

INFORMATION SHEET

PRESIDING: Commissioner Hughes, Presiding; Chair Mitchell; and Commissioners Brown-Bland, Clodfelter, Duffley, McKissick, and Kemerait

PLACE: Dobbs Building, Raleigh North Carolina

DATE: Thursday, November 3, 2022

TIME: 1:00 p.m. – 5:02 p.m.

DOCKET NOS.: W-354, Sub 398

COMPANY: Carolina Water Service

DESCRIPTION: Carolina Water Service, Inc. of North Carolina, 5821 Fairview Road, Suite 401, Charlotte, North Carolina 28209, for Determination of Fair Value of Utility Assets Pursuant to N.C. Gen. Stat. 62-133.1A and Establishing Rate Base for Acquisition of the Carteret County Water System

VOLUME NUMBER: 2

APPEARANCES

(See attached)

WITNESSES

(See attached)

EXHIBITS

(See attached)

REPORTED BY: Joann Bunze

DATE FILED: November 17, 2022

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PLACE: Dobbs Building, Raleigh, North Carolina
DATE: Thursday, November 3, 2022
DOCKET NO.: W-354, Sub 398
TIME: 1:00 p.m. - 5:02 p.m.
BEFORE: Commissioner Jeffrey A. Hughes, Presiding
Chair Charlotte A. Mitchell
Commissioner ToNola D. Brown-Bland
Commissioner Daniel G. Clodfelter
Commissioner Kimberly W. Duffley
Commissioner Floyd B. McKissick, Jr.
Commissioner Karen M. Kemerait

IN THE MATTER OF:

Carolina Water Service, Inc. Of North Carolina,
5821 Fairview Road, Suite 401,
Charlotte, North Carolina 28209,
for Determination of Fair Value of Utility Assets
Pursuant to N.C. Gen. Stat. § 62-133.1A and
Establishing Rate Base for Acquisition of the
Carteret County Water System

Volume 2

1 A P P E A R A N C E S:
2 FOR CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA:

3 Jo Anne Sanford, Esq.
4 Sanford Law Office, PLLC
5 721 North Bloodworth Street
6 Raleigh, North Carolina 27604

7
8 David Drooz, Esq.
9 Fox Rothschild, LLP
10 434 Fayetteville Street, Suite 2800
11 Raleigh, North Carolina 27601

12
13 FOR CARTERET COUNTY:
14 Claud R. Wheatly, III
15 710 Cedar Street
16 Beaufort, North Carolina 28516

17
18 FOR THE USING AND CONSUMING PUBLIC:
19 William E.H. Creech, Esq.
20 William E. Grantmyre, Esq.
21 Public Staff - North Carolina Utilities Commission
22 4326 Mail Service Center
23 Raleigh, North Carolina 27699-4300

24

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OFFICIAL COPY

Nov 17 2022

**NORTH CAROLINA UTILITIES COMMISSION
APPEARANCE SLIP**

DATE: 10-18-22 DOCKET NO.: W-354, Subs 398 & 399
ATTORNEY NAME and TITLE: Jo Anne Sanford

FIRM NAME: Sanford Law Office
ADDRESS: 721 Bloodworth Street
CITY: Raleigh STATE: NC ZIP CODE: 27604

APPEARANCE ON BEHALF OF: WSNC

APPLICANT: COMPLAINANT: INTERVENOR:
PROTESTANT: RESPONDENT: DEFENDANT:

Non-confidential transcripts are located on the Commission's website. To view and/or print transcripts, go to <https://www.ncuc.net/>, hover over the Dockets tab, select Docket Search, enter the docket number, and click search, select the highlighted docket number and select Documents for a list of all documents filed.

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Yes, I have signed the Confidentiality Agreement.

Email: sanford@sanfordlawoffice.com
SIGNATURE: /s/ Jo Anne Sanford

(Signature Required for distribution of CONFIDENTIAL information)

NORTH CAROLINA UTILITIES COMMISSION

APPEARANCE SLIP

DATE: 11-3-22 DOCKET NO.: W-354 sub 398

ATTORNEY NAME and TITLE: David Drooz

FIRM NAME: Fox Rothschild

ADDRESS: 434 Fayetteville St

CITY: Raleigh STATE: NC ZIP CODE: _____

APPEARANCE ON BEHALF OF: Carolina Water Service

APPLICANT: COMPLAINANT: INTERVENOR:

PROTESTANT: RESPONDENT: DEFENDANT:

Non-confidential transcripts are located on the Commission's website. To view and/or print transcripts, go to <https://www.ncuc.net/>, hover over the Dockets tab, select Docket Search, enter the docket number, and click search, select the highlighted docket number and select Documents for a list of all documents filed.

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Yes, I have signed the Confidentiality Agreement.

Email: ddrooz@foxrothschild.com

SIGNATURE: David Drooz

(Signature Required for distribution of **CONFIDENTIAL** information)

NORTH CAROLINA UTILITIES COMMISSION

APPEARANCE SLIP

DATE: Nov. 3, 2022 DOCKET NO.: W-354, Sub 398
ATTORNEY NAME and TITLE: Claud Wheatly III

FIRM NAME: wheatly law group
ADDRESS: 710 Cedar St
CITY: Beaufort STATE: NC ZIP CODE: 28516

APPEARANCE ON BEHALF OF: Carteret County

APPLICANT: ___ COMPLAINANT: ___ INTERVENOR:
PROTESTANT: ___ RESPONDENT: ___ DEFENDANT: ___

Non-confidential transcripts are located on the Commission's website. To view and/or print transcripts, go to <https://www.ncuc.net/>, hover over the Dockets tab, select Docket Search, enter the docket number, and click search, select the highlighted docket number and select Documents for a list of all documents filed.

ONLY fill out this portion if you have signed an NDA to receive **CONFIDENTIAL** transcripts and/or exhibits:

Yes, I have signed the Confidentiality Agreement.

Email: rob@wheatlylaw.com

SIGNATURE: [Handwritten Signature]

(Signature Required for distribution of **CONFIDENTIAL** information)

NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE: November 3, 2022

DOCKET #: W-354, Sub 398

PUBLIC STAFF ATTORNEYS: William E. H. Creech, William E. Grantmyre

TO REQUEST A **CONFIDENTIAL** TRANSCRIPT, PLEASE PROVIDE YOUR EMAIL ADDRESS BELOW:

ACCOUNTING _____

CONSUMER SERVICES _____

COMMUNICATIONS _____

ENERGY _____

ECONOMICS _____

LEGAL: zeke.creech@psncuc.nc.gov;

William.grantmyre@psncuc.nc.gov;

gina.holt@psncuc.nc.gov

TRANSPORTATION _____

WATER _____

Non-confidential transcripts are located on the Commission's website. To view and/or print, please access <https://ncuc.net>.

COUNSEL/MEMBER(S) REQUESTING A **CONFIDENTIAL** TRANSCRIPT WHO HAS SIGNED A CONFIDENTIALITY AGREEMENT WILL NEED TO SIGN BELOW.

/s/ Gina C. Holt

/s/ William E. Grantmyre

/s/ William E. H. Creech

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-354, SUB 398

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)	
Election by Carolina Water Service, Inc. of)	APPLICATION BY CAROLINA
North Carolina to Establish Rate Base for)	WATER SERVICE, INC. OF
Carteret County Water System Under Fair)	NORTH CAROLINA TO
Value Methodology Authorized by)	DETERMINE RATE BASE
N.C.G.S. § 62-133.1A)	VALUE UPON ACQUISITION
)	OF CARTERET COUNTY
)	WATER SYSTEM

NOW COMES Carolina Water Service, Inc. of North Carolina (“CWSNC” or “Company”), by and through counsel and pursuant to the provisions of N.C.G.S. § 62-133.1A and North Carolina Utilities Commission (“Commission” or “NCUC”) Rule R7-41 and elects a “fair value” determination of rate base with respect to its pending acquisition of the Carteret County water system. CWSNC requests Commission approval of the “fair value” determination contained herein, and of the subsequent calculation of rate base value of these assets that is derived by use of the “fair value” mechanism, authorized under N.C.G.S. § 62-133.1A. In support of this request---which is a case of first impression under this statute in North Carolina---the Company says the following:

STATUTORY AUTHORIZATION AND RULES

- (1) N.C.G.S. § 62-133.1A, titled “fair value determination of government-owned water and wastewater systems,” was adopted as Session Law 2018-51 and became law in June 2018.

(See Attachment 1)

- (2) The statute was designed to facilitate the transfer of water and wastewater systems which are owned by governmental providers, to ownership and operation by regulated public utilities, in the event there are willing public utilities who wish to purchase and willing local governmental utilities who wish to sell. The valuation of assets for the purpose of determining the rate base in these types of transactions has historically been an impediment to the market. This is because the “original cost” valuation is generally dramatically below the price required to purchase the asset. Thus, the regulated utility would be tied to a rate base which essentially equaled the original cost, without regard to how much it had paid. N.C.G.S. § 62-133.1A establishes a fair system for addressing the valuation issue, under the oversight of the Commission and with the active participation of the Public Staff.

- (3) As directed by the statute at subsection (f), the Commission adopted rules to implement the section; they are NCUC Rules R7-41 (water) and R10-28 (sewer).

