



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

February 21, 2022

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. W-1250 Sub 8, Application by Saxapahaw Utility Company, Post Office Box 128, Saxapahaw, North Carolina 27340, for Authority to Increase Rates for Water Utility Service in the Village of Saxapahaw in Alamance County, North Carolina

Dear Ms. Dunston:

Attached for filing in the above-referenced matter are the Affidavits and Exhibits of Public Staff Witness Darrell Brown.

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
s/John D. Little
Staff Attorney
john.little@psncuc.nc.gov

Attachment(s)

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1250, SUB 8

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Saxapahaw Utility Company, Post
Office Box 128, Saxapahaw, North Carolina , 27340,
for Authority to Adjust and Increase Rates for Water
Utility Service in the Village of Saxapahaw in
Alamance County, North Carolina.

AFFIDAVIT
OF
DARRELL BROWN

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Darrell Brown, being duly sworn, do depose and say:

I am a Financial Analyst with the Public Staff Accounting Division, 430 North
Salisbury Street, Raleigh, North Carolina, and represent the using and consuming public
in this proceeding. I joined the Public Staff Accounting Division in May 2021 and my
qualifications and experience are listed in Appendix A, which is attached to this affidavit.
I am responsible for analyzing testimony, exhibits, and other data presented by parties
before the North Carolina Utilities Commission (Commission). I am also responsible for
performing examinations of the books and records of utilities involved in proceedings
before the Commission and summarizing the results into testimony and exhibits for
presentation to the Commission.

The purpose of my affidavit is to present the results of my examination of the levels
of revenues, expenses, and utility plant investment the Company filed in support of its

requested increase in operating revenues for water operations from \$151,605 to \$160,641.

On October 18, 2021, Saxapahaw Utility Company (Saxapahaw or the Company) filed an application with the Commission seeking authority to increase its rates for providing water utility services in the Village of Saxapahaw in Alamance County, North Carolina. My investigation included a review of the application filed by the Company, an examination of the Company's books and records for the test year, and a review of additional documentation provided by the Company in response to written data requests.

Based on my examination, the Company's original cost rate base at the 12-month test year ending December 31, 2020, is \$271,387 for water operations. The level of operating revenue deductions requiring a return (total operating expenses excluding the regulatory fee and income taxes) is \$149,783. As allowed under N. C. Gen. Stat. § 62-133, I used the rate base method to evaluate the Company's proposed revenue requirement.

Based on my examination, I concluded that the Company's proposed revenue increase is reasonable and would not be unfair to the Company's customers. Therefore, I recommend approval of the rate increase, as proposed by the Company in its application.

My affidavit contains a discussion of each issue resulting from my examination, and my exhibit (Brown Exhibit I) consists of schedules showing the calculation of my adjustments to revenues, expenses, and rate base. Schedule 1 of Brown Exhibit I presents the return on original cost rate base under present rates and the Company's proposed rates. Schedule 2, along with its supporting schedules, present the original

cost rate base. Schedule 3, along with its supporting schedules, present the calculation of net operating income for a return under present rates and the Company's proposed rates.

Brown Exhibit I also reflects adjustments recommended by other Public Staff witnesses. These adjustments include the recommendation of Public Staff Financial Analyst Tran regarding capital structure, embedded cost of long-term debt and return on common equity. My exhibit also include the effects of adjustments recommended by Public Staff Engineer Darden concerning the following items: service revenues under present and proposed rates, plant in service, depreciation and amortization lives, maintenance and repairs, electric power, chemicals, and testing fees.

The accounting and ratemaking adjustments that I am proposing and will discuss concern the following items:

- (a) Plant in service;
- (b) Accumulated depreciation and amortization;
- (c) Contributions in aid of construction (CIAC);
- (d) Cash working capital;
- (e) Average tax accrual;
- (f) Salaries & wages;
- (g) Contract labor;
- (h) Management fees;
- (i) Administrative and office;
- (j) Computer software fees;
- (k) Rate case expense;
- (l) Other taxes;
- (m) Regulatory fees and
- (n) Federal and state income taxes.

PLANT IN SERVICE

On its application, Saxapahaw Utility Company presented the amount of \$977,559 for plant in service for water operations. However, based on my examination of the Company's financial records, and its responses to Public Staff data requests in this docket, I calculate utility plant in-service in the amount of \$940,676. My calculation is based on the utility plant investment of \$915,813 approved by the Commission in the Company's last general rate case proceeding in Docket No. W-1250, Sub 7 (Sub 7), and adjusted for plant-in-service additions and disposals made since the close of the 2018 Sub 7 test year. Further, the utility plant-in-service amount of \$940,676 includes an adjustment for an elevated tank refurbishing project cost in the amount of \$23,680. This amount represents deferred maintenance costs that will be amortized over a 7-year period as recommended by Public Staff Engineer Darden. Additionally, I removed \$2,683 in plant additions for two Well Pressure Tanks that are pending installation and have not been placed in service. Together with the beginning balance from the prior rate case, these adjustments result in the \$940,676 plant-in-service amount shown on Brown Exhibit I, Schedule 2-1.

ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

On its application, the Company presented accumulated depreciation and amortization in the amount of \$341,296. However, consistent with utility plant in service, I have calculated accumulated depreciation and amortization based on utility plant investment as approved by the Commission in the Company's Sub 7 rate case proceeding, and adjusted accordingly for all plant-in-service additions and disposals since the 2018 test year. Consistent with this approach, I calculated accumulated depreciation

and amortization based on the aforementioned adjusted levels of plant in service using the depreciation lives approved in the last rate case. Plant-in-service additions depreciated and amortized since the Company's Sub 7 rate case are based on the service lives recommended by Public Staff Engineer Darden and the service lives approved by the Commission in the Sub 7 rate case. Accumulated depreciation and amortization are also calculated based on the year each plant asset was placed in service, using the half-year depreciation convention in the first year of the asset's useful life unless placed in service during the test year. Based on these accounting guidelines, I calculated total accumulated depreciation and amortization in the amount of \$388,630, as reflected on Brown Exhibit I, Schedule 2-1.

CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)

The Company reported \$336,094 on its application for CIAC. However, based on a comparison of this amount with the CIAC approved by the Commission in the Company's Sub 7 rate case proceeding of \$295,892, I made an adjustment to reduce CIAC by \$40,202. This adjustment to rate base is shown on Brown Exhibit 1, Schedule 2.

CASH WORKING CAPITAL

Cash working capital provides the Company with the funds necessary to carry on its day-to-day operations. On its application, the Company did not provide a cash working capital amount. However, consistent with other water utility cases, I calculated a working capital allowance representing one-eighth (1/8) of total operating and maintenance

expense as a measure of cash working capital. This adjustment to rate base of \$15,458 is shown on Brown Exhibit I, Schedule 2.

AVERAGE TAX ACCRUAL

On its application, the Company did not report any period-ending tax accruals. However, consistent with other water utility cases, I calculated an average tax accrual amount based on one-half (1/2) of annual property taxes. This adjustment to rate base of (\$225) is shown on Brown Exhibit I, Schedule 2.

SALARIES & WAGES

On its application, the Company presented \$85,005 in Salaries and Wages. However, after examining the supporting accounting records for these expenses, I re-classified \$70,005 to Contract Labor and \$15,000 to Management Fees.

CONTRACT LABOR

I made an adjustment to re-classify \$70,005 in Salaries and Wages to Contract Labor.

MANAGEMENT FEES

I made an adjustment to re-classify \$15,000 in Salaries and Wages to Management Fees.

ADMINISTRATIVE AND OFFICE

On its application, the Company presented \$1,570 for Administrative and Office expenses. However, after examination of the supporting accounting records, I have

determined that this balance included \$685 for computer software fees and equipment. Accordingly, I made an adjustment to re-classify this amount to Computer Software fees.

COMPUTER SOFTWARE FEES

I made an adjustment to re-classify \$685 in Administrative and Office expense to Computer Software fees.

RATE CASE EXPENSE

On its application, the Company did not include an amount for rate case expense. Therefore, I calculated rate case expense to include the application filing fee cost of \$100, postage costs for mailing notices to customers of \$418 and accounting fees of \$1,150 for a total amount of \$1,668, for rate case expense. I amortized the total cost over three years. These adjustments resulted in annual amortized rate case expense of \$556 as shown on Brown Exhibit I, Schedule 3-1.

OTHER TAXES

On its application, the Company reported \$206 for other taxes. After examining the Company's financial records, I concluded that this amount represented payment for regulatory fees. Therefore, I made an adjustment to remove the \$206 from other taxes and calculated an appropriate amount for the regulatory fee based on the statutory rate of 0.13%. The revised amount for the test year recommended by Public Staff is \$197.

REGULATORY FEES

I adjusted regulatory fees to reflect the statutory rate of .13% applied to revenues under present rates and the Company's proposed rates.


STATE AND FEDERAL INCOME TAXES

The levels of state and federal income tax are based on the statutory corporate rates for the level of income presented after all Public Staff adjustments. The calculation of state and federal income taxes is shown on Brown Exhibit I, Schedule 3-2.

ACCOUNTING MATTERS

In the previous rate case proceeding, Docket No. W-1250, Sub 7, the Public Staff experienced difficulties in securing electronic copies of the Company's trial balance and general ledger for the Test Year Ended December 31, 2018. This resulted in significant person-hours of work by the Public Staff reconstructing portions of the Company's accounting records. However, regarding the current rate case proceeding, the Company was able to provide the Company's trial balance and general ledger on a calendar year basis for the Test Year Ended December 31, 2020. Therefore, the Public Staff was able to complete its investigation of the Company's financial records without having to perform additional work reconstructing the Company's accounting records. Further, the Public Staff reminds the Company of its option to file future applications on a fiscal year basis (e.g., with application data provided in accordance with a June 30 test year-end).

