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July 22, 2022

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Raleigh, NC 27603

Via Electronic Submittal

**Re: In the Matter of Old North State Water Company, Inc.'s
Application for General Rate Increase
Docket No. W-1300, Sub 60
*Old North State Water Company's Objection to Discovery***

Dear Ms. Dunston:

On behalf of Old North State Water Company (ONSWC or Company), I am herewith submitting the attached Objection to Discovery in the above referenced docket.

If you should have any questions concerning this filing, please let me know.

Thank you and your staff for your assistance.

Sincerely,
/s/ David T. Drooz
David T. Drooz
Attorney for
Old North State Water Company, Inc.

pbb

Enclosure

cc: All parties and counsel of record
NC Public Staff

A Pennsylvania Limited Liability Partnership

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STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1300, SUB 60

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

Application by Old North State)	
Water Company, LLC, 3212 6 th)	
Avenue South, Suite 200,)	
Birmingham, Alabama 35222, for)	OLD NORTH STATE WATER
Authority to Adjust and Increase)	COMPANY OBJECTION TO
Rates for Water Utility Service in)	DISCOVERY
All Service Areas in North Carolina)	

Now comes Old North State Water Company, Inc. (“ONSWC” or “Company”), through undersigned counsel, and submits the following objection to Public Staff Data Request No. 73 in this sub-docket.

1. The Commission issued its Order Approving Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice (“Order”) in this docket on June 13, 2022. Ordering paragraph 12 states:

That pursuant to N.C.G.S. § 62-34, the Public Staff shall thoroughly review the various sources of funding utilized by ONSWC for its capital and operational needs, the funds disbursed by ONSWC to Chatham North Holdings, Inc., and the relationships, operating agreements, and contracts between and among the Company, Integra, the Integra affiliates, and Chatham North Holdings, Inc.; including whether they are reasonable, appropriate, and in conformity with North Carolina law and Commission Rules, including but not limited to N.C.G.S. §§ 62-153, 62-160, and 62-167. Within six months of the date of this Order, the Public Staff shall make a report to this Commission regarding the Company’s compliance with applicable North Carolina law. ONSWC shall have the opportunity to respond to the Public Staff’s report

within 30 days of the filing of such report. Additionally, the parties shall work together to create a plan to improve the capitalization of the Company, and the parties shall make a report to the Commission within six months of the date of this Order regarding the recapitalization plan;

2. The basis for ordering paragraph 12 is explained in the Evidence and Conclusions for Findings of Fact Nos. 45 – 47 of the Order:

The evidence in this case demonstrates that the Company receives services from Integra pursuant to a contract between them and that it has received loans from Integra and various Integra entities. Further, the Company has entered into a loan agreement with and received a promissory note from Chatham North Holdings, Inc. This Order does not rule upon the lawfulness or appropriateness [*sic*] of these financial and operational arrangements. Instead, the Commission determines it is appropriate for the Public Staff to thoroughly review the Company's funding; the loan it made to Chatham North Holdings, Inc.; and the relationships and contracts between and among the Company, Integra, the Integra affiliates, and Chatham North Holdings, Inc. to determine whether they are reasonable and appropriate, and in conformity with North Carolina law and Commission Rules, including but not limited to N.C.G.S. §§ 62-153, 62-160, and 62-167.

3. Pursuant to these provisions in the Order, the Public Staff sent ONSWC a data request, initially numbered 71 but subsequently noted that it is properly numbered as DR 73. A copy is provided as Attachment A.
4. There are 13 numbered discovery items in the data request. The Company and the Public Staff have amicably arranged response dates that differ from the July 25, 2022, date specified on the data request, based on the availability of ONSWC staff and the time needed to gather the information.

5. However, the Company and the Public Staff are not in agreement with regard to item 12, which asks:

Please provide a Statement of Net Worth for John McDonald as of December 31, 2021 and March 31, 2022. Please consider this an on-going request and provide the end-of-quarter statements for future periods as soon as they are available.

