



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

December 9, 2022

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

Re: Docket No. W-354, Sub 400 - Public Staff Late-Filed Supplemental Exhibit 1

Dear Ms. Dunston:

During the evidentiary hearing, Public Staff witness Fenge Zhang received questions from Presiding Commissioner Daniel Clodfelter and the attorney for Carolina Water Service, Inc. of North Carolina regarding Public Staff Settlement Exhibit 1 and Schedules 3(a) to 3(d). In response to questions, Public Staff witness Zhang agreed to provide a late-filed supplemental settlement exhibit that was easier to follow. The Public Staff therefore transmits for filing, Public Staff Late-Filed Supplemental Exhibit 1 and schedule 3(a)-RY, which more clearly sets out net operating income for Water and Sewer Investment Plan (WSIP) Rate Years 1, 2, and 3.

By copy of this letter, I am forwarding a copy of the above to all parties of record.

Sincerely yours,

Electronically submitted
/s/ Gina C. Holt
Manager, Legal Division
gina.holt@psncuc.nc.gov

Enclosure

Executive Director
(919) 733-2435

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Legal
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Transportation
(919) 733-7766

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Electric
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Natural Gas
(919) 733-4326

Water
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CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 400

NET OPERATING INCOME FOR A RETURN

For The Rate Years Ended March 31, 2026

Late-Filed Supplemental Public Staff Exhibit 1

Schedule 3(a)-RY

Line No.	Item	Rate Year 1			Rate Year 2			Rate Year 3	
		PS Amount Per	RY1 Public Staff	RY1 Amount Per	RY2 Public Staff	RY2 Amount Per	RY3 Public Staff	RY3 Amount Per	
		Base Year [1]	Adjustments [2]	Public Staff [3]	Adjustments [2]	Public Staff [3]	Adjustments [2]	Public Staff [3]	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
<u>CWSNC WATER OPERATIONS</u>									
<u>Operating Revenues:</u>									
1	Service revenues	\$23,080,303	\$1,563,944	\$24,644,247	\$1,355,055	\$25,999,302	\$532,605	\$26,531,907	
2	Miscellaneous revenues	174,225	4,436	178,661	3,843	182,504	1,511	184,015	
3	Uncollectible accounts	(173,102)	(11,730)	(184,832)	(10,163)	(194,995)	(3,995)	(198,989)	
4	Total operating revenues (Sum of L1 thru L3)	23,081,426	1,556,650	24,638,076	1,348,735	25,986,812	530,121	26,516,933	
<u>Maintenance Expenses:</u>									
5	Purchased power	1,071,097	47,714	1,118,810	37,621	1,156,431	39,123	1,195,554	
6	Purchased water	1,665,457	0	1,665,457	0	1,665,457	0	1,665,457	