This concludes my affidavit.



Darrell Brown

Witness my hand and notarial seal, this the 21st day of February, 2022.

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

Joanne M. Berube
Notary Public

JOANNE M. BERUBE
Printed or Typed Name

(SEAL)

Commission Expires: 12/17/2022

OFFICIAL COPY

Feb 21 2022

QUALIFICATIONS AND EXPERIENCE**DARRELL BROWN**

I graduated from North Carolina State University with a Bachelor of Science in Accounting.

Prior to joining the Public Staff, I was employed by Lumen (FKA CenturyLink, Inc.), as a Regulatory Operations Manager. My duties included preparation and review of federal and state regulatory financial and compliance report filings; analyzing and interpreting federal and state commission and legislative policies, rulemakings and statutes; providing analytical support and guidance necessary for federal and state regulatory policy development, investigations and internal and external audit requests; coordination of regulated accounting and reporting policy changes; and managing accounting and pricing functions.

I joined the Public Staff in May 2021 as a Public Staff Accountant. Since joining the Public Staff, I have performed investigations and prepared testimony and exhibits in support of natural gas and water utilities rate cases, and performed various other investigations and compliance reviews related to gas, telecom and water utilities.

INDEX TO BROWN EXHIBIT I

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Saxapahaw Utility Company
 Docket No. W-1250, Sub 8
 RETURN ON ORIGINAL COST RATE BASE
 For the Test Year Ended December 31, 2020

Brown Exhibit I
 Schedule 1

Line No.	<u>Item</u>	Capitalization Ratio (a)	[1]	Original Cost Rate Base (b)	Embedded Cost (c)	Overall Cost Rate (d)	[6]	Net Operating Income (e)
<u>Present rates:</u>								
1.	Debt	50%		\$135,694 [2]	4.60% [1]	2.30%		\$6,242 [7]
2.	Equity	50%		135,693 [2]	-3.40% [5]	-1.70%		(4,617) [8]
3.	Total	<u>100%</u>		<u>\$271,387 [3]</u>		<u>0.60%</u>		<u>\$1,625 [9]</u>
<u>Company proposed rates:</u>								
4.	Debt	50%		\$135,694 [4]	4.60% [1]	2.30%		\$6,242 [7]
5.	Equity	50%		135,693 [4]	2.50% [5]	1.25%		3,395 [10]
6.	Total	<u>100%</u>		<u>\$271,387 [3]</u>		<u>3.55%</u>		<u>\$9,637 [11]</u>

[1] - Provided by Public Staff Financial Analyst Tran.

[2] - Column (a) x Line 3, Column (b).

[3] - Brown Exhibit I, Schedule 2, Line 7, Column (c).

[4] - Column (a) x Line 6, Column (b).

[5] - Column (e) divided by Column (b).

[6] - Column (a) x Column (c).

[7] - Column (b) x Column (c).

[8] - Line 3 - Line 1, Column (e).

[9] - Brown Exhibit I, Schedule 3, Line 34, Column (c).

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

[11] - Brown Exhibit I, Schedule 3, Line 34, Column (e).

Saxapahaw Utility Company
Docket No. W-1250, Sub 8
ORIGINAL COST RATE BASE
For the Test Year Ended December 31, 2020

Brown Exhibit I
Schedule 2

Line No.	<u>Item</u>	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1.	Plant in service	\$977,559	(\$36,883)	\$940,676 [2]
2.	Accumulated Depreciation & Amortization	(341,296)	(47,334)	(388,630) [3]
3.	Contributions in aid of construction	<u>(336,094)</u>	<u>40,202</u>	<u>(295,892)</u> [4]
4.	Net plant in service	300,169	(44,015)	256,154
5.	Cash working capital	0	15,458	15,458 [5]
6.	Average tax accruals	<u>0</u>	<u>(225)</u>	<u>(225)</u> [6]
7.	Original cost rate base	<u>\$300,169</u>	<u>(\$28,782)</u>	<u>\$271,387</u>

- [1] - Column (c) - Column (a).
- [2] - Brown Exhibit I, Schedule 2-1, Line 116, Column (a).
- [3] - Brown Exhibit I, Schedule 2-1, Line 116, Column (h).
- [4] - Brown Exhibit I, Schedule 2-1, Line 116, Column (b).
- [5] - One-eighth of O&M expenses.
- [6] - One-half of property taxes.