ONSWC objects to this discovery request for the reasons stated in the paragraphs below. The Commission's September 21, 2021, scheduling order in this docket provides a procedure for objections to discovery. Some of the time limits are tied to testimony filing dates, so it is not apparent that they apply to data requests filed after the Order has issued. In any event, the Company notified the Public Staff that it objected to item 12 in DR 73 on July 13, 2022, and asked if the Public Staff would withdraw that request. On July 20, 2022, the Public Staff responded that it would not withdraw that request (item 12 of DR 73).

6. The financial structure of ONSWC received considerable attention in the rate case. This is reflected in the following portion of the Evidence and Conclusions for Findings of Fact Nos. 22 – 29:

In settlement testimony, Public Staff witness Hinton revised his concerns about the high debt ratio and financial viability of ONSWC articulated in his direct testimony. He stated that further discussions with the Company during settlement talks and his review of the consolidated financial statements of Integra led him to withdraw his prior recommendations that the Company change its actual capital structure and be required to submit audited financial statements. An essential part of the changes to Public Staff witness Hinton's position is the settlement commitment of ONSWC witness McDonald, as the authorized

representative of Integra, for Integra to continue to finance the capital needs of ONSWC at sufficient levels to permit ONSWC to fund its capital needs and operational expenses such that ONSWC can provide good quality, reliable water service to its customers consistent with environmental and regulatory requirements.

It is also reflected in testimony of the witnesses at the hearing on March 8, 2022. See Attachment B, which contains pertinent excerpts from the Settlement Agreement and the hearing transcript. Company witness McDonald testified that “Integra has adequate financial resources and a balance sheet to fund Old North State on a go-forward basis, and has been doing so and will continue to do so.” He added that Integra has provided the funding for ONSWC for the last decade. Public Staff witness Hinton testified that he had reviewed the consolidated financial statements of Integra Water LLC (“Integra”), and that his support of the settlement capital structure and cost of capital was supported in part by “Integra’s financial vitality.” He stated, “Integra Water, LLC is financially viable and can provide capital to Old North State Water Company.” Public Staff witness Hinton relied heavily on the financial commitment made by Mr. McDonald, as expressly provided in the Settlement Agreement, that Mr. McDonald as the owner/manager of Integra would provide adequate funding for ONSWC:

And so we met with Mr. McDonald, and his testimony he's given today, plus his commitment he's expressed in the meeting, and plus the documents he's provided have given me enough confidence that I believe that

Integra Water, LLC, through the management and ownership of John McDonald, is adequate, for my purposes, to think they're financially viable. I believe they're financially viable.

Throughout the rate case, the Public Staff testimony expressed satisfaction that the financial backing of Integra, which is controlled by Mr. McDonald, was sufficient to demonstrate financial viability. The Public Staff had reviewed confidential financial statements of Integra (and more statements were provided as late-filed exhibits to the Commission), and Integra had a long history of providing adequate financing to ONSWC. Neither the Settlement Agreement nor the settlement testimony indicated any reason to examine the personal finances of Mr. McDonald above and beyond the financial viability of Integra. If the personal finances of Mr. McDonald were relevant to the financial integrity of ONSWC, it should have been raised in the rate case.

7. On April 22, 2022, the Public Staff sent its Data Request #2 in Docket No. W-1300, Sub 78, that asked for similar information to that being objected to in the present case: "Please provide a Statement of Net Worth for John McDonald as of December 31, 2021." See Attachment C. The Company protested that data request and stated its intention to file an objection with the Commission unless the Public Staff withdrew the request. On April 27, 2022, the Public Staff replied, "With respect to Sub 78, in light of the fact that financial information will be included in ONSWC's forthcoming annual report, the Public Staff withdraws its second data request."

