651	11/1/2019	5	7,826	3,130	10,956
34	2 Pumps	11,625	10/19/2020	5	3,488	2,325	5,813
35	Mapping - Structure and Improvements	20,875	6/30/2020	5	6,263	4,175	10,438
36	Control Panel	51,240	5/11/2021	5	5,124	10,248	15,372
37	Control Panel	5,818	6/14/2021	5	582	1,164	1,745
38	Generator	34,000	10/13/2021	5	3,400	6,800	10,200
39	Pump	1,519	12/15/2021	5	152	304	456
40	Zoe E295-2in flange 2 hp swr pump	1,513	10/10/2022	5	-	303	303
41	10 horsepower motor	1,276	10/19/2022	5	-	255	255
Completed Post-Test Year Plant Additions:							
42	Noise Dampening Foam Fence for Blower Motors	7,490	4/1/2023	7	-	1,070	1,070
43	New Railings on Lift Station	8,200	12/1/2022	7	-	886	886
Budgeted Projects for 2023:							
44	Sounds Reducing Lids over Blowers	5,490	10/1/2023	7	-	784	784
45	Refurbish Sand Fillers	23,850	10/1/2023	7	-	3,407	3,407
46	Totals (Sum of Lines 1-45)	<u>\$1,078,260</u>			<u>\$827,359</u>	<u>\$67,639</u>	<u>\$894,998</u>
47	Amount Per Books	<u>1,010,047</u>				<u>70,108</u>	<u>900,338</u>
48	Pro Forma Adjustment per Company (L47 -L46)	<u>\$68,213</u>				<u>(\$2,470)</u>	<u>\$5,340</u>

[1] Per Docket No. W-1141, Sub 5 - prior rate case in 2010, plus additions per General Ledger and Depreciation Expense Report.

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
**CALCULATION OF CASH WORKING CAPITAL
AND AVERAGE TAX ACCRUALS**
For The Test Year Ended October 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
	<u>Cash Working Capital:</u>	
1	Total O&M expenses	<u>\$271,906</u> [1]
2	Cash working capital (L1 x 1/8)	<u>33,988</u>
	<u>Average Tax Accruals:</u>	
3	Property taxes	<u>437</u> [2]
4	Average accrual (L3 x 1/2)	<u>219</u>
5	Payroll taxes	<u>3,375</u> [3]
6	Average accrual (L5 x 1/5)	<u>675</u>
7	Average tax accruals	<u>\$894</u>

[1] Exhibit I, Schedule 3, Column (c), Line 19

[2] Exhibit I, Schedule 3, Column (c), Line 22

[3] Exhibit I, Schedule 3, Column (c), Line 23

Exhibit I
Schedule 3

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
NET OPERATING INCOME FOR A RETURN
For The Test Year Ended October 31, 2022

Line No.	Present Rates			Proposed Rates		
	Amount Per Books [1] (a)	Pro Forma Adjustments (b)	After Pro Forma Adjustments [2] (c)	Rate Increase (d)	After Rate Increase [3] (e)	
Operating Revenues:						
1	Service revenues	\$239,257	(376)	238,882	\$136,700	\$375,581
2	Miscellaneous revenues	137	0	137	0	137
3	Uncollectible accounts	0	0	0	0	0
4	Total operating revenues (Sum of L1 thru L3)	239,394	(376)	239,019	136,700	375,718
Operation & Maintenance Expenses:						
5	Salary expense	39,000	2,390	41,390	0	41,390
6	Administrative & office expense (except salaries)	19,244	1,440	20,684	0	20,684
7	Maintenance & repair expense (Incl. Contract Labor)	63,107	7,110	70,218	0	70,218
8	Landscape & Mowing & Effluent expenses	46,009	(4,020)	41,989	0	41,989
9	Utilities expense	32,006	(25,693)	6,313	0	6,313
10	Chemicals for treatment	1,772	0	1,772	0	1,772
11	Testing Fees	4,720	0	4,720	0	4,720
12	Permit Fees	1,310	0	1,310	0	1,310
13	Sludge removal expense	65,100	(15,400)	49,700	0	49,700
14	Other Expenses: Professional expenses	11,199	(1,405)	9,794	0	9,794
15	Other Expenses: Insurance Expense	13,827	0	13,827	0	13,827
16	Other Expenses: Bad Debt Expense	1,738	0	1,738	0	1,738
17	Other Expenses: Miscellaneous Expense	61	200	261	0	261
18	Regulatory expense	0	8,191	8,191	0	8,191
19	Total O&M expenses (Sum of L5 thru L18)	299,093	(27,186)	271,906	0	271,906
Depreciation and Taxes:						
20	Depreciation expense	70,108	(2,470)	67,639	0	67,639
21	Amortization of CIAC	0	0	0	0	0
22	Property taxes	437	0	437	0	437
23	Payroll taxes	3,192	183	3,375	0	3,375
24	Other Taxes	0	0	0	0	0
25	Regulatory Fee	395	(84)	311	178	488
26	State income tax	0	0	0	797	797
27	Federal income tax	0	0	0	6,526	6,526
28	Total depreciation and taxes (Sum of L20 thru L27)	74,133	(2,371)	71,761	7,501	79,262
29	Total operating revenue deductions (L19 + L28)	373,225	(29,557)	343,668	7,501	351,168
30	Net operating income for a return (L4 - L29)	(\$133,831)	\$29,182	(\$104,649)	\$129,199	\$24,550

[1] Per Sch 3A Company Proforma NOI, Column (a).
[2] Per Sch 3A Company Proforma NOI, Column (t).
[3] Column (c) + Column (d).

904 Georgetown Treatment Plant LLC
Docket No. W-141, Sub 8
**CALCULATION OF UPDATED NET OPERATING
INCOME FOR A RETURN**
For The Test Year Ended October 31, 2022

Exhibit I
Schedule 3A
Page 1 of 2

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Dec 07 2023

COMPANY PRO FORMA ADJUSTMENTS															
Line No.	Item	Per Books 10/31/22 (a)	Service Revenue (b)	Salaries (c)	Administrative & Office Expense (d)	Maintenance & Repair Expense (e)	Sludge Removal (f)	Utilities Expense (g)	Chemicals (h)	Testing Fees (i)	Permit Fees (j)	Landscape & Mowing & Irrigation (k)	Professional Expenses (l)		
Operating Revenues:															
1	Service revenues	\$239,257	(\$376)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
2	Miscellaneous revenues	137	0	0	0	0	0	0	0	0	0	0	0		
3	Uncollectible accounts	0	0	0	0	0	0	0	0	0	0	0	0		
4	Total operating revenues (Sum of L1 thru L3)	239,394	(376)	0	0	0	0	0	0	0	0	0	0		
Operation & Maintenance Expenses:															
5	Salary expense	39,000	0	2,390	0	0	0	0	0	0	0	0	0		
6	Administrative & Office expense (except salaries)	19,244	0	0	1,440	0	0	0	0	0	0	0	0		
7	Maintenance & Repair expense (incl Contract Operator)	63,107	0	0	0	7,110	0	0	0	0	0	0	0		
8	Landscape & Mowing & Effluent expenses	46,009	0	0	0	0	0	0	0	0	0	(4,020)	0		
9	Utilities expense	32,006	0	0	0	0	0	(25,693)	0	0	0	0	0		
10	Chemicals for treatment	1,772	0	0	0	0	0	0	0	0	0	0	0		
11	Testing Fees	4,720	0	0	0	0	0	0	0	4,720	0	0	0		
12	Permit Fees	1,310	0	0	0	0	0	0	0	0	0	0	0		
13	Sludge Removal expense	65,100	0	0	0	0	(15,400)	0	0	0	0	0	0		
14	Other Expenses: Professional expenses	11,199	0	0	0	0	0	0	0	0	0	0	(1,405)		
15	Other Expenses: Insurance Expense	13,827	0	0	0	0	0	0	0	0	0	0	0		
16	Other Expenses: Bad Debt Expense	1,738	0	0	0	0	0	0	0	0	0	0	0		
17	Other Expenses: Miscellaneous Expense	61	0	0	0	0	0	0	0	0	0	0	0		
18	Regulatory expense	0	0	0	0	0	0	0	0	0	0	0	0		
19	Total O&M expenses (Sum of L5 thru L18)	299,093	0	2,390	1,440	7,110	(15,400)	(25,693)	0	0	0	(4,020)	(1,405)		
Depreciation and Taxes:															
20	Depreciation expense	70,108	0	0	0	0	0	0	0	0	0	0	0		
21	Amortization of CIAC	0	0	0	0	0	0	0	0	0	0	0	0		
22	Property taxes	437	0	0	0	0	0	0	0	0	0	0	0		
23	Payroll Taxes	3,192	0	0	0	0	0	0	0	0	0	0	0		
24	Other Taxes	0	0	0	0	0	0	0	0	0	0	0	0		
25	Regulatory Fee	365	0	0	0	0	0	0	0	0	0	0	0		
26	State income tax	0	0	0	0	0	0	0	0	0	0	0	0		
27	Federal income tax	0	0	0	0	0	0	0	0	0	0	0	0		
28	Total depreciation and taxes (Sum of L20 thru L27)	74,133	0	0	0	0	0	0	0	0	0	0	0		
29	Total operating revenue deductions (L19 + L28)	373,225	0	2,390	1,440	7,110	(15,400)	(25,693)	0	0	0	(4,020)	(1,405)		
30	Net operating income for a return (L4 - L29)	(\$133,831)	(\$376)	(\$2,390)	(\$1,440)	(\$7,110)	\$15,400	\$25,693	\$0	\$0	\$0	\$4,020	\$1,405		

