



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

September 4, 2019

Janice H. Fulmore, Deputy Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Re: Docket No. W-1250, Sub 7

Dear Ms. Fulmore:

In connection with the above-captioned docket, I transmit herewith for filing on behalf of the Public Staff this Affidavit of Shawn L. Dorgan.

By copy of this letter, I am serving all parties of record.

Sincerely yours,
Electronically submitted
s/ John D. Little
john.little@psncuc.nc.gov

JDL/sld

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Sep 04 2019

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-1250, SUB 7

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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)

AFFIDAVIT
OF
SHAWN L. DORGAN

State of North Carolina

County of Wake

I, Shawn L. Dorgan, after first being duly sworn, do depose and say:

I am a Staff Accountant with the Public Staff Accounting Division, 430 N. Salisbury Street, Raleigh, North Carolina, and represent the using and consuming public. I joined the Public Staff Accounting Division in May, 2016, and my credentials are listed in Appendix A, which is attached to this affidavit.

On February 28, 2019, Saxapahaw Utility Company (hereinafter Saxapahaw, Company, or Applicant) filed its initial application for an increase in water service rates, based on its accounting results for the Test Year Ended December 31, 2018. On April 26, 2019, the Company revised its initial filing to correct accounting errors on page 2 of its: errors that misstated net operating income, which resulted in an understatement of the Company's book loss for the 2018 Test Year in the amount of \$14,352.

The purpose of this affidavit is to present the results of my examination of the Company's utility plant investment and net operating income as reflected in the aforementioned amended application – which if approved by the Commission, will increase total operating revenues from \$131,346 (water service revenue for the 2018 Test Year, under present rates) to \$153,027 (under proposed rates). My examination included a review of accounting evidence, selected on a test basis, supporting transactions recorded in the Company's books and records for the 2018 Test Year, as well as a review of documentation provided by the Company in response to Public Staff data requests, both written and verbal.

Based upon my examination, I conclude that the Company's proposed revenue increase 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.

PUBLIC STAFF ADJUSTMENTS

Notwithstanding the foregoing, I am recommending – and have made – several adjustments to the Company's operating expenses and utility plant investment. The adjustments are detailed in the attached schedules identified as Dorgan Exhibit I. In addition, Exhibit I includes the effects of adjustments recommended by Public Staff Engineer Darden in the following areas:

- Reclassification of the following 2018 Test Year operating and maintenance costs to capitalized utility plant investment.

<u>Utility Plant Asset</u>	<u>Units</u>	<u>Total Cost Basis (including Installation)</u>
5/8 x 3/4 Meter with Ecoder	3	\$ 680
2HP Motor		\$ 691
24 GPD, 100 PSI Chemical Feed Pump & Repair Kit		\$ 452
5/8 x 3/4 Meter with Ecoder	2	\$ 448
5/8 x 3/4 Meter with Ecoder	2	\$ 470
Total		\$2,741

- Useful lives of utility assets capitalized since the prior rate case (Docket No. W-1250, Sub 6).

The accounting and ratemaking adjustments I have made center on the following areas:

Utility Rate Base:

- Plant in Service
- Contributions in Aid of Construction (CIAC)
- Accumulated Depreciation and Amortization
- Cash Working Capital
- Average Tax Accruals

Operating & Maintenance (O&M) Expenses:

- Salaries & Wages | Contract Labor
- Repair & Maintenance Expense
- Chemicals Expense
- Testing Fees
- Permits, Fees & Licenses
- Professional & Legal
- Management Fees
- Rate Case Expenses
- Rentals & Leases
- Other Expenses
- Imputed Payroll Taxes
- Other Taxes
- Regulatory Fees
- Federal and State Income Taxes

Utility Rate Base***Plant in Service***

On Page 3, Line 13 of its application, as amended, the Company presents the original, historical cost of its utility plant investment at \$963,468, which once

corrected for an immaterial rounding variance of \$6.00, calculates at \$963,474. 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 at December 31, 2018, as \$915,813. My calculation is based on utility plant investment approved by the Commission in the Company's last rate case proceeding (\$917,531 – SEE Docket No. W-1250, Sub 6), adjusted for all identified fixed asset additions and disposals since the close of the 2016 Test Year. As recommended by Public Staff Engineer Darden, I schedule plant additions at \$12,328 (\$2,741 of which I have reclassified from various O&M accounts on the Company's general ledger) and plant disposals at \$14,046. Together with the opening balance from the prior rate case, these amounts net to \$915,813, as shown on Schedule 2-1 of Dorgan Exhibit I.

Contributions in Aid of Construction (CIAC)

On Page 3, Line 15 of its application, as amended, the Company lists CIAC in the amount of \$336,094. However, based on a comparison of this number with CIAC approved by the Commission in the Company's most recent rate case proceeding (\$295,892 – SEE Docket No. W-1250, Sub 6), I have made an adjustment in the amount of \$40,202. This adjustment corresponds to a construction contribution connected with a utility plant asset identified as disposed during the Company's Sub 4 rate case. Together with the amount listed per the Company's Application, this adjustment nets to \$295,892, as shown in Schedule 2-1 of Dorgan Exhibit I.

Accumulated Depreciation and Amortization

On Page 3, Line 14 of its application, as amended, the Company records total accumulated depreciation (and amortization) in the amount of \$220,196. However, as was the case with the utility plant, I have calculated cumulative depreciation based on utility plant investment as approved by the Commission in the Company's prior rate case proceeding (Docket No. W-1250, Sub 6), appropriately adjusted for all identified fixed asset additions and disposals since the close of the 2016 Test Year. Consistent with this approach I calculated accumulated depreciation for tangible utility plant at \$338,159, and accumulated amortization for intangible utility property (e.g., capitalized software costs, etc.) at \$2,888. Taken together, total accumulated depreciation and amortization calculates at \$341,047, as reflected on Schedule 2-1 of Dorgan Exhibit I.

Furthermore, the following cost recovery conventions have been used by the Public Staff for all depreciation and amortization calculations under the Company's regulatory basis of accounting, it states:

"Asset Useful Lives:

For each asset existing at the close of the prior rate case – and which remained in use through the close of the 2018 Test Year – asset useful life is that established in the Company's previous rate case proceeding (Docket No. W-1250, Sub 6).

For all subsequent fixed asset additions – i.e., capital assets added since the close of the 2016 Test Year – asset useful lives are those recommended by Public Staff Engineer Darden.

