

**SANFORD LAW OFFICE, PLLC**

Jo Anne Sanford, Attorney at Law

February 6, 2019

Ms. M. Lynn Jarvis, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325

**Via Electronic Filing**

Re: Revised Application for Transfer of Public Utilities Franchise and for Approval of Rates, Filed by Pace Utilities Group, Inc. (W-1046, Sub 5) and Carolina Water Service, Inc. of North Carolina (W-354, Sub 361)

Dear Ms. Jarvis:

Attached please for filing a Revised Application for Transfer of Public Utility Franchise and for Approval of Rates filed by Pace Utilities Group, Inc., ("Pace," the seller) and Carolina Water Service, Inc., of North Carolina ("CWSNC," the purchaser). The Application is being filed in Docket Nos. W-1046, Sub 5 and W-354, Sub 361 to reflect changes in the purchase price as well as changes in proposed rates. Additionally, it is accompanied by a Second Revised Asset Purchase Agreement.

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

cc: Parties of Record

## CERTIFICATE OF SERVICE

On behalf of Carolina Water Services, Inc. of North Carolina, I hereby certify that I have today served a copy of the REVISED Application for Transfer of Public Utility and Approval of Rates, in Docket Nos. W-354, Sub 361 and W-1046, Sub 5, 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 6th day of February 2019.

**Electronically Submitted**

**/s/Jo Anne Sanford**

State Bar No. 6831

SANFORD LAW OFFICE, PLLC

[sanford@sanfordlawoffice.com](mailto:sanford@sanfordlawoffice.com)

Tel: 919.210.4900

**Attorney for Aqua North Carolina, Inc.**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

**REVISED** APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE AND FOR APPROVAL OF RATES

INSTRUCTIONS

Notes or explanations placed in the margins of the application are acceptable. If additional space is needed, supplementary sheets may be attached. If any section does not apply, write "not applicable" or cross out the section.

SELLER

- Trade name used for utility business Pace Utilities Group, Inc.
- Mailing address 6719-C Fairview Road, Charlotte, NC 28210
- Business telephone number 704-365-1208

PURCHASER

- Trade name used for utility business Carolina Water Service, Inc. of North Carolina
- Name of owner (if different from trade name) Utilities, Inc.
- Business mailing address P.O. Box 240908  
City and state Charlotte, NC Zip code 28244
- Business street address (if different from mailing address) 4944 Parkway Plaza Blvd., Suite 375, Charlotte, NC 28217
- Business telephone number 704-319-0502
- If corporation, list the following:  
 President Catherine Heigel (Interim) Vice President Bryce Mendenhall  
 Secretary Laura Granier Treasurer Jim Andrejko  
 Three (3) largest stockholders and percent of voting shares held by each  
Utilities, Inc. 100%
- If partnership, list the owners and percent of ownership held by each
- Is the purchaser acquiring the utility assets or stock? Assets  
(No filing fee required if stock transfer only.)

PROPOSED AND PRESENT RATES

	<u>Proposed Rates</u>	<u>Present Rates</u>
12. Metered Residential Service:		
Water:	<u>\$11.44 base charge, \$3.36/1k gal usage charge</u>	<u>\$6.72 base charge, \$1.85/1k gal usage</u>
Sewer:	<u>N/A</u>	<u>N/A</u>
13. Flat Rate Residential Service:		
Water:	<u>N/A</u>	<u>N/A</u>
Sewer:	<u>\$41.40 base charge</u>	<u>\$39.53</u>
14. Nonresidential Service (explain):		
Water:	<u>N/A</u>	<u>N/A</u>
Sewer:	<u>N/A</u>	<u>N/A</u>
15. Tap-on fees:		
Water:	<u>\$0</u>	<u>N/A</u>
Sewer:	<u>\$27</u>	<u>N/A</u>

OTHER PROPOSED RATES

- Finance charge for late payment: 1% per month for bills past due 25 days after billing cycle  
(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
- Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: \_\_\_\_\_
- Reconnection charge if water service discontinued at customer's request: \_\_\_\_\_
- Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: Actual Cost
- Other charges: \_\_\_\_\_
- What date are the proposed rates to become effective: \_\_\_\_\_
- How long have the present rates been in effect? \_\_\_\_\_