[1] Per Company's October 31, 2022 General Ledger.
[2] Exhibit I, Schedule 3-1.
[3] Exhibit I, Schedule 3-2.
[4] Exhibit I, Schedule 3-3.
[5] Exhibit I, Schedule 3-4.
[6] Exhibit I, Schedule 3-5.
[7] Exhibit I, Schedule 3-6.
[8] Exhibit I, Schedule 3-7.
[9] Exhibit I, Schedule 3-8.
[10] Adjustment to Regulatory fee based on statutory rate of .13%.
[11] Adjustment to include the Annual Report Fee to the Secretary of State.
[12] Exhibit I, Schedule 3-9.
[13] Exhibit I, Schedule 2A.
[14] Exhibit I, Schedule 3-2, Line 4.
[15] Sum of Column (b) thru Column (r).
[16] Column (a) plus Column (e).

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
**CALCULATION OF UPDATED NET OPERATING
INCOME FOR A RETURN**
For The Test Year Ended October 31, 2022

Exhibit 1
Schedule 3A
Page 2 of 2

Line No.	Item	COMPANY PRO FORMA ADJUSTMENTS							Proforma Balance (t)
		Insurance Expense (m)	Regulatory Fee (n)	Miscellaneous Expense (o)	Regulatory Expense (p)	Depreciation (q)	Payroll Taxes (r)	Total Adjustments (s)	
Operating Revenues:									
1	Service revenues	\$0	\$0	\$0	\$0	\$0	\$0	(\$376)	\$238,882
2	Miscellaneous revenues	0	0	0	0	0	0	0	137
3	Uncollectible accounts	0	0	0	0	0	0	0	0
4	Total operating revenues (Sum of L1 thru L3)	0	0	0	0	0	0	(376)	239,019
Operation & Maintenance Expenses:									
5	Salary expense	0	0	0	0	0	0	2,390	41,390
6	Administrative & Office expense (except salaries)	0	0	0	0	0	0	1,440	20,684
7	Maintenance & Repair expense (incl Contract Operator)	0	0	0	0	0	0	7,110	70,218
8	Landscape & Mowing & Effluent expenses	0	0	0	0	0	0	(4,020)	41,989
9	Utilities expense	0	0	0	0	0	0	(25,693)	6,313
10	Chemicals for treatment	0	0	0	0	0	0	0	1,772
11	Testing Fees	0	0	0	0	0	0	0	4,720
12	Permit Fees	0	0	0	0	0	0	0	1,310
13	Sludge Removal expense	0	0	0	0	0	0	(15,400)	49,700
14	Other Expenses: Professional expenses	0	0	0	0	0	0	(1,405)	8,794
15	Other Expenses: Insurance Expense	0	0	0	0	0	0	0	13,827
16	Other Expenses: Bad Debt Expense	0	0	0	0	0	0	0	1,738
17	Other Expenses: Miscellaneous Expense	0	0	200 (11)	0	0	0	200	281
18	Regulatory expense	0	0	0	8,191	0	0	8,191	8,191
19	Total O&M expenses (Sum of L5 thru L18)	0	0	200	8,191	0	0	(27,186)	271,906
Depreciation and Taxes:									
20	Depreciation expense	0	0	0	0	(2,470)	0	(2,470)	67,639
21	Amortization of CIAC	0	0	0	0	0	0	0	0
22	Property taxes	0	0	0	0	0	0	0	437
23	Payroll Taxes	0	0	0	0	0	183	183	3,375
24	Other Taxes	0	0	0	0	0	0	0	0
25	Regulatory Fee	0	(84)	0	0	0	0	(84)	311
26	State income tax	0	0	0	0	0	0	0	0
27	Federal income tax	0	0	0	0	0	0	0	0
28	Total depreciation and taxes (Sum of L20 thru L27)	0	(84)	0	0	(2,470)	183	(2,371)	71,761
29	Total operating revenue deductions (L19 + L28)	0	(84)	200	8,191	(2,470)	183	(29,557)	343,668
30	Net operating income for a return (L4 - L29)	\$0	\$84	(\$200)	(\$8,191)	\$2,470	(\$183)	\$29,182	(\$104,649)

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO SERVICE REVENUES
For The Test Year Ended October 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Number of Customers	795 [1]
2	Current Monthly Rate Per Customer	\$25.04 [2]
3	Months	<u>12</u>
4	Annualized Service Revenues (L1 x L2 x L3)	\$238,882
5	Amount included in Test Year	239,257 [3]
6	Adjustment to Service Revenues	<u><u>(\$376)</u></u>

[1] Current customers per Company.

[2] Current Tariffed rate per Docket No. W-1141, Sub 6.

[3] Per Company.

904 Georgetown Treatment Plant LLC
 Docket No. W-1141, Sub 8
ADJUSTMENT TO SALARY EXPENSE
 For The Test Year Ended October 31, 2022

Exhibit I
 Schedule 3-2

Line No.	Item	Amount
1	2022 Salary expense	\$39,000 [1]
2	2023 Salary expense	<u>41,390</u> [2]
3	Increase in Salary expense (L2 - L1)	<u>2,390</u>
4	Increase in Payroll Taxes (L3 X 7.65%)	<u><u>\$183</u></u>

		Annual
[1] Breakdown per Company - Ties to 2022 General Ledger:		
	Tim Tilma - Manager of the 904 Georgetown - Acct 9560	\$15,000
	E.B. Otmar - General & Admin Staff - Acct 9561	12,000
	Tonda Hockenbury - G&A - Accts Payable - Acct 9561	<u>12,000</u>
		<u><u>\$39,000</u></u>
[2] 2023 Salaries		
	Tim Tilma - Manager of the 904 Georgetown - Acct 9560	\$15,000
	E.B. Otmar - General & Admin Staff - Acct 9561	16,640
	Tonda Hockenbury - G&A - Accts Payable - Acct 9561	<u>9,750</u>
		<u><u>\$41,390</u></u>

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO ADMINISTRATIVE & OFFICE EXPENSE
For The Test Year Ended October 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>2022 Test Year Amount</u> [1]	<u>2023 Company Amounts</u> [2]	<u>Pro Forma Adjustment</u> [3]
		(a)	(b)	(c)
Administrative & Office Expense Increases:				
1	Monthly Office Rent X 12 months	\$12,000	\$13,200	\$1,200
2	Monthly Rental Equipment Office	<u>2,640</u>	<u>2,880</u>	<u>240</u>
3	Totals (L1 + L2)	<u><u>\$14,640</u></u>	<u><u>\$16,080</u></u>	<u><u>\$1,440</u></u>

[1] Per Report_from_904_Georgetown_Treatment_Plant^LJ_LLC - General Ledger @ 10.31.22

Total 6220-00 · RENTAL OFFICE SPACE	\$12,000
Total 6230-00 · RENT EQUIP/MACHINES-OFFICE	<u>2,640</u>
	<u><u>\$14,640</u></u>

[2] Per Company.

