

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 Fitch Creations d/b/a Fearington Utilities
2. Mailing address 2000 Fearington Village Court
3. Business telephone number 919-542-4000

PURCHASER

4. Trade name used for utility business ONSWC Chatham North, LLC
5. Name of owner (if different from trade name) n/a
6. Business mailing address 4700 Homewood Ct., Suite 108
- City and state Raleigh, NC
- Zip code 276 09
7. Business street address (if different from mailing address) Same
8. Business telephone number 888-754-9878
9. If corporation, list the following:

President Michael Myers

Vice President John McDonald

Secretary John McDonald

Treasurer John McDonald

Three (3) largest stockholders and percent of voting shares held by each

Michael Myers & John McDonald
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

	Proposed Rates	Present Rates
12. Metered Residential Service:		
Water:		
Sewer:		
13. Flat Rate Residential Service:		
Water:		
Sewer:	\$259.97 per year	\$21.67 per REU per Mo (\$259.97 per year)
14. Nonresidential Service(explain):		
Water:		
Sewer:	Refer to W-661 Sub 8 (Exhibit 1)	\$21.67 per REU per Mo. (Refer to Exhibit 2)
15. Tap-on fees:		
Water:		
Sewer:	\$0	\$0

OTHER PROPOSED RATES

16. Finance charge for latepayment: 1%
- (NCUC Rule R12-9) specifies not more than one percent (1.0%) per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.)
17. Reconnection charge if water service cut off by utility as specified in NCUC Rule R7-20: n/a
18. Reconnection charge if water service discontinued at customer's request: Sewer = \$14.05
19. Reconnection charge if sewer service cut off by utility as specified in NCUC Rule R10-16: \$14.05
20. Other charges: New account fee = \$20
21. What date are the proposed rates to become effective: January 1, 2018
22. How long have the present rates been in effect? 12/6/20 16

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 15 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:

Mailing address of company
PO Box 10127, Birmingham, AL 35202

Address where bill can be paid in person:
Bills cannot be paid in person

Name and phone number of alternative persons to contact for emergency service after business hours:
1-877-511-2911
7. Is service already metered? (yes or no)
No, but will be
8. Does the Applicant understand the provisions for establishing credit and collecting customer deposits set forth in NCUC Rules and Regulations, Chapter 12? (yes or no)
Yes
(Customer deposits must be refunded to customers having not more than two (2) bills overdue during a 12-month period and who are not then delinquent of their bills, per NCUC R12-5.)

PRESENT RATES

9. Are you presently charging for service? If so, describe the rates being charged.
No
10. How long have these rates been in effect?
n/a

PERSONS TO CONTACT

	NAME	ADDRESS	TELEPHONE
11. Utility Manager	Michael Myers	4700 Homewood Ct., Suite 108; Raleigh, NC 27609	919-827-4631
12. Complaints or Billing	Shawn Dickson	PO Box 10127; Birmingham, AL 35202	877-511-2911
13. Engineering Operations	Chuck Donnell	4700 Homewood Ct., Suite 108; Raleigh, NC 27609	919-827-4631
14. Emergency Service	EnviroLink	PO Box 670, Bailey, NC 27807	252-235-4900
15. Accounting	Laurie Walls	PO Box 10127; Birmingham, AL 35202	877-511-2911

16. Are the names and phone numbers shown above listed in the phone book by each of the proposed service areas?
(yes or no)
No
17. Can customers make phonecalls for service without being charged for a long distance phone call? (yes or no)
Yes
18. Do persons designated to receive phone calls for emergency service, after regular business hours, have the authority to provide the needed repairs without first contacting owner? (yes or no)
Yes
19. List the qualifications of the person in charge of the utility system:
On file with NCUC
20. List the date(s) and describe any DENR violation(s) since the last application for franchise, transfer or rate increase:
n/a

Fill in one column for each subdivision or service area.

	(1)	(2)	(3)
1. Name of subdivision or service area	Fearrington Village		
2. County (or Counties)	Chatham		
3. Type of service (water, sewer, etc.)	Sewer		
4. If water is purchased, list from whom	n/a		
5. Source of water supply (wells, etc.)	n/a		
6. Number of wells in service	n/a		
7. Pumping capacity of each pump in service	n/a		
8. Elevated storage tank capacity (gals.)	n/a		
9. Pressure tank capacity (gals.)	n/a		
10. Type of water treatment (chlorine, etc.)	n/a		
11. Number of fire hydrants installed	n/a		
12. Is sewage disposal by septic tank or by sewer system?	Sewer		
13. If disposal is by sewer system, is sewage treated by utility company or by others?	Utility Co.		
14. Capacity of Company's sewage treatment plant (gallons per day)	0.27 MGD		
15. Is service metered? (yes or no)	No		
16. Number of water meters in use	n/a		
17. Number of service taps in use (list number of each size)	Water n/a n/a n/a Sewer 1299 - 4" 6 - 6"		
18. Number of customers at the end of test year	Water Sewer 1299		
19. Number of customers that can be served by mains already installed (including present customers, vacant lots, etc.)	Water Sewer 1413 0		
20. Number of customers that can be served by pumping capacity	Water n/a		
21. Number of customers that can be served by storage tank capacity	Water n/a		
22. Number of customers that can be served by treatment plant capacity	Sewer 1350		
23. Name of nearest water/sewer utility system	Briar Chapel		
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. a. DENR System I.D. No.	Water n/a		
b. NPDES or Nondischarge Permit No.	Sewer NC 0043559		

W-661 sub 9

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) Estimated

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

REVENUESAND EXPENSES
For 12 Months Ended Estimated December 2017 (Date)

Revenues		Water	Sewer
4. Residential service (flat rate)		\$ -	\$ 337,011.84
5. Residential service (metered rate)		\$ -	\$ -
6. Nonresidential service (flat rate)		\$ -	\$ 8,581.32
7. Nonresidential service (metered rate)		\$ -	\$ -
8. Other revenues (described in remarks below)		\$ -	\$ 6,869.18
9. Total Revenues (Lines 4 thru 8)		\$ -	\$ 352,462.34
10. Total salaries		\$ -	\$ 75,559.34
11. Salaries paid to owner		\$ -	\$ 17,900.00
12. Administrative and office expense (except salaries)	See Note A	\$ -	\$ 52,242.59
13. Maintenance and repair expense (except salaries)		\$ -	\$ 15,478.16
14. Transportation expenses		\$ -	\$ 2,736.41
15. Electric power for pumping		\$ -	\$ 49,340.50
16. Chemicals for treatment		\$ -	\$ 68,607.18
17. Testing fees		\$ -	\$ 4,200.00
18. Permit fees		\$ -	\$ 1,880.13
19. Purchase water/sewer treatment		\$ -	\$ 194.00
20. Annual depreciation		\$ -	\$ 16,531.95
21. Taxes: State Income taxes		\$ -	\$ 145.97
22. Federal income taxes		\$ -	\$ 638.64
23. Gross receipt taxes		\$ -	\$ -
24. Property taxes		\$ -	\$ 5,064.00
25. Payroll taxes		\$ -	\$ 5,780.29
26. Other taxes		\$ -	\$ 493.45
27. Interest on debt during year		\$ -	\$ 1,471.69
28. Other expenses (describe in remarks below)	See Note B	\$ -	\$ 24,892.00
29. Total Expenses (lines 10 thru 28)		\$ -	\$ 343,156.30
30. Net Income (Line 9 minus 29)		\$ -	\$ 9,306.04
Remarks			
31.	Note A - Refer to A&O Expense Schedule for details		
32.	Note B - Refer to Other Expense Schedule for details		
33.			
34.			
35.			

	Number of Customers Served		Sewer	
	Flat Rate	Metered	Flat Rate	Metered
36. Customers at beginning of year	0	0	0	0
37. Customers at end of year	0	0	1329	0
38. Average gallons used per customer		0	3750	per month

PURCHASER'S COST OF UTILITY SYSTEM

1. List Purchaser's cost of utility systems:
Water: _____
Sewer: \$1.00 _____

ORIGINAL COST OF UTILITY SYSTEM
As of Year Ended _____ (Date)

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

	Utility Property in Service	Balance at End of Year	
		Water	Sewer
2.	Land and rights-of-way	\$ _____	\$ _____
3.	Structures and site improvement	\$ _____	\$ 430,750.00
4.	Wells	\$ _____	\$ _____
5.	Pumping equipment	\$ _____	\$ _____
6.	Treatment equipment	\$ _____	\$ _____
7.	Storage tanks	\$ _____	\$ _____
8.	Mains (excluding service connections)	\$ _____	\$ 1,621,250.00
9.	Service connections	\$ _____	\$ 356,675.00
10.	Meters (including spare meters)	\$ _____	\$ _____
11.	Office furniture and equipment	\$ _____	\$ _____
12.	Transportation equipment	\$ _____	\$ _____
13.	Other utility property in service (describe in remarks below)	\$ _____	\$ _____
14.	Total utility property in service (Lines 2 thru 13)	\$ _____	\$ 2,408,675.00
15.	Less: acquisition adjustments (difference between original cost above and cost to Seller)	\$ _____	\$ _____
16.	Less: Seller's accumulated depreciation	\$ _____	\$ 313,581.00
17.	Less: Seller's accumulated tap fees and other contributions in aid of construction	\$ _____	\$ 1,977,925.00
18.	Seller's net investment in utility property (Line 14 minus 15, 16, & 17)	\$ _____	\$ 117,169.00

	Utility Property Not in Service	Balance at End of Year	
		Water	Sewer
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: _____
Sewer: _____
27. If annual depreciation is claimed using individual rates for each type of equipment, show rates of depreciation used:
See Exhibit 3 – W-661 Sub 6

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, 2019

b. Capital structure balances:

	Amount	Percent Of Total Capital
Long-term debt/loans		
Preferred stock (if any)	\$ 5,000,000	83.3%
Common equity:		
Common stock	\$ 1,000,000	16.7%
Retained earnings	\$	16.7%
Total common equity	\$ 1,000,000	
Total capital	\$ 6,000,000	100%

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

a. Long-term debt	\$ 0
b. Short-term debt	\$ 0
c. Common stock	\$ 0
d. Retained earnings	\$ 0
e. Other (please describe below on Line g)	\$ 10
f. Total purchase price	\$ 10.00

g. Description of other: Owner Equity

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

a. Brief description: Design & permitting for the interconnection of Fearrington Utility to Briar Chapel will occur in the first year. The start of construction is likely to begin in the fourth quarter of 2018. The Briar Chapel plant will be expanded to accommodate the additional flow from Fearrington as well as additional development with Briar Chapel. Total project budget for the interconnection and Briar Chapel Plant expansion is \$10,162,331.00.

b. Financing:

(1) Long-term debt	\$ \$6,000,000
(2) Short-term debt	\$
(3) Common stock	\$
(4) Retained earnings	
(5) Other (please describe below on Line (7))	\$ 6,000,000
(6) Total improvements/additions	\$

(7) Description of other: \$5,000,000 of preferred equity + \$1,000,000 of owner equity

- Interconnection with Briar Chapel WWTP. See Page 6 #3 Capital Project description & budget.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

- The project is needed to comply with Jordan Lake Nutrient Requirements and to replacing the aging Fearington WWTP

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- (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 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 *Michael J. Myers*
Purchaser
Date 10-30-2017
Signature *Roy B. Fitch*
Seller
Date October 30, 2017

- 13. (Typed or Printed Name) Michael J. Myers : Roy B. Fitch
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 30 day of October, 2017.
Laura F. Morgan
Notary Public
Laura F. Morgan
Chatham County
Address
My Commission Expires: 1/6/2018
Date

ADDENDUM TO NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN AN AREA CONTIGUOUS TO PRESENT SERVICE AREA
Projected Income Statement

