

## BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1320, SUB 0  
 DOCKET NO. W-1300, SUB 55  
 DOCKET NO. W-1320, SUB 2  
 DOCKET NO. W-661, SUB 9

DOCKET NO. W-1320, SUB 0 )  
 DOCKET NO. W-1300, Sub 55 )

In the Matter of )  
 Application by ONSWC – Chatham )  
 North, LLC, 4700 Homewood Court, )  
 Suite 108, Raleigh, North Carolina )  
 27609, and Old North State Water )  
 Company, LLC, 4700 Homewood Court, )  
 Suite 108, Raleigh, North Carolina )  
 27609, for Authority to Transfer the Briar )  
 Chapel Subdivision Wastewater System )  
 and Franchise in Chatham County, )  
 North Carolina, and Approval of Rates )

DOCKET NO. W-1320, SUB 2 )  
 DOCKET NO. W-661, Sub 9 )

In the Matter of )  
 Application by ONSWC – Chatham )  
 North, LLC, 4700 Homewood Court, )  
 Suite 108, Raleigh, North Carolina )  
 27609, and Fitch Creations, Inc., d/b/a )  
 Fearington Utilities, 2000 Fearington )  
 Village Center, Pittsboro, North Carolina )  
 27312, for Authority to Transfer the )  
 Fearington Village Wastewater System )  
 and Franchise in Chatham County, )  
 North Carolina, and Approval of Rates )

TESTIMONY OF  
 WINDLEY E. HENRY  
 PUBLIC STAFF – NORTH  
 CAROLINA UTILITIES  
 COMMISSION

**ONSWC – CHATHAM NORTH, LLC  
OLD NORTH STATE WATER COMPANY, LLC  
DOCKET NO. W-1320 SUB 0  
DOCKET NO. W-1300, SUB 55**

**ONSWC – CHATHAM NORTH, LLC  
FITCH CREATIONS, INC., d/b/a FEARRINGTON UTILITIES  
DOCKET NO. W-1320 SUB 2  
DOCKET NO. W-661, SUB 9**

**TESTIMONY OF WINDLEY E. HENRY  
ON BEHALF OF THE PUBLIC STAFF –  
NORTH CAROLINA UTILITIES COMMISSION**

**December 20, 2019**

1    **Q.    PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**  
2           **PRESENT POSITION.**

3    A.    My name is Windley E. Henry and my business address is 430 N.  
4           Salisbury Street, Raleigh, North Carolina. I am the Accounting  
5           Manager of the Water and Sewer/Communications Section of the  
6           Public Staff - Accounting Division and represent the using and  
7           consuming public.

8    **Q.    HOW LONG HAVE YOU BEEN EMPLOYED BY THE PUBLIC**  
9           **STAFF?**

10   A.    I have been employed by the Public Staff since July 16, 1990.

11   **Q.    WILL YOU STATE BRIEFLY YOUR EDUCATION AND**  
12           **EXPERIENCE?**

1 A. I am a graduate of the University of North Carolina at Wilmington with  
2 a Bachelor of Science degree in Accountancy. I am a Certified Public  
3 Accountant licensed in the State of North Carolina. Prior to joining  
4 the Public Staff, I was employed by the Seymour Johnson Federal  
5 Credit Union. My duties there involved supervision of the accounting  
6 department and preparing financial reports. I joined the Public Staff  
7 as a Staff Accountant on July 16, 1990. Since joining the Public Staff,  
8 I have presented testimony and exhibits in numerous cases before  
9 this Commission involving water, sewer, and natural gas utilities.

10 **Q. WHAT ARE YOUR DUTIES?**

11 A. I am responsible for the performance and supervision of the following  
12 activities: (1) the examination and analysis of testimony, exhibits,  
13 books and records, and other data presented by utilities and other  
14 parties involved in Commission proceedings; and (2) the preparation  
15 and presentation to the Commission of testimony, exhibits, and other  
16 documents in those proceedings.