[3] Column (b) - minus Column (a).

Exhibit I
Schedule 3-4

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO MAINTENANCE & REPAIR EXPENSES
For The Test Year Ended October 31, 2022

Line No.	Item	Amount
1	Test Year Maintenance & Repair Expenses at October 31, 2022	\$63,107 [1]
2	Remove Acct 6055-PH · PUMPHOUSE SHARED UPKEEP/REPAIRS	(4,800) [2]
3	Remove and Capitalize: Pumps and Motor -6052-00 · EQUIP. MAINT. & REPAIRS	(4,308) [5]
Adjustment to Normalize Unexpected M&R Expenses for the 12 ME October 31st:		
4	2020	\$26,375 [3]
5	2021	4,000 [3]
6	2022	625 [3]
7	Total (Sum Lines 4-6)	31,000
8	3-Year Average	10,333
9	Less: Test year - Acct 6335 - Unexpected Expense - M&R	625
10	Adjustment to normalize unexpected expenses (L8 - L9)	9,708
Adjustment to Normalize Equipment Repair Expenses for the 12 ME October 31st:		
11	2020	\$28,614 [4]
12	2021	28,785 [4]
13	2022	18,935 [5]
14	Total (Sum of Lines 11-13)	76,334
15	3-Year Average (L14/3)	25,445
16	Less: Adjusted Test Year Acct 6052-00 · EQUIP. MAINT. & REPAIRS	18,935
17	Adjustment to normalize unexpected expenses (L15- L16)	6,510
18	Maintenance & Repair Expenses Per Company (L1 + L2 + L3 + L10 + L17)	\$70,218

[1] Per Report_from_904_Georgetown_Treatment_Plant^LJ_LLC - General Ledger @ 10.31.22
Test Year M&R Expenses General Ledger @ 10/31/2022:

6335-00 · UNEXPECTED EXP/ACCIDENTIAL SPIL	\$625
6055-PH · PUMPHOUSE SHARED UPKEEP/REAPIRS	4,800
6052-00 · EQUIP. MAINT. & REPAIRS	23,242
8780-00 · TRMT.PLANT OPERATIONS	34,440
	\$63,107

[2] Adjustment to remove per Public Staff recommnedation in Docket No. W-1141, Sub 5.

[3] Per General Ledger Account 6335-00 · UNEXPECTED EXP/ACCIDENTIAL SPIL - for each respective year.

[4] Per General Ledger Acct 6052-00 · EQUIP. MAINT. & REPAIRS - for each respective year, unless otherwise noted.

[5] Per Report_from_904_Georgetown_Treatment_Plant^LJ_LLC - General Ledger @ 10.31.22
Test Year M&R Expenses General Ledger @ 10/31/2022:

6052-00 · EQUIP. MAINT. & REPAIRS	\$23,242
<u>Reclassify & capitalize:</u>	
Purchase of Pump	1,519
Purchase zoe E295-2in flange 2 hp swr pump	1,513
Purchase 10 horsepower motor	1,276
	4,308
Adjusted Test Year Acct 6052-00 · EQUIP. MAINT. & REPAIRS	\$18,935

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO SLUDGE REMOVAL EXPENSE
For The Test Year Ended October 31, 2022

Exhibit I
Schedule 3-5

Line No.	<u>Item</u>	Amount [1] (a)
Sludge Removal Expenses for the 12-Month Period Ended October 31st :		
1	2021	\$34,300
2	2022	65,100
3	Total Sludge Removal Expense	99,400
4	Normalize over 2 years	2
5	Normalized Level of Sludge Removal Expenses (L3/L4)	49,700
6	Test Year Sludge Removal Expense	65,100
7	Proforma Adjustment to Annualize Sludge Removal Expenses (L5 - L6)	(\$15,400)

[1] Per General Ledger Account - for each respective year, unless otherwise noted.

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO UTILITIES EXPENSE
For The Test Year Ended October 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Total Amount</u>
1	Test Year Utilities Expenses	\$32,006 [1]
	Expenses Removed per Prior Rate Case:	
2	6310-00 - Electric	(18,500) [2]
3	6310-PH - Pumphouse Electric	(7,217) [2]
	Expenses to Increase:	
4	Cell phone bill \$28 to \$30 per month X 12 months	24 [3]
5	Adjustment to Utilities Expense (L2 + L3 + L4)	<u>(25,693)</u>
6	Total Utilities Expense (L1+L5)	<u><u>\$6,313</u></u>

[1]	Per Report_from_904_Georgetown_Treatment_Plant^LJ_LLC - General Ledger @ 10.31.22	
	6240-00 · OFFICE PHONE	\$1,560
	6245-00 · PHONE EXPENSE CELL	336
	6250-00 · Phone Sub Stations	2,521
	6280-00 · OFFICE ELECTRIC	1,872
	6310-00 · ELECTRIC - 904 Plant	18,500
	6310-PH · PUMPHOUSE ELECTRIC OFFSET	7,217
	Total Test Year Utilities Expenses	<u><u>\$32,006</u></u>

[2] Adjustment to remove per Public Staff recommendation in Docket No. W-1141, Sub 5.

[3] Per Company Budget / Records.

Exhibit I
Schedule 3-7

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO LANDSCAPE, MOWING & EFFLUENT EXPENSES
For The Test Year Ended October 31, 2022

Line No.	Item	Amount
1	Test Year Landscape, Mowing & Effluent Expenses	\$46,009 [1]
	Expenses Removed per Prior Rate Case:	
2	6327-00 · USE OF IRRIGATION SYSTEM	(\$9,900) [2]
3	6326-00 · LAND LEASE WASTEWATER APPLICATIONS	(4,500) [2]
4	Total Adjustment (L2 + L3)	(14,400)
	Effluent Application Charge:	
5	Sub 4 Effluent Water Application Charge @ \$1,653.08	\$19,837 [3]
6	New Effluent Water Application Charge @ \$2,518.05	30,217 [4]
7	Total Adjustment (L6 - L5)	10,380
8	Landscape, Mowing & Effluent Expenses Per Company (L1 + L4 + L7)	<u>\$31,609</u>

[1] Per Report_from_904_Georgetown_Treatment_Plant^LJ_LLC - General Ledger @ 10.31.22
Test Year Landscape, Mowing & Irrigation per General Ledger @ 10/31/2022:

6325-00 · EFFLUENT WATER APPLICATIONS	\$19,836.96
6327-00 · USE OF IRRIGATION SYSTEM	9,900.00
6325-00 · EFFLUENT WATER APPLICATIONS	4,500.00
6340-00 · GROUNDS & LANDSCAPING	2,100.00
6345-00 · MOWING COSTS	\$9,672
Total	<u>\$46,009</u>

[2] Per Georgetown Treatment Plant LLC - General Ledger @ 10-31-2022

[3] Per Effluent Agreement charge approved in Docket No. W-1141, Sub 4.