Conventions:

All depreciation reserves have been calculated using a half-year convention in the first year of the asset's useful life, and amortization reserves for intangible property have been calculated on the same basis as that for tangible property."

Cash Working Capital

On its application, the Company listed a lone cash account, with a reconciled balance at December 31, 2018 of \$1,136. Consistent with established rate case precedent for water utilities, I have calculated a working capital allowance representing an amount equal to $\frac{1}{8}$ of total O&M expenses – as adjusted by the Public Staff – and have posted a corresponding rate base adjustment. Using the aforementioned methodology, the total cash working capital computes at \$13,938, as shown on Schedule 2 of Dorgan Exhibit I.

Average Tax Accruals

On its application, the Company did not report in any period-ending tax accruals. As such – and again consistent with established rate case precedent – I have calculated average tax accruals for the following two items: (1) property taxes (at $\frac{1}{2}$ of total annual expense); and, (2), imputed payroll taxes (at $\frac{1}{5}$ of imputed annual expense). I have decreased utility rate base by the resulting amount – \$1,095 – as shown on Schedule 2 of Dorgan Exhibit I.

The sum of all Public Staff rate base adjustments decreases the amount recorded on the Company's application by \$116,597, down from \$408,314 (total utility plant recorded on Page 3, Line 17 – in the amount of \$407,177 – plus cash account balance of \$1,136 on Page 4, Line 10 of the application, plus rounding difference of \$1), to \$291,717.

Operating & Maintenance Expenses | Cost of Service

Salaries & Wages / Contract Labor

On Page 2, Line 7 of its application, the Company records the salary expense of \$82,290. However, over the course of my examination I ascertained that, of the \$82,290 in salary expense claimed by the Company: (1) \$70,290 in cost corresponds to third-party contract labor billings for two individuals who are not legal employees of Saxapahaw; and (2), \$12,000 in cost corresponds to management fees billed by a related party. Only the first item is addressed in detail here. The Management Fees will be addressed in a separate section below.

Regarding the contract labor billings, upon review of the Company's general ledger, I determined that \$35,640 of cost corresponded to billings by a third-party for the services of Arthur H. Ferguson, Saxapahaw's system operator. The remainder – excluding \$330 in billings by a bookkeeper independent of the Jordan family of companies – corresponded to third-party charges for bookkeeping services provided by Deborah Perotti. In the case of both of these individuals, the party responsible for all invoiced amounts was Sellers Inc., an entity related to Saxapahaw by common ownership. In response to Public Staff Data Request 2-2, the Company confirmed that both Deborah Perotti and Arthur Ferguson are legal employees of Sellers.

Accordingly, I have booked two adjusting entries: (1) to remove contract labor charges in the amount of \$70,290; and, (2) to substitute \$56,404 in verified W-2 wages paid by Sellers to Mrs. Perotti and Mr. Ferguson, who hereinafter will be treated, for regulatory purposes, as statutory employees of Saxapahaw.

The resulting net reduction of \$25,886 – inclusive of the reclassification of \$12,000 in management fees – is as shown on Schedule 3 of Dorgan Exhibit I.

Repair & Maintenance (R&M) Expense

On Page 2, Line 9 of its application, the Company records R&M costs of \$11,813. However, upon examination I have determined that this amount included \$6,000 of equipment rental/lease expense, \$2,290 of costs corresponding to items reclassified to utility plant at the recommendation of Public Staff Engineer Darden, and \$352 in unsubstantiated transactions recorded per the Company's general ledger.

Accordingly, I have booked five adjusting entries: (1) to reclassify \$6,000 of cost to rental & lease expense; (2) to reclassify \$2,290 of cost to utility plant in service; (3) to reclassify \$151 in invoiced costs to Chemicals Expense, at the recommendation of Public Staff Engineer Darden; (4) to include \$138 in maintenance costs associated with a North Carolina Department of Labor Boiler & Pressure Vessel inspection, previously recorded in Permits, Fees & Licenses; and, (5) to remove \$352 in costs not evidenced by vendor invoices. These five adjustments reduce R&M expense by \$8,654 (rounded) – from \$11,813 down to \$3,159 – as shown on Schedule 3 of Dorgan Exhibit I.

Chemicals Expense / Testing Fees / Permits, Fees & Licenses

At the recommendation of Public Staff Engineer Darden, I have made several reclassification and pro forma adjustments to these line items. In the case of Chemicals expense, I have reclassified – out \$452 of cost to utility plant in service, and reclassified in – as discussed in the section above – \$151 of invoiced

costs from R&M. In addition, I have posted a credit adjustment in the amount of \$286 to remove the accounting effect of several post-closing adjustments from a prior fiscal period that impact the Chemicals account. Together these three adjustments reduce total Chemicals expense by \$587 – from \$1,425 down to \$838 – as reflected in Schedule 3 of Dorgan Exhibit I.

For Testing Fees and Permits & Licenses, I have posted several pro forma adjustments that have been recommended by Public Staff Engineer Darden. For testing fees, I have increased the amount recorded in both the Company's application and its general ledger – \$731 – by \$1,207. The resulting total – \$1,938 – reflects the average annualized cost of all water quality testing currently required under state law, the required frequency of which may be greater than, or less than, once a year. This adjustment is discussed in greater detail in the Affidavit of Public Staff Engineer Darden.

In the case of Permits & Licenses, I have accrued an additional \$420 in pro forma cost for DEQ annual permit fees, fees that had not been invoiced or paid the Company by the close of the test year. Furthermore, I have reclassified-in a \$25 service/convenience fee paid to the North Carolina Department of Revenue – said fee not properly classifiable as a tax – and reclassified-out \$138 of R&M expense, as discussed above.

Professional & Legal

On Page 2, Line 30 of its application, the Company records Professional & Legal expenses in the amount of \$11,815. However, upon examination I have determined that \$1,875 of this total corresponds to land surveying costs for tax

parcels not legally owned by Saxapahaw Utility Company, but rather by a related party: John M. Jordan Family 1960 LLC. Furthermore, upon speaking with Penny Chandler of the Mapping & Land Management Office, Alamance County Tax Department, I ascertained that not only is the underlying property not owned by Saxapahaw, the surveying work – as described and represented on the vendor invoice – was performed in an area of the parcel not fronting Saxapahaw property.

