



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

January 19, 2022

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

Re: Docket No. W-1063, Sub 5 – Application by C&P Enterprises, Inc.,  
Post Office Box, 31563, Raleigh, North Carolina 27622, for Authority  
to Adjust and Increase Rates for Sewer Utility Service at Ocean Bay  
Villas and Ocean Glen Condominiums in Carteret County, NC

Dear Ms. Dunston:

Attached for filing on behalf of the Public Staff in the above-referenced  
docket are the following:

1. Direct Testimony and Exhibit of Lindsay Q. Darden, Public Utilities  
Engineer, Public Staff Water, Sewer & Telephone Division;
2. Direct Testimony and Exhibit of Kuei Fen Sun, Financial Analyst,  
Public Staff Accounting Division;
3. Affidavit of Phat Tran, Public Utilities Financial Analyst, Public Staff  
Economic Research Division; and
4. Notice of Affidavit.

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

Sincerely,

Electronically submitted  
s/ William E. H. Creech  
Staff Attorney  
[zeke.creech@psncuc.nc.gov](mailto:zeke.creech@psncuc.nc.gov)

**Attachments**

Executive Director  
(919) 733-2435

Accounting  
(919) 733-4279

Consumer Services  
(919) 733-9277

Economic Research  
(919) 733-2267

Energy  
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Legal  
(919) 733-6110

Transportation  
(919) 733-7766

Water/Telephone  
(919) 733-5610

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1063, SUB 5

In the Matter of )  
Application by C&P Enterprises, Inc., )  
Post Office Box 31563, Raleigh, North )  
Carolina 27622, for Authority to Adjust )  
and Increase Rates for Sewer Utility )  
Service at Ocean Bay Villas and Ocean )  
Glen Condominiums in Carteret )  
County, North Carolina )

TESTIMONY OF  
LINDSAY Q. DARDEN  
PUBLIC STAFF- NORTH  
CAROLINA UTILITIES  
COMMISSION

**C&P ENTERPRISES, INC.  
DOCKET NO. W-1063, SUB 5**

**TESTIMONY OF LINDSAY Q. DARDEN  
ON BEHALF OF THE PUBLIC STAFF  
NORTH CAROLINA UTILITIES COMMISSION**

**JANUARY 19, 2022**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**  
2 **PRESENT POSITION.**

3 A. My name is Lindsay Q. Darden, and my business address is 430 N.  
4 Salisbury Street, Raleigh, North Carolina. I am a Public Utilities  
5 Engineer with the Water, Sewer & Telephone Division of the Public  
6 Staff – North Carolina Utilities Commission.

7 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

8 A. I graduated from North Carolina State University, earning a Bachelor  
9 of Science Degree in Civil Engineering. I am a licensed Professional  
10 Engineer in North Carolina and also certified as a B-Well Operator by  
11 the North Carolina Water Treatment Facility Operators Certification  
12 Board. I worked for the North Carolina Department of Environmental  
13 Quality (DEQ), Public Water Supply Section for four years prior to  
14 joining the Public Staff in December 2016. Prior to working for DEQ, I  
15 worked for Smith Gardner, an engineering consulting firm. Since  
16 joining the Public Staff, I have worked on rate increase applications,

1 transfer applications, new franchise and contiguous extension  
2 applications, and other aspects of water and sewer utility regulation.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
4 **PROCEEDING?**

5 A. The purpose of my testimony is to describe my investigation and  
6 make recommendations concerning the application filed by C&P  
7 Enterprises, Inc. (C&P or Applicant) with the Commission on August  
8 27, 2021, seeking authority to increase rates for sewer utility service  
9 provided to Ocean Bay Villas and Ocean Glen Condominiums in  
10 Carteret County, North Carolina.

11 **Q. PROVIDE A BRIEF OVERVIEW OF THIS PROCEEDING.**

12 A. The Applicant provides wastewater utility service to two multi-family  
13 developments along NC Highway 58 (also known as Salter Path  
14 Road) near the Town of Pine Knoll Shores. Ocean Glen  
15 Condominiums consists of 38 units and Ocean Bay Villas consists of  
16 51 units. The test year indicated in its application ended December  
17 31, 2020.

18 On August 27, 2021, the Applicant filed an application seeking  
19 authority to increase rates for sewer utility service. On September  
20 20, 2021, the Commission issued an order establishing a general  
21 rate case and suspending rates.

1 On November 16, 2021, the Commission issued an order scheduling  
2 hearings and requiring customer notice, including scheduling a  
3 customer hearing subject to cancellation if no significant protests  
4 were received subsequent to customer notice. The Public Staff did  
5 not receive any protests, and no one registered to provide testimony  
6 at the public hearing by the deadline of December 29, 2021. As a  
7 result, on January 3, 2022, the Public Staff requested that the public  
8 hearing scheduled for January 5, 2022 be cancelled. Also on January  
9 3, 2022, the Commission issued an order cancelling the public  
10 witness hearing.

11 **Q. WOULD YOU BRIEFLY DESCRIBE YOUR INVESTIGATION?**

12 A. I have assisted Public Staff Financial Analyst Kuei Fen Sun in  
13 reviewing the sewer system operating expenses and utility plant in  
14 service. I have provided revenue levels based upon the number of  
15 customers as of December 2021, at present, proposed, and  
16 recommended rates. I have also reviewed the files for the sewer  
17 system and corresponded with Environmental Specialist Helen  
18 Perez of DEQ, Division of Water Resources (DWR), regarding the  
19 operation of the wastewater collection, treatment, and non-discharge  
20 disposal systems.

21 **Q. PLEASE DESCRIBE THE SEWER UTILITY SYSTEM.**

1 A. The system consists of 32,500 gallon per day wastewater collection,  
2 treatment, and non-discharge disposal facilities. The wastewater  
3 collection system consists of gravity sewer lines, two pump stations  
4 with duplex grinder pumps, and force main. The wastewater  
5 treatment plant consists of an aerated flow equalization tank, flow  
6 splitter box, eight aeration tanks, two clarifiers, two tertiary filtration  
7 units, mud well, tablet chlorination unit with chlorine contact basin,  
8 flow meter, and an aerated sludge holding tank. Effluent is disposed  
9 of through two high-rate infiltration units with a total of thirty-two spray  
10 irrigation heads. In addition, the DEQ permit requires fencing to  
11 restrict access to the facilities, audible and visual alarms, and an  
12 automatically-activated stand-by power generation system. The  
13 entire system was originally constructed in 1980.

14 The system was last inspected on June 19, 2020, by Helen Perez  
15 with DWR. Ms. Perez determined the facility status to be compliant.  
16 Dan Fortin, the Operator-in-Responsible Charge for the system, was  
17 present during the inspection. Ms. Perez noted that a portable  
18 generator was currently located on the site, and Mr. Fortin discussed  
19 plans to purchase a new generator. Ms. Perez described that the  
20 infiltration fields were well maintained, with no ponding, runoff or  
21 vegetative growth. At the time of the inspection, only one pump was  
22 in the dosing tank, and Mr. Fortin stated that a new pump and  
23 electrical panel would be installed soon.