[4] Effluent Agreement-Related Charges:	GL Account	2023
Land Lease Wastewater Applications	6326	4,500
Electric Power for Irrigation	6310	18,500
Irrigation Pump Maint	6310-PH	7,217
Total Effluent Agreement - Related Costs		<u>30,217</u>
Monthly Charge (Total Charges divided by 12 months)		<u>\$ 2,518.05</u>

904 Georgetown Treatment Plant LLC
 Docket No. W-1141, Sub 8
ADJUSTMENT TO PROFESSIONAL EXPENSES
 For The Test Year Ended October 31, 2022

Exhibit I
 Schedule 3-8

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>	
1	Professional Expenses - Per General Ledger - Accounting & Architect/Engineers & Legal	\$11,199	[1]
2	Reclassify Partial Engineering Fees from Test Year to Regulatory Expense for Rate Case Filing	(1,405)	[2]
3	Per Company Amount - Professional Expenses (L1 + L2)	<u>\$9,794</u>	

[1] Per Report_from_904_Georgetown_Treatment_Plant^LJ_LLC - General Ledger @ 10.31.22:

8265-00 · PROF. FEES-ACCOUNTING	\$8,200
8260-00 · PROF. FEES-ARCHITECTS/ENGINEERS	\$2,810
8270-00 · PROF. FEES-LEGAL	\$189

[2] Reclassified one-half of the engineering fees based on review of services performed.

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO REGULATORY EXPENSE
For The Test Year Ended October 31, 2022

<u>Line No.</u>	<u>Item</u>	<u>Actuals @</u> <u>10.31.22</u> [1]	<u>Estimates</u> [2]	<u>Total</u> [3]
		(a)	(b)	(c)
	Regulatory Expense per Application:			
1	Legal Services	\$0	\$20,000	\$20,000
2	Accounting & Engineering Consultants	1,405	6,000	7,405
3	Rate Case Labor Allocations	0	0	0
4	Notices, Printing envelopes, Postage, Filing fee and Miscellaneous	<u>0</u>	<u>1,384</u>	<u>1,384</u>
5	Total Regulatory Expense (Sum of L1 thru L4)	<u>\$1,405</u>	<u>\$27,384</u>	\$28,789
6	Amortization Period			<u>3</u>
7	Regulatory Expense per Company (L5 / L6)			\$9,596
8	Amount per Test Year			<u>1,405</u> [1]
9	Adjustment to Regulatory Expense			<u><u>\$8,191</u></u>

[1] Per Company's general ledger records & Schedule 3-8 Professional Fees

[2] Estimates to be updated based on actual regulatory expenses. We plan to update these estimated expenses either by the close of the hearing or in a late-filed ex

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

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
CALCULATION OF INCOME TAXES
For The Test Year Ended October 31, 2022

Line No.	Item	Per Books [1] (a)	After Pro Forma Adjustments [3] (b)	Proposed Rates [4] (c)
1	Operating revenues	\$239,394	\$239,019	\$375,718
	Operating revenue deductions:			
2	Operating & maintenance expenses	299,093	271,906	271,906
3	Depreciation expense	70,108	67,639	67,639
4	Amortization of CIAC	0	0	0
5	Property taxes	437	437	437
6	Payroll taxes	3,192	3,375	3,375
7	Other Taxes	0	0	0
8	Regulatory Fee	395	311	488
9	Interest expense	0	0	0
10	Total deductions (Sum of L2 thru L9)	373,225	343,668	343,845
11	Taxable income (L1 - L10)	(133,831)	(104,649)	31,873
12	State income tax (L11 x 2.5%)	0	0	797
13	Federal taxable income after state income tax (L1 - L12)	(133,831)	(104,649)	31,076
14	Federal income tax (L13 x 21%)	0	0	6,526
15	Net amount (L11 - L12 - L14)	(133,831)	(104,649)	24,550
16	Add: Interest expense	0 [2]	0 [2]	0 [2]
17	Net income for a return (L15 + L16)	(\$133,831)	(\$104,649)	\$24,550

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

[2] Line 9

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

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

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
CALCULATION OF REVENUE REQUIREMENT
For The Test Year Ended October 31, 2022

Line No.	Item	Rate Base Method (a)	Retention Factor (b)	Revenue Requirement (c)	Operating Ratio Method (d)	Retention Factor (e)	Revenue Requirement (f)
Operating revenue deductions:							
1	Operating & maintenance expenses	\$271,906			271,906		
2	Depreciation expense	67,639			67,639		
3	Amortization of CIAC	0			0		
4	Property taxes	437			437		
5	Payroll taxes	3,375			3,375		
6	Other Taxes	0			0		
7	Regulatory Fee	0			0		
8	Total operating revenue deductions	<u>\$343,357</u>	0.998700	\$343,804	<u>343,357</u>	0.998700	343,804
Net operating income for a return:							
9	Debt service return	\$4,868	0.998700	4,874			
10	Equity return	\$10,601	0.769249	13,781	\$24,550	0.769249	31,914
11	Revenue requirement			<u>\$362,459</u>			<u>\$375,718</u>
12	Company Requested Revenue Requirement			<u>\$375,718</u>			

Exhibit I
Schedule 4A

904 Georgetown Treatment Plant LLC
Docket No. W-1141, Sub 8
CALCULATION OF OPERATING RATIOS
For The Test Year Ended October 31, 2022

Line No.	Item	Present Rates (a)	After Pro Forma Rates (b)	Company Proposed Rates (c)
<u>Interest expense, regulatory fee, and income taxes included:</u>				
1.	Gross operating revenues	\$239,394 [1]	\$239,019 [5]	\$375,718 [9]
2.	Operating expenses	<u>373,225 [2]</u>	<u>343,668 [6]</u>	<u>351,168 [10]</u>
3.	Operating ratios (L2 / L1)	<u>155.90%</u>	<u>143.78%</u>	<u>93.47%</u>
<u>Interest expense, regulatory fee, and income taxes excluded:</u>				
4.	Gross operating revenues	\$238,999 [3]	\$238,708 [7]	\$367,907 [11]
5.	Operating expenses	<u>372,830 [4]</u>	<u>343,357 [8]</u>	<u>343,357 [12]</u>
6.	Operating ratios (L5 / L4)	<u>156.00%</u>	<u>143.84%</u>	<u>93.33%</u>

[1] Exhibit I, Schedule 3, Line 4, Column (c).
 [2] Exhibit I, Schedule 3, Line 29, Column (c).
 [3] Exhibit I, Schedule 3, Line 4 - Line 25 - Line 26 - Line 27, Column (a).
 [4] Exhibit I, Schedule 3, Line 29 - Line 25 - Line 26 - Line 27, Column (a).
 [5] Exhibit I, Schedule 3, Line 4, Column (e).
 [6] Exhibit I, Schedule 3, Line 29, Column (e).
 [7] Exhibit I, Schedule 3, Line 4 - Line 25 - Line 26 - Line 27, Column (c).
 [8] Exhibit I, Schedule 3, Line 29 - Line 25 - Line 26 - Line 27, Column (c).
 [9] Exhibit I, Schedule 3, Line 4, Column (e).
 [10] Exhibit I, Schedule 3, Line 29, Column (e).
 [11] Exhibit I, Schedule 3, Line 4 - Line 25 - Line 26 - Line 27, Column (e).
 [12] Exhibit I, Schedule 3, Line 29 - Line 25 - Line 26 - Line 27, Column (e).