8. The repeated attempts by the Public Staff to acquire personal financial information of Mr. McDonald are unwarranted and abusive. The request for his net worth opens the possibility of follow-up requests to document personal assets, liabilities, and income, as the Public Staff typically seeks records to document financial assertions in utility cases. The financial details of the personal life of Mr. McDonald and his family would be disclosed to strangers – people at the Public Staff who have taken positions adverse to him in several dockets. This discovery request is offensive and unnecessary, particularly given the Public Staff's position in the rate case settlement with regard to the viability of the funding sources for ONSWC.
9. Nor is disclosure of the personal financial information of Mr. McDonald appropriate to comply with ordering paragraph 12 in the Order. The outcome sought by the Commission in ordering paragraph 12 does not require, and indeed is not logically related to, the net worth of Mr. McDonald as demanded in item 12 of DR 73. In particular, ordering paragraph 12 directs the Public Staff to

review the various sources of funding utilized by ONSWC for its capital and operational needs, the funds disbursed by ONSWC to Chatham North Holdings, Inc., and the relationships, operating agreements, and contracts between and among the Company, Integra, the Integra affiliates, and Chatham North Holdings, Inc.; including whether they are reasonable, appropriate, and in conformity with North Carolina law and Commission Rules, including but not limited to N.C.G.S. §§ 62-153, 62-160, and 62-167.

The purpose of this review is explained as “Within six months of the date of this Order, the Public Staff shall make a report to this Commission regarding the Company’s compliance with applicable North Carolina law.” The specific laws referenced in connection with this directive are “N.C.G.S. §§ 62-153, 62-160, and 62-167.” Those statutes relate, respectively, to filing with the Commission any utility contracts with affiliated entities, obtaining Commission permission to pledge utility assets, and obtaining Commission approval for payment of utility notes in certain circumstances. Disclosure of Mr. McDonald’s personal net worth is not part of compliance with those statutory requirements applying to ONSWC.

10. The Commission also expressed a desire to know more about how other companies in which Mr. McDonald has an interest have been sources of funding for ONSWC. The Evidence and Conclusions for Findings of Fact Nos. 45 – 47 of the Order, which relates to ordering paragraph 12, directs the Public Staff to review the Company’s sources of funding with specific reference to “the relationships and contracts between and among the Company, Integra, the Integra affiliates, and Chatham North Holdings, Inc. to determine whether they are reasonable and appropriate”

In response to the Commission’s request for late-filed exhibits to document the relationship among these companies, ONSWC submitted confidential late-filed exhibits including:

- the Integra consolidated and consolidating financial statements

- documentation of Old North State Water Company notes receivable and notes payable
 - 12/4/20 note receivable from Chatham North
 - 12/4/20 note payable to Integra
 - 1/1/19 note payable to Creola
 - 1/1/19 note payable to Integra
 - 1/1/19 note payable to Madison
 - 1/1/19 note payable to Vinemount
- copy of the signed promissory note from ONSWC to Integra Madison County, LLC
- Intercompany loan security from Integra to ONSWC dated 1/1/2019
- Intercompany loan security from Madison to ONSWC dated 1/1/2019
- Intercompany loan security from Vinemont to ONSWC dated 1/1/2019
- Intercompany loan security from Creola to ONSWC dated 1/1/2019
- Intercompany loan security from Integra to ONSWC dated 12/4/2020
- December 4, 2020 loan agreement between Chatham North Holdings, Inc., and ONSWC, and
- Guaranty Agreement by ONSWC-Chatham North, LLC ("Guarantor") in favor of Old North State Water Company ("Lender"), effective December 4, 2020.

Consequently, the Public Staff already has comprehensive information about the sources of funding for ONSWC. The Company does not object to providing updates to this information, and updates regarding ONSWC and Integra income statements and balances, for purposes of enabling the Public Staff to file its report as required in ordering paragraph 12. However, the sources of funding for ONSWC should not be expanded to include disclosure of Mr. McDonald's personal net worth. The Integra companies are the sources of funding, and their financial viability is sufficient to show the viability of funding for ONSWC. The commitment made by Mr. McDonald in the Settlement Agreement, and accepted by the Public Staff, is that Integra – not Mr. McDonald personally – will continue to provide adequate funding for ONSWC:

As the authorized representative of Integra Water, LLC, John McDonald *commits Integra Water, LLC, to continue financing the capital needs of ONSWC* and inject any necessary funding to allow ONSWC to continue meeting its capital and operational needs in an amount sufficient to permit ONSWC to meet its reasonable capital expenditure needs as well as its normal day-to-day operational expenses necessary to provide good quality, reliable, water service to the customers of ONSWC consistent with environmental and regulatory requirements.

