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May 3, 2024

Ms. A. Shonta Dunston  
Chief Clerk  
NC Utilities Commission  
430 N. Salisbury Street  
Room 5063  
Raleigh, NC 27603

**Re: In the Matter of Old North State Water Company, Inc. (“ONSWC”) for Authority to Adjust and Increase Rates for Water Utility Service in All Service Areas in North Carolina  
NCUC Docket W-1300 Sub 60  
*Old North State Water Company, Inc.’s Public Redacted Report on April 3, 2024, Order on Legal Compliance, Accounting Review, and Recapitalization***

Dear Ms. Dunston:

In compliance with ordering paragraphs 5 through 10, 13, and 16 through 19 of the North Carolina Utilities Commission’s April 3, 2024, Order on Legal Compliance, Accounting Review, and Recapitalization in Docket W-1300 Sub 60, we herewith provide ONSWC’s Report and Appendices thereto.

The Confidential Excel worksheet in support of Appendix 1 is being provided in native format to NC Public Staff and filed with the Commission at [NCUCExhibit@ncuc.net](mailto:NCUCExhibit@ncuc.net).

Ms. A. Shonta Dunston  
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If you have any questions concerning this information, please do not hesitate to contact me.  
Thank you for your assistance in this matter.

Sincerely,

*/s/ Elizabeth Sims Hedrick*

Elizabeth Sims Hedrick

pbb

Enclosures

Copy to: Christopher J. Ayers, Director, NC Public Staff  
Reita D. Coxton, Public Staff – Legal  
Jessica Heironimus – Public Staff - Legal  
Jennifer Harrod, NCUC – Legal  
Gina Holt – Public Staff – Legal  
Erica Jones – Public Staff - Legal

STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH

DOCKET NO. W-1300, SUB 60

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of:

Application by Old North State Water Company, Inc., 3212 6<sup>th</sup> Avenue South, Suite 200, Birmingham, Alabama 35222, for Authority to Adjust and Increase Rates for Water Utility Service in All Service Areas in North Carolina

ONSWC REPORT ON ORDER  
ON LEGAL COMPLIANCE,  
ACCOUNTING REVIEW, AND  
RECAPITALIZATION

Old North State Water Company, Inc. ("ONSWC"), by and through counsel, hereby submits this Report on its compliance with requirements specified in the Commission's April 3, 2024, Order on Legal Compliance, Accounting Review, and Recapitalization (the "Order"). This Report does not include documentation for those terms of the Order that direct ongoing or future compliance, but ONSWC will comply with those obligations when compliance is due under the Order.

1. Ordering Paragraph 5: ONSWC shall document in its financial statements all agreements with and financial obligations to and from affiliated entities.

**RESPONSE: ONSWC previously filed existing promissory notes and loans in this docket. On March 14, 2024, ONSWC filed a petition asking the Commission to accept its financing agreements with Integra Water, LLC, which, among other things, would consolidate those notes and loans into a single loan and note from Integra (excepting the ONSWC note to Chatham North Holdings, which is being addressed in W-1300, Sub 94). The petition**

also requested that the Commission approve an ongoing line of credit that would capture intercompany cost allocations and cash transfers going forward. All previously undocumented intercompany balances and cash transfers through December 31, 2023, have been captured by the consolidated note. Interest on these amounts will accrue on the consolidated loan and line of credit, as described in those documents. Additionally, ONSWC filed a petition asking the Commission to accept the Support Services Agreement between ONSWC and Integra Water, LLC, in Docket No. W-1300, Sub 95, on November 17, 2023. All financial obligations under these agreements will be appropriately recorded and accounted for in ONSWC's financial statements. Balances are now being entered monthly as part of the hard-month end close process.

2. Ordering Paragraph 6: ONSWC shall (a) reduce to writing all existing agreements between itself and any of its affiliates (including informal agreements such as cash advances) and (b) file all existing agreements between itself and its affiliates, along with (i) the details of any compensation received under such agreements and (ii) full details of any entity which may have or claim an ownership or security interest in the Integra Notes or any assets of ONSWC, with the Commission for its review under N.C.G.S. § 62-153 no later than 30 days after entry of this order as follows:

a. ONSWC shall file all existing and proposed agreements except for the CNH Promissory Note and any related agreements in Docket No. W-1300, Sub 99.