Saxapahaw Utility Company
 Docket No. W-1250, Sub 8
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
 DEPRECIATION AND DEPRECIATION EXPENSE**
 For the Test Year Ended December 31, 2020

Brown Exhibit I
 Schedule 2-1
 Page 1 of 4

Line No.	Item	Plant In Service Per Public Staff (a)	CIAC (b)	Depreciable Plant in Service (c)	Year Placed In Service (d)	Life (e)	Years in Service (f)	Annual Depreciation & Amortization (g)	Accumulated Depreciation & Amortization (h)
Per Sub 4 Rate Case:									
1.	Land	\$4,790 [1]	\$0 [1]	\$4,790	1980 [1]	N/A	N/A	\$0	\$0
2.	Wells	0 [2]	0 [1]	0	1986 [1]	25 [1]	34.5	0	0
3.	Tank	0 [2]	0 [1]	0	1987 [1]	25 [1]	33.5	0	0
4.	Mains	5,720 [1]	0 [1]	5,720	1987 [1]	35 [1]	33.5	163	5,461
5.	Service connections	1,616 [1]	0 [1]	1,616	1987 [1]	35 [1]	33.5	46	1,541
6.	Wells	2,946 [1]	0 [1]	2,946	1988 [1]	25 [1]	32.5	0	2,946
7.	Mains	1,960 [1]	0 [1]	1,960	1988 [1]	35 [1]	32.5	56	1,820
8.	Service connections	50 [1]	0 [1]	50	1988 [1]	35 [1]	32.5	1	33
9.	Mains	12,494 [1]	0 [1]	12,494	1989 [1]	35 [1]	31.5	357	11,246
10.	Service connections	40 [1]	0 [1]	40	1989 [1]	35 [1]	31.5	1	32
11.	Wells	5,407 [1]	0 [1]	5,407	1990 [1]	25 [1]	30.5	0	5,407
12.	Mains	503 [1]	0 [1]	503	1990 [1]	35 [1]	30.5	14	427
13.	Service connections	132 [1]	0 [1]	132	1991 [1]	35 [1]	29.5	4	118
14.	Service connections	128 [1]	0 [1]	128	1992 [1]	35 [1]	28.5	4	114
15.	Tank	35,534 [1]	0 [1]	35,534	1994 [1]	25 [1]	26.5	0	35,534
16.	Mains	15,801 [1]	0 [1]	15,801	1997 [1]	35 [1]	23.5	451	10,599
17.	Tank	908 [1]	0 [1]	908	1998 [1]	25 [1]	22.5	36	810
18.	Mains	164,664 [1]	0 [1]	164,664	1998 [1]	35 [1]	22.5	4,705	105,863
19.	Service connections	8,087 [1]	0 [1]	8,087	1998 [1]	35 [1]	22.5	231	5,198
20.	Service connections	1,692 [1]	0 [1]	1,692	1999 [1]	35 [1]	21.5	48	1,032
21.	Mains	650 [1]	0 [1]	650	2000 [1]	35 [1]	20.5	19	390
22.	Service connections	6,165 [1]	0 [1]	6,165	2000 [1]	35 [1]	20.5	176	3,608
23.	Mains	28,904 [1]	0 [1]	28,904	2002 [1]	35 [1]	18.5	826	15,281
24.	Wells	11,720 [1]	0 [1]	11,720	2002 [1]	25 [1]	18.5	469	8,677
25.	Structures & site improvement	112 [1]	0 [1]	112	2002 [1]	25 [1]	18.5	4	74
26.	Service connections	7,606 [1]	0 [1]	7,606	2002 [1]	35 [1]	18.5	217	4,015
27.	Structures & site improvement	9,356 [1]	0 [1]	9,356	2003 [1]	25 [1]	17.5	374	6,545
28.	Booster station	3,516 [1]	0 [1]	3,516	2004 [1]	20 [1]	16.5	176	2,904
29.	Mains	646 [1]	0 [1]	646	2004 [1]	35 [1]	16.5	18	297
30.	Computer software	0 [2]	0 [1]	0	2004 [1]	5 [1]	16.5	0	0
31.	Tank	313 [1]	0 [1]	313	2004 [1]	25 [1]	16.5	13	215
32.	Office printer	0 [2]	0 [1]	0	2005 [1]	5 [1]	15.5	0	0
33.	Pumps	0 [2]	0 [2]	0	2005 [1]	5 [1]	15.5	0	0
34.	Mains	180,458 [1]	(178,008) [1]	2,450	2005 [1]	35 [1]	15.5	70	1,085
35.	Meters	2,062 [1]	0 [1]	2,062	2005 [1]	20 [1]	15.5	103	1,597

Saxapahaw Utility Company
Docket No. W-1250, Sub 8
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION AND DEPRECIATION EXPENSE**
For the Test Year Ended December 31, 2020

