

OFFICIAL COPY

INFORMATION SHEET

PRESIDING: Examiner Hilburn
PLACE: Concord, NC
DATE: May 29, 2019
TIME: 7:00 p.m. – 8:19 p.m.
DOCKET NO.: W-354, Sub 361 and W-1046, Sub 5
COMPANY: Carolina Water Service, Inc. of NC and Pace Utilities Group, Inc.
DESCRIPTION: Application by CWSNC for Authority to Acquire the Water and Sewer Utility System in Silverton Subdivision in Cabarrus County, NC from Pace Utilities Group, Inc., and Approval of Rates
VOLUME:

APPEARANCES

FOR CWSNC:
Jo Anne Sanford, Esq.

FOR PACE UTILITIES GROUP, INC.:
Russell Woodward, Esq.

WITNESSES

See attached.

EXHIBITS

See attached.

COPIES ORDERED: Sanford, Woodward, Holt, and Casselberry	
REPORTED BY: Kim Mitchell	TRANSCRIPT PAGES: 75
TRANSCRIBED BY: Kim Mitchell	PREFILED PAGES: 7
DATE TRANSCRIBED: June 13, 2019	TOTAL: 82

FILED
JUN 17 2019
Clerk's Office
N.C. Utilities Commission

1 PLACE: Cabarrus County Courthouse
2 Concord, North Carolina
3 DATE: Wednesday, May 29, 2019
4 TIME: 7:00 p.m. - 8:19 p.m.
5 DOCKET NO: W-354, Sub 361 and W-1046, Sub 5
6 BEFORE: Hearing Examiner Hilburn
7

8 **IN THE MATTER OF:**

9 Application by
10 Carolina Water Service, Inc. of North Carolina,
11 Post Office Box 240908,
12 Charlotte, North Carolina 28244,
13 for Authority to Acquire the Water and Sewer Utility
14 System in Silverton Subdivision
15 in Cabarrus County, North Carolina
16 from Pace Utilities Group, Inc.,
17 6719-C Fairview Road,
18 Charlotte, North Carolina 28210,
19 and Approval of Rates
20
21
22
23
24

1 A P P E A R A N C E S:

2 **FOR CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA:**

3 Joanne Sanford, Esq.

4 Sanford Law Office, PLLC

5 Post Office Box 28085

6 Raleigh, North Carolina 27611-8085

7

8 **FOR PACE UTILITIES GROUP, INC.:**

9 Russell S. Woodward, Esq.

10 Woodward & Woodward, PLLC

11 200 South College Street, Suite 200

12 Charlotte, North Carolina 28202

13

14 **FOR THE USING AND CONSUMING PUBLIC:**

15 Gina C. Holt, Esq.

16 Public Staff - North Carolina Utilities Commission

17 4326 Mail Service Center

18 Raleigh, North Carolina 27699-4300

19

20

21

22

23

24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

T A B L E O F C O N T E N T S

E X A M I N A T I O N S :

JUDY SAPIELAK

Direct Examination by Ms. Holt..... 13
Examination by Examiner Hilburn..... 19

TIFFANY WOODS

Direct Examination by Ms. Holt..... 21

KATIE McCORMICK

Direct Examination by Ms. Holt..... 24
Cross Examination by Ms. Sanford..... 30
Redirect Examination by Ms. Holt..... 34

BRIAN PACE

Direct Examination by Mr. Woodward..... 36
Examination by Ms. Sanford..... 40
Cross Examination by Ms. Holt..... 41
Examination by Examiner Hilburn..... 43