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Operating Revenue</u>						
1	Metered Service Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
2	Flat Rate Service Revenue	\$ 345,593.16	\$ 357,034.92	\$ 449,585.64	\$ 566,003.76	\$ 712,162.8
3	EPA Testing Surcharge	\$ -	\$ -	\$ -	\$ -	\$ -
4	Re-Connect Fees	\$ 3,413.25	\$ 3,570.35	\$ 4,495.86	\$ 5,660.04	\$ 7,121.6
5	<u>Returned Check Charge</u>	\$ 1,727.97	\$ 1,785.17	\$ 2,247.93	\$ 2,830.02	\$ 3,560.8
6	Late Payment Charge	\$ 1,727.97	\$ 1,785.17	\$ 2,247.93	\$ 2,830.02	\$ 3,560.8
7	Other Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
8	Total Operating Revenue (Sum of Line 1 thru Line 7)	\$ 352,462.34	\$ 364,175.62	\$ 458,577.35	\$ 577,323.84	\$ 726,406.0
<u>Operating Expenses</u>						
9	Total salaries and wages (employees only)	\$ 75,559.34	\$ 78,581.71	\$ 81,724.98	\$ 84,993.98	\$ 88,393.74
10	Outside labor expenses (non-employee)	\$ 17,900.00	\$ 18,616.00	\$ 19,360.64	\$ 20,135.07	\$ 20,940.47
11	Administrative and office expenses	\$ 54,122.72	\$ 56,287.63	\$ 58,539.13	\$ 60,880.70	\$ 63,315.93
12	Maintenance and repair expense	\$ 15,478.16	\$ 16,097.29	\$ 16,741.18	\$ 17,410.82	\$ 18,107.26
13	Purchased water	\$ 194.00	\$ 201.76	\$ 209.83	\$ 218.22	\$ 226.95
14	Purchased sewerage treatment	\$ -	\$ -	\$ -	\$ -	\$ -
15	Electric power expense	\$ 49,340.50	\$ 51,314.12	\$ 53,366.68	\$ 55,501.35	\$ 57,721.41
16	Chemical expense	\$ 68,607.18	\$ 71,351.47	\$ 74,205.53	\$ 77,173.75	\$ 80,260.70
17	Testing fees	\$ 4,200.00	\$ 4,368.00	\$ 4,542.72	\$ 4,724.43	\$ 4,913.41
18	Transportation expense	\$ 2,736.41	\$ 2,845.87	\$ 2,959.70	\$ 3,078.09	\$ 3,201.21
19	Other operating expense	\$ 24,892.00	\$ 25,887.68	\$ 26,923.19	\$ 28,000.11	\$ 29,120.12
20	Total operation and maintenance expenses (sum of Line 9 thru Line 19)	\$ 313,030.31	\$ 325,551.52	\$ 338,573.58	\$ 352,116.53	\$ 366,201.19
21	Annual depreciation expense	\$ 16,531.95	\$ 66,511.94	\$ 138,262.15	\$ 131,349.04	\$ 124,781.59
22	Property taxes paid on utility property	\$ 5,064.00	\$ 5,064.00	\$ 5,064.00	\$ 5,064.00	\$ 5,064.00
23	Payroll taxes	\$ 5,780.29	\$ 6,011.50	\$ 6,251.96	\$ 6,502.04	\$ 6,762.12
24	Franchise (gross receipts tax)	\$ -	\$ -	\$ -	\$ -	\$ -
25	Annual NCUC regulatory fee	\$ 493.45	\$ 509.85	\$ 642.01	\$ 808.25	\$ 1,016.97
26	Total operating expenses (Sum of Line 20 thru Line 25)	\$ 340,899.99	\$ 403,648.81	\$ 488,793.70	\$ 495,839.86	\$ 503,825.87
<u>Income Taxes</u>						
27	Income Taxes					
28	State income taxes	\$ 145.97	\$ -	\$ -	\$ -	\$ 7,566.24
29	Federal income taxes	\$ 638.64	\$ -	\$ -	\$ -	\$ 33,102.32
30	Total income taxes	\$ 784.61	\$ -	\$ -	\$ -	\$ 40,668.56
31	Net operating income	\$ 10,777.74	\$ (39,473.19)	\$ (30,216.35)	\$ 81,483.97	\$ 181,911.63
32	Interest expense	\$ 1,471.69	\$ 10,596.80	\$ 78,936.21	\$ 72,473.10	\$ 65,611.35
33	Net income	\$ 9,306.04	\$ (50,069.98)	\$ (109,152.56)	\$ 9,010.88	\$ 116,300.28

ADDENDUM TO NOTIFICATION OF INTENTION TO BEGIN OPERATIONS IN AN AREA CONTIGUOUS TO PRESENT SERVICE AREA
Statement of Cash Flows

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	\$ 352,462.34	\$ 364,175.62	\$ 458,577.35	\$ 577,323.84	\$ 726,406.06
3	Less: Operation and maintenance expenses	\$ 313,030.31	\$ 325,551.52	\$ 338,573.58	\$ 352,116.53	\$ 366,201.19
4	Less: Taxes other than income	\$ 11,337.74	\$ 11,585.35	\$ 11,957.97	\$ 12,374.29	\$ 12,843.09
5	Pre-tax operating income (loss)	\$ 28,094.30	\$ 27,038.75	\$ 108,045.80	\$ 212,833.02	\$ 347,361.78
<u>Income Tax Calculation:</u>						
6	Pre-tax operating income (loss)	\$ 28,094.30	\$ 27,038.75	\$ 108,045.80	\$ 212,833.02	\$ 347,361.78
8	Plus: Contributions in aid of construction	\$ -	\$ -	\$ -	\$ -	\$ -
9	Less: Tax depreciation	\$ 24,797.92	\$ 99,767.90	\$ 207,393.22	\$ 197,023.56	\$ 187,172.39
10	Less: Interest expense	\$ 1,471.69	\$ 10,596.80	\$ 78,936.21	\$ 72,473.10	\$ 65,611.35
11	Taxable income (loss)	\$ 1,824.68	\$ (83,325.95)	\$ (178,283.64)	\$ (56,663.64)	\$ 94,578.04
12	State income tax	\$ 145.97	\$ -	\$ -	\$ -	\$ 7,566.24
13	Federal income tax	\$ 638.64	\$ -	\$ -	\$ -	\$ 33,102.32
14	Total income taxes to be paid	\$ 784.61	\$ -	\$ -	\$ -	\$ 40,668.56
15	Net cash provided by (used in) operating activities	\$ 27,309.68	\$ 27,038.75	\$ 108,045.80	\$ 212,833.02	\$ 306,693.22
<u>Cash Flows from Investing Activities</u>						
16	Purchases of utility plant	\$ 50,789.75	\$ 318,986.10	\$ 2,388,342.03	\$ -	\$ -
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	\$ 50,789.75	\$ 318,986.10	\$ 2,388,342.03	\$ -	\$ -
<u>Cash Flows From Financing Activities</u>						
21	Proceeds from issuing short term debt	\$ -	\$ 39,473.19	\$ 30,216.35	\$ -	\$ -
22	Less: Principal repayment of short term debt	\$ -	\$ -	\$ -	\$ -	\$ -
23	Plus: Proceeds from issuing long term debt	\$ 25,394.88	\$ 159,493.05	\$ 1,194,171.02	\$ -	\$ -
24	Less: Principal repayment of long term debt	\$ 1,911.53	\$ 14,034.82	\$ 104,788.37	\$ 111,251.48	\$ 118,113.23
25	Less: Interest payment for short and long term debt	\$ 1,471.69	\$ 10,596.80	\$ 78,936.21	\$ 72,473.10	\$ 65,611.35
26	Plus: Proceeds from issuing stock	\$ -	\$ -	\$ -	\$ -	\$ -
27	Less: Dividends paid	\$ -	\$ -	\$ -	\$ -	\$ -
28	Plus: Funds provided by owner	\$ 25,394.88	\$ 159,493.05	\$ 1,194,171.02	\$ -	\$ -
29	Net cash provided (used) by financing activities	\$ 47,406.53	\$ 333,827.67	\$ 2,234,833.80	\$ (183,724.58)	\$ (183,724.58)
30	Net increase (decrease) in cash	\$ 23,926.46	\$ 41,880.32	\$ (45,462.43)	\$ 29,108.44	\$ 122,968.64
31	Cash balance at beginning of year	\$ -	\$ 23,926.46	\$ 65,806.77	\$ 20,344.35	\$ 49,452.78
32	Cash balance at end of year	\$ 23,926.46	\$ 65,806.77	\$ 20,344.35	\$ 49,452.78	\$ 172,421.42

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

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Water</u>						
1	Metered Residential Water	0	0	0	0	0
2	Metered Commercial Water (REU Equivalents)	0	0	0	0	0
3	Metered Industrial Water (REU Equivalents)					
4	Metered Institutional Water (REU Equivalents)					
5	Metered Bulk Water (REU Equivalents)	0	0	0	0	0
	<i>Subtotal - Metered Water</i>	0	0	0	0	0
6	Flat Rate Residential Water	0	0	0		
7	Flat Rate Commercial Water (REU Equivalents)	0	0	0		
8	Flat Rate Industrial Water (REU Equivalents)					
9	Flat Rate Institutional Water (REU Equivalents)					
10	Flat Rate Bulk Water (REU Equivalents)	0				
	<i>Subtotal Flat Rate Water</i>	0	0	0	0	0
	Total Water	0	0	0	0	0
<u>Sewer</u>						
11	Metered Residential Sewer	0	0	0	0	0
12	Metered Commercial Sewer (REU Equivalents)	0	0	0	0	0
13	Metered Industrial Sewer (REU Equivalents)					
14	Metered Institutional Sewer (REU Equivalents)					
15	Metered Bulk Sewer (REU Equivalents)	0	0	0	0	0
	<i>Subtotal Metered Sewer</i>	0	0	0	0	0
16	Flat Rate Residential Sewer	1296	1307	1317	1327	1337
17	Flat Rate Commercial Sewer (REU Equivalents)	33	66	66	66	66
18	Flat Rate Industrial Sewer (REU Equivalents)					
19	Flat Rate Institutional Sewer (REU Equivalents)					
20	Flat Rate Bulk Sewer (REU Equivalents)	0	0	0	0	0
	<i>Subtotal Flat Rate Sewer</i>	1329	1373	1383	1393	1403
	Total Sewer	1329	1373	1383	1393	1403
<u>Reclaimed Water</u>						
21	Metered Residential Reclaimed					
22	Metered Commercial Reclaimed (REU Equivalents)					
23	Metered Industrial Reclaimed (REU Equivalents)					
24	Metered Institutional Reclaimed (REU Equivalents)					
25	Metered Bulk Reclaimed (REU Equivalents)					
	<i>Total Metered Reclaimed Water</i>	0	0	0	0	0
26	Flat Rate Residential Reclaimed					
27	Flat Rate Commercial Reclaimed (REU Equivalents)					
28	Flat Rate Industrial Reclaimed (REU Equivalents)					
29	Flat Rate Institutional Reclaimed (REU Equivalents)					
30	Flat Rate Bulk Reclaimed (REU Equivalents)					

5-YR PLAN								
WASTEWATER SYSTEM SCHEDULES								
Line Item	Project Description	Project Category	Justification	2017 Budget	2018 Budget	2019 Budget	2020 Budget	2021 Budget
Farrington Village								
1	Business Development Cost Recovery	1%	1% of Construction Cost	\$ 24,086.75				
2	Construction Management	0%	3% of Construction Cost	\$ -				
3	Conversion of FU WWTP to FU PS	1				\$ 1,072,636.80		
4	Farrington Prorata portion of Regional PS & FM	0.27			\$ 318,986.10			
5	Farrington Prorata portion of reclaimed water line	0.27				\$ 124,103.07		
6	Farrington's Prorata portion of WWTP Capacity	0.27				\$ 1,191,602.16		
7	Feasibility Study	0.27		\$ 19,953.00				
8	Technical memorandum to expand WWTP from 1.0 MGD to 1.5 MGD	0.27		\$ 6,750.00				
Totals				\$ 50,790	\$ 318,986	\$ 2,388,342	\$ -	\$ -

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-661, SUB 8
DOCKET NO. M-100, SUB 138

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-661, SUB 8

In the Matter of
Fitch Creations, d/b/a Fearrington Utilities Tariff Filings
to Reflect House Bill 998

DOCKET NO. M-100, SUB 138

In the Matter of
Implementation of House Bill 998 – An Act to Simplify the
North Carolina Tax Structure and to Reduce Individual
and Business Tax Rates

ORDER APPROVING
TARIFF REVISION AND
CUSTOMER NOTICE

BY THE COMMISSION: Pursuant to Section 2.4.(a) of Session Law 2015-6 (House Bill (HB) 41), the Commission must adjust the rate for the sale of electricity, piped natural gas, and water and wastewater service to reflect all of the tax changes as enacted in Session Law 2013-316 (HB 998). Under G.S. 105-130.3A, as enacted in HB 998, an automatic reduction in the State corporate income tax rate from 4% to 3% will become effective for the taxable year beginning on or after January 1, 2017, because certain net General Fund tax collection levels were met for the State’s fiscal year 2015-2016.

On September 19, 2016, the Commission issued its Order Requiring Revised Tariff Filings, Proposed Customer Notices, and Requesting Review and Comments by the Public Staff – North Carolina Utilities Commission (Public Staff). In the Order, the Commission concluded, among other things, that water and wastewater public utilities must adjust their rates, effective for the taxable year beginning on or after January 1, 2017, to reflect the reduction from 4% to 3% in the State corporate income tax rate. Therefore, the Commission required, among other things, that all water and wastewater public utilities file revised tariffs and proposed customer notices by no later than October 12, 2016, reflecting the new rates at the 3% State corporate income tax rate. The Order further requested the Public Staff to file comments on the tariff filings and proposed customer notices by November 2, 2016. Finally, the Commission requested that the Public Staff file comments by no later than Wednesday, November 16, 2016¹, that

¹ On November 15, 2016, the Public Staff filed a Motion for Extension of Time to file its comments and proposed revised tariffs and customer notices for the utilities that did not timely file as required in the September 19, 2016 Order by no later than November 21, 2016. By Order dated November 15, 2016, the Commission granted the Public Staff’s Motion.

specify the utilities that did not timely file revised tariffs and proposed customer notices. The Public Staff was further requested to file proposed revised tariffs and customer notices for those utilities.

On October 14, 2016, Fitch Creations, d/b/a Fearrington Utilities (Fearrington or the Company) filed its revised tariff and proposed customer notice. The Company stated that due to the fact the Company charges flat rates and only bills annually, it would request that the customer notice be mailed with the Company's annual bills on January 1, 2017.

On November 2, 2016, the Public Staff filed its comments as requested in the September 19, 2016 Order. The Public Staff did not address Fearrington's October 14, 2016 filing in its comments.

On November 21, 2016, the Public Staff filed its comments as requested in the September 19, 2016 Order. The Public Staff stated that it has reviewed the revised tariff and customer notice filed by Fearrington on October 14, 2016 and recommends approval. The Public Staff stated that it also does not object to Fearrington's proposal that the customer notice be mailed with its annual bills on January 1, 2017.

Based on the record of evidence in these dockets, the Commission finds it appropriate to approve the proposed tariff filed by Fearrington on October 14, 2016, effective January 1, 2017, and the proposed customer notice provided by the Company. The Company is required to provide a customer notice, as attached, that can be mailed with the Company's annual bills on January 1, 2017 and file a verification that it has adjusted its rates accordingly.

IT IS, THEREFORE, ORDERED as follows:

1. That the Schedule of Rates, attached as Appendix A, is approved and is deemed filed with the Commission pursuant to G.S. 62-138. This Schedule of Rates is effective for service rendered on and after January 1, 2017.
2. That a copy of the Notice to Customers attached as Appendix B be mailed with the Company's annual bills on January 1, 2017.
3. That the Company shall file with the Commission the attached Verification properly signed and notarized not later than thirty (30) days after January 1, 2017.

