

# **SANFORD LAW OFFICE, PLLC**

Jo Anne Sanford, Attorney at Law

July 31, 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 (April - June 2023 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 April - June 2023 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 (April - June 2023 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 31st day of July 2023.

**Electronically Submitted**

**/s/Jo Anne Sanford**

State Bar No. 6831

SANFORD LAW OFFICE, PLLC

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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 Q2 2023

| Line<br>No. | Item  | Kinnakeet Shores Sewer<br>(a) | Total<br>(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                                      | 70,750.40 [3]                 | 70,750.40    |     |
| 5           | Expenses for a return                         | 73,899.16 [4]                 | 73,899.16    |     |
| 6           | Depreciation & Amort (No Return)              | 180.86                        | 180.86       |     |
| 7           | Regulatory fee (L4 x 0.14%)                   | 99.05                         | 99.05        |     |
| 8           | Gross receipts tax (L4 x 0%)                  | 0.00                          | 0.00         |     |
| 9           | -   | 0.00 [5]                      | 0.00         |     |
| 10          | Pre-tax return on Net Plant in Service        | 0.00 [6]                      | 0.00         |     |
| 11          | Total expenses and return (Sum of L5 thru L9) | 74,179.07                     | 74,179.07    |     |
| 12          | Net activity for the quarter (L4 - L10)       | (\$3,428.67)                  | (\$3,428.67) |     |
| 13          | Reserve balance prior quarter                 | 61,602.17 [7]                 | \$61,602.17  |     |
| 14          | Net activity for the quarter (L11)            | (3,428.67)                    | (3,428.67)   |     |
| 15          | Current Reserve balance (L12 + L13)           | \$58,173.51                   | \$58,173.51  |     |

[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 Q2 2023

| Line<br>No.   | Item  | Kinnakeet Shores Sewer<br>(a) | Total<br>(b)      |
|---|---|-------------------------------|-------------------|
| <u>Calculation of Pre-Tax Return - Expenses</u>         |   |                               |                   |
| 1   | Expenses for return                           | \$73,899.16 [1]               | \$73,899.16 [1]   |
| 2   | Overall rate of return                        | 7.25% [2]                     | 7.25% [2]         |
| 3   | Return on expenses (L1 x L2)                  | 5,357.69                      | 5,357.69          |
| 4   | Retention factor for income taxes (L16)       | 0.770250                      | 0.770250          |
| 5   | Pre-tax return on expenses (L3 / L4)          | <u>\$6,955.78</u>             | <u>\$6,955.78</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 (L16)       | 0.770250                      | 0.770250          |
| 11  | Pre-tax return on Plant in Service (L9 / L10) | <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                      |                   |
| 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.**

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q2 2023

Schedule 2

Page 1 of 3

| Fusion Acct<br>Number | Account Description                 | Kinnakeet Shores<br>(DEPT 320242) | Total              |
|-----------------------|-------------------------------------|-----------------------------------|--------------------|
|                       |                                     | (a)                               | (b)                |
| 411001                | Residential                         | (70,602.98)                       | (70,602.98)        |
| 411040                | Revenue Accrued                     | (22.00)                           | (22.00)            |
| 411042                | Forfeited Discounts                 | (99.44)                           | (99.44)            |
| 411058                | Management Service Revenue          | (25.98)                           | (25.98)            |
| <b>Total Revenues</b> |                                     | <b>(70,750.40)</b>                | <b>(70,750.40)</b> |
| 511001                | Purchased Services-Water            | 93.35                             | 93.35              |
| 512001                | Shop Supplies and Tools             | 17.53                             | 17.53              |
| 512002                | Repairs and Maintenance             | 10,785.14                         | 10,785.14          |
| 512005                | Valve Repair                        | 3,834.75                          | 3,834.75           |
| 512008                | Maintenance Electric Equip Repair   | 0.46                              | 0.46               |
| 512009                | Permits                             | 44.38                             | 44.38              |
| 512012                | Deferred Maintenance Expense        | 53.90                             | 53.90              |
| 512015                | Equipment Rental                    | 0.72                              | 0.72               |
| 512016                | Uniforms                            | 5.93                              | 5.93               |
| 512017                | Weather/Hurricane/Fuel/Snow removal | 508.94                            | 508.94             |
| 512018                | Safety Supplies/Expense             | 28.27                             | 28.27              |
| 512021                | Landscaping                         | 0.26                              | 0.26               |
| 512022                | Other Contracted Workers            | 20,100.85                         | 20,100.85          |
| 512900                | Other Plant and System Maintenance  | 0.29                              | 0.29               |
| 513010                | Plant Air System                    | 0.44                              | 0.44               |
| 513900                | Other Materials and Supplies        | 10.26                             | 10.26              |
| 514001                | Chlorine                            | 361.50                            | 361.50             |
| 515001                | Laboratory Testing                  | 3,644.22                          | 3,644.22           |
| 515002                | Test - Water/Sewer                  | 0.03                              | 0.03               |
| 515003                | Test - Equipment/Chemical           | 1.00                              | 1.00               |
| 517001                | Utility-Electric Power              | 19,430.94                         | 19,430.94          |
| 521010                | Salaries and Wages                  | 13,537.58                         | 13,537.58          |
| 521020                | Salaries and Wages - Accrued        | 42.44                             | 42.44              |
| 521040                | Overtime                            | 802.35                            | 802.35             |
| 521060                | Incentive Bonus                     | 159.37                            | 159.37             |
| 521070                | EIP Bonus                           | 96.09                             | 96.09              |
| 521080                | Bonus Other                         | 19.72                             | 19.72              |
| 522001                | Capitalized Time                    | (8,977.09)                        | (8,977.09)         |
| 531001                | 401K Profit Sharing                 | 177.00                            | 177.00             |