(See Attachment 2 for convenience re. R7-41.)

- (4) The Commission's Fair Value Form Application (FV1), established in December 2020 and captioned Application for Determination of Fair Value of Utility Assets Pursuant to N.C.G.S. § 62-133.1.A, is in the Appendices to Rules R7-41 and R10-28. A completed version of it is included in this Application and is referred to as the "Commission Fair Value Form Application."

PARTIES AND CONTRACT TO PURCHASE

- (5) CWSNC is a water (and wastewater) public utility, as defined by N.C.G.S. § 62-3(23)a.2, and the Carteret County Water System is a "Local Government Utility" under Rule R7-41(b)(1), because it is owned by the County. Thus, Carteret County is a qualifying seller under the "fair value" mechanism set forth in N.C.G.S. § 62-133.1A.
- (6) CWSNC and Carteret County have entered into an agreement to, respectively, purchase and sell the existing County water system. The purchase contract, dated October 18, 2021, is attached as Exhibits 6(a) and 6(b) to the Commission Fair Value Form Application.
- (7) Pursuant to N.C.G.S. § 62-133.1A, CWSNC herein elects to establish rate base by using the "fair value" of the utility property instead of original cost, in the acquisition of this existing water system, currently owned by Carteret County.

DETERMINATION OF FAIR VALUE

- (8) Appraisals. This Application presents support for the “fair value” of the Carteret County water system, based upon three separate appraisals conducted by accredited, impartial valuation experts chosen from a list established by the Commission, as required by N.C.G.S. § 62-133.1A(b)(1).
- One appraiser, Hartman Consultants, LLC, represents CWSNC, the public utility acquiring the system.
 - The second appraiser, Gannett Fleming, represents Carteret County, the governmental utility selling the system.
 - The third appraiser, NewGen Strategies & Solutions, represents the Public Staff.
 - N.C.G.S. § 62-133.1A(b)(1)b requires that each appraiser shall determine “fair value” in compliance with the uniform standards of professional appraisal practice, employing cost, market, and income approaches to assessment of value. CWSNC hereby submits the valuations of these three appraisers, as required by the statute and the rule. All three of these valuation experts are recognized as Utility Valuation Experts under N.C.G.S. § 62-133.1A(b) and Commission Rule R7-41(c)
- (9) Engineering Assessment. CWSNC and Carteret County, as the acquiring public utility and selling governmental utility, jointly retained a licensed engineer to conduct an assessment of the tangible assets of the system to

be acquired. The engineering firm is Draper Aden Associates, and the assessment is dated December 2021, revised March 2022. The assessment was used by the three appraisers in determining fair value, and the engineer's report is found in Exhibits 5(a), 5(b), and 5(c) to the Commission Fair Value Form Application, which is part of this filing. See *N.C.G.S. § 62-133.1A(b)(2)*.

- (10) Reasonable Fees. CWSNC seeks to include in the cost of the County system the reasonable fees paid to valuation experts and to the engineering firm, as well as reasonable transaction and closing costs incurred by it in the acquisition. These fees---known and estimated---are provided in Attachment 3 to this Application. See *N.C.G.S. § 62-133.1A(b)(3)*. CWSNC requests permission to update the estimates at the time of the hearing, and to further update for all known and measurable expenses at the time in which rates are established for this system in the Company's next general rate case.

DETERMINATION OF RATE BASE

- (11) CWSNC seeks a determination of rate base to be reflected in its next general rate case for ratemaking purposes, after the pending rate case application currently under consideration in Docket No. W-354 Sub 400. The rate base requested is the lesser of the purchase price negotiated

between the parties to the sale (\$9,500,000), or the “fair value”, plus the fees and costs authorized in N.C.G.S. § 62-133.1A(b)(3).¹

**REQUIRED ELEMENTS OF APPLICATION,
PER N.C.G.S. § 62-133.1A(c)**

The core filing requirements for this Application are contained in and attached to the Commission Fair Value Form Application (Attachment B) as Exhibits to that form. They are enumerated in N.C.G.S. § 62-133.1A(c) and include:

- (1) copies of the valuations performed by the three appraisers;
- (2) description of any deficiencies identified by the engineering assessment, and a five-year plan for infrastructure investment;
- (3) projected rate impact on the seller’s customers for the next five years;
- (4) averaging of the appraisers’ valuation, which shall constitute fair value under the statute;
- (5) the assessment of tangible assets performed by the licensed professional engineer;
- (6) the contract of sale;
- (7) the estimated reasonable valuation fees and transaction and closing costs incurred by the acquiring public utility (which CWSNC requests to update to the close of hearing); and

¹ The Company requests that the fees and expenses be updated for actuals and then-current estimates as of the close of hearing.

(8) a tariff, including rates equal to the rates of the selling utility, which will be the rates charged to the customers upon and after acquisition by CWSNC (unless otherwise ordered by the Commission for good cause shown).

Additionally, consistent with the terms of the Commission Fair Value Form Application, CWSNC submits the testimony of Donald H. Denton III, the Company's North Carolina State President. This testimony provides a narrative explanation of the object and purposes sought by the Application and describes how the public interest is served by the proposed acquisition. This testimony is verified as required by the Rules and is a part of this filing, designated as Attachment A.

WHEREUPON CWSNC hereby requests that the Commission approve this Application for determination of fair value and thence of the rate base value for CWSNC of the Carteret County assets which the Company seeks to acquire.

Respectfully submitted this 25th day of July, 2022.

Electronically Submitted
/s/ Jo Anne Sanford

Sanford Law Office, PLLC
Post Office Box 28085
Raleigh, North Carolina 27611-8085
Telephone: 919-210-4900
Email: sanford@sanfordlawoffice.com
North Carolina State Bar No. 6831

**ATTORNEY FOR CAROLINA WATER
SERVICE, INC. OF NORTH
CAROLINA**

§ 62-133.1A. Fair value determination of government-owned water and wastewater systems.

(a) Election. – A water or wastewater public utility, as defined by G.S. 62-3(23)a.2., may elect to establish rate base by using the fair value of the utility property instead of original cost when acquiring an existing water or wastewater system owned by a municipality or county or an authority or district established under Chapter 162A of the General Statutes.

(b) Determination of Fair Value. –

(1) The fair value of a system to be acquired shall be based on three separate appraisals conducted by accredited, impartial valuation experts chosen from a list to be established by the Commission. The following shall apply to the valuation:

- a. One appraiser shall represent the public utility acquiring the system, another appraiser shall represent the utility selling the system, and another appraiser shall represent the Public Staff of the Commission.
- b. Each appraiser shall determine fair value in compliance with the uniform standards of professional appraisal practice, employing cost, market, and income approaches to assessment of value.
- c. Fair value, for ratemaking purposes under G.S. 62-133, shall be the average of the three appraisals provided for by this subsection.
- d. The original source of funding for all or any portions of the water and sewer assets being acquired is not relevant to an evaluation of fair value.

(2) The acquiring public utility and selling utility shall jointly retain a licensed engineer to conduct an assessment of the tangible assets of the system to be acquired, and the assessment shall be used by the three appraisers in determining fair value.

(3) Reasonable fees, as determined by the Commission, paid to utility valuation experts, may be included in the cost of the acquired system, in addition to reasonable transaction and closing costs incurred by the acquiring public utility.

(4) The rate base value of the acquired system, which shall be reflected in the acquiring public utility's next general rate case for ratemaking purposes, shall be the lesser of the purchase price negotiated between the parties to the sale or the fair value plus the fees and costs authorized in subdivision (3) of this subsection.

(5) The normal rules of depreciation shall begin to apply against the rate base value upon purchase of the system by the acquiring public utility.

(c) An application to the Commission for a determination of the rate base value of the system to be acquired shall contain all of the following:

- (1) Copies of the valuations performed by the appraisers, as provided in subdivision (1) of subsection (b) of this section.
- (2) Any deficiencies identified by the engineering assessment conducted pursuant to subdivision (2) of subsection (b) of this section and a five-year plan for prudent and necessary infrastructure improvements by the acquiring entity.
- (3) Projected rate impact for the selling entity's customers for the next five years.
- (4) The averaging of the appraisers' valuations, which shall constitute fair value for purposes of this section.
- (5) The assessment of tangible assets performed by a licensed professional engineer, as provided in subdivision (2) of subsection (b) of this section.
- (6) The contract of sale.

- (7) The estimated valuation fees and transaction and closing costs incurred by the acquiring public utility.
- (8) A tariff, including rates equal to the rates of the selling utility. The selling utility's rates shall be the rates charged to the customers of the acquiring public utility until the acquiring public utility's next general rate case, unless otherwise ordered by the Commission for good cause shown.

(d) Final Order. – If the application meets all the requirements of subsection (c) of this section, the Commission shall issue its final order approving or denying the application within six months of the date on which the application was filed. An order approving an application shall determine the rate base value of the acquired property for ratemaking purposes in a manner consistent with the provisions of this section.

(e) Commission's Authority. – The Commission shall retain its authority under Chapter 62 of the General Statutes to set rates for the acquired system in future rate cases, and shall have the discretion to classify the acquired system as a separate entity for ratemaking purposes, consistent with the public interest. If the Commission finds that the average of the appraisals will not result in a reasonable fair value, the Commission may adjust the fair value as it deems appropriate and in the public interest.