Accordingly, I have booked an adjusting entry to remove \$1,875 of Professional & Legal Costs, as shown on Schedule 3 of Dorgan Exhibit I.

Management Fees

As discussed above – and as confirmed in its response to Public Staff Data Request 2-6 – the Company acknowledged that during the 2018 Test Year, it paid \$12,000 in management fees to John M. Jordan Family 1960 LLC, an entity related to Saxapahaw by common ownership.

Accordingly, I have booked an adjustment to reclassify \$12,000 out of Salary & Wage Expense to Management Fees, as shown on Schedule 3 of Dorgan Exhibit I. Management Fees will be addressed further in **ACCOUNTING MATTERS – OTHER**, under ***Related Party Transactions***.

Rate Case Expenses

On its application, the Company did not schedule any rate case expenses, actual or prospective. Furthermore, in response to Public Staff Data Requests 2-6 and 2-7, the Company confirmed that none were incurred during the 2018 Test Year, nor were any anticipated subsequent to the close of the test year. Nonetheless, I have imputed rate case expense in the amount of \$313, which

includes an NCUC filing fee in the amount of \$100, as well as estimated postage and other mailing costs – in the amount of \$213 – for remitting customer notices. Furthermore, I have amortized the total imputed cost over three years, and posted the resulting amount – \$104 – as an adjustment, as shown on Schedule 3 of Dorgan Exhibit I.

Rentals & Leases

On Page 2, Line 30 of its application, the Company records rental expense in the amount of \$7,200. However, as discussed above, I have reclassified-in an additional \$6,000 of equipment rental expense from R&M. The \$6,000 in rental costs are for the use of a Kubota tractor equipped with a front loader and a backhoe attachment. The monthly rental is: (1) \$500; (2) billed to Saxapahaw by Sellers (which is the legal owner of the property); and, (3) not evidenced by a written lease, or by any intercompany cost-sharing agreement.

Due to the related party nature of the lease arrangement, I conducted an investigation to ascertain a total cost of ownership (to Sellers) of the leased property, or otherwise determine the fair market value of a lease of similar equipment. In its response to Public Staff Data Request 2-7, the Company confirmed that Sellers purchased the tractor in August of 2016 for a total delivery price of \$63,500, which Sellers financed through the Kubota Credit Corporation. The terms of the loan agreement are not identified in the documentation provided to the Public Staff, but a monthly debt service obligation of \$1,060 was disclosed.

Due to the lack of any written lease agreement between Saxapahaw and Sellers – in particular one that spells out affiliate cost allocation and/or usage

terms, or other relevant data such as the useful life of the tractor, or the underlying discount rate – I conclude that any further investigation regarding the proper accounting treatment for the leased equipment (i.e., capital vs operating) is problematic at best.

Accordingly, with an additional \$6,000 added, adjusted Rentals & Leases expense totals \$13,200, as shown on Schedule 3 of Dorgan Exhibit I.

Other Expenses

On Page 2, Line 30 of its application, the Company records an “other expense” in the amount of \$2,880, identified as a loss on asset disposal. Consistent with the accounting treatment applied to similar items of noncash book loss in prior rate cases, I have made an adjustment to amortize the loss over three years, the time period over which the Public Staff anticipates that the newly requested rates will be in effect.

Accordingly, I have reduced the Company’s realized book loss by \$1,920, leaving a pro forma residual cost of service allocation of \$960, as shown on Schedule 3 of Dorgan Exhibit I.

Imputed Payroll Taxes

Consistent with the approach taken for Salaries & Wages, I have imputed payroll (FICA & Medicare) and unemployment taxes (FUTA & SUTA) for Saxapahaw’s two statutory employees: Deborah Perotti and Arthur Ferguson. Based on the Company’s response to Public Staff Data Request 3-1, I calculate total employment taxes of \$4,315, and allocable unemployment taxes of \$109.

Accordingly, I have booked a total adjustment in the amount \$4,424, as shown on Schedule 3 of Dorgan Exhibit I.

Other Taxes

On Page 2, Line 22 of its application, the Company included \$196 in other taxes. After reviewing the Company's general ledger, I determined that this amount was composed of two items: (1) NCUC regulatory fees in the amount of \$171; and, (2) a \$25 payment to the North Carolina Department of Revenue, the supporting documentation for which is suggestive of a service charge, not an identifiable tax per se, as discussed above.

As neither of these amounts are properly classifiable as taxes I have made an adjustment to remove the sum total – \$196 – from Other Taxes, reclassifying \$171 as Regulatory Fees, and \$25 to Permits, Fees & Licenses, as reflected on Schedule 3 of Dorgan Exhibit I.

Regulatory Fees

After first verifying the computational accuracy of the Company's quarterly payments to the Commission, using the current statutory rate of 0.13%, I moved \$171 in regulatory fees paid out of Other Taxes, and reclassified them as a separate line entry.

Federal and State Income Taxes

Federal and State income taxes are based on statutory tax rates anticipated to be in effect during the period of time that new rates will apply, and are based on prospective operating income, after Public Staff adjustment.

The sum of all Public Staff O&M adjustments decreases the Company's cost of service by \$10,199, reducing the total recorded on Page 2, Line 24 of the Company's application – \$150,081 – to \$139,882.

ACCOUNTING MATTERS – OTHER

Related Party Transactions

In its response to Public Staff Data Request 2-1, the Company provided equitable ownership data confirming that its primary vendor, Sellers Inc., meets the attribution tests of Internal Revenue Code Section 267(c), and therefore is deemed by the Public Staff to be an affiliate of Saxapahaw under common ownership. Consistent with this finding the Public Staff shall examine and evaluate – in future rate cases, as it has in the present case – all transactions with deemed affiliates for evidence of the following:

(1) *Lower of Cost or Market Pricing*

Long established ratemaking principles provide that all transactions between a regulated enterprise and an affiliate, whether regulated or not, be priced at "lower of cost or market". In instances where this is not the case – and where amounts are material, and market values and/or allocable costs readily determinable – the Public Staff adjusts recorded costs accordingly. In the instant case the Public Staff has done so with one category of costs: Salaries & Wages.

(2) ***Affiliates Services / Service Agreements***

In addition to transaction pricing at lower of cost or market, all affiliate dealings should be evidenced by contemporaneously executed, written service agreements. Such practice is recommended whether Company management opts to establish a separate legal entity to operate as a “shared services company”, or whether it designates an existing entity – in this case Sellers Inc. – to coordinate centralized procurement.