Brown Exhibit I
Schedule 2-1
Page 2 of 4

Line No.	Item	Plant In Service Per Public Staff (a)	CIAC (b)	Depreciable Plant in Service (c)	Year Placed In Service (d)	Life (e)	Years in Service (f)	Annual Depreciation & Amortization (g)	Accumulated Depreciation & Amortization (h)
36.	Tanks	\$55,203 [1]	(\$28,815) [1]	\$26,388	2005 [1]	25 [1]	15.5	\$1,056	\$16,368
37.	Structures & site improvement	113,539 [1]	(88,451) [1]	25,088	2005 [1]	25 [1]	15.5	1,004	15,562
38.	Wells	717 [1]	0 [1]	717	2006 [1]	25 [1]	14.5	29	421
39.	Engineering	1,899 [1]	0 [1]	1,899	2006 [1]	20 [1]	14.5	95	1,378
40.	Pumps	0 [2]	0 [1]	0	2006 [1]	5 [1]	14.5	0	0
41.	Mains	1,130 [1]	0 [1]	1,130	2006 [1]	35 [1]	14.5	32	464
42.	Organizational costs	0 [2]	0 [1]	0	2007 [1]	5 [1]	13.5	0	0
43.	Pumps	0 [3]	0 [1]	0	2007 [1]	5 [1]	13.5	0	0
44.	Mains	17,364 [1]	0 [1]	17,364	2007 [1]	35 [1]	13.5	496	6,696
45.	Meters - 18-3/4 meters and installation	6,870 [1]	0 [1]	6,870	2008 [1]	20 [1]	12.5	344	4,300
46.	Meters - 36-3/4 meters and installation	14,888 [1]	0 [1]	14,888	2009 [1]	20 [1]	11.5	744	8,556
47.	Meters - 12-3/4 meters and installation	5,673 [1]	0 [1]	5,673	2009 [1]	20 [1]	11.5	284	3,266
48.	Meters - meter big well house #2	823 [1]	0 [1]	823	2010 [1]	25 [1]	10.5	33	347
49.	Meters - well #2 meter and flow meter	2,182 [1]	0 [1]	2,182	2010 [1]	20 [1]	10.5	109	1,145
50.	Meters - T10 2" meter w/ coder/parts	883 [1]	0 [1]	883	2010 [1]	20 [1]	10.5	44	462
51.	Meters - 3-T10 5/8 x 3/4 meter/parts	826 [1]	0 [1]	826	2010 [1]	20 [1]	10.5	41	431
52.	Meters - Village meters	614 [1]	0 [1]	614	2010 [1]	20 [1]	10.5	31	326
53.	Meters - apartment meters T10:2	2,315 [1]	0 [1]	2,315	2010 [1]	20 [1]	10.5	116	1,218
54.	Meters - lower Mill meters T10 -1 -1/2	1,113 [1]	0 [1]	1,113	2010 [1]	20 [1]	10.5	56	588
55.	Mains - mains for well #4	1,134 [1]	0 [1]	1,134	2010 [1]	35 [1]	10.5	32	336
56.	Service connection - mobile home park	1,272 [1]	0 [1]	1,272	2010 [1]	20 [1]	10.5	64	672
57.	Other - ICS water computer software	7,984 [1]	0 [1]	7,984	2008 [1]	5 [1]	12.5	0	7,984
58.	Other - radio meter reader/software	7,838 [1]	0 [1]	7,838	2008 [1]	5 [1]	12.5	0	7,838
59.	Other - attorney, accounting, engineering	3,583 [1]	0 [1]	3,583	2009 [1]	20 [1]	11.5	179	2,059
60.	Pumps - 150 PSI pump well #3	553 [1]	0 [1]	553	2009 [1]	5 [1]	11.5	0	553
61.	Pumps - 150 PSI chemical pump well #1	493 [1]	0 [1]	493	2009 [1]	5 [1]	11.5	0	493
62.	Pumps - well #2 pump - 85 GPM, 7 1/2 hp	5,166 [1]	0 [1]	5,166	2010 [1]	5 [1]	10.5	0	5,166
63.	Pumps - well #2 pump pressure switch	279 [1]	0 [1]	279	2010 [1]	5 [1]	10.5	0	279
64.	Structures - well #4 well pad	782 [1]	0 [1]	782	2009 [1]	25 [1]	11.5	31	357
65.	Structures - well house for well #4	16,428 [1]	0 [1]	16,428	2011 [4]	25 [1]	9.5	657	6,242
66.	Wells - well #4 surveying cost	1,103 [1]	0 [1]	1,103	2009 [1]	25 [1]	11.5	44	506
67.	Wells - well #4 GMAC engineering cost	11,488 [1]	(618) [1]	10,870	2010 [1]	25 [1]	10.5	435	4,568
68.	Wells - well #4 application fee/mailling	233 [1]	0 [1]	233	2010 [1]	25 [1]	10.5	9	95
69.	Wells - well #4 GMAC	3,039 [1]	0 [1]	3,039	2010 [1]	25 [1]	10.5	122	1,281
70.	Wells - well #4 7/1 - 12/31/10	25,919 [1]	0 [1]	25,919	2010 [1]	25 [1]	10.5	1,037	10,889
71.	Plant in service - Sub 3 (Sum of Line 1 thru Line 70)	<u>\$827,313</u>	<u>(\$295,892)</u>	<u>\$531,421</u>				<u>\$15,706</u>	<u>\$343,703</u>