1 In my discussions with Ms. Perez, she stated that overall there are  
2 no major issues with this facility. Ms. Perez is responsible for issuing  
3 monthly self-monitoring report violations. The last civil penalty that  
4 Ms. Perez issued was for a monthly fecal coliform limit violation in  
5 November 2020.

6 **Q. DESCRIBE THE PRESENT AND PROPOSED RATES.**

7 A. The Applicant presently bills two flat rate customers for sewer  
8 service. The Applicant's present and proposed rates filed in the  
9 application are as follows:

10	<u>Flat Rate Sewer Service</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
11	Per Residential Unit	\$ 57.10	\$ 69.15

12 The Applicant has not proposed any other changes to its rates.

13 **Q. DESCRIBE YOUR REVIEW AND ADJUSTMENTS OF THE**  
14 **OPERATING EXPENSES.**

15 A. I have analyzed the operating expenses by reviewing invoices and  
16 records provided by the Company. I recommend adjustments to the  
17 levels of maintenance and repair, sludge hauling, electric power,  
18 chemicals, and testing based upon updated information and bills  
19 provided by the Applicant.

20 **MAINTENANCE AND REPAIR**

1 In its application, C&P indicated a maintenance and repair expense  
2 of \$6,340. Based upon review of the invoices provided by C&P, I  
3 recommend reallocating \$1,025 to plant in service and \$1,800 to  
4 sludge hauling. I recommend an annual maintenance and repair  
5 expense of \$3,463.

6 **CONTRACT LABOR**

7 In its application, C&P indicated a contract labor expense of \$21,900.  
8 The Applicant has provided monthly contract labor invoices with  
9 Fortin Contract Services that includes expense amounts for contract  
10 labor, maintenance and repair, sludge hauling, chemicals, and plant  
11 in service. Based upon review of the invoices provided by C&P, I  
12 recommend an annual contract labor expense of \$20,400.

13 **SLUDGE HAULING**

14 In its application C&P did not indicate a sludge hauling expense. In  
15 response to a data request, C&P indicated it had maintenance and  
16 repair expenses for the updated test year totaling \$6,340. Based  
17 upon review of the invoices provided by C&P, I recommend  
18 reallocating \$1,800 to sludge hauling expense. I recommend an  
19 annual sludge hauling expense of \$1,800.

20 **ELECTRIC POWER**

21 In its application, C&P indicated an electric power expense of \$6,208.  
22 Based upon review of the invoices provided by C&P, I recommend  
23 an annual electric power expense of \$6,216.



1 **CHEMICALS**

2 In its application, C&P indicated an expense of \$1,180 for chemicals.  
3 In response to a data request, C&P indicated it had chemicals  
4 supplied by Fortin Contract Services, and the chemical expenses  
5 were itemized on the monthly invoices from Fortin Contract Services.  
6 Based upon review of the invoices provided by C&P, the Public Staff  
7 agrees with the \$1,180 chemical expense.

8 **TESTING**

9 In its application, C&P indicated a testing expense of \$5,315. In  
10 response to a data request, C&P provided invoices for testing  
11 expenses for the updated test year totaling \$6,521. Based upon  
12 review of the invoices provided by C&P, the tests and frequency of  
13 testing required by the operations permit, and the current testing  
14 price schedule, I recommend an annual testing expense of \$6,521.

15 **PERMIT FEES**

16 In its application, C&P indicated an expense of \$1,310 for permit  
17 fees. In response to a data request, C&P provided an invoice for  
18 permit fees for the updated test year in the amount of \$1,310. The  
19 Public Staff agrees with the expense amount of \$1,310 for permit  
20 fees.

21 **Q. HAVE YOU MADE ADJUSTMENTS TO ANY OTHER AREAS**  
22 **BESIDES OPERATING EXPENSES?**

1 A. Yes, I recommend an adjustment to plant in service and recommend  
2 depreciation lives for plant additions to be incorporated by Financial  
3 Analyst Sun.

4 **PLANT IN SERVICE**

5 I recommend that \$1,025 of the Applicant's maintenance and repair  
6 expenses be reallocated to plant in service. The items are a duplex  
7 pump control panel for an equalization tank and four floats in the  
8 amount of \$875, and three signs installed in the amount of \$150.

9 **DEPRECIATION LIVES**

10 I recommend the estimated lives for plant additions since the last rate  
11 case as detailed by Financial Analyst Sun in Sun Exhibit I, Schedule  
12 2-1.

13 **Q. PLEASE DESCRIBE YOUR RECOMMENDED RATES AND**  
14 **REVENUES.**

15 A. The Applicant's proposed rates in its application would generate an  
16 approximate twenty-one percent (21%) increase in sewer service  
17 revenue. I have calculated annual sewer service revenues of  
18 \$60,987 under present rates and \$73,852 under the Applicant's  
19 proposed rates. Financial Analyst Sun has completed her analysis of  
20 revenues and expenses and a revenue requirement of \$65,103,  
21 referenced in Sun Exhibit I, Schedule 3. The Public Staff's  
22 recommended revenue would generate an approximate seven

1 percent (7%) increase in sewer service revenue. I recommend  
2 approval of the following separate flat rates for Ocean Glen  
3 Condominiums and Ocean Bay Villas, the Applicant's two  
4 customers. The recommended rates would generate adequate  
5 revenue to meet the Public Staff's recommended revenue amount.

6 The recommended rates are as follows:

7	<u>Monthly Flat Rate Sewer Service:</u>	<u>Recommended Rates</u>
8	Ocean Glen Condominiums	\$ 2,316.48
9	Ocean Bay Villas	\$ 3,108.96
10	Per Residential Unit	\$ 60.96

11 See **Darden Exhibit 1** for my calculations.

12 **Q. PLEASE DESCRIBE THE APPLICANT'S SERVICE TO**  
13 **CUSTOMERS.**

14 A. Based on the absence of customer complaints, information provided  
15 by the Applicant, and the Public Staff's review, I conclude that the  
16 Applicant is providing adequate service to the customers.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.

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TESTIMONY OF  
KUEI FEN SUN  
PUBLIC STAFF- NORTH  
CAROLINA UTILITIES  
COMMISSION

**C&P ENTERPRISES, INC.  
DOCKET NO. W-1063, SUB 5**

**TESTIMONY OF KUEI FEN SUN  
ON BEHALF OF THE PUBLIC STAFF  
NORTH CAROLINA UTILITIES COMMISSION**

**JANUARY 19, 2022**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**  
2 **PRESENT POSITION.**

3 A. My name is Kuei Fen Sun, and my business address is 430 N.  
4 Salisbury Street, Raleigh, North Carolina. I am a Financial Analyst  
5 with the Accounting Division of the North Carolina Utilities  
6 Commission - Public Staff (Public Staff) and represent the using and  
7 consuming public.

