

INFORMATION SHEET

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

PLACE: Raleigh, NC

DATE: Tuesday, June 20, 2023

TIME: 2:01 p.m. – 4:11 p.m.

DOCKET NO.: W-354, 399

COMPANY: Carolina Water Service, Inc. of North Carolina

DESCRIPTION: In the Matter of Application of Carolina Water Service, Inc. of North Carolina, 5821 Fairview Road, Suite 401, Charlotte, North Carolina 28209, for a Certificate of Public Convenience and Necessity to Provide Water Utility Service to the Carteret County Water System, and for Approval of Rates

VOLUME NUMBER: 3

APPEARANCES

See Attached

WITNESSES

See Attached

EXHIBITS

See Attached

REPORTED BY: Kaylene Clayton
TRANSCRIBED BY: Kaylene Clayton
DATE FILED: July 11, 2023

TRANSCRIPT PAGES: 93
PREFILED PAGES: 54
TOTAL PAGES: 147

PLACE: Dobbs Building, Raleigh, North Carolina
DATE: Tuesday, June 20, 2023
DOCKET NO.: W-354, Sub 399
TIME: 2:01 p.m. - 4:11 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:

Application by
Carolina Water Service, Inc. of North Carolina,
5821 Fairview Road, Suite 401,
Charlotte, North Carolina 28209,
for a Certificate of Public Convenience
and Necessity to Provide Water Utility Service
to the Carteret County Water System, and for
Approval of Rates

VOLUME: 3

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 FOR CARTERET COUNTY:
9 Claud R. Wheatly, III
10 710 Cedar Street
11 Beaufort, North Carolina 28516

12
13 FOR THE USING AND CONSUMING PUBLIC:
14 William E.H. Creech, Esq.
15 James Bernier, Esq.
16 Public Staff - North Carolina Utilities Commission
17 4326 Mail Service Center
18 Raleigh, North Carolina 27699-4300

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**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.

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

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

NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE: October 18, 2022

DOCKET #: W-354, Sub 398 399

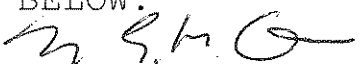
PUBLIC STAFF ATTORNEYS: William E. H. Creech

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

ACCOUNTING _____
CONSUMER SERVICES _____
COMMUNICATIONS _____
ENERGY _____
ECONOMICS _____
LEGAL: zeke.creech@psncuc.nc.gov
TRANSPORTATION _____
WATER _____

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


/s/ William E. H. Creech

**Carolina Water Service, Inc. of North Carolina
Carteret County
W-354, Sub 399
Public Staff Data Request No. 7
Date Requested: March 29, 2023**

1. Regarding witness Meshaw's testimony in item 3 on page 2, please provide the following:
 - a. The annual salary of the County's operator in responsible charge that resigned during the year:
 - i. Response: salary and benefits equal \$84,330. Please see Fully Staffed Positions Presented spreadsheet.
 - b. The effective date of the employee's resignation:
 - i. Response: 01/28/2022
 - c. The calculations, assumptions, and supporting documentation for the contended net effect of a loss from operations before transfers (\$39,787);
 - i. Response: Please see Fully Staffed Positions Presented spreadsheet and Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund spreadsheet.
 - d. The calculations, assumptions, and supporting documentation for the projected increase of 40% in water user rates to establish a capital fund and to adequately fund operations.
 - i. Response: Please see Water Rates Projections spreadsheet.

2. Regarding witness Meshaw's testimony in item 4 on page 2, please provide the following:
 - a. The basis for the testimony that, "It does not budget depreciation expense."
 - b. Does the County account for depreciation on the Water Fund books?
 - i. If yes, please identify where and how;

If no, please provide an explanation for the line "Depreciation" in the amount of \$357,187 on pages 43 and 45 and Note 5. on page 68 of the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Response: The County's budgets are adopted as required by NC General Statutes. All funds that require annual budgets are budgeted and prepared using the modified accrual basis of accounting. NC General Statute 159-26 requires that each county and municipality maintain an accounting system that must use the modified accrual basis of accounting. This modified accrual basis of accounting is utilized during the fiscal year. At year end for financial reporting, governments are required to convert enterprise funds to full accrual basis of accounting in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Number 34. These GAAP statements are located on pages 42 through 45 in the FY22 financial statements. In addition, NC Department of State Treasurer

requires local governments to provide a Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP). This modified accrual non GAAP statement is located on page 163 in the FY22 financial statements. Under modified accrual basis of accounting, depreciation expense is not recognized; however, it is required to be recorded and recognized under full accrual GAAP. Please see the statements referenced above.

If Carteret County budgeted depreciation expense, the County would have to increase user rates, levy a special district water property tax, or a combination of the two in order to comply with the NC Budget and Fiscal Control Act. The budget is required to be balanced with the sum of estimated revenues and appropriated fund balance equals appropriations. Fiscal year ending 6/30/22 depreciation expense was \$347,187.

3. Regarding witness Burns' testimony in item 2 on page 2, please provide the following:
 - a. The basis for the testimony that, "[t]he County has lacked the technical and managerial expertise and capabilities due to staffing challenges for some time."
 - i. In addition, please provide a list of positions that are currently responsible for providing technical and managerial expertise and capabilities to provide water utility service, including, but not limited to:
 1. position,
 2. title,
 3. percentage of time dedicated to other County services,
 4. budgeted salary, and
 5. periods of vacancies since July 1, 2019.

Response: Please see Carteret County Water Fund Positions spreadsheet

- b. Clarification of what is meant by the testimony that, "there is a lack of capital funding available to the water system in that the County has not been able to include in user charges, sufficient revenue to support a Capital Fund."
 - i. In addition, please identify the capital investment needs of the Water System that have either been unfunded in the past or are anticipated in the next 5 and 10 years.

Response: The County has not included a large capital cash reserve in the Water Fund. In addition, the County has not established a stand-alone water capital fund with cash reserves that are set aside and separate from user charges. The benefits of establishing a separate Water Capital Fund and cash reserves is as follows: funds for unplanned or accelerated infrastructure replacements, funds equipment replacement for short service life assets /

equipment, is a source of funds for emergency capital expenses, and provides a smooth budgetary impact associated with capital spending.

Carteret County is aware of two significant capital needs for the water system:

- i. 1. Cooper and Zinc remediation \$103,000. This contract is let.
2. Water Tank Rehabilitation \$125,000 based on historical cost.

- c. Quantification of the “astronomical rates” that would fully fund “accumulated depreciation” and “full capital replacement costs,” including:
 - i. calculations,
 - ii. assumptions, and
 - iii. supporting documentation.

Response: The County would need to increase rates substantially to fully fund depreciation and future capital replacement costs. The estimated amount needed to cover this would be approximately 40% above existing rates. Future rates for the County would need to be put the average bill in the \$98 - \$100 range to accomplish this in the first few years of the increase. Keeping in mind, the County could raise rates further if the elected officials felt it necessary. Additionally, if no water district tax is re-instated, this would further impact the setting of rates. The end goal would be to have the enterprise fund fully support, include depreciation and capital, solely based on rates charged to customers of the water system. No outside funds would or should be used.

4. Regarding the “transfer to utility providers who can provide an economy of scale to these distressed water systems” to which witness Burns refers in item 2 on page 3.
 - a. Provide the basis and documentation in support of that statement and, with respect to “economies of scale.”
 - b. Provide quantification of the contended economies of scale in this transaction.
 - c. Provide all quantitative and qualitative comparisons between the County’s existing operations and those proposed by CWSNC.

Response:

A. Economy of scales are present anytime a larger entity has more market buying power than a smaller entity. For example, a barrel of water chemicals could be bought for a certain cost per barrel by the larger entity, based on volume discounts (perhaps bulk buying/pallet buying). The buying power of the smaller entity, who buys very little in comparison to the larger entity, may buy the same chemicals for a greater amount per barrel.

B. I believe there are many economies of scale within this transaction. There are some more obvious ones such as an ORC responsible for several smaller water systems, as opposed to just one. Other considerations would be a central billing department for multiple small water systems as opposed to one billing department for one water system.

C. I do not know the detailed specifics of all of the quantitative and qualitative comparisons between the County's existing operations when compared to CWSNC.

5. Regarding witness Burns' testimony in item 3 on page 3, please provide the basis and supporting documentation for the testimony that, "[i]f the County were to continue operating the system, a combination of substantial rates and tax increases would result, thereby impacting the customers on a much greater scale."
- a. In addition, please provide the quantification and comparison of the impacts on customers between County and CWSNC operations both in the short-term and long-term.

Response:

a) The County is not familiar with the short- and long-term operations plans of CWSNC outside of its obligation to operate the system properly, provide clean drinking water and to keep the system free from defects, or environmental concerns.

The impact to County water customers if the system is retained by the County would involve rate increases that would not be held to any multi-year standard. The short term and long-term water rates set by the County could be increased every year due to the County being a non-regulated utility. Again, the rate payer is more protected from rate increases with a private, regulated utility, than a utility that could change the water rate from month to month, or in any manner the County deemed reasonable. Please see Carteret County Water Rate Forecast spreadsheet.

6. Regarding witness Burns' testimony in item 3 on page 5, please provide the basis and supporting documentation for the testimony that, "...this system cannot be sustained by the County."

Response: In order to avoid duplicating earlier comments contain in previous responses, including this one, it is important to consider the perspective from which the comments in regard to Burns testimony in Item 3 on page 5 are being made. Burns has been the County Manager for close to seven years, and a manager for 20 years total, all in North Carolina. Additionally, he served as the County Manager in Harnett County, which owns and operates one of the largest County-owned water and sewer systems in North Carolina. He is familiar with the Carteret County water system and is certainly

qualified to make professional statements that the County water system in Carteret County cannot be sustained, especially with the ongoing “distressed system” benchmarks by the Local Government Commission that the County will never meet as discussed in the County rebuttal. Due to guidelines and benchmarks established in the distressed system criteria as set forth by the Local Government Commission, the water system in its present configuration and given the current distressed criteria; will be perpetually distressed.

7. Regarding witness Burns’ testimony in item 4 on page 6, please provide:
 - a. Information regarding eligibility of the Carteret County Water System customers for hardship programs that assist with utility payments through Carteret County Department of Social Services, including, but not limited to:
 - i. the eligibility criteria,
 - ii. assistance limitations, and
 - iii. demographics of the customers such as percentage that are eligible.
 - b. In addition, please identify:
 - i. The “other groups” that assist with hardships and
 - ii. How those programs could be utilized by customers.

Response:

Carteret County residents who experience hardships in paying water bills have a number of options to choose from.

A. Low Income Water Assistance Program is a program offered through the Department of Social Services. The criteria for this program are as follows:

1. Household must have at least one US citizen or non-citizen
2. Currently receive Food and Nutrition Services (FNS), Temporary Assistance for Needy Families (TANF) or Work First services, or those that received Low-Income Energy Assistance Program (LIEAP) services
3. Have income equal to or less than 150% of the federal poverty level
4. Have household services that are disconnected, in jeopardy of disconnection or have a current outstanding bill.
5. Responsible for the water bill of the household.

Emergency Assistance is available for utilities and in some circumstances rent if they are on the verge of eviction. Criteria for this program.

1. Must be a Carteret County resident
2. Must be in a crisis situation
3. Must have at least one child under 18 in the home
4. Must meet income and reserve requirements.

B. Other groups that assist with hardships

1. Salvation Army assists with rent, electric, and water based on income requirements.
2. Hope Mission has a program that assists with utility payments for the "working poor" as defined by Hope Mission.
3. Elks Lodge in Morehead City provides hardship assistance for children and the elderly.
4. numerous churches who provide similar programs, many of which desire to be anonymous.

Presently, over the last two months, 46 individuals water customers on the County system have received some type of hardship assistance from one of the above-named programs.

8. In light of witness Meshaw's testimony (item 1, page 1) and witness Burns' testimony (item 1, pages 1 and 2) on enterprise and government funds, if the transaction moves forward:

To where will the sales proceeds initially flow?

Response: When the sale of the system transaction is completed with Carolina Water System, the sales proceeds will initially be recorded in the County's Water Fund. After the Water Fund is closed, and the County has satisfied all system liabilities including paying all outstanding debt and repaying any grants that the grantors require, the net proceeds will be placed in a County Capital Fund for future public purpose. Carteret County has significant capital project needs. Carteret County's Detention Center is too small for the number of inmates the County needs to house. Every month, County inmates are housed in nearby counties. The facility expansion is estimated greater than \$40 million. In addition, Carteret County has public school building construction and improvements needs. The voters approve \$42 million General Obligation referendum, and the State awarded approximately \$15 million Needs Based Construction Funds. However, due to inflation and increased expenses, this \$57 million in authority will not build and improve all the projects projected at the time of the referendum. For example, currently, three high school gymnasiums will not be constructed, and the current estimated project funding shortfall is \$28 million.

Carteret County Public Schools and Detention Center construction needs is the County's greatest priority. The proceeds from the Water System sale would provide significant assistance in funding projects or debt service for these projects.

8.e Does the County intend to close the Water Fund as some point following any closing of this proposed sale of the Carteret County Water System?

Response: The County would close its Water fund after all liabilities are satisfied. Enterprise funds are used to account for services and debt service that are primarily funded by user charges. After the system sale is completed, Carolina Water System owns all the capital assets. In addition, the Carteret County water customers will become Carolina Water System customers, and thus, Carteret County will no longer have any water assets or customers. Therefore, there is no enterprise system nor enterprise fund.

When the County's Water Fund is closed, the County will comply with all NC General Statutes as well as all Generally Accepted Accounting Principles (GAAP).

9. With respect to witness Burns' testimony in item 4 on page 5 regarding witness Junis' testimony suggesting that the County establish a hardship fund for the benefit and protection of ratepayers:
- a. Have the County and CWS been in contact regarding amending the contract to provide that the proceeds from the sale shall either be:
 - i. (1) held by the County in trust for the benefit of County Water System customers, as a hardship fund or to subsidize customer bills on a pro rata basis so that customers across the state do not have to unfairly and unnecessarily share the burden of the purchase price premium with County Water System customers; or
 - ii. (2) credited to CWSNC as a direct reduction in rate base of the acquired system to offset impacts of system-specific rates on Carteret County Water System customers?
 - b. Please provide any and all communication between CWS and the County on this suggested hardship fund.

Response:

a) No the County has not discussed with CWS regarding the establishment of a hardship fund for the benefit and protection of ratepayers. That is not necessary because there are adequate programs in place to address any hardship needs.

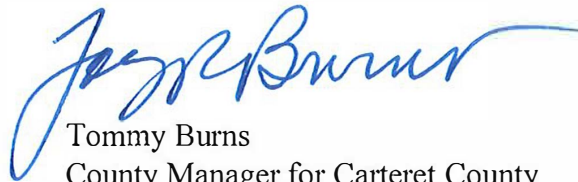
1. There have been no discussions between the County and CWS regarding a hardship fund. As mentioned above, there are already established funds to assist with utility hardships that are adequately funded by public and private sources that can assist with hardships. Any further discussions regarding "serving customers across the State" through a hardship fund would not have any relevance in this transaction as there are other government and private programs in each County in North Carolina similar to the programs in Carteret County.

2. There has been no discussion on this matter from either the County nor CWSNC.

3. There have been no discussion to amend the contract in any manner laid out in Item 9.

Water customers would be covered by the hardship programs discussed above regardless of which entity owned and operated the system. The County did get CWSNC to agree to hold the current water rates for four years, which is a benefit to the water customer. If the sale does not finalize, these rates will be increased right away by the County.

Respectfully submitted, this the 4th day of April, 2023.



Tommy Burns
County Manager for Carteret County

Respectfully submitted, this the 4th day of April, 2023.



Denise Meshaw, CPA
Finance Director and Assistant County Manager for
Carteret County

VERIFICATION

Tommy Burns, being duly sworn, deposes and says: that he is the County Manager for Carteret County; that she is familiar with the facts set out in the attached Rebuttal testimony, filed in NCUC Docket No. W-354 Sub 399; that she has read the foregoing testimony and knows the contents thereof; and that the same is true of her knowledge except as to those matters stated therein on information and belief, and as to those she believes them to be true.


Tommy Burns

Sworn to and subscribed before me this
the 4 day of April, 2023



LORI R TURNER
NOTARY PUBLIC
Carteret County
North Carolina
My Commission Expires May 18, 2026

Notary Public
My Commission Expires: 5/18/2026

VERIFICATION

Denise Meshaw, being duly sworn, deposes and says: that she is the Assistant County Manager for Carteret County; that she is familiar with the facts set out in the attached Rebuttal testimony, filed in NCUC Docket No. W-354 Sub 399; that she has read the foregoing testimony and knows the contents thereof; and that the same is true of her knowledge except as to those matters stated therein on information and belief, and as to those she believes them to be true.



Denise Meshaw

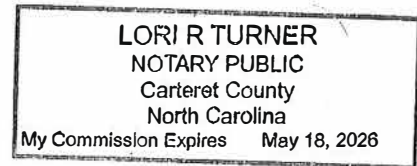
Sworn to and subscribed before me this

the 4 day of April, 2023



Notary Public

My Commission Expires: 5/18/2026



Carteret County Water Fund
 Fully Staffed Positions Presented
 Salaries and Benefits
 Fiscal year Ending 06/30/22

Public Staff #7 1.c

| Title | Water Fund Percentage | Total Salary | Salary Charged to Water Fund | Salary and Benefits Charged to Water Fund | | | | Total | |
|---------------------------------|---------------------------|----------------|------------------------------|---|---------------|-------------------|---------------------------|--------------|----------------|
| | | | | FICA 7.65% | 401(K) 5.00% | Retirement 12.35% | Insurances \$10,000 Other | | |
| Utilities Technician | 100.00% | 32,919 | 32,919 | 2,518 | 1,646 | 4,065 | 10,000 | 51,149 | |
| Lead Water Plant Operator* | Vacant 100.00% | 45,200 | 45,200 | 3,458 | 2,260 | 5,582 | 10,000 | 66,500 | |
| Operator in Responsible Charge* | Resigned 01/28/22 100.00% | 59,464 | 59,464 | 4,549 | 2,973 | 7,344 | 10,000 | 84,330 | |
| Public Works Director | 50.00% | 73,902 | 36,951 | 2,827 | 1,848 | 4,563 | 5,000 | 51,189 | |
| Water Billing / Purchasing | 70.00% | 56,261 | 39,383 | 3,013 | 1,969 | 4,864 | 7,000 | 56,228 | |
| Assistant Finance Director | 20.00% | 100,337 | 20,067 | 1,535 | 1,003 | 2,478 | 2,000 | 27,084 | |
| Accounting Assistant | 55.00% | 40,916 | 22,504 | 1,722 | 1,125 | 2,779 | 5,500 | 33,630 | |
| Payroll Specialist | 15.00% | 44,895 | 6,734 | 515 | 337 | 832 | 1,500 | 9,918 | |
| Retirees Health Ins | | | | | | | 7,599 | 7,599 | |
| Part time | 100.00% | 6,854 | 6,854 | 524 | - | - | - | 7,378 | |
| Workers Compensation | | | | | | | | 4,467 | |
| | | | | | | | | 4,467 | |
| | | 460,748 | 270,076 | 20,661 | 13,161 | 32,508 | 58,599 | 4,467 | 399,472 |

* Vacant Positions

Prepared By: Denise Meshaw, CPA
 Carteret County Assistant County Manager / Finance Director

Carteret County, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2022Comparison of Audited FY 22 to Projected Statement Adjusted for Fully County Staffed
and no contacted services with Carolina Water Service

Public Staff #7 1.c

| | Audited Water Fund | Adjusted if Fully Staffed and no CWS Contract Water Fund |
|--|-----------------------|---|
| Operating revenues | | |
| Charges for services | \$ 1,095,320 | \$ 1,095,320 |
| Other operating revenues | 585 | 585 |
| Total operating revenues | <u>1,095,905</u> | <u>1,095,905</u> |
| Operating expenses | | |
| Water plant operations* | 648,027 | 734,919 |
| Depreciation | 357,187 | 357,187 |
| Total operating expenses | <u>1,005,214</u> | <u>1,092,106</u> |
| Operating income | <u>90,691</u> | <u>3,799</u> |
| Nonoperating revenues (expenses) | | |
| Interest revenue | - | |
| Interest expense | (43,586) | (43,586) |
| Total nonoperating revenues (expenses) | <u>(43,586)</u> | <u>(43,586)</u> |
| Income before contributions and transfers | 47,105 | (39,787) |
| Transfers in | 372,670 | 372,670 |
| Change in net position | <u>419,775</u> | <u>332,883</u> |
| Total net position | | |
| Beginning | 5,392,898 | 5,392,898 |
| Ending | <u>\$ 5,812,673</u> | <u>\$ 5,725,781</u> |

See Notes to Financial Statements.

***If fully staffed and no contracted services with CWS, the following
adjustments would have occurred:**

| | |
|--|-------------------|
| Water plant operations (Audited FY22) | \$ 648,027 |
| Less: Audited salaries and benefits FY22 page 163 | (295,805) |
| Add: Salaries and benefits if fully staffed: see worksheet | 399,472 |
| Less: Carolina Water Services contracted services FY22 | (16,775) |
| Adjusted water plant operations | <u>\$ 734,919</u> |

Prepared By Denise Meshaw, CPA
Carteret County Assistant County Manager / Finance Director

**Carteret County
Water Rate Forecast**

Goals:

- Self sufficient fund
- No transfers in (subsidies) from County General Fund or the Water Taxing District Special Revenue Fund
- Establishes Water Capital Fund for future system capital, infrastructure improvements, and anticipated as well as unanticipated major maintenance

Results:

- Customer rate increase would be 40% from the current rates
- Residential customers average monthly water bill would increase approximately \$28.22; (\$70.55 to \$98.77)
- No transfers / subsidies from governmental funds
- Establishes a Water Capital Fund as described above

Prepared by: Denise Meshaw, CPA
Carteret County Assistant County Manager/ Finance Director

Carteret County
Water Fund
Summary of Revenues and Expenses for Establishing Rate

| | Projected Revenues and Expenses |
|-----------------------------------|--|
| <hr/> | |
| Revenues, Operating | |
| Charges for services | \$ 1,440,000 |
| Other operating revenue | 50,000 |
| Total operating revenues | <u><u>1,490,000</u></u> |
| | |
| Expenditures, Operating | |
| Cost of sales and services: | |
| Salaries and benefits | 384,800 |
| Operating and maintenance expense | 439,700 |
| Contracted services | 100,000 |
| Total operating expenditures | <u>924,500</u> |
| | |
| Nonoperating Expenditures | |
| Interest payments | 34,500 |
| Principal payments | 161,000 |
| | <u>195,500</u> |
| | |
| Other Financing Uses | |
| Transfer to Water Capital Fund | <u>370,000</u> |
| | |
| Total expenses | <u><u>\$ 1,490,000</u></u> |

Prepared by: Denise Meshaw, CPA
Carteret County Assistant County Manager/ Finance Director

**Carteret County Water Fund
Positions
Salaries and Benefits Allocated to Water Fund
Fiscal year Ending 06/30/22**

Public Staff # 3.a.1, 3.a.2, 3.a.3, 3.a.5

| Title | | Percentage time dedicated to the | |
|---------------------------------|-------------------|----------------------------------|------------------------------------|
| | | Water Fund | Vacant Positions Timeframe |
| Utilities Technician | | 100.00% | 2/18/18-04/29/18 05/18/21-10/25/21 |
| Lead Water Plant Operator | | 100.00% | 08/17/21 - present |
| Operator in Responsible Charge* | Resigned 01/28/22 | 100.00% | 01/29/22 - present |
| Public Works Director | | 50.00% | 01/11/19-03/04/19 |
| Water Billing / Purchasing | | 70.00% | |
| Assistant Finance Director | | 20.00% | |
| Accounting Assistant | | 55.00% | |
| Payroll Specialist | | 15.00% | |

Prepared By Denise Meshaw, CPA
Assistant County Manager / Finance Director

Carteret County
Water Rate Forecast

Goals:

- Self sufficient fund
- No transfers in (subsidies) from County General Fund or the Water Taxing District Special Revenue Fund
- Establishes Water Capital Fund for future system capital, infrastructure improvements, and anticipated as well as unanticipated major maintenance

Results:

- Customer rate increase would be 40% from the current rates
- Residential customers average monthly water bill would increase approximately \$28.22; (\$70.55 to \$98.77)
- No transfers / subsidies from governmental funds
- Establishes a Water Capital Fund as described above

Prepared by: Denise Meshaw, CPA
Carteret County Assistant County Manager/ Finance Director

From: [Rob Wheatly](#)
To: [Creech, William](#)
Subject: [External] FW: Carteret Water Fund FY23 Estimated
Date: Friday, June 16, 2023 11:10:22 AM
Attachments: [image001.png](#)
[Illustrated Financial Statement FY23 Est.xlsx](#)

CAUTION: External email. Do not click links or open attachments unless verified. Report suspicious emails with the Report Message button located on your Outlook menu bar on the Home tab.

Zeke-attached is the updated financials for the water co through the end of the year(2022-2023)

C.R. Wheatly, III

2019-Wheatly-Envelope-Image-05



Telephone: 252.728.3158

Facsimile: 252.728.5282

<http://www.carteretcountyattorney.com>

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From: Dee Meshaw <deem@carteretcountync.gov>
Sent: Thursday, June 15, 2023 3:23 PM
To: Rob Wheatly <rob@wheatlylaw.com>
Subject: Carteret Water Fund FY23 Estimated

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe. Wheatly Law Group 2023

Hi Rob,

Please find attached an updated Water Fund financial statement that adds the County's FY23 projections. The additions from the original submission to Public Staff are highlighted in gray. Please let me know if you need anything additional, or if additional clarification is needed.