(f) The Commission shall adopt rules to implement this section. (2018-51, s. 2; 2021-23, s. 25.)

R7-41 PROCEDURE FOR DETERMINING FAIR VALUE AND ESTABLISHING RATE BASE FOR ACQUISITIONS OF GOVERNMENT-OWNED WATER SYSTEMS

(a) Scope of Rule.—This Rule provides the procedural and filing requirements for the determination of the value of utility property for ratemaking purposes applicable when a utility acquires an existing water system owned by a municipality or county, or an authority or district established under Chapter 162A of the General Statutes, and the utility makes an election pursuant to G.S. 62-133.1A(a) to establish its rate base associated with the acquisition by using the fair value of the acquired property instead of original cost.

(b) Definitions.

- (1) "Local Government Utility" means an existing water system owned by a municipality, county, or an authority or district established under Chapter 162A of the General Statutes.
- (2) "Rate Division" means a separate rate schedule of a water utility for one or more established customer service areas.
- (3) "Utility Valuation Expert" means a person qualified as an expert in the appraisal of utility plant whose proficiency is demonstrated and established pursuant to subsection (c) of this Rule.
- (4) "Professional Engineer" means a person who has been duly licensed by the North Carolina State Board of Examiners for Engineers and Surveyors established by Chapter 89C of the General Statutes, including those persons who may be licensed by comity or endorsement.
- (5) "Asset Purchase Agreement" means a contract for the sale of an existing water system between a water utility, as buyer, and a Local Government Utility, as seller, which is to be valued for purposes of rate base. The Asset Purchase Agreement shall reflect the price negotiated between the Public Utility purchaser and the Local Government Utility.

(c) Establishment of List of Utility Valuation Experts.—The Commission shall establish a generic proceeding in Docket No. W-100, Sub 60A for the purpose of creating and maintaining a list of accredited, impartial Utility Valuation Experts as required pursuant to G.S. 62-133.1A(b). A person seeking to become a Utility Valuation Expert shall apply to the Commission by furnishing the following:

- (1) a demonstration of the person's education and experience specific to providing valuations and appraisals of utility plant, as differentiated from other types of appraisals, such as for real estate;
- (2) a written attestation that a Utility Valuation Expert owes a fiduciary duty to provide a thorough, objective, and fair valuation;
- (3) a demonstration of financial and technical fitness, such as through production of professional licenses, technical certifications, and names of current or past clients with a description of dates and types of services provided;
- (4) a demonstration of adequate utility valuation and appraisal experience to support the Commission's decision to consider these persons or entities as experts in this field;
- (5) a statement that the Utility Valuation Expert will make use of the assessment of the tangible assets of the system to be acquired, which assessment shall be from a Professional Engineer jointly retained by the utility and the Local Government Utility and make use of the Water and Wastewater Fair Value Engineering Assessment Form included in the Appendix to this Chapter as a template for the engineer's assessment;
- (6) a statement that the Utility Valuation Expert will comply with the requirements of G.S. 62-133.1A in conducting their appraisal, including that the Utility Valuation Expert shall appraise the subject property in compliance with the uniform standards of professional appraisal practice, employing cost, market, and income approaches to assessment of value; and
- (7) any other information as required by the Commission.

(d) Application for Election to Establish Rate Base Using Fair Value.—A water utility may elect to establish rate base using the fair value of the utility property acquired from a Local Government Utility by filing with the Commission an application pursuant to G.S. 62-133.1A and this Rule. The form of the application shall be as provided in the Appendix to this Chapter. In addition to providing the information required pursuant to G.S. 62-133.1A in the completed application form, the application shall contain a narrative explanation of the object and purposes desired by the application and how the public interest is served by the acquisition, along with any other information required by the Commission. The application shall be accompanied by the testimony of the acquiring utility's president or another person employed by the utility who is personally familiar with the contents thereof and who verifies that the contents of the application are true and accurate.

(e) Procedure upon receipt of Application.—Contemporaneous with the filing of an application with the Commission pursuant to G.S. 62-133.1A and this Rule, the utility shall serve a copy of the application on the Public Staff. The Public Staff shall review the application and no later than ten days after the application is filed, the Public

Staff shall file with the Commission and serve upon the applicant a recommendation regarding whether the application is complete or identify any deficiencies noted. If the Commission determines that the application is incomplete as submitted, the utility will be required to file the omitted information.

Once the Commission determines that the application is complete, the Commission will promptly issue an order establishing procedural deadlines and discovery guidelines and requiring the utility to provide notice of the pending application to the customers of the Local Government Utility. If the Commission receives significant written complaints against the application, then the Commission will issue a further order setting the application for hearing. The Commission will endeavor to schedule the hearings to be held within three months of the filing of the application to facilitate issuance of a final order within six months of the filing of a completed application as directed pursuant to G.S. 62-133.1A(d).

(f) Rate Division Assignment.—Pursuant to G.S. 62-133.1A(c)(8), service to customers in the service area of the Local Government Utility shall be under a tariff that includes rates equal to the rates of the selling utility until the utility's next general rate case, unless otherwise ordered by the Commission for good cause shown. An application filed pursuant to G.S. 62-133.1A and this Rule shall include a proposed tariff that reflects such rates and a statement as to whether the utility intends to propose in its next general rate case that the service area of the Local Government Utility be integrated into an existing Rate Division of the acquiring utility or be established as a new Rate Division. A determination as to whether the service area of the Local Government Utility should be integrated into an existing Rate Division or established as a new Rate Division shall be preserved for the Commission's consideration in the utility's next general rate case.

(g) Final Order on Application.—Consistent with the direction provided in G.S. 62-133.1A(d), the Commission will endeavor to issue a final order on the application filed pursuant to G.S. 62-133.1A and this Rule within six months of the filing of a completed application. The Commission's final order will resolve all substantive issues and, if the Commission determines that the Application should be approved, the Commission will specifically determine the rate base value of the acquired property for rate-making purposes in a manner consistent with G.S. 62-133.1A and the provisions of this Rule, as follows:

- (1) Determination of Rate Base.—The rate base value of the acquired system shall be the lesser of the purchase price reflected in the Asset Purchase Agreement or the average of the three appraisals as required pursuant to G.S. 62-133.1A (b)(1), unless the Commission specifically finds that the average of the appraisals will not result in a reasonable fair value, in which case the Commission may adjust the fair value pursuant to G.S. 62-133.1A(e) as it deems appropriate and in the public interest;
- (2) Certain Costs Eligible to be Included in Rate Base Value.—Consistent with G.S. 62-133.1A(b), the Commission will allow the inclusion of the costs of the engineering assessment, transaction and closing costs incurred by the utility, and fees paid to Utility Valuation Experts, including fees paid by the acquiring utility to a Utility Valuation Expert that represents the Public Staff, in the rate base value of the acquired system upon a finding that those costs were reasonably and prudently incurred;
- (3) Depreciation.—The Commission will require the utility to apply the normal rules of depreciation against the rate base value from the date of the purchase of the system; and
- (4) Tariffs.—The Commission will approve the establishment of a new tariff for the provision of water service to customers in the acquired service territory, which shall also determine whether the acquired service territory will be treated as a separate Rate Division.

(h) Burden of Proof.—The utility shall have the burden of proof regarding all aspects of the proceeding on an application filed pursuant to G.S. 62-133.1A and this Rule, and for demonstrating that the acquisition of the Local Government Utility is in the public interest.

(i) Payment of Fees for Public Staff Utility Valuation Expert.—The acquiring utility shall pay the fees of the Utility Valuation Expert that represents the Public Staff whether the Commission approves the application, denies the application, or if the acquiring utility withdraws the application.

(NCUC Docket No. W-100, Sub 60, 12/30/2020.)

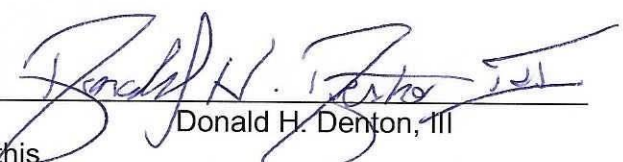
CWSNC Fair Value Application
W-354, Sub 398
Attachment 3

Carteret County Water System Acquisition Expenses

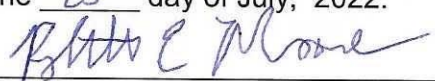
<u>Supplier</u>	<u>Service</u>	<u>Cost + Estimates</u>
Hartman Consultants	CWSNC Valuation	\$38,000.00
John Tanum, Attorney at Law	Title / Easement Verifications	\$5,100.00
Mill Creek Environmental	Phase 1 Environmental Study	\$10,675.00
Poyner Spruill	Real Estate Legal Consultation	\$1,416.30
Sanford Law Office, PLLC	Legal	\$30,567.50
Stroud Engineering	Surveys	\$24,719.90
NewGen Strategies & Solutions	NC Public Staff Valuation	\$29,467.72
Carteret County	1/2 Engineering Assesment	TBD

VERIFICATION

Donald H. Denton, III, being duly sworn, deposes and says: that he is the State President of Carolina Water Service, Inc. of North Carolina; that he is familiar with the facts set out by CWSNC in its **APPLICATION TO DETERMINE RATE BASE VALUE UPON ACQUISITION OF CARTERET COUNTY WATER SYSTEM** in Docket No. W-354 Sub 398; that he has read the foregoing Application and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.