JONATHAN BRYCE MENDENHALL

Direct Examination by Ms. Sanford..... 45
Cross Examination by Ms. Holt..... 56

1 EXAMINATIONS Cont'd.:

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

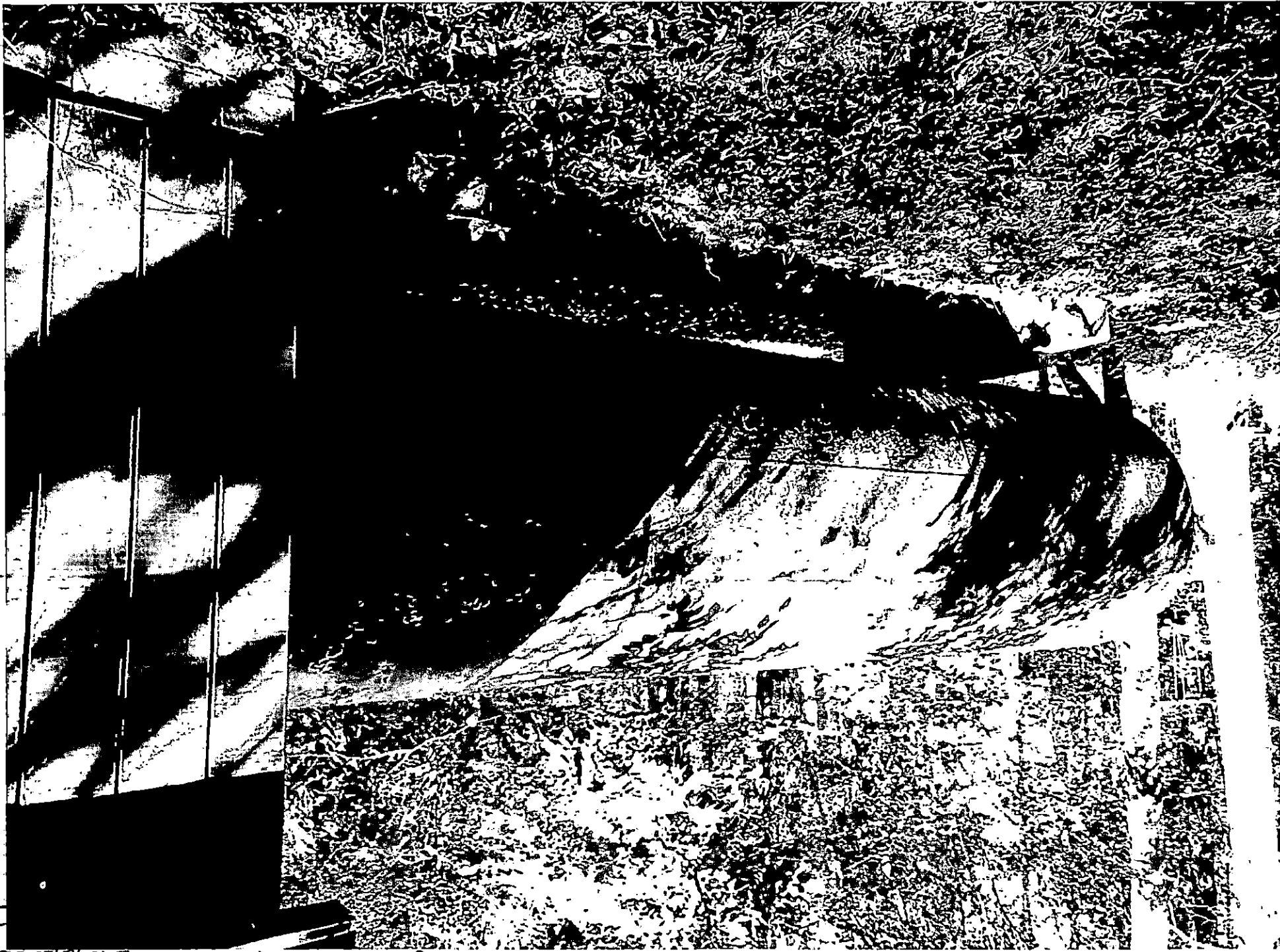
GINA Y. CASSELBERRY

Direct Examination by Ms. Holt.....	59
Examination by Examiner Hilburn.....	69
PREFILED AFFIDAVIT OF WINDLEY E. HENRY.....	73

E X H I B I T S

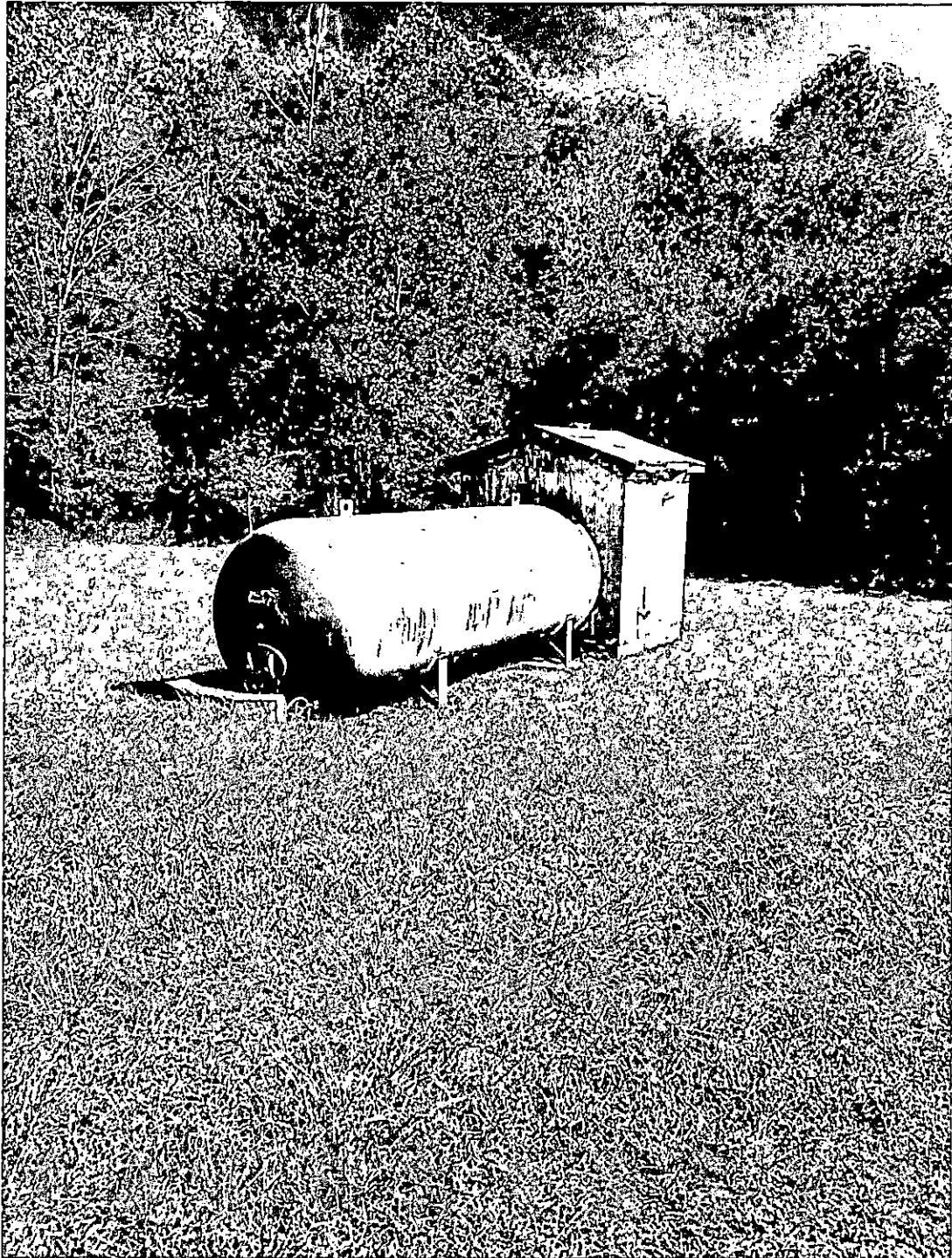
IDENTIFIED / ADMITTED

Applicant Exhibit 1.....	38/38
CWSNC Direct Exhibits 1 - 6.....	56/56
Henry Exhibit 1.....	--/73
CWSNC Application.....	--/78
CWSNC Revised Application.....	--/78
CWSNC Letter Confirming Rates.....	--/78