Thank you,
Dee

Carteret County, North Carolina
 Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
 Year Ended June 30, 2022

Comparison of Audited FY 22 to Projected Statement Adjusted for Fully County Staffed
 and no contacted services with Carolina Water Service

Public Staff #7 1.c Original submission included FY22 Audited and FY22 Adjusted for Illustration

This sheet adds FY23 Unaudited, County Projected (shaded in gray)

| | FY22 | FY22 Adjusted if Fully Staffed and no CWS Contract Water Fund | FY23 Unaudited, County Projected Water Fund |
|--|------------------|---|--|
| Operating revenues | | | |
| Charges for services | \$ 1,095,320 | \$ 1,095,320 | \$ 1,038,000 |
| Other operating revenues | 585 | 585 | - |
| Total operating revenues | 1,095,905 | 1,095,905 | 1,038,000 |
| Operating expenses | | | |
| Water plant operations* | 648,027 | 734,919 | 904,500 |
| Depreciation | 357,187 | 357,187 | 357,187 |
| Total operating expenses | 1,005,214 | 1,092,106 | 1,261,687 |
| Operating income | 90,691 | 3,799 | (223,687) |
| Nonoperating revenues (expenses) | | | |
| Interest revenue | - | - | 10,000 |
| Interest expense | (43,586) | (43,586) | (38,190) |
| Total nonoperating revenues (expenses) | (43,586) | (43,586) | (28,190) |
| Income before contributions and transfers | 47,105 | (39,787) | (251,877) |
| Transfers in | 372,670 | 372,670 | - |
| Change in net position | 419,775 | 332,883 | (251,877) |
| Total net position | | | |
| Beginning | 5,392,898 | 5,392,898 | \$ 5,812,673 |
| Ending | \$ 5,812,673 | \$ 5,725,781 | \$ 5,560,796 |

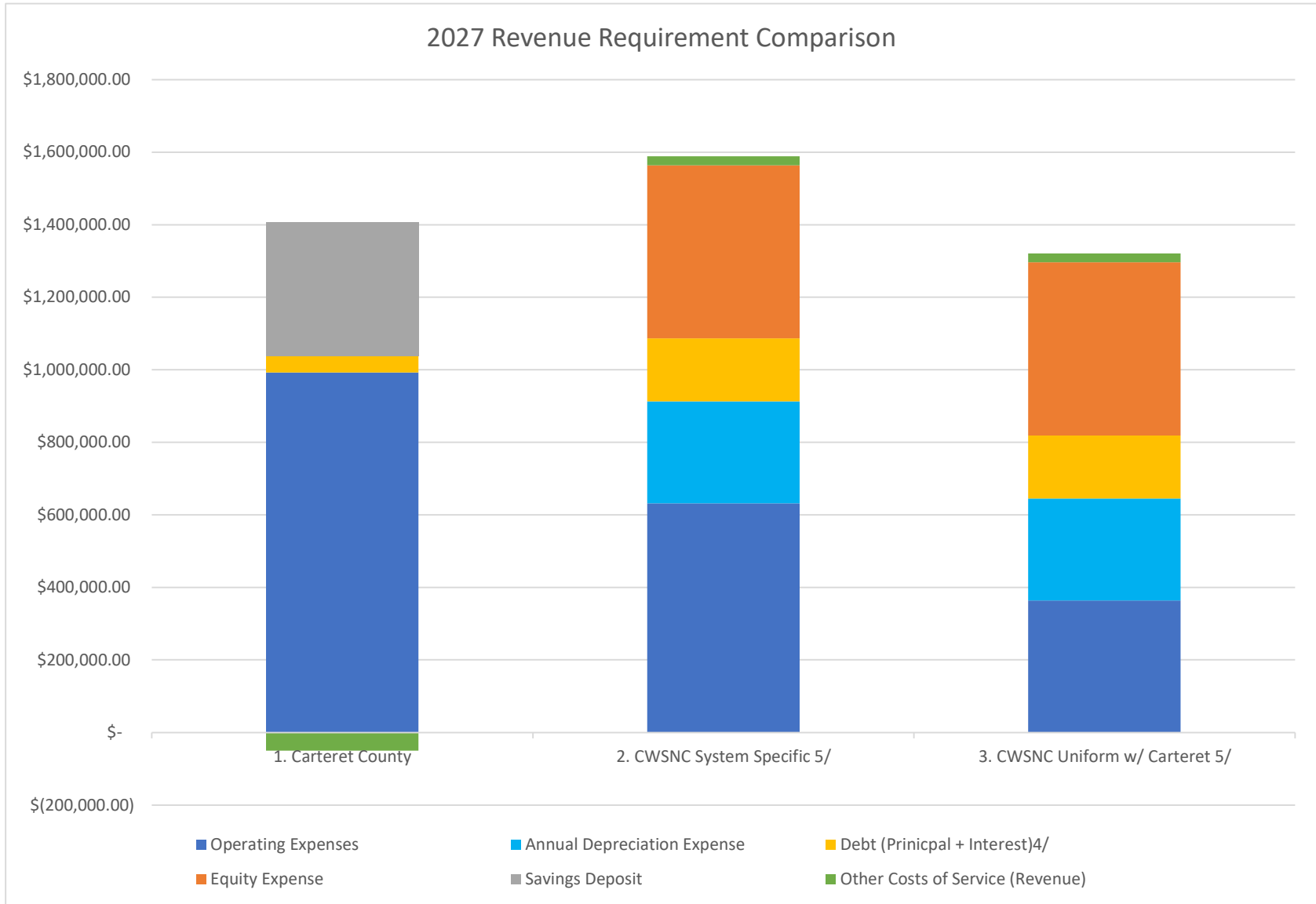
See Notes to Financial Statements.

*If fully staffed and no contracted services with CWS, the following adjustments would have occurred:

| | |
|--|-------------------|
| Water plant operations (Audited FY22) | \$ 648,027 |
| Less: Audited salaries and benefits FY22 page 163 | (295,805) |
| Add: Salaries and benefits if fully staffed: see worksheet | 399,472 |
| Less: Carolina Water Services contracted services FY22 | (16,775) |
| Adjusted water plant operations | \$ 734,919 |

Prepared By Denise Meshaw, CPA
 Carteret County Assistant County Manager / Finance Director

Added FY23 Notes:
 FY23 Does not include year end entries for estimating
 Pension Liabilities and Post Employment Benefits Liabilities
 FY23 Does include estimated depreciation expense



Summary of Budgets and Revenue Requirements

| 1. Carteret County | 2023 ^{1/} | 2024 ^{2/} | 2025 | 2026 | 2027 | Total |
|---|--------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
| Operating Expenses ^{3/} | \$ 923,920.00 | \$ 924,500.00 | \$ 946,688.00 | \$ 969,408.51 | \$ 992,674.32 | \$ 4,757,190.83 |
| Annual Depreciation Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Debt (Prinicpal + Interest) ^{4/} | \$ 230,079.00 | \$ 193,626.00 | \$ 190,989.00 | \$ 187,325.00 | \$ 44,660.00 | \$ 846,679.00 |
| Equity Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Savings Deposit | \$ - | \$ 370,000.00 | \$ 370,000.00 | \$ 370,000.00 | \$ 370,000.00 | \$ 1,480,000.00 |
| Other Costs of Service (Revenue) | \$ (75,000.00) | \$ (50,000.00) | \$ (50,000.00) | \$ (50,000.00) | \$ (50,000.00) | \$ (275,000.00) |
| Service Revenue Requirement | \$ 1,078,999.00 | \$ 1,438,126.00 | \$ 1,457,677.00 | \$ 1,476,733.51 | \$ 1,357,334.32 | \$ 6,808,869.83 |

| 2. CWSNC System Specific^{5/} | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating Expenses | \$ 601,882.00 | \$ 606,293.00 | \$ 614,669.00 | \$ 623,490.00 | \$ 632,308.00 | \$ 3,078,642.00 |
| Annual Depreciation Expense | \$ 279,193.01 | \$ 280,943.01 | \$ 280,943.01 | \$ 280,943.01 | \$ 280,943.01 | \$ 1,402,965.05 |
| Debt (Interest Only) | \$ 198,595.03 | \$ 194,647.88 | \$ 187,754.16 | \$ 180,861.73 | \$ 173,969.29 | \$ 935,828.09 |
| Equity Expense | \$ 544,558.54 | \$ 533,735.23 | \$ 514,832.26 | \$ 495,932.84 | \$ 477,033.39 | \$ 2,566,092.26 |
| Savings Deposit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Costs of Service | \$ 22,825.00 | \$ 22,993.00 | \$ 23,311.00 | \$ 23,646.00 | \$ 24,367.00 | \$ 117,142.00 |
| Service Revenue Requirement | \$ 1,647,053.59 | \$ 1,638,612.12 | \$ 1,621,509.43 | \$ 1,604,873.58 | \$ 1,588,620.69 | \$ 8,100,669.40 |

| 3. CWSNC Uniform w/ Carteret^{5/} | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| OpEx Net of Non Incremental | \$ 346,826.00 | \$ 349,368.46 | \$ 354,194.23 | \$ 359,278.15 | \$ 364,359.06 | \$ 1,774,025.90 |
| Annual Depreciation Expense | \$ 279,193.01 | \$ 280,943.01 | \$ 280,943.01 | \$ 280,943.01 | \$ 280,943.01 | \$ 1,402,965.05 |
| Debt (Interest Only) | \$ 198,595.03 | \$ 194,647.88 | \$ 187,754.16 | \$ 180,861.73 | \$ 173,969.29 | \$ 935,828.09 |
| Equity Expense | \$ 544,558.54 | \$ 533,735.23 | \$ 514,832.26 | \$ 495,932.84 | \$ 477,033.39 | \$ 2,566,092.26 |
| Savings Deposit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Costs of Service | \$ 22,825.00 | \$ 22,993.00 | \$ 23,311.00 | \$ 23,646.00 | \$ 24,367.00 | \$ 117,142.00 |
| Service Revenue Requirement | \$ 1,391,997.59 | \$ 1,381,687.58 | \$ 1,361,034.66 | \$ 1,340,661.72 | \$ 1,320,671.76 | \$ 6,796,053.31 |

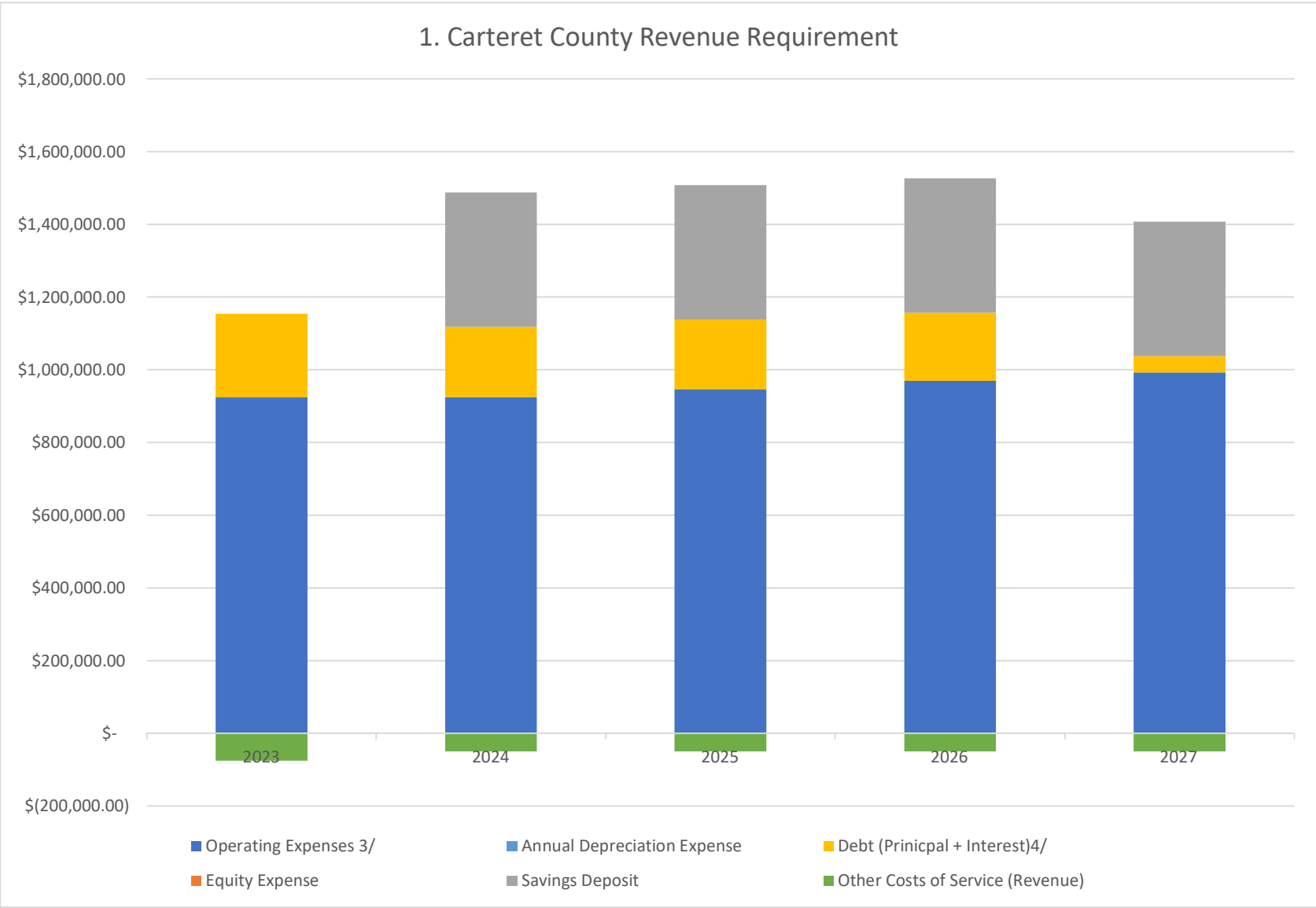
^{1/} 2023 Carteret County Budget (Available at <https://www.carteretcountync.gov/Archive.aspx?ADID=1409>).

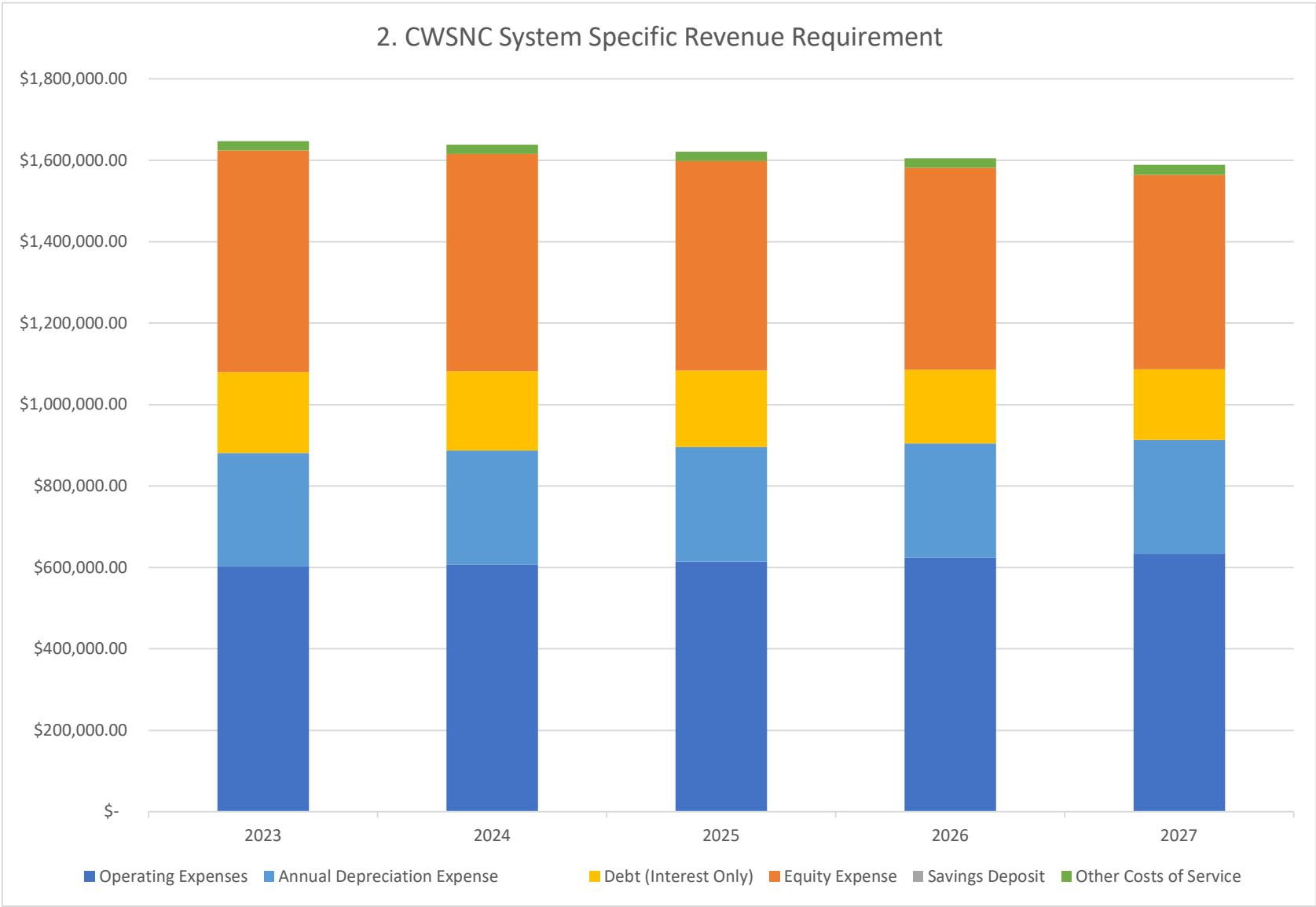
^{2/} Carteret County responses to Public Staff Data Request No. 7.

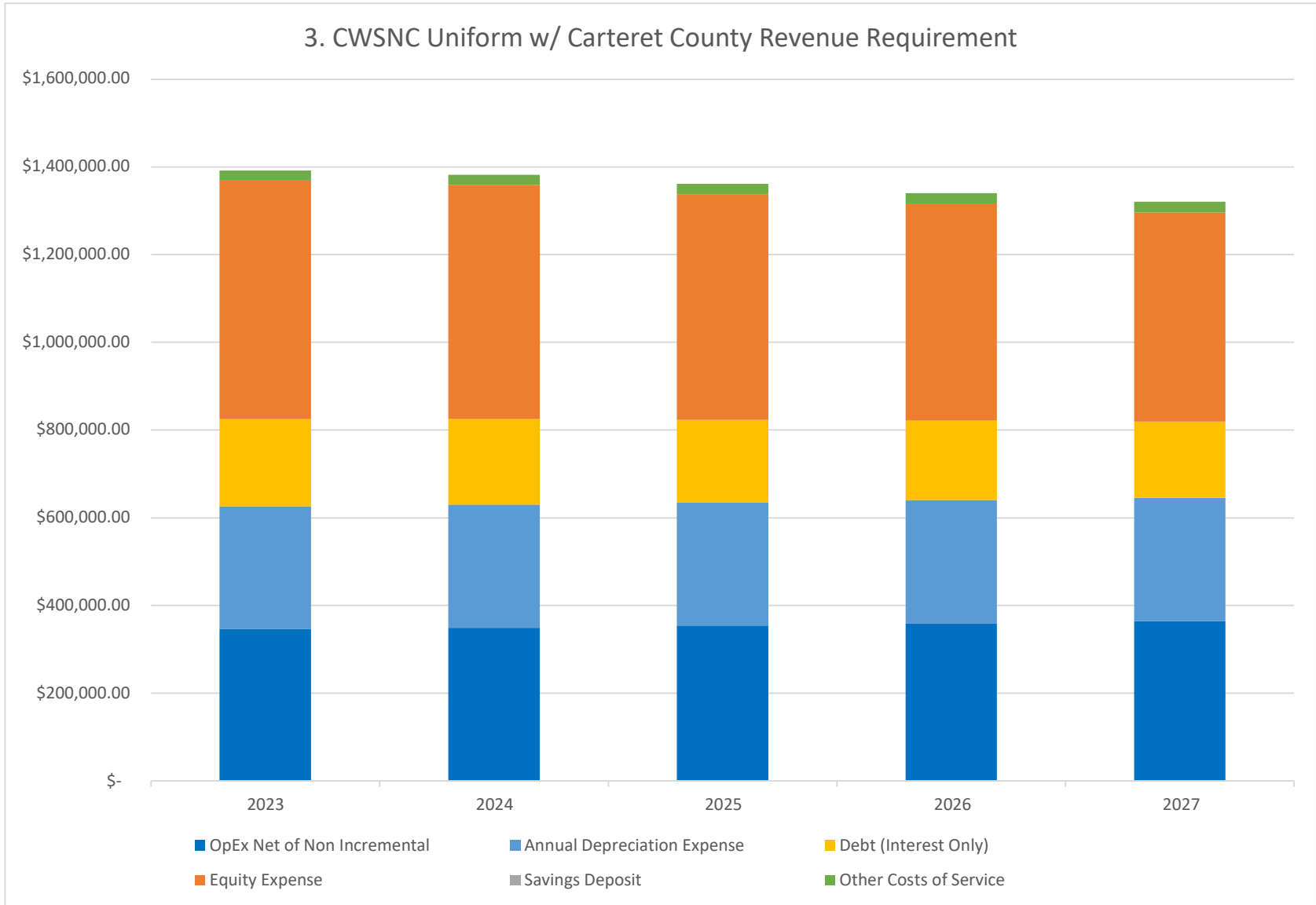
^{3/} Expenses from 2023 Budget, responses to PSDR 7, and adjusted for inflation estimate of 2.4% in 2025-2027.

^{4/} Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. Pages 75-76.

^{5/} Rebuttal Exhibit MPS-4 (filed on June 9, 2023).







Bills and Revenues Comparison

Average Monthly Bill Per ERC

| Rate Description | 2023 | 2024 | 2025 | 2026 | 2027 |
|----------------------------------|-----------|----------|----------|----------|----------|
| County | \$ 61.47 | \$ 86.06 | \$ 88.12 | \$ 90.24 | \$ 92.40 |
| CWSNC System Specific (9.4% ROE) | \$ 99.19 | \$ 97.99 | \$ 95.67 | \$ 93.39 | \$ 91.19 |
| CWSNC System Specific (9.8% ROE) | \$ 100.55 | \$ 99.31 | \$ 96.93 | \$ 94.58 | \$ 92.32 |
| CWSNC Uniform (Sub 400) | \$ 61.80 | \$ 70.69 | \$ 73.86 | \$ 74.64 | \$ 77.62 |
| CWSNC Proposed Roll-in (Sub 399) | \$ 61.47 | \$ 61.47 | \$ 61.47 | \$ 61.47 | \$ 77.58 |

Equivalent Residential Connections

| ERCs | 2023 | 2024 | 2025 | 2026 | 2027 |
|-----------------|-------|-------|-------|-------|-------|
| Carteret County | 1,365 | 1,375 | 1,394 | 1,414 | 1,434 |

Service Revenues

| Rate Description | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| County | \$ 1,006,879 | \$ 1,419,957 | \$ 1,474,128 | \$ 1,531,164 | \$ 1,590,089 | \$ 7,022,217 |
| CWSNC System Specific (9.4% ROE) | \$ 1,624,755 | \$ 1,616,757 | \$ 1,600,428 | \$ 1,584,566 | \$ 1,569,122 | \$ 7,995,629 |
| CWSNC System Specific (9.8% ROE) | \$ 1,647,054 | \$ 1,638,612 | \$ 1,621,509 | \$ 1,604,874 | \$ 1,588,621 | \$ 8,100,669 |
| CWSNC Uniform (Sub 400) | \$ 1,012,270 | \$ 1,166,383 | \$ 1,235,493 | \$ 1,266,501 | \$ 1,335,726 | \$ 6,016,373 |
| CWSNC Proposed Roll-in (Sub 399) | \$ 1,006,942 | \$ 1,014,319 | \$ 1,028,335 | \$ 1,043,089 | \$ 1,335,037 | \$ 5,427,721 |

Data from Rebuttal Exhibit MPS-4 (filed on June 9, 2023).

CAROLINA WATER SERVICE, INC., OF NC
Docket No. W-354, Sub 399
RETURN ON ORIGINAL COST RATE BASE

CWSNC WATER OPERATIONS

| Line No. | Item | Capitalization Ratio [1] (a) | Original Cost Rate Base [2] (b) | Embedded Cost [3] (c) | Overall Cost Rate [4] (d) | Net Operating Income [5] (e) |
|-----------------------|--------|---------------------------------|------------------------------------|--------------------------|------------------------------|---------------------------------|
| Present Rates: | | | | | | |
| 1 | Debt | 50.00% | \$3,718,276 [2] | 4.64% [1] | 2.32% | \$172,528 [5] |
| 2 | Equity | 50.00% | 3,718,277 [2] | 9.80% [1] | 4.90% | 364,391 [5] |
| 3 | Total | 100.00% | \$7,436,553 [3] | | 7.22% | \$536,919 [6] |

[1] Per W-354 Sub 400 final order.

[2] Column (a) multiplied by Line 3, Column (b).

[3] Feasel Exhibit I-updated, Schedule 2, Line 5.

[4] Column (a) multiplied by Column (c).

[5] Column (b) multiplied by Column (c).

[6] Column (e), L1 + L2.

CAROLINA WATER SERVICE, INC., OF NCDocket No. W-354, Sub 399
ORIGINAL COST RATE BASE**CWSNC WATER OPERATIONS**

| <u>Line No.</u> | <u>Item</u> | <u>Amount Per Public Staff</u> |
|---------------------|-------------------------------------|------------------------------------|
| 1 | Commission approve fair value | \$ 8,728,039 [1] |
| 2 | Tank | 125,000 [2] |
| 3 | Accumulated depreciation | (1,416,486) [3] |
| 4 | Net plant in service (L1 + L2 + L3) | <u>7,436,553</u> |
| 5 | Original cost rate base (L4) | <u>\$7,436,553</u> |

[1] Commission approved fair value of the system per W-354 Sub 398, plus additional investment recommended I

[2] Company proposed to add \$125,000 tank.

[3] Calculated by the Public Staff to depreciate plant in service for four years through December 31, 2026.