**RESPONSE:** ONSWC filed a Petition for Acceptance of Financing Agreements with Integra Water, LLC, filed in Docket W-1300, Sub 99, on March 14, 2024, and the Confidential Errata Correction filed in the same docket on April 1, 2024. The financing agreements addressed in that petition will replace all other financing agreements, assuming the Petition in Docket No. W-1300, Sub 99, is approved by the Commission. The only other agreements between ONSWC and its affiliates are the Support Services Agreement (pending approval in Docket No. W-1300, Sub 95) and the ONSWC loan to CNH (which will be addressed in Docket No. W-1300, Sub 94, and potentially in subsequent rate cases). Going forward, ONSWC shall file and seek prior approval for any new agreements or changes to existing agreements.

b. The Commission will address the CNH Promissory Note and related agreements in Docket Nos. W-1300, Sub 94, and W-1320, Sub 4; and

**RESPONSE:** N/A

c. ONSWC shall prepare and file in W-1300, Sub 95, a cost allocation manual outlining how shared costs will be allocated to ONSWC and Integra or an Integra Subsidiary;

**RESPONSE:** ONSWC filed a cost allocation manual as Appendix B to the Petition for Acceptance of Support Services Agreement between ONSWC and Integra filed in Docket W-1300, Sub 95, on November 17,

**2023.**

3. Ordering Paragraph 7: Within 30 days of the Order, ONSWC shall make a filing in this docket identifying the certified ORC for each water system and stating whether the ORC is a contract employee or an employee of ONSWC or an affiliate (and if so, to identify the specific affiliate). For each wastewater treatment facility, identify the person assigned to oversee the operations and state whether that person is a contract employee or an employee of ONSWC or an affiliate (identifying the specific affiliate, if applicable).

**RESPONSE: ONSWC refers the Commission to the spreadsheet attached as Appendix 1 hereto. ONSWC is in the process of transitioning the eastern North Carolina wastewater systems to ONSWC employees, which will occur as soon as the dedicated employees achieve the proper certification.**

4. Ordering Paragraph 8: Within 30 days of the Order, ONSWC shall provide a listing of each permit and the applicable facility for which ONSWC is not identified as the permit owner by the DEQ and state who is noted by DEQ as the permit owner.

**RESPONSE: ONSWC has no permits for which it is responsible but not listed as the permit owner.**

5. Ordering Paragraph 9: In Docket W-1300, Sub 95, within 30 days of the Order, ONSWC shall make a filing clearly identifying the individuals or entities that own or operate all equipment or facilities used by ONSWC to provide water and wastewater utility services in North Carolina. For any equipment, property, or facilities used for utility operations that is not owned by ONSWC, it should provide

a listing of the property, identify the owner, and state the owner's relationship to ONSWC.

**RESPONSE: ONSWC filed the information on May 3, 2024, in Docket No. W-1300, Sub 95, as directed.**

6. Ordering Paragraph 10: Within 30 days of the Order, ONSWC shall update its Support Services Agreement filing in Docket No. W-1300, Sub 95, as necessary to (a) address the privacy of North Carolina customer data and (b) submit for Commission review and approval the details of any compensation it has paid to Integra under any unwritten or informal services agreement.

**RESPONSE: The Support Services Agreement that ONSWC filed in Docket No. W-1300, Sub 95, on November 17, 2023, addresses the privacy of North Carolina customer data in its Schedule 1. ONSWC has not paid any compensation to Integra under any unwritten or informal services agreement.**

7. Ordering Paragraph 13: ONSWC shall file in Docket No. M-2, Sub 2023W a narrative reconciliation that is consistent with the financial information in the restated 2022 Financial Statement explaining the difference between the originally filed 2022 Annual Report and the amended 2022 Annual Report.

