



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

October 10, 2023

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

Re: Docket No. W-1300, Sub 60 – Application for General Rate Increase
for Old North State Water Company, Inc.

Dear Ms. Dunston:

Attached for filing in the above-referenced docket, is the Public Staff's List of Exhibits and Hearing Exhibits entered into the record on October 2, 2023, during the expert witness hearing on this matter.

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

Sincerely,

Electronically submitted
/s/ Reita D. Coxton
Staff Attorney
reita.coxton@psncuc.nc.gov

Attachments

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

CERTIFICATE OF SERVICE

I certify that I have served a copy of the following on all parties of record in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 10th day of October, 2023.

Electronically submitted
/s/ Reita D. Coxton

Public Staff
Docket No. W-1300, Sub 60

List of Exhibits Entered October 2, 2023

Potential Direct Redirect Exhibit No.:	Entered Direct Exhibit No.:	Item Description:
10	Confidential Direct Exhibit No. 1	CONFIDENTIAL Old North State Water Company, Inc.'s Comparison of Accounting Review Financials and Annual Report Financials
2	Confidential Direct Exhibit No. 2	CONFIDENTIAL Old North State Water Company, Inc.'s Response to Public Staff Data Request No. 77
4	Direct Exhibit No. 3	Public Staff Data Request No. 74
5	Confidential Direct Exhibit No. 4	CONFIDENTIAL Old North State Water Company, Inc.'s Response to Public Staff Data Request No. 74
9	Confidential Direct Exhibit No. 5	CONFIDENTIAL Old North State Water Company, Inc.'s Response to Public Staff Data Request No. 78

DOCKET NO. W-1300, Sub 60
CONFIDENTIAL DIRECT
EXHIBIT NO. 1

DOCKET NO. W-1300, Sub 60
CONFIDENTIAL DIRECT
EXHIBIT NO. 2

**Old North State Water Company, LLC
Docket No. W-1300, Sub 60
Public Staff Data Request No. 74
Date Requested: August 9, 2022
Date Due: August 19, 2022**

Public Staff Legal Contacts:

**Reita Coxton
Phone #: (919) 733-0970
Email: reita.coxton@psncuc.nc.gov**

**Gina Holt
Phone #: (919) 733-0971
Email: gina.holt@psncuc.nc.gov**

**Jessica Heironimus
Phone #: (919) 733-0969
Email: jessica.heironimus@psncuc.nc.gov**

Please provide responses to this request in a searchable native electronic format (e.g., Excel, Word, or PDF files). If in Excel format, please include all working formulas. In addition, please include: (1) the name and title of the individual who has the responsibility for the subject matter addressed therein; and (2) the identity of the person making the response by name, occupation, and job title. Please also refer to Public Staff Data Request No. 1 for instructions for responding to this and all other Data Requests served on Old North State Water Company, LLC (ONSWC or the Company) by the Public Staff in the above-captioned proceeding.

Topic: Chatham North Holdings, Inc. and ONSWC-Chatham North, LLC

1. Please provide organizing documents for Chatham North Holdings, Inc. (CNH) and ONSWC-Chatham North, LLC (ONSWC-CN).
2. Please list the owner(s) of CNH and ONSWC-CN.
3. Please provide financial statements (including Balance Sheets, Income Statements, and Statements of Cash Flow) for CNH and ONSWC-CN for the following periods:
 - a. The calendar year ending on December 31, 2020;
 - b. The calendar year ending on December 31, 2021; and
 - c. The six month period ending on June 30, 2022.
4. Please describe the current operational status of CNH and ONSWC-CN.
5. Please describe how ONSWC is connected to CNH and ONSWC-CN.

6. Please provide copies of all contracts between any combination of the following entities: CNH, ONSWC-CN, and ONSWC.
7. Please describe Michael Myers's direct and indirect past, present, and expected future involvement with CNH and ONSWC-CN.
8. Please answer the following questions based on the content of the attached email.
 - a. Please identify the preferred stockholder.
 - b. What consideration did Integra Water, LLC and Two River Holdings, LLC contribute in exchange for the 5,000 common shares of CNH?
 - c. Please discuss why ONSWC is the ultimate beneficiary of the \$5 million stockholder's investment.
 - d. Please provide copies of all contracts related to the Briar Chapel/Fearrington Project that any of the following entities entered into: CNH, ONSWC-CN, and ONSWC

From: [Kemerait, Karen](#)
To: [Grantmyre, William](#); [Coxton, Reita D](#); [Magarira, Munashe](#)
Cc: [Drooz, David T.](#); [John McDonald](#)
Subject: [External] Old North State Water Company, LLC-Chatham North Holdings, Inc. Loan
Date: Thursday, October 14, 2021 5:50:33 PM

CAUTION: External email. Do not click links or open attachments unless you verify. Send all suspicious email as an attachment to [Report Spam](#).

Hi Bill, Reita, and Munashe,

Old North State Water Company, LLC (“ONSWC”) loaned \$5,000,000 to Chatham North Holdings, Inc. (“CNH”) in December, 2020 as part of a series of intercompany transactions by affiliated entities. The purpose of the loan was to facilitate and document the buyout by CNH of its preferred stockholder, an unaffiliated third-party investor. The preferred stockholder had invested \$5,000,000 in capital (through a special purpose entity that it controlled) into the Briar Chapel system, along with the proposed interconnection of the Briar Chapel and Fearrington systems (“Briar Chapel/Fearrington Project”), in November, 2018. In exchange for its investment, the preferred stockholder received 5,000 preferred shares of stock in CNH. CNH issued 5,000 common shares to Integra Water and Two River Holdings (owned by Michael Myers), of which Integra Water owns 95% of the shares and Two Rivers Holdings owns 5% of the shares. Shortly after CNH’s receipt, the capital invested by the preferred stockholder was used by CNH, via a newly created wholly-owned subsidiary (ONSWC-Chatham North, LLC), to fund the work in the Briar Chapel/Fearrington Project in accordance with a transfer application that was subsequently filed with the Commission.

At the time of the preferred stockholder’s investment, the understanding was that the funds it invested would be utilized in the Briar Chapel/Fearrington Project. When that plan did not materialize (following ONSWC’s withdrawal of the transfer application), the preferred stockholder ultimately requested that it be repaid the \$5,000,000 that it had invested in the Briar Chapel/Fearrington Project. To accommodate that request, and to relieve ONSWC from additional high cost dividend obligations (the effective capital cost was about 11%) as well as other preferred stockholder preferences, Integra Water agreed to fund the buyout through a loan to ONSWC, which in turn loaned the money to CNH. As noted above, ONSWC had been the ultimate beneficiary of the preferred stockholder’s investment.

The principal effect of changing the \$5,000,000 equity from the preferred stockholder into debt is that the capital cost for ONSWC went from 11% to 6%.

We look forward to discussing this with you in more detail during the meeting tomorrow morning.

Best regards, Karen

Karen Kemerait

Partner

Fox Rothschild LLP

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Raleigh, NC 27601-2943
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This email contains information that may be confidential and/or privileged. If you are not the intended recipient, or the employee or agent authorized to receive for the intended recipient, you may not copy, disclose or use any contents in this email. If you have received this email in error, please immediately notify the sender at Fox Rothschild LLP by replying to this email and delete the original and reply emails. Thank you.

DOCKET NO. W-1300, Sub 60
CONFIDENTIAL DIRECT
EXHIBIT NO. 4

DOCKET NO. W-1300, Sub 60
CONFIDENTIAL DIRECT
EXHIBIT NO. 5