904 GEORGETOWN TREATMENT PLANT, LLC
 Docket No. W-1141, Sub 8
MARGIN ON OPERATING REVENUE DEDUCTIONS
REQUIRING A RETURN
 For The Test Year Ended October 31, 2022

Public Staff
 Morgan Exhibit I
 Schedule 1

Sewer Operations

<u>Line No.</u>	<u>Item</u>	<u>Present Rates</u> (a)	<u>Company Proposed Rates</u> (b)	<u>Public Staff Proposed Rates</u> (c)
1.	Net operating income for a return	(\$52,897) [1]	\$54,128 [4]	20,288 [6]
2.	Operating revenue deductions requiring a return	<u>289,828 [2]</u>	<u>289,828 [5]</u>	<u>289,828 [7]</u>
3.	Return	<u>-18.25% [3]</u>	<u>18.68% [3]</u>	<u>7.00% [8]</u>

[1] Morgan Exhibit I, Schedule 3, Line 31, Column (c).
 [2] Morgan Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (c).
 [3] Line 1 divided by Line 2.
 [4] Morgan Exhibit I, Schedule 3, Line 31, Column (e).
 [5] Morgan Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (e).
 [6] Line 2 x Line 3.
 [7] Morgan Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (g).
 [8] Provided by Public Staff Director Hinton.

904 GEORGETOWN TREATMENT PLANT, LLC
Docket No. W-1141, Sub 8
ORIGINAL COST RATE BASE
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 2

<u>Line No.</u>	<u>Item</u>	<u>Amount Per Application (a)</u>	<u>Public Staff Adjustments [1] (b)</u>	<u>Amount Per Public Staff (c)</u>
1	Plant in service	\$1,078,260	(\$805,369)	\$272,891 [2]
2	Accumulated depreciation	(894,998)	734,077	(\$160,921) [2]
3	Contributions in aid of construction	0	0	\$0
4	Accumulated amortization of CIAC	0	0	\$0
5	Customer advances	0	0	\$0
6	Net plant in service	183,262	(71,292)	111,970
7	Customer deposits	0	0	0
8	Cash working capital	33,988	(1,100)	32,888 [3]
9	Average tax accruals	(894)	(54)	(948) [4]
10	Original cost rate base	<u>\$216,356</u>	<u>(\$72,446)</u>	<u>\$143,910</u>

- [1] Column (c) minus Column (a).
- [2] Calculated by the Public Staff based on information provided by the Company.
- [3] Calculated at one-eighth of operating expenses.
- [4] Calculated at one-fifth of payroll taxes plus one-half property tax.

904 Georgetown Treatment Plant LLC
Docket No. W-1141 Sub 8
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION AND DEPRECIATION EXPENSE**
For the Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 2-1

Line No.	<u>Item</u>	Plant In Service [1] (a)	Year Acquired [1] (b)	Life [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
<u>Plant in service per Sub 4 Rate Case:</u>							
1	Pump	\$1,500	2003	7	20.50	\$0	(\$1,500)
2	Pump	604	2003	7	20.50	0	(604)
3	Pump	617	2003	7	20.50	0	(617)
4	Pump	600	2003	7	20.50	0	(600)
5	Time monitor	168	2004	7	19.50	0	(168)
6	File cabinet	131	2004	7	19.50	0	(131)
7	Pump	1,283	2004	7	19.50	0	(1,283)
8	V-belts	97	2004	7	19.50	0	(97)
9	Blower check valve and float	355	2004	7	19.50	0	(355)
10	Pump	603	2004	7	19.50	0	(603)
11	Motor and starter	815	2004	7	19.50	0	(815)
12	Lift station pump	3,871	2004	7	19.50	0	(3,871)
13	Lift station meter	1,225	2004	7	19.50	0	(1,225)
14	Contactors and overload relays	617	2004	7	19.50	0	(617)
15	Contactor	129	2004	7	19.50	0	(129)
16	Cord	736	2004	7	19.50	0	(736)
17	Contactor and overload relay	267	2004	7	19.50	0	(267)
18	Motor starter	435	2004	7	19.50	0	(435)
19	Back-up pump installation	300	2004	7	19.50	0	(300)
20	Float switch	428	2005	7	18.50	0	(428)
21	WWTP signs	150	2005	7	18.50	0	(150)
22	Pump motor	1,393	2005	7	18.50	0	(1,393)
23	Pump	1,538	2005	7	18.50	0	(1,538)
24	Testers	189	2005	7	18.50	0	(189)
25	File cabinet	137	2005	7	18.50	0	(137)
26	Dell computer	1,070	2005	5	18.50	0	(1,070)
27	Testers	170	2005	7	18.50	0	(170)
28	Vertical foot valve	1,150	2005	7	18.50	0	(1,150)
29	Telephone equipment	414	2005	7	18.50	0	(414)
30	Contactor and overload relay	127	2005	7	18.50	0	(127)
31	Sump pump	2,862	2005	7	18.50	0	(2,862)
32	Contactor and overload relay	129	2005	7	18.50	0	(129)
33	Pumps	1,606	2006	7	17.50	0	(1,606)
34	500 watt air conditioner	1,692	2006	7	17.50	0	(1,692)
35	50hp vdf drive	6,154	2006	7	17.50	0	(6,154)
36	Engineering fees	2,455	2006	7	17.50	0	(2,455)
37	Vertical turbine pumps	13,882	2006	7	17.50	0	(13,882)
38	Sand filter	12,800	2006	7	17.50	0	(12,800)
39	Surge pump	2,500	2006	7	17.50	0	(2,500)

904 Georgetown Treatment Plant LLC
Docket No. W-1141 Sub 8
CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 2-1

Line No.	Item	Plant In Service [1] (a)	Year Acquired [1] (b)	Life [2] (c)	Years In Service [3] (d)	Annual Depreciation [4] (e)	Accumulated Depreciation [5] (f)
40	Total plant in service per Sub 4 proceeding (Sum of L1 thru L39):	<u>65,199</u>				<u>0</u>	<u>(65,199)</u>
	Plant additions since Sub 4 rate case proceeding:						
41	Pilot Control	516	2007	7	16.50	0	(516)
42	Pump	1,145	2008	7	15.50	0	(1,145)
43	4" Diesel Pump	646	2008	5	15.50	0	(646)
44	Blower Aerifier for Holding Tanks	1,980	2009	5	14.50	0	(1,980)
45	Bay Station control Panel	3,500	2010	10	13.50	0	(3,500)
46	Pump	10,022	2013	5	10.50	0	(10,022)
47	2HP Grinder Pump	13,908	2015	5	8.50	0	(13,908)
48	Pump Wyndfall Lift Station	15,651	2019	5	4.50	3,130	(14,085)
49	2 Pumps	11,625	2020	5	3.50	2,325	(8,138)
50	Mapping - Structure and Improvements	20,875	2020	10	3.50	2,088	(7,308)
51	2 pump installs at main plant	7,000	2020	5	3.50	1,400	(4,900)
52	Control Panel	51,240	2021	10	2.50	5,124	(12,810)
53	Control Panel	5,818	2021	10	2.50	582	(1,455)
54	Generator	34,000	2021	10	2.50	3,400	(8,500)
55	Pump	1,519	2021	5	2.50	304	(760)
56	Pull and Replace Pump at WWTP	2,800	2022	5	1.50	560	(840)
57	Zoe E295-2in flange 2 hp swr pump	1,513	2022	5	1.50	303	(455)
58	10 horsepower motor	1,276	2022	5	1.50	255	(383)
59	New Railings on Lift Station	6,200	2022	10	1.50	620	(930)
60	Sunny Install New Pump for Plant Influent Tank	2,028	2022	5	1.50	406	(609)
61	Sunny Install New Pump for Plant Lift Station	6,939	2022	5	1.50	1,388	(2,082)
62	Noise Dampening Foam Fence for Blower Motors	7,490	2023	10	1.00	749	(749)
63	Total plant additions since Sub 4 rate case proceeding:	<u>207,692</u>				<u>22,634</u>	<u>(95,722)</u>
64	Total plant in service (L41 + L62):	<u>\$272,891</u>				<u>\$22,634</u>	<u>(\$160,921)</u>

[1] Per examination of Company's financial records, unless otherwise footnoted.
[2] Provided by Public Staff Engineer Houser.
[3] Calculated based on year placed in service using half year convention through 12/31/2023.
[4] Column (a) divided by Column (c), unless fully depreciated.
[5] Column (d) multiplied by Column (e), unless fully depreciated.