**Outer Banks / Kinnakeet Associates, LLC.**

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q2 2023

Schedule 2

Page 2 of 3

| Fusion Acct<br>Number | Account Description                          | Kinnakeet Shores<br>(DEPT 320242) | Total    |
|-----------------------|--|-----------------------------------|----------|
|                       |  | (a)                               | (b)      |
| 531002                | 401K Match                                   | 173.51                            | 173.51   |
| 532001                | Health Admin and Stop Loss                   | 152.49                            | 152.49   |
| 532002                | Dental                                       | 26.62                             | 26.62    |
| 532005                | Employee Insurance Deductions                | (333.60)                          | (333.60) |
| 532006                | Health Insurance Claims                      | 881.73                            | 881.73   |
| 532009                | Workers Compensation Insurance (WCB)         | 101.29                            | 101.29   |
| 532012                | Term Life Insurance                          | 71.50                             | 71.50    |
| 532013                | Term Life Insurance Opt                      | (12.39)                           | (12.39)  |
| 532900                | Other Employee Benefits                      | 17.38                             | 17.38    |
| 540100                | Consulting                                   | 390.87                            | 390.87   |
| 540400                | Legal  | 59.21                             | 59.21    |
| 541300                | Employee Finder Fees                         | 0.29                              | 0.29     |
| 549000                | Other Outside Services                       | 43.81                             | 43.81    |
| 550400                | Internet Services                            | 20.83                             | 20.83    |
| 550600                | Computer Licensing                           | 10.76                             | 10.76    |
| 560100                | General Liability Insurance                  | 227.37                            | 227.37   |
| 560200                | Property Insurance                           | 514.36                            | 514.36   |
| 560300                | Vehicle Insurance                            | 118.31                            | 118.31   |
| 560500                | Other Insurance                              | 142.91                            | 142.91   |
| 571100                | Building Rent                                | 214.69                            | 214.69   |
| 581100                | Office Supplies                              | 93.79                             | 93.79    |
| 581200                | Kitchen Supplies                             | 1.11                              | 1.11     |
| 582100                | Office Equipment                             | 1.18                              | 1.18     |
| 583400                | Office Shipping Charges/Postage/Courier      | 9.20                              | 9.20     |
| 585900                | Other Office Maintenance                     | 3.63                              | 3.63     |
| 586100                | Landline/Telephone/Fax                       | 61.60                             | 61.60    |
| 586200                | Cellular/Mobile Phones                       | 83.85                             | 83.85    |
| 587500                | Answering Service                            | 17.92                             | 17.92    |
| 587900                | Other Office Expenses                        | 0.28                              | 0.28     |
| 591000                | Accommodation/Hotel/Lodging                  | 10.29                             | 10.29    |
| 592000                | Airfare                                      | 3.14                              | 3.14     |
| 593000                | Transportation excl. Airfare                 | 4.85                              | 4.85     |
| 595000                | Travel - Meals and Entertainment - 50% Tax [ | 7.24                              | 7.24     |
| 599900                | Other Travel                                 | 3.05                              | 3.05     |
| 601000                | Vehicle Leasing                              | (0.52)                            | (0.52)   |
| 602000                | Vehicle Fuel                                 | 257.83                            | 257.83   |