8 **Q. HOW LONG HAVE YOU BEEN EMPLOYED BY THE PUBLIC**  
9 **STAFF?**

10 A. I have been employed by the Public Staff since September 20, 2021.

11 **Q. BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

12 A. My qualifications and duties are included in Appendix A.

13 **Q. WHAT ARE YOUR DUTIES IN YOUR PRESENT POSITION?**

14 A. I am responsible for analyzing testimony, exhibits, and other data  
15 presented by parties before the North Carolina Utilities Commission  
16 (Commission). I am also responsible for performing examinations of

1 the books and records of utilities involved in proceedings before the  
2 Commission and summarizing the results into testimony and exhibits  
3 for presentation to the Commission.

4 **Q. WHAT IS THE NATURE OF THE APPLICATION IN THIS**  
5 **PROCEEDING?**

6 A. On August 27, 2021, C&P Enterprises, Inc. (C&P or the Company)  
7 filed an application with the Commission seeking authority to increase  
8 its rates for providing sewer utility services in all of its service areas in  
9 Carteret County, North Carolina. My investigation included a review  
10 of the original and updated applications filed by the Company, an  
11 examination of the Company's books and records for the test year,  
12 and a review of additional documentation provided by the Company  
13 in response to written data requests.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
15 **PROCEEDING?**

16 A. The purpose of my testimony in this proceeding is to present the  
17 results of my investigation of the levels of revenues, expenses, and  
18 investment the Company filed in support of its requested increase in  
19 operating revenues for sewer operations.

1 **Q. WOULD YOU BRIEFLY DESCRIBE THE PRESENTATION OF**  
2 **YOUR TESTIMONY AND EXHIBITS?**

3 A. Yes. My testimony contains a discussion of each issue resulting from  
4 my investigation, and my exhibit consists of schedules showing the  
5 calculation of my adjustments to revenues, expenses, and rate base.  
6 My schedules also reflect adjustments recommended by other Public  
7 Staff witnesses. Schedule 1 of Sun Exhibit I presents the margin on  
8 operating revenue deductions requiring a return under present rates,  
9 the Company's proposed rates, and the Public Staff's recommended  
10 rates. Schedule 2, along with its supporting schedules, presents the  
11 original cost rate base. Schedule 3, along with its supporting  
12 schedules, presents the calculation of net operating income for a  
13 return under present rates, the Company's proposed rates, and the  
14 Public Staff's recommended rates. Schedule 4 presents the Public  
15 Staff's calculation of operating ratios.

16 **Q. WHAT CONCLUSIONS HAVE YOU REACHED REGARDING THE**  
17 **COMPANY'S RATE REQUEST FOR SEWER OPERATIONS?**

18 A. Based on my investigation, the Company's original cost rate base as  
19 of December 31, 2020, is \$60,064 for sewer operations. The level of  
20 operating revenue deductions requiring a return (total operating  
21 expenses excluding the regulatory fee and income taxes) is \$59,602.  
22 As allowed under N. C. Gen. Stat. § 62-133.1, I used the operating

1 ratio method to evaluate the Company's proposed revenue  
2 requirement.

3 I calculated an increase in the gross revenue requirement using the  
4 operating margin of 7.00%, the reasonable rate recommended by  
5 Public Staff Financial Analyst Phat H. Tran. Use of this return on  
6 operating revenue deductions produces an increase in the gross  
7 sewer revenue requirement of \$4,116. The resulting total revenue  
8 requirement is \$65,103, of which all is attributed to service revenues.  
9 Therefore, the Public Staff recommends that sewer service rates be  
10 set to reflect a \$4,116 increase, resulting in annual level of service  
11 revenues of \$65,103.

12 **Q. DOES SUN EXHIBIT I REFLECT ADJUSTMENTS SUPPORTED**  
13 **BY OTHER PUBLIC STAFF WITNESSES?**

14 A. Yes, Sun Exhibit I reflects the following adjustments supported by  
15 other Public Staff witnesses:

16 1. The recommendation of Public Staff Financial Analyst Tran  
17 regarding the margin on operating revenue deductions; and

18 2. The recommendations of Public Staff Engineer Lindsay Q.  
19 Darden for the following items:

20 (a) Plant in Service;

21 (b) Service revenues at present rates;

22 (c) Service revenues at Company's proposed rates;



- 1 (d) Contract labor;
- 2 (e) Maintenance and repairs;
- 3 (f) Sludge hauling;
- 4 (g) Chemicals;
- 5 (h) Electric power;
- 6 (i) Testing;
- 7 (j) Permit fees; and
- 8 (k) Depreciation lives.

9 **Q. WHAT ADJUSTMENTS WILL YOU DISCUSS?**

10 A. The accounting and ratemaking adjustments that I will discuss relate  
11 to the following items:

- 12 (a) Plant in service;
- 13 (b) Accumulated depreciation and depreciation expense;
- 14 (c) Unamortized legal expense;
- 15 (d) Cash working capital;
- 16 (e) Professional fees (Accounting Fee);
- 17 (f) Rate case expenses;
- 18 (g) Regulatory fees; and
- 19 (h) State and Federal income taxes.

20 **PLANT IN SERVICE**

21 **Q. IN WHAT AREAS HAVE YOU MADE ADJUSTMENTS TO PLANT**  
22 **IN SERVICE?**

23 A. C&P presented the amount of \$151,995 for sewer plant in service on  
24 Exhibit B of its initial application. This amount represents plant cost  
25 approved by the Commission in the last general rate case, in Docket  
26 No. W-1063, Sub 3, plus plant costs added since the last general

1 rate case. I started with plant in service approved in the Company's  
2 last general rate case and added plant additions the Company has  
3 made since the last general rate case. Then, I reviewed the  
4 Company's response to the Public Staff data requests, examined  
5 and verified the supporting documents, and incorporated Public Staff  
6 Engineer Darden's recommendations to finalize my adjustment to  
7 plant in service. I have made an adjustment of \$823 for the following  
8 two items:

9 First, I corrected a plant in service item for AutoStart Controller by  
10 adding the amount of \$1,450 to a data entry error of \$162 made by  
11 the Company, that the Company confirmed in response to a Public  
12 Staff data request. The total amount of the plant asset cost should  
13 have been reported as \$1,612.

14 Second, I removed a plant asset item described as hydraulic cement,  
15 muriatic for pumps dated January 20, 2017, in the amount of \$627  
16 from the plant in service per Public Staff Engineer Darden's  
17 recommendation.

18 My calculation results in plant in service of \$152,818 for sewer  
19 operations and is shown on Sun Exhibit I, Schedule 2-1.

