

SANFORD LAW OFFICE, PLLC

Jo Anne Sanford, Attorney at Law

January 30, 2023

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

Via Electronic Filing

Re: Carolina Water Service, Inc. of North Carolina (Emergency Operator
of Outer Banks/Kinnakeet Associates, LLC Sewer System)
Docket Nos. W-1125, Subs 9 and 10
Filing of Quarterly Financial Reports (October - December 2022
Calendar Quarter)

Dear Ms. Dunston:

On August 3, 2022, the Commission entered an Order in Docket Nos. W-1125, Subs 9 and 10 appointing Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company") to serve as the Emergency Operator ("EO") of the Kinnakeet Shores Wastewater Treatment Plant and Collection System in Dare County. CWSNC hereby files the Company's quarterly EO financial reports for the October - December 2022 calendar quarter for the sewer utility system which was formerly operated by Outer Banks/Kinnakeet Associates, LLC.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted

/s/Jo Anne Sanford

Attorney for Carolina Water Service,
Inc. of North Carolina (Emergency
Operator)

c: Parties of Record

CERTIFICATE OF SERVICE

On behalf of **Carolina Water Service, Inc. of North Carolina** (Emergency Operator of the Outer Banks/Kinnakeet Associates, LLC sewer system), I hereby certify that I have served a copy of the foregoing **Quarterly Financial Reports (October - December 2022 Calendar Quarter)** filed in Docket Nos. W-1125, Subs 9 and 10 on all parties of record in this proceeding, in accordance with North Carolina Utilities Commission Rule R1-39, either by United States mail, first class postage pre-paid; by hand delivery; or by means of electronic delivery upon agreement of the receiving party.

This the 30th day of January 2023.

Electronically Submitted

/s/Jo Anne Sanford

State Bar No. 6831

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**Attorney for Carolina Water Service,
Inc. of North Carolina (Emergency
Operator)**

Outer Banks / Kinnakeet Associates, LLC.

Schedule 1

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Plant in Service, Revenues, Expenses, and Reserve Balances

For Q4 2022

| Line No. | Item | Kinnakeet Shores Sewer (a) | Total (b) | [8] |
|-------------|---|-------------------------------|--------------|-----|
| 1 | Plant In Service | 0 [1] | 0 | |
| 2 | Accumulated Depreciation | 0 [2] | 0 | |
| 3 | Net Plant in Service (L1 - L2) | 0 | 0 | |
| 4 | Revenues | 70,877.75 [3] | 70,877.75 | |
| 5 | Expenses for a return | 35,119.02 [4] | 35,119.02 | |
| 6 | Regulatory fee (L4 x 0.14%) | 99.23 | 99.23 | |
| 7 | Gross receipts tax (L4 x 0%) | 0.00 | 0.00 | |
| 8 | Pre-tax return on expenses | 3,305.59 [5] | 3,305.59 | |
| 9 | Pre-tax return on Net Plant in Service | 0.00 [6] | 0.00 | |
| 10 | Total expenses and return (Sum of L5 thru L9) | 38,523.84 | 38,523.84 | |
| 11 | Net activity for the quarter (L4 - L10) | \$32,353.92 | \$32,353.92 | |
| 12 | Reserve balance prior quarter | 9,949.23 [7] | | |
| 13 | Net activity for the quarter (L11) | 32,353.92 | 32,353.92 | |
| 14 | Current Reserve balance (L12 + L13) | \$42,303.15 | \$32,353.92 | |

[1] Total plant in service from Schedule 3.

[2] Total accumulated depreciation from Schedule 3.

[3] Total revenues from Schedule 2.

[4] Total expenses for return from Schedule 2.

[5] Schedule 1(a), Line 5.

[6] Schedule 1(a), Line 10.

[7] Ending balance from prior period report.

[8] Total column (a)

Outer Banks / Kinnakeet Associates, LLC.

Schedule 1(a)

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Calculation of Pre-Tax Return

For Q4 2022

| Line No. | Item | Kinnakeet Shores Sewer (a) | Total (b) |
|---|--|-------------------------------|-------------------|
| <u>Calculation of Pre-Tax Return - Expenses</u> | | | |
| 1 | Expenses for return | \$35,119.02 [1] | \$35,119.02 [1] |
| 2 | Overall rate of return | 7.25% [2] | 7.25% [2] |
| 3 | Return on expenses (L1 x L2) | 2,546.13 | 2,546.13 |
| 4 | Retention factor for income taxes (L15) | 0.770250 | 0.770250 |
| 5 | Pre-tax return on expenses (L3 / L4) | <u>\$3,305.59</u> | <u>\$3,305.59</u> |
| <u>Calculation of Pre-Tax Return - Plant in Service</u> | | | |
| 6 | Net Plant in Service | \$0.00 [3] | \$0.00 [3] |
| 7 | Overall rate of return | 7.39% [2] | 7.39% [2] |
| 8 | Quarterly Return | 1.85% | 1.85% |
| 9 | Return on expenses (L6 x L7) | 0.00 | 0.00 |
| 10 | Retention factor for income taxes (L15) | 0.770250 | 0.770250 |
| 11 | Pre-tax return on Plant in Service (L8 / L9) | <u>\$0.00</u> | <u>\$0.00</u> |
| <u>Calculation of Retention Factor</u> | | | |
| 12 | Revenues | 1.000000 | |
| 13 | Less: State income tax at 2.5% | 0.025000 | |
| 14 | Federal taxable income | 0.975000 | 0 |
| 15 | Less: Federal income tax at 21% | 0.204750 | |
| 16 | Retention factor for income taxes | <u>0.770250</u> | |

