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February 29, 2023

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

RE: Docket Nos. W-1297, Sub 17, W-1344, Sub 1 - PUBLIC

Dear Ms. Dunston:

Please accept for filing the following documents in the above captioned dockets:  
Application for Transfer of Certificate of Public Convenience and Necessity and  
Approval Rates verified by seller and buyer with required exhibits and attachments;  
Application for Approval for Issuance of Certificate of Public Convenience and Necessity  
with verification of Applicant and required exhibits and attachments. These applications  
contain a number of attachments and exhibits that have been marked confidential.

The filing fee is being submitted by personal delivery.

Thank you for your attention to this matter.

Sincerely,  
Edward S. Finley, Jr.  
Counsel for HISCO I, LLC.

OFFICIAL COPY

Mar 04 2024

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing Applications in these dockets was duly served upon parties of record either by depositing same in a depository of the United States Postal Service, first class postage prepaid, or by electronic delivery.

This the 29th day of February, 2024.

Edward S. Finley, Jr.,

/s/ Edward S. Finley, Jr.

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COUNSEL FOR APPLICANT

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

Docket No. W-1297, Sub 17  
Docket No. W-1344, Sub 1

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Joint Application )  
of HISCO I LLC and HISCO East LLC for )  
Approval of Transfer of Certificate of )  
Public Convenience and Necessity for the )  
Wastewater System Serving the )  
Harkers Island Subdivision in Carteret )  
County and Application by HISCO I LLC, )  
for Approval of Rates )

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

NOW COMES HISCO I LLC (“HISCO I”), pursuant to N.C. Gen. Stat. § 62-111, and applies to the Commission to obtain the certificate of public convenience and necessity for the wastewater system serving a service area in Harkers Island in Carteret County North Carolina and pursuant to N.C. Gen. Stat. § 62-133 for approval of rates.

1. Presently, the certificate of public convenience and necessity is held by HISCO East LLC (“HISCO East”). HISCO East was granted the franchise to serve the subdivision by order dated July 30, 2013 in Docket No. W-1297, Sub 0.
2. By order issued July 30, 2013 in Docket No. W-1297, Sub 0 the Commission approved rates for HISCO East.
3. Arcos Capital Partners, LLC (“ACP”), through an entity it formed, HILDCO, LLC (“HILDCO”), owns and has acquired extensive properties in Harkers Island that it is developing for mixed use purposes. Arcos Properties, LLC is the management company responsible for

the day-to-day execution of projects sponsored by ACP. HILDSCO has formed HISCO I to acquire the franchise, permits and facilities of HISCO East in order to improve, enhance and expand the utility facilities in order to make the development contemplated possible and to improve service to existing and future consumers.

4. Presently, the existing wastewater facilities are in need of repair, replacement and expansion. HILDSCO has the capital resources to invest in HISCO I to enable HISCO I to invest in the wastewater facilities and to finance the needed work.
5. Presently, there are pending complaints, violations and encumbrances against HISCO East that will be rectified as part of the agreement entered into with HISCO I.
6. The utility, under current ownership, is only able to serve a small fraction of the current demand, as evidenced by an extensive waiting list for new connections and from inquiries for service. This has prevented economic development, including expansion of the National Park Service facilities on the island. Expansion of the sewer system is also critical for replacing the aging, existing wastewater treatment equipment as well as the numerous septic tanks currently relied upon outside of HISCO East service territory.
7. As discussed in Pre-Filing meetings with the Public Staff, historically, there has been some ambiguity regarding the service area of HISCO East. HISCO I has rectified this by working with the Public Staff, NC DHHS, and Carteret County, culminating in an approved EOP recognizing all of the connections in question. In this application HISCO I is submitting a completed NCUC form for both the transfer of the CPCN from HISCO East and the form for the issuance of a CPCN to HISCO I to officially establish the full, updated service area definition with the NCUC now that approval has been achieved through the EOP process. Subsequent to NCUC approval, HISCO I intends to further expand its authorized service area so as to make service available to more extensive portions of the Island.