1           **ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE**

2   **Q.    HOW HAVE YOU ADJUSTED ACCUMULATED DEPRECIATION**  
3           **AND DEPRECIATION EXPENSE?**

4    A.    I calculated amounts for accumulated depreciation and depreciation  
5           expense to reflect depreciation related to the adjusted plant assets  
6           discussed above and shown on Sun Exhibit I, Schedules 2-1.  
7           Accumulated depreciation and depreciation expense were  
8           calculated based on the service lives recommended by Public Staff  
9           Engineer Darden. Accumulated depreciation was also calculated  
10          based on the year each plant asset was placed in service, using the  
11          half-year convention in the first year of an asset's depreciable life.

12                           **UNAMORTIZED LEGAL EXPENSES**

13   **Q.    PLEASE DESCRIBE YOUR CALCULATION OF UNAMORTIZED**  
14           **LEGAL EXPENSES.**

15    A.    I have included in rate base the unamortized balance of legal fees,  
16           net of taxes, found reasonable by the Commission in the last general  
17           rate case proceeding. My calculation updates the unamortized  
18           balance through December 31, 2020, using the amortization rates

1 approved in the last general rate case and the current state and  
2 federal income tax rates.

3 **CASH WORKING CAPITAL**

4 **Q. PLEASE DESCRIBE YOUR CALCULATION OF CASH WORKING**  
5 **CAPITAL.**

6 A. Cash working capital provides the Company with the funds  
7 necessary to carry on its day-to-day operations. In my calculation, I  
8 included one-eighth (1/8) of total operating and maintenance  
9 expenses as a measure of cash working capital.

10 **PROFESSIONAL FEES (ACCOUNTING FEE)**

11 **Q. HOW DID YOU CALCULATE PROFESSIONAL FEES**  
12 **(ACCOUNTING FEE)?**

13 A. The Company recorded accounting fees to the wrong general ledger  
14 account. I reclassified the amount of \$1,500 (\$125 times 12 months)  
15 from Contract labor to Professional fees as shown on Sun Exhibit I,  
16 Schedule 3.

17 **RATE CASE EXPENSES**

18 **Q. HOW DID YOU CALCULATE RATE CASE EXPENSES?**

19 A. The Company did not include an amount for rate case expenses on  
20 its application. I combined rate case related expenses, which include

1 cost to mail notices to customers, the NCUC filing fee, and  
2 accounting fees, and amortized the total rate case expenses over  
3 three years as shown on the Sun Exhibit I, Schedule 3-1.

4 **REGULATORY FEE**

5 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REGULATORY**  
6 **FEES.**

7 A. I adjusted the regulatory fee to reflect the statutory rate of 0.13% that  
8 I applied to revenues under present rates, the Company's proposed  
9 rates, and the Public Staff's recommended rates.

10 **STATE AND FEDERAL INCOME TAXES**

11 **Q. WHAT ADJUSTMENT HAVE YOU MADE TO STATE AND**  
12 **FEDERAL INCOME TAXES?**

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

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes, it does.

## APPENDIX A

### QUALIFICATIONS AND EXPERIENCE

KUEI FEN SUN

I am a graduate of North Carolina State University, Raleigh, North Carolina, receiving a master's degree in accounting. Prior to joining the Public Staff, I was employed by the North Carolina Department of Insurance (NCDOI) as a Senior Financial Analyst for 8 years from 2013 to 2021. Prior to NCDOI, I worked for Tekelec as an Internal Auditor for 2 years from 2011 to 2013. I also worked as a contractor for the State Energy Office of the North Carolina Department of Commerce for a short period of time in 2013 as a Fiscal Monitor.

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-1063, SUB 5

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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27622, for Authority to Adjust and Increase )  
Rates for Sewer Utility Service at Ocean Bay )  
Villas and Ocean Glen Condominiums in )  
Carteret County, North Carolina )

AFFIDAVIT  
OF  
PHAT H. TRAN

State of North Carolina

County of Wake

I, Phat H. Tran, being first duly sworn do depose and say:

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

I received a Bachelor of Science degree in Economics, a Minor in Accounting from North Carolina State University in 2009, and a Master of Economics degree from North Carolina State University in 2010. I joined the Public Staff in October of 2021. Prior to joining the Public Staff in 2021, I was a Senior Defined Benefit Specialist at Fidelity Investments for 4 years and a Senior Trading Control Analyst at the Alliance for Cooperative Energy Services (ACES) for 7 years. Since joining the Public Staff, I have conducted rate of return studies in water and wastewater utility rate cases, I have been involved in the investigation and analysis of electric utilities proposed avoided cost rates, and I

was also part of the Bond Advisory Team (BAT) relating to the storm securitization proceeding.

The purpose of my affidavit is to make a recommendation to the North Carolina Utilities Commission (Commission) regarding a fair rate of return to be employed as a basis for determining the appropriate revenue requirements for C&P Enterprises, Inc. (C&P Enterprises or the Company), to provide sewer utility services in Carteret County, North Carolina.

For the sewer utility service, I recommend that C&P Enterprises be granted a 7.00% margin on expenses, which equates to an operating ratio of 93.59% (including taxes) or 93.46% (excluding taxes). This recommendation is based upon my investigation of the cost of capital for water and sewer companies. As allowed under N.C. Gen. Stat § 62-133.1, I have used the operating ratio method to evaluate C&P Enterprises' proposed rate increase. After investigation, the Public Staff has determined that the Company's rate base is less than the reasonable level of operating expenses. As outlined in Docket No. W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service. In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the interest rate on bonds that reflect investor expectations of the



future levels of inflation. In my opinion, the recommended operating margin provides an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that C&P Enterprises be granted a 7.00% margin on expenses. This concludes my affidavit.



Phat H. Tran

Sworn to and subscribed before me,

This the 18<sup>th</sup> day of January 2022.



Notary Public

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



Printed Name

My Commission expires 12/17/2022

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

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Rates for Sewer Utility Service at Ocean Bay )  
Villas and Ocean Glen Condominiums in )  
Carteret County, North Carolina )

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission,  
by and through its Executive Director, Christopher J. Ayers, as constituted by  
N.C. Gen. Stat. § 62-15, and gives notice that the Affidavit of:

Phat H. Tran, Public Utilities Financial Analyst  
Fiscal Research Division  
Public Staff - North Carolina Utilities Commission  
430 North Salisbury Street - Dobbs Building  
4326 Mail Service Center  
Raleigh, North Carolina 27699-4300

will be used in evidence at the hearing in this docket scheduled for February 8, 2022,  
pursuant to N.C.G.S. § 62-68. The affiant will not be called to testify orally and will  
not be subject to cross-examination unless an opposing party or the Commission  
demands the right of cross-examination by notice mailed or delivered to the  
proponent at least five days prior to the hearing, pursuant to N.C.G.S. § 62-68.