PURCHASER'S PROPOSED BILLING

1. Frequency of billing shall be (monthly, quarterly, etc.) Monthly
2. Billing shall be for service (in advance or arrears) Arrears
3. Bills past due 45 days after billing dates: (NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).
4. Will regular billing be by written statement? (yes or no) Yes
5. Will the billing statement contain the following? (Indicate yes or no for each item)
  - (a) Meter reading at beginning and end of billing period ..... Yes
  - (b) Date of meter readings ..... Yes
  - (c) Gallons used, based on meter readings ..... Yes
  - (d) Amount due for current billing period listed as a separate amount ..... Yes
  - (e) Amount due from previous billing period listed as a separate amount ..... Yes
  - (f) Amount due for each special charge (i.e., deposits, tap fees, etc.) listed as a separate amount ..... Yes
6. Show how the following will appear on the billing statement:
  - (a) Mailing address of Company: 4944 Parkway Plaza Blvd, Suite 375, Charlotte, NC 28217
  - (b) Address where bill can be paid in person: Not Applicable
  - (c) Name and phone number of alternative persons to contact for emergency service after business hours: Bryce Mendenhall 919-257-1182
7. Is service already metered? (yes or no) Yes
8. Does the Purchaser understand the provisions for establishing credit and collecting customer deposits set forth in NCUC Rules and Regulations, Chapter 12? (yes or no) Yes  
(Customer deposits must be refunded to customers having not more than two (2) bills overdue during a 12-month period and who are not then delinquent on the payment of their bills, per NCUC Rule R12-5.)
9. List the amount of customer deposits still held by Seller:  
Water: N/A Sewer: N/A

PURCHASER'S SERVICE ORGANIZATION

	<u>NAME</u>	<u>ADDRESS</u>	<u>TELEPHONE</u>
10. General Manager	<u>Catherine Heigel (Interim)</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>800-525-7990</u>
11. Complaints or Billing	<u>Karen Sasic</u>	<u>Weathersfield Ave Altamonte Springs, FL</u>	<u>321-972-0368</u>
12. Engineering Operations	<u>Bryce Mendenhall</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>704-319-0517</u>
13. Emergency Service	<u>Customer Service</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>800-525-7990</u>
14. Accounting	<u>Dante DeStefano</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>704-572-8668</u>

15. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas? (yes or no) No
16. Will customers be able to make telephone calls for service without being charged for a long distance phone call? (yes or no) Yes
17. Will persons designated to receive phone calls for emergency service, after regular business hours, have authority to provide the needed repairs without first contacting owner? (yes or no) Yes
18. List the qualifications of the person in charge of the utility system:  
Larry Henry – NC C Distribution/NC Collection IV  
Kylend Mullis – NC C Distribution/NC C Well
19. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase: Please see attached exhibit Pace – DEQ Deficiency Report

SERVICE AREA

Fill in one column for each Subdivision or Service Area.

		(1)	(2)	(3)
1.	Name of Subdivision(s) or Service Area(s)	Silverton		
2.	County (or Counties)	Cabarrus		
3.	Type of service (water, sewer, etc.)	Water/Sewer		
4.	If water is purchased, list from whom	N/A		
5.	Source of water supply (wells, etc.)	Wells		
6.	Number of wells in service	2		
7.	Pumping capacity of each pump in service	154 gpm		
8.	Elevated storage tank capacity (gals.)	9,000		
9.	Pressure tank capacity (gals.)	N/A		
10.	Types of water treatment (chlorine, etc.)	N/A		
11.	Number of fire hydrants installed	0		
12.	Is sewage disposal by septic tank or by sewer system?	Sewer System		
13.	If disposal is by sewer system, is sewage treated by utility company or by others?	Others		
14.	Capacity of Company's sewage treatment plant (gallons per day)	N/A		
15.	Is service metered? (yes or no)	Yes		
16.	Number of water meters in use	61		
17.	Number of service taps in use (list number of each size)	61		
	Water			
	Sewer	61		
18.	Number of customers at the end of test year	61		
	Water			
	Sewer	61		
19.	Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)	62		
	Water			
	Sewer	62		
20.	Number of customers that can be served by pumping capacity	62		
	Water			
21.	Number of customers that can be served by storage tank capacity	62		
	Water			
22.	Number of customers that can be served by treatment plant capacity	62		
	Sewer			
23.	Name nearest water/sewer utility system	Bradfield Farms		
24.	Distance to nearest water/sewer utility system	<1 mile		
25.	Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no)	No		
26.	Has the system been offered for sale to the customers, county, or municipality? (yes or no)	No		
	If not, why not?			
27.	a. DENR System I.D. No.	Water 01-13-219		
	b. NPDES or Nondischarge Permit No.	Sewer N/A		