BM
CWSNC Direct Exh. # 1 0-27-71
Bryce Mendenhall, W-354, Sub 361
W-1046, Sub 5

H/A



CWSNC Direct Exh.
2

BRUCE MENDENHALL
5/29/19

W-354, Sub 361
W-1046, Sub 5

I/A

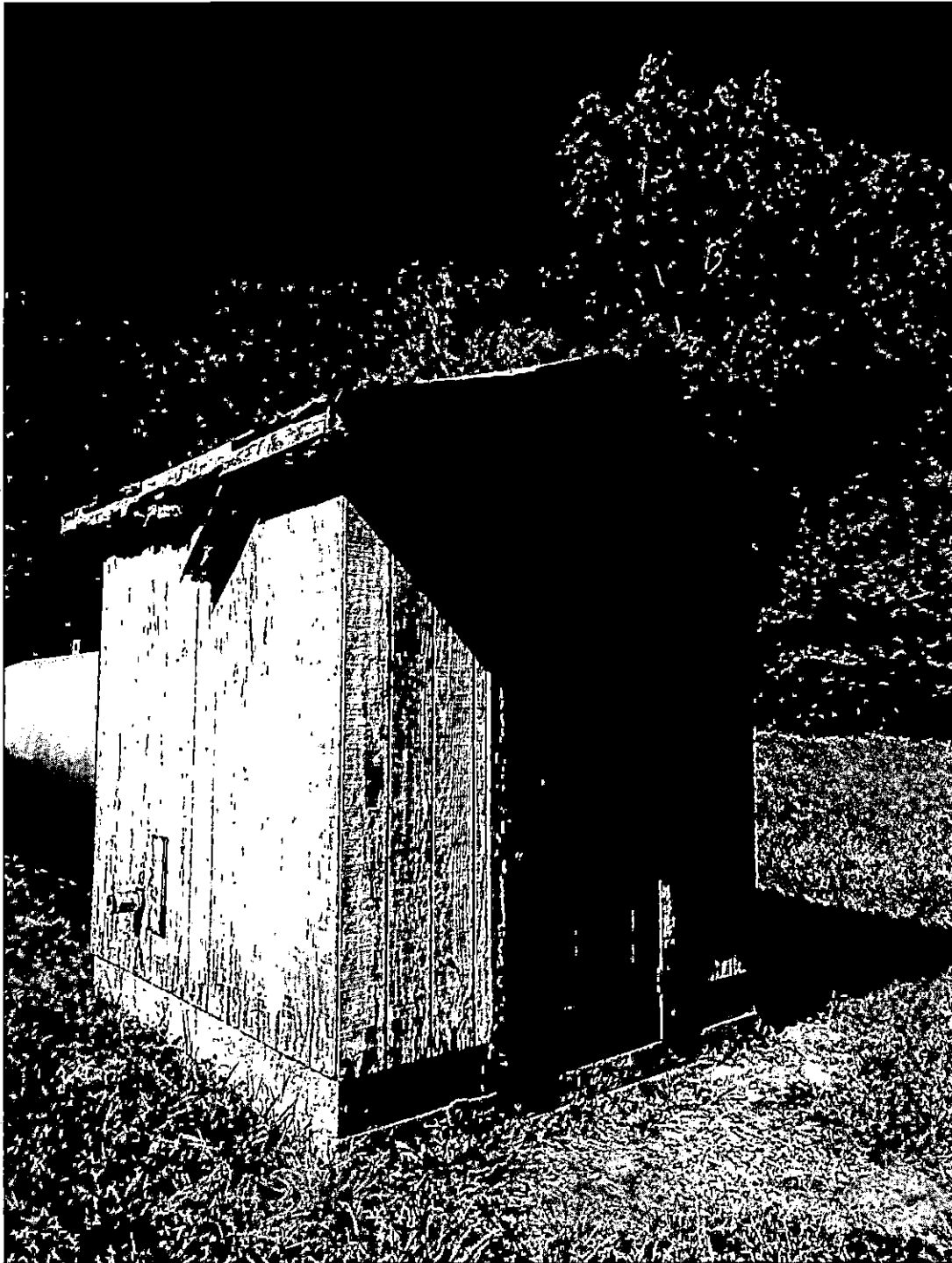
CW 500 DIRECT EXH. # 3
Bryce Mendenhall
W-354, Sub 361 & W1046
Sub 5

5/29/11
F/A

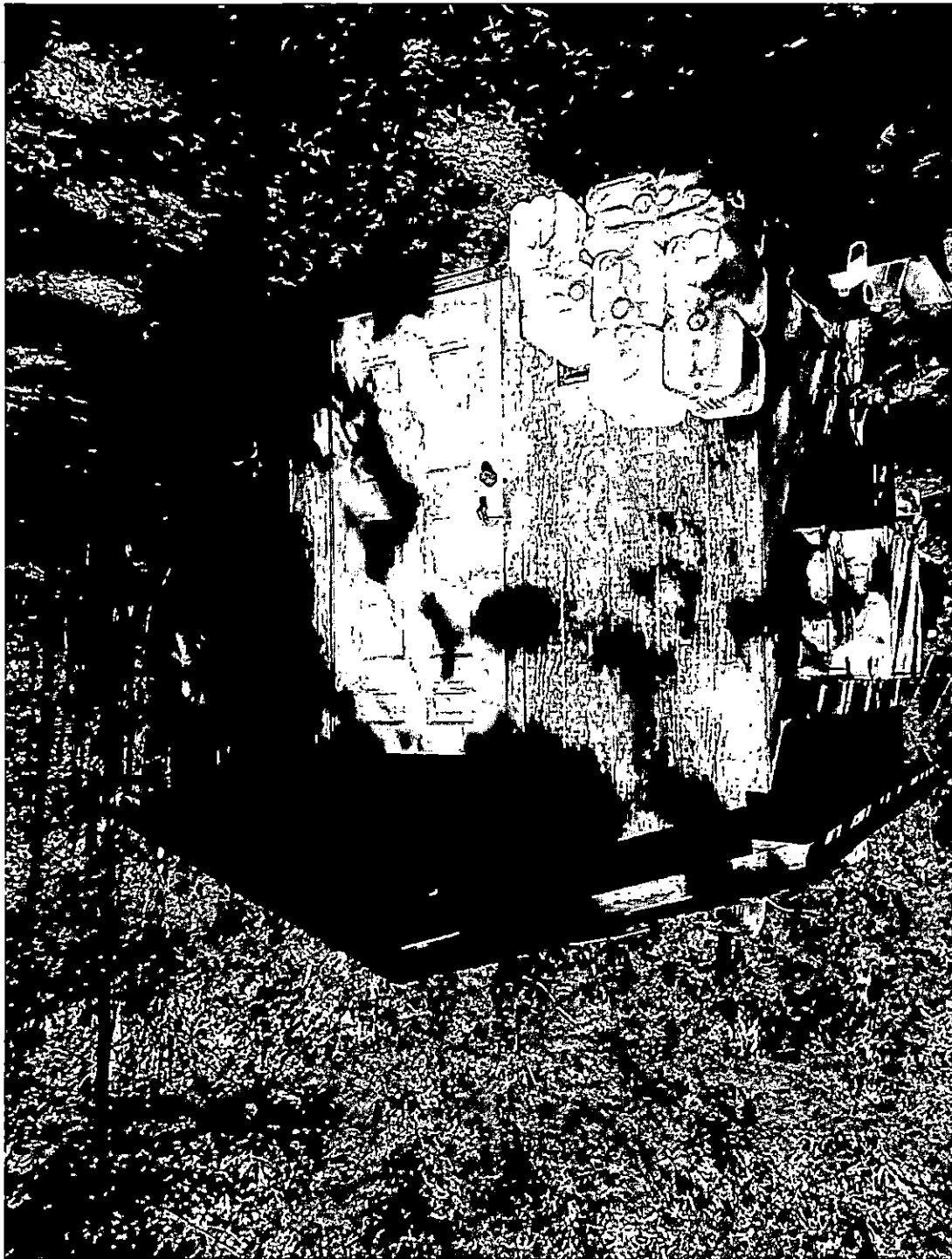
362
CERTIFIED BY
EVANS & SONS' PROCESS TANKS CO.
FOR VESSEL 100 P.S.I. @ AME IN
P.S.I. @ X
P.S.I. @ X
C-8891756
JULY 1989

