

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

September 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 for Transfer of Public Utility Franchise and for Approval of Rates - Filed by Mountain Air Utilities Corporation (W-1148, Sub 22) and Carolina Water Service, Inc. of North Carolina (W-354, Sub 411)

Dear Ms. Dunston:

Attached please for filing an Application for Transfer of Public Utility Franchise and for Approval of Rates filed by Mountain Air Utilities Corporation, the Seller, and Carolina Water Service, Inc., of North Carolina, the Purchaser. The Application is being filed in Docket Nos. W-1148, Sub 22 and W-354, Sub 411. Exhibit 8 to the Application is being filed subject to a claim of confidentiality.

I hereby certify that a copy of this filing has been served on the Public Staff and Mountain Air Utilities Corporation.

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

c: Lucy Edmondson, Chief Counsel, Public Staff
Gina Holt, Manager, Legal Division, Natural Gas, Water, Sewer,
Telephone, & Transportation Sections, Public Staff
Charles Junis, Director, Water, Sewer &, Telephone Division, Public Staff
Daniel C. Higgins, Attorney for Mountain Air Utilities Corporation

FORM REVISED 8/29

SELLER DOCKET NO. W-1148 Sub 22
PURCHASER DOCKET NO. W-354, Sub 411
FILING FEE RECEIVED _____

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE
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.

SELLER

- 1. Trade name used for utility business Mountain Air Utilities Corporation
- 2. Mailing address P.O. Box 1090, Burnsville, NC 28714
- 3. Business telephone number 828-682-0490

PURCHASER

- 4. Trade name used for utility business Carolina Water Service, Inc. of North Carolina
- 5. Name of owner (if different from trade name) Corix Regulated Utilities, Inc.
- 6. Business mailing address P.O. Box 240908
City and state Charlotte, NC Zip code 28224
- 7. Business street address (if different from mailing address) 5821 Fairview Road, Suite 401, Charlotte, NC 282095
- 8. Business telephone number 704-525-5049
- 9. 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%

- 10. If partnership, list the owners and percent of ownership held by each
N/A
- 11. Is the purchaser acquiring the utility assets or stock? Assets
(No filing fee required if stock transfer only.)

PROPOSED AND PRESENT RATES

	<u>Proposed Rates</u>	<u>Present Rates</u>
12. Metered Residential Service:		
Water:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>See attached Mountain Air EO Order</u>
Sewer:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>NA</u>
13. Flat Rate Residential Service:		
Water:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>NA</u>
Sewer:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>See attached Mountain Air EO Order</u>
14. Nonresidential Service (explain):		
Water:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>NA</u>
Sewer:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>See attached Mountain Air EO Order</u>
15. Tap-on fees:		
Water:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>See attached Mountain Air EO Order</u>
Sewer:	<u>CWSNC Uniform Rate Group – W-354, Sub 384</u>	<u>See attached Mountain Air EO Order</u>

OTHER PROPOSED RATES

- 16. Finance charge for late payment: 1% per month for bills past due 25 days after billing cycle
(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.)
- 17. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: \$42.00
- 18. Reconnection charge if water service discontinued at customer's request: \$42.00
- 19. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: Actual Cost
- 20. Other charges: Other charges as approved for CWSNC Uniform Rate Group
- 21. What date are the proposed rates to become effective: Effective date on approval by the Commission.
- 22. How long have the present rates been in effect? 05/10/2021 Effective Date

PURCHASER'S 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:
Donald Denton, Gary Peacock – 704-525-5049
7. Is service already metered? (yes or no) Yes
8. Does the Purchaser 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.)
9. List the amount of customer deposits still held by Seller:
Water: 0 Sewer: 0

PURCHASER'S SERVICE ORGANIZATION

	<u>NAME</u>	<u>ADDRESS</u>	<u>TELEPHONE</u>
10. General Manager	Donald Denton	5821 Fairview Road, Suite 401, Charlotte, NC 282095	800-525-7990
11. Complaints or Billing	Karen Sasic	200 Weathersfield Ave Altamonte Springs, FL	321-972-0368
12. Engineering Operations	Donald Denton	5821 Fairview Road, Suite 401, Charlotte, NC 282095	800-525-7990
13. Emergency Service	Customer Service	5821 Fairview Road, Suite 401, Charlotte, NC 282095	800-525-7990
14. Accounting	Matthew Schellinger II	130 S Main St, Suite 800, Greenville, SC 29601	704-319-0502

15. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas? (yes or no) No
16. Will customers be able to make telephone calls for service without being charged for a long distance phone call? (yes or no) Yes
17. Will 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
18. List the qualifications of the person in charge of the utility system:
Jason Brown – NC – C-Well
Darrell Young – NC – B – Distribution
19. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase:
Mountain Air has had no DENR violations since Carolina Water Service North Carolina took over as emergency operator.