Donald H. Denton, III

Sworn to and subscribed before me this
the 25 day of July, 2022.


Notary Public

ROBERT E MOORE
NOTARY PUBLIC
MECKLENBURG COUNTY
NORTH CAROLINA
MY COMMISSION EXPIRES 03-05-2025

My Commission Expires: 03-05-2025

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing **APPLICATION FOR DETERMINATION OF RATE BASE VALUE OF THE CARTERET COUNTY WATER SYSTEM, VIA THE FAIR VALUE METHODOLOGY AUTHORIZED BY N.C.G.S. § 62-133.1A**, filed by Carolina Water Service, Inc. of North Carolina in Docket No. W-354, Sub 398, has been served on the Public Staff, North Carolina Utilities Commission, by hand-delivery or electronic transmission to Lucy Edmondson, Chief Counsel.

This the 26th day of July, 2022.

**Attorney for Carolina Water Service,
Inc. of North Carolina**

Electronically Submitted
/s/ Jo Anne Sanford
Sanford Law Office, PLLC
P.O. Box 28085
Raleigh, North Carolina 27611-8085
State Bar No. 6831
Tel: 919-210-4900
Email: sanford@sanfordlawoffice.com

H350

House Bill 351 / SL 2018-51 (=S339)

H352

Utilities/Rate Base/Fair Value Determination.
2017-2018 Session

VIEW BILL DIGEST	
VIEW AVAILABLE BILL SUMMARIES	
EDITION	FISCAL NOTE
Filed	
Edition 1	
Edition 2	
Edition 3	
Edition 4	
Ratified	
SL 2018-51	

Last Action:	Ch. SL 2018-51 on 6/25/2018
Sponsors:	Watford; Collins (Primary)
Attributes:	Public; Text has changed
Counties:	No counties specifically cited
Statutes:	62 (Chapters); 62-133, 62-133.1A (Sections)
Keywords:	APPRAISALS, COMMERCE, COMMISSIONS, COUNTIES, INFRASTRUCTURE, LOCAL GOVERNMENT, MUNICIPALITIES, PRESENTED, PUBLIC, RATIFIED, UTILITIES, UTILITIES COMM., WATER & SEWER SYSTEMS, CHARTERED

LATEST 2 VOTES									
DATE	SUBJECT	RCS#	AYE	NO	NV	EXC.ABS.	EXC.VOTE	TOTAL	RESULT
6/14/2018 1:25 p.m.	M11 Concur	[H]-11 49	91	11	2	16	0	102	PASS
6/13/2018 6:46 p.m.	Second Reading	[S]-641	43	4	0	3	0	47	PASS

HISTORY				
DATE	CHAMBER	ACTION	DOCUMENTS	VOTES
6/25/2018		Ch. SL 2018-51		
6/25/2018	House	Became Law W/o Signature		
6/14/2018		Pres. To Gov. 6/14/2018		
6/14/2018		Ratified		
6/14/2018	House	Ordered Enrolled		
6/14/2018	House	Concurred In S Com Sub		PASS: 91-11
6/13/2018	House	Placed On Cal For 06/14/2018		
6/13/2018	House	Cal Pursuant 36(b)		
6/13/2018	House	Special Message Received For Concurrence in S Com Sub		
6/13/2018	Senate	Special Message Sent To House		
6/13/2018	Senate	Passed 3rd Reading		
6/13/2018	Senate	Passed 2nd Reading		PASS: 43-4
6/13/2018	Senate	Placed on Today's Calendar		
6/13/2018	Senate	Reptd Fav		
6/12/2018	Senate	Re-ref Com On Rules and Operations of the Senate		
6/12/2018	Senate	Com Substitute Adopted		
6/12/2018	Senate	Reptd Fav Com Substitute	CS: PCS10500-RI-31	
6/11/2018	Senate	Re-ref to Commerce and Insurance. If fav, re-ref to Rules and Operations of the Senate		
6/11/2018	Senate	Withdrawn From Com		
4/27/2017	Senate	Ref To Com On Rules and Operations of the Senate		
4/27/2017	Senate	Passed 1st Reading		

OFFICIAL COPY

Nov 17 2022

4/27/2017	Senate	Regular Message Received From House		
4/27/2017	House	Regular Message Sent To Senate		
4/26/2017	House	Ordered Engrossed		
4/26/2017	House	Passed 3rd Reading		
4/26/2017	House	Passed 2nd Reading		PASS: 89-30
4/26/2017	House	Amend Adopted A1	A1: Scanned Document	PASS: 117-0
4/25/2017	House	Placed On Cal For 04/26/2017		
4/25/2017	House	Cal Pursuant Rule 36(b)		
4/25/2017	House	Reptd Fav Com Substitute	CS: PCS40545-TS-2	
4/20/2017	House	Serial Referral To State and Local Government II Stricken		
3/15/2017	House	Ref to the Com on Energy and Public Utilities, if favorable, State and Local Government II		
3/15/2017	House	Passed 1st Reading		
3/14/2017	House	Filed	DRAFT: DRH40201-LM-47	

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

H.B. 351
Mar 14, 2017
HOUSE PRINCIPAL CLERK

H

D

HOUSE BILL DRH40201-LM-47 (03/02)

Short Title: Utilities/Rate Base/Fair Value Determination. (Public)

Sponsors: Representatives Watford and Collins (Primary Sponsors).

Referred to:

OFFICIAL COPY

Nov 17 2022

1 A BILL TO BE ENTITLED
2 AN ACT AUTHORIZING WATER AND WASTEWATER PUBLIC UTILITIES TO ELECT
3 TO USE A FAIR VALUE DETERMINATION FOR RATE-MAKING PURPOSES
4 WHEN ACQUIRING UTILITIES OWNED BY COUNTIES, MUNICIPALITIES, OR
5 OTHER GOVERNMENTAL ENTITIES.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** G.S. 62-133 reads as rewritten:

8 "**§ 62-133. How rates fixed.**

9 ...

10 (b) In fixing such rates, the Commission shall:

11 (1) Ascertain the reasonable original cost or the fair value under G.S. 62-133.1A
12 of the public utility's property used and useful, or to be used and useful
13 within a reasonable time after the test period, in providing the service
14 rendered to the public within the State, less that portion of the cost that has
15 been consumed by previous use recovered by depreciation expense. In
16 addition, construction work in progress may be included in the cost of the
17 public utility's property under any of the following circumstances:

18 ...

19 (c) The original cost of the public utility's property, including its construction work in
20 progress, shall be determined as of the end of the test period used in the hearing and the
21 probable future revenues and expenses shall be based on the plant and equipment in operation
22 at that time. If the public utility elects to establish rate base using fair value, the fair value
23 determination of the public utility's property shall be made as provided in G.S. 62-133.1A, and
24 the probable future revenues and expenses shall be based on the plant and equipment in
25 operation at the end of the test period. The test period shall consist of 12 months' historical
26 operating experience prior to the date the rates are proposed to become effective, but the
27 Commission shall consider such relevant, material and competent evidence as may be offered
28 by any party to the proceeding tending to show actual changes in costs, revenues or the cost of
29 the public utility's property used and useful, or to be used and useful within a reasonable time
30 after the test period, in providing the service rendered to the public within this State, including
31 its construction work in progress, which is based upon circumstances and events occurring up
32 to the time the hearing is closed.

33"

34 **SECTION 2.** Article 7 of Chapter 62 of the General Statutes is amended by adding
35 a new section to read as follows:



1 "§ 62-133.1A. Fair value determination of government-owned water and wastewater
2 systems.

3 (a) Election. – A water or wastewater public utility, as defined by G.S. 62-3(23)a.2.,
4 may elect to establish rate base by using the fair value of the utility property instead of original
5 cost when acquiring an existing water or wastewater system (system) owned by a municipality
6 or county or an authority or district established under Chapter 162A of the General Statutes.

7 (b) Determination of Fair Value. –

8 (1) The fair value of a system to be acquired shall be based on two separate
9 appraisals conducted by accredited, impartial valuation experts chosen from
10 a list to be established by the Commission. The following shall apply to the
11 valuation:

12 a. One appraiser shall represent the public utility acquiring the system
13 and the utility selling the system.

14 b. Each appraiser shall determine fair value in compliance with the
15 uniform standards of professional appraisal practice, employing cost,
16 market, and income approaches to assessment of value.

17 c. Fair value, for rate-making purposes under G.S. 62-133, shall be the
18 average of the appraisals provided for by this subsection.

19 d. The original source of funding for all or any portions of the water
20 and sewer assets being acquired is not relevant to an evaluation of
21 fair value.

22 (2) The acquiring public utility and selling utility shall jointly retain a licensed
23 engineer to conduct an assessment of the tangible assets of the system to be
24 acquired, and the assessment shall be used by both appraisers in determining
25 fair value.

26 (3) Fees paid to utility valuation experts, in an amount not exceeding five
27 percent (5%) of the fair value of the utility being sold, or in another amount
28 approved by the Commission, may be included in the cost of the acquired
29 system in addition to reasonable transaction and closing costs incurred by
30 the acquiring public utility.