THEREFORE, the Public Staff moves that the Affidavit of Phat H. Tran be  
admitted into evidence in the absence of notice pursuant to N.C.G.S. § 62-68.

Respectfully submitted this the 19th day of January, 2022.

PUBLIC STAFF  
Christopher J. Ayers  
Executive Director

Dianna W. Downey  
Chief Counsel

Electronically submitted  
/s/ William E. H. Creech  
Staff Attorney  
[zeke.creech@psncuc.nc.gov](mailto:zeke.creech@psncuc.nc.gov)

430 North Salisbury Street - Dobbs Building  
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**C & P Enterprises, Inc.**

Docket No. W-1063, Sub 5

Billing Analysis for the Test Year Ended December 31, 2020

Darden Exhibit 1

Page 1 of 1

**Present**

<b>Customer</b>	<b>Units</b>	<b>Monthly Flat Rate/Unit</b>	<b>Total Mo. Flat Rate</b>	<b>Months</b>	<b>Annual Revenue</b>
Ocean Glen Condominiums	38	\$ 57.10	\$ 2,169.96	12	\$ 26,039.47
Ocean Bay Villas	51	\$ 57.10	\$ 2,912.31	12	\$ 34,947.71
	<u>89</u>			<b>Total</b>	<b>\$ 60,987.18</b>

**Proposed**

<b>Customer</b>	<b>Units</b>	<b>Monthly Flat Rate/Unit</b>	<b>Total Mo. Flat Rate</b>	<b>Months</b>	<b>Annual Revenue</b>
Ocean Glen Condominiums	38	\$ 69.15	\$ 2,627.70	12	\$ 31,532.40
Ocean Bay Villas	51	\$ 69.15	\$ 3,526.65	12	\$ 42,319.80
	<u>89</u>			<b>Total</b>	<b>\$ 73,852.20</b>

**PS Recommendation**

<b>Customer</b>	<b>Units</b>	<b>Monthly Flat Rate/Unit</b>	<b>Total Mo. Flat Rate</b>	<b>Months</b>	<b>Annual Revenue</b>
Ocean Glen Condominiums	38	\$ 60.96	\$ 2,316.48	12	\$ 27,797.76
Ocean Bay Villas	51	\$ 60.96	\$ 3,108.96	12	\$ 37,307.52
	<u>89</u>			<b>Total</b>	<b>\$ 65,105.28</b>



INDEX TO SUN EXHIBIT I

	<u>Title</u>	<u>Schedule No.</u>
1	MARGIN ON OPERATING REVENUE DEDUCTIONS REQUIRED A RETURN	1
2.	ORIGINAL COST RATE BASE	2
3.	CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE	2-1
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6.	NET OPERATING INCOME FOR A RETURN	3 Page 1
7.	FOOTNOTES TO SCHEDULE 3	3 Page 2
8.	CALCULATION OF RATE CASE EXPENSE	3-1
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**C & P Enterprises, Inc.**  
Docket No. W-1063, Sub 5  
**MARGIN ON OPERATING REVENUE DEDUCTIONS**  
**REQUIRING A RETURN**  
For the Test Year Ended December 31, 2020

Sun Exhibit I  
Schedule 1

<u>Line No.</u>	<u>Item</u>	<u>Present Rates</u> (a)	<u>Company Proposed Rates</u> (b)	<u>Public Staff Recommended Rates</u> (c)
1.	Net operating income for a return	\$1,006 [1]	\$10,902 [4]	\$4,172 [6]
2.	Operating revenue deductions requiring a return	<u>59,602</u> [2]	<u>59,602</u> [5]	<u>59,602</u> [7]
3.	Return	<u>1.69%</u> [3]	<u>18.29%</u> [3]	<u>7.00%</u> [8]

- [1] Sun Exhibit I, Schedule 3, Line 26, Column (c).
- [2] Sun Exhibit I, Schedule 3, Line 17 + Line 18 + Line 19 + Line 20, Column (c).
- [3] Line 1 divided by Line 2.
- [4] Sun Exhibit I, Schedule 3, Line 26, Column (e).
- [5] Sun Exhibit I, Schedule 3, Line 17 + Line 18 + Line 19 + Line 20, Column (e).
- [6] Line 2 x Line 3.
- [7] Sun Exhibit I, Schedule 3, Line 17 + Line 18 + Line 19 + Line 20, Column (g).
- [8] Provided by Public Staff Financial Analyst Tran.



**C & P Enterprises, Inc.**  
Docket No. W-1063, Sub 5  
ORIGINAL COST RATE BASE  
For the Test Year Ended December 31, 2020

Sun Exhibit I  
Schedule 2

<u>Line No.</u>	<u>Item</u>	<u>Per Application</u> (a)	<u>Public Staff Adjustments</u> [1] (b)	<u>After Public Staff Adjustments</u> (c)
1.	Plant in service	\$151,995	\$823	\$152,818 [2]
2.	Accumulated depreciation	(93,833)	(6,475)	(100,308) [3]
3.	Unamortization legal expenses, net of tax	<u>0</u>	<u>1,717</u>	<u>1,717</u> [4]
4.	Net plant in service	58,162	(3,935)	54,227
5.	Cash working capital	0	5,837	5,837 [5]
6.	Average tax accruals	<u>0</u>	<u>0</u>	<u>0</u>
7.	Original cost rate base	<u>\$58,162</u>	<u>\$1,902</u>	<u>\$60,064</u>

- [1] Column (c) minus Column (a).
- [2] Sun Exhibit I, Schedule 2-1, Line 69, Column (a).
- [3] Sun Exhibit I, Schedule 2-1, Line 69, Column (f).
- [4] Sun Exhibit I, Schedule 2-2, Line 6.
- [5] One-eighth of O&M expenses.