[1] Schedule 1, Line 5.

[2] Overall return authorized by Commission for CWSNC on August 3, 2022 in Docket No. W-1125, Sub 9 and 10.

[3] Schedule 1, Line 3.

Outer Banks / Kinnakeet Associates, LLC.

Schedule 2

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q4 2022

| Fusion Acct Number | Account Description | Kinnakeet Shores (DEPT 320242) | Total |
|-----------------------|-------------------------------------|-----------------------------------|--------------------|
| | | (a) | (b) |
| 411001 | Residential | (70,370.32) | (70,370.32) |
| 411040 | Revenue Accrued | (479.00) | (479.00) |
| 411002 | Commercial | - | - |
| 411024 | Commercial - Measured | - | - |
| 411042 | Forfeited Discounts | - | - |
| 411039 | Other Revenue | - | - |
| 411058 | Management Service Revenue | (28.43) | (28.43) |
| Total Revenues | | (70,877.75) | (70,877.75) |
| 511001 | Purchased Services-Water | - | - |
| 511003 | Purchased Services-Gas | - | - |
| 512001 | Shop Supplies and Tools | 23.39 | 23.39 |
| 512002 | Repairs and Maintenance | 1,651.49 | 1,651.49 |
| 512003 | Main Breaks | 0.29 | 0.29 |
| 512005 | Valve Repair | - | - |
| 512006 | Manhole Maint | - | - |
| 512008 | Maintenance Electric Equip Repair | 2.01 | 2.01 |
| 512009 | Permits | (134.54) | (134.54) |
| 512010 | Sewer Rodding | - | - |
| 512011 | Sewer Sludge Hauling | (1,315.00) | (1,315.00) |
| 512012 | Deferred Maintenance Expense | 54.20 | 54.20 |
| 512013 | Excavation Restoration | - | - |
| 512014 | Communication Expense | - | - |
| 512015 | Equipment Rental | - | - |
| 512016 | Uniforms | 13.86 | 13.86 |
| 512017 | Weather/Hurricane/Fuel/Snow removal | 14.34 | 14.34 |
| 512018 | Safety Supplies/Expense | 36.64 | 36.64 |
| 512020 | Service Claims | - | - |
| 512021 | Landscaping | - | - |
| 512022 | Other Contracted Workers | 16,873.84 | 16,873.84 |
| 512900 | Other Plant and System Maintenance | 2.50 | 2.50 |
| 513002 | Meter Supplies | - | - |
| 513003 | Pipe, Plate, Gasket | - | - |
| 513007 | Rig Equip | - | - |
| 513008 | Electrical Equip | - | - |

Outer Banks / Kinnakeet Associates, LLC.