7	Maintenance and repair	1,195,626	(707)	1,194,919	196,916	1,391,835	(120,403)	1,271,432	
8	Maintenance testing	195,388	6,643	202,031	4,849	206,880	4,965	211,845	
9	Meter reading	222,612	7,569	230,181	5,524	235,706	5,657	241,363	
10	Chemicals	336,625	14,996	351,620	11,823	363,444	12,295	375,739	
11	Transportation	287,092	0	287,092	0	287,092	0	287,092	
12	Operating expenses charged to plant	(455,145)	(13,654)	(468,799)	(14,064)	(482,863)	(14,486)	(497,349)	
13	Outside services - other	113,158	3,847	117,005	2,808	119,813	2,876	122,689	
14	Total maintenance expenses (Sum of L5 thru L13)	4,631,909	66,408	4,698,317	245,478	4,943,795	(69,973)	4,873,821	
<u>General Expenses:</u>									
15	Salaries and wages	3,872,044	116,161	3,988,205	119,646	4,107,851	123,236	4,231,087	
16	Office supplies and other office expense	319,242	10,854	330,097	7,922	338,019	8,112	346,131	
17	Regulatory commission expense	257,208	(0)	257,207	0	257,208	0	257,208	
18	Pension and other benefits	936,450	28,093	964,543	28,936	993,480	29,804	1,023,284	
19	Rent	211,794	7,201	218,995	5,256	224,251	5,382	229,633	
20	Insurance	805,169	36,574	841,743	20,201	861,944	20,687	882,631	
21	Office utilities	180,673	6,143	186,816	4,484	191,299	4,591	195,891	
22	Miscellaneous	2,788,227	94,800	2,883,027	69,193	2,952,219	70,853	3,023,072	
23	Total general expenses (Sum of L15 thru L22)	9,370,807	299,826	9,670,633	255,638	9,926,271	262,666	10,188,937	
<u>Depreciation and Taxes:</u>									
24	Depreciation expense	3,581,487	368,189	3,949,676	223,900	4,173,576	137,992	4,311,568	
25	Amortization of CIAC	(733,560)	0	(733,560)	0	(733,560)	0	(733,560)	
26	Amortization of PAA	(121,579)	(423)	(122,002)	1,689	(120,313)	422	(119,891)	
27	Amortization of ITC	(265)	0	(265)	0	(265)	0	(265)	
28	Franchise and other taxes	56,486	0	56,486	0	56,486	0	56,486	
29	Property taxes	135,969	0	135,969	0	135,969	0	135,969	
30	Payroll taxes	297,925	8,938	306,863	9,206	316,069	9,482	325,551	
31	Regulatory fee	32,314	2,179	34,493	1,889	36,382	742	37,124	
32	Deferred Income Tax	(64,882)	0	(64,882)	0	(64,882)	0	(64,882)	
33	State income tax	104,542	14,634	119,176	11,017	130,193	3,404	133,598	
34	Federal income tax	856,201	119,853	976,054	90,228	1,066,282	27,882	1,094,164	
35	Total depreciation and taxes (Sum of L25 thru L34)	4,144,638	513,370	4,658,008	337,928	4,995,936	179,924	5,175,861	
36	Total operating revenue deductions (L14 + L23 + L35)	18,147,354	879,604	19,026,958	839,044	19,866,002	372,617	20,238,619	
37	Net operating income for a return (L4 - L36)	\$4,934,071	\$677,046	\$5,611,118	\$509,691	\$6,120,809	\$157,504	\$6,278,313	