904 GEORGETOWN TREATMENT PLANT, LLC
Docket No. W-1141, Sub 8
NET OPERATING INCOME FOR A RETURN
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Public Staff
Schedule 3
Page 1 of 2

Line No.	Item	Present Rates		Company Proposed Rates		Public Staff Recommended Rates		
		Amount Per Company Application	Public Staff Adjustments [1]	Amount Per Public Staff [2]	Net Company Increase [13]	Operations After Rate Increase [14]	Net Public Staff Increase [17]	Operations After Rate Increase [18]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
Operating Revenues								
1	Service revenues	\$238,882	(\$0)	\$238,882 [3]	\$123,352	\$362,234 [3]	\$79,354	\$318,235 [19]
2	Miscellaneous revenues	137	0	137	0	137	0	137
3	Uncollectibles	0	(1,738)	(1,738) [4]	0	(1,738)	0	(1,738)
4	Total operating revenues	239,019	(1,738)	237,281	123,352	360,633	79,354	316,634
Operating and Maintenance Expenses								
5	Salaries and wages	41,390	1,451	42,841 [5]	0	42,841	0	42,841
6	Salaries and wages - Contractor	0	41,160	41,160 [6]	0	41,160	0	41,160
7	Administrative and office expense	20,684	0	20,684	0	20,684	0	20,684
8	Maintenance & repair expense	70,218	(55,123)	15,095 [3]	0	15,095	0	15,095
9	Landscape, Mowing, & Effluent	41,989	(18,010)	23,979 [3]	0	23,979	0	23,979
10	Utilities	6,313	18,620	24,933 [3]	0	24,933	0	24,933
11	Chemicals	1,772	0	1,772 [3]	0	1,772	0	1,772
12	Testing	4,720	440	5,160 [3]	0	5,160	0	5,160
13	Permit fees	1,310	0	1,310 [3]	0	1,310	0	1,310
14	Sludge removal	49,700	8,900	58,600 [3]	0	58,600	0	58,600
15	Other Expenses: Professional expenses	9,794	0	9,794	0	9,794	0	9,794
16	Other Expenses: Insurance Expense	13,827	0	13,827	0	13,827	0	13,827
17	Other Expenses: Bad Debt Expense	1,738	(1,738)	0	0	0	0	0
18	Other expenses - Miscellaneous expense	261	0	261	0	261	0	261
19	Regulatory expense	8,191	(4,498)	3,693 [7]	0	3,693	0	3,693
20	Total operating and maintenance expenses	271,907	(8,799)	263,108	0	263,108	0	263,108
Depreciation and Taxes								
21	Depreciation expense	67,639	(45,005)	22,634 [8]	0	22,634	0	22,634
22	Amortization expense - CIAC	0	0	0	0	0	0	0
23	Property taxes	437	0	437	0	437	0	437
24	Payroll taxes	3,375	274	3,649 [9]	0	3,649	0	3,649
25	Other taxes	0	0	0	0	0	0	0
26	Regulatory fee	311	39	350 [10]	182	532 [10]	117	467 [10]
27	State income tax	0	0	0 [11]	1,757	1,757 [15]	658	658 [20]
28	Federal income tax	0	0	0 [12]	14,388	14,388 [16]	5,393	5,393 [21]
29	Total depreciation and taxes	71,762	(44,692)	27,070	16,327	43,397	6,168	33,238
30	Total operating revenue deductions	343,669	(53,491)	290,178	16,327	306,505	6,168	296,346
31	Net operating income for return	(\$104,650)	\$51,753	(\$52,897)	\$107,025	\$54,128	\$73,186	\$20,288

904 GEORGETOWN TREATMENT PLANT, LLC

Docket No. W-1141, Sub 8
FOOTNOTES TO SCHEDULE 3
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 3
Page 2 of 2

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Column (a) plus Column (b), unless otherwise footnoted.
- [3] Provided by Public Staff Engineer Houser.
- [4] Reclassified Other expenses: Bad debt to uncollectibles.
- [5] Morgan Exhibit I, Schedule 3-1, Line 3.
- [6] Morgan Exhibit I, Schedule 3-2, Line 5.
- [7] Morgan Exhibit I, Schedule 3-3, Line 7.
- [8] Morgan Exhibit I, Schedule 2-1, Column (e), Line 62.
- [9] Morgan Exhibit I, Schedule 3-4, Line 3.
- [10] Line 4 multiplied by .14%.
- [11] Morgan Exhibit I, Schedule 3-5, Column (a), Line 12.
- [12] Morgan Exhibit I, Schedule 3-5, Column (a), Line 14.
- [13] Column (e) minus Column (c), unless otherwise footnoted.
- [14] Column (c) plus Column (d), unless otherwise footnoted.
- [15] Morgan Exhibit I, Schedule 3-5, Column (b), Line 12.
- [16] Morgan Exhibit I, Schedule 3-5, Column (b), Line 14.
- [17] Column (g) minus Column (c), unless otherwise footnoted.
- [18] Column (c) plus Column (f), unless otherwise footnoted.
- [19] Revenue requirement as calculated by the Public Staff.
- [20] Morgan Exhibit I, Schedule 3-5, Column (c), Line 12.
- [21] Morgan Exhibit I, Schedule 3-5, Column (c), Line 14.

904 GEORGETOWN TREATMENT PLANT, LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO SALARIES AND WAGES
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Salaries and wages per application	\$41,390
2.	Adjustment to reflect actual salaries expense calculated using 52 weeks per calendar year.	<u>1,451</u>
3.	Salaries and wages per Public Staff (L1 + L2)	<u>42,841</u>
4.	Adjustment to salaries and wages (L3 - L1)	<u><u>\$1,451</u></u>

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

904 GEORGETOWN TREATMENT PLANT, LLC
Docket No. W-1141, Sub 8
ADJUSTMENT TO CONTRACTOR SALARY
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Contract salary per application	\$0
2.	Adjustment to reclassify contractor salary expense from maintenance & repair.	34,440
3.	Adjustment to add contractor expenses for lift station operations.	<u>6,720</u>
4.	Contract salary per Public Staff (L1 + L2)	<u>41,160</u>
5.	Adjustment to contractor salary (L3 - L1)	<u>\$41,160</u>

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

904 GEORGETOWN TREATMENT PLANT, LLC
Docket No. W-1300, Sub 60
ADJUSTMENT TO REGULATORY EXPENSE
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 3-3

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Rate case application filing fee	\$250 [1]
2	Legal fees	7,537 [2]
3	Accounting consulting fees	9,563 [2]
4	Notices, Printing envelopes and postage	<u>1,113 [2]</u>
5	Total rate case expense (Sum of L1 thru L4)	18,463
6	Amortization Period	<u>5</u>
7	Rate case expense per Public Staff (L5 / L6)	<u><u>\$3,693</u></u>

[1] Statutory filing fee for Class C water and sewer companies.

[2] Based on information provided by the Company.