ISSUED BY ORDER OF THE COMMISSION.

This the 6th day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION



Linnetta Threatt, Acting Deputy Clerk

SCHEDULE OF RATES

for

FITCH CREATIONS, d/b/a FEARRINGTON UTILITIES

for providing sewer utility service in

FEARRINGTON VILLAGE SUBDIVISION

Chatham County, North Carolina

Residential Flat Rates and Commercial Establishments Not Listed Below:

If paid annually in advance	\$ 259.97 per year
Galloway Ridge Apartments and Villas	\$ 21.67 per month per residence

Annual Commercial Flat Rates:

Fearrington House Restaurant	\$ 2,599.23
Fearrington Inn	\$ 2,287.43
The Market	\$ 2,078.63
Village Beauty Shop	\$ 806.16
Fitch Creations, Inc. Admin. Building	\$ 806.16
Galloway Ridge Commercial Center	\$ 8,578.55

Reconnection Charges:

If sewer service cut off by utility for good cause	\$ 14.05
If sewer service discontinued at customer's request	\$ 14.05

<u>Bills Due:</u>	On billing date
<u>Bills Past Due:</u>	15 days after billing date
<u>Billing Frequency:</u>	Shall be annually for service in advance
<u>Finance Charge for Late Payment:</u>	1% per month will be applied to the unpaid balance of all bills still past due 25 days after billing date.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-661, Sub 8, on this the 6th day of December, 2016, effective January 1, 2017.

NOTICE TO CUSTOMERS

Notice is hereby given that the North Carolina Utilities Commission has approved a rate decrease for Fitch Creations, d/b/a Fearrington Utilities to reflect a tax change enacted by the North Carolina General Assembly. Under House Bill 998, an Act to Simplify the North Carolina Tax Structure and to Reduce Individual and Business Tax Rates, effective January 1, 2017, the State corporate income tax rate was decreased from 4% to 3%. The Company has decreased its rates by 0.09% to reflect the decrease in the State corporate income tax rate, effective January 1, 2017.

This the 6th day of December, 2016.

NORTH CAROLINA UTILITIES COMMISSION



Linnetta Threatt, Acting Deputy Clerk

VERIFICATION

I, _____, state and attest that Fitch
Creations, d/b/a Fearrington Utilities has:

- (1) Adjusted its rates as ordered in Docket No. W-661, Sub 8, and
- (2) Mailed with the Company's annual bills on January 1, 2017 the customer
notice issued by the North Carolina Utilities Commission in Docket
No. W-661, Sub 8.

This the ____ day of _____, 2017.

By: _____
Signature

Name of Utility Company

Sworn to and subscribed before me

This the _____ day of _____, 2017.

Notary Public

Printed Name

My Commission Expires: _____

Exhibit 2

Conversion of Commercial to REU Equivalents

Commercial Account	Current Annual Rate	Proposed REU Rate	# of REUs
Fearrington House Restaurant	\$2,599.23	\$21.67	10
Fearrington Inn	\$2,287.43	\$21.67	8.8
The Market	\$2,078.63	\$21.67	8
Village Beauty Shop	\$806.16	\$21.67	3.1
Fitch Creations, Inc. (Admin Building)	\$806.16	\$21.67	3.1
Galloway Ridge Commercial Center	\$8,578.55	\$21.67	33

Exhibit 3

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

OFFICIAL COPY

FILED

NOV 23 2009

Clerk's Office
N.C. Utilities Commission

DOCKET NO. W-661, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Fitch Creations, Inc., d/b/a)
Farrington Utilities, 2000 Farrington Village) NOTICE OF
Center, Pittsboro, North Carolina 27312, for Authority) AFFIDAVITS
to Increase Rates for Sewer Utility Service in All Its)
Service Areas in Chatham County, North Carolina

NOW COMES THE PUBLIC STAFF - North Carolina Utilities Commission, by
and through its Executive Director, Robert P. Gruber, as constituted by G.S. 62-15, and
gives notice that the Affidavits of:

Babette K. McKemie, Utilities Engineer, Water Division
Calvin C. Craig, III, Financial Analyst, Economic Research Division
Laura D. Bradley, Staff Accountant, Water Section, Accounting Division
Public Staff - North Carolina Utilities Commission
430 North Salisbury Street - Dobbs Building
4326 Mail Service Center
Raleigh, North Carolina 27699-4326

mt
AB
Ben tal
Foster
Howler
Brown
Kite

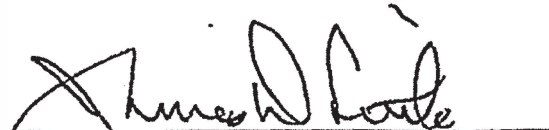
will be used in evidence at the hearing in this docket scheduled for the 15th day of
December, 2009, pursuant to G.S. 62-68. The affiants will not be called to testify orally
and will not be subject to cross-examination unless an opposing party demands the
right of cross-examination pursuant to G.S. 62-68.

WHEREFORE, the Public Staff moves that the Affidavits of Babette K. McKemie,
Calvin C. Craig, III, and Laura D. Bradley be admitted into evidence in the absence of
notice from any opposing party pursuant to G.S. 62-68.

Respectfully submitted this the 23rd day of November, 2009.

PUBLIC STAFF
Robert P. Gruber
Executive Director

Antoinette R. Wike
Chief Counsel



James D. Little
Staff Attorney

430 North Salisbury Street
4326 Mail Service Center
Raleigh, North Carolina 27699-4326
Telephone: (919) 733-6110
Facsimile: (919) 733-9565

CERTIFICATE OF SERVICE

I do hereby certify that I have this day served a copy of the foregoing upon each of the parties of record in this proceeding or their attorneys of record by causing a copy of the same to be properly addressed to each and sent by email or deposited in the United States Mail, postage prepaid.

This the 23rd day of November, 2009.


James D. Little

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

FILED
NOV 23 2009
Clerk's Office
N.C. Utilities Commission

DOCKET NO. W-661, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of)
Application by Fearington Utilities, 2000)
Fearington Village Center, Pittsboro, North)
Carolina 27312, for Authority to Increase)
Rates for Sewer Utility Service in)
Fearington Village Subdivision in Chatham)
County, North Carolina)

AFFIDAVIT
OF
BABETTE MCKEMIE

I, Babette McKemie, being duly sworn, do depose and say:

I am a Utilities Engineer with the Public Staff's Water & Sewer Division. I am a graduate of North Carolina State University earning a Bachelor of Science Degree in Chemical Engineering. I have fifteen years of environmental engineering experience, and since joining the Public Staff in November 2001, have worked on rate increase applications, new franchise applications, and other aspects of water and sewer utility regulation. I am a registered Professional Engineer in North Carolina.

The purpose of this affidavit is to explain the scope of my investigation and make recommendations concerning the application filed by Fearington Utilities (Applicant or Company) to increase rates for sewer utility service in Fearington Village Subdivision in Chatham County, North Carolina.

The Applicant operates one wastewater collection, treatment and disposal system. This sewer system serves Fearington Village Subdivision. The system consists of a sewer collection system, three 90,000 GPD extended aeration wastewater treatment plants, and tablet chlorination. The Applicant was serving 1,143 residential customers including, The Galloway Ridge Assisted Living Apartments and Villas, and six commercial customers including two restaurants and The Galloway Ridge Assisted Living Commercial Center at the end of the test year, December.31, 2008.

The Applicant filed its application to increase sewer utility service rates on July 27, 2009. My investigation included a review of the application, annual reports, Company records, and N. C. Department of Environment, Health and Natural Resources inspection results, and an analysis of revenues at existing and proposed rates. I have also assisted

Public Staff Accountant Laura Bradley in reviewing sewer plant operating expenses.

By Commission Order of August 18, 2009, the Applicant was required to provide customer notice stating that the matter may be determined without public hearing if no significant protests were received subsequent to customer notice. The Certificate of Service was filed with the Commission on September 3, 2009, and eight customer protests have been received. The complaints were primarily concerning the proposed large rate increase. On November 20, 2009, the Applicant filed a letter with the Commission agreeing to the Public Staff's recommended revenue requirement. On November 20, 2009, the Public Staff filed a motion recommending to the Commission that the hearing be canceled due to the limited number of protests received and the fact that the Public Staff and the Applicant were in agreement on the requested revenue requirement.

On September 15, 2009, I conducted a field inspection of the Applicant's sewer collection and treatment system with Robert Flynn, Plant Superintendent. The system is properly operated and maintained, and the Applicant is providing adequate sewer utility service in its franchised service area.

The Applicant's existing and proposed rates are as follows:

Residential Flat Rates and Commercial Establishments Not Listed Below:

	<u>Existing Rates</u>	<u>Proposed Rates</u>
If Paid Annually in Advance	\$235.58/ year	\$325.10/year

Annual Commercial Flat Rates:

Ferrington House Restaurant	\$2,355.83	\$ 3,251.05
Ferrington Inn	\$2,073.19	\$ 2,861.00
The Market	\$1,883.76	\$ 2,599.59
Village Beauty Shop	\$ 730.65	\$ 1,008.30
Fitch Creations, Inc. Admin. Bldg.	\$ 730.65	\$ 1,008.30
Galloway Ridge Commercial Center	\$7,774.08	\$10,728.23

I have examined the customer billing information and have established sewer revenues at the Applicant's existing rates of \$284,815, and at proposed rates of \$393,045, based on the number of customers as of December 31, 2008. The Galloway Ridge Commercial Center rates were never approved by the Commission. The applicant has been charging Galloway Ridge Commercial Center since 2005. It was explained to the applicant that Commission approval must be obtained prior to charging rates in the future.

I have reviewed the expenses reported for Maintenance and Repair, Miscellaneous,

Testing Fees, Chemicals, Permit Fees, Purchased Water, Transportation and Plant Items. I recommend the following adjustments to expenses:

Maintenance and Repairs

The Applicant stated Maintenance and Repair expenses of \$22,331 on its application. Based on a review of the invoices, Maintenance and Repair was reduced by \$7,932 which was reclassified to Plant in Service and capitalized, Sludge disposal expenses in the amount of \$22,400 were reclassified from Miscellaneous to Maintenance and Repair. Additionally, Maintenance and Repair was increased by \$13,333 which was also reclassified from Miscellaneous. After these adjustments, I recommend Maintenance and Repair expense of \$50,132.

Miscellaneous

Miscellaneous expense was increased by an adjustment of \$1,419 for benefits related to labor costs. Based on a review of the invoices, Miscellaneous was decreased by \$13,333 which was reclassified to Maintenance and Repair. Additionally, \$22,400 in sludge disposal expenses was reclassified from Miscellaneous to Maintenance and Repair. The transportation expenses in the amount of \$9,491 were reclassified to transportation. Fines related to Notices of Violation (NOV's) in the amount of \$1,109 were deducted from Miscellaneous. Labor in the amount of \$2,833, related to Plant in Service items was reclassified to Plant in Service. The expense for a leased crane in the amount of \$3,765 was reclassified to plant in service. This resulted in a total decrease to miscellaneous of \$51,512.

Transportation

The Applicant included Transportation expenses of \$9,491 on its application, under Miscellaneous. The Applicant revised their mileage estimate to 11,610 miles. The Applicant used the 2008 IRS mileage rates which were \$0.505 for the first six months and \$0.585 for the second six months. However, the 2009 IRS mileage rate of \$0.55 is used for the rate case. Using this rate, I recommend a transportation expense of \$6,385.

Testing

The Applicant stated testing expenses of \$21,900 on its application. Based upon review of its invoices, I recommended to Accountant Bradley that \$13,020 be reclassified as contract operator. Testing was reduced by an additional \$1,694, which was reclassified from testing to chemicals. Testing fees were annualized and based upon review of its required testing and lab fees for these tests, testing fees were further reduced by an adjustment of \$940. After these adjustments, I recommend an annualized testing expense of \$6,246.

Chemicals

The Applicant stated chemical expenses of \$53,561 on its application. Based upon review of its invoices, Chemicals was reduced by \$1,716, which was reclassified to Plant in Service and capitalized. Chemicals were increased by \$1,694 which was reclassified from testing. I recommend a Chemicals expense of \$53,539.

Plant In Service

Based on a review of the invoices, Maintenance and Repair was reduced by \$11,697 which was reclassified to Plant in Service. Additionally, labor in the amount of \$2,833, related to Plant in Service items, was reclassified to Plant in Service. Finally, Chemicals expense was reduced by \$1,716 for a tablet feeder, which was reclassified to Plant in Service and capitalized. I recommend a total Plant in Service adjustment of \$16,244.

Depreciation Schedule

The service life of the capitalized items was reviewed. I recommend a service life for pumps of 5 years. I recommend a service life for the diffusers and aerators of ten years. I recommend a service life of the tablet feeder of seven years.

Rates

Public Staff Accountant Bradley has advised me that the total revenue requirement is \$335,672. The Applicant has agreed with this revenue and has amended their request to reflect this revenue requirement. I have designed rates based on the Applicant's requested revenues of \$335,672. I have reviewed the allocation of costs to non-residential customers and find that they are appropriate based on Water Quality design allocations. The Applicant has been billing annually except for Galloway Ridge Apartments and Villas, which are being billed monthly based on the number of occupied residences, therefore the rate structure will be modified to include this. The rates recommended below result in annual revenue of \$335,676.95.