CAROLINA WATER SERVICE, INC., OF NC
Docket No. W-354, Sub 399
NET OPERATING INCOME FOR A RETURN

CWSNC WATER OPERATIONS

| Line No. | Item | Projected NOI | Public Staff Recommended Rates | |
|--------------------------------|---|------------------------------------|--------------------------------------|---|
| | | Amount Per Public Staff [1] (a) | Net Public Staff Increase [6] (b) | Operations After Rate Increase [7] (c) |
| Operating Revenues: | | | | |
| 1 | Service revenues | \$1,006,942 | \$609,655 | \$1,616,597 |
| 2 | Miscellaneous revenues | 8,977 | (385) | 8,592 [2] |
| 3 | Uncollectible accounts | | 0 | 0 |
| 4 | Total operating revenues (Sum of L1 thru L3) | <u>1,015,919</u> | <u>609,270</u> | <u>1,625,189</u> [8] |
| Maintenance Expenses: | | | | |
| 5 | Salaries and wages | | 0 | 0 |
| 6 | Electric power | 55,501 [2] | 0 | 55,501 [2] |
| 7 | Purchased water | | 0 | 0 |
| 8 | Administrative and office expense | 16,064 [2] | 0 | 16,064 [2] |
| 9 | Maintenance and repair | 59,025 [2] | 0 | 59,025 [2] |
| 10 | Testing | 9,835 [2] | 0 | 9,835 [2] |
| 11 | Chemicals | 17,444 [2] | 0 | 17,444 [2] |
| 12 | Transportation | 13,332 [2] | 0 | 13,332 [2] |
| 13 | Operating expenses charged to plant | | 0 | 0 |
| 14 | Outside services - other | 234,146 [2] | 0 | 234,146 [2] |
| 15 | Total maintenance expenses (Sum of L5 thru L14) | <u>405,347</u> | <u>0</u> | <u>405,347</u> |
| General Expenses: | | | | |
| 16 | Salaries and wages | 196,417 [2] | 0 | 196,417 [2] |
| 17 | Office supplies and other office expense | | 0 | 0 |
| 18 | Regulatory commission expense | | 0 | 0 |
| 19 | Pension and other benefits | | 0 | 0 |
| 20 | Rent | | 0 | 0 |
| 21 | Insurance | | 0 | 0 |
| 22 | Office utilities | | 0 | 0 |
| 23 | Miscellaneous | | 0 | 0 |
| 24 | Total general expenses (Sum of L16 thru L23) | <u>196,417</u> | <u>0</u> | <u>196,417</u> |
| Depreciation and Taxes: | | | | |
| 25 | Depreciation expense | 354,122 [2] | 0 | 354,122 [2] |
| 26 | Amortization of CIAC | | 0 | 0 |
| 27 | Amortization of PAA | | 0 | 0 |
| 28 | Amortization of ITC | | 0 | 0 |
| 29 | Franchise and other taxes | | 0 | 0 |
| 30 | Property taxes | 6,311 [2] | 0 | 6,311 [2] |
| 31 | Payroll taxes | 15,108 [2] | 0 | 15,108 [2] |
| 32 | Regulatory fee | 1,422 [3] | 853 | 2,275 [9] |
| 33 | Deferred Income Tax | | 0 | 0 |
| 34 | State income tax | (3,383) [4] | 15,210 | 11,827 [10] |
| 35 | Federal income tax | (27,710) [5] | 124,573 | 96,863 [11] |
| 36 | Total depreciation and taxes (Sum of 25 thru L35) | <u>345,870</u> | <u>140,636</u> | <u>486,506</u> |
| 37 | Total operating revenue deductions (L15 + L24 + L36) | <u>947,634</u> | <u>140,636</u> | <u>1,088,270</u> |
| 38 | Net operating income for a return (L4 - L37) | <u>\$68,285</u> | <u>\$468,634</u> | <u>\$536,919</u> |

CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 399
FOOTNOTES TO SCHEDULE 3

CWSNC WATER OPERATIONS

- [1] Per company's addendum updated to reflect W-354 Sub 400 final order.
- [2] Based on the Public Staff calculation.
- [3] Line 4 Column (a) multiplied by 0.14%.
- [4] Feasel Exhibit I-updated, Schedule 3-4, Column (a), Line 16.
- [5] Feasel Exhibit I-updated, Schedule 3-4, Column (a), Line 18.
- [6] Column (c) minus Column (a), unless otherwise footnoted.
- [7] Column (a) plus Column (b), unless otherwise footnoted.
- [8] Revenue requirement calculated by the Public Staff.
- [9] Line 4 Column (c) multiplied by 0.14%.
- [10] Feasel Exhibit I-updated, Schedule 3-4, Column (b), Line 16.
- [11] Feasel Exhibit I-updated, Schedule 3-4, Column (b), Line 18.

CAROLINA WATER SERVICE, INC., OF NC

Docket No. W-354, Sub 399

CALCULATION OF INCOME TAXES**CWSNC WATER OPERATIONS**

| Line No. | Item | Projected NOI [1] (a) | Public Staff Recommended Rates [3] (b) |
|-------------|---|-----------------------------|---|
| 1 | Operating revenue | \$1,015,919 | \$1,625,189 |
| | Operating revenue deductions: | | |
| 2 | Maintenance expenses | 405,347 | 405,347 |
| 3 | General expenses | 196,417 | 196,417 |
| 4 | Depreciation expense | 354,122 | 354,122 |
| 5 | Amortization of CIAC | 0 | 0 |
| 6 | Amortization of PAA | 0 | 0 |
| 7 | Amortization of ITC | 0 | 0 |
| 8 | Franchise and other taxes | 0 | 0 |
| 9 | Property taxes | 6,311 | 6,311 |
| 10 | Payroll taxes | 15,108 | 15,108 |
| 11 | Regulatory fee | 1,422 | 2,275 |
| 12 | Gross receipts tax | 0 | 0 |
| 13 | Interest expense | 172,528 [2] | 172,528 [2] |
| 14 | Total deductions (Sum of L2 thru L13) | <u>1,151,255</u> | <u>1,152,108</u> |
| 15 | Taxable income (L1 - L14) | <u>(135,336)</u> | <u>473,081</u> |
| 16 | State income tax (L15 x 2.5%) | <u>(3,383)</u> | <u>11,827</u> |
| 17 | Federal taxable income after state income tax (L15 - L16) | <u>(131,953)</u> | <u>461,254</u> |
| 18 | Federal income tax (L17 x 21%) | <u>(27,710)</u> | <u>96,863</u> |
| 19 | Excess deferred income tax amortization | <u>0</u> | <u>0</u> |
| 20 | Net amount (L15 - L16 - L18 - L19) | (104,243) | 364,391 |
| 21 | Add: Interest expense | <u>172,528 [2]</u> | <u>172,528 [2]</u> |
| 22 | Net income for a return (L20 + L21) | <u>\$68,285</u> | <u>\$536,919</u> |

[1] Feasel Exhibit I-updated, Schedule 3, Column (a).

[2] Feasel Exhibit I-updated, Schedule 1, Column (e), Line 1.

[3] Feasel Exhibit I-updated, Schedule 3, Column (c).

CAROLINA WATER SERVICE, INC., OF NC
Docket No. W-354, Sub 399
CALCULATION OF REVENUE REQUIREMENT

CWSNC WATER OPERATIONS

| Line No. | Item | Amount (a) | Retention Factor (b) | Revenue Requirement (c) |
|-------------|--|------------------|----------------------------|-------------------------------|
| | Operating revenue deductions: | | | |
| 1. | Maintenance expenses | 405,347 | 0.998600 | 405,915 |
| 2. | General expenses | 196,417 | 0.998600 | 196,692 |
| 3. | Depreciation expense | 354,122 | 0.998600 | 354,618 |
| 4. | Amortization of CIAC | 0 | 0.998600 | 0 |
| 5. | Amortization of PAA | 0 | 0.998600 | 0 |
| 6. | Amortization of ITC | 0 | 0.998600 | 0 |
| 7. | Franchise and other taxes | 0 | 0.998600 | 0 |
| 8. | Property taxes | 6,311 | 0.998600 | 6,320 |
| 9. | Payroll taxes | 15,108 | 0.998600 | 15,129 |
| 10. | Total operating revenue deductions | <u>\$977,305</u> | 0.998600 | <u>\$978,675</u> |
| | Net operating income for a return: | | | |
| 11. | Debt service return | 172,528 | 0.998600 | 172,770 |
| 12. | Equity return | 364,391 | 0.769172 | 473,744 |
| 13. | Adjustment for excess deferred income tax | 0 | 0.769172 | 0 |
| 14. | Adjustment for revenues not subject to GRT | 0 | 0.998600 | 0 |
| 15. | Revenue requirement | | | <u>\$1,625,189</u> |

Billing Data and Projection

| Year | Average Customers Billed | 3/4" Code 01 | 1" Code 03 | 2" Code 04 | 4" Code 05 | Merrimon Code 06 | Eastmans Creek Code 07 | Total Meters Billed | Average Monthly Usage | Total Gallons Billed |
|-----------------------|--------------------------|--------------|------------|------------|------------|------------------|------------------------|---------------------|-----------------------|----------------------|
| FY19 | 1,188 | 1,131 | 22 | 3 | 1 | 29 | 2 | 1,188 | 3,628 | 51,720,768 |
| FY20 | 1,206 | 1,149 | 22 | 3 | 1 | 29 | 2 | 1,206 | 3,462 | 50,102,064 |
| FY21 | 1,231 | 1,174 | 22 | 3 | 1 | 29 | 2 | 1,231 | 3,816 | 56,369,952 |
| FY22 | 1,262 | 1,205 | 22 | 3 | 1 | 29 | 2 | 1,262 | 3,343 | 50,626,392 |
| Projected FY23 | 1,287 | 1,230 | 22 | 3 | 1 | 29 | 2 | 1,287 | 3,343 | 51,629,292 |
| Projected FY24 | 1,306 | 1,249 | 22 | 3 | 1 | 29 | 2 | 1,306 | 3,343 | 52,391,496 |
| Projected FY25 | 1,325 | 1,268 | 22 | 3 | 1 | 29 | 2 | 1,325 | 3,343 | 53,153,700 |
| Projected FY26 | 1,345 | 1,288 | 22 | 3 | 1 | 29 | 2 | 1,345 | 3,343 | 53,956,020 |
| Projected FY27 | 1,366 | 1,309 | 22 | 3 | 1 | 29 | 2 | 1,366 | 3,343 | 54,798,456 |

Carteret County Water System
W-254, Sub 399
Public Staff Data Request 4
2/28/2023

Docket No. W-354, Sub 399
Public Staff Junis Exhibit 2

- 1: In the event the proposed transaction closes, what sums from the County's Water Fund:
- Can be retained?
 - Must be returned, paid, or repaid to third parties (Please identify by name) and in what amounts?
 - If uncertain as to (a) or (b) above, please indicate why, including what steps, inquiries, and research the County and CWS have made to determine the above.

1.a

| | | |
|-------------------------------------|--------------|--------------|
| Cash | 2,724,863.00 | |
| Restricted CD for USDA Revenue Bond | 43,932.00 | |
| Total Cash | | 2,768,795.00 |

Liabilities:

Payroll:

| | | |
|-------------------------------------|----------|----------|
| Fica | 990.00 | |
| Federal withholding taxes | 449.00 | |
| State withholding taxes | 157.00 | |
| NC Retirement System withholdings | 2,151.00 | |
| Community Eye Care withholdings | 20.00 | |
| Health Equity withholding | 3,602.00 | |
| Standard Life Insurance withholding | 54.00 | |
| Blue Cross Blue Shield withholding | 1,034.00 | |
| Ameritas withholding | 21.00 | |
| Allstate withholding | 13.00 | |
| Nationwide withholding | 15.00 | |
| Prudential withholding | 445.00 | |
| Total Payroll liabilities | | 8,951.00 |

Outstanding purchase orders: (See Purchase Order spreadsheet for list 1.b) 43,793.00

Customer Deposits (See Customer Deposit spreadsheet for list 1.b) 124,040.00

Interest Payable: (See accrued interest spreadsheet for calculation 1.b)

| | | |
|--------------------------------------|-----------|-----------|
| USDA Revenue Bond | 18,686.00 | |
| State Revolving Loan Fund - Phase I | 595.00 | |
| State Revolving Loan Fund - Phase II | 4,116.00 | |
| Total Interest Payable | | 23,397.00 |

Long Term Debt Payable

| | | |
|--------------------------------------|------------|--------------|
| USDA Revenue Bond | 906,000.00 | |
| State Revolving Loan Fund - Phase I | 31,032.00 | |
| State Revolving Loan Fund - Phase II | 560,000.00 | |
| | | 1,497,032.00 |

Total Liabilities 1,697,213.00

Cash in Greater than Liabilities 1,071,582.00

1.c Grant Repayments

USDA Grant: \$1,515,000

Carteret County inquired to USDA regarding repayment of the grant if the transaction closes. USDA's response was, "If they are selling to a for-profit, the grant recapture would have to be calculated and determined based upon a fair market sale value from an appraisal performed by a NC licensed real estate appraiser. The appraisal will have to be reviewed and concurred in by the Regional Appraisal Division."

No other follow up has occurred with USDA.

NCDEQ \$2,969,280 Grant

Carteret County has not reached out to the grantor regarding this grant.

Rural Economic Development Center, Inc. \$670,000 Grant

Carteret County has not reached out to the grantor regarding this grant.

**Carolina Water Service, Inc. of North Carolina
Carteret County
W-354, Sub 399
Public Staff Data Request No. 7
Date Requested: March 29, 2023**

1. Regarding witness Meshaw's testimony in item 3 on page 2, please provide the following:
 - a. The annual salary of the County's operator in responsible charge that resigned during the year:
 - i. Response: salary and benefits equal \$84,330. Please see Fully Staffed Positions Presented spreadsheet.
 - b. The effective date of the employee's resignation:
 - i. Response: 01/28/2022
 - c. The calculations, assumptions, and supporting documentation for the contended net effect of a loss from operations before transfers (\$39,787);
 - i. Response: Please see Fully Staffed Positions Presented spreadsheet and Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund spreadsheet.
 - d. The calculations, assumptions, and supporting documentation for the projected increase of 40% in water user rates to establish a capital fund and to adequately fund operations.
 - i. Response: Please see Water Rates Projections spreadsheet.

2. Regarding witness Meshaw's testimony in item 4 on page 2, please provide the following:
 - a. The basis for the testimony that, "It does not budget depreciation expense."
 - b. Does the County account for depreciation on the Water Fund books?
 - i. If yes, please identify where and how;

If no, please provide an explanation for the line "Depreciation" in the amount of \$357,187 on pages 43 and 45 and Note 5. on page 68 of the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

Response: The County's budgets are adopted as required by NC General Statutes. All funds that require annual budgets are budgeted and prepared using the modified accrual basis of accounting. NC General Statute 159-26 requires that each county and municipality maintain an accounting system that must use the modified accrual basis of accounting. This modified accrual basis of accounting is utilized during the fiscal year. At year end for financial reporting, governments are required to convert enterprise funds to full accrual basis of accounting in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Number 34. These GAAP statements are located on pages 42 through 45 in the FY22 financial statements. In addition, NC Department of State Treasurer

requires local governments to provide a Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP). This modified accrual non GAAP statement is located on page 163 in the FY22 financial statements. Under modified accrual basis of accounting, depreciation expense is not recognized; however, it is required to be recorded and recognized under full accrual GAAP. Please see the statements referenced above.

If Carteret County budgeted depreciation expense, the County would have to increase user rates, levy a special district water property tax, or a combination of the two in order to comply with the NC Budget and Fiscal Control Act. The budget is required to be balanced with the sum of estimated revenues and appropriated fund balance equals appropriations. Fiscal year ending 6/30/22 depreciation expense was \$347,187.

3. Regarding witness Burns' testimony in item 2 on page 2, please provide the following:
 - a. The basis for the testimony that, "[t]he County has lacked the technical and managerial expertise and capabilities due to staffing challenges for some time."
 - i. In addition, please provide a list of positions that are currently responsible for providing technical and managerial expertise and capabilities to provide water utility service, including, but not limited to:
 1. position,
 2. title,
 3. percentage of time dedicated to other County services,
 4. budgeted salary, and
 5. periods of vacancies since July 1, 2019.

Response: Please see Carteret County Water Fund Positions spreadsheet

- b. Clarification of what is meant by the testimony that, "there is a lack of capital funding available to the water system in that the County has not been able to include in user charges, sufficient revenue to support a Capital Fund."
 - i. In addition, please identify the capital investment needs of the Water System that have either been unfunded in the past or are anticipated in the next 5 and 10 years.

Response: The County has not included a large capital cash reserve in the Water Fund. In addition, the County has not established a stand-alone water capital fund with cash reserves that are set aside and separate from user charges. The benefits of establishing a separate Water Capital Fund and cash reserves is as follows: funds for unplanned or accelerated infrastructure replacements, funds equipment replacement for short service life assets /

equipment, is a source of funds for emergency capital expenses, and provides a smooth budgetary impact associated with capital spending.

Carteret County is aware of two significant capital needs for the water system:

- i. 1. Cooper and Zinc remediation \$103,000. This contract is let.
2. Water Tank Rehabilitation \$125,000 based on historical cost.

- c. Quantification of the "astronomical rates" that would fully fund "accumulated depreciation" and "full capital replacement costs," including:
 - i. calculations,
 - ii. assumptions, and
 - iii. supporting documentation.

Response: The County would need to increase rates substantially to fully fund depreciation and future capital replacement costs. The estimated amount needed to cover this would be approximately 40% above existing rates. Future rates for the County would need to be put the average bill in the \$98 - \$100 range to accomplish this in the first few years of the increase. Keeping in mind, the County could raise rates further if the elected officials felt it necessary. Additionally, if no water district tax is re-instated, this would further impact the setting of rates. The end goal would be to have the enterprise fund fully support, include depreciation and capital, solely based on rates charged to customers of the water system. No outside funds would or should be used.

4. Regarding the "transfer to utility providers who can provide an economy of scale to these distressed water systems" to which witness Burns refers in item 2 on page 3.
 - a. Provide the basis and documentation in support of that statement and, with respect to "economies of scale."
 - b. Provide quantification of the contended economies of scale in this transaction.
 - c. Provide all quantitative and qualitative comparisons between the County's existing operations and those proposed by CWSNC.

Response:

A. Economy of scales are present anytime a larger entity has more market buying power than a smaller entity. For example, a barrel of water chemicals could be bought for a certain cost per barrel by the larger entity, based on volume discounts (perhaps bulk buying/pallet buying). The buying power of the smaller entity, who buys very little in comparison to the larger entity, may buy the same chemicals for a greater amount per barrel.

B. I believe there are many economies of scale within this transaction. There are some more obvious ones such as an ORC responsible for several smaller water systems, as opposed to just one. Other considerations would be a central billing department for multiple small water systems as opposed to one billing department for one water system.

C. I do not know the detailed specifics of all of the quantitative and qualitative comparisons between the County's existing operations when compared to CWSNC.

5. Regarding witness Burns' testimony in item 3 on page 3, please provide the basis and supporting documentation for the testimony that, "[i]f the County were to continue operating the system, a combination of substantial rates and tax increases would result, thereby impacting the customers on a much greater scale."
- a. In addition, please provide the quantification and comparison of the impacts on customers between County and CWSNC operations both in the short-term and long-term.

Response:

a) The County is not familiar with the short- and long-term operations plans of CWSNC outside of its obligation to operate the system properly, provide clean drinking water and to keep the system free from defects, or environmental concerns.

The impact to County water customers if the system is retained by the County would involve rate increases that would not be held to any multi-year standard. The short term and long-term water rates set by the County could be increased every year due to the County being a non-regulated utility. Again, the rate payer is more protected from rate increases with a private, regulated utility, than a utility that could change the water rate from month to month, or in any manner the County deemed reasonable. Please see Carteret County Water Rate Forecast spreadsheet.

6. Regarding witness Burns' testimony in item 3 on page 5, please provide the basis and supporting documentation for the testimony that, "...this system cannot be sustained by the County."

Response: In order to avoid duplicating earlier comments contain in previous responses, including this one, it is important to consider the perspective from which the comments in regard to Burns testimony in Item 3 on page 5 are being made. Burns has been the County Manager for close to seven years, and a manager for 20 years total, all in North Carolina. Additionally, he served as the County Manager in Harnett County, which owns and operates one of the largest County-owned water and sewer systems in North Carolina. He is familiar with the Carteret County water system and is certainly

qualified to make professional statements that the County water system in Carteret County cannot be sustained, especially with the ongoing "distressed system" benchmarks by the Local Government Commission that the County will never meet as discussed in the County rebuttal. Due to guidelines and benchmarks established in the distressed system criteria as set forth by the Local Government Commission, the water system in its present configuration and given the current distressed criteria; will be perpetually distressed.

7. Regarding witness Burns' testimony in item 4 on page 6, please provide:
 - a. Information regarding eligibility of the Carteret County Water System customers for hardship programs that assist with utility payments through Carteret County Department of Social Services, including, but not limited to:
 - i. the eligibility criteria,
 - ii. assistance limitations, and
 - iii. demographics of the customers such as percentage that are eligible.
 - b. In addition, please identify:
 - i. The "other groups" that assist with hardships and
 - ii. How those programs could be utilized by customers.

Response:

Carteret County residents who experience hardships in paying water bills have a number of options to choose from.

A. Low Income Water Assistance Program is a program offered through the Department of Social Services. The criteria for this program are as follows:

1. Household must have at least one US citizen or non-citizen
2. Currently receive Food and Nutrition Services (FNS), Temporary Assistance for Needy Families (TANF) or Work First services, or those that received Low-Income Energy Assistance Program (LIEAP) services
3. Have income equal to or less than 150% of the federal poverty level
4. Have household services that are disconnected, in jeopardy of disconnection or have a current outstanding bill.
5. Responsible for the water bill of the household.

Emergency Assistance is available for utilities and in some circumstances rent if they are on the verge of eviction. Criteria for this program.

1. Must be a Carteret County resident
2. Must be in a crisis situation
3. Must have at least one child under 18 in the home
4. Must meet income and reserve requirements.

B. Other groups that assist with hardships

1. Salvation Army assists with rent, electric, and water based on income requirements.
2. Hope Mission has a program that assists with utility payments for the "working poor" as defined by Hope Mission.
3. Elks Lodge in Morehead City provides hardship assistance for children and the elderly.
4. numerous churches who provide similar programs, many of which desire to be anonymous.

Presently, over the last two months, 46 individuals water customers on the County system have received some type of hardship assistance from one of the above-named programs.

8. In light of witness Meshaw's testimony (item 1, page 1) and witness Burns' testimony (item 1, pages 1 and 2) on enterprise and government funds, if the transaction moves forward:

To where will the sales proceeds initially flow?

Response: When the sale of the system transaction is completed with Carolina Water System, the sales proceeds will initially be recorded in the County's Water Fund. After the Water Fund is closed, and the County has satisfied all system liabilities including paying all outstanding debt and repaying any grants that the grantors require, the net proceeds will be placed in a County Capital Fund for future public purpose. Carteret County has significant capital project needs. Carteret County's Detention Center is too small for the number of inmates the County needs to house. Every month, County inmates are housed in nearby counties. The facility expansion is estimated greater than \$40 million. In addition, Carteret County has public school building construction and improvements needs. The voters approve \$42 million General Obligation referendum, and the State awarded approximately \$15 million Needs Based Construction Funds. However, due to inflation and increased expenses, this \$57 million in authority will not build and improve all the projects projected at the time of the referendum. For example, currently, three high school gymnasiums will not be constructed, and the current estimated project funding shortfall is \$28 million.

Carteret County Public Schools and Detention Center construction needs is the County's greatest priority. The proceeds from the Water System sale would provide significant assistance in funding projects or debt service for these projects.

8.e Does the County intend to close the Water Fund as some point following any closing of this proposed sale of the Carteret County Water System?

Response: The County would close its Water fund after all liabilities are satisfied. Enterprise funds are used to account for services and debt service that are primarily funded by user charges. After the system sale is completed, Carolina Water System owns all the capital assets. In addition, the Carteret County water customers will become Carolina Water System customers, and thus, Carteret County will no longer have any water assets or customers. Therefore, there is no enterprise system nor enterprise fund.

When the County's Water Fund is closed, the County will comply with all NC General Statutes as well as all Generally Accepted Accounting Principles (GAAP).

9. With respect to witness Burns' testimony in item 4 on page 5 regarding witness Junis' testimony suggesting that the County establish a hardship fund for the benefit and protection of ratepayers:
- a. Have the County and CWS been in contact regarding amending the contract to provide that the proceeds from the sale shall either be:
 - i. (1) held by the County in trust for the benefit of County Water System customers, as a hardship fund or to subsidize customer bills on a pro rata basis so that customers across the state do not have to unfairly and unnecessarily share the burden of the purchase price premium with County Water System customers; or
 - ii. (2) credited to CWSNC as a direct reduction in rate base of the acquired system to offset impacts of system-specific rates on Carteret County Water System customers?
 - b. Please provide any and all communication between CWS and the County on this suggested hardship fund.

Response:

a) No the County has not discussed with CWS regarding the establishment of a hardship fund for the benefit and protection of ratepayers. That is not necessary because there are adequate programs in place to address any hardship needs.

1. There have been no discussions between the County and CWS regarding a hardship fund. As mentioned above, there are already established funds to assist with utility hardships that are adequately funded by public and private sources that can assist with hardships. Any further discussions regarding "serving customers across the State" through a hardship fund would not have any relevance in this transaction as there are other government and private programs in each County in North Carolina similar to the programs in Carteret County.

2. There has been no discussion on this matter from either the County nor CWSNC.


3. There have been no discussion to amend the contract in any manner laid out in Item 9.

Water customers would be covered by the hardship programs discussed above regardless of which entity owned and operated the system. The County did get CWSNC to agree to hold the current water rates for four years, which is a benefit to the water customer. If the sale does not finalize, these rates will be increased right away by the County.

Respectfully submitted, this the 4th day of April, 2023.


Tommy Burns
County Manager for Carteret County

Respectfully submitted, this the 4th day of April, 2023.



Denise Meshaw, CPA
Finance Director and Assistant County Manager for
Carteret County

VERIFICATION

Tommy Burns, being duly sworn, deposes and says: that he is the County Manager for Carteret County; that she is familiar with the facts set out in the attached Rebuttal testimony, filed in NCUC Docket No. W-354 Sub 399; that she has read the foregoing testimony and knows the contents thereof; and that the same is true of her knowledge except as to those matters stated therein on information and belief, and as to those she believes them to be true.


Tommy Burns

Sworn to and subscribed before me this
the 4 day of April, 2023



LORI R TURNER
NOTARY PUBLIC
Carteret County
North Carolina
My Commission Expires May 18, 2026

Notary Public
My Commission Expires: 5/18/2026

VERIFICATION

Denise Meshaw, being duly sworn, deposes and says: that she is the Assistant County Manager for Carteret County; that she is familiar with the facts set out in the attached Rebuttal testimony, filed in NCUC Docket No. W-354 Sub 399; that she has read the foregoing testimony and knows the contents thereof; and that the same is true of her knowledge except as to those matters stated therein on information and belief, and as to those she believes them to be true.



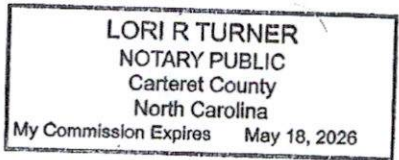
Denise Meshaw

Sworn to and subscribed before me this
the 4 day of April, 2023



Notary Public

My Commission Expires: 5/18/2026



Carteret County, North Carolina
 Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
 Year Ended June 30, 2022

Comparison of Audited FY 22 to Projected Statement Adjusted for Fully County Staffed
 and no contacted services with Carolina Water Service

Public Staff #71, Original submission included FY22 Audited and FY22 Adjusted for Illustration

i b i l l m A d i t e d F Y 2 0 2 2 A t t e n t i o n P l e a s e C o n t a c t T r a c y G r a y

| | FY22 | FY22 | FY23 |
|---|--------------------|--------------------|---------------------|
| | Audited | Adjusted If Fully | Unaudited, |
| | Water Fund | Staffed and no CWS | County Projected |
| | | Contract | Water Fund |
| | | Water Fund | |
| Operating revenues | | | |
| Charges for services | \$ 1,095,320 | \$ 1,095,320 | \$ 1,038,000 |
| Other operating revenues | 585 | 585 | |
| Total operating revenues | <u>1,095,905</u> | <u>1,095,905</u> | <u>1,038,000</u> |
| Operating expenses | | | |
| Water plant operations* | 848,027 | 734,919 | 904,500 |
| Depreciation | 357,187 | 357,187 | 357,187 |
| Total operating expenses | <u>1,005,214</u> | <u>1,092,106</u> | <u>1,261,687</u> |
| Operating income | <u>90,691</u> | <u>3,799</u> | <u>(223,687)</u> |
| Nonoperating revenues (expenses) | | | |
| Interest revenue | - | - | 10,000 |
| Interest expense | (43,586) | (43,586) | (38,190) |
| Total nonoperating revenues (expenses) | <u>(43,586)</u> | <u>(43,586)</u> | <u>(28,190)</u> |
| Income before contributions and transfers | 47,105 | (39,787) | (251,877) |
| Transfers in | 372,670 | 372,670 | - |
| Change in net position | <u>419,775</u> | <u>332,883</u> | <u>(251,877)</u> |
| Total net position | | | |
| Beginning | 5,392,898 | 5,392,898 | \$ 5,812,673 |
| Ending | <u>A 5,812,673</u> | <u>A 5,725,761</u> | <u>IS 5,560,796</u> |

See Notes to Financial Statements.