CWSNC Direct Exp. #4
Bryce Mendenhall,
W-354, Sub 361
5/29/19

I/A



I/A
CWSNC Direct Exh't 5
Bryce Mendonhall
W-354, SLP 361
W-1046, Sub 5
5-29-19





Carolina Water Service
of North Carolina™

May 17, 2019

CWSNC DIRECT
EXIT 6
Bryce Mendenhall
5/29/19
W-354, Sub 361
W-1046, Sub 5
I/A

Dear Silverton Resident,

I am writing to introduce our company, Carolina Water Service, Inc. of North Carolina (CWSNC), to the residents of the Silverton Community. As you may know, CWSNC has entered into an agreement to purchase the water and wastewater system for the Silverton Community from Pace Utilities. If the transaction is approved by the North Carolina Utilities Commission, CWSNC could begin providing service to you as soon as this summer.

CWSNC is a local water and wastewater service provider with over 35,000 customers in 38 counties in North Carolina. CWSNC has provided safe, reliable water for families from Murphy to Manteo for more than 50 years. CWSNC presently serves other area subdivisions near Silverton, including Bradfield Farms, Larkhaven, Lemond Acres, and Country Hills. CWSNC also currently provides the wastewater treatment for the Silverton Community.

CWSNC has long been committed to providing quality, reliable service to our North Carolina customers. We make the capital investments needed to maintain our utility systems, including approximately \$16 million in system improvements across the state in 2019 alone. Additionally, our systems are maintained by operations staff who live in the area of the systems they manage. They take pride in serving their neighbors – our customers – and work hard to ensure customers receive safe, reliable service.

As a community-focused company, CWSNC promotes and values regular engagement with our customers. CWSNC employees are pleased to attend Homeowners Association or other neighborhood meetings upon request to answer customer questions and provide system updates. We also offer 24-hour access through our customer service line and through the My Utility Connect online portal for bill payment, notifications, and messaging.

CWSNC welcomes the opportunity to serve the Silverton Community as your water and wastewater provider. If you have any questions regarding the proposed sale by Pace Utilities to our company or wish to learn more about our company, please do not hesitate to contact Ms. Deb Clark, our Communications Manager, at 704-525-1620 or by email at deb.clark@carolinawaterservicenc.com.

Sincerely,

Catherine E. Heigel
President

Pace Utilities Group, Inc.
6719-C Fairview Road
Charlotte, NC 28210

May 14, 2019

Residents of Silverton Subdivision

Re: Silverton Water System; Proposed Sale to Carolina Water Service
NCUC Docket # W-354, Sub 361 and #WI046 Sub 5

Ladies and Gentlemen:

On behalf of Pace Utilities Group, Inc. ("Pace"), the owner and operator of the water system providing water and sewer service to your homes in Silverton (the "System"), I write to provide you with some additional information regarding the proposed sale of the System to Carolina Water Service, Inc. of North Carolina ("Carolina Water").

In 1988, my father, Stephen Pace, developed your subdivision for the original home builder, Sparta Brook Homes. At that time, there were no public sewer and water services available in the vicinity and Pace Utilities Group, Inc. was created to provide water and sewer service to your community. My father found himself as the owner and operator of a private water utility company, something he had never done before. He continued to maintain and manage this utility system for the past 30 years and it remains the one and only utility he ever owned or operated.

Unfortunately, in January of 2018 my father passed away after a long fight with cancer. Upon his death, our family became the owner and operator of this system. Since his death, our family has continued to manage and operate the system, but we knew that could not continue because this is not our primary business. After my father's death, we began exploring options to sell the System to a larger, more experienced operator which could provide the expertise and investment necessary to operate the System for the next 30 years. Carolina Water has agreed to acquire the System and we are confident that they will be a good steward of the System.

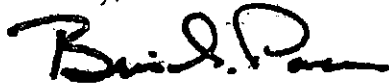
I have received a copy of the petition in opposition to the sale of the System to Carolina Water and I completely understand concerns about a rate increase. However, the increasing costs to maintain and operate the System - and to ensure that your water stays safe - will require that the rates are increased, regardless of whether the System is sold to Carolina Water or to another operator. Based on the rate history we received from the NCUC, the rates set for Silverton in 1994 remained constant for 21 years. In April, 2015, the NCUC's approved water base charge and usage charge for the System went down, and the monthly sewer rate increased about 13% (to account for Pace's increased sewer costs). Since April, 2015, your water and sewer rates have remained unchanged.

I understand that the rate history doesn't ease the sting of a rate increase, but it helps explain why the System currently cannot pay for itself. The current revenues do not cover the operating costs of the System, a scenario that is not sustainable for any business. That's why we believe Carolina Water is in the best position to take over the System and keep it operating safely and effectively for years to come. Additionally, Carolina Water is able to make needed investments to the System to improve service and reliability, including but not limited to replacement of the existing well houses, replacement of the existing hydro-tanks, and other necessary well repairs.

Carolina Water also currently treats all sewer flows from the Silverton neighborhood and provides water and sewer service to the adjacent Bradfield Farm neighborhood as well. The proposed revised water and sewer rates for Silverton are in line with the rates for Bradfield Farm neighborhood and are below the North Carolina average utility rates.

We are hopeful this letter offers a better explanation of the changes and improvements coming to the Silverton neighborhood's water and sewer system. We appreciate your understanding and ask for your support of Carolina Water's acquisition of the System.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian S. Pace". The signature is written in a cursive, flowing style.

Brian S. Pace
President
Pace Utilities Group, Inc.