904 GEORGETOWN TREATMENT PLANT, LLC

Docket No. W-1141, Sub 8

ADJUSTMENT TO PAYROLL TAXES

For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 3-4

<u>Line No.</u>	<u>Item</u>	<u>Amount</u> [1]
1.	Payroll taxes expense per application	\$3,375
2.	Adjustment to reflect actual payroll taxes based on total annual salary using the actual tax rate and allocation factor.	274
3.	Payroll taxes expense per Public Staff (L1 + L2)	<u>3,649</u>
4.	Adjustment to payroll taxes (L3 - L1)	<u>\$274</u>

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

904 GEORGETOWN TREATMENT PLANT, LLC
Docket No. W-1141, Sub 8
CALCULATION OF INCOME TAXES
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exh bit I
Schedule 3-5

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [2] (b)	Public Staff Recommended Rates [3] (c)
1	Operating revenue	\$237,281	\$360,633	\$316,634
	Operating revenue deductions:			
2	Total O&M expenses	263,108	263,108	263,108
3	Depreciation expense	22,634	22,634	22,634
4	Amortization expense	0	0	0
5	Property taxes	437	437	437
6	Payroll taxes	3,649	3,649	3,649
7	Other taxes	0	0	0
8	Regulatory fee	350	532	467
9	Interest expense	0	0	0
10	Total deductions (Sum of L2 thru L9)	<u>290,178</u>	<u>290,360</u>	<u>290,295</u>
11	Taxable income (L1 - L10)	<u>(52,897)</u>	<u>70,273</u>	<u>26,339</u>
12	State income tax (L11 x 2.50%)	<u>0</u>	<u>1,757</u>	<u>658</u>
13	Federal taxable income (L11 - L12)	<u>(52,897)</u>	<u>68,516</u>	<u>25,681</u>
14	Federal income tax (L13 x 21.00%)	<u>0</u>	<u>14,388</u>	<u>5,393</u>
15	Net amount (L13 - L14)	<u>(52,897)</u>	<u>54,128</u>	<u>20,288</u>
16	Add: interest expense	<u>0</u>	<u>0</u>	<u>0</u>
17	Net income for return (L15 + L16)	<u><u>(\$52,897)</u></u>	<u><u>\$54,128</u></u>	<u><u>\$20,288</u></u>

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

904 GEORGETOWN TREATMENT PLANT, LLC

Docket No. W-1141, Sub 8

CALCULATION OF REVENUE REQUIREMENT

For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 4

Line No.	Item	Rate Base Method (a)	Retention Factor (b)	Revenue Requirement (c)	Operating Ratio Method (d)	Retention Factor (e)	Revenue Requirement (f)
	Operating revenue deductions:						
1.	Total O&M and G&A expense	\$263,108			\$263,108		
2.	Depreciation expense	22,634			22,634		
3.	Amortization expense	0			0		
4.	Property taxes	437			437		
5.	Payroll taxes	3,649			3,649		
6.	Other taxes	0			0		
7.	Regulatory fee	0			0		
8.	Total operating revenue deductions	<u>289,828</u>	0.998525	\$290,256	<u>\$289,828</u>	0.998525	\$290,256
9.	Net operating income for return:						
10.	Debt service return	3,022	0.998525	3,026			
11.	Equity return:	7,052	0.769114	9,168	20,288	0.769114	26,378
	Revenue requirement			<u>\$302,450</u>			<u>\$316,634</u>
							\$316,634

904 GEORGETOWN TREATMENT PLANT, LLC
Docket No. W-1141, Sub 8
CALCULATION OF GROSS REVENUE
IMPACT OF PUBLIC STAFF ADJUSTMENTS
For The Test Year Ended October 31, 2022

Public Staff
Morgan Exhibit I
Schedule 5

<u>Line No.</u>	<u>Item</u>	<u>904 Georgetown Sewer</u> [1]
1	Increase / (decrease) in total revenues per Company	<u>\$136,737</u>
2	<u>Difference in calculation of revenue requirement based on Company amounts:</u>	
3	Adjust capital structure to 50% debt and 50% equity	0
4	Adjust debt cost rate to 4.20%	0
5	Adjust return on equity to 9.80%	0
6	Adjustment to plant in service	0
7	Adjustment to accumulated depreciation	0
8	Adjustment to contributions in aid of construction	0
9	Adjustment to accumulated amortization of CIAC	0
10	Adjustment to customer advances	0
11	Adjustment to average tax accrual	0
12	Adjustment to cash working capital	0
13	Adjustment to service revenues	0
14	Adjustment to reclassify uncollectibles - bad debt	1,738
15	Adjustment to Salaries and wages	1,453
16	Adjustment to Contractor Salaries	41,221
17	Adjustment to Administrative and office expense	0
18	Adjustment to Maintenance & repair expense	(55,205)
19	Adjustment to Landscape, Mowing and Effluent	(18,037)
20	Adjustment to Utilities	18,647
21	Adjustment to Chemicals	0
22	Adjustment to Testing	441
23	Adjustment to Permit fees	0
24	Adjustment to Sludge removal	8,913
25	Adjustment Other Expenses: Professional expenses	0
26	Adjustment to Other expenses - Insurance expense	0
27	Adjustment to Other expenses - Bad debt expense	(1,741)
28	Adjustment to Other expenses - Miscellaneous expense	0
29	Adjustment to Regulatory expense	(4,505)
30	Adjustment to Depreciation expense	(45,071)
31	Adjustment to Payroll taxes	274
32	Adjustment for return	(4,872)
33	Adjustment to regulatory fee	28
34	Difference of return	(670)
	Rounding difference	<u>0</u>
35	Revenue impact of Public Staff adjustments	<u>(57,385)</u>
36	Increase / (decrease) per Public Staff	<u><u>\$79,352</u></u>

[1] Calculated by the Public Staff.

APPENDIX A

SCHEDULE OF RATES

for

904 GEORGETOWN TREATMENT PLANT, LLC

for providing sewer utility service in

SANDPIPER BAY GOLF AND COUNTRY CLUB

Brunswick County, North Carolina

<u>Monthly Flat Rate for Residential Service:</u>	\$ 25.04
<u>Connection Fee:</u>	\$1,675.00
<u>Reconnection Fee if cut off by Utility:</u>	Actual cost provided written estimate is given to customer prior to disconnection.
<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	30 days after billing date
<u>Billing Frequency:</u>	Shall be quarterly for service in arrears
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 30 days after billing date.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-1141, Sub 6, on this the 6th day of December, 2016, effective January 1, 2017.

OFFICIAL COPY

Dec 17 2023

904 Georgetown Treatment Plant LLC
 Docket No. W-1141, Sub 8
ADJUSTMENT EFFLUENT EXPENSES
 For The Test Year Ended October 31, 2022

	<u>GL Account</u>	<u>2007 Effluent Charge - Currently Approved</u>	<u>904 Filed Effluent Charge</u>	<u>904 Revised Effluent Charge</u>	<u>Public Staff Filed Position</u>	<u>904 Georgetown Second Revised</u>	<u>Total Test Year Effluent - Related Expenses - Removed</u> [9]
Effluent Agreement-Related Charges per General Ledger:							
1	Certified Spray Operator / Irrigation Costs			\$10,500 [4]	\$2,625	5,250 [6]	9,900
2	Land Lease Wastewater Applications	6326	\$4,500	4,500	\$4,500	4,500	4,500
3	Electric Power for Irrigation	6310-PH	18,500 [2]	7,217	7,217	7,217	7,217
4	Irrigation Pump Maintenance	6332	7,217 [3]	5,197 [5]	1,615	2,532 [7]	4,800
5	Shared Pumphouse Repair	6055 - PH				4,800 [8]	
6	Total Effluent Agreement - Actual Costs		<u>\$19,836.96</u>	<u>\$30,216.64</u>	<u>\$15,957.00</u>	<u>\$24,299.00</u>	<u>\$26,417.00</u>
7	Monthly Effluent Agreement Charge (line 6 / 12 months)		<u>\$1,653.08</u> [1]	<u>\$2,518.05</u>	<u>\$ 1,329.75</u>	<u>\$ 2,024.92</u>	<u>\$ 2,201.42</u>

[1] Per Approved Effluent Agreement, Paragraph 13:

[2] Incorrectly included Electric - Account 6310 in the calculation of the Effluent Charge.