FINANCIAL STATEMENT

1. Will a separate set of books be maintained for the utility business?  
Yes

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2. Will a separate bank account be maintained for the utility business?  
No

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3. Are the revenues and expenses listed below based on past operations or are they estimated for future operations?  
(actual or estimated) Past operations

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REVENUES AND EXPENSES

For 12 Months Ended December 31, 2017 (Date)

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$ <u>4,986</u>	\$ <u>29,331</u>
5. Residential service (metered rate)	\$ <u>7,126</u>	\$ _____
6. Nonresidential service (flat rate)	\$ _____	\$ _____
7. Nonresidential service (metered rate)	\$ _____	\$ _____
8. Other revenues (describe in remarks below)	\$ <u>412</u>	\$ <u>922</u>
9. Total Revenues (Lines 4 thru 8)	\$ <u><u>12,524</u></u>	\$ <u><u>30,253</u></u>
10. Total salaries (except owner)	\$ _____	\$ _____
11. Salaries paid to owner	\$ _____	\$ _____
12. Administrative and office expense (except salaries)	\$ <u>(966)</u>	\$ _____
13. Maintenance and repair expense (except salaries)	\$ <u>22,704</u>	\$ <u>933</u>
14. Transportation expenses	\$ _____	\$ _____
15. Electric power for pumping	\$ <u>2,610</u>	\$ _____
16. Chemicals for treatment	\$ <u>585</u>	\$ _____
17. Testing fees	\$ <u>3,393</u>	\$ _____
18. Permit fees	\$ _____	\$ _____
19. Purchased water/sewer treatment	\$ _____	\$ <u>19,426</u>
20. Annual depreciation	\$ <u>10,711</u>	\$ _____
21. Taxes: State income taxes	\$ <u>25</u>	\$ _____
22. Federal income taxes	\$ _____	\$ _____
23. Gross receipts (or franchise tax)	\$ <u>223</u>	\$ _____
24. Property taxes	\$ <u>477</u>	\$ _____
25. Payroll taxes	\$ _____	\$ _____
26. Other taxes	\$ <u>59</u>	\$ _____
27. Interest on debt during year	\$ _____	\$ _____
28. Other expenses (describe in remarks below)	\$ <u>1,178</u>	\$ _____
29. Total Expenses (Lines 10 thru 28)	\$ <u><u>40,999</u></u>	\$ <u><u>20,359</u></u>
30. Net Income (Line 9 minus Line 29)	\$ <u><u>(28,475)</u></u>	\$ <u><u>9,894</u></u>

Remarks

31. Line 8 – NSF Fee, collection of A/R previously written off

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32. Line 28 – Insurance, bank service charge, licenses, permits, lawn maintenance

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33. \_\_\_\_\_

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34. \_\_\_\_\_

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35. \_\_\_\_\_

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NUMBER OF CUSTOMERS SERVED

	<u>Water</u>		<u>Sewer</u>	
	<u>Flat Rate</u>	<u>Metered</u>	<u>Flat Rate</u>	<u>Metered</u>
36. Customers at beginning of year	_____	<u>61</u>	<u>61</u>	_____
37. Customers at end of year	_____	<u>61</u>	<u>61</u>	_____
38. Average gallons used per customer	<u>5,262</u>			per month

PURCHASER'S COST OF UTILITY SYSTEM

1. List Purchaser's cost of utility systems:

Water: \$168,332

Sewer: \$120,906

ORIGINAL COST OF UTILITY SYSTEM

As of Year Ended December 31, 2017 (Date)