As discussed above, the Company's equipment rental arrangement with Sellers is not evidenced by a formal lease agreement. Furthermore, in its response to Public Staff Data Request 2-6, the Company acknowledged that the \$12,000 in management fees it paid to John M. Jordan Family 1960 LLC – another entity related to Saxapahaw by common ownership under IRC §267(c) – are similarly not evidenced by a formal, legally enforceable agreement, describing them in an email as follows:

“The fees are for management of “the overall operations and resources of the Company, including:

- Review of monthly financials*
- Short and long term planning*
- On site for day to day as well weekends and holidays for decision on all issues involving the System*
- Regular and yearly meetings with company personnel and the company accountant*
- Handles potential buyers interested in purchasing System.”*

Though the Public Staff has opted not to challenge the prudence of these fees in the present proceeding, it reserves the right to do so in future rate

cases, and counsels the Applicant of the advisability of documenting this arrangement in a written, legally enforceable affiliate services contract. Furthermore, it similarly advises the Company that all executive oversight actions – including, but not necessarily limited to, the management activities described above – be documented contemporaneously in board minutes.

(3) Statutory Employees

In its responses to Public Staff Data Requests 2-4 and 2-5 – and later confirmed in its response to Public Staff Data Request 3-1, the Company acknowledged that over the course of the 2018 Test Year Deborah Perotti worked 1,807.5 hours on behalf of Saxapahaw Utility Company, and Arthur H. Ferguson 2,092.5 hours. In light of the hours worked – and in an exercise of substance over form – the Public Staff has elected to treat the aforementioned Sellers employees as statutory employees of Saxapahaw for ratemaking purposes. Furthermore, in future proceedings, the Public Staff will evaluate other affiliate employees for similar treatment on a case by case basis.

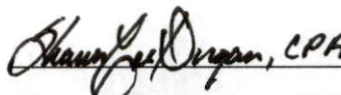
General Ledger

During the course of its investigation, the Public Staff experienced difficulties in securing electronic copies of the Company's trial balance and general ledger as of and for the Test Year Ended December 31, 2018. These difficulties resulted in an investment of Public Staff man-hours in a forensic reconstruction of portions of the Company's accounting records. Ordinarily, the Public Staff refrains from reproducing accounting work that is the responsibility of the Applicant and its

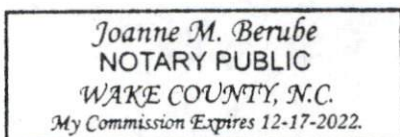
staff. However, in this case the effort was undertaken to ensure that all utility plant and operating & maintenance transactions occurring during the test year were available for examination. The Public Staff does note for the record that the Company maintains its accounting records – book and tax – on a June 30 fiscal year end, and that accounting software complexities associated with filing regulatory financial statements on a calendar year basis contributed to the problem.


In future proceedings the Public Staff encourages the Company to work with Accounting Division personnel, in advance of any rate case filing, to ensure that general ledgers prepared on a calendar year basis are in good order prior to any filing. Alternatively, the Public Staff reminds the Company of its option to file future applications on a fiscal year basis (e.g., with application data scheduled in accord with a June 30 test year-end).

This concludes my affidavit.


Shawn Lee Dorgan, CPA

Witness my hand and notarial seal, this the 4th day of September, 2019.




Notary Public
JOANNE M. BERUBE
Printed or Typed Name

(SEAL)

Commission Expires: 12/17/2022

SHAWN L. DORGAN

Qualifications and Experience

I am a two-time accounting graduate of Appalachian State University, having earned a B.S.B.A. in Accountancy in 1988, and a Master's of Science in Accountancy (concentration in taxation; functional equivalent of an MST) in 1997. After graduation in August of that year, I entered the public accounting industry, working first at the Charlotte office of Deloitte & Touche LLP, and later for several local and regional accounting firms in the metro-Charlotte, metro-Raleigh, and metro-Atlanta areas. I am a Certified Public Accountant, licensed in the State of North Carolina. My license number is 27030.

I joined the Public Staff in May 2016 and since have specialized in providing accounting support in conjunction with rider rate proceedings in both the Natural Gas and Electric Divisions, focusing primarily on program cost reviews of energy efficiency programs authorized for the state's electric utilities under N.C. Gen. Stat. § 62-133.9 – *Cost recovery for demand-side management and energy efficiency measures* – and analytical reviews of tax issues connected to Piedmont Natural Gas Company's annual integrity management rider proceedings (*In the Matter of Annual Integrity Management Rider Report of Piedmont Natural Gas Company, Inc., Pursuant to Appendix E of Its Service Regulations*, Docket Numbers G-9, Sub 715, and G-9 Sub 734).

Additionally, I have provided testimony in connection with annual gas cost review proceedings of Frontier Natural Gas Company LLC, as well as accounting support in rate cases involving North Carolina's largest investor-owned electric and natural gas utilities. This support has centered on applicant rate-base requests in the area of cash working capital, and in particular on detailed analyses of accounting transactions underlying applicant lead-lag schedules.

Saxapahaw Utility Company
Docket No. W-1250, Sub 7
RETURN ON RATE BASE AT ORIGINAL COST
For the Test Year Ended December 31, 2018

Dorgan Exhibit I
Schedule 1

Line No.	Item	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%		\$145,859 [2]	4.50% [1]	2.25%		\$6,564 [7]
2.	Equity	50%		145,858 [2]	-10.35% [5]	-5.18%		(15,099) [8]
3.	Total	100%		<u>\$291,717 [3]</u>		<u>-2.93%</u>		<u>(\$8,535) [9]</u>
<u>Company proposed rates:</u>								
4.	Debt	50%		\$145,859 [4]	4.50% [1]	2.25%		\$6,564 [7]
5.	Equity	50%		145,858 [4]	3.46% [5]	1.73%		5,049 [10]
6.	Total	100%		<u>\$291,717 [3]</u>		<u>3.98%</u>		<u>\$11,613 [11]</u>

- [1] - Provided by Public Staff Financial Analyst Craig.
[2] - Column (a) x Line 3, Column (b).
[3] - Dorgan 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] - Dorgan Exhibit I, Schedule 3, Line 34, Column (c).
[10] - Line 6 - Line 4, Column (e).
[11] - Dorgan Exhibit I, Schedule 3, Line 34, Column (e).