8. There is pending before the Commission a complaint in Docket No. W-1297, Sub 14 by MRT- 1, LLC (MRT-1), a successor to Pinnacle Bank, against Harkers Island Sewer Company (HISCO East). At issue in the complaint is, among other things, the alleged lack of sanitary sewer service provided to property within the HISCO East service area. The area for which the complaint alleges inadequate service is designated as James Creek. By assignment dated April 3, 2023, MRT-1 assigned its claims to HILDCO James Creek, LLC. One of the recitals in the assignment states “Assignor and Assignee respectfully agree to sign and deliver any instrument the other party reasonably requests to confirm and effect the transfer of the foregoing rights, claims and interest. Without limiting the foregoing, the parties hereto shall jointly file in the UC [NCUC] Action a Motion to Substitute Parties and Counsel to effect the intent of this assignment.” HILDCO James Creek LLC is an affiliate of HILDCO I, and more broadly Arcos Capital Partners. Upon approval by the Commission Arcos will seek to have the complaint dismissed and undertake to extend service to the unserved area in question. As part of this application Applicant requests that counsel for Complainant in Docket No. W-1297, Sub 14 with his consent be relieved from further participation.
9. Pursuant to the Asset Purchase Agreement HISCO I will pay HISCO East \$250,000 to acquire all of its assets. HISCO I, based on information obtained from HISCO East, has determined that the net original cost of the system in the hands of HISCO East is \$212,715. Consequently, HISCO I seeks a plant acquisition adjustment in the amount of \$37,285. Applicant bases its justification for obtaining the plant acquisition adjustment on the severe state of disrepair of the system, regulatory and legal entanglements of the current owner requiring significant due diligence expenses to be incurred, and the significant investment that will be required to stabilize and improve the system.
10. HISCO I seeks no rate adjustment at this time.
11. Through Operating Agreements submitted as part of the application HISCO I will hire and continue to rely upon the current operators of the facilities to ensure proper service in the future.

12. Should the Commission approve the application of transfer of ownership, HISCO I, as owner and franchise holder, intends to continue to rely upon a qualified system operator as the contract operator or perhaps its own employees. Should the Commission approve this petition, HISCO I, with access to ample financial resources, is ready, willing and able to use best efforts to provide service of a quality that complies with the Commission's expectations.
13. Attached hereto are the completed applications for a transfer and issuance of a certificate of public convenience and necessity and for approval of rates for wastewater utility service as required by the Commission in its rules and regulations.
14. Applicant is prepared to comply with such reasonable requirements with respect to filing a bond or letter of credit as the Commission may require. Applicant understands that the current owner has experienced issues with respect to calls made upon its bond. To the extent that these issues remain, applicant is prepared to resolve them.
15. A number of the attachments and exhibits in support of the transfer of the CPCN and the issuance of the CPCN to HISCO I are marked as confidential. Following is a listing of the attachments and exhibits so marked and to be maintained as confidential:

#### **TRANSFER**

- EXHIBIT 4: SELLER OWNERSHIP OF REQUIRED PROPERTY AND PURCHASE AGREEMENT (pp. 103-189).
  - The full APA is included for this exhibit.
  - Cover page for this exhibit is in order of the schedule provided, but the APA itself is at the very end given its length.
- EXHIBIT 8: PARENT COMPANY FINANCIAL STATEMENTS (pp. 69-73).
- EXHIBIT 9: PURCHASE FOR ASSETS/STATEMENT OF NET WORTH (pp. 74-75).

- EXHIBIT H: IMPROVEMENTS/ADDITIONS AND REPLACEMENTS (pp. 86-88).
- EXHIBIT L: HISCOI CUSTOMERS AND RATES (pp. 92-93).

**CPCN**

- EXHIBIT 7: PURCHASE AGREEMENT/OWNERSHIP OF SYSTEMS, SITES & PLANTS (pp. 208-294).
  - The full APA is included in this exhibit.
  - Cover page for this exhibit is in order of the schedule provided, but the APA itself is at the very end given its length.
- EXHIBIT 13: PARENT COMPANY FINANCIAL STATEMENTS (pp. 175-179).
- EXHIBIT 14: APPLICATION ASSETS/STATEMENT OF NET WORTH (pp. 180-181).
- EXHIBIT H: IMPROVEMENTS/ADDITIONS AND REPLACEMENTS (pp. 193-195).
- EXHIBIT L: HISCO I CUSTOMERS & RATES (pp. 199-200).

Respectfully submitted, this 29th day of February, 2024.

Edward S. Finley, Jr., PLLC  
/s/ Edward S. Finley, Jr.  
Edward S. Finley, Jr.  
Counsel for HISCO I