**Note: List the total original cost to construct and establish the system, whether or not paid for by the Seller.**

	<u>Utility Property in Service</u>	
	<u>Water</u>	<u>Sewer</u>
2. Land and rights-of-way	\$ 10,000	\$
3. Structures and site improvement	\$	\$
4. Wells	\$ 99,705	\$
5. Pumping equipment	\$ 3,794.16	\$
6. Treatment equipment	\$ 475.40	\$
7. Storage tanks	\$	\$
8. Mains (excluding service connections)	\$ 4,057	\$
9. Service connections	\$	\$
10. Meters (including spare meters)	\$ 3,144.21	\$
11. Office furniture and equipment	\$	\$
12. Transportation equipment	\$	\$
13. Other utility property in service (describe in remarks below)	\$ 47,156	\$ 120,906
14. Total utility property in service (Lines 2 thru 13)	\$ 168,331.77	\$ 120,906
15. Less: acquisition adjustments (difference between original cost above and cost to Seller)	\$	\$
16. Less: Seller's accumulated depreciation	\$ 127,701.30	\$ 95,096.70
17. Less: Seller's accumulated tap fees and other contributions in aid of construction	\$	\$
18. Seller's net investment in utility property (Line 14 minus 15, 16, & 17)	\$ 40,630.47	\$ 25,809.30

	<u>Utility Property Not in Service</u>	
	<u>Water</u>	<u>Sewer</u>
19. Construction work in progress	\$	\$
20. Property held for future use	\$	\$
21. Other (describe in remarks below)	\$	\$

Remarks

- 22. \_\_\_\_\_
- 23. \_\_\_\_\_
- 24. \_\_\_\_\_
- 25. \_\_\_\_\_

ANNUAL DEPRECIATION

26. If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used:

Water: 13 - Other Plant and Misc. Equipment (Sewer)

Sewer: 13 - Customer Service (Water)

27. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

OTHER FINANCIAL INFORMATION

1. Please provide the following capital structure information for the Purchaser prior to the purchase of the new water and/or sewer system(s):

a. Capital structure as of December 31, 2017

b. Capital structure balances:

	<u>Amount</u>	<u>Percent Of Total Capital</u>
Long-term debt/loans	\$ <u>218,213,069</u>	<u>48.22</u>
Preferred stock (if any)	\$ _____	_____
Common equity:		
Common stock	\$ <u>100</u>	_____
Retained earnings	\$ <u>78,412,910</u>	<u>17.33</u>
Total common equity	\$ <u>234,265,626</u>	<u>51.78</u>
 Total capital	 \$ <u><u>452,478,695</u></u>	 <u>100%</u>

2. The purchase price of the system will be financed as follows:

a. Long-term debt	\$ _____
b. Short-term debt	\$ _____
c. Common stock	\$ _____
d. Retained earnings	\$ _____
e. Other (please describe below on Line g)	\$ <u>43,000</u>
f. Total purchase price	\$ <u><u>43,000</u></u>

g. Description of other: Cash Purchase  
\_\_\_\_\_  
\_\_\_\_\_

3. Please provide the following for improvements/additions to be made in the first year:

a. Brief description: None known at this time  
\_\_\_\_\_  
\_\_\_\_\_

b. Financing:

(1) Long-term debt	\$ _____
(2) Short-term debt	\$ _____
(3) Common stock	\$ _____
(4) Retained earnings	\$ _____
(5) Other (please describe below on Line (7))	\$ _____
(6) Total improvements/additions	\$ <u>_____</u>

(7) Description of other: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



- 1. Are there any major improvements/additions required in the next five years and the next ten years? Indicate the estimated cost of each improvement/addition, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

None known at this time

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- 2. Are there any major replacements required in the next five years and the next ten years? Indicate the estimated cost of each replacement, the year it will be made, and how it will be financed (long-term debt, short-term debt, common stock, retained earnings, and other (please explain)).