31 (4) The rate base value of the acquired system which shall be reflected in the
32 acquiring public utility's next general rate case for rate-making purposes
33 shall be the lesser of the purchase price negotiated between the parties to the
34 sale or the fair value plus the fees and costs authorized in subdivision (3) of
35 this subsection.

36 (5) The normal rules of depreciation shall begin to apply against the rate base
37 value upon purchase of the system by the acquiring public utility.

38 (c) Application and Procedure. – An application to the Commission for a determination
39 of the rate base value of the system to be acquired shall contain all of the following:

40 (1) Copies of the valuations performed by the appraisers, as provided in
41 subdivision (1) of subsection (b) of this section.

42 (2) The averaging of the appraisers' valuations, which shall constitute fair value
43 for purposes of this section.

44 (3) The assessment of tangible assets performed by a licensed professional
45 engineer, as provided in subdivision (2) of subsection (b) of this section.

46 (4) The contract of sale.

47 (5) The estimated valuation fees and transaction and closing costs incurred by
48 the acquiring public utility.

49 (6) A tariff, including rates equal to the rates of the selling utility. The selling
50 utility's rates shall be the rates charged to the customers of the acquiring

1 public utility until the acquiring public utility's next general rate case, unless
2 otherwise ordered by the Commission for good cause shown.
3 (d) Final Order. – If the application meets all the requirements of subsection (c) of this
4 section, the Commission shall issue its final order approving or denying the application within
5 four months of the date on which the application was filed. An order approving an application
6 shall determine the rate base value of the acquired property for rate-making purposes in a
7 manner consistent with the provisions of this section.
8 (e) Commission's Authority to Set Rates. – The Commission shall retain its authority
9 under Chapter 62 of the General Statutes to set rates for the acquired system in future rate
10 cases, consistent with the public interest."
11 **SECTION 3.** This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

SESSION LAW 2018-51
HOUSE BILL 351

AN ACT AUTHORIZING WATER AND WASTEWATER PUBLIC UTILITIES TO ELECT TO USE A FAIR VALUE DETERMINATION FOR RATE-MAKING PURPOSES WHEN ACQUIRING UTILITIES OWNED BY COUNTIES, MUNICIPALITIES, OR OTHER GOVERNMENTAL ENTITIES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 62-133 reads as rewritten:

"§ 62-133. **How rates fixed.**

...

(b) In fixing such rates, the Commission shall:

(1) Ascertain the reasonable original cost or the fair value under G.S. 62-133.1A of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within the State, less that portion of the cost that has been consumed by previous use recovered by depreciation expense. In addition, construction work in progress may be included in the cost of the public utility's property under any of the following circumstances:

...

(c) The original cost of the public utility's property, including its construction work in progress, shall be determined as of the end of the test period used in the hearing and the probable future revenues and expenses shall be based on the plant and equipment in operation at that time. If the public utility elects to establish rate base using fair value, the fair value determination of the public utility's property shall be made as provided in G.S. 62-133.1A, and the probable future revenues and expenses shall be based on the plant and equipment in operation at the end of the test period. The test period shall consist of 12 months' historical operating experience prior to the date the rates are proposed to become effective, but the Commission shall consider such relevant, material and competent evidence as may be offered by any party to the proceeding tending to show actual changes in costs, revenues or the cost of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within this State, including its construction work in progress, which is based upon circumstances and events occurring up to the time the hearing is closed.

...."

SECTION 2. Article 7 of Chapter 62 of the General Statutes is amended by adding a new section to read as follows:

§ 62-133.1A. Fair value determination of government-owned water and wastewater systems.

(a) Election. – A water or wastewater public utility, as defined by G.S. 62-3(23)a.2., may elect to establish rate base by using the fair value of the utility property instead of original cost when acquiring an existing water or wastewater system owned by a municipality or county or an authority or district established under Chapter 162A of the General Statutes.

(b) Determination of Fair Value. –



- (1) The fair value of a system to be acquired shall be based on three separate appraisals conducted by accredited, impartial valuation experts chosen from a list to be established by the Commission. The following shall apply to the valuation:
 - a. One appraiser shall represent the public utility acquiring the system, another appraiser shall represent the utility selling the system, and another appraiser shall represent the Public Staff of the Commission.
 - b. Each appraiser shall determine fair value in compliance with the uniform standards of professional appraisal practice, employing cost, market, and income approaches to assessment of value.
 - c. Fair value, for rate-making purposes under G.S. 62-133, shall be the average of the three appraisals provided for by this subsection.
 - d. The original source of funding for all or any portions of the water and sewer assets being acquired is not relevant to an evaluation of fair value.
- (2) The acquiring public utility and selling utility shall jointly retain a licensed engineer to conduct an assessment of the tangible assets of the system to be acquired, and the assessment shall be used by the three appraisers in determining fair value.
- (3) Reasonable fees, as determined by the Commission, paid to utility valuation experts, may be included in the cost of the acquired system, in addition to reasonable transaction and closing costs incurred by the acquiring public utility.
- (4) The rate base value of the acquired system, which shall be reflected in the acquiring public utility's next general rate case for rate-making purposes, shall be the lesser of the purchase price negotiated between the parties to the sale or the fair value plus the fees and costs authorized in subdivision (3) of this subsection.
- (5) The normal rules of depreciation shall begin to apply against the rate base value upon purchase of the system by the acquiring public utility.
- (c) Application and Procedure. – An application to the Commission for a determination of the rate base value of the system to be acquired shall contain all of the following:
 - (1) Copies of the valuations performed by the appraisers, as provided in subdivision (1) of subsection (b) of this section.
 - (2) Any deficiencies identified by the engineering assessment conducted pursuant to subdivision (2) of subsection (b) of this section and a five-year plan for prudent and necessary infrastructure improvements by the acquiring entity.
 - (3) Projected rate impact for the selling entity's customers for the next five years.
 - (4) The averaging of the appraisers' valuations, which shall constitute fair value for purposes of this section.
 - (5) The assessment of tangible assets performed by a licensed professional engineer, as provided in subdivision (2) of subsection (b) of this section.
 - (6) The contract of sale.
 - (7) The estimated valuation fees and transaction and closing costs incurred by the acquiring public utility.
 - (8) A tariff, including rates equal to the rates of the selling utility. The selling utility's rates shall be the rates charged to the customers of the acquiring public utility until the acquiring public utility's next general rate case, unless otherwise ordered by the Commission for good cause shown.
- (d) Final Order. – If the application meets all the requirements of subsection (c) of this section, the Commission shall issue its final order approving or denying the application within

six months of the date on which the application was filed. An order approving an application shall determine the rate base value of the acquired property for rate-making purposes in a manner consistent with the provisions of this section.

(e) Commission's Authority. – The Commission shall retain its authority under Chapter 62 of the General Statutes to set rates for the acquired system in future rate cases, and shall have the discretion to classify the acquired system as a separate entity for rate-making purposes, consistent with the public interest. If the Commission finds that the average of the appraisals will not result in a reasonable fair value, the Commission may adjust the fair value as it deems appropriate and in the public interest.

(f) The Commission shall adopt rules to implement this section."

SECTION 3. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 14th day of June, 2018.

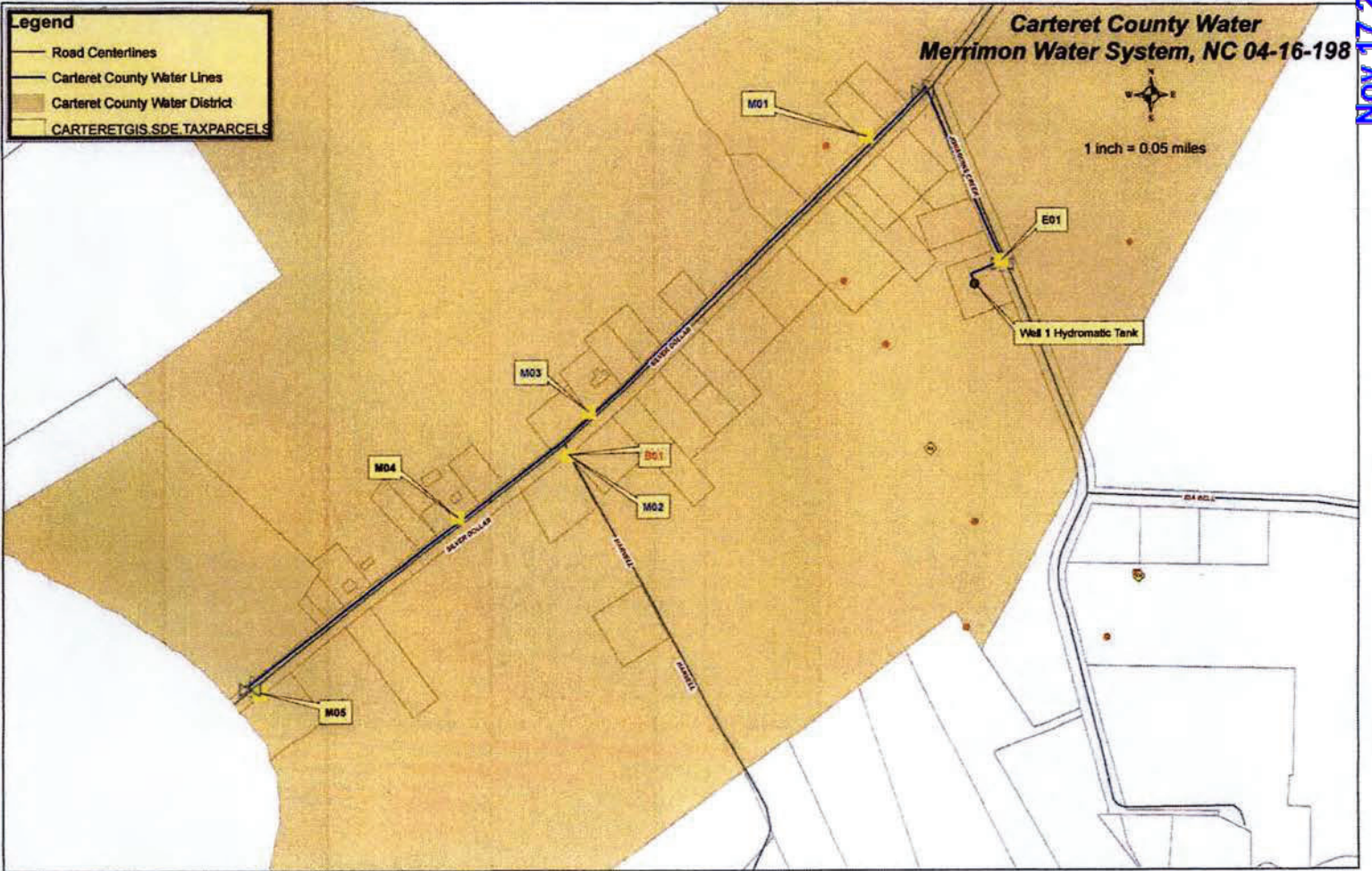
s/ Philip E. Berger
President Pro Tempore of the Senate