17 **Q. WHAT IS THE NATURE OF THE APPLICATIONS IN THESE**  
18 **PROCEEDINGS?**

19 A. On March 14, 2019, in Docket Nos. W-1320, Sub 0 and W-1300, Sub  
20 55, ONSWC – Chatham North, LLC (Chatham North), and Old North  
21 State Water Company, LLC (Old North State), filed an application

1 seeking authority to transfer to Chatham North, an affiliate of Old  
2 North State, the Briar Chapel wastewater utility system assets and  
3 franchise in Chatham County, and for approval of rates (BC  
4 Application).

5 On August 5, 2019, in Docket Nos. W-1320, Sub 2 and W-661, Sub  
6 9, Chatham North and Fitch Creations, Inc. d/b/a Fearrington Utilities  
7 (FCI) filed an application seeking authority to transfer to Chatham  
8 North, the Fearrington Village wastewater system assets and  
9 franchise in Chatham County, and for approval of rates (Fearrington  
10 Application).

11 My investigation included a review of the applications filed by  
12 Chatham North, Old North State and FCI (Joint Applicants), a review  
13 of annual reports filed with the Public Staff and a review of additional  
14 documentation provided in response to written and verbal data  
15 requests.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
17 **PROCEEDING?**

18 A. The purpose of my testimony in this proceeding is to present the  
19 Public Staff recommendations regarding the amount of net plant in  
20 service proposed by the Joint Applicants in support of their request

1 to transfer the wastewater utility system assets and franchises from  
2 Old North State to Chatham North and from FCI to Chatham North.

3 **Q. WHAT IS THE PUBLIC STAFF'S RECOMMENDATION**  
4 **REGARDING THE PURCHASE PRICE AND NET PLANT IN**  
5 **SERVICE FOR THE BC APPLICATION?**

6 A. Chatham North and Old North State have entered into a Briar Chapel  
7 Asset Purchase Agreement (BC APA) dated January 3, 2019, under  
8 which Chatham North is purchasing the wastewater system for  
9 \$206,000, which is the amount listed on the BC Application as the  
10 original cost net investment.

11 When Old North State acquired the Briar Chapel wastewater system  
12 from Briar Chapel Utilities, LLC pursuant to Commission order dated  
13 April 20, 2015, in Docket No. W-1300, Sub 9, the Commission  
14 ordered that rate base at the time of closing shall be \$0.00. Since the  
15 Sub 9 transfer of the Briar Chapel wastewater system, Old North  
16 State has made capital improvement to the wastewater system  
17 resulting in a net plant investment equal to the purchase price agreed  
18 to in the BC APA. Because the net purchase price is equal to Old  
19 North State's net plant investment in the wastewater system, there  
20 will not be a purchase acquisition adjustment at the time of transfer  
21 of the Briar Chapel wastewater system to Chatham North. Therefore,

1 the Public Staff recommends that the purchase price of \$206,000,  
2 adjusted for the additional depreciation subsequent to October 31,  
3 2018, is the amount of net plant in service to include in rate base on  
4 the books of Chatham North at the time of transfer.

5 **Q. WHAT IS THE PUBLIC STAFF'S RECOMMENDATION**  
6 **REGARDING THE PURCHASE PRICE AND NET PLANT IN**  
7 **SERVICE FOR THE FEARRINGTON APPLICATION?**

8 A. Old North State and FCI have entered into an Asset Purchase  
9 Agreement executed on September 22, 2017, (Farrington APA),  
10 under which Old North State is purchasing the Farrington Village  
11 wastewater utility system for \$1.00. FCI's annual report lists net  
12 utility plant in service of \$79,952 as of December 31, 2018. Since the  
13 purchase price paid by Old North State is less than the net plant in  
14 service Chatham North is only entitled to recover its purchase price  
15 from FCI's current customers. Thus, the Public Staff recommends  
16 that the purchase price of \$1.00 be included in rate base for Chatham  
17 North at the time of transfer of the Farrington Village wastewater  
18 system.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes, it does.