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**Outer Banks / Kinnakeet Associates, LLC.**

Carolina Water Service, Inc. of NC as EO

Docket Nos. W-1125, Subs 9 and 10

Revenues and Expenses

For Q2 2023

Schedule 2

Page 3 of 3

| Fusion Acct<br>Number   | Account Description                 | Kinnakeet Shores<br>(DEPT 320242) | Total            |
|-------------------------|-------------------------------------|-----------------------------------|------------------|
|                         |                                     | (a)                               | (b)              |
| 603000                  | Vehicle Repairs and Maintenance     | 106.45                            | 106.45           |
| 604000                  | Vehicle Registration/Licensing Fees | 13.20                             | 13.20            |
| 609000                  | Vehicle - Other Costs               | 26.19                             | 26.19            |
| 611100                  | Rate Case Amortization              | 151.00                            | 151.00           |
| 612900                  | Other Regulatory Expenses           | 0.11                              | 0.11             |
| 624100                  | License Fees                        | 0.99                              | 0.99             |
| 626100                  | Education and Training              | 0.85                              | 0.85             |
| 627300                  | Uncollectible Accounts Accrual      | 17.00                             | 17.00            |
| 628400                  | Customer Service Printing           | 144.77                            | 144.77           |
| 629100                  | Memberships and Dues                | 3.65                              | 3.65             |
| 629500                  | Credit Card Expense Clearing        | 54.71                             | 54.71            |
| 629900                  | Other Misc Expense                  | (12.31)                           | (12.31)          |
| 641100                  | FICA                                | 439.25                            | 439.25           |
| 642100                  | Federal Unemployment Tax            | 0.30                              | 0.30             |
| 642200                  | State Unemployment Tax              | 13.26                             | 13.26            |
| 643300                  | Personal Property Taxes             | (1.71)                            | (1.71)           |
| 643600                  | Utility/Commission Taxes            | 98.50                             | 98.50            |
| 643700                  | Other General Taxes                 | 100.49                            | 100.49           |
| 691000                  | Corporate Allocation                | 4,143.72                          | 4,143.72         |
| 692000                  | Regional Allocation                 | 437.73                            | 437.73           |
| 710220                  | Dep - Struct and Improv Office      | 113.65                            | 113.65           |
| 710231                  | Dep - Dist Resv and Standpipes      | 1.07                              | 1.07             |
| 710232                  | Dep - Trans and Distr Mains         | 3.51                              | 3.51             |
| 710233                  | Dep - Service Lines                 | 1.34                              | 1.34             |
| 710303                  | Dep - Office Furniture              | 1.95                              | 1.95             |
| 710309                  | Dep - Power Operated Equipment      | 0.36                              | 0.36             |
| 710310                  | Dep - Communications Equipment      | 0.03                              | 0.03             |
| 710401                  | Dep - Vehicles                      | 56.12                             | 56.12            |
| 710501                  | Dep - Computer Hardware             | 0.28                              | 0.28             |
| 710504                  | Dep - Mini Comp Wtr                 | 2.55                              | 2.55             |
| <b>Total Exp</b>        |                                     | <b>74,080.02</b>                  | <b>74,080.02</b> |
| <b>Operating Income</b> |                                     | <b>3,329.61</b>                   | <b>3,329.61</b>  |

**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 Q2 2023

**Completed Plant in Service**

| <u>Asset<br/>Number</u> | <u>Fusion Acct<br/>Number</u> | <u>Account Description</u> | <u>System</u> | <u>Plant In Service</u> | <u>Accumulated<br/>Depreciation</u> |
|-------------------------|-------------------------------|----------------------------|---------------|-------------------------|-------------------------------------|
|                         |                               | None as of 06/30/2023      |               |                         |                                     |

**Construction Work-in-Progress**

| <u>Project<br/>Number</u> | <u>Fusion Acct<br/>Number</u> | <u>Account Description</u>          | <u>System</u> | <u>Spend to Date</u> | <u>Estimated Cost</u> |
|---------------------------|-------------------------------|-------------------------------------|---------------|----------------------|-----------------------|
| 2022279                   | 141209                        | NC - 2022 - Kinakeet Shores WWTP EO | 320242        | 932,044              | 2,236,000             |
| 2022279B                  | 141249                        | NC - 2022 - Kinakeet Shores WWCS EO | 320242        | 484                  | 1,366,500             |