Discovery requests, therefore, should examine the finances of Integra, not Mr. McDonald's personal individual finances.

11. Ordering paragraph 12 in the Order directs the Public Staff to report on two topics. The discovery requests of the Public Staff should be limited to addressing these two topics, neither of which relates to the personal net worth of Mr. McDonald. The first topic is discussed above: "the Public Staff

shall make a report to this Commission regarding the Company's compliance with applicable North Carolina law." The second topic is an eventual change in the capital structure of ONSWC to increase the equity ratio: "the parties shall work together to create a plan to improve the capitalization of the Company, and the parties shall make a report to the Commission within six months of the date of this Order regarding the recapitalization plan." The personal net worth of Mr. McDonald is not needed or relevant to recapitalization of ONSWC. The relevant issue is Mr. McDonald's authority to address and direct recapitalization on behalf of the Integra companies and ONSWC. Given the absence of unrelated third-party covenants and commitments relating to debt or equity and Mr. McDonald's ownership and control of the Integra companies and of ONSWC, Mr. McDonald is fully authorized, without reference to his personal balance sheet, to address such adjustments to ONSWC debt or equity as may be deemed prudent and necessary for the companies' business needs.

12. As discussed above, the Public Staff has accepted the financial vitality of Integra, in conjunction with Mr. McDonald's commitment to have Integra continue to provide funding for ONSWC, as sufficient for purposes of the rate case. That Public Staff position was taken without disclosure of the net worth of Mr. McDonald. In addition, the ONSWC has provided bonds or letters of credit for each of its utility systems in accord with North Carolina law and Commission rules. This financial security, along with the

funding commitment of Integra, is what protects the financial viability of ONSWC utility systems in North Carolina. These are the appropriate protections, not Mr. McDonald's personal net worth, which in any event is not pledged as some sort of additional commitment to ONSWC.

13. In conclusion, the Public Staff's item 12 in DR 73, asking for Mr. McDonald's personal net worth and opening a path for further discovery of his personal financial records, is highly invasive of his privacy. It is a request the Public Staff made in another sub-docket and withdrew upon protest by the Company. It is a request that is inappropriate and entirely unnecessary to comply with ordering paragraph 12 in the Order.

WHEREFORE, the Company requests that the Commission issue an order stating that ONSWC need not provide the information requested in item 12 of the Public Staff's Data Request 73, and that the Public Staff shall not conduct discovery on Mr. McDonald's personal finances in the future.

This the 22nd day of July, 2022.

FOX ROTHSCHILD LLP

/s/ David T. Drooz

David T. Drooz
North Carolina State Bar No. 10310
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Attorney for Old North State Water Company

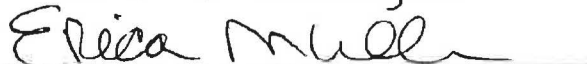
VERIFICATION

John McDonald, being duly sworn, deposes and says: that he is the Manager of Old North State Water Company, Inc.; that he is familiar with the facts set out in the foregoing **OLD NORTH STATE WATER COMPANY OBJECTION TO DISCOVERY**; 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.



John McDonald

Sworn to and subscribed before me this
the 22nd day of July 2022.



[typed name]
Notary Public

My Commission Expires: 5/6/24



CERTIFICATE OF SERVICE

I do hereby certify that I have served a copy of the foregoing **OLD NORTH STATE WATER COMPANY OBJECTION TO DISCOVERY** upon each of the parties of record in this proceeding or their attorneys of record by emailing them an electronic copy or by causing a paper copy of the same to be hand-delivered or deposited in the United States Mail, postage prepaid, properly addressed to each.

This the 22nd day of July, 2022.

Electronically submitted

/s/ David T. Drooz
David T. Drooz

**ATTACHMENT A
TO ONSWC'S OBJECTION TO DISCOVERY
NCUC DOCKET W-1300, SUB 60**

**Old North State Water Company, LLC
Docket No. W-1300, Sub 60
Public Staff Data Request No. 71
Date Requested: July 13, 2022
Date Due: July 25, 2022**

Public Staff Technical Contacts: **Bob Hinton**
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Gina Holt
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Jessica Heironimus
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Email: jessica.heironimus@psncuc.nc.gov

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

Topic: Capital Structure and Cost of Debt

1. Please provide an update, on a monthly basis, to the Company's responses to Items 1 and 2 of Public Staff Data Request No. 40. The update period should extend through May 31, 2022. Please consider this an on-going request and provide the end-of-month data for future periods as soon as it is available.