s/ Tim Moore
Speaker of the House of Representatives

This bill having been presented to the Governor for signature on the 14th day of June, 2018 and the Governor having failed to approve it within the time prescribed by law, the same is hereby declared to have become a law. This 25th day of June, 2018.

s/ Karen Jenkins
Enrolling Clerk





**CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA
W-354, SUB 398**

Public Staff Data Request No. 10 (originally denominated by PS as # 11)

Date Requested: October 25, 2022

Date Due: October 27, 2022

Public Staff Technical Contact: Charles M. Junis
Phone #: (919) 733-5610
Email: charles.junis@psncuc.nc.gov

Public Staff Legal Contacts: Gina Holt
Phone #: (919) 733-6110
Email: gina.holt@psncuc.nc.gov

William E. H. Creech
Phone #: (919) 733-6110
Email: zeke.creech@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 the Company by the Public Staff in the above-captioned proceeding.

CWSNC SUBJECT MATTER OWNER IS M. SCHELLINGER; RESPONDERS ARE SCHELLINGER, SANFORD (ATTORNEY) AND DROOZ (ATTORNEY). COUNTY SUBJECT MATTER OWNER IS EUGENE FOXWORTH, ASSITANT COUNTY MANAGER.

Topic: Rebuttal

1. On page 3 of witness Foxworth’s testimony, witness Foxworth indicates that “No one knows better what serves the public interest in their community than the local elected officials, as these officials, elected by the people, live and work in the communities they serve.”
 - Are any of the County Commissioners served by the Carteret County water system?
COUNTY RESPONSE: No
 - Please provide the vote tally of the County Commissioner’s vote in agreeing to enter into the purchase contract for the proposed purchase

and sale of the County water system (for example, 4 votes in favor, 3 opposed).

COUNTY RESPONSE: 4 votes in favor, 3 opposed

2. On page 3 of witness Foxworth's testimony, witness Foxworth indicates that "If the system were sold at the Fair Value represented in the Asset Purchase Agreement, the debt on the system would be retired from the proceeds and the citizens of the County would receive approximately \$8 million dollars to help with other public necessities."

- Please provide the current amount and interest rate(s) on the County's existing debt for the water system.

COUNTY RESPONSE:

- **State Revolving Fund held by NCDENR:**
 - **Balance 10/26/22: \$31,032**
 - **Interest Rate: 5.75%**
- **State Revolving Fund held by NCDENR**
 - **Balance 10/26/22: \$560,000**
 - **Interest Rate: 2.205%**
- **USDA Water Revenue Bond held by USDA**
 - **Balance 10/26/22: \$906,000**
 - **Interest Rate: 2.75%**
- With respect to the \$8 million premium:
 - i. Will the Carteret County water system customers have to pay back Carolina Water for the \$8 million premium Carolina Water pays above the current \$1.5 million the County owes on the system?

CWSNC RESPONSE:

CWSNC will engage in and comply with the requirements for rate review and revenue recovery, strictly subject to the decisions of the NCUC under Chapter 62 and the terms of the existing Asset Purchase Agreement

- ii. Or will Carolina Water seek to recoup those millions from its customers in other parts of the State?

CWSNC RESPONSE: CWSNC will engage in and comply with the requirements for rate review and revenue recovery, strictly subject to the decisions of the NCUC under Chapter 62 and the terms of the existing Asset Purchase Agreement

- iii. Or will the \$8 million plus transaction costs be forgiven by Carolina Water?

CWSNC RESPONSE: CWSNC will engage in and comply with the requirements for rate review and revenue recovery, strictly subject to the decisions of the NCUC under Chapter 62 and the terms of the existing Asset Purchase Agreement

3. Will the County be paying back to the funding source the \$6.491 million in government grants received to fund the water system?

COUNTY RESPONSE: It is possible that we may have to pay back some of the Federal funding, but we are unsure of the amount at this time.

4. What are the County's current bond ratings with S&P, Moody's, and Fitch?

COUNTY RESPONSE:

- **Water Fund:**
 - **Carteret County has not issued public traded debt for the Water Fund. Therefore, Carteret County does not have a bond rating for the Water Fund.**
 - **All of Carteret County's water debt is unrated.**
- **General Fund General Obligation Rating**
 - **S&P: AA+**
 - **Fitch Ratings: AA+**
 - **Moody's: Aa1**

5. What was the County's outstanding debt and applicable interest rate(s) in March 2020 when the County offered to transfer the system to the Town of Beaufort?

COUNTY RESPONSE:

- **State Revolving Fund held by NCDENR**
 - **Balance 3/2020: \$124.128**
 - **Interest Rate: 5.7%**
- **State Revolving Fund held by NCDENR**
 - **Balance 3/2020: \$980,000**
 - **Interest: 2.205%**
- **USDA Water Revenue Bond**
 - **Balance 3/2020: \$962,000**
 - **Interest: 2.75%**

6. With respect to the County's (i) general obligation bonds and (ii) revenue bonds, please provide:

- The date, amount, and interest rate of the most recent issuance?

COUNTY RESPONSE:

Carteret County has one Water Fund revenue bond, USDA

Original issuance amount: \$1,046,000

Issue Date: 11/26/2012

Interest Rate: 2.75%

- The date, amount, and interest rate of any current proposed issuance?
COUNTY RESPONSE: Carteret County does not have any proposed debt issuance for its Water System.

7. Please provide the most up-to-date closing cost estimates, as an update to the figures provided in the applicant's earlier filings.

CWSNC RESPONSE: The most up to date closing cost estimates are \$210,818,30. Considering the uncertainty of time required for ongoing discovery, trial preparation, witness transportation, and Company presence, plus mounting legal fees, these estimates are not reliable and CWSNC reserves the right to update at the close of the proceeding, thereby increasing the reliance on actual costs and decreasing reliance on estimates.

Incurred Costs Pivot

Supplier Name	Person Name	Sum of Raw Cost in Project Currency
CARTERET COUNTY	(blank)	2000
HARTMAN CONSULTANTS LLC	(blank)	38000
John Tantum, Attorney at Law, PA	(blank)	5100
MILL CREEK ENVIRONMENTAL SERVICES INC.	(blank)	10675
NewGen Strategies & Solutions, LLC	(blank)	29509.54
POYNER SPRUILL	(blank)	3665.25
SANFORD LAW OFFICE, PLLC	(blank)	45067.5
STROUD ENGINEERING CO	(blank)	24719.9
(blank)	Hill, Dana	3947.61
(blank)	Welborn, Leigh	221.36
FOX ROTHSCHILD LLP.	(blank)	2862

October 1, 2022

Mrs. Dana Hill
Director, State Operations
Carolina Water Service of North Carolina
 4944 Parkway Plaza Blvd. #375
 Charlotte, NC 28217

RE: CWS - P.O. - P91-2100-109954
Carteret Co. - Fair Value Activities
Work Period: Inception - 10/1/2022
Invoice #1

Dear Mrs. Hill:

This letter serves as Hartman Consultants Invoice #1 for the above referenced project.