1A

INDEX TO HENRY EXHIBIT

<u>LINE NO.</u>	<u>TITLE</u>	<u>SCHEDULE NO.</u>
1.	ORIGINAL COST RATE BASE - WATER OPERATIONS	1(a)
2.	ORIGINAL COST RATE BASE - SEWER OPERATIONS	1(b)
3.	CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE - WATER OPERATIONS	1-1
4.	CALCULATION OF PURCHASE ACQUISITION ADJUSTMENT, ACCUMULATED AMORTIZATION AND AMORTIZATION EXPENSE	1-2

CAROLINA WATER SERVICE, INC. OF NC
Docket No. W-354, Sub 361
ORIGINAL COST RATE BASE
For the Test Year Ended December 31, 2017

Public Staff
Henry Exhibit I
Schedule 1(a)

WATER OPERATIONS

Line No.	Item	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1.	Plant in service	\$168,332	(\$96,862)	\$71,470 [2]
2.	Accumulated depreciation	(127,701)	73,440	(54,261) [3]
3.	Contributions in aid of construction	0	0	0
4.	Accumulated amortization of CIAC	0	0	0
5.	Purchase acquisition adjustment	0	4,291	4,291 [4]
6.	Accumulated amortization of PAA	0	(172)	(172) [5]
7.	Original cost rate base (Sum of L1 thru L6)	<u>\$40,631</u>	<u>(\$19,303)</u>	<u>\$21,328</u>

- [1] Column (c) minus Column (a).
- [2] Henry Exhibit I, Schedule 1-1, Column (a), Line 8.
- [3] Henry Exhibit I, Schedule 1-1, Column (f), Line 8.
- [4] Henry Exhibit I, Schedule 1-2, Column (a), Line 5.
- [5] Henry Exhibit I, Schedule 1-2, Column (a), Line 6.

CAROLINA WATER SERVICE, INC. OF NC
Docket No. W-354, Sub 361
ORIGINAL COST RATE BASE
For the Test Year Ended December 31, 2017

Public Staff
Henry Exhibit I
Schedule 1(b)

SEWER OPERATIONS

Line No.	Item	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1.	Plant in service	\$120,906	(\$120,906)	0 [2]
2.	Accumulated depreciation	(95,097)	95,097	0 [2]
3.	Contributions in aid of construction	0	0	0
4.	Accumulated amortization of CIAC	0	0	0
5.	Purchase acquisition adjustment	0	21,500	21,500 [3]
6.	Accumulated amortization of PAA	0	(860)	(860) [4]
7.	Original cost rate base (Sum of L1 thru L6)	<u>\$25,809</u>	<u>(\$5,169)</u>	<u>\$20,640</u>

[1] Column (c) minus Column (a).
[2] Adjustment to remove plant recovered through lot sales.
[3] Henry Exhibit I, Schedule 1-2, Column (b), Line 5.
[4] Henry Exhibit I, Schedule 1-2, Column (b), Line 6.

OFFICIAL COPY
May 09 2019

CAROLINA WATER SERVICE, INC. OF NC
Docket No. W-354, Sub 381
**CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION AND DEPRECIATION EXPENSE**
For the Test Year Ended December 31, 2017

Public Staff
Henry Exhibit I
Schedule 1-1

WATER OPERATIONS

Line No.	Item	Plant In Service (a)	Year Acquired (b)	Life (c)	Years In Service [4] (d)	Annual Depreciation [5] (e)	Accumulated Depreciation [6] (f)
Plant in service per Sub 0 Franchise:							
1.	Water plant	\$80,000 [1]	1994 [1]	33.33 [1]	24.75	\$1,800	(\$44,550)
Plant additions since Sub 0 Franchise:							
2.	Meter and meter installations	3,144 [2]	1995 [2]	20 [3]	23.75	0	(3,144)
3.	Chemical pumps	475 [2]	1995 [2]	3 [3]	23.75	0	(475)
4.	Supply main	4,057 [2]	1996 [2]	40 [3]	22.75	101	(2,298)
5.	Pumping equipment	2,422 [2]	1998 [2]	5 [3]	20.75	0	(2,422)
6.	Pumping equipment	1,372 [2]	2000 [2]	5 [3]	18.75	0	(1,372)
7.	Total plant additions (Sum of L2 thru L6)	<u>11,470</u>				<u>101</u>	<u>(9,711)</u>
8.	Total plant in service L1 + L7)	<u>\$71,470</u>				<u>\$1,901</u>	<u>(\$54,281)</u>

- [1] Per NCUC Final Order, Docket No. W-1046 franchise proceeding.
- [2] Per examination of Company's financial records.
- [3] Provided by Public Staff Engineer Casselberry.
- [4] Calculated based on year placed in service using half year convention through 3/31/2019.
- [5] Column (a) divided by Column (c), unless fully depreciated.
- [6] Column (d) multiplied by Column (e), unless fully depreciated.

May 09 2019

OFFICIAL COPY

CAROLINA WATER SERVICE, INC. OF NC
 Docket No. W-354, Sub 361
CALCULATION OF PURCHASE ACQUISITION ADJUSTMENT,
ACCUMULATED AMORTIZATION AND
AMORTIZATION EXPENSE
 For the Test Year Ended December 31, 2017

Public Staff
 Henry Exhibit I
 Schedule 1-2

SEWER OPERATIONS

<u>Line No.</u>	<u>Item</u>	<u>Water</u> (a)	<u>Sewer</u> (b)	<u>Total</u> (c) [5]
1.	Purchase price	\$21,500 [1]	\$21,500 [4]	\$43,000 [6]
2.	Plant in service	71,470 [2]	0	71,470
3.	Accumulated depreciation	(54,261) [3]	0	(54,261)
4.	Net plant in service (L2 + L3)	17,209	0	17,209
5.	Purchase acquisition adjustment (L1 - L4)	\$4,281	\$21,500	\$25,781
6.	Accumulated amortization of PAA (L5 x 4%)	(\$172)	(\$960)	(\$1,032)

- [1] Column (c), Line 1 multiplied by water allocation factor of 50%.
 [2] Henry Exhibit I, Schedule 1-1, Column (e), Line 8.
 [3] Henry Exhibit I, Schedule 1-1, Column (f), Line 8.
 [4] Column (c), Line 1 multiplied by sewer allocation factor of 50%.
 [5] Column (a) plus Column (b), unless otherwise footnoted.
 [6] Per Second Amendment to Asset Purchase Agreement.

CWSNC APPLICATION /A

(P. 1 of 80 filed in docket system)

Docket No. W-1046, Sub 5
Docket No. W-354, Sub 361

(Confidential Portion filed in docket system.)