The Public Staff's recommended rates are as follows:

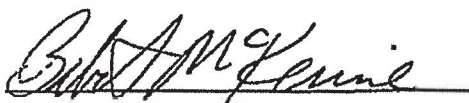
Residential Flat Rates and Commercial Establishments Not Listed Below:

If Paid Annually in Advance	\$277.65/year
Galloway Ridge Apartments and Villas	\$23.14/month per residence

Annual Commercial Flat Rates:

Fearrington House Restaurant	\$ 2,776.00
Fearrington Inn	\$ 2,443.00
The Market	\$ 2,220.00
Village Beauty Shop	\$ 861.00
Fitch Creations, Inc. Admin. Bldg.	\$ 861.00
Galloway Ridge Commercial Center	\$ 9,162.00

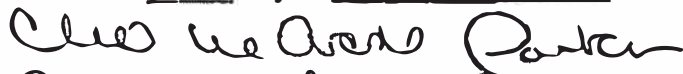
This completes my affidavit.

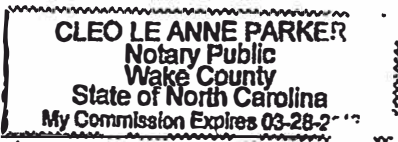


Babette McKemie, P.E.

Sworn to and Subscribed before me,

This the 23rd day of November, 2009


Cleo Le Anne Parker
Notary Public



My Commission expires 03-28-2012

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-661, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

FILED
NOV 23 2009
Clerk's Office
N.C. Utilities Commission

In the Matter of
Application by Fitch Creations, Inc., d/b/a)
Farrington Utilities, 2000 Farrington Village)
Center, Pittsboro, North Carolina 27312, for)
Authority to Increase Rates for Sewer Utility)
Service in All Its Service Areas in Chatham)
County, North Carolina)

AFFIDAVIT
OF
CALVIN C. CRAIG, III

STATE OF NORTH CAROLINA

COUNTY OF WAKE

I, Calvin C. Craig, III, being first duly sworn do depose and say:

I am a Public Utilities Financial Analyst with the Economic Research Division of the Public Staff of the North Carolina Utilities Commission representing the using and consuming public.

I received a BS degree in Industrial Relations from the University of North Carolina at Chapel Hill in 1985, an MBA degree from East Carolina University in 1993, and a JD degree from North Carolina Central University in 2006. Since joining the Public Staff in November 1995, I have been involved with natural gas expansion projects, have conducted rate of return studies, and have filed affidavits assessing financial viability and a fair rate of return in numerous water utility rate cases. Prior to joining the Public Staff, my professional experience included 10 years in lending and financial analysis with the State Employees Credit Union of North Carolina.

The purpose of this affidavit is to recommend to the Commission a fair rate of return to be employed as a basis for determining the appropriate revenue requirement for Fitch Creations, Inc. d/b/a Farrington Utilities (Company) to provide sewer utility service in all its' service areas in Chatham County, North Carolina.

For the sewer utility service, I recommend that the Company be granted an 8.25% margin on expenses, which relates to an operating ratio of 92.99 % (including taxes) or 92.38 % (excluding taxes). After investigation, the Public Staff has found that the Company's sewer operations rate base is less than the reasonable level of operating expenses. I derived a margin above expenses by combining the risk-free rate of U.S. Treasury bonds (averaged over a representative period) with a 3.0 percentage

point factor to adjust for risk. My estimate of the risk-free rate is 5.25%, which when combined with the 3.0 percentage point risk factor produces the 8.25% margin. As allowed under G. S. 62-133.1, I have used the operating ratio method to evaluate the Company's proposed sewer operations rate increase.

As outlined in Docket No.W-173, Sub 14, Montclair Water Company, several factors should be considered when judging the adequacy of a return. These are interest coverage, adequacy of the income level after interest expense, the level of inflation, and the quality of service.

In considering these factors in conjunction with this proceeding, I have not incorporated any consideration with respect to quality of service. Interest coverage has been provided at an adequate level. The level of inflation has been factored into the U.S. Treasury bond rate by investor expectations of the future levels of inflation. In my opinion, the recommended rate of return provides an adequate level of income after interest expense.

For these reasons, I recommend to the Commission that the Company be granted an 8.25% margin on expenses. With regard to the sewer utility service, the recommendation produces an operating ratio of 92.99 % (including taxes) or 92.38 % (excluding taxes).

This concludes my affidavit.



Calvin C. Craig, III

Sworn to and subscribed before me,

This the 23rd day of November 2009.


Signature of Notary Public Linnetta W. Threath

My Commission expires 9-4-2013



STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-661, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

FILED
NOV 23 2009
Clerk's Office
N.C. Utilities Commission

In the Matter of

Application by Fitch Creations, Inc. d/b/a)	
Ferrington Utilities, 2000 Ferrington Village)	
Center, Pittsboro, North Carolina 27312, for)	AFFIDAVIT OF
Authority to Increase Rates for Sewer Utility)	LAURA D. BRADLEY
Service in All Its Service Areas in Chatham)	
County, North Carolina)	

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Laura D. Bradley, being duly sworn, do depose and say:

I am a Staff Accountant with the Public Staff of the North Carolina Utilities Commission, 430 N. Salisbury Street, Raleigh, North Carolina. I have a Bachelor of Arts Degree from the University of North Carolina at Chapel Hill and an Associate in Applied Science Degree from Wake Technical Community College. I joined the Accounting Division of the Public Staff on August 15, 2001.

The purpose of my affidavit is to present the results of my investigation of the levels of operating revenue, expense, and investment filed by Fitch Creations, Inc., d/b/a/ Ferrington Utilities (Applicant or Company) in support of its request to increase its revenues from \$284,815 to \$393,045 for sewer utility service.

The Company filed its rate case application on July 27, 2009, based on a test year ended December 31, 2008. My investigation included a review of the data filed by the Company, a review of responses to data requests, and a review of the Company records.

Based on the results of my investigation, the test year level of operating revenue deductions requiring a return (total operating expenses excluding gross receipts and income taxes) is \$285,377 for sewer utility service after all Public Staff adjustments. The Company's original cost rate base at December 31, 2008 is \$148,672 for sewer utility service after Public Staff adjustments. As allowed

under G.S. 62-133.1, I have used the operating ratio method to evaluate the Company's proposed rate increase.

Based upon my investigation, I recommend that the rates be set to produce \$335,672 of operating revenues. This annual level of revenues of \$335,672 will provide the Company with the opportunity to earn a return of 8.25%, the reasonable rate recommended by Public Staff Financial Analyst Craig in his affidavit.

I have made several adjustments to the Company's operating revenue, expense, and investment levels. These adjustments are detailed in Bradley Exhibit I, which is attached. My exhibit also reflects adjustments in plant additions, depreciation lives, service revenues, maintenance and repairs, testing, chemicals, transportation, and miscellaneous expense recommended by Public Staff Engineer McKemie. The accounting and ratemaking adjustments which I am proposing and which I will discuss below relate to the following:

- (1) Plant in Service
- (2) Accumulated Depreciation and Depreciation Expense
- (3) Cash Working Capital
- (4) Average Tax Accruals
- (5) Salaries and Wages
- (6) Contract Operator Expense
- (7) Administrative and Office Expense
- (8) Electric Power
- (9) Rate Case Expense
- (10) Employee Benefits
- (11) Miscellaneous Expense
- (12) Payroll Taxes
- (13) Regulatory Fee
- (14) Gross Receipts Tax
- (15) State and Federal Income Taxes

PLANT IN SERVICE

I adjusted plant in service to reflect the amounts approved in the last rate case in Docket No. W-661, Sub 5, resulting in an increase of \$28,426.

I have included \$16,244 of plant items based on the recommendation of Public Staff Engineer McKemie.

Finally, based on responses to data requests and an examination of the Company's records, I have reduced plant by \$14,345 to remove a clarifier that has been retired.

These adjustments resulted in plant in service of \$342,090 for sewer plant.

ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

I have calculated accumulated depreciation and depreciation expense based on my adjusted levels of plant in service and using the depreciation lives from the prior proceeding and those recommended by Public Staff Engineer McKemie.

CASH WORKING CAPITAL

I have not included in the calculation of original cost rate base an allowance for working capital since the Company collects its revenues in advance.

AVERAGE TAX ACCRUALS

The average tax accruals, calculated as one-fifth of gross receipts tax, and payroll taxes represent cost-free funds provided by the customers through the rates.

SALARIES AND WAGES

I have reclassified \$14,525 of clerical and management salaries from administrative and office expense. I have increased the amount by \$12,285 to reflect current time spent working on the system and salary increases. These adjustments are reflected on Bradley Exhibit I, Schedule 3-1.

CONTRACT OPERATOR EXPENSE

I have reclassified \$3,600 to contract operator expense from miscellaneous expense, and I have included \$13,020 reclassified from testing expense as recommended by Public Staff Engineer McKemie.

ADMINISTRATIVE AND OFFICE EXPENSE

I have reclassified \$14,525 of clerical and management salaries to salaries and wages expense. I have also included amounts reclassified from miscellaneous expense of \$621.

ELECTRIC POWER

Based on a review of Company records, I have removed amounts for electric power associated with two meters that are no longer being used for utility purposes, totaling \$2,042. I have also removed \$2,476 of an extra month of electric expense and the associated late payment fee that was out of period.

RATE CASE EXPENSE

Based on data provided by the Company, I have made an adjustment to include the rate case cost for this proceeding amortized over a three-year period. Therefore, \$3,795 for sewer utility operations has been included as a test-year expense. This adjustment is reflected in Bradley Exhibit I, Schedule 3-3.

EMPLOYEE BENEFITS

I have recalculated 401K contributions and health and dental benefits based on a review of the Company's records, as shown on Bradley Exhibit I, Schedule 3-1.

MISCELLANEOUS EXPENSE

The application listed \$56,640 as miscellaneous expense with an additional \$31,512 in pro forma adjustments on Exhibit A. I reclassified telemetry expense of \$3,531, rate case expense of \$3,289, regulatory fees of \$150, and gross receipts tax of \$7,534 from Exhibit A into the appropriate line items, reducing miscellaneous expense to \$73,648.

I reclassified office supplies of \$621 to administrative and office, and contract operator expense of \$3,600 to contract operator.

I removed 401 K contributions, and employee health benefits totaling \$5,957 and payroll taxes of \$2,123, since the amounts recommended by the Public Staff for these items have been included as separate line items.

I then removed the amount listed as professional fee of \$7,501 that was deemed to be associated with future expansion projects.

Finally, I have included an adjustment of (\$51,512) recommended by Public Staff Engineer McKemie.

All of these adjustments are reflected in Bradley Exhibit I, Schedule 3-4.

PAYROLL TAXES

I have recalculated payroll taxes based on my adjusted level of salaries.

REGULATORY FEE

I have adjusted the regulatory fee to appropriately reflect the statutory rate of 0.12% of total revenues.


GROSS RECEIPTS TAX

I have adjusted the gross receipts tax to appropriately reflect the statutory rate of 6% of revenues for sewer operations.

STATE AND FEDERAL INCOME TAXES

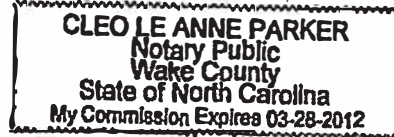
I have made an adjustment to include the appropriate level of state and federal income taxes related to the net operating income generated by the present, Company proposed, and Public Staff recommended increase in revenues. A rate of 6.9% was used for state income taxes and 15% for federal income taxes.


This completes my affidavit.


Laura D. Bradley

Sworn to and Subscribed before me,

This the 23rd day of November, 2009.




Signature of Notary Public
Cleo Le Anne Parker
My Commission expires 03-28-2012

INDEX TO BRADLEY EXHIBIT I
FEARRINGTON UTILITIES

<u>Title</u>	<u>Schedule No.</u>
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2. ORIGINAL COST RATE BASE	2
3. CALCULATION OF PLANT IN SERVICE, ACCUMULATED DEPRECIATION, AND DEPRECIATION EXPENSE	2-1
4. NET OPERATING INCOME FOR A RETURN	3 Page 1
5. FOOTNOTES TO SCHEDULE 3	3 Page 2
6. CALCULATION OF SALARIES AND WAGES AND EMPLOYEE BENEFITS	3-1
7. CALCULATION OF ADMINISTRATIVE AND OFFICE EXPENSE	3-2
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FEARRINGTON UTILITIES
Docket No. W-861, Sub 6
MARGIN ON OPERATING REVENUE DEDUCTIONS
REQUIRING A RETURN
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 1

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
1.	Net operating income for a return	(\$17,993) [1]	\$63,127 [4]	\$23,544 [6]
2.	Operating revenue deductions requiring a return	285,377 [2]	285,377 [5]	285,377 [7]
3.	Return	-6.30% [3]	22.12% [3]	8.25% [8]

[1] Bradley Exhibit I, Schedule 3, Line 30, Column (c).
[2] Bradley Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (c).
[3] Line 1 divided by Line 2.
[4] Bradley Exhibit I, Schedule 3, Line 30, Column (e).
[5] Bradley Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (e).
[6] Line 2 x Line 3.
[7] Bradley Exhibit I, Schedule 3, Line 20 + Line 21 + Line 22 + Line 23 + Line 24, Column (g).
[8] Provided by Public Staff Financial Analyst Craig.

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
ORIGINAL COST RATE BASE
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 2

Line No.	Item	Per Application (a)	Public Staff Adjustments [1] (b)	After Public Staff Adjustments (c)
1.	Plant in service	\$311,765	\$30,325	\$342,090 [2]
2.	Accumulated depreciation	0	(188,815)	(188,815) [3]
3.	Contributions in aid of construction	0	0	0
4.	Net plant in service	311,765	(158,490)	153,275
5.	Cash working capital	0	0	0
6.	Average tax accruals	0	(4,603)	(4,603) [4]
7.	Original cost rate base	\$311,765	(\$163,093)	\$148,672

[1] Column (c) - Column (a).
[2] Bradley Exhibit I, Schedule 2-1, Line 28, Column (a).
[3] Bradley Exhibit I, Schedule 2-1, Line 28, Column (f).
[4] One-fifth of gross receipts tax plus one-half of property taxes plus one-fifth of payroll tax.