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

ORIGINAL COST RATE BASE

For the Test Year Ended December 31, 2018

Dorgan Exhibit I
Schedule 2

Line No.	Item	Per Application (a)	Public Staff Adjustments (b)	[2]	After Public Staff Adjustments (c)	
1.	Plant in service	\$963,468	[1] (\$47,655)		\$915,813	[3]
2.	Accumulated Depreciation & Amortization	(220,196)	(120,851)		(341,047)	[4]
3.	Contributions in aid of construction	(336,094)	40,202		(295,892)	[5]
4.	Net plant in service	407,178	(128,304)		278,874	
5.	Cash working capital	1,136	12,802		13,938	[6]
6.	Average tax accruals	0	(1,095)		(1,095)	[7]
7.	Rate base	\$408,314	(\$116,597)		\$291,717	

[1] - Unadjusted for an immaterial calculation/rounding variance of \$6.00

[2] - Column (c) - Column (a).

[3] - Dorgan Exhibit I, Schedule 2-1, Line 112, Column (a).

[4] - Dorgan Exhibit I, Schedule 2-1, Line 112, Column (h).

[5] - Dorgan Exhibit I, Schedule 2-1, Line 112, Column (b).

[6] - One-eighth of O&M expenses.

[7] - One-half of property taxes, plus one-fifth of imputed payroll taxes

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION & AMORTIZATION, AND DEPRECIATION AND
For the Test Year Ended December 31, 2018**

Dorgan Exhibit I
Schedule 2-1
Page 1 of 4

Line No.	Item	Plant In Service Per Public Staff	CIAC	Depreciable Plant in Service	Year Placed In Service	Life	Years in Service	Annual Depreciation & Amortization	Accumulated Depreciation & Amortization
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>Per Sub 4 Rate Case</u>									
1.	Land	\$4,790 [1]	\$0 [1]	\$4,790	1980 [1]				
2.	Wells	0 [2]	0 [1]	0	1986 [1]	25 [1]	32.5	\$0	\$0
3.	Tank	0 [2]	0 [1]	0	1987 [1]	25 [1]	31.5	0	0
4.	Mains	5,720 [1]	0 [1]	5,720	1987 [1]	35 [1]	31.5	163	5,135
5.	Service connections	1,616 [1]	0 [1]	1,616	1987 [1]	35 [1]	31.5	46	1,449
6.	Wells	2,946 [1]	0 [1]	2,946	1988 [1]	25 [1]	30.5	0	2,946
7.	Mains	1,960 [1]	0 [1]	1,960	1988 [1]	35 [1]	30.5	56	1,708
8.	Service connections	50 [1]	0 [1]	50	1988 [1]	35 [1]	30.5	1	31
9.	Mains	12,494 [1]	0 [1]	12,494	1989 [1]	35 [1]	29.5	357	10,532
10.	Service connections	40 [1]	0 [1]	40	1989 [1]	35 [1]	29.5	1	30
11.	Wells	5,407 [1]	0 [1]	5,407	1990 [1]	25 [1]	28.5	0	5,407
12.	Mains	503 [1]	0 [1]	503	1990 [1]	35 [1]	28.5	14	399
13.	Service connections	132 [1]	0 [1]	132	1991 [1]	35 [1]	27.5	4	110
14.	Service connections	128 [1]	0 [1]	128	1992 [1]	35 [1]	26.5	4	106
15.	Tank	35,534 [1]	0 [1]	35,534	1994 [1]	25 [1]	24.5	1,421	34,815
16.	Mains	15,801 [1]	0 [1]	15,801	1997 [1]	35 [1]	21.5	451	9,697
17.	Tank	908 [1]	0 [1]	908	1998 [1]	25 [1]	20.5	36	738
18.	Mains	164,664 [1]	0 [1]	164,664	1998 [1]	35 [1]	20.5	4,705	96,453
19.	Service connections	8,087 [1]	0 [1]	8,087	1998 [1]	35 [1]	20.5	231	4,736
20.	Service connections	1,692 [1]	0 [1]	1,692	1999 [1]	35 [1]	19.5	48	936
21.	Mains	650 [1]	0 [1]	650	2000 [1]	35 [1]	18.5	19	352
22.	Service connections	6,165 [1]	0 [1]	6,165	2000 [1]	35 [1]	18.5	176	3,256
23.	Mains	28,904 [1]	0 [1]	28,904	2002 [1]	35 [1]	16.5	826	13,629
24.	Wells	11,720 [1]	0 [1]	11,720	2002 [1]	25 [1]	16.5	469	7,739
25.	Structures & site improvement	112 [1]	0 [1]	112	2002 [1]	25 [1]	16.5	4	66
26.	Service connections	7,606 [1]	0 [1]	7,606	2002 [1]	35 [1]	16.5	217	3,581
27.	Structures & site improvement	9,356 [1]	0 [1]	9,356	2003 [1]	25 [1]	15.5	374	5,797
28.	Booster station	3,516 [1]	0 [1]	3,516	2004 [1]	20 [1]	14.5	176	2,552
29.	Mains	646 [1]	0 [1]	646	2004 [1]	35 [1]	14.5	18	261
30.	Computer software	0 [2]	0 [1]	0	2004 [1]	5 [1]	14.5	0	0
31.	Tank	313 [1]	0 [1]	313	2004 [1]	25 [1]	14.5	13	189
32.	Office printer	0 [2]	0 [1]	0	2005 [1]	5 [1]	13.5	0	0
33.	Pumps	0 [2]	0 [2]	0	2005 [1]	5 [1]	13.5	0	0
34.	Mains	180,458 [1]	(178,008) [1]	2,450	2005 [1]	35 [1]	13.5	70	945
35.	Meters	2,062 [1]	0 [1]	2,062	2005 [1]	20 [1]	13.5	103	1,391

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION & AMORTIZATION, AND DEPRECIATION AND
For the Test Year Ended December 31, 2018**