All below funded with capital structure (LTD/Equity):

Well Casing Conduit - \$5,000 year 2

Totalizing meter - \$2,500 year 2

2 Wellhouses and 2 Hydrotanks - \$150,000, year 1

SCADA Troubleshoot/Repair - \$5,000 year 2

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- 3. Please fill out the attached addendum showing the projected cash flows and income statement for the first five years of operation of this system. This addendum should be for the utility system for which the subject application is being submitted, exclusively. Instructions are included on page 3 of the addendum. The following information may be provided instead of filing the addendum:

- (1) Audited financial statements for the Purchaser and/or parent company.
- (2) Budgets, capital and operating, for the Purchaser's North Carolina utility operations for the next five years.
- (3) The most recent fiscal year budgets, capital and operating, and the actual amounts for that year for the Purchaser's and/or parent company's North Carolina utility operations.

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Purchaser is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.)
2. If the Purchasers are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.)
3. If the Purchaser is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68.
4. Enclose a copy of (1) exhibits showing that the Seller has ownership of all property necessary to operate the utility and (2) a purchase agreement reduced to writing. Any changes in the purchase agreement should be filed immediately with the Commission.
5. If the application is for a stock transfer, enclose a copy of the most recent financial statements, including a balance sheet, for the Seller.
6. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none"). \_\_\_\_\_
7. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Purchaser.
8. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Purchaser.
9. If the information requested in Exhibits 7 and 8 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the Purchaser and/or parent company.

FILING INSTRUCTIONS

10. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325. Twenty-five (25) copies of an application to acquire a Class A or B utility company should be filed.** One of these copies must have original signatures. (Applicants must also provide any copies to be returned to them.)
11. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.**  
(No filing fee required if stock transfer only.)

SIGNATURES

12. Application shall be signed and verified by the Applicants.

Signature Catherine E. Heigel  
Purchaser

Date 2/4/2019

Signature \_\_\_\_\_  
Seller

Date \_\_\_\_\_

13. (Typed or Printed Name) Catherine E. Heigel

OFFICIAL COPY

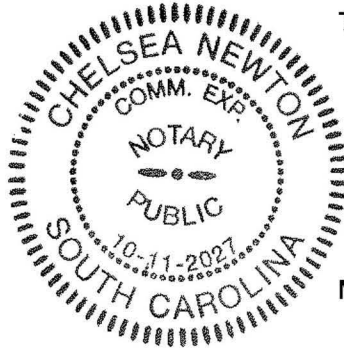
Feb 06 2019

Catherine Hugel

Seller Docket No. W-1046, Sub 5  
Purchaser Docket No. W-354, Sub 361

personally appearing before me and, being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 4 day of February, 2019.



Chelsea Newton  
Notary Public

Address

My Commission Expires: 10/11/2027  
Date

**WELLS FARGO BANK, N.A.**  
Greenville Lewis Plaza  
1714 Augusta St  
Greenville, SC 29605

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Purchaser is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.)
2. If the Purchasers are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.)
3. If the Purchaser is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68.
4. Enclose a copy of (1) exhibits showing that the Seller has ownership of all property necessary to operate the utility and (2) a purchase agreement reduced to writing. Any changes in the purchase agreement should be filed immediately with the Commission.
5. If the application is for a stock transfer, enclose a copy of the most recent financial statements, including a balance sheet, for the Seller.
6. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none"). \_\_\_\_\_
7. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Purchaser.
8. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Purchaser.
9. If the information requested in Exhibits 7 and 8 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the Purchaser and/or parent company.

FILING INSTRUCTIONS

10. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325**. **Twenty-five (25) copies of an application to acquire a Class A or B utility company should be filed.** One of these copies must have original signatures. (Applicants must also provide any copies to be returned to them.)
11. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.** (No filing fee required if stock transfer only.)

SIGNATURES

12. Application shall be signed and verified by the Applicants.

Signature \_\_\_\_\_  
Purchaser

Date \_\_\_\_\_

Signature  \_\_\_\_\_  
Seller

Date 2/1/2019

13. (Typed or Printed Name) Bevin S. Pacc

Seller Docket No. W-1046, Sub 5  
Purchaser Docket No. W-354, Sub 361

Brian S. Pace

personally appearing before me and, being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 1 day of FEBRUARY, 2019.