[1] Public Staff Settlement Exhibit 1, Schedule 3(a).

[2] Rate Year 1: Column (c) minus Column (a); Rate Year 2: Column (e) minus Column (c); Rate Year 3: Column (g) minus Column (e).

[3] Public Staff Settlement Exhibit 1, Schedule 3(a)(1) to Schedule 3(a)(3), Column (g).

CAROLINA WATER SERVICE, INC., OF NC
Docket No. W-354, Sub 400
NET OPERATING INCOME FOR A RETURN
For The Rate Years Ended March 31, 2026

Late-Filed Supplemental Public Staff Exhibit 1
Schedule 3(b)-RY

Line No.	CWSNC SEWER OPERATIONS Item	Rate Year 1			Rate Year 2			Rate Year 3		
		PS Amount Per Base Year	RY1 Public Staff Adjustments	RY1 Amount Per Public Staff	RY2 Public Staff Adjustments	RY2 Amount Per Public Staff	RY3 Public Staff Adjustments	RY3 Amount Per Public Staff		
		(a)	[1] (b)	[3] (c)	[2] (d)	[3] (e)	[2] (f)	[3] (g)		
Operating Revenues:										
1	Service revenues	\$18,577,393	\$1,894,987	\$20,472,380	\$582,096	\$21,054,476	\$1,849,759	\$22,904,235		
2	Miscellaneous revenues	134,279	5,078	139,357	1,560	140,917	4,956	145,873		
3	Uncollectible accounts	(139,330)	(14,213)	(153,543)	(4,366)	(157,909)	(13,873)	(171,782)		
4	Total operating revenues (Sum of L1 thru L3)	18,572,342	1,885,852	20,458,194	579,290	21,037,484	1,840,842	22,878,326		
Maintenance Expenses:										
5	Purchased power	825,016	31,719	856,735	24,159	880,894	25,020	905,914		
6	Purchased sewer	1,048,540	0	1,048,540	0	1,048,540	0	1,048,540		
7	Maintenance and repair	1,805,769	21,994	1,827,764	(\$8,660)	1,819,104	(203,119)	1,615,985		
8	Maintenance testing	305,558	10,389	315,947	\$7,583	323,529	7,765	331,294		
9	Meter reading	3,024	103	3,127	\$75	3,202	77	3,279		
10	Chemicals	601,228	23,115	624,343	\$17,605	641,949	18,233	660,182		
11	Transportation	171,280	0	171,280	\$0	171,280	0	171,280		
12	Operating expenses charged to plant	(271,543)	(8,146)	(279,689)	(\$8,391)	(288,080)	(8,642)	(296,722)		
13	Outside services - other	67,510	2,295	69,805	\$1,675	71,480	1,716	73,196		
14	Total maintenance expenses (Sum of L5 thru L13)	4,556,383	81,469	4,637,852	34,047	4,671,898	(158,950)	4,512,948		
General Expenses:										
15	Salaries and wages	2,310,084	69,303	2,379,387	71,382	2,450,768	73,523	2,524,291		
16	Office supplies and other office expense	190,462	6,476	196,938	4,727	201,664	4,840	206,504		
17	Regulatory commission expense	153,453	(0)	153,453	0	153,453	0	153,453		
18	Pension and other benefits	558,692	16,761	575,453	17,264	592,716	17,781	610,498		
19	Rent	126,358	4,296	130,654	3,136	133,790	3,211	137,001		
20	Insurance	480,368	21,820	502,188	12,054	514,242	12,341	526,583		
21	Office utilities	106,857	3,633	110,490	2,652	113,142	2,715	115,857		
22	Miscellaneous	1,683,355	57,234	1,740,589	41,774	1,782,363	42,777	1,825,140		
23	Total general expenses (Sum of L15 thru L22)	5,609,629	179,522	5,789,151	152,987	5,942,138	157,189	6,099,327		
Depreciation and Taxes:										
24	Depreciation expense	3,178,919	378,783	3,557,702	134,445	3,692,147	441,141	4,133,288		
25	Amortization of CIAC	(625,462)	0	(625,462)	0	(625,462)	0	(625,462)		
26	Amortization of PAA	(17,621)	377	(17,244)	63	(17,182)	125	(17,056)		
27	Amortization of ITC	(254)	0	(254)	0	(254)	0	(254)		
28	Franchise and other taxes	48,172	0	48,172	0	48,172	0	48,172		
29	Property taxes	105,629	0	105,629	0	105,629	0	105,629		
30	Payroll taxes	177,744	5,332	183,076	5,492	188,569	5,657	194,226		
31	Regulatory fee	26,001	2,640	28,641	811	29,452	2,578	32,030		
32	Deferred Income Tax	(38,709)	0	(38,709)	0	(38,709)	0	(38,709)		
33	State income tax	99,067	22,320	121,387	4,534	125,921	25,121	151,043		
34	Federal income tax	811,363	182,797	994,160	37,135	1,031,295	205,743	1,237,038		
35	Total depreciation and taxes (Sum of L25 thru L34)	3,764,849	592,249	4,357,098	182,480	4,539,579	680,366	5,219,945		
36	Total operating revenue deductions (L14 + L23 + L35)	13,930,861	853,239	14,784,101	369,515	15,153,615	678,604	15,832,220		
37	Net operating income for a return (L4 - L36)	\$4,641,481	\$1,032,612	\$5,674,093	\$209,775	\$5,883,869	\$1,162,237	\$7,046,106		

[1] Public Staff Settlement Exhibit 1, Schedule 3(b).

[2] Rate Year 1: Column (c) minus Column (a); Rate Year 2: Column (e) minus Column (c); Rate Year 3: Column (g) minus Column (e).

[3] Public Staff Settlement Exhibit 1, Schedule 3(b)(1) to Schedule 3(b)(3), Column (g).

