



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

August 5, 2022

VIA ELECTRONIC MAIL

Jo Anne Sanford
Sanford Law Office, PLLC
Post Office Box 28085
Raleigh, North Carolina 27611-8085

Re: Docket No. W-354, Sub 398 – Application by Carolina Water Service, Inc. of North Carolina, 5821 Fairview Road, Suite 401, Charlotte, North Carolina 28209, for Determination of Fair Value and Establishing Rate Base for Acquisition of the Carteret County Water System

Dear Jo Anne:

The Public Staff has reviewed the application filed in the above-referenced docket on July 26, 2022, by Carolina Water Service, Inc. of North Carolina (CWSNC), and has determined that additional information is necessary to complete the filing as required by Commission Rule R7-41 and N.C. Gen. Stat. § 62-133.1A.

Rule R7-41 requires water utilities to file an NCUC Form FV1. The Public Staff has determined based on its initial review of CWSNC's application that the Form FV1 filed by CWSNC is missing the material data and information described in items 1. through 4. below.

1. Exhibit 7 of the Form FV1 requires CWSNC to "[e]nclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the seller and any other party (municipalities, towns, districts, customers, etc.) regarding the proposed utility services, including contracts regarding easements and rights of way, etc." Upon information and belief, the Public Staff understands there are, for example, interconnection/bulk service agreements with Craven County and the Town of Beaufort as well as an elevated tank maintenance contract that should have been included as part of Exhibit 7.

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

2. Exhibit 8 of the Form FV1 and N.C.G.S. § 62-133.1A.(c)(7) require CWSNC to provide “[t]he estimated valuation fees and transaction and closing costs incurred by the acquiring utility.” CWSNC has provided certain costs incurred to-date. CWSNC has not, however, provided the estimated costs to be incurred through closing, with the exception of estimated regulatory transaction fees. CWSNC should provide any additional actual costs incurred to date (e.g., legal fees and County UVE fees) and estimates of costs through closing.

3. Exhibit 12 of the Form FV1 and N.C.G.S. § 62-133.1A.(c)(8) require CWSNC to provide “[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.” CWSNC has provided a proposed schedule of rates that lists both Carteret County and CWSNC fees, but it is unclear which fees CWSNC proposes to charge. Please also provide the docket number and/or final order to support the proposed tariff rates.

4. Item 1.e., Distribution System Information, Assessment of Tangible Assets of System to be Acquired, Form FV1(a), Exhibit 5 of the Form FV1, and N.C.G.S. § 62-133.1A.(c)(5), requires a “[c]opy of Department of Environmental Quality (DEQ) approval for each section, if available.” CWSNC has provided project details, which are summaries of approval events, but has not provided a copy of the plan and specification approval letters, which contain descriptions of the project, location, and associated infrastructure.

5. Exhibit 6 of the Form FV1 and N.C.G.S. § 62-133.1A.(c)(6) require CWSNC to provide “[t]he contract of sale or Asset Purchase Agreement, including exhibits showing that the Seller has ownership of all property necessary to operate the system being acquired. Any changes to the contract of sale or Asset Purchase Agreement should be filed immediately with the Commission.” CWSNC has provided Exhibit 6A – Asset Purchase Agreement and Exhibit 6B – Exhibits to Asset Purchase Agreement. However, certain exhibits and schedules attached with Exhibit 6A are missing or may not yet be drafted. They are as follows:

- a. Exhibit H – General Warranty Deed
- b. Exhibit I – Assignment of Easements
- c. Schedule 3.04(B) – Environmental Permits & Governmental Authorizations
- d. Schedule 3.04(C) – Environmental Compliance
- e. Schedule 3.04(D) – Violations
- f. Schedule 3.04(E) – Hazardous Materials
- g. Schedule 4.01(B) – Pending or Threatened Legal Actions
- h. Schedule 4.01(C) – Default of Government Authorizations
- i. Schedule 4.01(E) – Agreements Not in Good Standing and Defaults

Jo Anne Sanford
August 5, 2022
Page Three

- j. Schedule 4.01(H) – Conveyance of Fee Parcels
- k. Schedule 4.01(I)-Conveyance of Purchased Assets
- l. Schedule 4.01(M)-Liabilities or Obligations of Seller Relating to the Purchased Assets
- m. Schedule 4.01(N)-Notice of Violations from a Governmental Body

The Public Staff considers CWSNC's application incomplete as filed due to its not including material data and information described above.

Pursuant to Commission R7-41(e), if the Commission determines that the application is incomplete as submitted, the utility will be required to file the omitted information. The statutory requirement that the Commission issue its order approving or denying the application within six months of the date on which the application was file is contingent on a complete application meeting all requirements. Please provide to the Public Staff and file with the Commission the data and information described above to complete CWSNC's application.

If you have any questions, please contact Gina Holt at (919) 733-0971 or William E. H. Creech at (919) 733-0974. CWSNC personnel are welcome to contact Chuck Junis at (919) 733-0891 for engineering-related questions or Lynn Feasel at (919) 733-0943 for accounting-related questions.

Sincerely,

Electronically submitted
/s/ Gina C. Holt
Manager, Legal Division
Natural Gas, Water, Sewer
gina.holt@psncuc.nc.gov

/s/ William E. H. Creech
Staff Attorney
zeke.creech@psncuc.nc.gov