*Vicki K. Hollis*

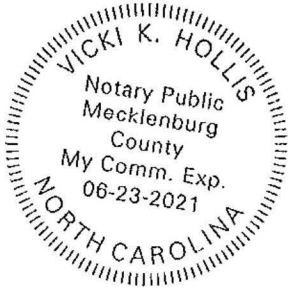
Notary Public

6719-C Fairview Rd, Charlotte, NC

Address

28210

My Commission Expires: 6-23-2021  
Date



ADDENDUM TO APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE AND FOR APPROVAL OF RATES

**Projected Income Statement**

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>Operating revenue</u>					
1.	Metered service revenue	Please see attached				
2.	Flat rate service revenue					
3.	EPA testing surcharge					
4.	Re-connect fees					
5.	Returned check charge					
6.	Late payment charge					
7.	Other operating revenue					
8.	Total operating revenue (Sum of Line 1 thru Line 7)					
	<u>Operating expenses</u>					
9.	Total salaries and wages (employees only)					
10.	Outside labor expenses (non-employees)					
11.	Administrative and office expense					
12.	Maintenance and repair expense					
13.	Purchased water					
14.	Purchased sewage treatment					
15.	Electric power expense (exclude office)					
16.	Chemicals expense					
17.	Testing fees					
18.	Transportation expense					
19.	Other operating expense					
20.	Total operation and maintenance expenses (Sum of Line 9 thru Line 19)					
21.	Annual depreciation expense					
22.	Property taxes paid on utility property					
23.	Payroll taxes					
24.	Franchise (gross receipts) tax					
25.	Annual NCUC regulatory fee					
26.	Total operating expenses (Sum of Line 20 thru Line 25)					
	<u>Income Taxes</u>					
27.	State income taxes					
28.	Federal income taxes					
29.	Total income taxes (Line 27 + Line 28)					
30.	Net operating income (loss) (Line 8 - Line 26 - Line 29)					
31.	Interest expense					
32.	Net income (loss) (Line 30 - Line 31)					

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ADDENDUM TO APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE AND FOR APPROVAL OF RATES

Statement of Cash Flows

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
1.	Pre-tax operating income (loss):					
2.	Total operating revenue	Please see attached				
3.	Less: Operation and maintenance expenses					
4.	Less: Taxes other than income					
5.	Pre-tax operating income (loss)					
6.	Income tax calculation:					
7.	Pre-tax operating income (loss)					
8.	Plus: Contributions in aid of construction					
9.	Less: Tax depreciation					
10.	Less: Interest expense					
11.	Taxable income (loss)					
12.	State income tax					
13.	Federal income tax					
14.	Total income taxes to be paid					
15.	Net cash provided by (used in) operating activities					
	<u>Cash Flows From Investing Activities</u>					
16.	Purchases of utility plant					
17.	Plus: Cash bonds posted					
18.	Less: Contributions in aid of construction					
19.	Less: Proceeds from disposal of utility plant					
20.	Net cash used (provided) by investing activities					
	<u>Cash Flows From Financing Activities</u>					
21.	Proceeds from issuing short term debt					
22.	Less: Principal repayment of short term debt					
23.	Plus: Proceeds from issuing long term debt					
24.	Less: Principal repayment of long term debt					
25.	Less: Interest payment for short and long term debt					
26.	Plus: Proceeds from issuing stock					
27.	Less: Dividends paid					
28.	Plus: Funds provided by owner					
29.	Net cash provided (used) by financing activities					
30.	Net increase (decrease) in cash					
31.	Cash balance at beginning of year					
32.	Cash balance at end of year					

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## ADDENDUM TO APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE AND FOR APPROVAL OF RATES