[3] Incorrectly included Electric Account Balance 6310-PH as the Irrigation Pump Maintenance account balance - Account 6055-PH.

[4] Certified Spray Operator. Annual salary of \$63,000. assigned \$10,500 or 16.66% of time to the Effluent Charge.

[5] R&M Irrigation -Account 6332-00 - of \$15,591.72 divided by three golf courses.

[6] Certified Spray Operator. Annual salary of \$63,000. assigned \$10,500 or 16.66% of time to the Effluent Charge with sharing.

[7] R&M Irrigation -Account 6332-00 - of \$15,591.72. Added sharing without removing expenses.

[8] Shared Pumphouse Repair per test year expenses that should have been reflected per Effluent Agreement.

[9] 2022 General Ledger - Total Test Year Effluent - Related Expenses - 904 removed to avoid duplicating any effluent -related expenses.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1141, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by 904 Georgetown Treatment)
Plant, LLC, for Authority to Adjust and)
Increase Rates for Providing Sewer Utility)
Service in Sandpiper Bay Golf and Country)
Club in Brunswick County, North Carolina)

**SETTLEMENT AGREEMENT
AND STIPULATION**

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

I. BACKGROUND

A. On July 7, 2023, Georgetown filed an application with the Commission (Application) pursuant to N.C.G.S. §§ 62-133 and 62-134 and Commission Rules R1-4, R1-5, and R1-17, along with the direct testimony and exhibits of Julie Perry and Timothy P. Tilma. In the Application, Georgetown requested an increase in rates for providing sewer utility service in its service area

in Brunswick County, North Carolina. Georgetown serves approximately 795 residential flat rate sewer customers in Brunswick County, North Carolina.

B. On July 31, 2023, the Commission issued an Order Establishing General Rate Case and Suspending Rates.

C. On August 21, 2023, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice. That Order set a Public Witness Hearing for 7:00 p.m. on Wednesday, September 27, 2023, to be held at the Brunswick County Courthouse. That Order also scheduled an expert witness hearing for 1:00 p.m. on November 13, 2023, for the purpose of receiving expert witness testimony from Georgetown, the Public Staff, and any other party of record.

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

E. On September 22, 2023, the Public Staff filed a Motion and Proposed Order to Cancel the Public Witness Hearing, stating that no significant protest had been received.

F. On September 22, 2023, the Commission issued its Order Canceling Public Witness Hearing and Requiring Customer Notice.

G. On October 6, 2023, Georgetown filed a Request for Approval of Affiliate Lease Agreement.

H. On October 17, 2023, the Public Staff filed direct testimony and a Notice of Affidavit, consisting of testimony and/or exhibits by the following witnesses:

(i) Direct Testimony of Evan M. Houser, Utilities Engineer; Water, Sewer, and Telephone Division;

(ii) Direct Testimony of Iris Morgan, Public Utilities Regulatory Analyst, Accounting Division; and

(iii) Affidavit of John R. Hinton, Director, Economic Research Division.

I. On November 1, 2023, Georgetown filed the Rebuttal Testimony and Exhibit of Julie Perry.

J. The Stipulating Parties participated in extensive and multiple rounds of settlement discussions following the Public Staff's investigation of the Company's Application and accompanying documents, meetings discussing

matters of interest, reviewing the results of its examination of the Company's books and records, reviewing the Company's responses to the Public Staff's verbal and written Data Requests, and the filing of the Public Staff's direct testimony and the Company's rebuttal testimony.

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

II. STIPULATION AND AGREEMENT OF THE STIPULATING PARTIES

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

A. Rate Case Expense

- (i) Audited actual rate case expense through the close of hearing will be included in the calculation of final revenue requirement in the accounting schedules to be filed upon the completion of the audit. The Stipulating parties agree that the rate case expense in the current proceeding will be amortized over a 4-year period.

B. Other Settled Expenses

(i) The Company has agreed to the expense amounts recommended by the Public Staff in Morgan Exhibit 1 Schedule 3 with the exception of the following, which the parties have agreed are a reasonable ongoing level:

1. Maintenance and Repair - \$23,685, and

2. Landscape Mowing and Effluent - \$31,175.

i. The total effluent expenses of \$19,403 that make up the Effluent Charge is made up of the following expense items: Certified Spray Operator of \$5,250, Land Lease Water Application of \$4,500, and Electric Power for Irrigation of \$7,217, and Irrigation Pump Maintenance of \$2,436.

3. Rate Case Expenses, which will be updated as noted above

(ii) The Expense accounts listed above will be described in greater detail in the Joint Settlement Testimony of Public Staff Witnesses Houser and Morgan.

C. Affiliate Lease Agreement

- (i) The Public Staff agrees to recommend approval of the Office Lease Agreement as filed of \$1,100 per month.

D. Effluent Agreement

- (i) The Stipulating Parties agree that an annual effluent charge of \$19,403 is reasonable.
- (ii) The Stipulating Parties agree to request and recommend approval of the Effluent Easement and Irrigation Agreement with the following modifications:
 1. \$2,518.05 in Paragraph 13, sentence two, is replaced with the Effluent Charge of \$1,616.92.
 2. Paragraph 13, sentence three, is revised to read, "The amount of the charge may be revised on an annual basis beginning on January 1, 2025, pursuant to contract, but will not be reflected in the rates charged to customers of 904 unless approved by the NCUC."

E. RATE BASE

(i) The Stipulating Parties agree that the two budgeted projects that were included in the Company's original application should be removed from the rate base as they are not complete and placed in service during the review period.

(ii) The Stipulating Parties agree with the rest of the adjustments in rate base reflected in Public Staff in Morgan Exhibit 1 Schedule 2, with cash working capital subject to change based on the updated rate case expense.

(iii) The original cost rate base used and useful in providing service to the Company's customers is \$146,393, consisting of plant in service of \$272,891, and cash working capital of \$35,371 reduced by accumulated depreciation of \$160,921 and average tax accruals of \$948.

F. RATE OF RETURN

The stipulation parties agreed that the Company should be granted a 7.00% margin on operating expenses based on operating ratio methodology as allowed under N.C.G.S. § 62-133.1 and recommended by Public Staff Witness Hinton.

G. REVENUE REQUIREMENT AND RATES.

(i) No Stipulating Party waives any right to assert a position in any future proceeding or docket before the Commission or in any court, as the adjustments

agreed to in this Stipulation are strictly for purposes of compromise and are intended to show a rational basis for reaching the agreed-upon revenue requirement adjustments without either party conceding any specific adjustment. The Stipulating Parties agree that settlement on these issues will not be used as a rationale for future arguments on contested issues brought before the Commission.

(ii) The revenue requirement effects of this Stipulation provide sufficient support for the annual revenue required on the issues agreed to in this Stipulation.

(iii) The Public Staff, after consultation and agreement with the Company, will file accounting schedules detailing the final revenue requirement prior to filing the Joint Proposed Order, Schedule of Rates, and Notice to Customers.

III. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER.

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

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

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

IV. INTRODUCTION OF TESTIMONY AND WAIVER OF CROSS EXAMINATION.

The pre-filed testimony and exhibits of the Stipulating Parties may be received in evidence without objection, and each Party waives all right to cross-examine any witness with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner or Hearing Examiner, or if questions are asked or positions are taken by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits.

V. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY.

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

VI. COUNTERPARTS.

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

The foregoing is agreed and stipulated to this the 13th day of November, 2023.

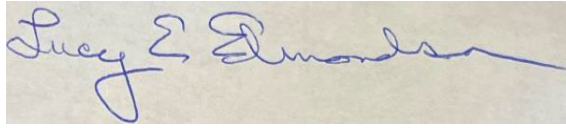
904 Georgetown Treatment Plant, LLC



Timothy P. Tilma, Manager



Public Staff - North Carolina Utilities Commission



Lucy E. Edmondson
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