*If fully staffed and no contracted services with CWS, the following adjustments would have occurred:

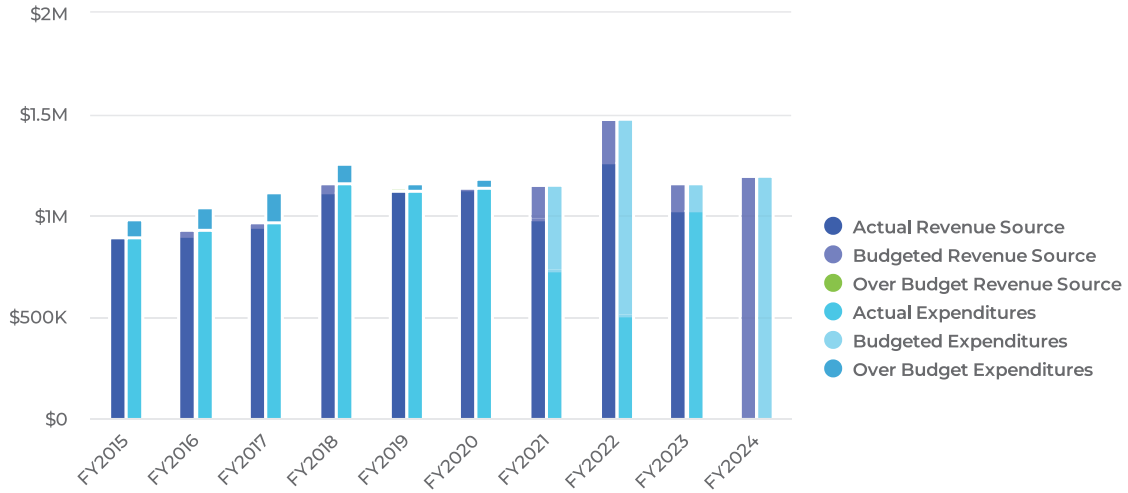
| | |
|--|------------------|
| Water plant operations (Audited FY22) | \$ 648,027 |
| Less: Audited salaries and benefits FY22 page 163 | (295,605) |
| Add: Salaries and benefits if fully staffed: see worksheet | 399,472 |
| Less: Carolina Water Services contracted services FY22 | (16,775) |
| Adjusted water plant operations | <u>A 734,919</u> |

Prepared By Denise Meshaw, CPA
 Carteret County Assistant County Manager / Finance Director

Addec FY23 Ncitet
 FY23 Does not include year end entries for estimating
 Pension Liabilities and Post Employment Benefits Liabilities
 FY23 Does include estimated deprecation expense

Summary

The County of Carteret is projecting \$1.2M of revenue in FY2024, which represents a 3.4% increase over the prior year. Budgeted expenditures are projected to increase by 3.4% or \$40K to \$1.2M in FY2024.



Avenu Capital Assets
2/23/2023 9:44:26

CA By Class & Description

CARTERET CO FIXED ASSETS
RA600R002 04.26 Pg 1

Report parameters

Category _____ to _____ Class _____ to _____
 Tag _____ to _____
 Master tag _____ to _____ Tracked Capital Assets I I/X/O
 Items with master tags I I/X/O Items flagged as components I I/X/O
 Item description contains _____ Search extended Y Y/N
 Acquisition I I/X/O Deprec. I I/X/O Disposal X I/X/O Narrative I I/X/O
 Allow Depreciation I I/X/O Declared surplus X I/X/O
 Department _____ SrlNbr Contains _____
 Manufacturer contains _____ Model year 0000 to 0000
 Item type _____ to _____ Site _____ to _____ Building _____ to _____
 Room _____ to _____ SECT _____ to _____ Condition _____ to _____
 Own. fund _____ to _____ Pur. fund _____ to _____ Source fnd _____ to _____
 Acq. type _____ to _____ Disp.type _____ to _____ Dispos. rea _____ to _____

Depreciation methods _____ Parcel# _____
 Optional A _____ to _____ Optional B _____ to _____
 Optional C _____ to _____ Optional D _____ to _____
 Maint.review _____ to _____ Warranty exp _____ to _____
 Acquis. date _____ to _____ Disposal dt. _____ to _____

Last depreciation date _____ to _____
 Last date changed _____ to _____
 Estimated life _____ 0 to _____ 0
 Acquisition cost _____ to _____
 Current depreciation _____ to _____
 Depreciation YTD _____ to _____
 Accumulated depreciation _____ to _____
 Quantity disposed _____ to _____

Active I I/X/O Complete I I/X/O
 Owning fund: Government X I/X/O Enterprise I I/X/O MtchAsset I I/X/O

Specific contract ID _____

Subtotals only N (Y/N) Subtotal page break N (Y/N)
 Print cover page Y (Y/N) Print totals page Y (Y/N)

Avenu Capital Assets
2/23/2023 9:44:26

CA By Class & Description

CARTERET CO FIXED ASSETS
RA600R002 04.26 Pg 2

| Class | Description | Tag | Department | Type | Master Tag | Comp | Quantity | Book Value |
|------------------------------|--------------------------------|----------------|----------------|------------|------------|-----------------|---------------------|-------------------|
| Condition | Serial Number | Manufacturer | Model | Vehicle ID | License # | Original Cost | Acqu Date | |
| 0200 | TRUCKS | | | | | | | |
| 0200 | FORD F250 - 2014 | | 9472 7110 | FA | | N 1.000 | | .00 |
| N | 1FDBF2A62EEA74385 | FORD | F250 2014 | 217 | 2014 | 22,856.55 | 11/15/2013 | |
| 0200 | FORD RANGER 4X2 SPORT | | 9181 7110 | FA | | N 1.000 | | .00 |
| N | 1TYR14U17PA81006 | FORD | RANGER 4X2 SPO | 219 | 2007 | 14,374.49 | 4/30/2007 | |
| 0200 | 2017 FORD 350 REGULAR CAB | | 9659 7110 | FA | | N 1.000 | | 3,789.81 |
| N | 1FDRF3B6XHEF21147 | FORD | F350 | | 2017 | 37,897.92 | 12/20/2017 | |
| TRUCKS | | | | | | Subtotal | 75,128.96 | 3,789.81 |
| 0900 | MISC EQUIPMENT | | | | | | | |
| 0900 | ALUM FEED SYSTEM | | 9279 7110 | FA | | N 1.000 | | .00 |
| N | | | | | | 17,500.00 | 5/21/2009 | |
| 0900 | EASY LOCATOR IXM GROUND | | 9264 7110 | FA | | N 1.000 | | .00 |
| N | 26527 | MALA GEOSCIENC | IXM | | | 17,480.00 | 8/27/2008 | |
| 0900 | EXCAVATOR 3.5 TON MINI 9'-12' | | 9503 7110 | FA | | N 1.000 | | .00 |
| U | WM002248 | IHI | 35N-2 | | | 18,500.00 | 9/12/2014 | |
| 0900 | HANDHELD DEVICE DRIVE-BY | | 9470 7110 | FA | | N 1.000 | | .00 |
| N | SPSAR5500HD | SENSUS | SAR 5500HHD | | | 9,856.80 | 3/05/2014 | |
| 0900 | MAGNUM GENERATOR MOBILE | | 9425 7110 | FA | | N 1.000 | | .00 |
| N | | MAGNUM | MMG35FH | | | 21,576.00 | 6/15/2013 | |
| 0900 | MAGNUM MOBILE GENERATOR | | 9149 7110 | FA | | N 1.000 | | .00 |
| N | 63923 | MAGNUM | MMG35 | | | 15,000.00 | 9/26/2006 | |
| 0900 | MOBILE GENERATOR MMG35FH | | 9304 7110 | FA | | N 1.000 | | .00 |
| N | | BITTING ELEC | MMG35FH | | | 19,190.76 | 4/08/2011 | |
| 0900 | RADIO READ HANDHELD SP-SAR5002 | | 9263 7110 | FA | | N 1.000 | | .00 |
| N | KCHAR5002 | SENSUS | SAR5002 | | | 7,400.00 | 4/03/2009 | |
| 0900 | SENSUS DRIVE RADIO UNIT/LAPTOP | | 9705 7110 | FA | | N 1.000 | | .00 |
| 1 | SP-SVGBDRIVEBYUNIT | | | | | 25,500.00 | 8/01/2018 | |
| 0900 | TRIMBLE W/FLOODLIGHT | | 9471 7110 | FA | | N 1.000 | | .00 |
| N | | TRIMBLE | GEOXT 6000 | | | 7,475.00 | 3/17/2014 | |
| MISC EQUIPMENT | | | | | | Subtotal | 159,478.56 | .00 |
| 7000 | BUILDING/MOBILE HOMES | | | | | | | |
| 7000 | WATER PLANT - LAUREL ROAD | | 9041 7110 | FA | | N 1.000 | | 800,610.92 |
| | | | | | | 2,119,263.81 | 11/03/2003 | |
| BUILDING/MOBILE HOMES | | | | | | Subtotal | 2,119,263.81 | 800,610.92 |
| 8000 | IMPROVMENTS | | | | | | | |
| 8000 | BOOSTER PUMP #1 3510 HWY 101 | | 9428 7110 | FA | | N 1.000 | | 118,126.02 |
| N | | | | | | 174,283.94 | 11/26/2012 | |
| 8000 | BOOSTER PUMP #2 142 SHELL LAND | | 9429 7110 | FA | | N 1.000 | | 171,553.00 |
| N | | | | | | 253,111.44 | 11/26/2012 | |
| 8000 | BOOSTER PUMP #3 - 1109 HWY 101 | | 9430 7110 | FA | | N 1.000 | | 171,553.01 |
| N | | | | | | 253,111.45 | 11/26/2012 | |
| 8000 | BRIDGE WATER AT WARE CREEK | | 9183 7110 | FA | | N 1.000 | | 18,141.70 |
| N | WATER LINES | T A LOVING | | | | 37,970.08 | 11/29/2006 | |

Avenu Capital Assets
2/23/2023 9:44:26

CA By Class & Description

CARTERET CO FIXED ASSETS
RA600R002 04.26 Pg 3

| Class | Description | Tag | Department | Type | Master Tag | Comp | Quantity | Book Value | |
|--------------------|--------------------------------|--------------|------------|------------|------------|-----------------|-------------------------|---------------------|---------------------|
| Condition | Serial Number | Manufacturer | Model | Vehicle ID | License # | Original | Acqu Date | | |
| 8000 | CDBG WATER SYSTEM | | 5825 7110 | FA | | N 1.000 | 1,337,172.18 6/30/1991 | .00 | |
| 8000 | CHADWICK SHORES PLANTATION | | 9265 7110 | FA | | N 1.000 | 167,657.00 11/05/2008 | 91,280.14 | |
| 8000 | EDA INDUSTRIAL PK WATER LINES | | 8771 7110 | FA | | N 1.000 | 128,701.68 6/30/2001 | 20,163.23 | |
| 8000 | FIRE HYDRANTS & LINE EXTENSION | | 9433 7110 | FA | | N 1.000 | 1,058,177.59 11/26/2012 | 717,209.51 | |
| 8000 | JARRETT BAY CDBG WATER LINES | | 8770 7110 | FA | | N 1.000 | 96,581.00 6/30/2001 | 15,130.94 | |
| 8000 | JOANS HAVEN DRIVE LOTS | | 9184 7110 | FA | | N 1.000 | 15,199.27 9/30/2006 | 7,177.47 | |
| 8000 | MILL LANDING SUBDIVISION | | 9185 7110 | FA | | N 1.000 | 14,204.93 5/31/2007 | 7,023.21 | |
| 8000 | PHASE II WATER PROJECT | | 9141 7110 | FA | | N 1.000 | 2,906,676.24 6/30/2006 | 1,348,374.94 | |
| 8000 | TRACEY GROVE SUBDIVISION | | 9182 7110 | FA | | N 1.000 | 55,209.00 5/04/2007 | 27,297.48 | |
| 8000 | TRACEY GROVE SUBDIVISION | | 9232 7110 | FA | | N 1.000 | 15,703.51 3/24/2008 | 8,200.87 | |
| 8000 | WATER LINES | | 9042 7110 | FA | | N 1.000 | 1,475,968.61 12/08/2003 | 561,688.35 | |
| 8000 | WATER SYSTEM IMPROVEMENTS | | 9434 7110 | FA | | N 1.000 | 15,954.56 11/28/2012 | 10,813.44 | |
| 8000 | WATER TANK #2 104 MAYFLOWER DR | | 9431 7110 | FA | | N 1.000 | 689,091.16 11/26/2012 | 467,050.92 | |
| 8000 | WATER TANK #3 209 TAYLOR FM RD | | 9432 7110 | FA | | N 1.000 | 765,261.67 11/26/2012 | 518,676.99 | |
| 8000 | WATER TREATMENT RENOVATIONS | | 9305 7110 | FA | | N 1.000 | 158,528.98 8/17/2010 | 95,557.50 | |
| IMPROVMENTS | | | | | | Subtotal | | 9,618,564.29 | 4,375,018.72 |
| 9000 | PROPERTY | | | | | | | | |
| 9000 | BOOSTER PUMP STATION #1 | | 9301 7110 | FA | | N 1.000 | 17,798.25 6/25/2010 | 17,798.25 | |
| 9000 | BOOSTER PUMP STATION #2 | | 9308 7110 | FA | | N 1.000 | 59,120.95 2/25/2011 | 59,120.95 | |
| 9000 | BOOSTER PUMP STATION #3 | | 9306 7110 | FA | | N 1.000 | 42,086.10 9/30/2010 | 42,086.10 | |
| 9000 | WATER PLANT - 534 LAUREL ROAD | | 8758 7110 | FA | | N 1.000 | 52,500.00 1/31/2001 | 52,500.00 | |
| 9000 | WATER TANK - ELEVATED #3 | | 9307 7110 | FA | | N 1.000 | 51,102.50 10/06/2010 | 51,102.50 | |
| PROPERTY | | | | | | Subtotal | | 222,607.80 | 222,607.80 |

Avenu Capital Assets
2/23/2023 9:44:26

CA By Class & Description

CARTERET CO FIXED ASSETS
RA600R002 04.26 Pg 4

| Class | Description | Tag | Department | Type Master | Tag | Comp | Quantity | Book Value |
|-------------|---------------|--------------|------------|-----------------|------------|---------------|--------------|------------|
| Condition | Serial Number | Manufacturer | Model | MdlYr License # | Vehicle ID | Original Cost | Acqu Date | |
| Grand Total | | | | | | 12,195,043.42 | 5,402,027.25 | |

| NARUC | Account | Description | Plant | per report date | Carteret | | | Implied | Age | Implied PIS | Dep 1st Month | NARUC Life | CWSNC | | | | |
|-------|---------|-----------------------------------|------------|-----------------|----------|------------|-------------|-------------|-------|-------------|---------------|------------|--------|------|---------|-----------|---------|
| | | | | 6/30/2022 | Life | Dep Rate | Annual Rate | 12/31/2022 | | | | | Rates | Life | Dep Exp | Rate Base | |
| | | | Δ/D | | | | Δ/D | | | | | | | | | | |
| 303.3 | 141103 | Land and Rights Water | 222,608 | - | | | | | | | | | | | | | 222,608 |
| 304.3 | 141205 | Struct and Improv Water Treat Plt | 2,119,264 | (1,318,653) | 30.00 | 3.33% | 70,642 | (1,353,974) | 19.17 | 4/30/2003 | 4/30/2003 | 32 | 2.00% | 50 | 42,385 | 765,290 | |
| 304.4 | 141206 | Struct and Improv Trans Dist Plt | 680,507 | (219,275) | 30.00 | 3.33% | 22,684 | (230,617) | 10.17 | 4/29/2012 | 4/30/2012 | 32 | 2.00% | 50 | 13,610 | 449,890 | |
| 307.2 | 141223 | Wells and Springs | - | - | - | 0.00% | - | - | - | N/A | N/A | 30 | 2.00% | 50 | - | - | |
| 310.2 | 141226 | Power Generation Equipment | 55,767 | (55,767) | - | Fully Depr | - | (55,767) | - | N/A | N/A | 20 | 10.00% | 10 | - | - | |
| 320.3 | 141230 | Water Treatment Equipment | 158,529 | (62,971) | 30.00 | 3.33% | 5,284 | (65,614) | 12.42 | 1/28/2010 | 1/31/2010 | 22 | 2.50% | 40 | 3,963 | 92,915 | |
| 330.4 | 141231 | Dist Resv and Standpipes | 2,001,534 | (810,577) | 30.00 | 3.33% | 66,718 | (843,936) | 12.65 | 11/4/2009 | 11/30/2009 | 37 | 2.00% | 50 | 40,031 | 1,157,597 | |
| 331.4 | 141232 | Trans and Distr Mains | 6,777,995 | (4,150,722) | 30.00 | 3.33% | 225,933 | (4,263,688) | 18.87 | 8/16/2003 | 8/31/2003 | 43 | 1.00% | 100 | 67,780 | 2,514,306 | |
| 333.4 | 141233 | Service Lines | - | - | - | 0.00% | - | - | - | N/A | N/A | 40 | 2.00% | 50 | - | - | |
| 334.4 | 141234 | Meters | - | - | - | 0.00% | - | - | - | N/A | N/A | 20 | 3.33% | 30 | - | - | |
| 335.4 | 141236 | Hydrants | - | - | - | 0.00% | - | - | - | N/A | N/A | 45 | 2.50% | 40 | - | - | |
| 343.5 | 141308 | Tool Shop Equipment | 85,212 | (85,212) | - | Fully Depr | - | (85,212) | - | N/A | N/A | 16 | 5.00% | 20 | - | - | |
| 346.5 | 141310 | Communications Equipment | - | - | - | 0.00% | - | - | - | N/A | N/A | 10 | 10.00% | 10 | - | - | |
| 341.5 | 141401 | Vehicles | 93,629 | (89,839) | 5.00 | 20.00% | 18,726 | (93,629) | 5.00 | 6/29/2017 | 6/30/2017 | 6 | 20.00% | 5 | - | - | |
| | | | 12,195,043 | (6,793,016) | | | 409,987 | (6,992,436) | | | | | | | 167,769 | 5,202,607 | |
| | | Purchase Acquisition Adjustment | 3,213,393 | | | | | | | | | | 3.22% | | 103,623 | 3,213,393 | |
| | | Transaction and Closing Costs | 312,039 | | | | | | | | | | 2.50% | | 7,801 | 312,039 | |
| | | | 3,525,432 | - | | | | - | | | | | | | 111,424 | 3,525,432 | |
| | | | 15,720,475 | (6,793,016) | | | | (6,992,436) | | | | | | | 279,193 | 8,728,039 | |

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

Updated 03/27/2023

Projected Income Statement - Water Operations

| Line No. | Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------------|---|-------------|-------------|-------------|-------------|-------------|
| <u>Operating revenue</u> | | | | | | |
| 1 | Metered service revenue | \$1,006,942 | \$1,014,561 | \$1,029,036 | \$1,044,274 | \$1,359,960 |
| 2 | Flat rate service revenue | - | - | - | - | - |
| 3 | EPA testing surcharge | - | - | - | - | - |
| 4 | Re-connect fees | - | - | - | - | - |
| 5 | Return check charge | - | - | - | - | - |
| 6 | Late payment charges | - | - | - | - | - |
| 7 | Other operating revenue | 8,545 | 8,608 | 8,726 | 8,852 | 8,977 |
| 8 | Total operating revenue (Sum of Line 1 thru Line 7) | 1,015,487 | 1,023,169 | 1,037,762 | 1,053,126 | 1,368,937 |
| <u>Operating expenses</u> | | | | | | |
| 9 | Total salaries and wages (employees only) | 196,273 | 197,711 | 200,443 | 203,319 | 206,195 |
| 10 | Outside labor expense (non-employees) | - | - | - | - | - |
| 11 | Administrative and office expense | 16,052 | 16,170 | 16,393 | 16,629 | 16,864 |
| 12 | Maintenance and repair expense | 58,982 | 59,414 | 60,235 | 61,099 | 61,963 |
| 13 | Purchased water | - | - | - | - | - |
| 14 | Purchased sewage treatment | - | - | - | - | - |
| 15 | Electric power expense (exclude office) | 55,460 | 55,866 | 56,638 | 57,451 | 58,263 |
| 16 | Chemicals expense | 17,431 | 17,559 | 17,801 | 18,057 | 18,312 |
| 17 | Testing fees | 9,828 | 9,900 | 10,037 | 10,181 | 10,325 |
| 18 | Transportation expense | 13,322 | 13,420 | 13,605 | 13,801 | 13,996 |
| 19 | Other operating expenses | 234,534 | 236,253 | 239,517 | 242,953 | 246,390 |
| 20 | Total operation and maintenance expenses (Sum of Lines 9 thru 19) | 601,882 | 606,293 | 614,669 | 623,490 | 632,308 |
| 21 | Annual depreciation/amortization expense | 279,193 | 280,943 | 280,943 | 280,943 | 280,943 |
| 22 | Property taxes paid on utility property | 6,306 | 6,353 | 6,440 | 6,533 | 6,625 |
| 23 | Payroll taxes | 15,097 | 15,208 | 15,418 | 15,639 | 15,860 |
| 24 | Franchise (gross receipts) tax | - | - | - | - | - |
| 25 | Annual NCUC regulatory fee | 1,422 | 1,432 | 1,453 | 1,474 | 1,917 |
| 26 | Total operating expenses (Sum of Line 20 thru Line 25) | 903,900 | 910,229 | 918,923 | 928,079 | 937,653 |
| <u>Income taxes</u> | | | | | | |
| 27 | State income taxes | (2,168) | (2,036) | (1,716) | (1,389) | 6,439 |
| 28 | Federal income taxes | (17,758) | (16,674) | (14,057) | (11,376) | 52,735 |
| 29 | Total income taxes (Line 27 + Line 28) | (19,926) | (18,710) | (15,773) | (12,765) | 59,174 |
| 30 | Net operating income (loss) (Line 8 - Line 26 - Line 29) | \$131,513 | \$131,650 | \$134,612 | \$137,812 | \$372,110 |
| 31 | Interest expense | 198,317 | 194,375 | 187,491 | 180,609 | 173,726 |
| 32 | Net income (loss) (Line 30 - Line 31) | (\$66,804) | (\$62,725) | (\$52,879) | (\$42,797) | \$198,384 |

Statement of Cash Flows - Water Operations

| Line No. | Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---------------|---------------|---------------|---------------|---------------|
| <u>Cash Flows From Operating Activities</u> | | | | | | |
| 1 | Pre-tax operating income (loss): | | | | | |
| 2 | Total operating revenue | \$1,015,487 | \$1,023,169 | \$1,037,762 | \$1,053,126 | \$1,368,937 |
| 3 | Less: Operation and maintenance expenses | 601,882 | 606,293 | 614,669 | 623,490 | 632,308 |
| 4 | Less: Taxes other than income | 22,825 | 22,993 | 23,311 | 23,646 | 24,402 |
| 5 | Pre-tax operating income (loss) | 390,780 | 393,883 | 399,782 | 405,990 | 712,227 |
| 6 | Income tax calculation: | | | | | |
| 7 | Pre-tax operating income (loss) | 390,780 | 393,883 | 399,782 | 405,990 | 712,227 |
| 8 | Plus: Contributions in aid of construction | - | - | - | - | - |
| 9 | Less: Tax depreciation | 174,561 | 351,622 | 354,122 | 354,122 | 354,122 |
| 10 | Less: Interest expense | 198,317 | 194,375 | 187,491 | 180,609 | 173,726 |
| 11 | Taxable income (loss) | 17,902 | (152,114) | (141,831) | (128,741) | 184,379 |
| 12 | State income tax | 448 | (3,803) | (3,546) | (3,219) | 4,609 |
| 13 | Federal income tax | 3,665 | (31,145) | (29,040) | (26,360) | 37,752 |
| 14 | Total income taxes to be paid | 4,113 | (34,948) | (32,586) | (29,578) | 42,361 |
| 15 | Net cash provided by (used in) operating activities | \$386,667 | \$428,831 | \$432,368 | \$435,568 | \$669,866 |
| <u>Cash Flows From Investing Activities</u> | | | | | | |
| 16 | Purchases of utility plant | \$8,728,039 | 125,000 | - | - | - |
| 17 | Plus: Cash bonds posted | - | - | - | - | - |
| 18 | Less: Contributions in aid of construction | - | - | - | - | - |
| 19 | Less: Proceeds from disposal of utility plant | - | - | - | - | - |
| 20 | Net cash used (provided) by investing activities | 8,728,039 | 125,000.00 | - | - | - |
| <u>Cash Flows From Financing Activities</u> | | | | | | |
| 21 | Proceeds from issuing short term debt | - | - | - | - | - |
| 22 | Less: Principal repayment of short term debt | - | - | - | - | - |
| 23 | Plus: Proceeds from issuing long term debt | - | - | - | - | - |
| 24 | Less: Principal repayment of long term debt | - | - | - | - | - |
| 25 | Less: Interest payment for short and long term debt | - | - | - | - | - |
| 26 | Plus: Proceeds from issuing stock | - | - | - | - | - |
| 27 | Less: Dividends paid | - | - | - | - | - |
| 28 | Plus: Funds provided by owner | - | - | - | - | - |
| 29 | Net cash provided (used) by financing activities | - | - | - | - | - |
| 30 | Net increase (decrease) in cash | (\$8,341,372) | \$303,831 | \$432,368 | \$435,568 | \$669,866 |
| 31 | Cash balance at beginning of year | - | (\$8,341,372) | (\$8,037,541) | (\$7,605,173) | (\$7,169,605) |
| 32 | Cash balance at end of year | (\$8,341,372) | (\$8,037,541) | (\$7,605,173) | (\$7,169,605) | (\$6,499,739) |

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

Updated 03/27/2023

Assumptions:

Sub 399 - Carteret CPCN Addendum Assumptions

Revenue:

Year 1 Revenue is at Carteret County current rates with customer counts and usage as of 06/30/22, per Sub 398 Junis Testimony Attachment 3a.

Year 2-5 Revenue is growth adjusted by an increase in ERC count of 1.5%. Compounded annual growth rates from 2019-2022 is approximately 2.09%. Further the growth assumption assumes average period customers in the given year.

Year 5 Revenue is adjusted to a \$/erc level equivalent to the expected MYRP RY 3 revenues + 5%, to account for an assumed effective date and impacts of the first rate case after acquisition.

Expense:

The basis for all expense assumptions start at a Sub 400 final Net Operating Income (NOI) for Uniform Water customers divided by total ERC count for that same period for each expense category. Projected customer growth accounts for projected expense growth.