Schedule 2

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q4 2022

| Fusion Acct | | Kinnakeet Shores | |
|---------------|--------------------------------------|------------------|-------------|
| <u>Number</u> | <u>Account Description</u> | (DEPT 320242) | Total |
| | | (a) | (b) |
| 513009 | Lighting Supplies | - | - |
| 513010 | Plant Air System | - | - |
| 513900 | Other Materials and Supplies | 8.58 | 8.58 |
| 514001 | Chlorine | - | - |
| 514900 | Other Chemicals | - | - |
| 515001 | Laboratory Testing | 3,064.63 | 3,064.63 |
| 515002 | Test - Water/Sewer | 0.01 | 0.01 |
| 515003 | Test - Equipment/Chemical | - | - |
| 515004 | Test - Safe Drinking Water Act | - | - |
| 516001 | Service - Meter Reading | - | - |
| 517001 | Utility-Electric Power | 15,204.12 | 15,204.12 |
| 521010 | Salaries and Wages | 5,477.57 | 5,477.57 |
| 521020 | Salaries and Wages - Accrued | (97.04) | (97.04) |
| 521040 | Overtime | 227.44 | 227.44 |
| 521060 | Incentive Bonus | 143.11 | 143.11 |
| 521070 | EIP Bonus | 65.87 | 65.87 |
| 521080 | Bonus Other | 12.48 | 12.48 |
| 522001 | Capitalized Time | (14,954.82) | (14,954.82) |
| 531001 | 401K Profit Sharing | 81.84 | 81.84 |
| 531002 | 401K Match | 74.11 | 74.11 |
| 532001 | Health Admin and Stop Loss | 154.48 | 154.48 |
| 532002 | Dental | 32.37 | 32.37 |
| 532005 | Employee Insurance Deductions | (237.73) | (237.73) |
| 532006 | Health Insurance Claims | 661.85 | 661.85 |
| 532008 | Health Insurance | - | - |
| 532009 | Workers Compensation Insurance (WCB) | 89.76 | 89.76 |
| 532012 | Term Life Insurance | 65.37 | 65.37 |
| 532013 | Term Life Insurance Opt | (13.57) | (13.57) |
| 532014 | Depend Life Insurance Opt | - | - |
| 532016 | Education / Tuition | - | - |
| 532900 | Other Employee Benefits | 18.12 | 18.12 |
| 540100 | Consulting | 28.85 | 28.85 |
| 540200 | Accounting and Audit | - | - |
| 540400 | Legal | 298.25 | 298.25 |
| 540500 | Payroll | - | - |
| 540600 | Tax | - | - |

Outer Banks / Kinnakeet Associates, LLC.

Schedule 2

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q4 2022

| Fusion Acct Number | Account Description | Kinnakeet Shores (DEPT 320242) | Total |
|-----------------------|---|-----------------------------------|--------|
| | | (a) | (b) |
| 540700 | Engineering | - | - |
| 540800 | Temporary Labor | - | - |
| 540900 | Police | 9.18 | 9.18 |
| 541100 | Management Fee | - | - |
| 541200 | Contractor Outside Services | - | - |
| 541300 | Employee Finder Fees | - | - |
| 549000 | Other Outside Services | 82.12 | 82.12 |
| 550200 | Computer Repair and Maintenance | - | - |
| 550300 | Computer Supplies | - | - |
| 550400 | Internet Services | 1.25 | 1.25 |
| 550600 | Computer Licensing | - | - |
| 550700 | Software | - | - |
| 550800 | Computer Amort | - | - |
| 559900 | Other Computer/IT Expenses | - | - |
| 560100 | General Liability Insurance | 221.21 | 221.21 |
| 560200 | Property Insurance | 499.27 | 499.27 |
| 560300 | Vehicle Insurance | 115.83 | 115.83 |
| 560400 | Uninsured Losses | - | - |
| 560500 | Other Insurance | 181.61 | 181.61 |
| 571100 | Building Rent | 130.11 | 130.11 |
| 581100 | Office Supplies | 232.96 | 232.96 |
| 581200 | Kitchen Supplies | 2.05 | 2.05 |
| 581300 | Cleaning Supplies | - | - |
| 582100 | Office Equipment | 150.45 | 150.45 |
| 583100 | Office Printing/Blueprints | 0.27 | 0.27 |
| 583200 | Office Publications/Subscriptions | - | - |
| 583300 | Artwork, Display and Banner | - | - |
| 583400 | Office Shipping Charges/Postage/Courier | 7.55 | 7.55 |
| 584100 | Office Electric | - | - |
| 584200 | Office Gas/Heat | (0.44) | (0.44) |
| 584300 | Office Water | 140.42 | 140.42 |
| 584900 | Office Other Utilities | - | - |
| 585100 | Office Garbage Disposal/Removal | - | - |
| 585200 | Office Landscape/Mowing | - | - |
| 585400 | Office Security/Alarm System | - | - |
| 585500 | Office Cleaning Services | - | - |

Outer Banks / Kinnakeet Associates, LLC.