CAROLINA WATER SERVICE, INC., OF NC
Docket No. W-354, Sub 400
NET OPERATING INCOME FOR A RETURN
For The Rate Years Ended March 31, 2026

Late-Filed Supplemental Public Staff Exhibit 1
Schedule 3(c)-RY

Line No.	BF/FH/TC WATER OPERATIONS Item	Rate Year 1			Rate Year 2			Rate Year 3	
		PS Amount Per	RY1 Public Staff	RY1 Amount Per	RY2 Public Staff	RY2 Amount Per	RY3 Public Staff	RY3 Amount Per	
		Base Year [1]	Adjustments [2]	Public Staff [3]	Adjustments [2]	Public Staff [3]	Adjustments [2]	Public Staff [3]	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
Operating Revenues:									
1	Service revenues	\$2,010,479	\$300,904	\$2,311,383	\$149,970	\$2,461,353	\$49,303	\$2,510,656	
2	Miscellaneous revenues	14,701	846	15,548	422	15,970	139	16,108	
3	Uncollectible accounts	(27,745)	(4,152)	(31,897)	(2,070)	(33,967)	(680)	(34,647)	
4	Total operating revenues (Sum of L1 thru L3)	1,997,435	297,598	2,295,033	148,322	2,443,356	48,761	2,492,117	
Maintenance Expenses:									
5	Purchased power	70,432	2,722	73,154	2,070	75,224	2,144	77,369	
6	Purchased water	609	0	609	0	609	0	609	
7	Maintenance and repair	207,957	6,778	214,735	4,492	219,227	4,409	223,636	
8	Maintenance testing	10,196	347	10,543	253	10,796	259	11,055	
9	Meter reading	47,602	1,618	49,220	1,181	50,402	1,210	51,611	
10	Chemicals	86,200	3,332	89,532	3,433	92,965	2,650	95,615	
11	Transportation	36,167	0	36,167	0	36,167	0	36,167	
12	Operating expenses charged to plant	(66,053)	(1,982)	(68,035)	(2,041)	(70,076)	(2,102)	(72,178)	
13	Outside services - other	24,735	841	25,576	614	26,190	629	26,818	
14	Total maintenance expenses (Sum of L5 thru L13)	417,844	13,657	431,501	10,002	441,503	9,198	450,701	
General Expenses:									
15	Salaries and wages	465,216	13,956	479,172	14,375	493,547	14,806	508,354	
16	Office supplies and other office expense	36,081	1,227	37,308	895	38,203	917	39,120	
17	Regulatory commission expense	32,264	0	32,264	0	32,264	0	32,264	
18	Pension and other benefits	112,512	3,375	115,887	3,477	119,364	3,581	122,945	
19	Rent	25,446	865	26,311	631	26,943	647	27,589	
20	Insurance	96,738	4,395	101,133	2,429	103,562	2,484	106,046	
21	Office utilities	17,363	590	17,953	431	18,384	441	18,825	
22	Miscellaneous	327,310	11,129	338,438	8,123	346,561	8,317	354,878	
23	Total general expenses (Sum of L15 thru L22)	1,112,929	35,538	1,148,467	30,361	1,178,828	31,194	1,210,021	
Depreciation and Taxes:									
24	Depreciation expense	176,608	56,064	232,672	28,850	261,522	7,176	268,698	
25	Amortization of CIAC	(57,707)	0	(57,707)	0	(57,707)	0	(57,707)	
26	Amortization of PAA	14,457	(304)	14,153	486	14,639	(121)	14,518	
27	Amortization of ITC	0	0	0	0	0	0	0	
28	Franchise and other taxes	(1,321)	0	(1,321)	0	(1,321)	0	(1,321)	
29	Property taxes	7,746	0	7,746	0	7,746	0	7,746	
30	Payroll taxes	35,795	1,074	36,869	1,106	37,975	1,139	39,114	
31	Regulatory fee	2,796	417	3,213	208	3,421	68	3,489	
32	Deferred Income Tax	(8,585)	0	(8,585)	0	(8,585)	0	(8,585)	
33	State income tax	5,121	3,447	8,568	1,394	9,962	2	9,964	
34	Federal income tax	41,941	28,230	70,171	11,417	81,589	16	81,605	
35	Total depreciation and taxes (Sum of L25 thru L34)	216,851	88,928	305,780	43,462	349,241	8,280	357,521	
36	Total operating revenue deductions (L14 + L23 + L35)	1,747,624	138,123	1,885,747	83,825	1,969,572	48,672	2,018,243	
37	Net operating income for a return (L4 - L36)	\$249,811	\$159,475	\$409,286	\$64,497	\$473,784	\$90	\$473,874	