**ATTACHMENT A
TO ONSWC'S OBJECTION TO DISCOVERY
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2. Please provide a description of the legal filings and financial arrangements between ONSWC and Chatham North Holdings, Inc. (Chatham).
3. Please provide the repayment schedule for the loan to Chatham that, at a minimum, includes the following information:
 - a. Amount of each payment;
 - b. The principal and interest components of each payment; and
 - c. The due date of each payment.
4. Please provide the repayment schedule by loan, for each loan between ONSWC and Integra Water, LLC and its operating subsidiaries that, at a minimum, includes the following information:
 - a. Amount of each payment;
 - b. The principal and interest components of each payment; and
 - c. The due date of each payment.
5. Please discuss the way the Company treated the interest and principal payments for the loans referenced in Items 2 and 4 above for federal and state income tax purposes for all tax years since the first of those loans was disbursed.
6. Please discuss the way the Company treated the interest and principal payments for the loans referenced in Items 2 and 4 above for financial reporting purposes for all reporting periods since the first of those loans was disbursed.
7. Please answer the following questions regarding recapitalization of the Company's balance sheet:
 - a. How does the Company propose to accomplish the recapitalization discussed in Ordering Paragraph 12 of the Commission Order Approving Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice issued in this docket on June 13, 2022?
 - b. Discuss, in detail, the options for recapitalization the Company considered.
 - c. Discuss the pros and cons of those options for recapitalization.
 - d. Discuss why certain options were included in the proposal.
 - e. Discuss why certain options were excluded from the proposal.
 - f. Discuss any scenarios that the Company contends are not an option for recapitalization and outline the basis for that determination.
8. Please answer the following questions regarding the "removal of the 5% ownership share of Michael [Myers]" discussed in the Company's March 25, 2022 letter filed in the Company folder:

**ATTACHMENT A
TO ONSWC'S OBJECTION TO DISCOVERY
NCUC DOCKET W-1300, SUB 60**

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- a. When was the removal completed?
 - b. How was the removal accomplished?
 - c. If the removal has not occurred, explain why and discuss future plans regarding Myer's removal.
 - d. How does, or will, the removal impact the Company's capitalization plans?
9. Please discuss the impact the Company's conversion from a limited liability company to a C Corporation has had, or will have, on the Company's capitalization plans.
10. Please provide a copy of the following financial statements for ONSWC:
- a. ONSWC's Income Statement for the twelve-month period ending on December 31, 2021;
 - b. ONSWC's Income Statement for the quarter ending on March 31, 2022;
 - c. ONSWC's Balance Sheet as of December 31, 2021;
 - d. ONSWC's Balance Sheet as of March 31, 2022;
 - e. ONSWC's Statement of Cash Flows for the twelve-month period ending on December 31, 2021; and
 - f. ONSWC's Statement of Cash Flows for the quarter ending on March 31, 2022.

Please consider this an on-going request and provide the end-of-quarter financial statements for future periods as soon as they are available.

11. Please provide a copy of the following consolidated and consolidating financial statements for Integra Water, LLC:
- a. Integra Water, LLC's Income Statement for the twelve-month period ending on December 31, 2021;
 - b. Integra Water, LLC's Income Statement for the quarter ending on March 31, 2022;
 - c. Integra Water, LLC's Balance Sheet as of December 31, 2021;
 - d. Integra Water, LLC's Balance Sheet as of March 31, 2022;
 - e. Integra Water, LLC's Statement of Cash Flows for the twelve-month period ending on December 31, 2021; and
 - f. Integra Water, LLC's Statement of Cash Flows for the quarter ending on March 31, 2022.

Please consider this an on-going request and provide the end-of-quarter financial statements for future periods as soon as they are available.