Saxapahaw Utility Company
Docket No. W-1250, Sub 8
CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2020

Brown Exhibit I
Schedule 2-1
Page 3 of 4

Line No.	Item	Plant In Service Per Public Staff (a)	CIAC (b)	Depreciable Plant in Service (c)	Year Placed In Service (d)	Life (e)	Years in Service (f)	Annual Depreciation & Amortization (g)	Accumulated Depreciation & Amortization (h)
Per Sub 4 Rate Case:									
72.	Lower Mill meter T10-2" meter	\$668	\$0	\$668	2011	[1]	10	\$67	\$637
73.	Well 4 meter	2,595	0	2,595	2011	[1]	10	260	2,470
74.	Lower Mill meter T10-2" meter	1,338	0	1,338	2011	[1]	10	134	1,273
75.	Meter parts lower Mill	291	0	291	2011	[1]	10	29	276
76.	5 Meters for RMA	857	0	857	2011	[1]	10	86	817
77.	2 Meters mobile home park	432	0	432	2012	[1]	10	43	366
78.	2 Meters Sellers Building	2,404	0	2,404	2012	[1]	10	240	2,040
79.	Meter RMA boiler shed	677	0	677	2012	[1]	10	68	578
80.	Meter for Hawbridge School	2,373	0	2,373	2012	[1]	10	237	2,015
81.	Mains for Cozi Farm	2,025	0	2,025	2011	[1]	35	58	551
82.	Fire Hydrants for Haw Village	1,841	0	1,841	2011	[1]	35	53	504
83.	New main line 5904/5910 S/W	13,302 [5]	0	13,302	2012	[1]	35	380	3,230
84.	Service connection mobile home park	1,500	0	1,500	2011	[1]	20	75	713
85.	Connections for 5904/5010 SS	1,543	0	1,543	2012	[1]	20	77	655
86.	Well #4 pressure switch	368	0	368	2011	[1]	5	0	368
87.	Well #2 - replace pump 7/12 HP 450	0 [3]	0	0	2011	[1]	5	0	0
88.	Sub monitor for well #2 pump	1,144	0	1,144	2011	[1]	5	0	1,144
89.	Well house for well #4	21,389	0	21,389	2011	[1]	25	856	8,132
90.	Well house for well #4 - electricity	2,760	0	2,760	2011	[1]	25	110	1,045
91.	Well #4 1/11-6/30/11	1,875	0	1,875	2011	[1]	25	75	713
92.	Well #4 - GMAC (eng) & R. Nelson (attorney)	1,174	0	1,174	2011	[1]	20	59	561
93.	Well #4 - GMAC	863	0	863	2011	[1]	20	43	409
94.	Well # - electricity	2,598	0	2,598	2011	[1]	25	104	988
95.	Plant in service - Subs 3 and 4 (Sum of Line 71 thru Line 94)	<u>\$891,330</u>	<u>(\$295,892)</u>	<u>\$595,438</u>				<u>\$18,760</u>	<u>\$373,183</u>
Per Sub 6 Rate Case:									
96.	Well #4 - Pressure Switch	\$363	\$0	\$363	2013	[1]	5	\$0	\$363
97.	2" & 1" Meters & Install	3,794	0	3,794	2014	[1]	10	379	2,464
98.	Gate Valve	295	0	295	2014	[1]	15	20	130
99.	5/8 x 3/4 Meter	258	0	258	2014	[1]	10	26	169
100.	Gate Valve	309	0	309	2015	[1]	15	21	116
101.	5/8 x 3/4, 1", 1.5", 2' Meters & Install	4,271	0	4,271	2015	[1]	10	427	2,349
102.	Computer software	2,865 [8]	0	2,865	2016	[1]	5	573	2,579
103.	Plant in service - Subs 3, 4 and 6 (Sum of Line 95 thru Line 102)	<u>\$903,485</u>	<u>(\$295,892)</u>	<u>\$607,593</u>				<u>\$20,206</u>	<u>\$381,351</u>

Saxapahaw Utility Company
Docket No. W-1250, Sub 8
CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2020