Certain NOI line items are not included on a \$/ERC basis as not applicable to inclusion of new customers (such as Purchased Water and Regulatory Commission Expenses), additionally certain \$/ERC calculations are included in determining the cost to serve and revenue requirements but are not incremental to the acquisitions.

NOI Line items that are included but are not incremental to the acquisition represent costs that are currently included in the cost to serve but will not increase as a result of the acquisition. The addition of new customer base picking up these allocated costs reduces the total burden on a \$/ERC basis and represent economies of scale related to the acquisition.

Examples:

- Rent (Charlotte Office, Warehouse, etc.)
- Office Utilities
- Office Supplies
- Corporate Allocations
- Regional Salaries

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

Assumptions:**Sub 399 - Carteret CPCN Addendum Assumptions**

Additional NOI line items are calculated based on inputs from other schedules or as a fallout/calculated adjustment related to the revenues and expenses.

Manually Calculated Examples:**Depreciation Expense**

Calculated based on Carteret County Books PIS costs of \$12,195,043 and accumulated depreciation of \$6,793,016 as of 06/30/22. Imputed A/D through 12/31/22 of 6,992,436.

Assets were placed into categories based on type of asset (IE: mains, services, water plant) and assumed depreciation rates equivalent to current CWSNC Uniform depreciation rates on a going forward basis. Results in a going forward depreciation rate of 1.40% on the original 12,195,043 PIS costs.

Annual depreciation expense of \$167,769 divided by the Net Book Value of plant of \$5,202,607 yields a 3.22% rate for Purchase Acquisition Adjustment amortization in order to have PIS and PAA finish depreciating and amortizing at the same time.

Purchase Acquisition Adjustment Expense

Purchase Acquisition Adjustment (PAA) is assumed to be the difference between the NBV of plant on the date of close or \$5,202,607 in this model and the Commission Ordered Fair Market Value of \$8,416,000 results in \$3,213,393 in PAA. The amortization rate for this PAA is assumed to be 3.22% in order for PAA to finish amortizing with the depreciable assets.

Further approved acquisition costs of \$312,039 are also assumed to be amortized in the Organization account (2.5%) the same as the Riverbend and Silverton acquisitions.

Fallout / Calculated Examples:

NCUC Regulatory Fee - 0.14%
Interest Expense - 50% debt, 4.64% debt rate - from Sub 384
State Income Taxes - 2.5%
Federal Income Taxes - 21.0%

Cash Flows:

Cash Flow assumptions assume the total purchase price + acquisition costs of \$8,728,039 are incurred in year 1 and year 2 costs of \$125,000 for tank work is incurred.

Cost of Service Comparisons

| Line No. | Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Notes |
|----------|---|-------------------|--------------------|--------------------|--------------------|-------------------|--------------------------|
| | Rate Base - Example | 12/31/2023 | 12/31/2024 | 12/31/2025 | 12/31/2026 | 12/31/2027 | |
| 1 | Plant | 12,195,043 | 12,320,043 | 12,320,043 | 12,320,043 | 12,320,043 | |
| 2 | A/D | (7,160,206) | (7,327,975) | (7,497,494) | (7,667,013) | (7,836,533) | |
| 3 | PAA | 3,525,432 | 3,525,432 | 3,525,432 | 3,525,432 | 3,525,432 | |
| 4 | AA of PAA | (111,424) | (222,848) | (334,271) | (445,695) | (557,119) | |
| 5 | ADIT (Line 16) | 24,065 | 7,809 | (9,022) | (25,853) | (42,684) | |
| 6 | Working Capital (O&M Expenses / 8) | 75,235 | 75,787 | 76,834 | 77,936 | 79,039 | |
| 7 | Rate Base (Sum Line 1 through 6) | \$ 8,548,147 | \$ 8,378,249 | \$ 8,081,522 | \$ 7,784,850 | \$ 7,488,178 | |
| | ADIT Calculations | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
| 8 | Depreciation and Amortization Expense | (279,193) | (280,943) | (280,943) | (280,943) | (280,943) | |
| 9 | MACRS Depreciation (4%) | (174,561) | (351,622) | (354,122) | (354,122) | (354,122) | |
| 10 | Tax Rate | 23% | 23% | 23% | 23% | 23% | |
| 11 | ADIT | \$ 24,065 | \$ (16,256) | \$ (16,831) | \$ (16,831) | \$ (16,831) | |
| 12 | Regulatory Rate Base | 8,448,846 | 8,294,653 | 8,013,710 | 7,732,767 | 7,451,824 | |
| 13 | Tax Rate Base | 8,553,478 | 8,328,606 | 7,974,484 | 7,620,362 | 7,266,240 | |
| 14 | Timing Differences (Line 13 - Line 12) | \$ 104,632 | \$ 33,953 | \$ (39,226) | \$ (112,405) | \$ (185,584) | |
| 15 | Tax Rate (Composite 21% Federal, 2.5% State) | 23% | 23% | 23% | 23% | 23% | |
| 16 | Cumulative ADIT (Line 14 * Line 15) | \$ 24,065 | \$ 7,809 | \$ (9,022) | \$ (25,853) | \$ (42,684) | |
| | Capital Structure | | | | | | |
| 17 | Debt - Hypothetical from Sub 400 | 50% | 50% | 50% | 50% | 50% | |
| 18 | Equity - Hypothetical from Sub 400 | 50% | 50% | 50% | 50% | 50% | |
| | Return on Capital - Post Tax | | | | | | |
| 19 | Debt | 4.64% | 4.64% | 4.64% | 4.64% | 4.64% | |
| 20 | Equity - Sub 384 | 9.40% | 9.40% | 9.40% | 9.40% | 9.40% | |
| | Cost of Capital - Pre Tax | | | | | | Retention Factors |
| 21 | Debt - 4.64% rate from Sub 400 (Line 7 * 17 * 19 / 0.9987) | 198,575 | 194,628 | 187,735 | 180,844 | 173,952 | 0.9987 |
| 22 | Equity - Sub 384 - Authorized - (Line 7 * 18 * 20 / 0.769248) | 522,280 | 511,900 | 493,770 | 475,644 | 457,517 | 0.769248 |

| Revenue Requirement - Total | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
|--|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|
| 23 | Total operation and maintenance expenses (From Addendum) | 601,882 | 606,293 | 614,669 | 623,490 | 632,308 | |
| 24 | Annual depreciation expense | 279,193 | 280,943 | 280,943 | 280,943 | 280,943 | |
| 25 | Property taxes paid on utility property | 6,306 | 6,353 | 6,440 | 6,533 | 6,625 | |
| 26 | Payroll taxes | 15,097 | 15,208 | 15,418 | 15,639 | 15,860 | |
| 27 | Annual NCUC regulatory fee | 1,422 | 1,432 | 1,453 | 1,474 | 1,917 | |
| 28 | Debt (Line 21) | 198,575 | 194,628 | 187,735 | 180,844 | 173,952 | |
| 29 | Equity (Line 22) | 522,280 | 511,900 | 493,770 | 475,644 | 457,517 | |
| 30 | Revenue Requirement - Standalone (Sum Lines 23 through 29) | \$ 1,624,755 | \$ 1,616,757 | \$ 1,600,428 | \$ 1,584,566 | \$ 1,569,122 | |
| Non Incremental Expenses (ERC * \$/ERC) | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | \$/ERC |
| 31 | Rent | 10,647 | 10,725 | 10,873 | 11,029 | 11,185 | 7.80 |
| 32 | Office Utilities | 9,091 | 9,158 | 9,284 | 9,417 | 9,550 | 6.66 |
| 33 | Office Supplies | 2,329 | 2,346 | 2,378 | 2,412 | 2,447 | 1.71 |
| 34 | Corporate Allocations | 140,226 | 141,254 | 143,206 | 145,260 | 147,315 | 102.73 |
| 35 | CWSNC Total Salaries and Benefits, including allocations | 235,763 | 237,490 | 240,772 | 244,226 | 247,680 | 172.72 |
| 36 | Direct Salary Additions | (143,000) | (144,048) | (146,038) | (148,133) | (150,229) | (104.76) |
| 37 | Total Non Incremental Expenses (Sum Lines 31 through 36) | \$ 255,056 | \$ 256,925 | \$ 260,475 | \$ 264,212 | \$ 267,949 | |
| 38 | Revenue Requirement - Uniform Rates (Line 30 - Line 37) | \$ 1,369,699 | \$ 1,359,832 | \$ 1,339,954 | \$ 1,320,354 | \$ 1,301,173 | |
| Rates from Carteret Perspective | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
| 39 | ERC - Carteret | 1,365 | 1,375 | 1,394 | 1,414 | 1,434 | |
| 40 | Average Monthly Bill - Current, then put into Uniform Rates | \$ 61.47 | \$ 61.47 | \$ 61.47 | \$ 61.47 | \$ 79.03 | |
| 41 | Average Monthly Bill - Standalone Rates (Line 30 / Line 39 / 12) | | | | | \$ 91.19 | |
| 42 | Average Monthly Bill - Carteret, no CWSNC ownership | \$ 61.47 | \$ 86.06 | \$ 88.12 | \$ 90.24 | \$ 92.40 | 40% yr 1, 2.4% continuing |
| Rates from Uniform Water Perspective | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | Notes |
| 43 | Uniform Water Revenue Requirement W/O Carteret (From CWSNC PO) | \$ 21,822,021 | \$ 25,488,156 | \$ 26,867,134 | \$ 27,419,699 | \$ 28,790,684 | Sub 400 + 5% |
| 44 | Revenue Requirement - Carteret Standalone (Line 43 - Line 37) | \$ 21,822,021 | \$ 25,488,156 | \$ 26,867,134 | \$ 27,419,699 | \$ 28,522,735 | |
| 45 | Revenue Requirement w/ Carteret (Line 43 + Line 38) | \$ 21,822,021 | \$ 25,488,156 | \$ 26,867,134 | \$ 27,419,699 | \$ 30,091,857 | |
| 46 | ERC w/o Carteret (Sub 400 ERC) | 29,426 | 29,426 | 29,716 | 30,006 | 30,296 | |
| 47 | ERC w/ Carteret (Line 46 + Line 39) | 30,791 | 30,801 | 31,110 | 31,420 | 31,730 | |
| | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
| 48 | Average Monthly Bill - CWSNC Uniform Water Rates - Sub 400 | \$ 61.80 | \$ 72.18 | \$ 75.34 | \$ 76.15 | \$ 79.19 | |
| 49 | Average Monthly Bill - CWSNC Uniform Water Rates - Carteret Standalone | \$ 61.80 | \$ 72.18 | \$ 75.34 | \$ 76.15 | \$ 78.46 | |
| 50 | Average Monthly Bill - CWSNC Uniform Water Rates - incl. Carteret | \$ 61.80 | \$ 72.18 | \$ 75.34 | \$ 76.15 | \$ 79.03 | |

Carteret
ADDENDUM TO APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE AND FOR APPROVAL OF RATESPage 1 of 4
Updated 05/19/23

Projected Income Statement - Water Operations

| Line No. | Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------------|---|-------------|-------------|-------------|-------------|-------------|
| <u>Operating revenue</u> | | | | | | |
| 1 | Metered service revenue | \$1,006,942 | \$1,014,561 | \$1,029,036 | \$1,044,274 | \$1,335,037 |
| 2 | Flat rate service revenue | - | - | - | - | - |
| 3 | EPA testing surcharge | - | - | - | - | - |
| 4 | Re-connect fees | - | - | - | - | - |
| 5 | Return check charge | - | - | - | - | - |
| 6 | Late payment charges | - | - | - | - | - |
| 7 | Other operating revenue | 8,545 | 8,608 | 8,726 | 8,852 | 8,977 |
| 8 | Total operating revenue (Sum of Line 1 thru Line 7) | 1,015,487 | 1,023,169 | 1,037,762 | 1,053,126 | 1,344,014 |
| <u>Operating expenses</u> | | | | | | |
| 9 | Total salaries and wages (employees only) | 196,273 | 197,711 | 200,443 | 203,319 | 206,195 |
| 10 | Outside labor expense (non-employees) | - | - | - | - | - |
| 11 | Administrative and office expense | 16,052 | 16,170 | 16,393 | 16,629 | 16,864 |
| 12 | Maintenance and repair expense | 58,982 | 59,414 | 60,235 | 61,099 | 61,963 |
| 13 | Purchased water | - | - | - | - | - |
| 14 | Purchased sewage treatment | - | - | - | - | - |
| 15 | Electric power expense (exclude office) | 55,460 | 55,866 | 56,638 | 57,451 | 58,263 |
| 16 | Chemicals expense | 17,431 | 17,559 | 17,801 | 18,057 | 18,312 |
| 17 | Testing fees | 9,828 | 9,900 | 10,037 | 10,181 | 10,325 |
| 18 | Transportation expense | 13,322 | 13,420 | 13,605 | 13,801 | 13,996 |
| 19 | Other operating expenses | 234,534 | 236,253 | 239,517 | 242,953 | 246,390 |
| 20 | Total operation and maintenance expenses (Sum of Lines 9 thru 19) | 601,882 | 606,293 | 614,669 | 623,490 | 632,308 |
| 21 | Annual depreciation/amortization expense | 279,193 | 280,943 | 280,943 | 280,943 | 280,943 |
| 22 | Property taxes paid on utility property | 6,306 | 6,353 | 6,440 | 6,533 | 6,625 |
| 23 | Payroll taxes | 15,097 | 15,208 | 15,418 | 15,639 | 15,860 |
| 24 | Franchise (gross receipts) tax | - | - | - | - | - |
| 25 | Annual NCUC regulatory fee | 1,422 | 1,432 | 1,453 | 1,474 | 1,882 |
| 26 | Total operating expenses (Sum of Line 20 thru Line 25) | 903,900 | 910,229 | 918,923 | 928,079 | 937,618 |
| <u>Income taxes</u> | | | | | | |
| 27 | State income taxes | (2,168) | (2,036) | (1,716) | (1,389) | 5,817 |
| 28 | Federal income taxes | (17,758) | (16,674) | (14,057) | (11,376) | 47,639 |
| 29 | Total income taxes (Line 27 + Line 28) | (19,926) | (18,710) | (15,773) | (12,765) | 53,456 |
| 30 | Net operating income (loss) (Line 8 - Line 26 - Line 29) | \$131,513 | \$131,650 | \$134,612 | \$137,812 | \$352,940 |
| 31 | Interest expense | 198,317 | 194,375 | 187,491 | 180,609 | 173,726 |
| 32 | Net income (loss) (Line 30 - Line 31) | (\$66,804) | (\$62,725) | (\$52,879) | (\$42,797) | \$179,214 |

Statement of Cash Flows - Water Operations

| Line No. | Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---------------|---------------|---------------|---------------|---------------|
| <u>Cash Flows From Operating Activities</u> | | | | | | |
| 1 | Pre-tax operating income (loss): | | | | | |
| 2 | Total operating revenue | \$1,015,487 | \$1,023,169 | \$1,037,762 | \$1,053,126 | \$1,344,014 |
| 3 | Less: Operation and maintenance expenses | 601,882 | 606,293 | 614,669 | 623,490 | 632,308 |
| 4 | Less: Taxes other than income | 22,825 | 22,993 | 23,311 | 23,646 | 24,367 |
| 5 | Pre-tax operating income (loss) | 390,780 | 393,883 | 399,782 | 405,990 | 687,339 |
| 6 | Income tax calculation: | | | | | |
| 7 | Pre-tax operating income (loss) | 390,780 | 393,883 | 399,782 | 405,990 | 687,339 |
| 8 | Plus: Contributions in aid of construction | - | - | - | - | - |
| 9 | Less: Tax depreciation | 174,561 | 351,622 | 354,122 | 354,122 | 354,122 |
| 10 | Less: Interest expense | 198,317 | 194,375 | 187,491 | 180,609 | 173,726 |
| 11 | Taxable income (loss) | 17,902 | (152,114) | (141,831) | (128,741) | 159,491 |
| 12 | State income tax | 448 | (3,803) | (3,546) | (3,219) | 3,987 |
| 13 | Federal income tax | 3,665 | (31,145) | (29,040) | (26,360) | 32,656 |
| 14 | Total income taxes to be paid | 4,113 | (34,948) | (32,586) | (29,578) | 36,643 |
| 15 | Net cash provided by (used in) operating activities | \$386,667 | \$428,831 | \$432,368 | \$435,568 | \$650,696 |
| <u>Cash Flows From Investing Activities</u> | | | | | | |
| 16 | Purchases of utility plant | \$8,728,039 | 125,000 | - | - | - |
| 17 | Plus: Cash bonds posted | - | - | - | - | - |
| 18 | Less: Contributions in aid of construction | - | - | - | - | - |
| 19 | Less: Proceeds from disposal of utility plant | - | - | - | - | - |
| 20 | Net cash used (provided) by investing activities | 8,728,039 | 125,000.00 | - | - | - |
| <u>Cash Flows From Financing Activities</u> | | | | | | |
| 21 | Proceeds from issuing short term debt | - | - | - | - | - |
| 22 | Less: Principal repayment of short term debt | - | - | - | - | - |
| 23 | Plus: Proceeds from issuing long term debt | - | - | - | - | - |
| 24 | Less: Principal repayment of long term debt | - | - | - | - | - |
| 25 | Less: Interest payment for short and long term debt | - | - | - | - | - |
| 26 | Plus: Proceeds from issuing stock | - | - | - | - | - |
| 27 | Less: Dividends paid | - | - | - | - | - |
| 28 | Plus: Funds provided by owner | - | - | - | - | - |
| 29 | Net cash provided (used) by financing activities | - | - | - | - | - |
| 30 | Net increase (decrease) in cash | (\$8,341,372) | \$303,831 | \$432,368 | \$435,568 | \$650,696 |
| 31 | Cash balance at beginning of year | - | (\$8,341,372) | (\$8,037,541) | (\$7,605,173) | (\$7,169,605) |
| 32 | Cash balance at end of year | (\$8,341,372) | (\$8,037,541) | (\$7,605,173) | (\$7,169,605) | (\$6,518,909) |

Updated 05/19/23

Sub 399 - Carteret CPCN Addendum Assumptions**Assumptions:****Revenue:**

Year 1 Revenue is at Carteret County current rates with customer counts and usage as of 06/30/22, per Sub 398 Junis Testimony Attachment 3a.

Year 2-5 Revenue is growth adjusted by an increase in ERC count of 1.5%. Compounded annual growth rates from 2019-2022 is approximately 2.09%. Further the growth assumption assumes average period customers in the given year.

Year 5 Revenue is adjusted to a \$/erc level equivalent to the expected MYRP RY 3 revenues + 5%, to account for an assumed effective date and impacts of the first rate case after acquisition.

Expense:

The basis for all expense assumptions start at a Sub 400 final Net Operating Income (NOI) for Uniform Water customers divided by total ERC count for that same period for each expense category. Projected customer growth accounts for projected expense growth.

Certain NOI line items are not included on a \$/ERC basis as not applicable to inclusion of new customers (such as Purchased Water and Regulatory Commission Expenses), additionally certain \$/ERC calculations are included in determining the cost to serve and revenue requirements but are not incremental to the acquisitions.

NOI Line items that are included but are not incremental to the acquisition represent costs that are currently included in the cost to serve but will not increase as a result of the acquisition. The addition of new customer base picking up these allocated costs reduces the total burden on a \$/ERC basis and represent economies of scale related to the acquisition.

Examples:

- Rent (Charlotte Office, Warehouse, etc.)
- Office Utilities
- Office Supplies
- Corporate Allocations
- Regional Salaries

Additional NOI line items are calculated based on inputs from other schedules or as a fallout/calculated adjustment related to the revenues and expenses.

Assumptions:**Sub 399 - Carteret CPCN Addendum Assumptions****Manually Calculated Examples:****Depreciation Expense**

Calculated based on Carteret County Books PIS costs of \$12,195,043 and accumulated depreciation of \$6,793,016 as of 06/30/22. Imputed A/D through 12/31/22 of 6,992,436.

Assets were placed into categories based on type of asset (IE: mains, services, water plant) and assumed depreciation rates equivalent to current CWSNC Uniform depreciation rates on a going forward basis. Results in a going forward depreciation rate of 1.40% on the original 12,195,043 PIS costs.

Annual depreciation expense of \$167,769 divided by the Net Book Value of plant of \$5,202,607 yields a 3.22% rate for Purchase Acquisition Adjustment amortization in order to have PIS and PAA finish depreciating and amortizing at the same time.

Purchase Acquisition Adjustment Expense

Purchase Acquisition Adjustment (PAA) is assumed to be the difference between the NBV of plant on the date of close or \$5,202,607 in this model and the Commission Ordered Fair Market Value of \$8,416,000 results in \$3,213,393 in PAA. The amortization rate for this PAA is assumed to be 3.22% in order for PAA to finish amortizing with the depreciable assets.

Further approved acquisition costs of \$312,039 are also assumed to be amortized in the Organization account (2.5%) the same as the Riverbend and Silverton acquisitions.

Fallout / Calculated Examples:

NCUC Regulatory Fee - 0.14%

Interest Expense - 50% debt, 4.64% debt rate - from Sub 384

State Income Taxes - 2.5%

Federal Income Taxes - 21.0%

Cash Flows:

Cash Flow assumptions assume the total purchase price + acquisition costs of \$8,728,039 are incurred in year 1 and year 2 costs of \$125,000 for tank work is incurred.

Matthew P. Schellinger
 Revised Rebuttal Exhibit MPS-4
 W-354, Sub 399 - Carteret CPCN
 Cost of Service Calculations

Cost of Service Comparisons

| Line No. | Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Notes |
|----------|---|-------------------|--------------------|--------------------|--------------------|-------------------|--------------------------|
| | Rate Base - Example | 12/31/2023 | 12/31/2024 | 12/31/2025 | 12/31/2026 | 12/31/2027 | |
| 1 | Plant | 12,195,043 | 12,320,043 | 12,320,043 | 12,320,043 | 12,320,043 | |
| 2 | A/D | (7,160,206) | (7,327,975) | (7,497,494) | (7,667,013) | (7,836,533) | |
| 3 | PAA | 3,525,432 | 3,525,432 | 3,525,432 | 3,525,432 | 3,525,432 | |
| 4 | AA of PAA | (111,424) | (222,848) | (334,271) | (445,695) | (557,119) | |
| 5 | ADIT (Line 16) | 24,065 | 7,809 | (9,022) | (25,853) | (42,684) | |
| 6 | Working Capital (O&M Expenses / 8) | 75,235 | 75,787 | 76,834 | 77,936 | 79,039 | |
| 7 | Rate Base (Sum Line 1 through 6) | \$ 8,548,147 | \$ 8,378,249 | \$ 8,081,522 | \$ 7,784,850 | \$ 7,488,178 | |
| | ADIT Calculations | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
| 8 | Depreciation and Amortization Expense | (279,193) | (280,943) | (280,943) | (280,943) | (280,943) | |
| 9 | MACRS Depreciation (4%) | (174,561) | (351,622) | (354,122) | (354,122) | (354,122) | |
| 10 | Tax Rate | 23% | 23% | 23% | 23% | 23% | |
| 11 | ADIT | \$ 24,065 | \$ (16,256) | \$ (16,831) | \$ (16,831) | \$ (16,831) | |
| 12 | Regulatory Rate Base | 8,448,846 | 8,294,653 | 8,013,710 | 7,732,767 | 7,451,824 | |
| 13 | Tax Rate Base | 8,553,478 | 8,328,606 | 7,974,484 | 7,620,362 | 7,266,240 | |
| 14 | Timing Differences (Line 13 - Line 12) | \$ 104,632 | \$ 33,953 | \$ (39,226) | \$ (112,405) | \$ (185,584) | |
| 15 | Tax Rate (Composite 21% Federal, 2.5% State) | 23% | 23% | 23% | 23% | 23% | |
| 16 | Cumulative ADIT (Line 14 * Line 15) | \$ 24,065 | \$ 7,809 | \$ (9,022) | \$ (25,853) | \$ (42,684) | |
| | Capital Structure | | | | | | |
| 17 | Debt - Hypothetical from Sub 400 | 50% | 50% | 50% | 50% | 50% | |
| 18 | Equity - Hypothetical from Sub 400 | 50% | 50% | 50% | 50% | 50% | |
| | Return on Capital - Post Tax | | | | | | |
| 19 | Debt | 4.64% | 4.64% | 4.64% | 4.64% | 4.64% | |
| 20 | Equity - Sub 400 | 9.80% | 9.80% | 9.80% | 9.80% | 9.80% | |
| | Cost of Capital - Pre Tax | | | | | | Retention Factors |
| 21 | Debt - 4.64% rate from Sub 400 (Line 7 * 17 * 19 / 0.9986) | 198,595 | 194,648 | 187,754 | 180,862 | 173,969 | 0.9986 |
| 22 | Equity - Sub 400 - Authorized - (Line 7 * 18 * 20 / 0.769172) | 544,559 | 533,735 | 514,832 | 495,933 | 477,033 | 0.769172 |

Revised Rebuttal Exhibit MPS-4
W-354, Sub 399 - Carteret CPCN
Cost of Service Calculations

| Revenue Requirement - Total | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
|--|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|
| 23 | Total operation and maintenance expenses (From Addendum) | 601,882 | 606,293 | 614,669 | 623,490 | 632,308 | |
| 24 | Annual depreciation expense | 279,193 | 280,943 | 280,943 | 280,943 | 280,943 | |
| 25 | Property taxes paid on utility property | 6,306 | 6,353 | 6,440 | 6,533 | 6,625 | |
| 26 | Payroll taxes | 15,097 | 15,208 | 15,418 | 15,639 | 15,860 | |
| 27 | Annual NCUC regulatory fee | 1,422 | 1,432 | 1,453 | 1,474 | 1,882 | |
| 28 | Debt (Line 21) | 198,595 | 194,648 | 187,754 | 180,862 | 173,969 | |
| 29 | Equity (Line 22) | 544,559 | 533,735 | 514,832 | 495,933 | 477,033 | |
| 30 | Revenue Requirement - Standalone (Sum Lines 23 through 29) | \$ 1,647,054 | \$ 1,638,612 | \$ 1,621,509 | \$ 1,604,874 | \$ 1,588,621 | |
| Non Incremental Expenses (ERC * \$/ERC) | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | \$/ERC |
| 31 | Rent | 10,647 | 10,725 | 10,873 | 11,029 | 11,185 | 7.80 |
| 32 | Office Utilities | 9,091 | 9,158 | 9,284 | 9,417 | 9,550 | 6.66 |
| 33 | Office Supplies | 2,329 | 2,346 | 2,378 | 2,412 | 2,447 | 1.71 |
| 34 | Corporate Allocations | 140,226 | 141,254 | 143,206 | 145,260 | 147,315 | 102.73 |
| 35 | CWSNC Total Salaries and Benefits, including allocations | 235,763 | 237,490 | 240,772 | 244,226 | 247,680 | 172.72 |
| 36 | Direct Salary Additions | (143,000) | (144,048) | (146,038) | (148,133) | (150,229) | (104.76) |
| 37 | Total Non Incremental Expenses (Sum Lines 31 through 36) | \$ 255,056 | \$ 256,925 | \$ 260,475 | \$ 264,212 | \$ 267,949 | |
| 38 | Revenue Requirement - Uniform Rates (Line 30 - Line 37) | \$ 1,391,998 | \$ 1,381,688 | \$ 1,361,035 | \$ 1,340,662 | \$ 1,320,672 | |
| Rates from Carteret Perspective | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
| 39 | ERC - Carteret | 1,365 | 1,375 | 1,394 | 1,414 | 1,434 | |
| 40 | Average Monthly Bill - Current, then put into Uniform Rates | \$ 61.47 | \$ 61.47 | \$ 61.47 | \$ 61.47 | \$ 77.58 | |
| 41 | Average Monthly Bill - Standalone Rates (Line 30 / Line 39 / 12) | | | | | \$ 92.32 | |
| 42 | Average Monthly Bill - Carteret, no CWSNC ownership | \$ 61.47 | \$ 86.06 | \$ 88.12 | \$ 90.24 | \$ 92.40 | 40% yr 1, 2.4% continuing |
| Rates from Uniform Water Perspective | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | Notes |
| 43 | Uniform Water Revenue Requirement W/O Carteret (Sub 400 Final Order) | \$ 21,822,021 | \$ 24,961,455 | \$ 26,337,089 | \$ 26,875,972 | \$ 28,219,771 | Sub 400 + 5% |
| 44 | Revenue Requirement - Carteret Standalone (Line 43 - Line 37) | \$ 21,822,021 | \$ 24,961,455 | \$ 26,337,089 | \$ 26,875,972 | \$ 27,951,822 | |
| 45 | Revenue Requirement w/ Carteret (Line 43 + Line 38) | \$ 21,822,021 | \$ 24,961,455 | \$ 26,337,089 | \$ 26,875,972 | \$ 29,540,442 | |
| 46 | ERC w/o Carteret (Sub 400 ERC) | 29,426 | 29,426 | 29,716 | 30,006 | 30,296 | |
| 47 | ERC w/ Carteret (Line 46 + Line 39) | 30,791 | 30,801 | 31,110 | 31,420 | 31,730 | |
| | | Sub 384 | Sub 400 RY1 | Sub 400 RY2 | Sub 400 RY3 | MYRP 2.0 | |
| 48 | Average Monthly Bill - CWSNC Uniform Water Rates - Sub 400 | \$ 61.80 | \$ 70.69 | \$ 73.86 | \$ 74.64 | \$ 77.62 | |
| 49 | Average Monthly Bill - CWSNC Uniform Water Rates - Carteret Standalone | \$ 61.80 | \$ 70.69 | \$ 73.86 | \$ 74.64 | \$ 76.89 | |
| 50 | Average Monthly Bill - CWSNC Uniform Water Rates - incl. Carteret | \$ 61.80 | \$ 70.69 | \$ 73.86 | \$ 74.64 | \$ 77.58 | |

SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law

August 2, 2022

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

Via Electronic Delivery

Re: Application by Carolina Water Service, Inc. of North Carolina for
Certificate of Public Convenience and Necessity to Serve Current
Territory of Carteret County Water System
NCUC Docket No. W-354, Sub 399

Dear Ms. Dunston:

Attached for filing please find Carolina Water Service, Inc. of North Carolina's ("CWSNC" or "Company") Application for authority to serve the territory currently served by the Carteret County Water System. As we indicated in the filing of Docket W-354, Sub 398, this is a companion docket to the Company's petition for a Fair Value determination of the assets, for purpose of setting rate base in the CWSNC system upon acquisition of the Carteret County system by CWSNC. Therefore, the Company respectfully requests that these dockets be combined for hearing and decision by the North Carolina Utilities Commission.