SERVICE AREA

Fill in one column for each Subdivision or Service Area.

	(1)	(2)
1. Name of Subdivision(s) or Service Area(s)	Mountain Air	
2. County (or Counties)	Yancey	
3. Type of service (water, sewer, etc.)	Water/Sewer	
4. If water is purchased, list from whom	Pumped	
5. Source of water supply (wells, etc.)	Wells	
6. Number of wells in service	5	
7. Pumping capacity of each pump in service (gpm)	20gpm, 10gpm, 7gpm, 320gpm, 320gpm	
8. Elevated storage tank capacity (gals.)	150,000 – 200,000	
9. Pressure tank capacity (gals.)	0	
10. Types of water treatment (chlorine, etc.)	Chlorine, phosphate	
11. Number of fire hydrants installed	62	
12. Is sewage disposal by septic tank or by sewer system?	Sewer system	
13. If disposal is by sewer system, is sewage treated by utility company or by others?	Others -Town of Burnsville	
14. Capacity of Company's sewage treatment plant (gallons per day)	Treated by Town of Burnsville	
15. Is service metered? (yes or no)	Yes	
16. Number of water meters in use	515	
17. Number of service taps in use (list number of each size)	Water 5/8 x 3/4 - (504), 1" – 4, 2" – (7) Sewer 4" - 504	
18. Number of customers at the end of test year	Water 483 Sewer 459	
19. Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)	Water 636 Sewer 636	
20. Number of customers that can be served by pumping capacity	Water 636	
21. Number of customers that can be served by storage tank capacity	Water 1750	
22. Number of customers that can be served by treatment plant capacity	Sewer 850	
23. Name nearest water/sewer utility system	Town of Burnsville	
24. Distance to nearest water/sewer utility system	5.9 miles	
25. Does any other person or utility seek to furnish the service(s) proposed herein? (yes or no)	No	
26. Has the system been offered for sale to the customers, county, or municipality? (yes or no) If not, why not?	Unknown	
27. a. DENR System I.D. No.	Water 01-00-105	
b. NPDES or Nondischarge Permit No.	Sewer Non – Discharge (Town Of Burnsville)	

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) Actuals for past operations based off the MAUC Annual Report.

REVENUES AND EXPENSES

For 12 Months Ended December 31, 2020 (Date)

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$ <u> </u>	\$ <u>367,236</u>
5. Residential service (metered rate)	\$ <u>142,056</u>	\$ <u> </u>
6. Nonresidential service (flat rate)	\$ <u> </u>	\$ <u>17,880</u>
7. Nonresidential service (metered rate)	\$ <u>18,333</u>	\$ <u> </u>
8. Other revenues (describe in remarks below)	\$ <u>345</u>	\$ <u>162</u>
9. Total Revenues (Lines 4 thru 8)	\$ <u>160,733</u>	\$ <u>385,278</u>
10. Total salaries (except owner)	\$ <u>41,549</u>	\$ <u>99,766</u>
11. Salaries paid to owner	\$ <u> </u>	\$ <u> </u>
12. Administrative and office expense (except salaries)	\$ <u> </u>	\$ <u> </u>
13. Maintenance and repair expense (except salaries)	\$ <u> </u>	\$ <u> </u>
14. Transportation expenses	\$ <u>50</u>	\$ <u>120</u>
15. Electric power expense	\$ <u>36,932</u>	\$ <u>19,436</u>
16. Chemicals expense	\$ <u>17,930</u>	\$ <u> </u>
17. Testing fees	\$ <u> </u>	\$ <u> </u>
18. Permit fees	\$ <u>221</u>	\$ <u>500</u>
19. Purchased water/sewer treatment	\$ <u>17,441</u>	\$ <u>234,136</u>
20. Annual depreciation	\$ <u> </u>	\$ <u>-16,924</u>
21. Taxes: State income taxes	\$ <u>1,279</u>	\$ <u>3,072</u>
22. Federal income taxes	\$ <u> </u>	\$ <u> </u>
23. Gross receipts (or franchise tax)	\$ <u> </u>	\$ <u> </u>
24. Property taxes	\$ <u> </u>	\$ <u> </u>
25. Payroll taxes	\$ <u> </u>	\$ <u> </u>
26. Other taxes	\$ <u> </u>	\$ <u> </u>
27. Interest on debt during year	\$ <u>129,836</u>	\$ <u>61,072</u>
28. Other expenses (describe in remarks below)	\$ <u>181,589</u>	\$ <u>181,270</u>
29. Total Expenses (Lines 10 thru 28)	\$ <u>426,827</u>	\$ <u>582,448</u>
30. Net Income (Line 9 minus Line 29)	\$ <u>(266,094)</u>	\$ <u>(197,170)</u>