**C & P Enterprises, Inc.**

Docket No. W-1063, Sub 5

**CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE**

For the Test Year Ended December 31, 2020

Sun Exhibit I

Schedule 2-1

Page 1 of 3

Line No.	Item	Plant In Service Per Public Staff (a)	Year Placed In Service (b)	Life (c)	Years in Service [4] (d)	Annual Deprec. [5] (e)	Accum. Deprec. [6] (f)
<b>Per Sub 3 rate case:</b>							
1.	Sludge line support	\$263 [1]	2001 [1]	20 [1]	19.5	\$13	\$254
2.	Aluminum control cabinet-lift station	1,460 [1]	2003 [1]	20 [1]	17.5	73	1,278
3.	Chain link fence	301 [1]	2003 [1]	20 [1]	17.5	15	263
4.	Reworking fence around plant	554 [1]	2003 [1]	20 [1]	17.5	28	490
5.	Post/labels for field boundaries	310 [1]	2003 [1]	20 [1]	17.5	16	280
6.	Elevate alarm light	277 [1]	2003 [1]	20 [1]	17.5	14	245
7.	Fixed head spray irrigation fields	50,346 [1]	2004 [1]	20 [1]	16.5	2,517	41,531
8.	6 ft. impermeable fence	6,831 [1]	2004 [1]	20 [1]	16.5	342	5,643
9.	Tertiary Filter Supply and Discharge Mains	487 [1]	2004 [1]	20 [1]	16.5	24	396
10.	Clarifier Weirs	307 [1]	2004 [1]	20 [1]	16.5	15	248
11.	Main Service Electrical Pole	423 [1]	2005 [1]	20 [1]	15.5	21	326
12.	Irrigation field fence	1,227 [1]	2006 [1]	20 [1]	14.5	61	885
13.	Generator building	2,387 [1]	2006 [1]	20 [1]	14.5	119	1,726
14.	Blower line replacement	337 [1]	2006 [1]	20 [1]	14.5	17	247
15.	Blower room doors	863 [1]	2008 [1]	20 [1]	12.5	43	538
16.	Entrance posts	230 [1]	2008 [1]	20 [1]	12.5	12	150
17.	EQ basin diffused air	732 [1]	2008 [1]	20 [1]	12.5	37	463
18.	Gates to irrigation fields	310 [1]	2008 [1]	20 [1]	12.5	16	200
19.	Aeration basin diffuser lines	1,617 [1]	2008 [1]	20 [1]	12.5	81	1,013
20.	Nitrogen conversion project	7,699 [1]	2008 [1]	20 [1]	12.5	385	4,813
21.	Replace security post & cable; new sign	263 [1]	2008 [1]	20 [1]	12.5	13	163
22.	Plant access stairs	538 [1]	2009 [1]	20 [1]	11.5	27	311
23.	Ocean bay pump replaced	2,339 [1]	2012 [1]	10 [1]	8.5	234	1,989
24.	Total Sub 3 plant in service (Sum of L1 through L23)	80,101				4,123	63,452

**C & P Enterprises, Inc.**

Docket No. W-1063, Sub 5

**CALCULATION OF PLANT IN SERVICE, ACCUMULATED  
DEPRECIATION, AND DEPRECIATION EXPENSE**

For the Test Year Ended December 31, 2020

Sun Exhibit I

Schedule 2-1

Page 2 of 3

<u>Line No.</u>	<u>Item</u>	<u>Plant In Service Per Public Staff</u> (a)	<u>Year Placed In Service</u> (b)	<u>Life</u> (c)	<u>Years in Service [4]</u> (d)	<u>Annual Deprec. [5]</u> (e)	<u>Accum. Deprec. [6]</u> (f)
<b><u>Additions since last rate case:</u></b>							
25.	35 tons washed stone plant irrigation field	2,380 [2]	2010 [2]	20 [3]	10.5	119	1,250
26.	pipes for tertiary filters & blower discharge	627 [2]	2011 [2]	10 [3]	9.5	63	599
27.	Bar screen filter for influent splitter box	387 [2]	2011 [2]	10 [3]	9.5	39	371
28.	3-Phase circuit to EQ pump & grinder pump	1,038 [2]	2011 [2]	10 [3]	9.5	104	988
29.	Blower #2 motor bearings	860 [2]	2011 [2]	10 [3]	9.5	86	817
30.	Shingles and fence replaced	2,607 [2]	2011 [2]	15 [3]	9.5	174	1,653
31.	EQ walkway replaced	1,113 [2]	2012 [2]	15 [3]	8.5	74	629
32.	Replaced airline header from blower to plant	328 [2]	2012 [2]	10 [3]	8.5	33	281
33.	Autostart controller w auto shutdown	1,612 [2]	2012 [2]	10 [3]	8.5	161	1,369
34.	Four way air header	428 [2]	2013 [2]	10 [3]	7.5	43	323
35.	Grinder pump#1	2,875 [2]	2013 [2]	10 [3]	7.5	288	2,160
36.	Irrigation field grading	325 [2]	2013 [2]	20 [3]	7.5	16	120
37.	Painting EQ basin, wells & steps	425 [2]	2013 [2]	10 [3]	7.5	43	323
38.	Dosing pump#1	1,637 [2]	2013 [2]	10 [3]	7.5	164	1,230
39.	Sigma 980 ultrasonic flow meter	3,728 [2]	2014 [2]	10 [3]	6.5	373	2,425
40.	Fence	4,437 [2]	2014 [2]	20 [3]	6.5	222	1,443
41.	Auto transfer switch & charger	3,691 [2]	2014 [2]	10 [3]	6.5	369	2,399
42.	Renovation of tertiary filter control panel replacement	5,380 [2]	2014 [2]	10 [3]	6.5	538	3,497
43.	Galvanized pipes and valves	1,137 [2]	2014 [2]	10 [3]	6.5	114	741
44.	Mud well grinder pump#2	2,710 [2]	2014 [2]	10 [3]	6.5	271	1,762
45.	Mud well duplex control panel	2,690 [2]	2014 [2]	10 [3]	6.5	269	1,749
46.	EQ blower assembly	234 [2]	2014 [2]	10 [3]	6.5	23	150
47.	Aluminum blower building	2,100 [2]	2014 [2]	10 [3]	6.5	210	1,365
48.	Flow meter ultrasonic transmitter	1,337 [2]	2015 [2]	10 [3]	5.5	134	737
49.	Grinder pump in lift station	2,387 [2]	2015 [2]	10 [3]	5.5	239	1,315
50.	Alarm beacon light	1,238 [2]	2015 [2]	10 [3]	5.5	124	682
51.	Blower	1,877 [2]	2016 [2]	10 [3]	4.5	188	846

**C & P Enterprises, Inc.**

Docket No. W-1063, Sub 5  
 CALCULATION OF PLANT IN SERVICE, ACCUMULATED  
 DEPRECIATION, AND DEPRECIATION EXPENSE  
 For the Test Year Ended December 31, 2020