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

September 13, 2018

OFFICIAL COPY

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Via Electronic Filing

Re: Application for Transfer of Public Utilities Franchise and for Approval of Rates, Filed by Pace Utilities Group, Inc. (W-1046, Sub 5) and Carolina Water Service, Inc. of North Carolina (W-354, Sub 361)

Sep 13 2018

Dear Ms. Jarvis:

Attached please for filing an Application for Transfer of Public Utility Franchise and for Approval of Rates filed by Pace Utilities Group, Inc., ("Pace," the seller) and Carolina Water Service, Inc., of North Carolina ("CWSNC," the purchaser). The Application is being filed in Docket Nos. W-1046, Sub 5 and W-354, Sub 361. Exhibit 8 to the Application, the Consolidated Financial Statements for Utilities, Inc. and Subsidiaries, is stamped CONFIDENTIAL and is hereby filed with the Commission subject to a claim of confidentiality pursuant to G.S. 132-1.2 entitled "Confidential Information." I am electronically paying the filing fee. At your request we have added the Deed to the Seller at the end of the Application as Exhibit 11.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted

/s/Jo Anne Sanford
Attorney for Carolina Water Service,
Inc. of North Carolina

cc: Parties of Record

CWSNC REVISED APPLICATION
/A

SANFORD LAW OFFICE, PLLC

Jo Anne Sanford, Attorney at Law

February 6, 2019

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Via Electronic Filing

Re: Revised Application for Transfer of Public Utilities Franchise and for Approval of Rates, Filed by Pace Utilities Group, Inc. (W-1046, Sub 5) and Carolina Water Service, Inc. of North Carolina (W-354, Sub 361)

Dear Ms. Jarvis:

Attached please for filing a Revised Application for Transfer of Public Utility Franchise and for Approval of Rates filed by Pace Utilities Group, Inc., ("Pace," the seller) and Carolina Water Service, Inc., of North Carolina ("CWSNC," the purchaser). The Application is being filed in Docket Nos. W-1046, Sub 5 and W-354, Sub 361 to reflect changes in the purchase price as well as changes in proposed rates. Additionally, it is accompanied by a Second Revised Asset Purchase Agreement.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted

/s/Jo Anne Sanford
Attorney for Carolina Water Service,
Inc. of North Carolina

cc: Parties of Record

CERTIFICATE OF SERVICE

On behalf of Carolina Water Services, Inc. of North Carolina, I hereby certify that I have today served a copy of the REVISED Application for Transfer of Public Utility and Approval of Rates, in Docket Nos. W-354, Sub 361 and W-1046, Sub 5, on all parties of record in this proceeding, in accordance with North Carolina Utilities Commission Rule R1-39, either by United States mail, first class postage pre-paid; by hand delivery; or by means of electronic delivery upon agreement of the receiving party.

This the 6th day of February 2019.

Electronically Submitted
/s/Jo Anne Sanford
State Bar No. 6831

SANFORD LAW OFFICE, PLLC
sanford@sanfordlawoffice.com
Tel: 919.210.4900
Attorney for Aqua North Carolina, Inc.

OFFICIAL COPY

Feb 06 2019

OFFICIAL COPY

SELLER DOCKET NO. W-1046, Sub 6
 PURCHASER DOCKET NO. W-354, Sub 361
 FILING FEE RECEIVED N/A for Revision

FILED**FEB 06 2019**

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

**REVISED APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE
AND FOR APPROVAL OF RATES**

Clerk's Office

INSTRUCTIONS

N.C. Utilities Commission
 Notes and 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

- Trade name used for utility business Pace Utilities Group, Inc.
- Mailing address 6719-C Fairview Road, Charlotte, NC 28210
- Business telephone number 704-365-1208

PURCHASER

- Trade name used for utility business Carolina Water Service, Inc. of North Carolina
- Name of owner (if different from trade name) Utilities, Inc.
- Business mailing address P.O. Box 240908
City and state Charlotte, NC Zip code 28244
- Business street address (if different from mailing address) 4944 Parkway Plaza Blvd., Suite 375, Charlotte, NC 28217
- Business telephone number 704-319-0502
- If corporation, list the following:
 President Catherine Heigel (Interim) Vice President Bryce Mendenhall
 Secretary Laura Granier Treasurer Jim Andrejko
 Three (3) largest stockholders and percent of voting shares held by each
Utilities, Inc. 100%
- If partnership, list the owners and percent of ownership held by each
- 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>\$11.44 base charge, \$9.86/k gal usage charge</u>	<u>\$6.72 base charge, \$1.85/1k gal usage</u>
Sewer:	<u>N/A</u>	<u>N/A</u>
13. Flat Rate Residential Service:		
Water:	<u>N/A</u>	<u>N/A</u>
Sewer:	<u>\$41.40 base charge</u>	<u>\$39.53</u>
14. Nonresidential Service (explain):		
Water:	<u>N/A</u>	<u>N/A</u>
Sewer:	<u>N/A</u>	<u>N/A</u>
15. Tap-on fees:		
Water:	<u>\$0</u>	<u>N/A</u>
Sewer:	<u>\$27</u>	<u>N/A</u>

OTHER PROPOSED RATES

- 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.)
- Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: _____
- Reconnection charge if water service discontinued at customer's request: _____
- Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: Actual Cost
- Other charges: _____
- What date are the proposed rates to become effective: _____
- How long have the present rates been in effect? _____

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 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: 4944 Parkway Plaza Blvd. Suite 375, Charlotte, NC 28217
 - (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: Bryce Mendenhall 919-257-1182
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: N/A Sewer: N/A

PURCHASER'S SERVICE ORGANIZATION

	<u>NAME</u>	<u>ADDRESS</u>	<u>TELEPHONE</u>
10. General Manager	<u>Catherine Heigel (Interim)</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>800-525-7990</u>
11. Complaints or Billing	<u>Karen Saslc</u>	<u>Weathersfield Ave Altamonte Springs, FL</u>	<u>321-972-0368</u>
12. Engineering Operations	<u>Bryce Mendenhall</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>704-319-0517</u>
13. Emergency Service	<u>Customer Service</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>800-525-7990</u>
14. Accounting	<u>Daniel DeStefano</u>	<u>P.O. Box 240908 Charlotte, NC</u>	<u>704-572-8668</u>

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:
Larry Henry - NC C Distribution/NC Collection IV
Kyland Mullis - NC C Distribution/NC C Well
19. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer, or rate increase: Please see attached exhibit Pace - DEQ Deficiency Report

SERVICE AREA

Fill In one column for each Subdivision or Service Area.