I hereby certify that a copy of this filing has been served on the Public Staff and on the County Attorney for Carteret County.

As always, we thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

Electronically Submitted

/s/Jo Anne Sanford
North Carolina State Bar No. 6831
Attorney for Carolina Water Service, Inc. of
North Carolina, Inc.

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE & NECESSITY
AND FOR APPROVAL OF RATES

INSTRUCTIONS

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

APPLICANT

1. Trade name used for utility business: Carolina Water Service, Inc. of North Carolina
 2. Name of owner (if different from trade name): Corix Regulated Utilities, Inc.
 3. Business mailing address: P.O. Box 240908
City and state: Charlotte, North Carolina Zip Code: 28224-0908
 4. Business street address (if different from mailing address) 5821 Fairview Road, Suite 401
City and state: Charlotte, North Carolina Zip Code: 28209
 5. Business telephone number: 704-525-5049
 6. If corporation, list the following:
President: Donald Denton Vice President: Allen Wilt
Secretary: Allen Wilt Treasurer: Jim Andrejko
- Three (3) largest stockholders and percent of voting shares held by each:
Corix Regulated Utilities, Inc. 100%
7. If partnership, list the owners and percent of ownership held by each: N/A

PROPOSED UTILITY SERVICE AREAS

8. Name of Subdivision or Service Area: North River / Merrimon
9. County (or Counties): Carteret
10. Type of Service (Water and/or Sewer): Water

PROPOSED RATES

(Amount Applicant Proposes to Charge)

11. Metered Residential Service:
Water: North River: \$40.25 (base and first 1,000 gallons) \$10.10 per subsequent 1,000 gallons
Merrimon: \$23.40 (base and first 1,000 gallons) \$10.10 per subsequent 1,000 gallons
Sewer: N/A
12. Flat Rate Residential Service:
Water: N/A
Sewer: N/A
13. Nonresidential Service (explain):
Water: Meters 1" and above. 1": \$55.60 (base & first 1,000 gallons) \$10.10 per subsequent 1,000 gallons
2": \$160.90 (base and first 15,000 gallons) \$10.10 per subsequent 1,000 gallons
4": \$497.25 (base and first 53,000 gallons) \$10.10 per subsequent 1,000 gallons
Sewer: N/A
14. Tap-on fees:
Water: 3/4" - \$1,000, 1" - \$1,150, 2" and 4" - Cost plus 10%. \$900 additional for any road bore
Sewer: N/A
15. Finance charge for late payment: 1%
(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
16. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: \$42
17. Reconnection charge if water service discontinued at customer's request: \$42
18. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: N/A
19. Other charges: Other charges as approved by the Commission

-2-
PROPOSED BILLING

1. Frequency of billing shall be (monthly, quarterly, etc.) Monthly
2. Billing shall be for service (in advance or arrears) Arrears
3. Bills past due 45 days after billing dates: (NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).
4. Will regular billing be by written statement? (yes or no) Yes
5. Will the billing statement contain the following? (Indicate yes or no for each item)
 - (a) Meter reading at beginning and end of billing period..... Yes
 - (b) Date of meter readings..... Yes
 - (c) Gallons used, based on meter readings..... Yes
 - (d) Amount due for current billing period listed as a separate amount..... Yes
 - (e) Amount due from previous billing period listed as a separate amount..... Yes
 - (f) Amount due for each special charge (i.e., deposits, tap fees, etc.) listed as a separate amount.... Yes
6. Show how the following will appear on the billing statement:
 - (a) Mailing address of company: PO Box 70723, Philadelphia PA, 19176-0723
 - (b) Address where bill can be paid in person: Not applicable
 - (c) Name and phone number of alternative persons to contact for emergency service after business hours:
Customer Service – 1-800-525-7990
7. Is service already metered? (yes or no) Yes
8. Does the Applicant understand the provisions for establishing credit and collecting customer deposits set forth in NCUC Rules and Regulations, Chapter 12? (yes or no) Yes
 (Customer deposits must be refunded to customers having not more than two (2) bills overdue during a 12-month period and who are not then delinquent on the payment of their bills, per NCUC Rule R12-5.)

PRESENT RATES

9. Are you presently charging for service? If so, describe the rates being charged.
Not applicable
10. How long have these rates been in effect? Not Applicable

PERSONS TO CONTACT

| | <u>NAME</u> | <u>ADDRESS</u> | <u>TELEPHONE</u> |
|----------------------------|------------------|---|------------------|
| | <u>NAME</u> | <u>ADDRESS</u> | <u>TELEPHONE</u> |
| 11. General Manager | Donald Denton | 5821 Fairview Road, Suite 401 Charlotte NC 28209 | 800-525-7990 |
| 12. Complaints or Billing | Karen Sasic | 200 Weathersfield Ave Altamonte Springs, FL | 321-972-0368 |
| 13. Engineering Operations | Donald Denton | 5821 Fairview Road, Suite 401 Charlotte NC 28209 | 800-525-7990 |
| 14. Emergency Service | Customer Service | 5821 Fairview Road, Suite 401 Charlotte NC 28209 | 800-525-7990 |
| 15. Accounting | Phil Drennan | 500 W Monroe St Ste 3600, Chicago, IL 60661 | 704-319-0502 |

16. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas? (yes or no) No
17. Can customers make phone calls for service without being charged for a long distance phone call? (yes or no) Yes
18. Do persons designated to receive phone calls for emergency service, after regular business hours, have authority to provide the needed repairs without first contacting owner? (yes or no) Yes
19. List the qualifications of the person in charge of the utility system:
North Carolina "B" Well, "A" Distribution, Cross Connection – Anthony Futrell
20. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase:
None since 2014 – Disinfection by-products

SERVICE AREA

Fill in one column for each subdivision or service area.

| | (1) | (2) | (3) |
|--|--|---------------------|-----|
| 1. Name of subdivision or service area | North River | Merrimon | |
| 2. County (or Counties) | Carteret | Carteret | |
| 3. Type of service (water, sewer, etc.) | Water | Water | |
| 4. If water is purchased, list from whom | N/A | N/A | |
| 5. Source of water supply (wells, etc.) | Wells | Wells | |
| 6. Number of wells in service | 2 | 1 | |
| 7. Pumping capacity of each pump in service | 450 | 50 | |
| 8. Elevated storage tank capacity (gals.) | 600,000 | N/A | |
| 9. Pressure tank capacity (gals.) | N/A | 10,000 | |
| 10. Types of water treatment (chlorine, etc.) | Chloramines, Phosphate, Fluoride, Ion Exchange | Chlorine, Phosphate | |
| 11. Number of fire hydrants installed | 175 | N/A | |
| 12. Is sewage disposal by septic tank or by sewer system? | Septic Tanks | Septic Tanks | |
| 13. If disposal is by sewer system, is sewage treated by utility company or by others? | N/A | N/A | |
| 14. Capacity of Company's sewage treatment plant (gallons per day) | N/A | N/A | |
| 15. Is service metered? (yes or no) | Yes | Yes | |
| 16. Number of water meters in use | 1223 | 31 | |
| 17. Number of service taps in use (list number of each size) | Water 3/4" - 1,197 1" - 22 2" - 3 4" - 1 Sewer N/A | 3/4" - 31 N/A | |
| 18. Number of customers at the end of test year | Water 1223 Sewer N/A | 31 N/A | |
| 19. Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.) | Water 1800 Sewer N/A | 49 N/A | |
| 20. Number of customers that can be served by pumping capacity | Water 1800 | 49 | |
| 21. Number of customers that can be served by storage tank capacity | Water 1800 | 49 | |
| 22. Number of customers that can be served by treatment plant capacity | Sewer N/A | 49 | |
| 23. Name nearest water/sewer utility system | Brandywine Bay | Brandywine Bay | |
| 24. Distance to nearest water/sewer utility system | 17 Miles | 17 Miles | |
| 25. Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no) | No | No | |
| 26. a. DENR System I.D. No. | Water NC 04-16-197 | NC 04-16-198 | |
| b. NPDES or Nondischarge Permit No. | Sewer Backwash Only | N/A | |

FINANCIAL STATEMENT

- 1. Will a separate set of books be maintained for the utility business?
Yes
- 2. Will a separate bank account be maintained for the utility business?
No
- 3. Are the revenues and expenses listed below based on past operations or are they estimated for future operations?
(actual or estimated) Actual amounts from Carteret County Audit Report 2021

Note: If the Applicant already holds a public utility franchise, the proposed service area is new (i.e., there are no customers being served), and the proposed rates herein are the same as those previously approved, then the financial information below (lines 4 through 35) may be omitted.

REVENUES AND EXPENSES
For 12 Months Ended June 30, 2021 (Date)

| <u>Revenues</u> | <u>Water</u> | <u>Sewer</u> |
|---|---------------------|--------------|
| 4. Residential service (flat rate) | \$ _____ | \$ _____ |
| 5. Residential service (metered rate) | \$ <u>733,693</u> | \$ _____ |
| 6. Nonresidential service (flat rate) | \$ _____ | \$ _____ |
| 7. Nonresidential service (metered rate) | \$ _____ | \$ _____ |
| 8. Other revenues (describe in remarks below) | \$ <u>4,165</u> | \$ _____ |
| 9. Total Revenues (Lines 4 thru 8) | \$ <u>737,858</u> | \$ _____ |
| 10. Total salaries (except owner) | \$ _____ | \$ _____ |
| | \$ <u>351,391</u> | |
| 11. Salaries paid to owner | \$ _____ | \$ _____ |
| 12. Administrative and office expense (except salaries) | \$ _____ | \$ _____ |
| 13. Maintenance and repair expense (except salaries) | \$ _____ | \$ _____ |
| 14. Transportation expenses | \$ _____ | \$ _____ |
| 15. Electric power for pumping | \$ _____ | \$ _____ |
| 16. Chemicals for treatment | \$ _____ | \$ _____ |
| 17. Testing fees | \$ _____ | \$ _____ |
| 18. Permit fees | \$ _____ | \$ _____ |
| 19. Purchased water/sewer treatment | \$ _____ | \$ _____ |
| 20. Annual depreciation | \$ <u>364,270</u> | \$ _____ |
| 21. Taxes: State income taxes | \$ _____ | \$ _____ |
| 22. Federal income taxes | \$ _____ | \$ _____ |
| 23. Gross receipts (or franchise tax) | \$ _____ | \$ _____ |
| 24. Property taxes | \$ _____ | \$ _____ |
| 25. Payroll taxes | \$ _____ | \$ _____ |
| 26. Other taxes | \$ _____ | \$ _____ |
| 27. Interest on debt during year | \$ <u>49,835</u> | \$ _____ |
| 28. Other expenses (describe in remarks below) | \$ <u>308,631</u> | \$ _____ |
| 29. Total Expenses (Lines 10 thru 28) | \$ <u>1,074,127</u> | \$ _____ |
| 30. Net Income (Line 9 minus Line 29) | \$ <u>(336,269)</u> | \$ _____ |

Remarks

- 31. Audit report displays expenses in two categories: salaries & benefits and operating expenses
- 32. _____
- 33. _____
- 34. _____
- 35. _____

NUMBER OF CUSTOMERS SERVED

| | <u>Water</u> | | <u>Sewer</u> | |
|---------------------------------------|------------------|----------------|------------------|----------------|
| | <u>Flat Rate</u> | <u>Metered</u> | <u>Flat Rate</u> | <u>Metered</u> |
| 36. Customers at beginning of year | _____ | <u>1,254</u> | _____ | _____ |
| 37. Customers at end of year | _____ | <u>1,254</u> | _____ | _____ |
| 38. Average gallons used per customer | <u>3,773</u> | per month | | |

COST OF UTILITY SYSTEM

1. Is the cost of utility system listed below based on past operation, or is it estimated for future operation?
(actual or estimated) Estimated based on the average of the three FMV valuations; \$10,935,667
2. Does the cost of utility system listed below represent the cost to the Applicant herein? (yes or no)
No
If no, list cost (purchase price to Applicant). CWSNC will pay \$9,500,000 for the system

ORIGINAL COST OF UTILITY SYSTEM
As of Year Ended December 31, 2022 (Date)

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

| <u>Utility Property in Service</u> | <u>Balance at End of Year</u> | |
|---|-------------------------------|--------------|
| | <u>Water</u> | <u>Sewer</u> |
| 3. Land and rights-of-way | \$ <u>362,081</u> | \$ _____ |
| 4. Structures and site improvement | \$ <u>2,742,026</u> | \$ _____ |
| 5. Wells | \$ <u>587,661</u> | \$ _____ |
| 6. Pumping equipment | \$ <u>0</u> | \$ _____ |
| 7. Treatment equipment | \$ <u>172,400</u> | \$ _____ |
| 8. Storage tanks | \$ <u>2,030,735</u> | \$ _____ |
| 9. Mains (excluding service connections) | \$ <u>6,659,737</u> | \$ _____ |
| 10. Service connections | \$ <u>849,288</u> | \$ _____ |
| 11. Meters (including spare meters) | \$ <u>253,082</u> | \$ _____ |
| 12. Office furniture and equipment | \$ _____ | \$ _____ |
| 13. Transportation equipment | \$ _____ | \$ _____ |
| 14. Other utility property in service (describe in remarks below) | \$ <u>916,217</u> | \$ _____ |
| 15. Total utility property in service (Lines 3 thru 14) | \$ <u>14,573,227</u> | \$ _____ |
| 16. Less: accumulated depreciation | \$ <u>(3,637,560)</u> | \$ _____ |
| 17. Less: accumulated tap fees and other contributions in aid of construction | \$ _____ | \$ _____ |
| 18. Less: customer advances | \$ _____ | \$ _____ |
| 19. Net investment in utility property (Line 15 minus 16, 17, & 18) | \$ <u>10,935,667</u> | \$ _____ |

| <u>Utility Property Not in Service</u> | <u>Balance at End of Year</u> | |
|--|-------------------------------|--------------|
| | <u>Water</u> | <u>Sewer</u> |
| 20. Construction work in progress | \$ _____ | \$ _____ |
| 21. Property held for future use | \$ _____ | \$ _____ |
| 22. Other (describe in remarks below) | \$ _____ | \$ _____ |

Remarks

23. Other utility property includes power generation equipment, hydrants, tools, and communication equipment.
24. _____
25. _____
26. _____

RECOVERY OF PLANT COST

The utility proposes to recover the cost of the plant listed on Page 5, Line 15 as follows:

| | <u>Water</u> | <u>Sewer</u> |
|--|----------------------|-----------------|
| 1. Amount to be contributed by developer | \$ _____ | \$ _____ |
| 2. Amount to be recovered through tap fees | \$ _____ | \$ _____ |
| 3. Amount to be recovered through rates | \$ 9,500,000 | \$ _____ |
| 4. Other (please describe below on Line 6) | \$ 1,435,667 | \$ _____ |
| 5. Total cost of plant | <u>\$ 10,935,667</u> | <u>\$ _____</u> |

6. Description of other:

Purchase Acquisition Adjustment between the average of the three year valuations and the purchase price

ANNUAL DEPRECIATION

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

Water: 3.04%

Sewer: _____

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

| <u>Plant Type</u> | <u>Depreciation Rate</u> |
|--|--------------------------|
| <u>Structures and Improv Water Treat Plt</u> | <u>2.00%</u> |
| <u>Structures and Improv Trans Dist Plt</u> | <u>2.00%</u> |
| <u>Wells and Springs</u> | <u>2.00%</u> |
| <u>Power Generation Equipment</u> | <u>10.00%</u> |
| <u>Water Treatment Equipment</u> | <u>2.50%</u> |
| <u>Dist Resv and Standpipes</u> | <u>2.00%</u> |
| <u>Trans and Distr Mains</u> | <u>1.00%</u> |
| <u>Service Lines</u> | <u>2.00%</u> |
| <u>Meters</u> | <u>3.33%</u> |
| <u>Hydrants</u> | <u>2.50%</u> |
| <u>Tool Shop Equipment</u> | <u>5.00%</u> |
| <u>Communications Equipment</u> | <u>10.00%</u> |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

OTHER FINANCIAL INFORMATION

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

a. Capital structure as of 12/31/2021

b. Capital structure balances:

| | <u>Amount</u> | <u>Percent Of Total Capital</u> |
|--------------------------|-----------------------|-------------------------------------|
| Long-term debt/loans | \$ <u>324,498,571</u> | <u>48.37%</u> |
| Preferred stock (if any) | \$ _____ | _____ |
| Common equity: | | |
| Common stock | \$ _____ 110 | _____ |
| Retained earnings | \$ <u>346,306,810</u> | <u>51.63%</u> |
| Total common equity | \$ <u>346,306,920</u> | 51.63% |
| Total capital | \$ <u>670,805,491</u> | <u>100%</u> |

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

- a. Long-term debt \$ 4,750,000
- b. Short-term debt \$ _____
- c. Common stock \$ _____
- d. Retained earnings \$ _____
- e. Other (please describe below on Line g) \$ 4,750,000
- f. Total purchase price \$ 9,500,000

g. Description of other: _____

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

a. Brief description: Tank Investments \$125,000

- b. Financing:
- (1) Long-term debt \$ 62,500
- (2) Short-term debt \$ _____
- (3) Common stock \$ _____
- (4) Retained earnings \$ 62,500
- (5) Other (please describe below on Line (7)) \$ _____
- (6) Total improvements/additions \$ _____

(7) Description of other: _____

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

No major improvements / additions planned.

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

No major replacements planned.

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

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

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Applicant is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.) **On File.**
2. If the Applicants are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.) **N/A**
3. If the Applicant is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68. **N/A**
4. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each water system. **See attached Exhibit 4**
5. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each sewer system. **See attached Exhibit 5**
6. Enclose a copy of a Division of Environmental Health (DEH) report on a chemical analysis of untreated water from each well. (This should not be confused with the monthly samples submitted to DEH for bacteriological analysis. Contact DEH for instructions to obtain a sample for chemical analysis.) **See attached Exhibit 6, 6(a), and 6(b)**
7. Enclose a copy of purchase agreements or contracts showing provision for ownership or control of the water or sewer systems, including sites for wells or treatment plants. **See attached Exhibit 7 and 7(a)**
8. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none").
See attached Exhibit 7(a)
9. Enclose a vicinity map showing the location of the proposed subdivisions or service areas in sufficient detail for someone not familiar with the county to locate the subdivisions. (A county roadmap with the subdivisions outlined is suggested.) **See attached Exhibit 9 and 9(a)**
- 10.E nclose maps of the subdivisions in sufficient detail to show the layout of streets, lots, the water or sewer mains, hydrants, wells, pumping equipment, treatment facilities, storage facilities, etc. **See attached Exhibit 9 and 9(a)**
- 11.E nclose a copy of the workpapers supporting the estimate of the plant costs, including a breakdown by type of plant item, showing the detail of how the estimated cost was determined, and indicating which plant items, if any, will be contributed to the utility. **See attached Exhibit 11 and 11(a)**
- 12.E nclose a copy of the most recent fiscal year financial statements, audited if available, for the Applicant.
See attached Exhibit 12
- 13.E nclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Applicant. **See attached Exhibit 13 - Confidential**
- 14.I f the information requested in Exhibits 12 and 13 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the utility and/or parent company. **N/A**

FILING INSTRUCTIONS

- 15.E ight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325**. One of these copies must have an original signature. (Applicants must also provide any copies to be returned to them.)
- 16.E nclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.**

SIGNATURE

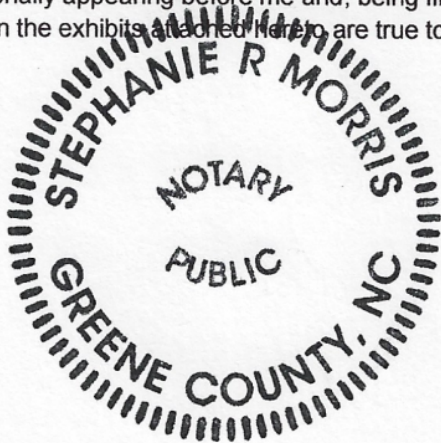
17. Application shall be signed and verified by the Applicant.

Signature *Dana Hill*

Date August 2, 2022

18. (Typed or Printed Name) Dana Hill

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



This the 2nd day of August, 2022.