[1] Public Staff Settlement Exhibit 1, Schedule 3(c).

[2] Rate Year 1: Column (c) minus Column (a); Rate Year 2: Column (e) minus Column (c); Rate Year 3: Column (g) minus Column (e).

[3] Public Staff Settlement Exhibit 1, Schedule 3(c)(1) to Schedule 3(ca)(3), Column (g).

CAROLINA WATER SERVICE, INC., OF NC
Docket No. W-354, Sub 400
NET OPERATING INCOME FOR A RETURN
For The Rate Years Ended March 31, 2026

Late-Filed Supplemental Public Staff Exhibit 1
Schedule 3(d)-RY

Line No.	Item	Rate Year 1			Rate Year 2			Rate Year 3	
		PS Amount Per	RY1 Public Staff	RY1 Amount Per	RY2 Public Staff	RY2 Amount Per	RY3 Public Staff	RY3 Amount Per	
		Base Year [1]	Adjustments [2]	Public Staff [3]	Adjustments [2]	Public Staff [3]	Adjustments [2]	Public Staff [3]	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
BF/FH SEWER OPERATIONS									
Operating Revenues:									
1	Service revenues	\$2,792,679	\$175,856	\$2,968,535	\$725,819	\$3,694,354	\$77,202	\$3,771,556	
2	Miscellaneous revenues	21,175	472	21,647	1,948	23,595	207	23,802	
3	Uncollectible accounts	(38,539)	(2,427)	(40,966)	(10,016)	(50,982)	(1,065)	(52,047)	
4	Total operating revenues (Sum of L1 thru L3)	2,775,315	173,901	2,949,216	717,750	3,666,967	76,344	3,743,311	
Maintenance Expenses:									
5	Purchased power	149,604	5,690	155,294	4,300	159,593	4,500	164,094	
6	Purchased sewer	0	0	0	0	0	0	0	
7	Maintenance and repair	207,054	27,071	234,125	4,812	238,937	4,927	243,864	
8	Maintenance testing	24,179	822	25,001	600	25,601	614	26,215	
9	Meter reading	1,041	35	1,076	26	1,102	26	1,129	
10	Chemicals	62,704	2,385	65,088	1,802	66,890	1,886	68,777	
11	Transportation	37,022	0	37,022	0	37,022	0	37,022	
12	Operating expenses charged to plant	(67,612)	(2,028)	(69,640)	(2,089)	(71,730)	(2,152)	(73,881)	
13	Outside services - other	25,319	861	26,179	628	26,808	643	27,451	
14	Total maintenance expenses (Sum of L5 thru L13)	439,310	34,836	474,145	10,079	484,224	10,446	494,670	
General Expenses:									
15	Salaries and wages	476,195	14,286	490,481	14,714	505,195	15,156	520,351	
16	Office supplies and other office expense	36,933	1,256	38,188	917	39,105	939	40,043	
17	Regulatory commission expense	33,022	0	33,022	0	33,023	0	33,023	
18	Pension and other benefits	115,167	3,455	118,622	3,559	122,181	3,665	125,846	
19	Rent	26,047	886	26,933	646	27,579	662	28,241	
20	Insurance	99,021	4,501	103,522	2,481	106,003	2,546	108,549	
21	Office utilities	17,772	604	18,376	441	18,817	452	19,269	
22	Miscellaneous	335,001	11,390	346,391	8,313	354,704	8,513	363,217	
23	Total general expenses (Sum of L15 thru L22)	1,139,157	36,378	1,175,535	31,072	1,206,607	31,932	1,238,539	
Depreciation and Taxes:									
24	Depreciation expense	450,022	15,546	465,568	145,287	610,855	10,365	621,220	
25	Amortization of CIAC	(150,635)	0	(150,635)	0	(150,635)	0	(150,635)	
26	Amortization of PAA	45,866	(1,512)	44,354	(840)	43,514	(336)	43,178	
27	Amortization of ITC	0	0	0	0	0	0	0	
28	Franchise and other taxes	(1,352)	0	(1,352)	0	(1,352)	0	(1,352)	
29	Property taxes	9,754	0	9,754	0	9,754	0	9,754	
30	Payroll taxes	36,640	1,099	37,739	1,132	38,871	1,166	40,038	
31	Regulatory fee	3,885	244	4,129	1,005	5,134	107	5,241	
32	Deferred Income Tax	(8,786)	0	(8,786)	0	(8,786)	0	(8,786)	
33	State income tax	14,395	1,574	15,969	9,558	25,527	409	25,935	
34	Federal income tax	117,893	12,895	130,788	78,277	209,064	3,347	212,412	
35	Total depreciation and taxes (Sum of L24 thru L34)	517,681	29,846	547,528	234,418	781,946	15,058	797,004	
36	Total operating revenue deductions (L14 + L23 + L35)	2,096,148	101,059	2,197,208	275,568	2,472,776	57,436	2,530,212	
37	Net operating income for a return (L4 - L36)	\$679,167	\$72,842	\$752,009	\$442,182	\$1,194,191	\$18,908	\$1,213,098	