**Instructions**

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1. These schedules should reflect all revenues, costs, investment, etc. associated with or to be associated with the utility system for which the subject franchise application is being submitted, exclusively.
  2. For purposes of forecasting future expenses, as a simplifying assumption, it may be assumed that increases in such costs due to increases in general price levels, (i.e., inflation) will on average be offset by concurrent rate increases. Thus, no provision(s) for such offsetting changes will need to be made in forecasting costs.
  3. A written detailed narrative explanation of all assumptions underlying the information and data contained in this addendum and five (5) copies of all workpapers developed in completing the addendum are to be filed with the Commission's Chief Clerk concurrent with the filing of the franchise application.
  4. Computations for Statement of Cash Flows (Page 2 of Addendum)
    - (a) Line 2 should agree with Addendum Page 1 - Projected Income Statement, Line 8.
    - (b) Line 3 should agree with Addendum Page 1 - Projected Income Statement, Line 20.
    - (c) Line 4 should agree with Addendum Page 1 - Projected Income Statement, Sum of Line 22 thru Line 25.
    - (d) Line 14 should equal Line 12 plus Line 13.
    - (e) Line 15 should equal Line 5 less Line 14.
    - (f) Line 30 should equal Line 15 less Line 20 plus Line 29.
    - (g) Line 31 should equal the cash balance at the end of the prior year, except for the beginning balance for Year 1, which should be zero.
    - (h) Line 32 should equal Line 30 plus Line 31.



**SECOND AMENDMENT TO UTILITY ASSET PURCHASE AGREEMENT**

THIS SECOND AMENDMENT TO UTILITY ASSET PURCHASE AGREEMENT (this “**Second Amendment**”) is entered into as of January 24, 2019 (the “**Effective Date**”) by and between PACE UTILITIES GROUP, INC., a North Carolina corporation (the “**Seller**”) and CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA, a North Carolina corporation (the “**Purchaser**”).

**WITNESSETH**

**WHEREAS**, Seller and Purchaser entered into that certain Utility Asset Purchase Agreement with an Effective Date of August 6, 2018 (the “**Agreement**,” capitalized but undefined words contained herein shall have the meanings ascribed to them in the Agreement);

**WHEREAS**, Seller and Purchaser entered into an Amendment to Utility Asset Purchase Agreement with an Effective Date of November 19, 2018 (the “**Amendment**”);

**WHEREAS**, Seller has completed its due diligence of the Purchased Assets comprising Seller’s Utility System; and

**WHEREAS**, Seller and Purchaser desire to further amend the Agreement as provided herein;

**NOW THEREFORE**, in consideration of the premises and the mutual agreements of the parties set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to amend the Agreement by replacing *in toto* original Section 2.04 in the Agreement with new SECTION 2.04. PURCHASER PRICE as follows:

1. **SECTION 2.04. PURCHASE PRICE.** (A) The Purchase Price for the Purchased Assets is an amount equal to FORTY-THREE THOUSAND AND NO/100 DOLLARS (\$43,000.00) subject to prorations and adjustments set forth in this Agreement. The Purchase Price shall be payable by Buyer to Seller in immediately available funds at Closing, by wire transfer, pursuant to wire instructions to be provided by Seller to Buyer at or prior to Closing. (B) To the extent the NCUC establishes the rate base for the Purchased Assets below the Purchase Price, Buyer shall have the option, at its sole discretion, to terminate the Agreement without further liability or obligation to the Seller under this Agreement. To be effective, any notice of termination must be given by Buyer to Seller within thirty (30) days after the NCUC enters its Order establishing the rate base for the Purchased Assets.
2. **Effect.** Upon execution of this Second Amendment by Seller and Purchaser, this Second Amendment shall be deemed a modification of the Agreement and the Amendment. However, except as expressly modified hereby, all of the terms and conditions of the Agreement and the Amendment shall remain unaltered and remain in full force and effect.
3. **Miscellaneous.** This Second Amendment may be executed in counterparts, each of which shall constitute an original. The parties may sign this Second Amendment by telefaxed or PDF copies, any of such telefaxed or PDF copies shall be deemed an original, and no objection shall be made to the introduction into evidence of any telefaxed or PDF copies on grounds relating to the copy not being an original.

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the day and year first above written.

**SELLER:**

**PACE UTILITIES GROUP, INC.,** a North Carolina corporation

By:  \_\_\_\_\_

Name: Brian S. Pace

Title: President

**PURCHASER:**

**CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA,** a North Carolina corporation

By:  \_\_\_\_\_

Name: Catherine E. Heigel

Title: President