Stephanie R. Morris
Notary Public

4751 Hull Rd LaGrange NC 28551
Address

My Commission Expires: May 14, 2025
Date

OFFICIAL COPY
Aug 12 2022

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

Projected Income Statement - Water Operations

| Line No. | <u>Item</u> | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|----------|---|------------------|------------------|------------------|------------------|------------------|
| | <u>Operating revenue</u> | | | | | |
| 1 | Metered service revenue | \$1,020,816 | \$1,020,816 | \$1,020,816 | \$1,020,816 | \$1,020,816 |
| 2 | Flat rate service revenue | - | - | - | - | - |
| 3 | EPA testing surcharge | - | - | - | - | - |
| 4 | Re-connect fees | - | - | - | - | - |
| 5 | Return check charge | - | - | - | - | - |
| 6 | Late payment charges | - | - | - | - | - |
| 7 | Other operating revenue | 10,358 | 10,358 | 10,358 | 10,358 | 10,358 |
| 8 | Total operating revenue (Sum of Line 1 thru Line 7) | <u>1,031,174</u> | <u>1,031,174</u> | <u>1,031,174</u> | <u>1,031,174</u> | <u>1,031,174</u> |
| | <u>Operating expenses</u> | | | | | |
| 9 | Total salaries and wages (employees only) | 155,621 | 155,621 | 155,621 | 155,621 | 155,621 |
| 10 | Outside labor expense (non-employees) | - | - | - | - | - |
| 11 | Administrative and office expense | 14,158 | 14,158 | 14,158 | 14,158 | 14,158 |
| 12 | Maintenance and repair expense | 53,696 | 53,696 | 53,696 | 53,696 | 53,696 |
| 13 | Purchased water | - | - | - | - | - |
| 14 | Purchased sewage treatment | - | - | - | - | - |
| 15 | Electric power expense (exclude office) | 45,545 | 45,545 | 45,545 | 45,545 | 45,545 |
| 16 | Chemicals expense | 15,224 | 15,224 | 15,224 | 15,224 | 15,224 |
| 17 | Testing fees | 11,098 | 11,098 | 11,098 | 11,098 | 11,098 |
| 18 | Transportation expense | 10,007 | 10,007 | 10,007 | 10,007 | 10,007 |
| 19 | Other operating expenses | 183,523 | 183,523 | 183,523 | 183,523 | 183,523 |
| 20 | Total operation and maintenance expenses (Sum of Lines 9 thru 19) | <u>488,872</u> | <u>488,872</u> | <u>488,872</u> | <u>488,872</u> | <u>488,872</u> |
| 21 | Annual depreciation expense | 260,300 | 262,013 | 263,725 | 263,725 | 263,725 |
| 22 | Property taxes paid on utility property | 9,480 | 9,480 | 9,480 | 9,480 | 9,480 |
| 23 | Payroll taxes | 12,063 | 12,063 | 12,063 | 12,063 | 12,063 |
| 24 | Franchise (gross receipts) tax | - | - | - | - | - |
| 25 | Annual NCUC regulatory fee | 1,341 | 1,341 | 1,341 | 1,341 | 1,341 |
| 26 | Total operating expenses (Sum of Line 20 thru Line 25) | <u>772,056</u> | <u>773,769</u> | <u>775,481</u> | <u>775,481</u> | <u>775,481</u> |
| | <u>Income taxes</u> | | | | | |
| 27 | State income taxes | 968 | 853 | 810 | 810 | 810 |
| 28 | Federal income taxes | 7,928 | 6,983 | 6,632 | 6,632 | 6,632 |
| 29 | Total income taxes (Line 27 + Line 28) | <u>8,896</u> | <u>7,836</u> | <u>7,442</u> | <u>7,442</u> | <u>7,442</u> |
| 30 | Net operating income (loss) (Line 8 - Line 26 - Line 29) | <u>\$250,222</u> | <u>\$249,569</u> | <u>\$248,251</u> | <u>\$248,251</u> | <u>\$248,251</u> |
| 31 | Interest expense | 220,400 | 223,300 | 223,300 | 223,300 | 223,300 |
| 32 | Net income (loss) (Line 30 - Line 31) | <u>\$29,822</u> | <u>\$26,269</u> | <u>\$24,951</u> | <u>\$24,951</u> | <u>\$24,951</u> |

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

Statement of Cash Flows - Water Operations

| Line No. | Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---------------|---------------|---------------|---------------|---------------|
| <u>Cash Flows From Operating Activities</u> | | | | | | |
| 1 | Pre-tax operating income (loss): | | | | | |
| 2 | Total operating revenue | \$1,031,174 | \$1,031,174 | \$1,031,174 | \$1,031,174 | \$1,031,174 |
| 3 | Less: Operation and maintenance expenses | 488,872 | 488,872 | 488,872 | 488,872 | 488,872 |
| 4 | Less: Taxes other than income | 22,884 | 22,884 | 22,884 | 22,884 | 22,884 |
| 5 | Pre-tax operating income (loss) | 519,418 | 519,418 | 519,418 | 519,418 | 519,418 |
| 6 | Income tax calculation: | | | | | |
| 7 | Pre-tax operating income (loss) | 519,418 | 519,418 | 519,418 | 519,418 | 519,418 |
| 8 | Plus: Contributions in aid of construction | - | - | - | - | - |
| 9 | Less: Tax depreciation | 190,000 | 382,500 | 385,000 | 385,000 | 385,000 |
| 10 | Less: Interest expense | 220,400 | 223,300 | 223,300 | 223,300 | 223,300 |
| 11 | Taxable income (loss) | 109,018 | (86,382) | (88,882) | (88,882) | (88,882) |
| 12 | State income tax | 2,725 | (2,160) | (2,222) | (2,222) | (2,222) |
| 13 | Federal income tax | 22,321 | (17,687) | (18,199) | (18,199) | (18,199) |
| 14 | Total income taxes to be paid | 25,047 | (19,846) | (20,421) | (20,421) | (20,421) |
| 15 | Net cash provided by (used in) operating activities | \$494,371 | \$539,264 | \$539,839 | \$539,839 | \$539,839 |
| <u>Cash Flows From Investing Activities</u> | | | | | | |
| 16 | Purchases of utility plant | \$9,500,000 | 125,000 | - | - | - |
| 17 | Plus: Cash bonds posted | - | - | - | - | - |
| 18 | Less: Contributions in aid of construction | - | - | - | - | - |
| 19 | Less: Proceeds from disposal of utility plant | - | - | - | - | - |
| 20 | Net cash used (provided) by investing activities | 9,500,000 | 125,000.00 | - | - | - |
| <u>Cash Flows From Financing Activities</u> | | | | | | |
| 21 | Proceeds from issuing short term debt | - | - | - | - | - |
| 22 | Less: Principal repayment of short term debt | - | - | - | - | - |
| 23 | Plus: Proceeds from issuing long term debt | - | - | - | - | - |
| 24 | Less: Principal repayment of long term debt | - | - | - | - | - |
| 25 | Less: Interest payment for short and long term debt | - | - | - | - | - |
| 26 | Plus: Proceeds from issuing stock | - | - | - | - | - |
| 27 | Less: Dividends paid | - | - | - | - | - |
| 28 | Plus: Funds provided by owner | - | - | - | - | - |
| 29 | Net cash provided (used) by financing activities | - | - | - | - | - |
| 30 | Net increase (decrease) in cash | (\$9,005,629) | \$414,264 | \$539,839 | \$539,839 | \$539,839 |
| 31 | Cash balance at beginning of year | - | (\$9,005,629) | (\$8,591,365) | (\$8,051,526) | (\$7,511,687) |
| 32 | Cash balance at end of year | (\$9,005,629) | (\$8,591,365) | (\$8,051,526) | (\$7,511,687) | (\$6,971,849) |

ADDENDUM TO APPLICATION FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND FOR APPROVAL OF RATES

Instructions

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

August 25, 2022

VIA ELECTRONIC MAIL

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

Re: Docket No. W-354, Sub 399 – Application by Carolina Water Service, Inc. of North Carolina, 5821 Fairview Road, Suite 401, Charlotte, North Carolina 28209, for a Certificate of Public Convenience and Necessity to Provide Water Utility Service to the Carteret County Water System, and for Approval of Rates

Dear Ms. Sanford:

The Public Staff has reviewed the application filed in the above-referenced docket on August 2, 2022, by Carolina Water Service, Inc. of North Carolina (CWSNC or the Company). Based on its review, the Public Staff has identified the following material deficiencies that must be addressed in order for the application to be complete:

1. Application, page 1, lists reconnection charges of \$42 on lines 16 and 17 that are different from the \$30 listed in the Revised Form Application Exhibit 12 filed in Docket No. W-354, Sub 398, on August 11, 2022.
2. Application, page 1, line 19, states “[o]ther charges as approved by the Commission.” N.C. Gen. Stat. § 62.133.1A.(c)(8) states in pertinent part that, “[t]he 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.” It is not clear what other charges the Company is proposing to charge.

3. Application, page 2, line 3, lists the number of days after billing that bills are past due as 45 days and this is different from the 21 days listed in the Revised Form Application Exhibit 12 filed in Docket No. W-354, Sub 398, on August 11, 2022.
4. The application includes a list of exhibits that must be attached to the application.
 - a. CWSNC is required to “[e]nclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each water system.” CWSNC’s application states, “See attached Exhibit 4.” Exhibit 4 is the 2022 Permit to Operate a Community Public Water System for both the Merrimon and North River/Mill creek water systems, however, the letters approving the plans for each water system were not provided.
 - b. CWSNC is required to “[e]nclose a copy of a Division of Environmental Health (DEH) report on a chemical analysis of untreated water from each well.” CWSNC’s application states, “See attached Exhibit 6, 6(a), and 6(b).” Exhibit 6, 6(a), and 6(b) are volatile organic and inorganic chemical analysis results of the treated water, however, the chemical analysis results of the untreated water were not provided.

The Public Staff considers the Company’s application incomplete as filed for the reasons set forth above.

In order that the Public Staff may complete its review of the Company’s application and make a recommendation to the Commission, please file with the Commission and provide to the Public Staff the information described in items 1 through 4 above.

If you have any questions, please contact 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.

Jo Anne Sanford
August 25, 2022
Page Three

Sincerely,

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

SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law

August 26, 2022

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

Via Electronic Delivery

Re: Application by Carolina Water Service, Inc. of North Carolina for
Certificate of Public Convenience and Necessity to Serve Current
Territory of Carteret County Water System
NCUC Docket No. W-354, Sub 399
Response to Public Staff's August 25, 2022 Evaluation of Application

AUG 126 2022

Dear Ms. Dunston:

On Tuesday, August 2, 2022, Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company") filed an Application for authority to serve the territory currently served by the Carteret County Water System. As has been indicated, this is presented as a companion docket to the Company's petition for a Fair Value determination of the Carteret County assets, which addresses determination of rate base in the CWSNC system upon acquisition of the Carteret County system by CWSNC.

CWSNC requested that these dockets be combined for hearing and decision by the North Carolina Utilities Commission ("NCUC" or "Commission"). Consistent with that request, the Company discussed with Commission staff and Public Staff its belief that the better policy and practice would be to combine the public hearings in the Fair Value docket (W-354, Sub 398) and this Certificate of Public Convenience and Necessity ("CPCN") docket (W-354, Sub 399). The recommendation was grounded in the belief that a combination is logical, beneficial to customers, and judicially efficient.

Three weeks after the filing of the CPCN docket, on the afternoon of August 23d, the Public Staff advised CWSNC that it believed the CPCN application to be materially deficient and incomplete, expressed concern about moving ahead with an agenda item without a "completed" CPCN application, and raised for

sanford@sanfordlawoffice.com

P.O. Box 28085, Raleigh NC 27611-8085

919.210.4900

consideration the prospects of either continuing the presentation of a scheduling order at Agenda Conference until the Company completed the Application or of having two public hearings. CWSNC's initial response was that the Application supported the issuance of the scheduling order and that any corrections could be readily made when identified. CWSNC requested immediately to be advised of the concerns and to have the opportunity to explain, respond to, or contest the allegations of deficiency. On the afternoon of August 25th, the Public Staff filed its opinion that the CPCN filing was materially deficient and incomplete and the concerns were thus disclosed to the Company and the Commission.

Putting aside disputes about materiality and differences between requests for clarification and allegations of deficiency, and with a focus on efficiently advancing this matter through an exceptionally weighty regulatory calendar, CWSNC responds herein. The responses: correct mistakes by the Company in reconciling the final level of the Reconnection Charge and the interval after billing at which bills are considered past due; address the Public Staff's lack of clarity about the meaning of a response about rates: repeat the response satisfactorily given (and accepted) to essentially the same question in the Sub 398 Fair Value Docket concerning Department of Environmental Quality ("DEQ") documents; and explain that some of the information requested is not available from the County. Responses to Public Staff numbered discussions 1-4 follow.

1. Reconnection Charge. On page 1 of the Application, lines 16 and 17, the Company listed reconnection charges of \$42, reflecting a failure to pick up the revised \$30 listed in the Revised Form Application Exhibit 12, filed in the companion Fair Value docket----Docket No. W-354, Sub 398.

RESPONSE: This serves as a correction and a clarification of the Company's position that the reconnection charge should be \$30.

Attachment A to this filing is a revised Application reflecting this correction.

REQUEST: That the Commission accept this correction of the reconnection charge amount as a revision to the Application.

2. “Other Charges.” CWSNC’s Application, at page 1, line 19, and at the end of a list of charges contained in a section captioned “Proposed Rates,” responds to a prompt eliciting information about “Other Charges” by saying “[o]ther charges as approved by the Commission.”

RESPONSE: First of all, the rates and fees proposed to be charged to the Carteret Water customers, upon acquisition, are set forth clearly and in detail in Revised Exhibit 12 in the Fair Value, W-354 Sub 398 docket. (*See Attachment B, Exhibit 12, Revised Form Application, W-354 Sub 398, filed August 11, 2022*). Though the Company has previously requested that these be treated as companion dockets, it now formally requests incorporation by reference of the filings and the representations made in that docket into the instant case. Any reconciliation of figures or other matters can readily be done in discovery and negotiation or at hearing, and the Company suggests it is useful to view them in tandem.

Secondly, the Public Staff’s lack of clarity about “...what other charges the Company is proposing to change” could have been---and is now---easily clarified. See Attachment B, the tariff sheet filed as Revised Exhibit 12 in Docket No. W-354 Sub 398 . Also filed in Docket No. W-354 Sub 398 was a list of the current County charges contained in Exhibit 11. In some instances the County’s charges were higher than CWSNC’s so the Company proposed a lower one (for example, the late fee). In some instances the County did not have a listed charge for a service that is offered by CWSNC, and thus the Company proposed its uniform charge (for example, the meter testing fee of \$20.00). Inquiry into these matters is also available in discovery and other conversations, but the present inquiry does not rise to the level of characterization of a material defect in an Application with respect to the filing requirements.

Third, and to more fully explore any possibilities which may concern the Public Staff, Staff’s citation to N.C. Gen. Stat. § 62.133.1A.(c)(8) makes it clear that, for good cause shown, the Commission may order a change in rates. To state the obvious, if the Commission approves a change in rates in this docket or in the

future, for some good cause shown, then the rates change. The target language merely acknowledges that realm of possibility.

REQUEST: That this explanation of the meaning of the form language be deemed responsive to the Public Staff's clarity issue and that the contention that this is a material deficiency be rejected.

3. Interval between billing and past due date. The Application, at page 2, line 3, lists the number of days after billing that bills are past due as 45 days and this is different from the 21 days listed in the Revised Form Application Exhibit 12, which was filed in Docket No. W-354, Sub 398, on August 11, 2022

RESPONSE: Attachment A, the Revised Application, is submitted in correction of this mistake in the number of days cited for the interval between billing and imposition of late charges. The wrong number was picked up from another draft and though not, the Company believes, arising to the level of a material defect in terms of a filing requirement, it is certainly a mistake and it is corrected in Attachment A, Revised Application.

REQUEST: That this correction be made in the record by acceptance of the Revised Application.

4. Additional Exhibits. In its paragraph 4 discussion, the Public Staff cites two categories of exhibits that it identifies as missing, the absence of which purportedly causes this Application to be incomplete. The Company disagrees with the conclusions for reasons provided below.

The first, paragraph 4a, presents essentially the same question that was posed by the Public Staff in its deficiency filing of August 5, 2022 in the Fair Value Docket. CWSNC's answer is essentially the same as was provided in the Fair Value revised application filing, which was deemed adequate by the Public Staff, pursuant to its letter of August 16, 2022, and which has been accepted by the Commission in satisfaction of the filing requirements in that docket.

The second item, 4b, requests documents and records that Carteret County appears not to have.

RESPONSE TO PARAGRAPH 4A:

Paragraph 4a. From the Fair Value filing, the Public Staff noted that Form FV1(a), Exhibit 5 of the Form FV1, and N.C.G.S. § 62- 33.1A.(c)(5), require a “[c]opy of Department of Environmental Quality (DEQ) approval for each section, if available.” The Public Staff noted in its evaluation of the Application that CWSNC provided project details, which are summaries of approval events, but did not provide a copy of the plan and specification *approval letters*, which contain descriptions of the project, location, and associated infrastructure.

Essentially the same challenge has been raised in this Sub 399, CPCN docket in Public Staff’s question 4a at page 2 of its letter of August 25th:

*CWSNC is required to “[e]nclose a **copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each water system.**” CWSNC’s application states, “See attached Exhibit 4.” Exhibit 4 is the 2022 Permit to Operate a Community Public Water System for both the Merrimon and North River/Mill creek water systems, however, the letters approving the plans for each water system were not provided. (Emphasis added)*

In the Fair Value Sub 398 docket, and again here, the Public Staff seeks copies of the actual plan and specification approval letters from DEQ, which it indicates contain descriptions of the project, location, and associated infrastructure. The absence of these letters was explained in the Sub 398 docket. The Public Staff’s agreement that minimum filing requirements were met by the Company’s revised filings in that docket is, the Company submits, an acceptance of the Company’s explanation and request.

Therefore, CWSNC’s response in the Sub 398 docket, in its filing of August 11 at page 4, addressing Item 4, is repeated below. That response in Sub 398 is,

in essence, the Company's response herein to Paragraph 4a of the Public Staff's letter of August 25, 2022.

"RESPONSE. CWSNC asserts that its original filing is sufficient with respect to this requirement of the Form, for the following reasons:

- Copies of plan and specification approvals from DEQ for each section of line are not readily available and would require days of research through DEQ files to obtain. The Company contends that, as a practical matter, these documents are not available. The language of subsection e. contemplates this possibility.
- More importantly, copies of these approvals are not necessary, as the DEQ project summaries provided in original Exhibit 5a verify DEQ approval of the matters of compliance necessary for issuance of final approval—including underlying plans and specifications. Additionally, Revised Form Application Exhibit 5d contains the DEQ permit renewals, which reflect the Department's currently relevant approval of the system under Public Water Supply and NPDES permitting guidelines."

In the instant case, the Company's Exhibit 4, containing the DEQ permit renewals, reflect the Department's currently relevant approval of the system under Public Water Supply and NPDES permitting guidelines. These approvals are current and are applicable to show relevant approval of the system by DEQ. Additionally, locating and securing the original documentation is believed to be a significant, time consuming and burdensome task, the value and utility of which is not justified by the effort. The Company submits here, as it did in the Sub 398 docket, that it is an unnecessary and wasteful exercise and that the provision of current DEQ permit renewals should be deemed satisfactory----certainly at least to support the conclusion that this Application is complete. The Public Staff and

ultimately the Commission accepted this explanation in the Sub 398 docket and CWSNC requests the Commission to accept it here.

REQUEST REGARDING PARAGRAPH 4a: That the Commission accept the relevant documents filed both in Sub 398 (*Exhibit 4, the 2022 Permit to Operate a Community Public Water System for both the Merrimon and North River/Mill creek water systems; Revised Exhibit 5(a)*), which includes summary sheets of all DEQ approved projects and in Sub 399 in support of the proposition that the proof of environmental review of these systems is current and adequate for purposes of the threshold filing requirement

PARAGRAPH 4b

4b. Various chemical analyses of well water. The Public Staff refers to the CPCN Application form, which states that the applicant should “[e]nclose a copy of a Division of Environmental Health (DEH) report on a chemical analysis of untreated water from each well.” CWSNC’s application refers to Exhibit 6, 6(a), and 6(b), which are volatile organic and inorganic chemical analysis results of the treated water. The chemical analysis results of the *untreated* water were not provided.

RESPONSE: Thus the Public Staff presses for a copy of a Division of Environmental Health (“DEH”) report on a chemical analysis of untreated water from each well. However, as discussion would have revealed, the Carteret County system is classified as a Public Water System, placing it under the regulatory oversight of the Division of Water Resources. DEH only regulates privately owned wells. This reveals to all one of the (likely several) respects in which this case of first impression will logically require work to reconcile requirements that exist differently among the various regulatory and governmental jurisdictions involved.¹

¹ Clearly the policies and practices associated with this system will change to one of consistency with CWSNC protocol and requirements upon acquisition.

The Company notes that the inorganic and volatile organic results as submitted represent the water quality being delivered to customers. Raw water results are not readily available, and though the Company is willing to collect current raw water samples for submission to Public Staff, the analysis time is lengthy. The Carteret County Water System has been operational and permitted through the North Carolina Public Water Supply Section since at least 1988, with very few water quality violations, all of which have been remediated with operational improvements and treatment.

Therefore, the Company submits that: this data is not readily available for the reasons given; requiring acquisition of the data as a filing requirement would create a material and completely unwarranted delay to the initiation of this docket; it can be provided on a going-forward basis if it is deemed necessary for future decision or oversight; it is not and should not be deemed critical to the threshold judgment of whether this docket should proceed; and the absence of it does not constitute a material defect nor does it support a view that the Application is incomplete.

REQUEST: That this observation by the Public Staff, now that it is addressed, be rejected as a reason to find the filing materially deficient or incomplete.

I hereby certify that a copy of this filing has been served on the Public Staff and on the County Attorney for Carteret County.

As always, we thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

Electronically Submitted

/s/Jo Anne Sanford

North Carolina State Bar No. 6831

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

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

REVISED APPLICATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE & NECESSITY AND FOR APPROVAL OF RATES

INSTRUCTIONS

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

APPLICANT

1. Trade name used for utility business: Carolina Water Service, Inc. of North Carolina
 2. Name of owner (if different from trade name): Corix Regulated Utilities, Inc.
 3. Business mailing address: P.O. Box 240908
City and state: Charlotte, North Carolina Zip Code: 28224-0908
 4. Business street address (if different from mailing address) 5821 Fairview Road, Suite 401
City and state: Charlotte, North Carolina Zip Code: 28209
 5. Business telephone number: 704-525-5049
 6. If corporation, list the following:
President: Donald Denton Vice President: Allen Wilt
Secretary: Allen Wilt Treasurer: Jim Andrejko
- Three (3) largest stockholders and percent of voting shares held by each:
Corix Regulated Utilities, Inc. 100%
7. If partnership, list the owners and percent of ownership held by each: N/A

PROPOSED UTILITY SERVICE AREAS

8. Name of Subdivision or Service Area: North River / Merrimon
9. County (or Counties): Carteret
10. Type of Service (Water and/or Sewer): Water

PROPOSED RATES

(Amount Applicant Proposes to Charge)

11. Metered Residential Service:
Water: North River: \$40.25 (base and first 1,000 gallons) \$10.10 per subsequent 1,000 gallons
Merrimon: \$23.40 (base and first 1,000 gallons) \$10.10 per subsequent 1,000 gallons
Sewer: N/A
12. Flat Rate Residential Service:
Water: N/A
Sewer: N/A
13. Nonresidential Service (explain):
Water: Meters 1" and above. 1": \$55.60 (base & first 1,000 gallons) \$10.10 per subsequent 1,000 gallons
2": \$160.90 (base and first 15,000 gallons) \$10.10 per subsequent 1,000 gallons
4": \$497.25 (base and first 53,000 gallons) \$10.10 per subsequent 1,000 gallons
Sewer: N/A
14. Tap-on fees:
Water: 3/4" - \$1,000, 1" - \$1,150, 2" and 4" - Cost plus 10%. \$900 additional for any road bore
Sewer: N/A
15. Finance charge for late payment: 1%
(NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
16. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: \$30
17. Reconnection charge if water service discontinued at customer's request: \$30
18. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: N/A
19. Other charges: Other charges as approved by the Commission - Example: Meter Testing Fee - \$20

-2-
PROPOSED BILLING

1. Frequency of billing shall be (monthly, quarterly, etc.) Monthly
2. Billing shall be for service (in advance or arrears) Arrears
3. Bills past due 21 days after billing dates: (NCUC Rule R12-9 specifies that bills shall not be past due less than fifteen (15) days after billing date).
4. Will regular billing be by written statement? (yes or no) Yes
5. Will the billing statement contain the following? (Indicate yes or no for each item)
 - (a) Meter reading at beginning and end of billing period..... Yes
 - (b) Date of meter readings..... Yes
 - (c) Gallons used, based on meter readings..... Yes
 - (d) Amount due for current billing period listed as a separate amount..... Yes
 - (e) Amount due from previous billing period listed as a separate amount..... Yes
 - (f) Amount due for each special charge (i.e., deposits, tap fees, etc.) listed as a separate amount.... Yes
6. Show how the following will appear on the billing statement:
 - (a) Mailing address of company: PO Box 70723, Philadelphia PA, 19176-0723
 - (b) Address where bill can be paid in person: Not applicable
 - (c) Name and phone number of alternative persons to contact for emergency service after business hours:
Customer Service – 1-800-525-7990
7. Is service already metered? (yes or no) Yes
8. Does the Applicant understand the provisions for establishing credit and collecting customer deposits set forth in NCUC Rules and Regulations, Chapter 12? (yes or no) Yes
 (Customer deposits must be refunded to customers having not more than two (2) bills overdue during a 12-month period and who are not then delinquent on the payment of their bills, per NCUC Rule R12-5.)

PRESENT RATES

9. Are you presently charging for service? If so, describe the rates being charged.
Not applicable
10. How long have these rates been in effect? Not Applicable

PERSONS TO CONTACT

| | <u>NAME</u> | <u>ADDRESS</u> | <u>TELEPHONE</u> |
|----------------------------|------------------|---|------------------|
| | <u>NAME</u> | <u>ADDRESS</u> | <u>TELEPHONE</u> |
| 11. General Manager | Donald Denton | 5821 Fairview Road, Suite 401 Charlotte NC 28209 | 800-525-7990 |
| 12. Complaints or Billing | Karen Sasic | 200 Weathersfield Ave Altamonte Springs, FL | 321-972-0368 |
| 13. Engineering Operations | Donald Denton | 5821 Fairview Road, Suite 401 Charlotte NC 28209 | 800-525-7990 |
| 14. Emergency Service | Customer Service | 5821 Fairview Road, Suite 401 Charlotte NC 28209 | 800-525-7990 |
| 15. Accounting | Phil Drennan | 500 W Monroe St Ste 3600, Chicago, IL 60661 | 704-319-0502 |

16. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas? (yes or no) No
17. Can customers make phone calls for service without being charged for a long distance phone call? (yes or no) Yes
18. Do persons designated to receive phone calls for emergency service, after regular business hours, have authority to provide the needed repairs without first contacting owner? (yes or no) Yes
19. List the qualifications of the person in charge of the utility system:
North Carolina "B" Well, "A" Distribution, Cross Connection – Anthony Futrell
20. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase:
None since 2014 – Disinfection by-products

SERVICE AREA

Fill in one column for each subdivision or service area.

| | (1) | (2) | (3) |
|--|--|-------------------------------|--------------|
| 1. Name of subdivision or service area | North River | Merrimon | |
| 2. County (or Counties) | Carteret | Carteret | |
| 3. Type of service (water, sewer, etc.) | Water | Water | |
| 4. If water is purchased, list from whom | N/A | N/A | |
| 5. Source of water supply (wells, etc.) | Wells | Wells | |
| 6. Number of wells in service | 2 | 1 | |
| 7. Pumping capacity of each pump in service | 450 | 50 | |
| 8. Elevated storage tank capacity (gals.) | 600,000 | N/A | |
| 9. Pressure tank capacity (gals.) | N/A | 10,000 | |
| 10. Types of water treatment (chlorine, etc.) | Chloramines, Phosphate, Fluoride, Ion Exchange | Chlorine, Phosphate | |
| 11. Number of fire hydrants installed | 175 | N/A | |
| 12. Is sewage disposal by septic tank or by sewer system? | Septic Tanks | Septic Tanks | |
| 13. If disposal is by sewer system, is sewage treated by utility company or by others? | N/A | N/A | |
| 14. Capacity of Company's sewage treatment plant (gallons per day) | N/A | N/A | |
| 15. Is service metered? (yes or no) | Yes | Yes | |
| 16. Number of water meters in use | 1223 | 31 | |
| 17. Number of service taps in use (list number of each size) | Water | 3/4" - 1,197 | 3/4" - 31 |
| | | 1" - 22 | |
| | | 2" - 3 | |
| | | 4" - 1 | |
| | Sewer | N/A | N/A |
| 18. Number of customers at the end of test year | Water | 1223 | 31 |
| | Sewer | N/A | N/A |
| 19. Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.) | Water | 1800 | 49 |
| | Sewer | N/A | N/A |
| 20. Number of customers that can be served by pumping capacity | Water | 1800 | 49 |
| 21. Number of customers that can be served by storage tank capacity | Water | 1800 | 49 |
| 22. Number of customers that can be served by treatment plant capacity | Sewer | N/A | 49 |
| 23. Name nearest water/sewer utility system | Brandywine Bay | Brandywine Bay | |
| 24. Distance to nearest water/sewer utility system | 17 Miles | 17 Miles | |
| 25. Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no) | No | No | |
| 26. a. DENR System I.D. No. b. NPDES or Nondischarge Permit No. | Water | NC 04-16-197 | NC 04-16-198 |
| | Sewer | NC0086975 - WTP Backwash Only | N/A |

FINANCIAL STATEMENT

1. Will a separate set of books be maintained for the utility business?
Yes _____
2. Will a separate bank account be maintained for the utility business?
No _____
3. Are the revenues and expenses listed below based on past operations or are they estimated for future operations?
(actual or estimated) Actual amounts from Carteret County Audit Report 2021

Note: If the Applicant already holds a public utility franchise, the proposed service area is new (i.e., there are no customers being served), and the proposed rates herein are the same as those previously approved, then the financial information below (lines 4 through 35) may be omitted.