**ATTACHMENT A
TO ONSWC'S OBJECTION TO DISCOVERY
NCUC DOCKET W-1300, SUB 60**

12. Please provide a Statement of Net Worth for John McDonald as of December 31, 2021 and March 31, 2022. Please consider this an on-going request and provide the end-of-quarter statements for future periods as soon as they are available.
13. Please identify banks and lending institutions that could be considered a source of external capital or funding to ONSWC.

From the Joint Settlement Agreement and Stipulation filed on March 8, 2022:

IV. OTHER ISSUES

A. As the authorized representative of Integra Water, LLC, John McDonald commits Integra Water, LLC, to continue financing the capital needs of ONSWC and inject any necessary funding to allow ONSWC to continue meeting its capital and operational needs in an amount sufficient to permit ONSWC to meet its reasonable capital expenditure needs as well as its normal day-to-day operational expenses necessary to provide good quality, reliable, water service to the customers of ONSWC consistent with environmental and regulatory requirements.

From the transcript of the evidentiary hearing held on March 8, 2022

T pp 82-83

[Commissioner Brown-Bland] Q. All right. My next question is, you've -- the Public Staff has accepted Integra's commitment to fund the capital needs of Old North State in exchange for withdrawing its proposal that Integra inject or infuse equity into the Company. What resources does Integra have to support the commitment?

[Company witness McDonald] A. Integra has adequate financial resources and a balance sheet to fund Old North State on a go-forward basis, and has been doing so and will continue to do so.

Q. Are you speaking of cash? What's the -- what do you have to -- what wherewithal do you have?

A. We have cash and the investor, Integra.

Q. Is Integra able to borrow without a separate backstop?

A. I guess when you say "separate backstop" --

Q. With regard to Old North State, there was an indication that they had to have your signature in order to do it. Is Integra able to borrow without having --

A. Yes, ma'am.

Q. -- some such security?

A. It is.

T p 109

[Commissioner Brown-Bland] Q. And have you provided sworn testimony in this proceeding that you will see that Integra provides the funding that ONS needs?

[Company witness McDonald] A. Yes.

Q. And by ONS, I mean Old North State Water Company.

A. In addition to having provided it for the last decade, right.

T pp 308-09

[prefiled settlement testimony of Public Staff witness Hinton] Q. DO YOU STILL HAVE CONCERNS ABOUT THE COMPANY'S APPLICATION THAT PROPOSED A CAPITAL STRUCTURE CONTAINING 83% LONG-TERM DEBT AND 17% COMMON EQUITY?

A. No, following settlement discussions, the Company provided consolidated financial statements of Integra Water, LLC (Integra). Those statements indicate a reasonable level of long-term debt and common equity for Integra. Furthermore, my discovery that Integra Water, LLC does not technically own ONSWC has not changed my recommendation on the cost of capital. I understand that John McDonald is the Member, Organizer, and Manager of ONSWC and Michael Myers is a Member and Organizer of ONSWC. Therefore, John McDonald is a co-owner of ONSWC while being the sole member of Integra Water, LLC (Integra). However, Mr. McDonald's role as the Manager of ONSWC, Integra's financial vitality, and his commitment that Integra will finance ONSWC's future capital requirements and fund ONSWC's ongoing, day-to-day capital and operational needs supports my recommendation that ONSWC use a 7.00% overall cost of capital, with a hypothetical capital structure composed of 50% long term debt and 50% equity. John McDonald's authority to provide ONSWC with Integra's capital resources further supports this assurance. This commitment is memorialized on page of the Joint Settlement Agreement and Stipulation filed in this docket on March 8, 2022, and is the basis for my revised recommendation that it is not necessary for the Company to bring its actual capital structure to 50% common equity, maintain a 45% equity ratio, or file audited financial statements with its Annual Report to the Commission for the next three years as means of showing its compliance with the recommended capital ratios.

T pp 317-18

[Commissioner Brown-Bland] Q. Did the capitalization ratios of Integra play any role in your thinking about this?