Schedule 2

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q4 2022

| Fusion Acct Number | Account Description | Kinnakeet Shores (DEPT 320242) | Total |
|-----------------------|--|-----------------------------------|--------|
| | | (a) | (b) |
| 585900 | Other Office Maintenance | - | - |
| 586100 | Landline/Telephone/Fax | 1.70 | 1.70 |
| 586200 | Cellular/Mobile Phones | 138.14 | 138.14 |
| 587500 | Answering Service | 9.76 | 9.76 |
| 587900 | Other Office Expenses | 0.43 | 0.43 |
| 591000 | Accommodation/Hotel/Lodging | 21.15 | 21.15 |
| 592000 | Airfare | 1.50 | 1.50 |
| 593000 | Transportation excl. Airfare | 7.38 | 7.38 |
| 594000 | Travel - Meals and Entertainment | - | - |
| 595000 | Travel - Meals and Entertainment - 50% Tax I | 8.74 | 8.74 |
| 599900 | Other Travel | 3.01 | 3.01 |
| 601000 | Vehicle Leasing | 4.09 | 4.09 |
| 602000 | Vehicle Fuel | 261.22 | 261.22 |
| 603000 | Vehicle Repairs and Maintenance | 162.85 | 162.85 |
| 604000 | Vehicle Registration/Licensing Fees | 1.33 | 1.33 |
| 609000 | Vehicle - Other Costs | 25.14 | 25.14 |
| 611100 | Rate Case Amortization | 151.81 | 151.81 |
| 612100 | Regulatory Fees | - | - |
| 612900 | Other Regulatory Expenses | 0.59 | 0.59 |
| 621100 | Advertising | 0.73 | 0.73 |
| 622100 | Bank Service Charges | - | - |
| 624100 | License Fees | 2.75 | 2.75 |
| 625300 | Late Fees | - | - |
| 626100 | Education and Training | 5.11 | 5.11 |
| 627100 | Bad Debt Expense | - | - |
| 627200 | Bad Debt Collection Expense | - | - |
| 627300 | Uncollectible Accounts Accrual | 175.00 | 175.00 |
| 628100 | Billing Stock | - | - |
| 628200 | Billing Envelopes | - | - |
| 628300 | Billing Postage | - | - |
| 628400 | Customer Service Printing | 312.88 | 312.88 |
| 629100 | Memberships and Dues | 1.18 | 1.18 |
| 629500 | Credit Card Expense Clearing | (4.14) | (4.14) |
| 629600 | Credit Card/Cash Expense - Unallocated | - | - |
| 629900 | Other Misc Expense | 11.09 | 11.09 |
| 630002 | Commission Ordered Adjustments | 401.29 | 401.29 |

Outer Banks / Kinnakeet Associates, LLC.

Schedule 2

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q4 2022

| Fusion Acct | | Kinnakeet Shores | |
|-------------------------|--------------------------------|--------------------|--------------------|
| <u>Number</u> | <u>Account Description</u> | (DEPT 320242) | Total |
| | | (a) | (b) |
| 641100 | FICA | 164.37 | 164.37 |
| 642100 | Federal Unemployment Tax | 0.63 | 0.63 |
| 642200 | State Unemployment Tax | 0.95 | 0.95 |
| 643300 | Personal Property Taxes | 4.08 | 4.08 |
| 643400 | Real Estate Taxes | - | - |
| 643500 | Sales And Use Taxes | - | - |
| 643600 | Utility/Commission Taxes | 46.76 | 46.76 |
| 643700 | Other General Taxes | (635.13) | (635.13) |
| 691000 | Corporate Allocation | 3,877.70 | 3,877.70 |
| 692000 | Regional Allocation | 427.81 | 427.81 |
| 710220 | Dep - Struct and Improv Office | 3.04 | 3.04 |
| 710231 | Dep - Dist Resv and Standpipes | 1.08 | 1.08 |
| 710232 | Dep - Trans and Distr Mains | 3.54 | 3.54 |
| 710303 | Dep - Office Furniture | 1.98 | 1.98 |
| 710308 | Dep - Tool Shop Equipment | - | - |
| 710309 | Dep - Power Operated Equipment | 0.36 | 0.36 |
| 710310 | Dep - Communications Equipment | - | - |
| 710401 | Dep - Vehicles | 110.73 | 110.73 |
| 710501 | Dep - Computer Hardware | 1.32 | 1.32 |
| 710502 | Dep - Desktop/Laptop Computers | - | - |
| 710504 | Dep - Mini Comp Wtr | 2.55 | 2.55 |
| 710602 | Dep - Comp Systems | - | - |
| 811002 | Interest - Revolver | - | - |
| Total Exp | | 35,119.02 | 35,119.02 |
| Operating Income | | (35,758.74) | (35,758.74) |

Outer Banks / Kinnakeet Associates, LLC.

Schedule 3

Carolina Water Service, Inc. of NC as EO
Docket Nos. W-1125, Subs 9 and 10
Construction Status Report
For Q4 2022

Completed Plant in Service

| <u>Asset Number</u> | <u>Fusion Acct Number</u> | <u>Account Description</u> | <u>System</u> | <u>Plant In Service</u> | <u>Accumulated Depreciation</u> |
|-------------------------|-------------------------------|----------------------------|---------------|-------------------------|-------------------------------------|
| | | None as of 12/31/2022 | | | |

Construction Work-in-Progress

| <u>Project Number</u> | <u>Fusion Acct Number</u> | <u>Project Name</u> | <u>System</u> | <u>Spend to Date</u> | <u>Estimated Cost</u> |
|---------------------------|-------------------------------|--|--------------------|----------------------|-----------------------|
| 2022279 | 141209 | NC - 2022 - Kinakeet Shores WWCS and WWTP EO | Kinnakeet Shores S | 186,627 | 1,000,000 |