REVENUES AND EXPENSES

For 12 Months Ended June 30, 2021 (Date)

| <u>Revenues</u> | <u>Water</u> | <u>Sewer</u> |
|---|---------------------|-----------------|
| 4. Residential service (flat rate) | \$ _____ | \$ _____ |
| 5. Residential service (metered rate) | \$ <u>733,693</u> | \$ _____ |
| 6. Nonresidential service (flat rate) | \$ _____ | \$ _____ |
| 7. Nonresidential service (metered rate) | \$ _____ | \$ _____ |
| 8. Other revenues (describe in remarks below) | \$ <u>4,165</u> | \$ _____ |
| 9. Total Revenues (Lines 4 thru 8) | <u>\$ 737,858</u> | <u>\$ _____</u> |
| 10. Total salaries (except owner) | \$ _____ | \$ _____ |
| | <u>\$ 351,391</u> | \$ _____ |
| 11. Salaries paid to owner | \$ _____ | \$ _____ |
| 12. Administrative and office expense (except salaries) | \$ _____ | \$ _____ |
| 13. Maintenance and repair expense (except salaries) | \$ _____ | \$ _____ |
| 14. Transportation expenses | \$ _____ | \$ _____ |
| 15. Electric power for pumping | \$ _____ | \$ _____ |
| 16. Chemicals for treatment | \$ _____ | \$ _____ |
| 17. Testing fees | \$ _____ | \$ _____ |
| 18. Permit fees | \$ _____ | \$ _____ |
| 19. Purchased water/sewer treatment | \$ _____ | \$ _____ |
| 20. Annual depreciation | \$ <u>364,270</u> | \$ _____ |
| 21. Taxes: State income taxes | \$ _____ | \$ _____ |
| 22. Federal income taxes | \$ _____ | \$ _____ |
| 23. Gross receipts (or franchise tax) | \$ _____ | \$ _____ |
| 24. Property taxes | \$ _____ | \$ _____ |
| 25. Payroll taxes | \$ _____ | \$ _____ |
| 26. Other taxes | \$ _____ | \$ _____ |
| 27. Interest on debt during year | \$ <u>49,835</u> | \$ _____ |
| 28. Other expenses (describe in remarks below) | \$ <u>308,631</u> | \$ _____ |
| 29. Total Expenses (Lines 10 thru 28) | <u>\$ 1,074,127</u> | <u>\$ _____</u> |
| 30. Net Income (Line 9 minus Line 29) | <u>\$ (336,269)</u> | <u>\$ _____</u> |

Remarks

31. Audit report displays expenses in two categories: salaries & benefits and operating expenses
32. _____
33. _____
34. _____
35. _____

NUMBER OF CUSTOMERS SERVED

| | <u>Water</u> | | <u>Sewer</u> | |
|---------------------------------------|------------------|----------------|------------------|----------------|
| | <u>Flat Rate</u> | <u>Metered</u> | <u>Flat Rate</u> | <u>Metered</u> |
| 36. Customers at beginning of year | _____ | <u>1,254</u> | _____ | _____ |
| 37. Customers at end of year | _____ | <u>1,254</u> | _____ | _____ |
| 38. Average gallons used per customer | <u>3,773</u> | _____ | _____ | _____ |

COST OF UTILITY SYSTEM

1. Is the cost of utility system listed below based on past operation, or is it estimated for future operation?
(actual or estimated) Estimated based on the average of the three FMV valuations; \$10,935,667
2. Does the cost of utility system listed below represent the cost to the Applicant herein? (yes or no)
No
If no, list cost (purchase price to Applicant). CWSNC will pay \$9,500,000 for the system

ORIGINAL COST OF UTILITY SYSTEM
As of Year Ended December 31, 2022 (Date)

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

Utility Property in Service

| | <u>Balance at End of Year</u> | |
|---|-------------------------------|--------------|
| | <u>Water</u> | <u>Sewer</u> |
| 3. Land and rights-of-way | \$ <u>362,081</u> | \$ _____ |
| 4. Structures and site improvement | \$ <u>2,742,026</u> | \$ _____ |
| 5. Wells | \$ <u>587,661</u> | \$ _____ |
| 6. Pumping equipment | \$ <u>0</u> | \$ _____ |
| 7. Treatment equipment | \$ <u>172,400</u> | \$ _____ |
| 8. Storage tanks | \$ <u>2,030,735</u> | \$ _____ |
| 9. Mains (excluding service connections) | \$ <u>6,659,737</u> | \$ _____ |
| 10. Service connections | \$ <u>849,288</u> | \$ _____ |
| 11. Meters (including spare meters) | \$ <u>253,082</u> | \$ _____ |
| 12. Office furniture and equipment | \$ _____ | \$ _____ |
| 13. Transportation equipment | \$ _____ | \$ _____ |
| 14. Other utility property in service (describe in remarks below) | \$ <u>916,217</u> | \$ _____ |
| 15. Total utility property in service (Lines 3 thru 14) | \$ <u>14,573,227</u> | \$ _____ |
| 16. Less: accumulated depreciation | \$ <u>(3,637,560)</u> | \$ _____ |
| 17. Less: accumulated tap fees and other contributions in aid of construction | \$ _____ | \$ _____ |
| 18. Less: customer advances | \$ _____ | \$ _____ |
| 19. Net investment in utility property (Line 15 minus 16, 17, & 18) | \$ <u>10,935,667</u> | \$ _____ |

Utility Property Not in Service

| | <u>Balance at End of Year</u> | |
|---------------------------------------|-------------------------------|--------------|
| | <u>Water</u> | <u>Sewer</u> |
| 20. Construction work in progress | \$ _____ | \$ _____ |
| 21. Property held for future use | \$ _____ | \$ _____ |
| 22. Other (describe in remarks below) | \$ _____ | \$ _____ |

Remarks

23. Other utility property includes power generation equipment, hydrants, tools, and communication equipment.
24. _____
25. _____
26. _____

RECOVERY OF PLANT COST

The utility proposes to recover the cost of the plant listed on Page 5, Line 15 as follows:

| | <u>Water</u> | <u>Sewer</u> |
|--|----------------------|-----------------|
| 1. Amount to be contributed by developer | \$ _____ | \$ _____ |
| 2. Amount to be recovered through tap fees | \$ _____ | \$ _____ |
| 3. Amount to be recovered through rates | \$ <u>9,500,000</u> | \$ _____ |
| 4. Other (please describe below on Line 6) | \$ <u>1,435,667</u> | \$ _____ |
| 5. Total cost of plant | <u>\$ 10,935,667</u> | <u>\$ _____</u> |

6. Description of other:

Purchase Acquisition Adjustment between the average of the three year valuations and the purchase price

ANNUAL DEPRECIATION

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

Water: 3.04%
 Sewer: _____

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

| <u>Plant Type</u> | <u>Depreciation Rate</u> |
|--|--------------------------|
| <u>Structures and Improv Water Treat Plt</u> | <u>2.00%</u> |
| <u>Structures and Improv Trans Dist Plt</u> | <u>2.00%</u> |
| <u>Wells and Springs</u> | <u>2.00%</u> |
| <u>Power Generation Equipment</u> | <u>10.00%</u> |
| <u>Water Treatment Equipment</u> | <u>2.50%</u> |
| <u>Dist Resv and Standpipes</u> | <u>2.00%</u> |
| <u>Trans and Distr Mains</u> | <u>1.00%</u> |
| <u>Service Lines</u> | <u>2.00%</u> |
| <u>Meters</u> | <u>3.33%</u> |
| <u>Hydrants</u> | <u>2.50%</u> |
| <u>Tool Shop Equipment</u> | <u>5.00%</u> |
| <u>Communications Equipment</u> | <u>10.00%</u> |
| _____ | |
| _____ | |
| _____ | |
| _____ | |

OTHER FINANCIAL INFORMATION

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

a. Capital structure as of 12/31/2021

b. Capital structure balances:

| | <u>Amount</u> | <u>Percent Of Total Capital</u> |
|--------------------------|-----------------------|-------------------------------------|
| Long-term debt/loans | \$ <u>324,498,571</u> | <u>48.37%</u> |
| Preferred stock (if any) | \$ _____ | _____ |
| Common equity: | | |
| Common stock | \$ _____ 110 | _____ |
| Retained earnings | \$ <u>346,306,810</u> | <u>51.63%</u> |
| Total common equity | \$ <u>346,306,920</u> | 51.63% |
| Total capital | \$ <u>670,805,491</u> | <u>100%</u> |

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

- a. Long-term debt \$ 4,750,000
- b. Short-term debt \$ _____
- c. Common stock \$ _____
- d. Retained earnings \$ _____
- e. Other (please describe below on Line g) \$ 4,750,000
- f. Total purchase price \$ 9,500,000

g. Description of other: _____

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

a. Brief description: Tank Investments \$125,000

- b. Financing:
- (1) Long-term debt \$ 62,500
- (2) Short-term debt \$ _____
- (3) Common stock \$ _____
- (4) Retained earnings \$ 62,500
- (5) Other (please describe below on Line (7)) \$ _____
- (6) Total improvements/additions \$ _____

(7) Description of other: _____

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

No major improvements / additions planned.

Lined area for handwritten response to question 1.

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

No major replacements planned.

Lined area for handwritten response to question 2.

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

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

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Applicant is a corporation, enclose a copy of the Articles of Incorporation on file with the North Carolina Secretary of State. (Not required if previously filed with the Commission.) **On File.**
2. If the Applicants are doing business as a partnership, enclose a copy of the partnership agreement. (Not required if previously filed with the Commission.) **N/A**
3. If the Applicant is conducting business under a trade name or d/b/a, enclose a copy of the certificate filed with the register of deeds in each county where the Applicant will be conducting business as required by G.S. 66-68. **N/A**
4. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each water system. **See attached Exhibit 4**
5. Enclose a copy of a letter from the Department of Environment and Natural Resources granting approval of the plans for each sewer system. **See attached Exhibit 5**
6. Enclose a copy of a Division of Environmental Health (DEH) report on a chemical analysis of untreated water from each well. (This should not be confused with the monthly samples submitted to DEH for bacteriological analysis. Contact DEH for instructions to obtain a sample for chemical analysis.) **See attached Exhibit 6, 6(a), and 6(b)**
7. Enclose a copy of purchase agreements or contracts showing provision for ownership or control of the water or sewer systems, including sites for wells or treatment plants. **See attached Exhibit 7 and 7(a)**
8. Enclose a copy of contracts or agreements, including all attachments, exhibits, and appendices, between the utility and any other party (land developers, customers, etc.) regarding the proposed utility services, including contracts regarding tap fees, construction costs, easements, and rights-of-way, etc. (If none, write "none").
See attached Exhibit 7(a)
9. Enclose a vicinity map showing the location of the proposed subdivisions or service areas in sufficient detail for someone not familiar with the county to locate the subdivisions. (A county roadmap with the subdivisions outlined is suggested.) **See attached Exhibit 9 and 9(a)**
10. Enclose maps of the subdivisions in sufficient detail to show the layout of streets, lots, the water or sewer mains, hydrants, wells, pumping equipment, treatment facilities, storage facilities, etc. **See attached Exhibit 9 and 9(a)**
11. Enclose a copy of the workpapers supporting the estimate of the plant costs, including a breakdown by type of plant item, showing the detail of how the estimated cost was determined, and indicating which plant items, if any, will be contributed to the utility. **See attached Exhibit 11 and 11(a)**
12. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Applicant.
See attached Exhibit 12
13. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Applicant. **See attached Exhibit 13 - Confidential**
14. If the information requested in Exhibits 12 and 13 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the utility and/or parent company. **N/A**

FILING INSTRUCTIONS

15. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mail Service Center, Raleigh, North Carolina 27699-4325**. One of these copies must have an original signature. (Applicants must also provide any copies to be returned to them.)
16. Enclose a filing fee as required by G. S. §62-300. A Class A company (annual revenues of \$1,000,000 or more) requires a \$250 filing fee. A Class B company (annual revenues between \$200,000 and \$1,000,000) requires a \$100 filing fee. A Class C company (annual revenues less than \$200,000) requires a \$25 filing fee. **MAKE CHECK PAYABLE TO THE N.C. DEPARTMENT OF COMMERCE/UTILITIES COMMISSION.**

SIGNATURE

17. Application shall be signed and verified by the Applicant.

Signature Matthew Schellinger II
Date 8-26-22


18. (Typed or Printed Name) J. Max Mayo
personally appearing before me and, being first duly sworn, says that the information contained in this application and in the exhibits attached hereto are true to the best of his/her knowledge and belief.

This the 26th day of August, 2022.

J. Max Mayo
Notary Public

7001 St. Andrews Rd Columbia, SC 29212
Address

My Commission Expires: 05-20-2031
Date

 **J. Max Mayo**
Notary Public for South Carolina
Commission Expires: 05/20/2031

PROPOSED SCHEDULE OF RATES

for

CAROLINA WATER SERVICE, INC. OF NORTH CAROLINAfor providing water utility service

in

CARTERET COUNTY NORTH CAROLINA(North River / Mill Creek & Merrimon)

WATER RATES AND CHARGES

Monthly Metered Water Service (Residential and Commercial):

Base Facility Charge (includes first 1,000 gallons of usage)

North River / Mill Creek:

| | |
|------------|----------|
| 3/4" meter | \$40.25 |
| 1" meter | \$55.60 |
| 2" meter | \$160.90 |
| 4" meter | \$497.25 |

Town of Beaufort (Eastman's Creek) \$40.25

Merrimon

3/4" meter \$23.40

Usage Charge (all systems): \$10.10 / 1,000 gallons over base

Fire Hydrant Usage

Hookup & Service Charge: \$109.70/month

Mobilization to hydrant site and employee on site during tank fill.

\$200.00 Deposit

\$12.80 per 1,000 gallons.

Hydrant & Hydrant Meter Tampering \$250.00 1st offense
\$500.00 2nd offense

Damage Fee – Fire Hydrant \$2,500.00

Fire Line - Sprinkler Fee

| <u>Size</u> | <u>Monthly Fee</u> |
|-------------|--------------------|
| 2" | \$40.25 |
| 4" | \$47.55 |
| 6" | \$109.70 |
| 8" | 153.55 |

Tap Fees

| <u>Meter Size</u> | <u>Tap Fee**</u> |
|-------------------|------------------|
| 3/4" | \$1,000 |
| 1" | \$1,150 |
| 2" | Cost + 10% |
| 4" | Cost + 10% |

**Additional \$900.00 Tap Fee for any meter requiring road bore work

Any meter 2 inch or larger will be charged cost of materials and installation, engineering fees, and an additional 10%.

Damage and Tampering Fees

| | |
|--|----------|
| Tampering Fee – Meters | \$100.00 |
| 2 nd Offense (and Legal Action) | \$500.00 |
| Damage Fee – Meters | \$135.00 |
| Damage Fee – MXU Remote Unit | \$135.00 |

Meter Testing Fee: ^{1/} \$20.00

Reconnection Charge: ^{2/}

| | |
|--|---------|
| If water service is cut off by utility for good cause | \$30.00 |
| If water service is discontinued at customer's request | \$30.00 |

New Water Customer Charge \$30.00

MISCELLANEOUS UTILITY MATTERS

Charge for processing NSF Checks: \$ 25.00

Bills Due: On billing date

Bills Past Due: 21 days after billing date

Billing Frequency: Bills shall be rendered monthly in all service areas.

Finance Charge for Late Payment:

1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Notes:

1/ If a customer requests a test of a water meter more frequently than once in a 24-month period, the Company will collect a \$20.00 service charge to defray the cost of the test. If the meter is found to register in excess of the prescribed accuracy limits, the meter testing charge will be waived. If the meter is found to register accurately or below prescribed accuracy limits, the charge shall be retained by the Company. Regardless of the test results, customers may request a meter test once in a 24-month period without charge.

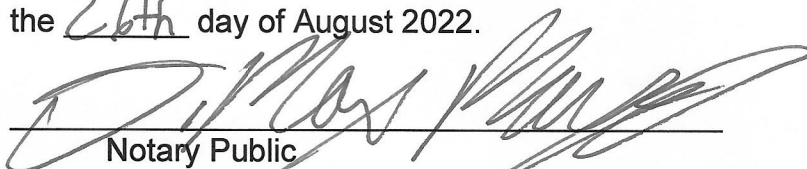
2/ Customers who request to be reconnected within nine months of disconnection at the same address shall be charged the base facility charge for the service period they were disconnected.

VERIFICATION


Mathew Schellinger, being duly sworn, deposes and says that he is Regional Director, Financial Planning & Analysis – East Region for Carolina Water Service, Inc. of North Carolina (“CWSNC”); that he is familiar with the facts set out in the **Application by Carolina Water Service, Inc. of North Carolina for Certificate of Public Convenience and Necessity to Serve Current Territory of Carteret County Water System** filed by CWSNC in Docket No. W-354, Sub 399; that he has read the foregoing documents and knows the contents thereof; and that the same are 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.


Matthew Schellinger

Sworn to and subscribed before me this
the 26th day of August 2022.


Notary Public

My Commission Expires: 5-20-2031

 **J. Max Mayo**
Notary Public for South Carolina
Commission Expires: 05/20/2031

SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law

September 2, 2022

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

Via Electronic Delivery

Re: Application by Carolina Water Service, Inc. of North Carolina for
Certificate of Public Convenience and Necessity to Serve Current
Territory of Carteret County Water System
NCUC Docket No. W-354, Sub 399
Supplemental Filing: DNRCD/DEQ Letters Reflecting Plan
Approvals

Jul 12 2023

Dear Ms. Dunston:

On Monday, August 29, 2022, Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company") agreed to conduct a search for letters from the "Department of Environment and Natural Resources" (now the "Department of Environmental Quality," or "DEQ") reflecting plan approvals for the Carteret County water system. The Company's position, explained in this docket and tracking its position in the related "Fair Value" case, Docket No. W-354, Sub 398, is that the need for these plan approval letters is obviated by the subsequent permit approval documents that have issued from DEQ and its predecessor agencies, and that the provision of these other permit approvals should suffice for examination in this case. However, the CPCN form identifies these plan approval letters and the Public Staff expresses an interest in them; thus, CWSNC has searched for same and found 18 of 20 approval letters that were mentioned in the DEQ records. The Company is pleased to submit these plan approvals in an effort to resolve (what we believe to be) all outstanding requests, in order to allow consideration of this docket to proceed past the threshold filing.

With assistance from DEQ, CWSNC tracked the applicable records to the Wilmington Regional Field Office of DEQ. After a thorough search, CWSNC located plan approval letters for 18 of 20 reviews referenced. For one of the two

remaining projects, it appears there may not have been a plan approval, and the remaining one was simply not found. The Company respectfully submits that this supplemental response complies with filing requirements and with the Public Staff's requests, and that the Application should be deemed complete for purposes of meeting the threshold filing requirements.

Given the level of security exercised by DEQ in its management of these and other supporting plan documents, and in the interest of caution regarding infrastructure issues, CWSNC is filing these letters using the Commission's "confidential" mechanism.

I hereby certify that a copy of this filing has been served on the Public Staff and on the County Attorney for Carteret County.

As always, we thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

Electronically Submitted

/s/Jo Anne Sanford

North Carolina State Bar No. 6831

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

| SERIALNO | PWSID | STATUS | DATE_RECEIVED | PWS_TYPE | PWS_STATE | PWS_COUNTY | REGION | PROJECT_DESC | LOCKED | PWS_NAME | PROJECT_TYPE_TEXT | ENGINEER | APPORG | APPLICANT | APPDIGITAL | APPPHONE | ENGDIGITAL | ENGPHONE | PROJECTSTATUS | REVIEWER_NAME | AGE |
|-----------|-----------|--------|---------------|----------|-----------|------------|----------------------------|---|--------|--|------------------------------|---------------|--|------------------------------------|------------|----------|------------|--------------|--------------------|-----------------|------|
| 15-01015 | NC0416197 | FAI | 12/15/2015 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | 534 LAUREL ROAD - BEAUFORT | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | TANK REHABILITATION ONLY | | 302 COURTHOUSE SQUARE | W. RUSSELL OVERMAN, COUNTY MANAGER | | | | 252-535-1777 | FINAL APPROVAL | Bhatta, Shashi | 2452 |
| 09-005381 | NC0416197 | FAI | 6/13/2011 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | TANK 3/BOOSTER PUMP STATIONS 2&3 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | STORAGE SYSTEM | | COUNTY OF CARTERET | JOHN LANGDON | | | | | FINAL APPROVAL | Chohan, Siraj | 4098 |
| 11-00571 | NC0416197 | FAI | 6/6/2011 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CARTERET CO - US HWY 70 UTILITIES RELOCATION (R-3307) | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION REPLACEMENT | | 302 COURTHOUSE SQUARE | DEE MESHAW, ASST. COUNTY MANAGER | | | | | FINAL APPROVAL | Chohan, Siraj | 4105 |
| 10-00988 | NC0416197 | FAI | 10/8/2010 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | 534 LAUREL ROAD, BEAUFORT NC | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | TANK REHABILITATION ONLY | | CARTERET CO PUBLIC WORKS DEPT | TONY CAHON, PUBLIC WORKS DIRECTOR | | | | 252-535-1777 | FINAL APPROVAL | Chohan, Siraj | 4346 |
| 09-01554 | NC0416197 | FAI | 12/2/2009 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CARTERET COUNTY -LAUREL RD WTP RENOVATIONS | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | GROUNDWATER SYSTEM | | 302 COURTHOUSE SQUARE | JOHN LANGDON, COUNTY MANAGER | | | | | FINAL APPROVAL | Chohan, Siraj | 4656 |
| 09-00533 | NC0416197 | FAI | 3/30/2009 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | 2009 WATER SYSTEM IMPROVEMENTS* | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | STORAGE SYSTEM | | COUNTY OF CARTERET | JOHN LANGDON | | | | | FINAL APPROVAL | Chohan, Siraj | 4903 |
| 09-00361 | NC0416197 | FAI | 3/10/2009 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | ELEVATED TANK NO. 2 & BOOSTER PUMP STATION NO. 1 (CONTRACT 11 & 12) | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | STORAGE SYSTEM | | COUNTY OF CARTERET | JOHN LANGDON | | | | | FINAL APPROVAL | Chohan, Siraj | 4923 |
| 07-02067 | NC0416197 | FAI | 11/16/2007 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CHADWICK SHORES PLANTATION (LOTS 1-62) CONTRACT 9 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COUNTY OF CARTERET | JOHN LANGDON | | | | | FINAL APPROVAL | Chen, Tony | 5403 |
| 02-00193 | NC0416197 | PT | 2/5/2007 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | TRACEY GROVE S/D, SECTION 2 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | NORTH RIVER/MILL CREEK WATER SERVICE DIS | JOHN LANGDON | | | | | PROJECT TERMINATED | Chen, Tony | 5687 |
| 06-02153 | NC0416197 | FAI | 12/14/2006 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | TRACY GROVE S/D, SECTION 1 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | NORTH RIVER/MILL CREEK WATER SERVICE DIS | JOHN LANGDON | | | | | FINAL APPROVAL | Chen, Tony | 5740 |
| 06-01567 | NC0416197 | FAI | 9/1/2006 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | JOANS HAVEN DRIVE LOTS 20M,5 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | JOHN LANGDON | | | | | FINAL APPROVAL | Chen, Tony | 5844 |
| 06-01021 | NC0416197 | FAI | 6/12/2006 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | BRIDGEWATER @ WARE CRI S/D NOS | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | JOHN LANGDON | | | | | FINAL APPROVAL | Chen, Tony | 5925 |
| 06-01023 | NC0416197 | FAI | 6/12/2006 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | MILL LANDING S/D, CONTRACT 6 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | JOHN LANGDON | | | | | FINAL APPROVAL | Chen, Tony | 5925 |
| 05-01539 | NC0416197 | FAI | 9/12/2005 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CARTERET COUNTY ELEVATED TANK | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | TANK REHABILITATION ONLY | ZZZ MIGRATION | CARTERET COUNTY MANAGER | JOHN LANGDON | | | | | FINAL APPROVAL | Chen, Tony | 6198 |
| 05-00938 | NC0416197 | FAI | 6/1/2005 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CARTERET CO./CONTRACT #43 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | ZZZ MIGRATION | COURTHOUSE SQUARE | JOHN LANGDON | | | | | FINAL APPROVAL | Chen, Tony | 6301 |
| 03-01288 | NC0416197 | FAI | 8/18/2003 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CARTERET CO. #43/PH 2 DEH 0906 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | MARY ANN HINSHAW | | | | | FINAL APPROVAL | Ou, Henri | 6954 |
| 03-00031 | NC0416197 | FAI | 12/23/2002 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | EASTMAN CREEK S/D LOTS 1-90 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | DOUG BRADY, CHAIRMAN | | | | | FINAL APPROVAL | Ou, Henri | 7192 |
| 02-01787 | NC0416197 | RC | 11/5/2002 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CARTERET COUNTY WATER | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | WATER SYSTEM MANAGEMENT PLAN | ZZZ MIGRATION | NORTH RIVER/MILL CREEK WATER SERVICE DIS | JOHN WHITEHURST | | | | | REVIEW COMPLETE | O'Daniel, Sandy | 7240 |
| 02-01776 | NC0416197 | FAI | 11/4/2002 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | INDIAN SHORES S/D | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | JOHN WHITEHURST, COUNTY MGR. | | | | | FINAL APPROVAL | Ou, Henri | 7241 |
| 00-01428 | NC0416197 | RC | 6/12/2000 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | COUNTY OF CARTERET | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | WATER SYSTEM MANAGEMENT PLAN | ZZZ MIGRATION | NORTH RIVER/MILL CREEK WATER SERVICE DIS | BOB MURPHY | | | | | REVIEW COMPLETE | O'Daniel, Sandy | 8116 |
| 00-01400 | NC0416197 | FAI | 6/2/2000 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | CARTERET CO. WTR. SYS 40,41,42 | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | ROBERT MURPHY | | | | | FINAL APPROVAL | Ou, Henri | 8126 |
| 00-01068 | NC0416197 | FAI | 5/3/2000 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | WHITEWATER S/D | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | DISTRIBUTION EXTENSION | | COURTHOUSE SQUARE | ROBERT MURPHY, COUNTY MANAGER | | | | | FINAL APPROVAL | Ou, Henri | 8156 |
| 00-00659 | NC0416197 | RC | 3/23/2000 | C | NC | CARTERET | WILMINGTON REGIONAL OFFICE | N. RIVER & MERRIMON WTR SYSTEM | N | NORTH RIVER/MILL CREEK WATER SERVICE DIS | WATER SYSTEM MANAGEMENT PLAN | ZZZ MIGRATION | NORTH RIVER/MILL CREEK WATER SERVICE DIS | ROBERT MURPHY | | | | | REVIEW COMPLETE | O'Daniel, Sandy | 8197 |

Could not locate documentation for Serial Numbers: 06-1023, 03-00031
 Tank rehabilitation projects may not have required plan approval in earlier year