Sun Exhibit I  
 Schedule 2-1  
 Page 3 of 3

Line No.	Item	Plant In	Year	Life		Years	Annual	Accum.
		Service Per Public Staff	Placed In Service	(c)	(d)	in Service [4]	Deprec. [5]	Deprec. [6]
		(a)	(b)	(c)	(d)	(e)	(f)	
52.	Replaced leaking tubes	1,357 [2]	2016 [2]	10 [3]	4.5	136	612	
53.	Landscape and gravel erosion control	637 [2]	2016 [2]	20 [3]	4.5	32	144	
54.	Broken pipes and airlines replaced	723 [2]	2016 [2]	10 [3]	4.5	72	324	
55.	Suttorbuilt blower	2,647 [2]	2016 [2]	10 [3]	4.5	265	1,193	
56.	100 AMP main disconnect	2,562 [2]	2018 [2]	10 [3]	2.5	256	640	
57.	Transfer switch charger	480 [2]	2018 [2]	10 [3]	2.5	48	120	
58.	GE/Zenith & enclosure	3,816 [2]	2018 [2]	10 [3]	2.5	382	955	
59.	Cable replaced	961 [2]	2018 [2]	10 [3]	2.5	96	240	
60.	1/2 HP liberty pump for mudwell hose	600 [2]	2018 [2]	10 [3]	2.5	60	150	
61.	2 HP grinder pump & control panel	5,400 [2]	2019 [2]	10 [3]	1.5	540	810	
62.	3" check valve on main blower	252 [2]	2019 [2]	10 [3]	1.5	25	38	
63.	2 x effluent strainers for dosing filters	275 [2]	2019 [2]	5 [3]	1.5	55	83	
64.	Starter on blower #2	175 [2]	2019 [2]	5 [3]	1.5	35	53	
65.	118 LF fence and gate	2,219 [2]	2019 [2]	20 [3]	1.5	111	167	
66.	Duplex control panel for EQ tank including floatsx4 for EQ tank	875 [2]	2020 [2]	10 [3]	1.0	88	88	
67.	"Keep Out" signage	150 [2]	2020 [2]	10 [3]	1.0	15	15	
68.	Total plant additions	<u>72,717</u>				<u>6,697</u>	<u>36,856</u>	
69.	Plant in service (L24 + L68)	<u>\$152,818</u>				<u>\$10,820</u>	<u>\$100,308</u>	

- [1] Per Docket No. W-1063, Sub 3, less fully depreciated plant.
- [2] Per examination of Company's financial records.
- [3] Based on recommendation of Public Staff Engineer Darden.
- [4] Based on year placed in service using half year convention.
- [5] Column (a) divided by Column (c), unless fully depreciated.
- [6] Column (d) multiplied by Column (e), unless fully depreciated.

**C & P Enterprises, Inc.**

Docket No. W-1063, Sub 5

**CALCULATION OF UNAMORTIZED LEGAL EXPENSES, NET OF TAXES**

For the Test Year Ended December 31, 2020

Sun Exhibit I

Schedule 2-2

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Legal expenses per Public Staff	\$47,099 [1]
2.	Less: accumulated amortization	<u>(44,870) [2]</u>
3.	Unamortized legal expenses (L1 + L2)	\$2,229
4.	Less: state income taxes @ 2.50% (L3 X 2.50%)	(56)
5.	Less: federal income taxes @ 21% ((L3 - L4) x 21%)	<u>(456)</u>
6.	Unamortized legal expenses, net of taxes (L3 + L4 + L5)	<u><u>\$1,717</u></u>

[1] Sun Exhibit I, Schedule 2-2 (a), Line 5, Column (c).

[2] Sun Exhibit I, Schedule 2-2 (a), Line 5, Column (g).

**C & P Enterprises, Inc.**

Docket No. W-1063, Sub 5

**CALCULATION OF LEGAL EXPENSES, ACCUMULATED  
AMORTIZATION, AND AMORTIZATION EXPENSE**

For the Test Year Ended December 31, 2020

Sun Exhibit I

Schedule 2-2(a)

Line No.	Item	Total Legal Expenses Paid [1]	Disallowed Expenses [1]	NCUC Certificate Expenses [2]	Life [1]	Years Expended [3]	Amortization Expense [4]	Accumulated Amortization [5]
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1.	1996 Legal Expenses	\$23,448	\$0	\$23,448	25	24.5	\$938	\$22,981
2.	1997 Legal Expenses	15,147	0	15,147	25	23.5	606	14,241
3.	1998 Legal Expenses	8,429	0	8,429	25	22.5	337	7,583
4.	1999 Legal Expenses	<u>75</u>	<u>0</u>	<u>75</u>	25	21.5	<u>3</u>	<u>65</u>
5.	Total legal expenses	<u>\$47,099</u>	<u>\$0</u>	<u>\$47,099</u>			<u>\$1,884</u>	<u>\$44,870</u>

[1] Amounts approved in Docket W-1063, Sub 3, rate case proceeding.

[2] Column (a) minus Column (b).

[3] Based on year placed in service using half year convention.

[4] Column (c) divided by Column (d), unless fully amortized.

[5] Column (e) multiplied by Column (f), unless fully amortized.

**C & P Enterprises, Inc.**  
Docket No. W-1063, Sub 5  
NET OPERATING INCOME FOR A RETURN  
For the Test Year Ended December 31, 2020

Sun Exhibit I  
Schedule 3  
Page 1 of 2

Line No.	Item	Present Rates			Company Proposed Rates			Public Staff Recommended Rates	
		Per Application [a]	Public Staff Adjustments [1] [b]	Per Public Staff [3] [c]	Net Company Increase [10] [d]	Operations After Rate Increase [11] [e]	Net Public Staff Increase [14] [f]	Operations After Rate Increase [15] [g]	
<b>Operating Revenues:</b>									
1.	Residential Service	\$58,075	\$2,912	\$60,987 [4]	\$12,865	\$73,852 [4]	\$4,116	\$65,103 [16]	
2.	Other revenues	0	0	0	0	0	0	0	
3.	<b>Total operating revenue</b>	<u>58,075</u>	<u>2,912</u>	<u>60,987</u>	<u>12,865</u>	<u>73,852</u>	<u>4,116</u>	<u>65,103</u>	
<b>Operating Revenue Deductions:</b>									
4.	Salaries and wages	0	0	0	0	0	0	0	
5.	Contract labor	21,900	(1,500)	20,400 [4]	0	20,400	0	20,400	
6.	Administrative and office	118	0	118	0	118	0	118	
7.	Maintenance and repairs	6,340	(2,877)	3,463 [4]	0	3,463	0	3,463	
8.	Sludge hauling	0	1,800	1,800 [4]	0	1,800	0	1,800	
9.	Electric power	6,208	8	6,216 [4]	0	6,216	0	6,216	
10.	Chemicals	1,180	0	1,180 [4]	0	1,180	0	1,180	
11.	Testing	5,315	1,206	6,521 [4]	0	6,521	0	6,521	
12.	Permit fees	1,310	0	1,310 [4]	0	1,310	0	1,310	
13.	Insurance expense	2,706	0	2,706	0	2,706	0	2,706	
14.	Professional fees (Accounting Fee)	90	1,500 [2]	1,590	0	1,590	0	1,590	
15.	Rate case expense	0	1,346	1,346 [5]	0	1,346	0	1,346	
16.	Bank Fees	48	0	48	0	48	0	48	
17.	Total O&M expenses	<u>45,215</u>	<u>1,483</u>	<u>46,698</u>	<u>0</u>	<u>46,698</u>	<u>0</u>	<u>46,698</u>	
18.	Depreciation and amortization expense	0	12,704	12,704 [6]	0	12,704	0	12,704	
19.	Franchise tax	200	0	200	0	200	0	200	
20.	Payroll taxes	0	0	0	0	0	0	0	
21.	Regulatory fee	79	0	79 [7]	17	96 [7]	6	85 [7]	
22.	Gross receipts tax	0	0	0	0	0	0	0	
23.	State income tax	0	33	33 [8]	321	354 [12]	102	135 [17]	
24.	Federal income tax	0	267	267 [9]	2,631	2,898 [13]	842	1,109 [18]	
25.	Total operating revenue deductions	<u>45,494</u>	<u>14,487</u>	<u>59,981</u>	<u>2,969</u>	<u>62,950</u>	<u>950</u>	<u>60,931</u>	
26.	Net operating income for return	<u>\$12,581</u>	<u>(\$11,575)</u>	<u>\$1,006</u>	<u>\$9,896</u>	<u>\$10,902</u>	<u>\$3,166</u>	<u>\$4,172</u>	