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF PLANT IN SERVICE, ACCUMULATED
DEPRECIATION, AND DEPRECIATION EXPENSE
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 2-1

Line No.	Item	Original Cost (a)	Year Placed In Service (b)	Life (c)	Years in Service [4] (d)	Annual Depreciation [5] (e)	Accumulated Depreciation [6] (f)
1.	Structures & site improvements	\$66,226 [1]	1994 [1]	25 [1]	14.5	\$2,649	\$38,411
2.	Structures & site improvements	9,381 [1]	1994 [1]	25 [1]	14.5	375	5,438
3.	Structures & site improvements	131,025 [1]	1995 [1]	25 [1]	13.5	5,241	70,754
4.	Structures & site improvements	1,352 [1]	1996 [1]	25 [1]	12.5	54	675
5.	Camera unit/vcr motor	6,628 [1]	1998 [1]	5 [1]	10.5	0	6,628
6.	Submersible pump	7,744 [1]	1998 [1]	5 [1]	10.5	0	7,744
7.	Generators	13,000 [1]	1999 [1]	10 [1]	9.5	1,300	12,350
8.	Transfer switches	5,814 [1]	1999 [1]	5 [1]	9.5	0	5,814
9.	Winco generator set	4,593 [1]	2000 [1]	10 [1]	8.5	459	3,902
10.	Submersible pump	7,664 [1]	2001 [1]	5 [1]	7.5	0	7,664
11.	Chemical feed pump & electrical components	3,299 [1]	2001 [1]	3 [1]	7.5	0	3,299
12.	Composite sampler	5,117 [2]	2002 [2]	3 [3]	6.5	0	5,117
13.	Generator	10,223 [2]	2003 [2]	10 [3]	5.5	1,022	5,621
14.	Pump for Bamsley Station - Fair 4"	9,577 [2]	2004 [2]	5 [3]	4.5	1,915	8,618
15.	Sewage grinder	3,013 [2]	2005 [2]	3 [3]	3.5	0	3,013
16.	John Deere diesel generator Set	44,753 [2]	2006 [2]	20 [3]	2.5	2,238	5,595
17.	Bamsley pump	10,782 [2]	2007 [2]	5 [3]	1.5	2,156	3,234
18.	Pumps (crane)	3,765 [3]	2008 [2]	5 [3]	1.0	753	753
19.	Pumps	892 [3]	2008 [2]	5 [3]	1.0	178	178
20.	Tablet feeder	857 [3]	2008 [2]	7 [3]	1.0	122	122
21.	Diffuser	1,220 [3]	2008 [2]	10 [3]	1.0	122	122
22.	Aerators	2,936 [3]	2008 [2]	10 [3]	1.0	294	294
23.	Pumps	159 [3]	2008 [2]	5 [3]	1.0	32	32
24.	Pumps	1,868 [3]	2008 [2]	5 [3]	1.0	374	374
25.	Tablet feeder	1,714 [3]	2008 [2]	7 [3]	1.0	245	245
26.	In-house labor	2,833 [3]	2008 [2]	5 [3]	1.0	567	567
27.	Disposal of clarifier purchased in 1995	(14,345) [2]	1995 [2]	25 [3]	13.5	(574)	(7,749)
28.	Total	\$342,090				\$19,522	\$188,815

[1] Per Docket No. W-661, Sub 5.
[2] Per review of Company records.
[3] Per Public Staff Engineer McKemie.
[4] Based on year placed in service using half year convention.
[5] Column (a) divided by Column (c), unless fully depreciated.
[6] Column (d) x Column (e), unless fully depreciated.

FEARRINGTON UTILITIES
Docket No. W-681, Sub 6
NET OPERATING INCOME FOR A RETURN
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3
Page 1 of 2

Line No.	Item	Present Rates			Company Proposed Rates		Public Staff Recommended Rates	
		Per Application (a)	Public Staff Adjustments (b) [1]	Per Public Staff (c) [2]	Net Company Increase (d) [16]	Operations After Rate Increase (e)	Net Public Staff Increase (f) [19]	Operations After Rate Increase (g) [20]
1.	Operating Revenues:							
2.	Service Revenues	\$274,342	\$10,473	\$284,815 [3]	\$108,230	\$393,045 [3]	\$50,857	\$335,672 [20]
3.	Other Revenues	7,774	(7,774)	0 [3]	0	0	0	0
4.	Total Operating Revenues	282,116	2,699	284,815	108,230	393,045	50,857	335,672
5.	Operating Revenue Deductions:							
6.	Salaries and Wages	40,852	26,810	67,662 [4]	0	67,662	0	67,662
7.	Contract Operating Service	0	16,620	16,620 [5]	0	16,620	0	16,620
8.	Administrative and Office Expense	17,292	(13,904)	3,388 [6]	0	3,388	0	3,388
9.	Maintenance and Repairs	22,331	27,801	50,132 [3]	0	50,132	0	50,132
10.	Transportation	0	6,385	6,385 [3]	0	6,385	0	6,385
11.	Telemetry	3,531	0	3,531	0	3,531	0	3,531
12.	Electric Power	41,104	(4,518)	36,586 [5]	0	36,586	0	36,586
13.	Testing	21,900	(15,654)	6,246 [3]	0	6,246	0	6,246
14.	Permit Fees & Licenses	3,170	0	3,170	0	3,170	0	3,170
15.	Chemicals for Treatment	53,561	(22)	53,539 [3]	0	53,539	0	53,539
16.	Rate Case Expense	3,289	506	3,795 [7]	0	3,795	0	3,795
17.	Employee Benefits	0	6,360	6,360 [8]	0	6,360	0	6,360
18.	Purchased Water/Sewer	180	0	180	0	180	0	180
19.	Miscellaneous Expense	73,648	(71,314)	2,334 [9]	0	2,334	0	2,334
20.	Total O&M Expenses	280,858	(20,930)	259,928	0	259,928	0	259,928
21.	Depreciation Expense	19,158	364	19,522 [10]	0	19,522	0	19,522
22.	Property Taxes	0	0	0	0	0	0	0
23.	Payroll Taxes	3,854	2,073	5,927 [11]	0	5,927	0	5,927
24.	Other Taxes	0	0	0	0	0	0	0
25.	Regulatory Fee	487	(145)	342 [12]	130	472 [12]	61	403 [12]
26.	Gross Receipts Tax	24,363	(7,274)	17,089 [13]	6,494	23,583 [13]	3,051	20,140 [13]
27.	State Income Tax	0	0	0 [14]	5,769	5,769 [17]	2,053	2,053 [21]
28.	Federal Income Tax	0	0	0 [15]	14,717	14,717 [18]	4,155	4,155 [22]
29.	Total Operating Revenue Deductions	328,720	(25,912)	302,808	27,110	329,918	9,320	312,128
30.	Net Operating Income for a Return	(\$46,604)	\$28,611	(\$17,993)	\$81,120	\$63,127	\$41,537	\$23,544

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
FOOTNOTES TO SCHEDULE 3
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3
Page 2 of 2

- [1] Column (c) - Column (a).
- [2] Column (a) plus Column (b), unless otherwise footnoted
- [3] Per Public Staff Engineer McKemie.
- [4] Bradley Exhibit I, Schedule 3-1, Line 4.
- [5] Per review of Company records and invoices.
- [6] Bradley Exhibit I, Schedule 3-2, Line 4.
- [7] Bradley Exhibit I, Schedule 3-3, Line 6.
- [8] Bradley Exhibit I, Schedule 3-1, Line 7.
- [9] Bradley Exhibit I, Schedule 3-4, Line 9.
- [10] Bradley Exhibit I, Schedule 2-1, Line 28, Column (e).
- [11] Bradley Exhibit I, Schedule 3-5, Line 4.
- [12] Line 4 x 0.0012.
- [13] Line 4 x .06.
- [14] Bradley Exhibit I, Schedule 3-6, Line 12, Column (a).
- [15] Bradley Exhibit I, Schedule 3-6, Line 19, Column (a).
- [16] Column (e) - Column (c).
- [17] Bradley Exhibit I, Schedule 3-6, Line 12, Column (b).
- [18] Bradley Exhibit I, Schedule 3-6, Line 19, Column (b).
- [19] Column (g) - Column (c).
- [20] Calculated by Public Staff.
- [21] Bradley Exhibit I, Schedule 3-6, Line 12, Column (c).
- [22] Bradley Exhibit I, Schedule 3-6, Line 19, Column (c).

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF SALARIES AND WAGES AND EMPLOYEE BENEFITS
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3-1

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Amount per application	\$40,852
2.	Adjustment to include salary increases and time adjustment	12,285 [1]
3.	Adjustment to include salaries for clerical and management personnel	<u>14,525 [1]</u>
4.	Total salaries	<u>\$67,662</u>
5.	401(k) contributions for clerical and management	\$1,353 [2]
6.	Health and dental insurance	<u>5,007 [3]</u>
7.	Total employee benefits	<u>\$6,360</u>

[1] Based on a review of Company records.
[2] Line 4 times 2%.
[3] Line 4 times 7.4%.

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF ADMINISTRATIVE AND OFFICE EXPENSE
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3-2

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Amount per application	\$17,292
2.	Adjustment to include office supplies	621 [1]
3.	Adjustment to remove salaries for clerical and management	<u>(14,525) [2]</u>
4.	Administrative and office expense per Public Staff	<u><u>\$3,388</u></u>

[1] Reclassified from Miscellaneous Expense.
[2] Reclassified to Salaries and Wages.

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF RATE CASE EXPENSE
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3-3

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Cost to mail notices	\$1,349 [1]
2.	NCUC filing fee	250 [2]
3.	Accounting, clerical, & miscellaneous	<u>9,786 [2]</u>
4.	Total rate case expense (Line 1 + Line 2 + Line 3)	11,385
5.	Amortization factor	<u>3</u>
6.	Amortized rate case expense (Line 4 / Line 5)	<u><u>\$3,795</u></u>

[1] Based on 1,143 customers times 2 (mailings) times \$.44 stamps plus \$.15 for envelopes and copying.
[2] Based on review of Company records.

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF MISCELLANEOUS EXPENSE
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3-4

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1.	Amount per application	\$73,648
2.	Adjustment to reclassify office supplies	(621) [1]
3.	Adjustment to remove professional fees for future expansion	(7,501) [1]
4.	Adjustment to remove employee health benefits	(4,095) [1]
5.	Adjustment to remove 401 K benefits	(1,862) [1]
6.	Adjustment to remove payroll taxes	(2,123) [1]
7.	Adjustment to reclassify contract operator	(3,600) [1]
8.	Adjustment per Public Staff Engineer McKemie	<u>(51,512) [2]</u>
9.	Total miscellaneous expense	<u><u>\$2,334</u></u>

[1] Per review of Company records.
[2] Per Public Staff Engineer McKemie.

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF PAYROLL TAXES
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3-5

<u>Line No.</u>	<u>Item</u>	<u>Total</u>
1.	SUTA	\$414 [1]
2.	FUTA	336 [2]
3.	FICA	<u>5,177 [3]</u>
4.	Total per Public Staff	<u>\$5,927</u>

- [1] Calculated using current payroll tax rate of 0.720% on earnings up to \$16,700.
[2] Calculated using current payroll tax rate of 0.80% on earnings up to \$7,000.
[3] Calculated using current payroll tax rate of 7.65% on earnings up to \$90,000.

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF INCOME TAXES
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 3-6

Line No.	Item	Present Rates [1] (a)	Company Proposed Rates [2] (b)	Public Staff Recommended Rates [3] (c)
1.	Operating revenue	\$284,815	\$393,045	\$335,672
2.	Operating revenue deductions:			
3.	O & M expenses	259,928	259,928	259,928
4.	Depreciation expense	19,522	19,522	19,522
5.	Property taxes	0	0	0
6.	Payroll taxes	5,927	5,927	5,927
7.	Regulatory fee	342	472	403
8.	Gross receipts tax	17,089	23,583	20,140
9.	Interest expense	0	0	0
10.	Total deductions (Sum of L2 thru L9)	302,808	309,432	305,920
11.	Taxable income (L1 - L10)	(17,993)	83,613	29,752
12.	Less: State income tax @ 6.9%	0	5,769	2,053
13.	Less: Federal income tax			
14.	First \$50,000 @ 15%	0	7,500	4,155
15.	Next \$25,000 @ 25%	0	6,250	0
16.	Next \$25,000 @ 34%	0	967	0
17.	Next \$235,000 @ 39%	0	0	0
18.	Over \$335,000 @ 34%	0	0	0
19.	Total federal income taxes	0	14,717	4,155
20.	Net amount (L11 - L12 - L19)	(17,993)	63,127	23,544
21.	Add: Interest expense	0	0	0
22.	Net income for return (L20 + L21)	(\$17,993)	\$63,127	\$23,544

[1] Bradley Exhibit I, Schedule 3, Column (c).
[2] Bradley Exhibit I, Schedule 3, Column (e).
[3] Bradley Exhibit I, Schedule 3, Column (g).