Dorgan Exhibit I

Schedule 2-1

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Line No.	Item	Plant In Service Per Public Staff	CIAC	Depreciable Plant in Service	Year Placed In Service	Life	Years in Service	Annual Depreciation & Amortization	Accumulated Depreciation & Amortization
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
36.	Tanks	\$55,203 [1]	(\$28,815) [1]	\$26,388	2005 [1]	25 [1]	13.5	\$1,056	\$14,256
37.	Structures & site improvement	113,539 [1]	(88,451) [1]	25,088	2005 [1]	25 [1]	13.5	1,004	13,554
38.	Wells	717 [1]	0 [1]	717	2006 [1]	25 [1]	12.5	29	363
39.	Engineering	1,899 [1]	0 [1]	1,899	2006 [1]	20 [1]	12.5	95	1,188
40.	Pumps	0 [2]	0 [1]	0	2006 [1]	5 [1]	12.5	0	0
41.	Mains	1,130 [1]	0 [1]	1,130	2006 [1]	35 [1]	12.5	32	400
42.	Organizational costs	0 [2]	0 [1]	0	2007 [1]	5 [1]	11.5	0	0
43.	Pumps	0 [3]	0 [1]	0	2007 [1]	5 [1]	11.5	0	0
44.	Mains	17,364 [1]	0 [1]	17,364	2007 [1]	35 [1]	11.5	496	5,704
45.	Meters - 18-3/4 meters and installation	6,870 [1]	0 [1]	6,870	2008 [1]	20 [1]	10.5	344	3,612
46.	Meters - 36-3/4 meters and installation	14,888 [1]	0 [1]	14,888	2009 [1]	20 [1]	9.5	744	7,068
47.	Meters - 12-3/4 meters and installation	5,673 [1]	0 [1]	5,673	2009 [1]	20 [1]	9.5	284	2,698
48.	Meters - meter big well house #2	823 [1]	0 [1]	823	2010 [1]	25 [1]	8.5	33	281
49.	Meters - well #2 meter and flow meter	2,182 [1]	0 [1]	2,182	2010 [1]	20 [1]	8.5	109	927
50.	Meters - T10 2" meter w/ coder/parts	883 [1]	0 [1]	883	2010 [1]	20 [1]	8.5	44	374
51.	Meters - 3-T10 5/8 x 3/4 meter/parts	826 [1]	0 [1]	826	2010 [1]	20 [1]	8.5	41	349
52.	Meters - Village meters	614 [1]	0 [1]	614	2010 [1]	20 [1]	8.5	31	264
53.	Meters - apartment meters T10:2	2,315 [1]	0 [1]	2,315	2010 [1]	20 [1]	8.5	116	986
54.	Meters - lower Mill meters T10 -1 -1/2	1,113 [1]	0 [1]	1,113	2010 [1]	20 [1]	8.5	56	476
55.	Mains - mains for well #4	1,134 [1]	0 [1]	1,134	2010 [1]	35 [1]	8.5	32	272
56.	Service connection - mobile home park	1,272 [1]	0 [1]	1,272	2010 [1]	20 [1]	8.5	64	544
57.	Other - ICS water computer software	7,984 [1]	0 [1]	7,984	2008 [1]	5 [1]	10.5	0	7,984
58.	Other - radio meter reader/software	7,838 [1]	0 [1]	7,838	2008 [1]	5 [1]	10.5	0	7,838
59.	Other - attorney, accounting, engineering	3,583 [1]	0 [1]	3,583	2009 [1]	20 [1]	9.5	179	1,701
60.	Pumps - 150 PSI pump well #3	553 [1]	0 [1]	553	2009 [1]	5 [1]	9.5	0	553
61.	Pumps - 150 PSI chemical pump well #1	493 [1]	0 [1]	493	2009 [1]	5 [1]	9.5	0	493
62.	Pumps - well #2 pump - 85 GPM, 7 1/2 hp	5,166 [1]	0 [1]	5,166	2010 [1]	5 [1]	8.5	0	5,166
63.	Pumps - well #2 pump pressure switch	279 [1]	0 [1]	279	2010 [1]	5 [1]	8.5	0	279
64.	Structures - well #4 well pad	782 [1]	0 [1]	782	2009 [1]	25 [1]	9.5	31	295
65.	Structures - well house for well #4	16,428 [1]	0 [1]	16,428	2011 [4]	25 [1]	7.5	657	4,928
66.	Wells - well #4 surveying cost	1,103 [1]	0 [1]	1,103	2009 [1]	25 [1]	9.5	44	418
67.	Wells - well #4 GMAC engineering cost	11,488 [1]	(618) [1]	10,870	2010 [1]	25 [1]	8.5	435	3,698
68.	Wells - well #4 application fee/mailling	233 [1]	0 [1]	233	2010 [1]	25 [1]	8.5	9	77
69.	Wells - well #4 GMAC	3,039 [1]	0 [1]	3,039	2010 [1]	25 [1]	8.5	122	1,037
70.	Wells - well #4 7/1 - 12/31/10	25,919 [1]	0 [1]	25,919	2010 [1]	25 [1]	8.5	1,037	8,815
71.	Plant in service - Sub 3 (as adjusted for subsequent disposals)	<u>\$827,313</u>	<u>(\$295,892)</u>	<u>\$531,421</u>				<u>\$17,127</u>	<u>\$311,572</u>

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION & AMORTIZATION, AND DEPRECIATION AND
For the Test Year Ended December 31, 2018**