**RESPONSE: ONSWC filed the requested information in Docket M-2, Sub 2023W on April 24, 2024.**

8. Ordering Paragraph 16: ONSWC shall file quarterly reports in Sub 60AR, until terminated by future order of the Commission, regarding its progress to implement accounting processes and practices to ensure accurate and timely

financial records and reporting.

**RESPONSE: ONSWC is filing the first quarterly report in Docket W-1300, Sub 60AR on May 15, 2024, and will file future quarterly reports within 45 days of the end of each calendar quarter.**

9. Ordering Paragraph 17 and 18: No later than 30 days after the date of the Order, ONSWC shall engage an outside certified public accounting firm to conduct the Attestation Review in accordance with attestation standards established by the American Institute of Certified Public Accountants performing the following procedures: (a) Verify, trace, and document all cash flows between Integra and ONSWC for the period beginning January 1, 2020, through December 31, 2023; and (b) Document all paid capital transactions for Integra and ONSWC for the period beginning January 1, 2020, through December 31, 2023.

ONSWC shall file the results of the Attestation Review with the Commission in the Sub 60AR as soon as the report outlining the results of the engagement is complete.

**RESPONSE: On November 10, 2023, ONSWC engaged Haynes Downard to conduct the ordered Attestation Review, which engagement was later reduced to writing. A copy of the engagement letter is attached hereto as Appendix 2. ONSWC will file the results of the Attestation Review in Docket W-1300, Sub 60AR as soon as Haynes Downard's report is complete.**

10. Ordering Paragraph 19: ONSWC shall file quarterly financial statements for ONSWC within 45 days after the end of each quarter in Sub 60AR.



**RESPONSE:** ONSWC will file its first quarterly financial statement on May 15, 2024.

Respectfully submitted, this the 3rd day of May, 2024.

FOX ROTHSCHILD LLP

/s/ Elizabeth Sims Hedrick

David T. Drooz

Elizabeth Sims Hedrick

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Attorneys for  
Old North State Water Company, Inc

**CERTIFICATE OF SERVICE**

I hereby certify that the undersigned has this day served the foregoing document in the above referenced matter upon all parties of record by electronic mail.

This 3rd day of May, 2024.

/s/ Elizabeth Sims Hedrick  
Elizabeth Sims Hedrick







**Haynes  Downard LLP**  
Certified Public Accountants and Business Advisors

January 24, 2024

Old North State Water Company, Inc.  
3212 6<sup>th</sup> Avenue South  
Suite 200  
Birmingham, Alabama 35222

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for Old North State Water Company, Inc.

We will apply the agreed-upon procedures which Old North State Water Company, Inc. has specified, as enumerated below, solely to assist the Company in its response to requests made by the North Carolina Utilities Commission Public Staff. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report or will not issue a report as a result of this engagement.

The agreed-upon procedures to be performed are as follows:

- 1) Verify, trace and document all cash flows between Integra Water, LLC and Old North State Water Company, Inc. for the period beginning January 1, 2020 through December 31, 2023.
- 2) Document all paid in capital transactions for Integra Water, LLC and Old North State Water Company, Inc. for the period beginning January 1, 2020 through December 31, 2023.

We have no obligation to perform any procedures beyond those listed above.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of Old North State Water Company, Inc. and the North Carolina Utilities Commission Public Staff and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Our report will be addressed to the shareholder and management of Old North State Water Company, Inc.

We plan to begin our procedures on January 25, 2024, and issue our report no later than February 22, 2024. At the conclusion of our engagement, we will require a representation letter from management.

Management is responsible for management decisions and functions, and for designating a qualified management-level employee to oversee the services we provide. Management is responsible for evaluating adequacy and results of those services and accepting responsibility for such services. Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Very truly yours,



Haynes Downard LLP  
Birmingham, Alabama

RESPONSE:

This letter correctly sets forth the understanding of Old North State Water Company, Inc.

Signature:  \_\_\_\_\_

Title: President \_\_\_\_\_

Date: 1/25/24 \_\_\_\_\_