Remarks

31. Line 8 includes miscellaneous income. This was a combined figure in the MAUC annual report and was allocated based on gross plant and service water and sewer.

32. Line 10 includes salaries and wages and employee pension and benefits.

33. Line 20, water: depreciation/amortization expense netted to 0. Sewer has a negative amortization balance.

34. Line 27 was a combined figure in the MAUC annual report and was allocated based on gross plant and service water and sewer.

35. Line 28 includes materials and supplies, contractual services, insurance, and miscellaneous expense.

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> </u>	<u>489</u>	<u>443</u>	<u>21</u>
37. Customers at end of year	<u> </u>	<u>483</u>	<u>438</u>	<u>21</u>
38. Average gallons used per customer	<u>NA - Original meters did not provide results</u>			

PURCHASER'S COST OF UTILITY SYSTEM

1. List Purchaser's cost of utility systems:

Water: \$646,093

Sewer: \$303,907

ORIGINAL COST OF UTILITY SYSTEM

As of Year Ended December 31, 2020 (Date)

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

	<u>Utility Property in Service</u>	<u>Balance at End of Year</u>	
		<u>Water</u>	<u>Sewer</u>
2.	Land and rights-of-way	\$ _____	\$ _____
3.	Structures and site improvement	\$ _____	\$ 1,359,647
4.	Wells	\$ 471,957	\$ 4,980
5.	Pumping equipment	\$ 353,022	\$ 217,579
6.	Treatment equipment	\$ _____	\$ _____
7.	Storage tanks	\$ _____	\$ _____
8.	Mains (excluding service connections)	\$ 2,367,337	\$ _____
9.	Service connections	\$ 302,814	\$ _____
10.	Meters (including spare meters)	\$ _____	\$ 90,356
11.	Office furniture and equipment	\$ 32,926	\$ 736
12.	Transportation equipment	\$ 29,298	\$ _____
13.	Other utility property in service (describe in remarks below)	\$ _____	\$ _____
14.	Total utility property in service (Lines 2 thru 13)	\$ 3,557,354	\$ 1,673,298
15.	Less: acquisition adjustments (difference between original cost above and cost to Seller)	\$ _____	\$ _____
16.	Less: Seller's accumulated depreciation	\$ 3,460,132	\$ 1,627,567
17.	Less: Seller's accumulated tap fees and other contributions in aid of construction	\$ 125,347	\$ 58,960
18.	Seller's net investment in utility property (Line 14 minus 15, 16, & 17)	\$ (28,125)	\$ (13,229)

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

Remarks

22. Line 3, sewer: collection sewer force
23. Line 4, sewer: receiving wells
24. Line 10, sewer: flow measuring installations
25. Line 16 and 17 were combined figured pulled from MAUC annual report and were allocated based on gross water and sewer plant in service.

ANNUAL DEPRECIATION

26. If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used:
Water: _____
Sewer: _____

27. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used: Current approved for CWSNC – W-354, Sub 384, see attached Annual Depreciation Rates.

OTHER FINANCIAL INFORMATION

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

a. Capital structure as of July 31, 2022

b. Capital structure balances:

	<u>Amount</u>	<u>Percent Of Total Capital</u>
Long-term debt/loans	\$ <u>365,447,055</u>	<u>50.39</u>
Preferred stock (if any)	\$ _____	_____
Common equity:		
Common stock	\$ <u>110</u>	_____
Retained earnings	\$ <u>359,777,647</u>	<u>49.61</u>
Total common equity	\$ <u>359,777,757</u>	<u>49.61</u>
 Total capital	 \$ <u><u>725,224,812</u></u>	 <u>100%</u>

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

a. Long-term debt	\$ <u>478,705</u>
b. Short-term debt	\$ _____
c. Common stock	\$ _____
d. Retained earnings	\$ <u>471,295</u>
e. Other (please describe below on Line g)	\$ _____
f. Total purchase price	\$ <u><u>950,000</u></u>

g. Description of other: Purchase price will be financed with cash from debt and equity with similar ratios to the company's capital structure.