	(1)	(2)	(3)
1. Name of Subdivision(s) or Service Area(s)	Silverton		
2. County (or Counties)	Cabarrus		
3. Type of service (water, sewer, etc.)	Water/Sewer		
4. If water is purchased, list from whom	N/A		
5. Source of water supply (wells, etc.)	Wells		
6. Number of wells in service	2		
7. Pumping capacity of each pump in service	154 gpm		
8. Elevated storage tank capacity (gals.)	9,000		
9. Pressure tank capacity (gals.)	N/A		
10. Types of water treatment (chlorine, etc.)	N/A		
11. Number of fire hydrants installed	0		
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		
14. Capacity of Company's sewage treatment plant (gallons per day)	N/A		
15. Is service metered? (yes or no)	Yes		
16. Number of water meters in use	61		
17. Number of service taps in use (list number of each size)	61		
	Water		
	Sewer	61	
18. Number of customers at the end of test year	61		
	Water		
	Sewer	61	
19. Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)	62		
	Water		
	Sewer	62	
20. Number of customers that can be served by pumping capacity	62		
	Water		
21. Number of customers that can be served by storage tank capacity	62		
	Water		
22. Number of customers that can be served by treatment plant capacity	62		
	Sewer		
23. Name nearest water/sewer utility system	Bradfield Farms		
24. Distance to nearest water/sewer utility system	<1 mile		
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?	No		
27. a. DENR System I.D. No.	Water 01-13-219		
b. NPDES or Nondischarge Permit No.	Sewer 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) Past operations

REVENUES AND EXPENSES

For 12 Months Ended December 31, 2017 (Date)

<u>Revenues</u>	<u>Water</u>	<u>Sewer</u>
4. Residential service (flat rate)	\$ 4,986	\$ 29,331
5. Residential service (metered rate)	\$ 7,126	\$
6. Nonresidential service (flat rate)	\$	\$
7. Nonresidential service (metered rate)	\$	\$
8. Other revenues (describe in remarks below)	\$ 412	\$ 922
9. Total Revenues (Lines 4 thru 8)	<u>\$ 12,524</u>	<u>\$ 30,253</u>
10. Total salaries (except owner)	\$	\$
11. Salaries paid to owner	\$	\$
12. Administrative and office expense (except salaries)	\$ (966)	\$
13. Maintenance and repair expense (except salaries)	\$ 22,704	\$ 933
14. Transportation expenses	\$	\$
15. Electric power for pumping	\$ 2,610	\$
16. Chemicals for treatment	\$ 585	\$
17. Testing fees	\$ 3,393	\$
18. Permit fees	\$	\$
19. Purchased water/sewer treatment	\$	\$ 19,426
20. Annual depreciation	\$ 10,711	\$
21. Taxes: State income taxes	\$ 25	\$
22. Federal income taxes	\$	\$
23. Gross receipts (or franchise tax)	\$ 223	\$
24. Property taxes	\$ 477	\$
25. Payroll taxes	\$	\$
26. Other taxes	\$ 59	\$
27. Interest on debt during year	\$	\$
28. Other expenses (describe in remarks below)	\$ 1,178	\$
29. Total Expenses (Lines 10 thru 28)	<u>\$ 40,999</u>	<u>\$ 20,359</u>
30. Net income (Line 9 minus Line 29)	<u>\$ (28,475)</u>	<u>\$ 9,894</u>

Remarks

31. Line 8 – NSF Fee, collection of A/R previously written off
32. Line 28 – Insurance, bank service charge, licenses, permits, lawn maintenance
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		61	61	
37. Customers at end of year		61	61	
38. Average gallons used per customer	5,262			per month

PURCHASER'S COST OF UTILITY SYSTEM

1. List Purchaser's cost of utility systems:

Water: \$168,332

Sewer: \$120,906

ORIGINAL COST OF UTILITY SYSTEM

As of Year Ended December 31, 2017 (Date)

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

	<u>Balance at End of Year</u>	
	<u>Water</u>	<u>Sewer</u>
2. Land and rights-of-way	\$ 10,000	\$
3. Structures and site improvement	\$	\$
4. Wells	\$ 99,705	\$
5. Pumping equipment	\$ 3,794.16	\$
6. Treatment equipment	\$ 475.40	\$
7. Storage tanks	\$	\$
8. Mains (excluding service connections)	\$ 4,057	\$
9. Service connections	\$	\$
10. Meters (including spare meters)	\$ 3,144.21	\$
11. Office furniture and equipment	\$	\$
12. Transportation equipment	\$	\$
13. Other utility property in service (describe in remarks below)	\$ 47,156	\$ 120,906
14. Total utility property in service (Lines 2 thru 13)	\$ 168,331.77	\$ 120,906
15. Less: acquisition adjustments (difference between original cost above and cost to Seller)	\$	\$
16. Less: Seller's accumulated depreciation	\$ 127,701.30	\$ 95,096.70
17. Less: Seller's accumulated tap fees and other contributions in aid of construction	\$	\$
18. Seller's net investment in utility property (Line 14 minus 15, 16, & 17)	\$ 40,630.47	\$ 25,809.30

Utility Property Not in Service

	<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. _____
- 23. _____
- 24. _____
- 25. _____

ANNUAL DEPRECIATION

- 26. If annual depreciation is claimed using a composite rate for the entire system, show rate of depreciation used:
 Water: 13 - Other Plant and Misc. Equipment (Sewer)
 Sewer: 13 - Customer Service (Water)
- 27. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used:

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 December 31, 2017

b. Capital structure balances:

	<u>Amount</u>	<u>Percent Of Total Capital</u>
Long-term debt/loans	\$ <u>218,213,069</u>	<u>48.22</u>
Preferred stock (if any)	\$ _____	_____
Common equity:		
Common stock	\$ <u>100</u>	_____
Retained earnings	\$ <u>78,412,910</u>	<u>17.33</u>
Total common equity	\$ <u>234,265,526</u>	<u>51.78</u>
Total capital	\$ <u>452,478,695</u>	<u>100%</u>

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

- a. Long-term debt \$ _____
- b. Short-term debt \$ _____
- c. Common stock \$ _____
- d. Retained earnings \$ _____
- e. Other (please describe below on Line g) \$ 43,000
- f. Total purchase price \$ 43,000

g. Description of other: Cash Purchase

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

a. Brief description: None known at this time

- b. Financing:
- (1) Long-term debt \$ _____
- (2) Short-term debt \$ _____
- (3) Common stock \$ _____
- (4) Retained earnings \$ _____
- (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)).