Date	Description	Hrs.	Rate	Cost
9/19	NewGen	1.0	\$ 250.00	\$ 250.00
9/20	Review NewGen	1.0	\$ 250.00	\$ 250.00
9/21	Research	1.0	\$ 250.00	\$ 250.00
9/22	Start Rebuttal	1.0	\$ 250.00	\$ 250.00
9/23	NewGen Rebuttal Report	5.0	\$ 250.00	\$ 1,250.00
9/26	Team Emails, NCUC, Etc.	0.6	\$ 250.00	\$ 150.00
9/29	Public Staff Data Request #7	2.2	\$ 250.00	\$ 550.00
9/30	NCUC Request	1.8	\$ 250.00	\$ 450.00
Amount Due Invoice #1:				\$ 3,400.00

Invoice

Mr. Christopher Ayers
 Public Staff- North Carolina Utility Commission
 4326 Mail Service Center
 Raleigh, NC 27699

Invoice Date: Aug 31, 2022
Invoice Num: 14307
Billing Through: Aug 31, 2022

Public Staff NCUC- UVE Services (Public Staff NCUC- UVE Services TN-VAL2206) - Managed by (Lane, Mike)

Contract Amount: \$35,000.00	Amount Billed: \$34,997.04	Amount Remaining: \$2.96
-------------------------------------	-----------------------------------	---------------------------------

Professional Services

Employee	Description	Hours	Rate	Amount
Mike Lane	Professional Fees	4.00	\$310.00	\$1,240.00
Nicholas Coomer	Professional Fees	20.00	\$145.00	\$2,900.00
Rosclia L. Spink	Administrative Services	7.25	\$110.00	\$797.50
Zachary C. Wright	Professional Fees	2.75	\$200.00	\$550.00

Total Service Amount: \$5,487.50
Amount Due This Invoice: \$5,487.50

Transaction Number	Task Name	Project Number	Supplier Name	Purchase Order Line	Project Name	Expenditure Item Date	Purchase Order	Accounting Period
1551256	Preliminary Survey	2021201	SANFORD LAW OFFICE, PLLC		Acquisition - Carteret NC	10/11/2021		Oct-21
1754205	Study	2021201	POYNERS SPRUILL	1	Acquisition - Carteret NC	12/08/2021	P91-2100-106443	Dec-21
1956903	Capttime	2021201			Acquisition - Carteret NC	01/06/2022		Jan-22
1956901	Capttime	2021201			Acquisition - Carteret NC	01/07/2022		Jan-22
1924223	Study	2021201	POYNERS SPRUILL	1	Acquisition - Carteret NC	01/11/2022	P91-2100-106443	Jan-22
1924250	Preliminary Survey	2021201	MILL CREEK ENVIRONMENTAL SERVICES INC.	1	Acquisition - Carteret NC	01/12/2022	P91-2100-106444	Jan-22
1998310	Study	2021201	HARTMAN CONSULTANTS LLC	1	Acquisition - Carteret NC	01/28/2022	P91-2100-107183	Jan-22
2046075	Capttime	2021201			Acquisition - Carteret NC	02/07/2022		Feb-22
2046078	Capttime	2021201			Acquisition - Carteret NC	02/14/2022		Feb-22
2055371	Study	2021201	HARTMAN CONSULTANTS LLC	1	Acquisition - Carteret NC	02/23/2022	P91-2100-107183	Feb-22
2055374	Study	2021201	HARTMAN CONSULTANTS LLC	1	Acquisition - Carteret NC	02/23/2022	P91-2100-107183	Feb-22
2133849	Capttime	2021201			Acquisition - Carteret NC	03/11/2022		Mar-22
2173919	Capttime	2021201			Acquisition - Carteret NC	03/31/2022		Mar-22
2184912	Study	2021201	HARTMAN CONSULTANTS LLC	1	Acquisition - Carteret NC	04/07/2022	P91-2100-107183	Apr-22
2184915	Study	2021201	HARTMAN CONSULTANTS LLC	1	Acquisition - Carteret NC	04/07/2022	P91-2100-107183	Apr-22
2270236	Study	2021201	POYNERS SPRUILL	1	Acquisition - Carteret NC	05/10/2022	P91-2100-106443	May-22
2279218	Study	2021201	HARTMAN CONSULTANTS LLC	1	Acquisition - Carteret NC	05/10/2022	P91-2100-107183	May-22
2344465	Capttime	2021201			Acquisition - Carteret NC	05/16/2022		May-22
2344463	Capttime	2021201			Acquisition - Carteret NC	05/18/2022		May-22
2344462	Capttime	2021201			Acquisition - Carteret NC	05/20/2022		May-22
2344431	Capttime	2021201			Acquisition - Carteret NC	05/24/2022		May-22
2384183	Preliminary Survey	2021201	SANFORD LAW OFFICE, PLLC	1	Acquisition - Carteret NC	06/05/2022	P91-2100-106839	Jun-22
2384193	Preliminary Survey	2021201	SANFORD LAW OFFICE, PLLC	1	Acquisition - Carteret NC	06/05/2022	P91-2100-106839	Jun-22
2481333	Capttime	2021201			Acquisition - Carteret NC	06/14/2022		Jun-22
2477149	Study	2021201	STROUD ENGINEERING CO	1	Acquisition - Carteret NC	06/25/2022	P91-2100-108072	Jun-22
2497602	Preliminary Survey	2021201	SANFORD LAW OFFICE, PLLC	1	Acquisition - Carteret NC	07/03/2022	P91-2100-106839	Jul-22
2566501	Capttime	2021201			Acquisition - Carteret NC	07/13/2022		Jul-22
2570221	Study	2021201	John Tantum, Attorney at Law, PA	1	Acquisition - Carteret NC	07/13/2022	P91-2100-107590	Jul-22
2566502	Capttime	2021201			Acquisition - Carteret NC	07/15/2022		Jul-22
2524622	Preliminary Survey	2021201	SANFORD LAW OFFICE, PLLC	1	Acquisition - Carteret NC	07/19/2022	P91-2100-106839	Jul-22
2566500	Capttime	2021201			Acquisition - Carteret NC	07/20/2022		Jul-22
2566499	Capttime	2021201			Acquisition - Carteret NC	07/21/2022		Jul-22
2566498	Capttime	2021201			Acquisition - Carteret NC	07/22/2022		Jul-22
2536137	Study	2021201	NewGen Strategies & Solutions, LLC	1	Acquisition - Carteret NC	07/22/2022	P91-2100-109346	Jul-22
2536135	Study	2021201	NewGen Strategies & Solutions, LLC	1	Acquisition - Carteret NC	07/22/2022	P91-2100-109346	Jul-22
2689841	Capttime	2021201			Acquisition - Carteret NC	07/27/2022		Aug-22
2689837	Capttime	2021201			Acquisition - Carteret NC	08/01/2022		Aug-22
2572834	Study	2021201	CARTERET COUNTY	1	Acquisition - Carteret NC	08/02/2022	P91-2100-108175	Aug-22
2689844	Capttime	2021201			Acquisition - Carteret NC	08/05/2022		Aug-22
2618212	Preliminary Survey	2021201	SANFORD LAW OFFICE, PLLC	1	Acquisition - Carteret NC	08/08/2022	P91-2100-106839	Aug-22
2675747	Capttime	2021201			Acquisition - Carteret NC	08/09/2022		Aug-22
2675883	Capttime	2021201			Acquisition - Carteret NC	08/12/2022		Aug-22
2721875	Capttime	2021201			Acquisition - Carteret NC	08/24/2022		Aug-22
2721876	Capttime	2021201			Acquisition - Carteret NC	08/26/2022		Aug-22
2721874	Capttime	2021201			Acquisition - Carteret NC	09/01/2022		Sep-22
2770032	Preliminary Survey	2021201			Acquisition - Carteret NC	09/01/2022		Sep-22
2786302	Capttime	2021201			Acquisition - Carteret NC	09/10/2022		Sep-22
2777486	Capttime	2021201			Acquisition - Carteret NC	09/12/2022		Sep-22
2777488	Capttime	2021201			Acquisition - Carteret NC	09/15/2022		Sep-22
2777484	Capttime	2021201			Acquisition - Carteret NC	09/16/2022		Sep-22
2828395	Capttime	2021201			Acquisition - Carteret NC	09/21/2022		Sep-22
2828396	Capttime	2021201			Acquisition - Carteret NC	09/29/2022		Sep-22
2834921	Preliminary Survey	2021201	SANFORD LAW OFFICE, PLLC	1	Acquisition - Carteret NC	10/02/2022	P91-2100-106839	Oct-22
2875907	Preliminary Survey	2021201	FOX ROTHSCHILD LLP.	1	Acquisition - Carteret NC	10/05/2022	P91-2100-110242	Oct-22
2882642	Capttime	2021201			Acquisition - Carteret NC	10/07/2022		Oct-22
2880947	Study	2021201	POYNERS SPRUILL	1	Acquisition - Carteret NC	10/14/2022	P91-2100-106443	Oct-22