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

a. Brief description: Water/sewer system SCADA, water/sewer system improvements, water system AMI.

b. Financing:

(1) Long-term debt	\$ <u>1,105,096</u>
(2) Short-term debt	\$ _____
(3) Common stock	\$ _____
(4) Retained earnings	\$ <u>1,087,990</u>
(5) Other (please describe below on Line (7))	\$ _____
(6) Total improvements/additions	\$ <u><u>2,193,086</u></u>

(7) Description of other: Additions will be financed with cash from debt and equity financing.

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)).

NC - 2021 - Mountain Air - Water System SCADA, \$202,524

NC - 2021 - Mountain Air - Water System Improvements, \$400,000

NC - 2021 - Mountain Air - Sewer System SCADA, \$137,038

NC - 2021 - Mountain Air - Sewer System Improvements, \$750,000

1 - 5 years - no replacement expected

5 - 10 years - routine replacement of pumps/meters

10 - 20 years - routine replacement of pumps/meters

20 - 40 years - routine replacement of pumps/meters

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)).

NC - 2021 - Mountain Air - Water System AMI, \$703,524

1 - 5 years - no replacement expected

5 - 10 years - routine replacement of pumps/meters

10 - 20 years - routine replacement of pumps/meters

20 - 40 years - routine replacement of pumps/meters

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 Purchaser and/or parent company.

(2) Budgets, capital and operating, for the Purchaser'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 Purchaser's and/or parent company's North Carolina utility operations.

EXHIBITS

THE FOLLOWING EXHIBITS SHALL BE ATTACHED TO THE APPLICATION:

1. If the Purchaser 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 Purchasers 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 Purchaser 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. **On File.**
4. Enclose a copy of (1) exhibits showing that the Seller has ownership of all property necessary to operate the utility and (2) a purchase agreement reduced to writing. Any changes in the purchase agreement should be filed immediately with the Commission. **See Exhibit 4**
5. If the application is for a stock transfer, enclose a copy of the most recent financial statements, including a balance sheet, for the Seller. **N/A**
6. 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 Exhibit 6**
7. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Purchaser. **See Exhibit 7**
8. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Purchaser. **See Exhibit 8 - Confidential**
9. If the information requested in Exhibits 7 and 8 is not available, enclose a copy of the most recent fiscal year financial statements or statement of net worth for the principals of the Purchaser and/or parent company. **N/A**

FILING INSTRUCTIONS

10. 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. Twenty-five (25) copies of an application to acquire a Class A or B utility company should be filed.** One of these copies must have original signatures. (Applicants must also provide any copies to be returned to them.)
11. 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.** (No filing fee required if stock transfer only.)

SIGNATURES

12. Application shall be signed and verified by the Applicants.

Signature [Handwritten Signature]
Purchaser

Date 9/24/2022

Signature _____
Seller

Date _____

13. (Typed or Printed Name) Donald H. Denton III

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 26 day of September, 2022



Notary Public [Handwritten Signature]
Donna Stegall

Address 5821 Fairview Rd
Suite 401 Charlotte NC

My Commission Expires: 01/08/2024 28209
Date

SIGNATURES

12. Application shall be signed and verified by the Applicants.

Signature _____
Purchaser

Date _____

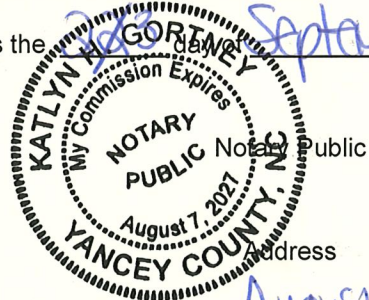
Signature William R. Baker, Pres.
Seller

Date 9-23-2022

13. (Typed or Printed Name) William R. Banks

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 23rd day of September, 2022