None known at this time

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)).

All below funded with capital/structure (LTD/Equity)

Well Casing Conduit - \$5,000 year 2

Totalizing meter - \$2,500 year 2

2 Wellhouses and 2 Hydrotanks - \$150,000 year 1

SCADA Troubleshoot/Repair - \$5,000 year 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 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.)
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.)
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.
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.
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.
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"). _____
7. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Purchaser.
8. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Purchaser.
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.

FILING INSTRUCTIONS

10. Eight (8) copies of the application and exhibits shall be filed with the **North Carolina Utilities Commission, 4325 Mall 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 Catherine E. Heigel
Purchaser

Date 2/4/2019

Signature _____
Seller

Date _____

13. (Typed or Printed Name) Catherine E. Heigel

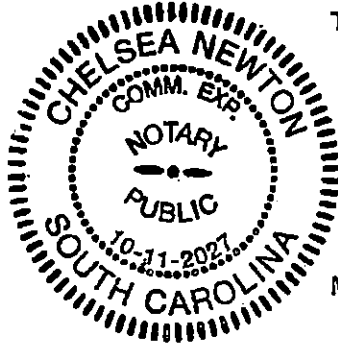
Catharina Heigel

Seller Docket No. W-1046, Sub 5
Purchaser Docket No. W-354, Sub 361

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 4 day of February, 2019.

[Signature]
Notary Public



Address

My Commission Expires: 10/11/2027
Date

WELLS FARGO BANK, N.A.
Greenville Lewis Plaza
1714 Augusta St
Greenville, SC 29605

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.)
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.)
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.
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.
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.
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"). _____
7. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the Purchaser.
8. Enclose a copy of the most recent fiscal year financial statements, audited if available, for the parent company of the Purchaser.
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.

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 _____
Purchaser

Date _____

Signature  _____
Seller

Date 2/1/2019

13. (Typed or Printed Name) Brian S. Pace

Seller Docket No. W-1046, Sub 5
Purchaser Docket No. W-354, Sub 361

Brian S. Pace

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.

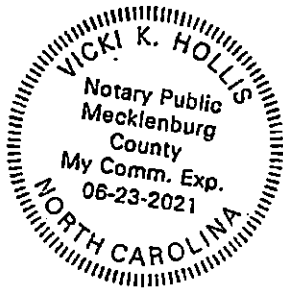
This the 1 day of FEBRUARY, 2019.

Vicki K. Hollis

Notary Public

6719-C Fairview Rd, Charlotte NC
Address 28210

My Commission Expires: 6-23-2021
Date



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

Projected Income Statement

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Operating revenue</u>						
1.	Metered service revenue	Please see attached				
2.	Flat rate service revenue					
3.	EPA testing surcharge					
4.	Re-connect fees					
5.	Returned check charge					
6.	Late payment charge					
7.	Other operating revenue					
8.	Total operating revenue (Sum of Line 1 thru Line 7)					
<u>Operating expenses</u>						
9.	Total salaries and wages (employees only)					
10.	Outside labor expenses (non-employees)					
11.	Administrative and office expense					
12.	Maintenance and repair expense					
13.	Purchased water					
14.	Purchased sewage treatment					
15.	Electric power expense (exclude office)					
16.	Chemicals expense					
17.	Testing fees					
18.	Transportation expense					
19.	Other operating expense					
20.	Total operation and maintenance expenses (Sum of Line 9 thru Line 19)					
21.	Annual depreciation expense					
22.	Property taxes paid on utility property					
23.	Payroll taxes					
24.	Franchise (gross receipts) tax					
25.	Annual NGUC regulatory fee					
26.	Total operating expenses (Sum of Line 20 thru Line 25)					
<u>Income Taxes</u>						
27.	State income taxes					
28.	Federal income taxes					
29.	Total income taxes (Line 27 + Line 28)					
30.	Net operating income (loss) (Line 8 - Line 26 - Line 29)					
31.	Interest expense					
32.	Net income (loss) (Line 30 - Line 31)					

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

Statement of Cash Flows

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
1.	Pre-tax operating income (loss):					
2.	Total operating revenue	Please see attached				
3.	Less: Operation and maintenance expenses					
4.	Less: Taxes other than income					
5.	Pre-tax operating income (loss)					
6.	Income tax calculation:					
7.	Pre-tax operating income (loss)					
8.	Plus: Contributions in aid of construction					
9.	Less: Tax depreciation					
10.	Less: Interest expense					
11.	Taxable income (loss)					
12.	State income tax					
13.	Federal income tax					
14.	Total income taxes to be paid					
15.	Net cash provided by (used in) operating activities					
	<u>Cash Flows From Investing Activities</u>					
16.	Purchases of utility plant					
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					
	<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					
31.	Cash balance at beginning of year					
32.	Cash balance at end of year					

ADDENDUM TO APPLICATION FOR TRANSFER OF PUBLIC UTILITY FRANCHISE 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 0.
 - (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 16 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.

CWSNC Letter Confirming Rates
/A

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

March 21, 2019

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Via Electronic Filing

Re: Application for Transfer of Public Utilities Franchise and for Approval of Rates, Filed by Pace Utilities Group, Inc. (W-1046, Sub 5) and Carolina Water Service, Inc. of North Carolina (W-354, Sub 361)

Dear Ms. Jarvis:

On February 6, 2019 Carolina Water Service, Inc. of North Carolina ("CWSNC" or "Company") and Pace Utilities Group, Inc. ("Pace,") filed a second Revised Application for Transfer of Public Utilities Franchise and for Approval of Rates. The requested rates were those applicable to CWSNC's Bradfield Farms subdivision at the time. CWSNC had agreed with the Public Staff to the use of applicable Bradfield Farms subdivision rates, the February 6, 2019 filing reflected that agreement, and it remains the intention of the Company to request and the Public Staff to approve use of the Bradfield Farms subdivision rates after transfer for the Pace system.

On February 21, 2019, the North Carolina Utilities Commission ("NCUC" or "Commission") issued its order in CWSNC's most recent general rate case application (Docket No. W-354 Sub 360). In that order, the rates for the Bradfield Farms subdivision were changed; this letter confirms the continuing request by CWSNC in this matter that the rates applied to the Pace system upon transfer be the rates currently applicable to the Bradfield Farms subdivision of CWSNC, as they exist at the time of transfer. The currently applicable rates for the Bradfield Farms subdivision are set forth in Appendix A-3 of the Commission's February 21, 2019 order in CWSNC's rate case application (W-354 Sub 360).