FEARRINGTON UTILITIES
Docket No. W-661, Sub 6
CALCULATION OF OPERATING RATIOS
For the Test Year Ended December 31, 2008

Bradley Exhibit I
Schedule 4

Line No.	Item	Present Rates (a)	Company Proposed Rates (b)	Public Staff Recommended Rates (c)
<u>Interest expense, regulatory fee, gross receipts, and income taxes included:</u>				
1.	Gross operating revenues	\$284,815 [1]	\$393,045 [5]	\$335,672 [9]
2.	Operating expenses	302,808 [2]	329,918 [6]	312,128 [10]
3.	Operating ratios (L2 / L1)	106.32%	83.94%	92.99%
<u>Interest expense, regulatory fee, gross receipts, and income taxes excluded:</u>				
4.	Gross operating revenues	\$267,384 [3]	\$348,504 [7]	\$308,921 [11]
5.	Operating expenses	285,377 [4]	285,377 [8]	285,377 [12]
6.	Operating ratios (L5 / L4)	106.73%	81.89%	92.38%

- [1] Bradley Exhibit I, Schedule 3, Line 4, Column (c).
[2] Bradley Exhibit I, Schedule 3, Line 29, Column (c).
[3] Bradley Exhibit I, Schedule 3, Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (c).
[4] Bradley Exhibit I, Schedule 3, Line 29 - Line 25 - Line 26 - Line 27 - Line 28, Column (c).
[5] Bradley Exhibit I, Schedule 3, Line 4, Column (e).
[6] Bradley Exhibit I, Schedule 3, Line 29, Column (e).
[7] Bradley Exhibit I, Schedule 3, Line 4 - Line 25 - Line 26 - Line 27 - Line 28, Column (e).
[8] Bradley Exhibit I, Schedule 3, Line 29 - Line 25 - Line 26 - Line 27 - Line 28, Column (e).
[9] Bradley Exhibit I, Schedule 3, Line 4, Column (g).
[10] Bradley Exhibit I, Schedule 3, Line 29, Column (g).
[11] Bradley Exhibit I, Schedule 3, Line 4 - Line 25 - Line 25 - Line 27 - Line 28, Column (g).
[12] Bradley Exhibit I, Schedule 3, Line 29 - Line 25 - Line 26 - Line 27 - Line 28, Column (g).

Aug 05 2019

OFFICIAL COPY

ANNUAL REPORT

OF

FITCH CREATIONS, INC. d/b/a Fearrington Utilities / W- 661
Company Name (as franchised by NCUC) NCUC Certificate No.

2000 Fearrington Village Center
Mailing Address

Pittsboro NC 27312
City State Zip

Area Code (919) 542-4000
Telephone Number (including area code)

Area Code (919) 542-4020
Fax Number (including area code)

bobbie@fearrington.com
Email Address

TO THE

NORTH CAROLINA
UTILITIES COMMISSION

For The Year Ended

December 31, 2016

RETURN TO: Public Staff - Accounting Division
North Carolina Utilities Commission
4326 Mail Service Center
Raleigh, NC 27699-4326

FILING INSTRUCTIONS

WHEN TO FILE:

This form, consisting of twenty-nine pages, must be filed with this Commission no later than **April 30th** following the end of the calendar year covered by this report. Failure to file your Annual Report on or before the due date will result in Commission action, which may result in the assessment of financial penalties (North Carolina General Statute GS 62-310).

WHERE TO FILE:

Send the original and two (2) copies to:

PUBLIC STAFF - ACCOUNTING DIVISION
NORTH CAROLINA UTILITIES COMMISSION
4326 MAIL SERVICE CENTER
RALEIGH, NORTH CAROLINA 27699-4326

NUMBER OF COPIES REQUIRED:

The original and two (2) copies of this report legibly completed (including NCUC certificate number) and signed and notarized, are required to be filed in order to satisfy the Annual Report filing requirements established by this Commission. One copy of this report should be maintained in your files.

VERIFICATION UNDER OATH REGARDING ACCURACY OF REPORT:

Both the original and the required copies of this report must be verified under oath by the chief executive officer, a senior level financial officer, or the responsible accounting officer of the utility.

QUESTIONS:

If you have any questions or need assistance in completing this report or questions concerning this Commission's Annual Report filing requirements, call or write the Public Staff - Accounting Division, 4326 Mail Service Center, Raleigh, North Carolina 27699-4326, Telephone Number 919-733-4279. This report is available in Microsoft Excel on the Public Staff's web site at:

<http://www.pubstaff.commerce.state.nc.us/psacctg/report.htm>.

COMPANY INFORMATION

1. Trade name used for utility business

Fearrington Utilites

2. Name of owner (if different from trade name)

Fitch Creations, Inc.

3. Business street address (if different from mailing address)

2000 Fearrington Village Center

City and state

Pittsboro, NC

Zip

27312

4. If corporation, list the following:

President

Roy B. Fitch Jr.

Vice-President

Gregory H. Fitch

Secretary

Katherine A Fitch

Treasurer

Other officers

List three (3) largest stockholders and percent of voting shares held by each:

Roy B. Fitch Jr. - 55% Gregory H. Fitch 15% Katherine A Fitch 15% Kelley E Fitch 15%

In what state is firm incorporated?

North Carolina

What year?

1982

5. If partnership, list the owners and percent of ownership held by each:

6. Year Company first began utility service:

7. Filing status (check one only)

Corporation

Partnership

Sole Proprietorship

☒ Subchapter S Corp.

☐ Limited Liability Co.

☐ Other (Describe:)

PERSONS TO CONTACT

	Name	Address	Telephone
General Manager	R.B. Fitch Jr.	2000 Fearrington Village Ctr, Pittsboro, NC 27312	919-542-4000
Complaints or Billing	Bobbie Gautney	2000 Fearrington Village Ctr, Pittsboro, NC 27312	919-545-5703
Engineering Operations	Diehl & Phillips	219 East Chatham St. Cary, NC	919-467-9972
Emergency Service	Ronnie Wright	2000 Fearrington Village Ctr, Pittsboro, NC 27312	919-360-9414
Accounting	Bobbie Gautney	2000 Fearrington Village Ctr, Pittsboro, NC 27312	919-545-5703
Outside Accountant	Robin McDuffie, CPA	414 Raleigh Rd., Suite 300, Chapel Hill, NC	919-972-8700

OPERATING STATISTICS

Employees

Number of full-time employees at end of year

1

Number of part-time employees at end of year

3

Total months worked by each full-time employee during year

12

Total days worked by each part-time employee during year

65

Total salaries and wages paid during year

Reconnections (not including initial connections)

Water

Sewer

Number of service reconnections during year (See Rule R7-20 and R10-16)

N/A

Number of different customers who had service reconnected during year

N/A

Customer Deposits

Amount of customer deposits received during year

Amount of customer deposits refunded during year

Balance of customer deposits held at end of year

Amount of customer deposits held for more than 12 months

Other Information

WATER

SEWER

COMBINED

Annual operating revenues

\$ 352,462.00

\$ 352,462.00

Utility plant in service at year end

\$ 403,750.00

\$ 403,750.00

End-of-period customers

1299

1299

[illegible]

WATER AND SEWER COMBINED BALANCE SHEET
ASSETS AND OTHER DEBITS

Line No.	Title of Account (a)	Balance at Beginning of Year (b)	Balance at End of Year (c)
	Utility plant		
1.	Utility plant (must agree with Page 12, Line 108, Columns (c) & (f))	403,750	403,750
2.	Accumulated provision for depreciation and amortization of utility plant	(313,581)	(327,288)
3.	Net utility plant (Line 1 minus Line 2)	90,169	76,462
4.	Utility plant acquisition adjustment	0	
5.	Accumulated provision for amortization of acquisition adjustment		
6.	Net utility plant acquisition adjustment (Line 4 minus Line 5)		
7.	Total utility plant (Line 3 plus Line 6)	90,169	76,462
	Other Property and Investments		
8.	Nonutility property		
9.	Accumulated provision for depreciation and amortization of nonutility property		
10.	Other investments		
11.	Special funds		
12.	Total other property and investments	0	0
	Current Assets and Other Debits		
13.	Cash and working funds		
14.	Temporary cash investments		
15.	Notes receivable		
16.	Customer accounts receivable		1,533
17.	Other accounts receivable		
18.	Accumulated provisions for uncollectible accounts - Cr.		
19.	Notes receivable from associated companies		
20.	Accounts receivable from associated companies		
21.	Materials and supplies		
22.	Prepayments		
23.	Other current and accrued assets		
24.	Total current and accrued assets	0	1,533
	Deferred Debits		
25.	Unamortized debt discount and expense		
26.	Extraordinary property losses		
27.	Accumulated deferred income taxes		
28.	Other deferred debits		
29.	Total deferred debits		
30.	Total assets and other debits (L7 + L12 + L24 + L29)	90,169	77,995

Remarks: Original plant (before 1982) included in development expansion in 1994 and 1995
to increase capacity

WATER AND SEWER COMBINED BALANCE SHEET
CAPITAL, LIABILITIES, AND OTHER CREDITS

Line No.	Title of Account (a)	Balance at Beginning of Year (b)	Balance at End of Year (c)
	<u>Stockholders' Equity (if Corporation)</u>		
1.	Common stock shares		
2.	Paid-in capital	(17,609)	(33,194)
3.	Retained earnings	(353,342)	(321,875)
4.	Other		
5.	Total common equity (Line 1 thru Line 4)	(370,951)	(355,069)
6.	Preferred stock		
7.	Total stockholders' equity (Line 5 + Line 6)	(370,951)	(355,069)
	OR		
8.	<u>Proprietary Capital (if Partnership/Proprietorship)</u> Total proprietary capital		
	<u>Long-Term Debt</u>		
9.	Bonds		
10.	Advances from associated companies		
11.	Other long-term debt		
12.	Total long-term debt	0	0
	<u>Current and Accrued Liabilities</u>		
13.	Notes payable		
14.	Accounts payable	13,598	8,356
15.	Customer deposits	22,814	0
16.	Taxes accrued		
17.	Interest accrued		
18.	Other current and accrued liabilities		
19.	Total current and accrued liabilities	36,412	8,356
	<u>Deferred Credits</u>		
20.	Unamortized premium on debt		
21.	Customer advances for construction		
22.	Other deferred credits		
23.	Total deferred credits	0	0
	<u>Operating Reserves</u>		
24.	Property insurance reserve		
25.	Miscellaneous operating reserves		
26.	Total operating reserves	0	0
	<u>Contributions in Aid of Construction</u>		
27.	Contributions in aid of construction	424,708	424,708
28.	Accumulated amortization of contributions in aid of construction		
29.	Total contributions in aid of construction	424,708	424,708
30.	Total liabilities and other credits (L12 + L19 + L23 + L26 + L29)	461,120	433,064
31.	Total capital, liabilities, & other credits (L7 + L8 + L30)	90,169	77,995

STATEMENT OF CASH FLOWS

Line No.	Item	Water and Sewer Combined Operations
	Cash Flows from Operating Activities	
1.	Net income (must agree with Page 14, Line 30, Column (d))	31,467
2.	Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
	Depreciation and amortization	13,707
3.	Increase (decrease) in deferred taxes and investment tax credits - net	
4.	Allowance for funds used during construction (AFUDC)	
5.	Decrease (increase) in accounts receivable - net	(1,533)
6.	Decrease (increase) in materials and supplies	
7.	Decrease (increase) in prepayments and other current and accrued assets	0
8.	Decrease (increase) in other deferred debits	
9.	Increase (decrease) in accrued expenses and accounts payable	(5,242)
10.	Increase (decrease) in other current and accrued liabilities	
11.	Increase (decrease) in other deferred credits	
12.	Other	
13.	Total adjustments (Sum of Lines 2 through 12)	38,399
14.	Net cash provided by (used in) operating activities (Line 1 plus Line 13)	69,866
	Cash Flows From Investing Activities	
15.	Purchases of utility plant	0
16.	Proceeds from disposal of utility plant	
17.	Investments in and advances to affiliates	
18.	Repayments of advances by affiliates	
19.	Receipts of contributions in aid of construction (CIAC)	0
20.	Other investing activities	
21.	Net cash provided by investing activities (Sum of Lines 15 through 20)	0
	Cash Flows from Financing Activities	
22.	Decrease (increase) in short-term debt	
23.	Advances from affiliates	
24.	Repayment of advances from affiliates	
25.	Proceeds from issuing long-term debt	
26.	Repayment of long-term debt	
27.	Proceeds from issuing stock	
28.	Dividend paid	
29.	Other financing activities	(69,866)
30.	Net cash provided by financing activities (Sum of Lines 22 through 29)	(69,866)
31.	Net increase (decrease) in cash and cash equivalents (Line 14 + Line 21 + Line 30)	0
32.	Cash and cash equivalents at beginning of year	
33.	Cash and cash equivalents at end of year (Line 31 + Line 32)	0

WATER PLANT IN SERVICE (ACCOUNT 101)

Line No.	Acct. No.	Account (a)	Depr. Rates (b)	Balance at Beginning of Year (c)	Plant Added (d)	Plant Retired (e)	Balance at End of Year (f)
		INTANGIBLE PLANT					
1.	301.1	Organization					
2.	302.1	Franchises					
3.	339.1	Other plant and miscellaneous equipment					
4.		Total intangible plant					
		SOURCE OF SUPPLY AND PUMPING PLANT					
5.	303.2	Land and land rights					
6.	304.2	Structures and improvements					
7.	305.2	Collecting and impounding reservoirs					
8.	306.2	Lake, river, and other intakes					
9.	307.2	Wells and springs					
10.	308.2	Infiltration galleries and tunnels					
11.	309.2	Supply mains					
12.	310.2	Power generation equipment					
13.	311.2	Pumping equipment					
14.	339.2	Other plant and miscellaneous equipment					
15.		Total source of supply and pumping plant					
		WATER TREATMENT PLANT					
16.	303.3	Land and land rights					
17.	304.3	Structures and improvements					
18.	311.3	Pumping equipment					
19.	320.3	Water treatment equipment					
20.	339.3	Other plant and miscellaneous equipment					
21.		Total water treatment plant					

WATER PLANT IN SERVICE (ACCOUNT 101)