My Commission Expires: August 7, 2027
Date

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

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	\$199,539	\$398,254	\$398,254	\$398,254	\$398,254
2	Flat rate service revenue	-	-	-	-	-
3	EPA testing surcharge	-	-	-	-	-
4	Re-connect fees	0	0	0	0	0
5	Return check charge	0	0	0	0	0
6	Late payment charges	0	0	0	0	0
7	Other operating revenue	1,999	3,990	3,990	3,990	3,990
8	Total operating revenue (Sum of Line 1 thru Line 7)	201,538	402,244	402,244	402,244	402,244
	<u>Operating expenses</u>					
9	Total salaries and wages (employees only)	30,032	59,940	59,940	59,940	59,940
10	Outside labor expense (non-employees)	0	0	0	0	0
11	Administrative and office expense	2,732	5,453	5,453	5,453	5,453
12	Maintenance and repair expense	10,362	20,682	20,682	20,682	20,682
13	Purchased water	-	-	-	-	-
14	Purchased sewage treatment	-	-	-	-	-
15	Electric power expense (exclude office)	8,789	17,543	17,543	17,543	17,543
16	Chemicals expense	2,938	5,864	5,864	5,864	5,864
17	Testing fees	2,142	4,275	4,275	4,275	4,275
18	Transportation expense	1,931	3,854	3,854	3,854	3,854
19	Other operating expenses	35,417	70,687	70,687	70,687	70,687
20	Total operation and maintenance expenses (Sum of Lines 9 thru 19)	94,343	188,298	188,298	188,298	188,298
21	Annual depreciation expense	11,626	28,842	44,262	54,093	54,093
22	Property taxes paid on utility property	1,830	3,651	3,651	3,651	3,651
23	Payroll taxes	2,328	4,646	4,646	4,646	4,646
24	Franchise (gross receipts) tax	0	0	0	0	0
25	Annual NCUC regulatory fee	262	523	523	523	523
26	Total operating expenses (Sum of Line 20 thru Line 25)	110,389	225,960	241,380	251,211	251,211
	<u>Income taxes</u>					
27	State income taxes	2,279	4,407	4,022	3,776	3,776
28	Federal income taxes	18,663	36,094	32,937	30,924	30,924
29	Total income taxes (Line 27 + Line 28)	20,942	40,501	36,959	34,700	34,700
30	Net operating income (loss) (Line 8 - Line 26 - Line 29)	\$70,207	\$135,783	\$123,905	\$116,333	\$116,333
31	Interest expense	-	-	-	-	-
32	Net income (loss) (Line 30 - Line 31)	\$70,207	\$135,783	\$123,905	\$116,333	\$116,333

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	\$201,538	\$402,244	\$402,244	\$402,244	\$402,244
3	Less: Operation and maintenance expenses	94,343	188,298	188,298	188,298	188,298
4	Less: Taxes other than income	4,420	8,820	8,820	8,820	8,820
5	Pre-tax operating income (loss)	102,775	205,126	205,126	205,126	205,126
6	Income tax calculation:					
7	Pre-tax operating income (loss)	102,775	205,126	205,126	205,126	205,126
8	Plus: Contributions in aid of construction	-	-	-	-	-
9	Less: Tax depreciation	16,972	42,105	64,617	78,968	78,968
10	Less: Interest expense	-	-	-	-	-
11	Taxable income (loss)	85,803	163,021	140,509	126,158	126,158
12	State income tax	2,145	4,076	3,513	3,154	3,154
13	Federal income tax	17,568	33,379	28,769	25,831	25,831
14	Total income taxes to be paid	19,713	37,454	32,282	28,985	28,985
15	Net cash provided by (used in) operating activities	\$83,062	\$167,672	\$172,844	\$176,141	\$176,141
<u>Cash Flows From Investing Activities</u>						
16	Purchases of utility plant	\$848,617	408,000	717,594	-	-
17	Plus: Cash bonds posted	-	-	-	-	-
18	Less: Contributions in aid of construction	0	-	-	-	-
19	Less: Proceeds from disposal of utility plant	-	-	-	-	-
20	Net cash used (provided) by investing activities	848,617	408,000.00	717,594.48	-	-
<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	(\$765,555)	(\$240,328)	(\$544,750)	\$176,141	\$176,141
31	Cash balance at beginning of year	-	(\$765,555)	(\$1,005,883)	(\$1,550,634)	(\$1,374,493)
32	Cash balance at end of year	(\$765,555)	(\$1,005,883)	(\$1,550,634)	(\$1,374,493)	(\$1,198,351)