Line No.	Item	Plant In Service Per Public Staff (a)	CIAC (b)	Depreciable Plant in Service (c)	Year Placed In Service (d)	Life (e)	Years in Service (f)	Annual Depreciation & Amortization (g)	Accumulated Depreciation & Amortization (h)
Per Sub 7 Rate Case:									
104.	Amtrol Well Pressure Tank (2)	\$2,250 [8]	\$0	\$2,250	2017 [7]	25 [8]	3.5	\$90	\$315
105.	7.5 HP Pump & Motor (Well No. 2) & Install	5,773 [8]	0	5,773	2018 [7]	6 [8]	2.5	962	2,405
106.	2" Galv. Pipe (189' Well No. 2) & Install	1,153 [8]	0	1,153	2018 [7]	25 [8]	2.5	46	115
107.	Check Valve (Well No. 2) & Install	411 [8]	0	411	2018 [7]	15 [8]	2.5	27	68
108.	5/8x3/4 Meter with Ecoder (3)	680 [8]	0	680	2018 [7]	10 [8]	2.5	68	170
109.	2HP Motor	691 [8]	0	691	2018 [7]	6 [8]	2.5	115	288
110.	24 GPD, 100 PSI Chem Feed Pump & Repair Kit	452 [8]	0	452	2018 [7]	6 [8]	2.5	75	188
111.	5/8x3/4 Meter with Ecoder (2)	448 [8]	0	448	2018 [7]	10 [8]	2.5	45	113
112.	5/8x3/4 Meter with Ecoder (2)	470 [8]	0	470	2018 [7]	10 [8]	2.5	47	118
113.	Plant in service (Sum of Line 103 thru Line 112)	<u>\$915,813</u>	<u>(\$295,892)</u>	<u>\$619,921</u>				<u>\$21,681</u>	<u>\$385,129</u>
Per Sub 8 Rate Case:									
114.	5/8X3/4 Meter with Ecoder (5)	\$1,183 [8]	\$0	\$1,183	2020 [7]	10 [8]	1.0	\$118	\$118
115.	Elevated Tank Refurbishing Project - Deferred Maintenance Amortization	<u>\$23,680</u> [8]	<u>\$0</u>	<u>\$23,680</u>	2020 [7]	7 [8]	1.0 [12]	<u>\$3,383</u>	<u>\$3,383</u>
116.	Total Plant In Service (Sum of Line 113 thru Line 115)	<u>\$940,676</u>	<u>(\$295,892)</u>	<u>\$644,784</u>				<u>\$25,182</u>	<u>\$388,630</u>

[1] - Based on last general rate case (Docket No. W-1250, Sub 7), unless otherwise noted.
 [2] - Rate base assets retired per Docket No. W-1250, Sub 4.
 [3] - Rate base assets retired per Docket No. W-1250, Sub 7 (Note: Per Applicant records the tax basis of disposed Asset #43 is \$6,456).
 [4] - Per Applicant tax records this asset was placed in service in 2011.
 [5] - Per Applicant records tax basis is recorded as \$16,149; regulatory basis per Public Staff is \$13,302.
 [6] - Column (a) plus Column (b).
 [7] - Based on a review of Company records.
 [8] - Provided by Public Staff Engineer Darden.
 [9] - Based on year placed in service, using half year convention.
 [10] - Column (c) divided by Column (e), unless fully depreciated.
 [11] - Column (f) x Column (g), unless fully depreciated.
 [12] - Based on 7 year amortization period. Assumes full year of amortization expense in year one.

Saxapahaw Utility Company
Docket No. W-1250, Sub 8
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended December 31, 2020

Brown Exhibit I
Schedule 3
Page 1 of 2

Line No.	Item	Present Rates			Company Proposed Rates		
		Per Application (a)	Public Staff Adjustments (1) (b)	Per Public Staff (c) (2)	Net Company Increase (d) (15)	Operations After Rate Increase (e) (16)	
1.	Operating Revenues:						
2.	Service revenues	\$150,805	(\$689)	\$150,116	[3]	\$9,036	\$159,152 [3]
3.	Other revenues	1,489	0	1,489		0	1,489
4.	Bad debt Recovery	0	0	0		0	0
5.	Total operating revenues	<u>152,294</u>	<u>(689)</u>	<u>151,605</u>		<u>9,036</u>	<u>160,641</u>
6.	Deductions from Operating Revenue:						
7.	Salaries and wages	85,005	(85,005)	0	[4]	0	0
8.	Contract labor	0	70,005	70,005	[5]	0	70,005
9.	Administrative and office	1,570	(685)	885	[6]	0	885
10.	Maintenance and repairs	17,074	(11,565)	5,509	[3]	0	5,509
11.	Electric power for pumping	7,115	311	7,426	[3]	0	7,426
12.	Chemicals	1,126	128	1,254	[3]	0	1,254
13.	Testing	505	1,536	2,041	[3]	0	2,041
14.	Permits, fees & licenses	830	0	830		0	830
15.	Professional & Legal	3,936	0	3,936		0	3,936
16.	Dues, seminars & subscriptions	695	0	695		0	695
17.	Insurance expense	397	0	397		0	397
18.	Management Fees	0	15,000	15,000	[7]	0	15,000
19.	Computer/software fees	0	685	685	[8]	0	685
20.	Rate case expense	0	556	556	[9]	0	556
21.	Rental & Lease expense	7,150	0	7,150		0	7,150
22.	Other expenses/losses	7,295	0	7,295		0	7,295
23.	Total O&M expenses	<u>132,698</u>	<u>(9,034)</u>	<u>123,664</u>		<u>0</u>	<u>123,664</u>
24.	Depreciation & Amortization	21,196	3,986	25,182	[10]	0	25,182
25.	Property taxes	450	0	450		0	450
26.	Other taxes	206	(206)	0	[11]	0	0
27.	Payroll Taxes	0	0	0		0	0
28.	Regulatory fees	0	197	197	[12]	12	209 [12]
29.	Gross receipts tax	0	0	0		0	0
30.	State Franchise tax	487	0	487		0	487
31.	State income tax	0	0	0	[13]	110	110 [17]
32.	Federal income tax	0	0	0	[14]	902	902 [18]
33.	Total operating revenue deductions	<u>155,037</u>	<u>(5,057)</u>	<u>149,980</u>		<u>1,024</u>	<u>151,004</u>
34.	Net operating income for return	<u>(\$2,743)</u>	<u>\$4,368</u>	<u>\$1,625</u>		<u>\$8,012</u>	<u>\$9,637</u>