Raw Cost in Project Currency	Burdened Cost in Project Currency	Expenditure Organization	Task Number	Expenditure Type	Person Name	Quantity	Document	Document Entry
1,856.25	1,856.25	2100-320002 State of NC Cost Center	03	Preliminary Survey		1,856.25	Supplier Invoice	Item Cost
524.65	524.65	2100-320002 State of NC Cost Center	1	Preliminary Survey		524.65	Supplier Invoice	Item Cost
68.73	68.73	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
68.73	68.73	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
392.75	392.75	2100-320002 State of NC Cost Center	1	Preliminary Survey		392.75	Supplier Invoice	Item Cost
10,675.00	10,675.00	2100-320002 State of NC Cost Center	03	Preliminary Survey		10,675	Supplier Invoice	Item Cost
16,810.00	16,810.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		16,810	Supplier Invoice	Item Cost
68.73	68.73	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
137.46	137.46	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	2	Time Card	Straight Time
4,240.00	4,240.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		4,240	Supplier Invoice	Item Cost
1,175.00	1,175.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		1,175	Supplier Invoice	Item Cost
68.73	68.73	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
68.73	68.73	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
4,700.00	4,700.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		4,700	Supplier Invoice	Item Cost
8,725.00	8,725.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		8,725	Supplier Invoice	Item Cost
498.90	498.90	2100-320002 State of NC Cost Center	1	Preliminary Survey		498.9	Supplier Invoice	Item Cost
2,350.00	2,350.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		2,350	Supplier Invoice	Item Cost
274.92	274.92	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	4	Time Card	Straight Time
274.92	274.92	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	4	Time Card	Straight Time
206.19	206.19	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	3	Time Card	Straight Time
137.46	137.46	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	2	Time Card	Straight Time
1,763.75	1,763.75	2100-320002 State of NC Cost Center	03	Preliminary Survey		1,763.75	Supplier Invoice	Item Cost
1,275.00	1,275.00	2100-320002 State of NC Cost Center	03	Preliminary Survey		1,275	Supplier Invoice	Item Cost
137.46	137.46	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	2	Time Card	Straight Time
24,719.90	24,719.90	2100-320002 State of NC Cost Center	1	Preliminary Survey		24,719.9	Supplier Invoice	Item Cost
6,672.50	6,672.50	2100-320002 State of NC Cost Center	03	Preliminary Survey		6,672.5	Supplier Invoice	Item Cost
79.72	79.72	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
5,100.00	5,100.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		5,100	Supplier Invoice	Item Cost
79.72	79.72	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
1,955.00	1,955.00	2100-320002 State of NC Cost Center	03	Preliminary Survey		1,955	Supplier Invoice	Item Cost
79.72	79.72	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
159.44	159.44	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	2	Time Card	Straight Time
159.44	159.44	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	2	Time Card	Straight Time
16,362.72	16,362.72	2100-320002 State of NC Cost Center	1	Preliminary Survey		16,362.72	Supplier Invoice	Item Cost
13,146.82	13,146.82	2100-320002 State of NC Cost Center	1	Preliminary Survey		13,146.82	Supplier Invoice	Item Cost
242.52	242.52	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	3	Time Card	Straight Time
80.84	80.84	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
2,000.00	2,000.00	2100-320002 State of NC Cost Center	1	Preliminary Survey		2,000	Supplier Invoice	Item Cost
80.84	80.84	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
16,193.75	16,193.75	2100-320002 State of NC Cost Center	03	Preliminary Survey		16,193.75	Supplier Invoice	Item Cost
80.84	80.84	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
40.42	40.42	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	0.5	Time Card	Straight Time
40.42	40.42	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	0.5	Time Card	Straight Time
242.52	242.52	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	3	Time Card	Straight Time
323.36	323.36	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	4	Time Card	Straight Time
18.19	18.19	2100-320002 State of NC Cost Center	03	Preliminary Survey	Hill, Dana	18.19	Expense Report	Item Cost
221.36	221.36	2100-320002 State of NC Cost Center	01	Captime	Welborn, Leigh	4	Time Card	Straight Time
161.68	161.68	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	2	Time Card	Straight Time
80.84	80.84	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
80.84	80.84	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
80.84	80.84	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
80.84	80.84	2100-320002 State of NC Cost Center	01	Captime	Hill, Dana	1	Time Card	Straight Time
15,351.25	15,351.25	2100-320002 State of NC Cost Center	03	Preliminary Survey		15,351.25	Supplier Invoice	Item Cost
2,862.00	2,862.00	2100-320002 State of NC Cost Center	03	Preliminary Survey		2,862	Supplier Invoice	Item Cost
242.52	242.52	2220-313000 VP-Mid-Atlantic	01	Captime	Hill, Dana	3	Time Card	Straight Time
2,248.95	2,248.95	2100-320002 State of NC Cost Center	1	Preliminary Survey		2,248.95	Supplier Invoice	Item Cost

Supplier Invoice Number	Comment	Person Number	Supplier Number	Detail Data
373			12936	
1215859	Title Search / Commitments- Carteret Acquisition Project No. 2021201		12864	
		10270		
		10270		
1216877	Title Search / Commitments- Carteret Acquisition Project No. 2021201		12864	
7598	Phase I Environmental Study		13216	
HC#21038.00-INVOICE #2	Hartman Appraisal Report		12562	
		10270		
		10270		
HC#21038.00-INVOICE #3	Hartman Appraisal Report		12562	
HC#21038.00-INVOICE #1	Hartman Appraisal Report		12562	
		10270		
		10270		
HC#21038.00-INVOICE #5	Hartman Appraisal Report		12562	
HC#21038.00-INVOICE #4	Hartman Appraisal Report		12562	
1221022	Title Search / Commitments- Carteret Acquisition Project No. 2021201		12864	
HC#21038.00-INVOICE #6	Hartman Appraisal Report		12562	
	CPCN-FV Application	10270		
	CPCN-FV Application	10270		
	CPCN-FV Application	10270		
	CPCN-FV Application	10270		
446	2022 Legal Fees for Carteret Acquisition		12936	
456	2022 Legal Fees for Carteret Acquisition		12936	
		10270		
71654	Survey properties associated with Carteret acquisition		10139	
467	2022 Legal Fees for Carteret Acquisition		12936	
		10270		
03/25/22	Title / Easement Verification- Carteret Acquisition		18896	
		10270		
480	2022 Legal Fees for Carteret Acquisition		12936	
		10270		
		10270		
		10270		
13571	Carteret Valuation for NC Public Staff per NC FMV Legislation		19287	
13748	Carteret Valuation for NC Public Staff per NC FMV Legislation		19287	
		10270		
		10270		
93646	1/2 of Engineering Assessment for FMV acquisition		17595	
		10270		
491	2022 Legal Fees for Carteret Acquisition		12936	
		10270		
		10270		
		10270		
		10270		
		10270		
EXP000151169406	Scanning- Carteret CPCN		10456	
	Compliance Monitoring Lead & Copper customer notification		10456	
		10270		
		10270		
		10270		
		10270		
		10270		
499	2022 Legal Fees for Carteret Acquisition		12936	
3044423	Fox Rothschild support of Carteret acquisition		13860	
		10270		
1226562	Title Search / Commitments- Carteret Acquisition Project No. 2021201		12864	

CWSNC Fair Value Application
W-354, Sub 398
Revised Form Application Exhibit 8

Carteret County Water System Acquisition Incurred and Estimated Costs

Actuals as of 10/26/22

Supplier	Service	Total	Notes
Hartman Consultants	CWSNC Valuation	\$41,400.00	
John Tanum, Attorney at Law	Title / Easement Verifications	\$5,100.00	
Mill Creek Environmental	Phase 1 Environmental Study	\$10,675.00	
Poyner Spruill	Real Estate Legal Consultation	\$3,665.25	
Sanford Law Office, PLLC	Legal	\$44,867.50	
FMV Clerk Filing	NCUC Clerk Filing	\$100.00	
CPCN Clerk Filing	NCUC Clerk Filing	\$100.00	
Stroud Engineering	Surveys	\$24,719.90	
NewGen Strategies & Solutions	NC Public Staff Valuation	\$34,997.04	
Draper Aden	1/2 Engineering Assessment	\$2,000.00	Invoice received from Carteret
Fox Rothschild LLP.	Legal	\$2,862.00	

Estimates through Closing

Supplier	Service	Total	Notes	Estimate Source:
Sanford Law Office, PLLC	Legal	\$9,375.00		25 hours through end of proposed order
Fox Rothschild LLP.	Legal	\$10,750.00		25 hours through end of proposed order
Hartman Consultants	Valuation support through hearing	\$6,100.00		Expenses - \$900, Labor - \$5,100, Other - \$100
NewGen Strategies & Solutions	Valuation support through hearing	TBD		Estimated costs are unknown, will be driven by need of valuation support through hearing.
Poyner Spruill	Title and Easement Searches	\$5,000.00		Estimates based on similar prior activity performed by Poyner Spruill for final title and easement searches.
Investor's Title	Title Insurance	\$800.00		Estimate based on expected title insurance costs on final closing.
NCUC Expenses				
	Public Hearing Notice	\$710.50		Estimates based on similar costs incurred for similar work performed during rate case or other hearings. Approx 1200 notices at \$0.5684/notice
	Court Reporter - Two Days	\$2,938.00		Estimates based off of similar invoice for two days of court reporter.
	Notice on Final Order	\$710.50		Estimates based on similar costs incurred for similar work performed during rate case or other hearings. Approx 1200 notices at \$0.5684/notice
	Total	\$206,870.69		
	Addtl Internal Capttime - Dana Hill	\$3,947.61		
	Addtl Internal Capttime - Leigh Ann Wellborn	\$221.36		
		\$210,818.30		