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

Projected Income Statement - Sewer Operations

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>Operating revenue</u>					
1	Metered service revenue	\$0	\$0	\$0	\$0	\$0
2	Flat rate service revenue	\$207,115	\$414,230	\$414,230	\$414,230	\$414,230
3	EPA testing surcharge	-	-	-	-	-
4	Re-connect fees	0	0	0	0	0
5	Return check charge	0	0	0	0	0
6	Late payment charges	0	0	0	0	0
7	Other operating revenue	1,302	2,604	2,604	2,604	2,604
8	Total operating revenue (Sum of Line 1 thru Line 7)	208,417	416,834	416,834	416,834	416,834
	<u>Operating expenses</u>					
9	Total salaries and wages (employees only)	24,220	48,441	48,441	48,441	48,441
10	Outside labor expense (non-employees)	0	0	0	0	0
11	Administrative and office expense	2,084	4,168	4,168	4,168	4,168
12	Maintenance and repair expense	22,130	44,259	44,259	44,259	44,259
13	Purchased water	-	-	-	-	-
14	Purchased sewage treatment	143,690	287,379	287,379	287,379	287,379
15	Electric power expense (exclude office)	9,198	18,395	18,395	18,395	18,395
16	Chemicals expense	5,011	10,023	10,023	10,023	10,023
17	Testing fees	3,413	6,826	6,826	6,826	6,826
18	Transportation expense	1,398	2,795	2,795	2,795	2,795
19	Other operating expenses	30,123	60,247	60,247	60,247	60,247
20	Total operation and maintenance expenses (Sum of Lines 9 thru 19)	241,267	482,533	482,533	482,533	482,533
21	Annual depreciation expense	5,826	16,888	22,125	22,125	22,125
22	Property taxes paid on utility property	271	543	543	543	543
23	Payroll taxes	1,876	3,753	3,753	3,753	3,753
24	Franchise (gross receipts) tax	0	0	0	0	0
25	Annual NCUC regulatory fee	271	542	542	542	542
26	Total operating expenses (Sum of Line 20 thru Line 25)	249,511	504,259	509,496	509,496	509,496
	<u>Income taxes</u>					
27	State income taxes	0	(2,186)	(2,317)	(2,317)	(2,317)
28	Federal income taxes	(8,630)	(17,900)	(18,972)	(18,972)	(18,972)
29	Total income taxes (Line 27 + Line 28)	(8,630)	(20,086)	(21,289)	(21,289)	(21,289)
30	Net operating income (loss) (Line 8 - Line 26 - Line 29)	(\$32,464)	(\$67,339)	(\$71,373)	(\$71,373)	(\$71,373)
31	Interest expense	-	-	-	-	-
32	Net income (loss) (Line 30 - Line 31)	(\$32,464)	(\$67,339)	(\$71,373)	(\$71,373)	(\$71,373)

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

Statement of Cash Flows - Sewer 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	\$208,417	\$416,834	\$416,834	\$416,834	\$416,834
3	Less: Operation and maintenance expenses	241,267	482,533	482,533	482,533	482,533
4	Less: Taxes other than income	2,418	4,838	4,838	4,838	4,838
5	Pre-tax operating income (loss)	(35,268)	(70,537)	(70,537)	(70,537)	(70,537)
6	Income tax calculation:					
7	Pre-tax operating income (loss)	(35,268)	(70,537)	(70,537)	(70,537)	(70,537)
8	Plus: Contributions in aid of construction	-	-	-	-	-
9	Less: Tax depreciation	8,631	25,020	32,777	32,777	32,777
10	Less: Interest expense	-	-	-	-	-
11	Taxable income (loss)	(43,899)	(95,557)	(103,314)	(103,314)	(103,314)
12	State income tax	(1,097)	(2,389)	(2,583)	(2,583)	(2,583)
13	Federal income tax	(8,988)	(19,565)	(21,154)	(21,154)	(21,154)
14	Total income taxes to be paid	(10,086)	(21,954)	(23,736)	(23,736)	(23,736)
15	Net cash provided by (used in) operating activities	(\$25,182)	(\$48,583)	(\$46,801)	(\$46,801)	(\$46,801)
<u>Cash Flows From Investing Activities</u>						
16	Purchases of utility plant	\$431,568	387,866	-	-	-
17	Plus: Cash bonds posted	-	-	-	-	-
18	Less: Contributions in aid of construction	0	-	-	-	-
19	Less: Proceeds from disposal of utility plant	-	-	-	-	-
20	Net cash used (provided) by investing activities	431,568	387,866.22	-	-	-
<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	(\$456,750)	(\$436,449)	(\$46,801)	(\$46,801)	(\$46,801)
31	Cash balance at beginning of year	-	(\$456,750)	(\$893,199)	(\$939,999)	(\$986,800)
32	Cash balance at end of year	(\$456,750)	(\$893,199)	(\$939,999)	(\$986,800)	(\$1,033,601)