Line No.	Acct. No.	Account (a)	Depr. Rates (b)	Balance at Beginning of Year (c)	Plant Added (d)	Plant Retired (e)	Balance at End of Year (f)
		TRANSMISSION AND DISTRIBUTION PLANT					
22.	303.4	Land and land rights					
23.	304.4	Structures and improvements					
24.	311.4	Pumping equipment					
25.	330.4	Distribution reservoirs and standpipes					
26.	331.4	Transmission and distribution mains					
27.	333.4	Services					
28.	334.4	Meters and meter installations					
29.	335.4	Hydrants					
30.	336.4	Backflow prevention devices					
31.	339.4	Other plant and miscellaneous equipment					
32.		Total transmission and distribution plant					
		GENERAL PLANT					
33.	303.5	Land and land rights					
34.	304.5	Structures and improvements					
35.	340.5	Office furniture and equipment					
36.	341.5	Transportation equipment					
37.	342.5	Stores equipment					
38.	343.5	Tools, shop, and garage equipment					
39.	344.5	Laboratory equipment					
40.	345.5	Power operated equipment					
41.	346.5	Communication equipment					
42.	347.5	Miscellaneous equipment					
43.	348.5	Other tangible plant					
44.		Total general plant					
45.		Total water plant in service					

SEWER PLANT IN SERVICE (ACCOUNT 101)

<u>Line No.</u>	<u>Acct. No.</u>	<u>Account</u> (a)	<u>Depr. Rates</u> (b)	<u>Balance at Beginning of Year</u> (c)	<u>Plant Added</u> (d)	<u>Plant Retired</u> (e)	<u>Balance at End of Year</u> (f)
		<u>INTANGIBLE PLANT</u>					
46.	351.1	Organization					
47.	352.1	Franchises					
48.	389.1	Other plant and miscellaneous equipment					
49.		Total intangible plant					
		<u>COLLECTION PLANT</u>					
50.	353.2	Land and land rights					
51.	354.2	Structures and improvements					
52.	355.2	Power generation equipment					
53.	360.2	Collection sewers - force					
54.	361.2	Collection sewers - gravity					
55.	362.2	Special collecting structures					
56.	363.2	Services to customers					
57.	364.2	Flow measuring devices					
58.	365.2	Flow measuring installations					
59.	389.2	Other plant and miscellaneous equipment					
60.		Total collection plant					
		<u>SYSTEM PUMPING PLANT</u>					
61.	353.3	Land and land rights					
62.	354.3	Structures and improvements					
63.	355.3	Power generation equipment					
64.	370.3	Receiving wells					
65.	371.3	Pumping equipment					
66.	389.3	Other plant and miscellaneous equipment					
67.		Total system pumping plant					

SEWER PLANT IN SERVICE (ACCOUNT 101)

Line No.	Acct. No.	Account (a)	Depr. Rates (b)	Balance at Beginning of Year (c)	Plant Added (d)	Plant Retired (e)	Balance at End of Year (f)
		TREATMENT AND DISPOSAL PLANT					
68.	353.4	Land and land rights					
69.	354.4	Structures and improvements					
70.	355.4	Power generation equipment					
71.	380.4	Treatment and disposal equipment					
72.	381.4	Plant sewers					
73.	382.4	Outfall sewer lines					
74.	389.4	Other plant and miscellaneous equipment					
75.		Total treatment and disposal plant					
		RECLAIMED WATER TREATMENT PLANT					
76.	353.5	Land and land rights					
77.	354.5	Structures and improvements					
78.	355.5	Power generation equipment					
79.	371.5	Pumping equipment					
80.	374.5	Reuse distribution reservoirs					
81.	380.5	Treatment and disposal equipment					
82.	381.5	Plant sewers					
83.	389.5	Other plant and miscellaneous equipment					
84.		Total reclaimed water treatment plant					

SEWER PLANT IN SERVICE (ACCOUNT 101)

<u>Line No.</u>	<u>Acct. No.</u>	<u>Account</u> (a)	<u>Depr. Rates</u> (b)	<u>Balance at Beginning of Year</u> (c)	<u>Plant Added</u> (d)	<u>Plant Retired</u> (e)	<u>Balance at End of Year</u> (f)
		<u>RECLAIMED WATER DISTRIBUTION PLANT</u>					
85.	352.6	Franchises					
86.	353.6	Land and land rights					
87.	354.6	Structures and improvements					
88.	355.6	Power generation equipment					
89.	366.6	Reuse services					
90.	367.6	Reuse meters and meter installations					
91.	371.6	Pumping equipment					
92.	375.6	Reuse transmission and distribution system					
93.	389.6	Other plant and miscellaneous equipment					
94.		Total reclaimed water distribution plant					
		<u>GENERAL PLANT</u>					
95.	353.7	Land and land rights					
96.	354.7	Structures and improvements		370779			370779
97.	390.7	Office furniture and equipment					0
98.	391.7	Transportation equipment					0
99.	392.7	Stores equipment					0
100.	393.7	Tools, shop, and garage equipment					0
101.	394.7	Laboratory equipment		1131			1131
102.	395.7	Power operated equipment		24982			24982
103.	396.7	Communication equipment					0
104.	397.7	Miscellaneous equipment		6857			6857
105.	398.7	Other tangible plant					0
106.		Total general plant		403750	0	0	403750
107.		Total sewer plant in service		403750	0	0	403750
108.		Total water and sewer plant in service		403750	0	0	403750

SCHEDULE OF DEBT OF UTILITY
(Use additional pages if needed to report all loans)

Type of Loan ^{1/}	Lender	Collateral ^{2/}	Date of Loan	Maturity Date	Original Loan Amount	Current Amount Outstanding	Interest Rate (%) ^{3/}	Interest Paid This Year
Totals								

1/ Indicate purpose of loan and whether the loan is a first mortgage, notes payable to banks, etc.
2/ Indicate whether loan is personally endorsed, and if so, by whom.
3/ If interest rate is variable, please describe terms of rate changes (example: prime rate + 1.0%).

WATER AND SEWER COMBINED INCOME STATEMENT AND RETAINED EARNINGS STATEMENT

Line No.	Item (a)	Water (b)	Sewer (c)	Combined (d)
	Utility Operating Income			
1.	Operating revenues ^{1/}		352,462	352,462
	Operating expenses:			
2.	Operation and maintenance expense ^{2/}		301,734	301,734
3.	Depreciation expense		13,707	13,707
4.	Amortization expense			0
5.	Taxes other than income and franchise ^{3/}		5,064	5,064
6.	Operating revenue deductions (Add Lines 2 - 5)		320,505	320,505
7.	NCUC regulatory fee		490	490
8.	Franchise (gross receipts) tax		0	0
9.	Income taxes - State			0
10.	Federal			0
11.	Investment tax credit - net			0
12.	Total operating expenses (Add Lines 6 - 11)		320,995	320,995
13.	Income from utility plant leased to others			0
14.	Utility operating income (Line 1 - Line 12 + Line 13)		31,467	31,467
	Other Income			
15.	Income from merchandise, job., & contract work - net			
16.	Nonoperating rental income			
17.	Interest and dividend income			
18.	Miscellaneous operating income			
19.	Total other income (Add Lines 15 - 18)			
20.	Total income (Line 14 + Line 19)			31,467
	Income Deductions			
21.	Other income deductions			
22.	Interest on long-term debt			
23.	Amortization of debt discount and expense			
24.	Amortization of premium on debt - Credit			
25.	Interest on debt to associated companies			
26.	Other interest expense			
27.	Interest charged to construction - Credit			
28.	Other (describe) -			
29.	Total income deductions (Add Lines 21 - 28)			
30.	Net income (Line 20 minus Line 29)			31,467
	Retained Earnings			
31.	Unappropriated retained earnings at beginning of year			(353,342)
	Credits:			
32.	Balance transferred from income			
33.	Miscellaneous credits to retained earnings			
	Debits:			
34.	Miscellaneous debits to retained earnings			31,467
35.	Appropriations of retained earnings			
36.	Dividends declared - preferred			
37.	Dividends declared - common			
38.	Unappropriated retained earnings at end of year (Sum of Lines 31 through 37)			(321,875)

1/ Reference to Page 15, Line 22 for water operations and Page 17, Line 26 for sewer operations.
2/ Reference to Page 16, Line 28 for water operations and Page 18, Line 28 for sewer operations.
3/ Reference to Page 15, Line 5, Columns (b), (c), and (d).

SCHEDULE OF TAXES OTHER THAN INCOME AND FRANCHISE

Line No.	Item (a)	Water (b)	Sewer (c)	Total (d)
1.	Property			
2.	Payroll		5,064	5,064
3.	Intangibles			
4.	Other (explain) -			
5.	Totals			5,064

WATER OPERATING REVENUES (ACCOUNT 400)

Line No.	Acct. No.	Account (a)	Amount For Current Year (b)	Number of Customers		Gallons of Water Sold (in Thousands) (e)
				Beginning of Year (c)	End of Year (d)	
1.	460	Sales of Water Unmetered water revenues				
2.	461.1	Residential - metered				
3.	461.2	Commercial - metered				
4.	461.3	Industrial - metered				
5.	461.4	Public authorities - metered				
6.	461.5	Multiple family dwellings - metered				
7.		Total sales to general customers				
8.	462.1	Public fire protection				
9.	462.2	Private fire protection				
10.	464	Other sales to public authorities				
11.	465	Sales to irrigation customers				
12.	466	Sales for resale				
13.	467	Interdepartmental sales				
14.		Total sales of water				
15.	469	Other Operating Revenues Guaranteed revenues (including revenues from availability rates)				
16.	470	Forfeited discounts				
17.	471	Miscellaneous service revenues				
18.	472	Rents from water property				
19.	473	Interdepartmental rents				
20.	474	Other water revenues (Itemize on Page 19)				
21.		Total other operating revenues				
22.	400	Total operating revenues				

WATER OPERATION AND MAINTENANCE EXPENSES

Line No.	Acct. No.	Account	Amount
1.	601	Salaries and wages - employees	
2.	603	Salaries and wages - officers, directors, and majority stockholders	
3.	604	Employee pensions and benefits	
4.	610	Purchased water	
5.	615	Purchased power	
6.	616	Fuel for power production	
7.	618	Chemicals	
8.	620	Materials and supplies	
9.	631	Contractual services - engineering	
10.	632	Contractual services - accounting	
11.	633	Contractual services - legal	
12.	634	Contractual services - management fees	
13.	635	Contractual services - testing	
14.	636	Contractual services - other	
15.	641	Rental of building / real property	
16.	642	Rental of equipment	
17.	650	Transportation equipment	
18.	656	Insurance - vehicle	
19.	657	Insurance - general liability	
20.	658	Insurance - worker's compensation	
21.	659	Insurance - other	
22.	660	Advertising expense	
23.	666	Regulatory commission expenses - amortization of rate case expense	
24.	667	Regulatory commission expenses - other	
25.	668	Water resource conservation expense	
26.	670	Bad debt expense	
27.	675	Miscellaneous expense (Itemize on Page 19)	
28.		Total water operation and maintenance expenses	

WATER PRODUCTION

	Total During Year	During Peak Month of Year
1. Total gallons pumped from own wells		
2. Total gallons purchased from others		
3. If water purchased, list from whom		
4. Name of peak month of water production		

SEWER OPERATING REVENUES

Line No.	Acct. No.	Account (a)	Number of Customers		Revenue Amounts (d)
			Beginning of Year (b)	End of Year (c)	
1.	521.1	Sewer Service Revenues Residential - flat rate	1282	1297	335290
2.	521.2	Commercial - flat rate	2	2	8586
3.	521.3	Industrial - flat rate			
4.	521.4	Public authorities - flat rate			
5.	521.5	Multiple family dwellings - flat rate			
6.	521.6	Other revenues - flat rate			
7.	522.1	Residential - measured			
8.	522.2	Commercial - measured			
9.	522.3	Industrial - measured			
10.	522.4	Public authorities - measured			
11.	522.5	Multiple family dwellings - measured			
12.	523	Revenues from public authorities			
13.	524	Revenues from other systems			
14.	525	Interdepartmental rents			
15.		Total sewer service revenues			343876
16.	530	Other Operating Revenues Guaranteed revenues (including revenues from availability rates)			
17.	531	Sale of sludge			
18.	532	Forfeited discounts			
19.	534	Rents from wastewater property			
20.	535	Interdepartmental rents			8586
21.	536	Other water revenues (Itemize on Page 20)			
22.	540	Flat rate reuse revenues			
23.	541	Measured reuse revenues			
24.	544	Reuse revenues from other systems			
25.		Total other operating revenues			
26.		Total sewer operating revenues (Line 15 plus Line 25)			352462

SEWER OPERATION AND MAINTENANCE EXPENSES

Line No.	Acct. No.	Account	Amount
1.	701	Salaries and wages - employees	61123.39
2.	703	Salaries and wages - officers, directors, and majority stockholders	5921.61
3.	704	Employee pensions and benefits	8514.34
4.	710	Purchased wastewater treatment	
5.	711	Sludge removal expense	23892
6.	715	Purchased power	49340.5
7.	716	Fuel for power production	785.72
8.	718	Chemicals	68607.18
9.	720	Materials and supplies	2942.34
10.	731	Contractual services - engineering	
11.	732	Contractual services - accounting	
12.	733	Contractual services - legal	
13.	734	Contractual services - management fees	4200
14.	735	Contractual services - testing	17900
15.	736	Contractual services - other	210
16.	741	Rental of building / real property	
17.	742	Rental of equipment	
18.	750	Transportation equipment	
19.	756	Insurance - vehicle	327.9
20.	757	Insurance - general liability	557.43
21.	758	Insurance - worker's compensation	2393.67
22.	759	Insurance - other	
23.	760	Advertising expense	
24.	766	Regulatory commission expenses - amortization of rate case expense	
25.	767	Regulatory commission expenses - other	
26.	770	Bad debt expense	
27.	775	Miscellaneous expense (Itemize on Page 20)	55017.73
28.		Total sewer operation and maintenance expenses	301733.81

DETAIL OF CERTAIN WATER ACCOUNTS

Account 474 - Other Water Revenues

For each category greater than \$500, provide a description of the category and the amount. For each category that is \$500 or less, provide a listing of such categories on one line and provide one aggregate amount for all such categories.