- [1] Column (c) minus Column (a), unless otherwise footnoted.
- [2] Amount reclassified from contract labor.
- [3] Column (a) plus Column (b), unless otherwise footnoted.
- [4] Provided by Public Staff Engineer Darden.
- [5] Sun Exhibit I, Schedule 3-1, Line 6.
- [6] Sun Exhibit I, Schedule 2-1, Line 69, Column (e), plus Schedule 2-2(a), Line 5, Column (f).
- [7] Line 3 x 0.0013.
- [8] Sun Exhibit I, Schedule 3-2, Line 11, Column (a).
- [9] Sun Exhibit I, Schedule 3-2, Line 13, Column (a).
- [10] Column (e) minus Column (c), unless otherwise footnoted.
- [11] Column (a) plus Column (d), unless otherwise footnoted.
- [12] Sun Exhibit I, Schedule 3-2, Line 11, Column (b).
- [13] Sun Exhibit I, Schedule 3-2, Line 13, Column (b).
- [14] Column (g) minus Column (c), unless otherwise footnoted.
- [15] Column (e) plus Column (f), unless otherwise footnoted.
- [16] Revenue requirement as calculated by the Public Staff.
- [17] Sun Exhibit I, Schedule 3-2, Line 11, Column (c).
- [18] Sun Exhibit I, Schedule 3-2, Line 13, Column (c).



**C & P Enterprises, Inc.**  
Docket No. W-1063, Sub 5  
CALCULATION OF RATE CASE EXPENSE  
For the Test Year Ended December 31, 2020

Sun Exhibit I  
Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Cost to mail notices	\$139 [1]
2.	NCUC filing fees	100 [2]
3.	Accounting fees	<u>3,800 [3]</u>
4.	Rate case expense (Sum of Line 1 thru Line 3 )	4,039
5.	Amortization factor	<u>3</u>
6.	Amortized regulatory expense (Line 4 / Line 5)	<u><u>\$1,346</u></u>

[1] Based on 89 units times 2 (mailings) times \$0.58 for stamps plus \$0.2 for envelopes and copying

[2] Filing fee per application.

[3] Based on information provided by the Company.

**C & P Enterprises, Inc.**  
Docket No. W-1063, Sub 5  
CALCULATION OF INCOME TAXES  
For the Test Year Ended December 31, 2020

Sun Exhibit I  
Schedule 3-2

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
1.	Operating revenue	\$60,987	\$73,852	\$65,103
	<b><u>Operating revenue deductions:</u></b>			
2.	Total O&M expenses	46,698	46,698	46,698
3.	Depreciation and amortization expense	12,704	12,704	12,704
4.	Franchise tax	200	200	200
5.	Payroll taxes	0	0	0
6.	Regulatory fee	79	96	85
7.	Gross receipts tax	0	0	0
8.	Interest expense	0	0	0
9.	Total deductions (Sum of L2 thru L8)	59,681	59,698	59,687
10.	State taxable income (L1 - L9)	1,306	14,154	5,416
11.	Less: State income tax (L10 x 2.5%)	33	354	135
12.	Federal taxable income (L10 - L11)	1,273	13,800	5,281
13.	Less: Federal income tax (L12 x 21%)	267	2,898	1,109
14.	Net amount (L12 - L13)	1,006	10,902	4,172
15.	Add: Interest expense (L8)	0	0	0
16.	Net income for return (L14 + L15)	\$1,006	\$10,902	\$4,172

- [1] Sun Exhibit I, Schedule 3, Column (c).  
[2] Sun Exhibit I, Schedule 3, Column (e).  
[3] Sun Exhibit I, Schedule 3, Column (g).

**C & P Enterprises, Inc.**  
Docket No. W-1063, Sub 5  
**CALCULATION OF OPERATING RATIOS**  
For the Test Year Ended December 31, 2020

Sun Exhibit I  
Schedule 4

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
<u>Interest expense, regulatory fee, gross receipts, and income taxes included:</u>				
1.	Gross operating revenues	\$60,987 [1]	\$73,852 [5]	\$65,103 [9]
2.	Operating expenses	<u>59,981 [2]</u>	<u>62,950 [6]</u>	<u>60,931 [10]</u>
3.	Operating ratios (L2 / L1)	<u>98.35%</u>	<u>85.24%</u>	<u>93.59%</u>

<u>Interest expense, regulatory fee, gross receipts, and income taxes excluded:</u>				
4.	Gross operating revenues	\$60,608 [3]	\$70,504 [7]	\$63,774 [11]
5.	Operating expenses	<u>59,602 [4]</u>	<u>59,602 [8]</u>	<u>59,602 [12]</u>
6.	Operating ratios (L5 / L4)	<u>98.34%</u>	<u>84.54%</u>	<u>93.46%</u>

- [1] Sun Exhibit I, Schedule 3, Line 3, Column (c).
- [2] Sun Exhibit I, Schedule 3, Line 25, Column (c).
- [3] Sun Exhibit I, Schedule 3, Line 3 - Line 21 - Line 22 - Line 23 - Line 24, Column (c).
- [4] Sun Exhibit I, Schedule 3, Line 25 - Line 21 - Line 22 - Line 23 - Line 24, Column (c).
- [5] Sun Exhibit I, Schedule 3, Line 3, Column (e).
- [6] Sun Exhibit I, Schedule 3, Line 25, Column (e).
- [7] Sun Exhibit I, Schedule 3, Line 3 - Line 21 - Line 22 - Line 23 - Line 24, Column (e).
- [8] Sun Exhibit I, Schedule 3, Line 25 - Line 21 - Line 22 - Line 23 - Line 24, Column (e).
- [9] Sun Exhibit I, Schedule 3, Line 3, Column (g).
- [10] Sun Exhibit I, Schedule 3, Line 25, Column (g).
- [11] Sun Exhibit I, Schedule 3, Line 3 - Line 21 - Line 22 - Line 23 - Line 24, Column (g).
- [12] Sun Exhibit I, Schedule 3, Line 25 - Line 21 - Line 22 - Line 23 - Line 24, Column (g).