Dorgan Exhibit I
Schedule 2-1
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Line No.	Item	Plant In Service Per Public Staff	CIAC	Depreciable Plant in Service	[6]	Year Placed In Service	Life	Years in Service	[9]	Annual Depreciation & Amortization	[10]	Accumulated Depreciation & Amortization	[11]
		(a)	(b)	(c)		(d)	(e)	(f)		(g)		(h)	
<u>Per Sub 4 Rate Case</u>													
72.	Lower Mill meter T10-2" meter	\$668	\$0	\$668	2011	[1]	10	[1]	7.5	\$67		\$503	
73.	Well 4 meter	2,595	0	2,595	2011	[1]	10	[1]	7.5	260		1,950	
74.	Lower Mill meter T10-2" meter	1,338	0	1,338	2011	[1]	10	[1]	7.5	134		1,005	
75.	Meter parts lower Mill	291	0	291	2011	[1]	10	[1]	7.5	29		218	
76.	5 Meters for RMA	857	0	857	2011	[1]	10	[1]	7.5	86		645	
77.	2 Meters mobile home park	432	0	432	2012	[1]	10	[1]	6.5	43		280	
78.	2 Meters Sellers Building	2,404	0	2,404	2012	[1]	10	[1]	6.5	240		1,560	
79.	Meter RMA boiler shed	677	0	677	2012	[1]	10	[1]	6.5	68		442	
80.	Meter for Hawbridge School	2,373	0	2,373	2012	[1]	10	[1]	6.5	237		1,541	
81.	Mains for Cozi Farm	2,025	0	2,025	2011	[1]	35	[1]	7.5	58		435	
82.	Fire Hydrants for Haw Village	1,841	0	1,841	2011	[1]	35	[1]	7.5	53		398	
83.	New main line 5904/5910 S/W	13,302	[5]	13,302	2012	[1]	35	[1]	6.5	380		2,470	
84.	Service connection mobile home park	1,500	0	1,500	2011	[1]	20	[1]	7.5	75		563	
85.	Connections for 5904/5010 SS	1,543	0	1,543	2012	[1]	20	[1]	6.5	77		501	
86.	Well #4 pressure switch	368	0	368	2011	[1]	5	[1]	7.5	0		368	
87.	Well #2 - replace pump 7/12 HP 450	0	[3]	0	2011	[1]	5	[1]	7.5	0		0	
88.	Sub monitor for well #2 pump	1,144	0	1,144	2011	[1]	5	[1]	7.5	0		1,144	
89.	Well house for well #4	21,389	0	21,389	2011	[1]	25	[1]	7.5	856		6,420	
90.	Well house for well #4 - electricity	2,760	0	2,760	2011	[1]	25	[1]	7.5	110		825	
91.	Well #4 1/1/11-6/30/11	1,875	0	1,875	2011	[1]	25	[1]	7.5	75		563	
92.	Well #4 - GMAC (eng) & R. Nelson (attorney)	1,174	0	1,174	2011	[1]	20	[1]	7.5	59		443	
93.	Well #4 - GMAC	863	0	863	2011	[1]	20	[1]	7.5	43		323	
94.	Well # - electricity	2,598	0	2,598	2011	[1]	25	[1]	7.5	104		780	
95.	Plant in service - Subs 3 and 4 (as adjusted for subsequent disposals)	<u>\$891,330</u>	<u>(\$295,892)</u>	<u>\$595,438</u>						<u>\$20,181</u>		<u>\$334,944</u>	
<u>Per Sub 6 Rate Case</u>													
96.	Well #4 - Pressure Switch	\$363	\$0	\$363	2013	[1]	5	[1]	5.5	\$0		\$363	
97.	2" & 1" Meters & Install	3,794	0	3,794	2014	[1]	10	[1]	4.5	379		1,706	
98.	Gate Valve	295	0	295	2014	[1]	15	[1]	4.5	20		90	
99.	5/8 x 3/4 Meter	258	0	258	2014	[1]	10	[1]	4.5	26		117	
100.	Gate Valve	309	0	309	2015	[1]	15	[1]	3.5	21		74	
101.	5/8 x 3/4, 1", 1.5", 2" Meters & Install	4,271	0	4,271	2015	[1]	10	[1]	3.5	427		1,495	
102.	Computer software	2,865	[8]	2,865	2016	[1]	5	[1]	2.5	573		1,433	
	Plant in service - Subs 3, 4 and 6 (as adjusted for subsequent disposals)	<u>\$903,485</u>	<u>(\$295,892)</u>	<u>\$607,593</u>						<u>\$21,627</u>		<u>\$340,220</u>	

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION & AMORTIZATION, AND DEPRECIATION AND
For the Test Year Ended December 31, 2018**

Dorgan Exhibit I
Schedule 2-1
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Line No.	Item	Plant In Service Per Public Staff	CIAC	Depreciable Plant in Service	[6]	Year Placed In Service	Life	Years in Service	[9]	Annual Depreciation & Amortization	[10]	Accumulated Depreciation & Amortization	[11]
		(a)	(b)	(c)		(d)	(e)	(f)		(g)		(h)	
<u>Per Sub 7 Rate Case</u>													
103.	Amtrol Well Pressure Tank (2)	\$2,250	[8]	\$0		2017	[7]	25	[8]	1.5		\$90	\$135
104.	7.5 HP Pump & Motor (Well No. 2) & Install	5,773	[8]	0		2018	[7]	6	[8]	0.5		962	481
105.	2" Galv. Pipe (189' Well No. 2) & Install	1,153	[8]	0		2018	[7]	25	[8]	0.5		46	23
106.	Check Valve (Well No. 2) & Install	411	[8]	0		2018	[7]	15	[8]	0.5		27	14
107.	5/8x3/4 Meter with Ecoder (3)	680	[8]	0		2018	[7]	10	[8]	0.5		68	34
108.	2HP Motor	691	[8]	0		2018	[7]	6	[8]	0.5		115	58
109.	24 GPD, 100 PSI Chem Feed Pump & Repair Kit	452	[8]	0		2018	[7]	6	[8]	0.5		75	38
110.	5/8x3/4 Meter with Ecoder (2)	448	[8]	0		2018	[7]	10	[8]	0.5		45	23
111.	5/8x3/4 Meter with Ecoder (2)	470	[8]	0		2018	[7]	10	[8]	0.5		47	24
112.	TOTALS	\$915,813	(\$295,892)	\$619,921								\$23,102	\$341,047

- [1] - Based on last general rate case (Docket No. W-1250, Sub 6), 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.

Saxapahaw Utility Company
Docket No. W-1250, Sub 7
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended December 31, 2018

Dorgan 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)	Net Company Increase (d)	Operations After Rate Increase (e)	
1.	Operating Revenues:						
2.	Service revenues	\$129,975	(\$0)	\$129,975	\$21,680	\$151,655	[23]
3.	Other revenues	1,371	0	1,371	0	1,371	
4.	Bad debt Recovery	0	0	0	0	0	
5.	Total operating revenues	131,346	0	131,346	21,680	153,027	
6.	Deductions from Operating Revenue:						
7.	Salaries and wages	82,290	(25,886)	56,404	0	56,404	
8.	Contract labor	0	330	330	0	330	
9.	Administrative and office	1,373	0	1,373	0	1,373	
10.	Maintenance and repairs	11,813	(8,654)	3,159	0	3,159	
11.	Electric power for pumping	6,857	(0)	6,857	0	6,857	
12.	Chemicals	1,425	(587)	838	0	838	
13.	Testing	731	1,207	1,938	0	1,938	
14.	Permits, fees & licenses	356	307	663	0	663	
15.	Professional & Legal	11,815	(1,875)	9,940	0	9,940	
16.	Dues, seminars & subscriptions	735	0	735	0	735	
17.	Insurance expense	210	0	210	0	210	
18.	Management Fees	0	12,000	12,000	0	12,000	
19.	Computer/software fees	2,797	(0)	2,797	0	2,797	
20.	Rate case expense	0	104	104	0	104	
21.	Rental & Lease expense	7,200	6,000	13,200	0	13,200	
22.	Other expenses/losses	2,880	(1,920)	960	0	960	
23.	Total O&M expenses	130,482	(18,975)	111,507	0	111,507	
24.	Depreciation & Amortization	18,725	4,377	23,102	0	23,102	
25.	Property taxes	420	0	420	0	420	
26.	Other taxes	196	(196)	0	0	0	
27.	Payroll Taxes	0	4,424	4,424	0	4,424	
28.	Regulatory fees	0	171	171	26	197	
29.	Gross receipts tax	0	0	0	0	0	
30.	State Franchise tax	258	0	258	0	258	
31.	State income tax	0	0	0	164	164	[24]
32.	Federal income tax	0	0	0	1,342	1,342	[25]
33.	Total operating revenue deductions	150,081	(10,199)	139,882	1,532	141,413	
34.	Net operating income for return	(\$18,735)	\$10,199	(\$8,535)	\$20,149	\$11,613	