[1] Public Staff Settlement Exhibit 1, Schedule 3(d).

[2] Rate Year 1: Column (c) minus Column (a); Rate Year 2: Column (e) minus Column (c); Rate Year 3: Column (g) minus Column (e).

[3] Public Staff Settlement Exhibit 1, Schedule 3(d)(1) to Schedule 3(d)(3), Column (g).

CAROLINA WATER SERVICE, INC., OF NC
Docket No. W-354, Sub 400
Public Staff Recommended Revenue Requirements
For The Rate Years Ended March 31, 2026

Late-Filed Supplemental Public Staff Exh bit 1
Schedule 3(a)(1) - RY

Line No.	Item	Rate Year 1 (a)	Rate Year 2 (b)	Rate Year 3 (c)
<u>CWSNC Water</u>				
1	Service revenues	\$24,644,247	\$25,876,459 [1]	\$26,531,907
2	Miscellaneous revenues	178,661	182,504	184,015
3	Uncollectible accounts	(184,832)	(194,995)	(198,989)
4	Total operating revenues	<u>24,638,076</u>	<u>25,863,969</u>	<u>26,516,933</u>
<u>CWSNC Sewer</u>				
5	Service revenues	\$20,472,380	\$21,054,476	\$22,107,200 [1]
6	Miscellaneous revenues	139,357	140,917	145,873
7	Uncollectible accounts	(153,543)	(157,909)	(171,782)
8	Total operating revenues	<u>20,458,194</u>	<u>21,037,484</u>	<u>22,081,291</u>
<u>BF/FH/TC Water</u>				
9	Service revenues	\$2,311,383	\$2,426,952 [1]	\$2,510,656
10	Miscellaneous revenues	15,548	15,970	16,108
11	Uncollectible accounts	(31,897)	(33,967)	(34,647)
12	Total operating revenues	<u>2,295,033</u>	<u>2,408,955</u>	<u>2,492,117</u>
<u>BF/FH Sewer</u>				
13	Service revenues	\$2,968,535	\$3,116,962 [1]	\$3,272,810 [1]
14	Miscellaneous revenues	21,647	23,595	23,802
15	Uncollectible accounts	(40,966)	(50,982)	(52,047)
16	Total operating revenues	<u>2,949,216</u>	<u>3,089,575</u>	<u>3,244,564</u>

[1] Adjusted by statutory revenue cap.

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