[Public Staff witness Hinton] A. Yes, it did. As I developed the system -- and I believe, you know, the -- as my understanding from, again, discussions with Mr. McDonald and his commitment that he made before in settlement negotiations, that he would fund this company. So I would have to look at the actual financial backing of Integra Water, LLC, which I did. And as you'll be provided in these confidential financial statements, I think you will find -- come to a conclusion similar to that I came to, that Integra Water, LLC is financially viable and can provide capital to Old North State Water Company.

T p 319

[Public Staff witness Hinton] And so we met with Mr. McDonald, and his testimony he's given today, plus his commitment he's expressed in the meeting, and plus the documents he's provided have given me enough confidence that I believe that Integra Water, LLC, through the management and ownership of John McDonald, is adequate, for my purposes, to think they're financially viable. I believe they're financially viable.

T p 328

[Public Staff witness Hinton] One of the first things I'll do for financial viability is I'll go to the engineering and I'll say how is there DENR violations; how is the water quality service. Because if they're short of money and they have all these violations, then that's a clear sign that they are financially nonviable, or not at a point they need to be. But -- and particularly in this case here, I've had numerous conversations with Mr. Junis, and came to the realization that the system is in reasonable shape. So that, again, went far in abating my concerns about 83 percent capital structure.

T pp 333-34

[Commissioner Clodfelter] Q. Mr. Hinton, why did the -- in the settlement stipulation, why did the Public Staff withdraw its recommendation that the Company file audited financial statement with the Commission?

[Public Staff witness Hinton] A. We went to that level. Again, because the application referred to extreme high-leverage structure and it brought much in question. We withdrew it because, to be honest with you, we never requested that of any company before the

ATTACHMENT B
TO ONSWC'S OBJECTION TO DISCOVERY
NCUC W-1300, SUB 60

Commission, to my knowledge, that they file audited financial statements. They file their annual report and they testify, or they file that with the expectation that it's accurate. But we don't generally require audited financials.

T pp 335-36

[Public Staff witness Hinton] But again, this case, as I've said, in my mind, when it crosses my desk, I do not view that as true debt, I view that as equity for ratemaking purposes. But it doesn't mean it has to pass the other financial test, and that's where the consolidated financial statements of Integra Water, LLC gave me that confidence. So I could back off the audited as well as the insistence they come up with a 50/50 search that I'm hearing.

**ATTACHMENT C
TO ONSWC'S OBJECTION TO DISCOVERY
NCUC DOCKET W-1300, SUB 60**

**Old North State Water Company, LLC
Docket No. W-1300, Sub 78
Public Staff Data Request No. 2
Date Requested: April 22, 2022
Date Due: May 2, 2022**

Public Staff Legal Contacts:

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**Gina Holt
Phone #: (919) 733-0971
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**Jessica Heironimus
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Email: jessica.heironimus@psncuc.nc.gov**

Subject of Data Request: Financial statements and viability

Please provide all responses to this request in 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.

1. Please provide a copy of the following financial statements for ONSWC: ONSWC's Income Statement for the twelve-month period ending on December 31, 2021; ONSWC's Balance Sheet as of December 31, 2021; and ONSWC's Statement of Cash Flows for the twelve-month period ending on December 31, 2021.
2. Please provide a copy of Integra's financial statements for Integra: Integra's Income Statement for the twelve-month period ending on December 31, 2021; Integra's Balance Sheet as of December 31, 2021; and Integra's Statement of Cash Flows for the twelve-month period ending on December 31, 2021.

**ATTACHMENT C
TO ONSWC'S OBJECTION TO DISCOVERY
NCUC DOCKET W-1300, SUB 60**

3. If financial statements listed above for either entity are not presently available for the period ending December 31, 2021, please explain why those statements are not available; provide an estimate of when they will be available; and provide a copy of the most recent financial statements listed above for each entity that are available.
4. If the most recent financial statements for the entities provided in response to the preceding question are not for the same period of time, please provide comparable financial statements for both entities (e.g., if the most recent financial statements for ONSWC are for the period ending December 31, 2021, and the most recent financial statements for Integra are for the period ending September 30, 2021, provide a copy of both entities' financial statements for September 30, 2021).
5. Please provide a Statement of Net Worth for John McDonald as of December 31, 2021.