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

FOOTNOTES TO SCHEDULE 3

For the Test Year Ended December 31, 2018

Dorgan Exhibit I

Schedule 3

Page 2 of 2

- [1] - Column (c) - Column (a).
- [2] - Column (a) plus Column (b), unless otherwise footnoted.
- [3] - W-2 Wages for two deemed statutory employees.
- [4] - Outside bookkeeping services
- [5] - Includes Bank Service Charges of \$596
- [6] - Reclassification of (1) Equipment Rental: (\$6,000); (2) RMI Expense to Capitalized Plant in Service - as Recommended by Public Staff Engineer Darden: (\$2,290); (3) Chemicals Expense, as Recommended by Public Staff Engineer Darden: (\$151); and (4) R&M connected to boiler inspection: \$137. Also includes a credit adjustment in the amount of (\$352) for unsubstantiated transactions.
- [7] - Reclassification of (1) Chemicals Expense to Capitalized Plant in Service, as Recommended by Public Staff Engineer Darden: (\$452); and (2) Chemicals Expense recorded in R&M: \$151. Also includes a credit adjustment for the removal of post-closing accounting entries in the amount of (\$286)
- [8] - Pro Forma Adjustment per Public Staff Engineer Darden.
- [9] - Reclassification of service fee paid to the NCDOR not classifiable as a tax payment: \$25. Pro Forma Adjustment per Public Staff Engineer Darden: \$420.
- [10] - Exclusion of land surveying costs for real property not owned by Saxapahaw Utility Company, or fronting Saxapahaw Utility property.
- [11] - Management Fees reclassified from Salaries & Wages
- [12] - Dorgan Exhibit I, Schedule 3-1, Line 5.
- [13] - Reclassification of Equipment Rental Expense: \$6,000
- [14] - Loss on Disposal of Utility Plant Assets. Book Loss of \$2,880 to be
- amortized over three years at \$960.00 per year.
- [15] - Dorgan Exhibit I, Schedule 2-1, Line 112, Column (g).
- [16] - Reclassification of (1) NCUC Regulatory Fees: (\$171); and (2), service fee paid to the NCDOR not classifiable as a tax payment: (\$25)
- [17] - Includes Imputed Employment Taxes (FICA & Medicare), and Imputed Unemployment Taxes (FUTA & SUTA), for two deemed statutory employees.
- [18] - NCUC Regulatory Fees reclassified from Permits, Fees & Licenses.
(SEE Note 16)
- [19] - Dorgan Exhibit I, Schedule 3-2, Line 12, Column (a).
- [20] - Dorgan Exhibit I, Schedule 3-2, Line 13, Column (a).
- [21] - Column (e) - Column (c).
- [22] - Column (c) plus Column (d), unless otherwise footnoted.
- [23] - Per Public Staff Engineer Darden.
- [24] - Dorgan Exhibit I, Schedule 3-2, Line 12, Column (b).
- [25] - Dorgan Exhibit I, Schedule 3-2, Line 13, Column (b).

Saxapahaw Utility Company

Docket No. W-1250, Sub 7

CALCULATION OF RATE CASE EXPENSE

For the Test Year Ended December 31, 2018

Dorgan Exhibit I

Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Cost to mail notices	\$213 [1]
2.	NCUC filing fees	<u>100</u> [2]
3.	Total rate case expense (Line 1+ Line 2)	\$313
4.	Amortization factor	<u>3</u>
5.	Amortized regulatory expense (Line 3 / Line 4)	<u><u>\$104</u></u>

[1] - Based on 152 customer accounts x 2 mailings x \$.55 per first class stamp, plus \$.15 for envelopes and copying.

[2] - Filing fee per application

Saxapahaw Utility Company
Docket No. W-1250, Sub 7
CALCULATION OF INCOME TAXES
For the Test Year Ended December 31, 2018

Dorgan Exhibit I
Schedule 3-2

Line No.	Item	Present Rates (a)	[1]	Company Proposed Rates (b)	[3]
1.	Operating revenue	\$131,346		\$153,027	
2.	Operating revenue deductions:				
3.	O & M expenses	111,507		111,507	
4.	Depreciation expense	23,102		23,102	
5.	Property taxes	420		420	
6.	Payroll Taxes	4,424		4,424	
7.	Regulatory fee	171		197	
8.	State Franchise tax	258		258	
9.	Interest expense	6,564	[2]	6,564	[4]
10.	Total deductions (Sum of L3 thru L9)	146,446		146,471	
11.	Pre-tax Income (L1 - L10)	(15,099)		6,555	
12.	LESS: State income tax @ 2.50%	0		164	
13.	LESS: Federal income tax @ 21.00%	0		1,342	
14.	Net amount (L11 - L12 - L13)	(15,099)		5,049	
15.	ADD: Interest expense	6,564	[2]	6,564	[4]
16.	Net income for return (L20 + L21)	(\$8,535)		\$11,613	

[1] - Dorgan Exh bit I, Schedule 3, Column (c).

[2] - Dorgan Exh bit I, Schedule 1, Column (e), Line 1.

[3] - Dorgan Exh bit I, Schedule 3, Column (e).

[4] - Dorgan Exh bit I, Schedule 1, Column (e), Line 4.