Saxapahaw Utility Company

Docket No. W-1250, Sub 8

FOOTNOTES TO SCHEDULE 3

For the Test Year Ended December 31, 2020

Brown Exhibit I

Schedule 3

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- [1] - Column (c) - Column (a), unless otherwise footnoted.
- [2] - Column (a) plus Column (b), unless otherwise footnoted.
- [3] - Per Public Staff Engineer Darden.
- [4] - Reclassification of \$70,005 in Contract Labor for water service operations & bookkeeping services; and \$15,000 in Management Fees.
- [5] - Contract Labor reclassified from Salaries and Wages (See Note 4).
- [6] - Reclassification of \$685 in computer software equipment and support expenses.
- [7] - Reclassification of Management Fees from Salaries & Wages.
- [8] - Computer Software equipment & support expenses reclassified from Administrative and Office.
- [9] - Brown Exhibit I, Schedule 3-1, Line 6.
- [10] - Brown Exhibit I, Schedule 2-1, Line 116, Column (g).
- [11] - Reclassification of NCUC Regulatory Fees: (\$206).
- [12] - Line 5 multiplied times 0.13% (NCUC Regulatory Fee Rate).
- [13] - Brown Exhibit I, Schedule 3-2, Line 12, Column (a).
- [14] - Brown Exhibit I, Schedule 3-2, Line 13, Column (a).
- [15] - Column (e) - Column (c), unless otherwise footnoted.
- [16] - Column (c) plus Column (d), unless otherwise footnoted.
- [17] - Brown Exhibit I, Schedule 3-2, Line 12, Column (b).
- [18] - Brown Exhibit I, Schedule 3-2, Line 13, Column (b).

Saxapahaw Utility Company
 Docket No. W-1250, Sub 8
 CALCULATION OF RATE CASE EXPENSE
 For the Test Year Ended December 31, 2020

Brown Exhibit I
 Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Cost to mail notices	\$418 [1]
2.	NCUC filing fees	100 [2]
3.	Accounting services	<u>1,150</u> [3]
4.	Total rate case expense (Line 1 thru Line 3)	\$1,668
5.	Amortization factor	<u>3</u>
6.	Amortized regulatory expense (Line 4 / Line 5)	<u><u>\$556</u></u>

- [1] - Based on 268 customer accounts x 2 mailings x \$.58 per first class stamp, plus \$.20 for envelopes and copying.
- [2] - Filing fee per application
- [3] - Accounting services related to the rate case per invoice provided in response to PSDR No. 1, Question 8.

Saxapahaw Utility Company
Docket No. W-1250, Sub 8
CALCULATION OF INCOME TAXES
For the Test Year Ended December 31, 2020

Brown Exhibit I
Schedule 3-2

Line No.	Item	Present Rates (a)	[1]	Company Proposed Rates (b)	[3]
1.	Operating revenue	\$151,605		\$160,641	
2.	Operating revenue deductions:				
3.	O & M expenses	123,664		123,664	
4.	Depreciation expense	25,182		25,182	
5.	Property taxes	450		450	
6.	Payroll Taxes	0		0	
7.	Regulatory fee	197		209	
8.	State Franchise tax	487		487	
9.	Interest expense	6,242	[2]	6,242	[4]
10.	Total deductions (Sum of L3 thru L9)	156,222		156,234	
11.	Pre-tax Income (L1 - L10)	(4,617)		4,407	
12.	<u>LESS:</u> State income tax (L11 x 2.50%)	0		110	
13.	<u>LESS:</u> Federal income tax (L11 - L12 x 21.00%)	0		902	
14.	Net amount (L11 - L12 - L13)	(4,617)		3,395	
15.	<u>ADD:</u> Interest expense	6,242	[2]	6,242	[4]
16.	Net income for return (L14 + L15)	\$1,625		\$9,637	

- [1] - Brown Exhibit I, Schedule 3, Column (c).
[2] - Brown Exhibit I, Schedule 1, Column (e), Line 1.
[3] - Brown Exhibit I, Schedule 3, Column (e).
[4] - Brown Exhibit I, Schedule 1, Column (e), Line 4.