Line No.	Description	Amount
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.	Total other water revenues (Account 474)	1/

Account 675 - Miscellaneous Expenses

For each category greater than \$500, provide a description of the category and the amount. For each category that is \$500 or less, provide a listing of such categories on one line and provide one aggregate amount for all such categories.

Line No.	Description	Amount
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.	Total miscellaneous expenses (Account 675)	2/

1/ Reference to Page 15, Line 20.
2/ Reference to Page 16, Line 27.

DETAIL OF CERTAIN SEWER ACCOUNTS

Account 536 - Other Sewer Revenues

For each category greater than \$500, provide a description of the category and the amount. For each category that is \$500 or less, provide a listing of such categories on one line and provide one aggregate amount for all such categories.

Line No.	Description	Amount
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.	Total other sewer revenues (Account 536)	1/

Account 775 - Miscellaneous Expenses

For each category greater than \$500, provide a description of the category and the amount. For each category that is \$500 or less, provide a listing of such categories on one line and provide one aggregate amount for all such categories.

Line No.	Description	Amount
1.	Licenses	1670
2.	Administrative Expense	27373.76
3.	Repairs & Maintenance Equipment	6326.89
4.	Telephone	4063.49
5.	Chatham County Water	194
6.	Vehicle Expense	1950.69
7.	Cleaning Lines	9151.4
8.	Letter of Credit Renewal	1000
9.	Engineer Fees (maps and capacity study)	712.5
10.	Attorney's Fees	2575
11.	Total miscellaneous expenses (Account 775)	55017.73 2/

1/ Reference to Page 17, Line 21.
2/ Reference to Page 18, Line 27.

MONTHLY BILLING DATA

Line No.	Month (a)	Water Operations			Sewer Operations		
		Flat Rate Customers (b)	Metered Customers (c)	Gallons Sold To Metered Customers (d)	Flat Rate Customers (e)	Metered Customers (f)	Gallons Sold To Metered Customers (g)
1.	January				1007		
2.	February				1008		
3.	March				1009		
4.	April				1011		
5.	May				1012		
6.	June				1013		
7.	July				1014		
8.	August				1015		
9.	September				1016		
10.	October				1017		
11.	November				1019		
12.	December				1021		
13.	Totals for the year				1021		

MONTHLY BILLING DATA

Line No.	Month (a)	Water Operations			Sewer Operations		
		Flat Rate Customers (b)	Metered Customers (c)	Gallons Sold To Metered Customers (d)	Flat Rate Customers (e)	Metered Customers (f)	Gallons Sold To Metered Customers (g)
1.	January				271		
2.	February				270		
3.	March				274		
4.	April				272		
5.	May				274		
6.	June				269		
7.	July				273		
8.	August				279		
9.	September				274		
10.	October				271		
11.	November				277		
12.	December				276		
13.	Totals for the year				276		

Galloway Ridge Customers - billed monthly due to occupancy changes on a monthly basis

INVESTMENT IN WATER/SEWER UTILITY SYSTEM

Line No.	Item (a)	Water (b)	Sewer (c)	Combined (d)
1.	Utility plant in service at year end		403,750	403,750
2.	Accumulated depreciation and amortization at year end		327,288	327,288
3.	Net utility plant (Line 1 minus Line 2)		76,462	76,462
4.	Utility plant acquisition adjustment at year end			0
5.	Accumulated amortization of acq. adj. at year end			
6.	Contributions in aid of construction (CIAC) received during this 12-month reporting period		0	0
7.	Cumulative CIAC received at year end (excluding gross up)		424,708	424,708
8.	Accumulated amortization of CIAC at year end			

IMPORTANT: Contributions in aid of construction (CIAC) are generally defined in the National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts as money, services, or property received by the utility company from customers, developers, or any other source at no cost to the utility company which offsets the acquisition, improvement, or construction costs of the utility's property, facilities, or equipment to be used to provide utility service. Tap-on fees and meter installation fees are forms of CIAC.

REGULATORY FEE RECONCILIATION

Line No.	Item	Amount
	Regulatory Fee Reports	
9.	Regulatory fee report for quarter ended March 31, Line 1	88,221
10.	Regulatory fee report for quarter ended June 30, Line 1	88,466
11.	Regulatory fee report for quarter ended September 30, Line 1	87,975
12.	Regulatory fee report for quarter ended December 31, Line 1	87,800
13.	Total NC jurisdictional revenues for the year reported on regulatory fee reports (Sum of Lines 9 through 12)	352,462
14.	Total operating revenues [Page 14, Line 1, Column (d)]	352,462
15.	Difference between regulatory fee reports and Annual Report (Line 13 minus Line 14)	(0)
	Explanation of Difference(s) (Include a brief written description of each difference)	
16.		
17.		
18.		
19.		
20.	Total difference(s) (Sum of Lines 16 through 19 - Should be equal to Line 15)	

BOND INFORMATION

(Note: If more lines are needed for additional bonds, attach supplementary sheets.)
For each bond (certificate of deposit, letter of credit, etc.) posted, list the following:

Line No.	Form of Bond (CD, Letter of Credit, or Surety)	Issuer of Surety	Amount of Bond	Is the Bond Still in Effect?	Date of Next Renewal
1.	Letter of Credit	BB&T	100,000	yes	2/14/2018
2.	9512012059-00002				
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
17.					
18.					

Signature and Title: _____ Date: _____

NOTARIZATION

Sworn to and subscribed to me
this the _____ day of _____

Notary Public

My Commission expires: _____

IMPORTANT: Rule R7-37(g) and Rule R10-24(g) require water and sewer companies to attach a separate notarized statement to its Annual Report stating the amount of each bond, whether the bond is still in effect, and the date of next renewal. Completion of the above meets this requirement.

REGULATORY ENFORCEMENT REPORT

List any notice of violation during the reporting year from any regulatory agency (County Health Department, DWQ, DEH, EPA, etc.) Use additional pages, if necessary

WATER OPERATIONS

System ID No.	System Name	Date of Notice	Type of Violation	Resolved? (Y/N)

SEWER OPERATIONS

NPDES or Nondischarge Permit No.	System Name	Date of Notice	Type of Violation	Resolved? (Y/N)
NC0043559	Fearrington Village WWTP	4/8/2016	BOD limit exceedance violation	yes

Provide the following information for each sewer system listed in alphabetical order by system name. Please repeat the system name on each line, as needed.

[illegible]

[illegible]

Provide the following information for each sewer system listed in alphabetical order by system name. Please repeat the system name on each line, as needed.

VERIFICATION UNDER OATH REGARDING ACCURACY OF REPORT

(NOTE: THIS VERIFICATION SHALL BE COMPLETED BY EITHER THE CHIEF EXECUTIVE OFFICER, A SENIOR LEVEL FINANCIAL OFFICER, OR THE RESPONSIBLE ACCOUNTING OFFICER.)

I, Bobbie Gautney, state and attest that the attached Annual Report to the North Carolina Utilities Commission is filed on behalf of FITCH CREATIONS, INC. D/B/A FEARRINGTON UTILITIES (Name of Water and/or Sewer Company) as required by the North Carolina Utilities Commission; that I have reviewed said Report and, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information provided therein; and that, to the best of my knowledge, information, and belief, all of the information contained therein is accurate and true, no material information or fact has been knowingly omitted or misstated therein, and all of the information contained in said Report has been prepared and presented in accordance with all applicable North Carolina General Statutes, Commission Rules, and Commission Orders.

Signature of Person Making Verification

Accounting Manager

Job Title

April 10, 2017

Date

NOTARIZATION

Sworn to and subscribed to me
this the _____ day of _____

Notary Public

My Commission expires: _____



Exhibit 5

PAT MCCRORY

Governor

DONALD R. VAN DER VAART

Secretary

S. JAY ZIMMERMAN

Director

April 6, 2016

Mr. R.B. Fitch
Fitch Creations, Inc.
2000 Fearington Village Center
Pittsboro, NC 27312

Subject: Draft NPDES Permit NC0043559
Fearington Village WWTP
Class WW-2
Chatham County

Dear Mr. Fitch:

The Division has reviewed your request to renew the subject permit. Please review this draft carefully to ensure your thorough understanding of the information, conditions, and requirements it contains.

The draft permit includes the following significant changes from the existing permit:

- Section A. (7) has been added to require electronic submission of effluent data. Federal regulations require electronic submittal of all discharge monitoring reports (DMRs), effective December 21, 2016.
- Regulatory citations have been added to the permit.

With this notification, the Division will solicit public comment on this draft permit by publishing a notice in newspapers having circulation in the general Chatham County area, per EPA requirements. **Please provide your comments, if any, to me no later than 30 days after receiving this draft permit.**

Following the 30-day public comment period, the Division will review all pertinent comments and take appropriate action prior to issuing a final permit. If you have questions concerning the draft, please contact me at the telephone number or e-mail address listed at the bottom of this page.

Sincerely,

Jennifer D. Busam
NPDES Unit

cc: NPDES Unit

State of North Carolina | Environmental Quality | Water Resources
1617 Mail Service Center | Raleigh, NC 27699-1617
919 807 6393 919-807-6389 FAX

<https://deq.nc.gov/about/divisions/water-resources/water-resources-permits/wastewater-branch/npdes-wastewater-permits>

OFFICIAL COPY

Aug 05 2019

STATE OF NORTH CAROLINA
DEPARTMENT OF ENVIRONMENTAL QUALITY
DIVISION OF WATER RESOURCES
PERMIT

TO DISCHARGE WASTEWATER UNDER THE
NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM

In compliance with the provision of North Carolina General Statute 143-215.1, other lawful standards and regulations promulgated and adopted by the North Carolina Environmental Management Commission, and the Federal Water Pollution Control Act, as amended, the

Fitch Creations, Inc. d/b/a/Fearrington Utilities

is hereby authorized to discharge wastewater from a facility located at the

Fearrington Village WWTP
461 Beechmast Drive
Pittsboro
Chatham County

to receiving waters designated as the Bush Creek in subbasin 03-06-05 of the Cape Fear River Basin in accordance with effluent limitations, monitoring requirements, and other conditions set forth in Parts I, II, III and IV hereof.

This permit shall become effective

This permit and authorization to discharge shall expire at midnight on April 30, 2021.

Signed this day

Draft
S. Jay Zimmerman, P.G., Director
Division of Water Resources
By Authority of the Environmental Management Commission

SUPPLEMENT TO PERMIT COVER SHEET

All previous NPDES Permits issued to this facility, whether for operation or discharge are hereby revoked, and as of this issuance, any previously issued permit bearing this number is no longer effective. Therefore, the exclusive authority to operate and discharge from this facility arises under the permit conditions, requirements, terms, and provisions included herein.

Fitch Creations, Inc. d/b/a/ Fearington Utilities

is hereby authorized to:

1. Continue to operate an existing 0.27 MGD wastewater treatment facility with the following components:
 - Comminutor
 - Flow equalization basin and pumps
 - Flow control splitter box
 - Three parallel extended aeration treatment trains
 - Clarifiers
 - Sludge holding
 - Tablet chlorine disinfection
 - Tablet dechlorination
 - Flow measurement
 - Chemical feed system for phosphorus removal and alkalinity supplementation

This facility is located at the Fearington Village WWTP (461 Beechmast Drive) in Chatham County.
2. After receiving an Authorization to Construct from the Division, expand the facility's treatment capacity to 0.5 MGD.
3. Discharge from said treatment works via Outfall 001, at the location specified on the attached map into Bush Creek [16-41-4-(0.3)], currently classified WS-IV NSW waters in subbasin 03-06-05 [HUC: 0303000206] of the Cape Fear River Basin.

Part I

A. (1) EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS (0.27 MGD)
[15A NCAC 02B.0400 et seq., 15A NCAC 02B.0500 et seq.]

Beginning with the effective date of this permit and lasting **until expansion above 0.27 MGD** or expiration, whichever is sooner, the Permittee is authorized to discharge treated wastewater from Outfall 001. Such discharges shall be limited and monitored¹ by the Permittee as specified below:

EFFLUENT CHARACTERISTICS		EFFLUENT LIMITATIONS		MONITORING REQUIREMENTS		
	Parameter Code	Monthly Average	Daily Maximum	Measurement Frequency	Sample Type	Sample Location ²
Flow	50050	0.27 MGD		Continuous	Recording	Influent or Effluent
Total Monthly Flow (MG)		Monitor & Report		Monthly	Rec. or Calc.	Influent or Effluent
BOD, 5-day, (20°C)	CO310	14.0 mg/L	21.0 mg/L	Weekly	Composite	Effluent
Total Suspended Solids	CO530	30.0 mg/L	45.0 mg/L	Weekly	Composite	Effluent
NH ₃ as N – Summer*	CO610	2.0 mg/L	10.0 mg/L	Weekly	Composite	Effluent
NH ₃ as N – Winter*	CO610	4.0 mg/L	20.0 mg/L	Weekly	Composite	Effluent
Dissolved Oxygen	00300	≥ 6.0 mg/L		Weekly	Grab	Effluent
Fecal Coliform (geometric mean)	31616	200/100 mL	400/100 mL	Weekly	Grab	Effluent
pH	00400	Not ≤ 6.0 nor ≥ 9.0 standard units		Weekly	Grab	Effluent
Total Residual Chlorine ³	50060		17 µg/L	2/Week	Grab	Effluent
Temperature (°C)	00010			Daily	Grab	Effluent
TKN (mg/L) ⁴	00625	Monitor & Report (mg/L)		2/Month	Composite	Effluent
NO ₃ -N + NO ₂ -N ⁴	00630	Monitor & Report (mg/L)		2/Month	Composite	Effluent
Total Nitrogen ⁵	CO600	Monitor & Report (mg/L)		2/Month	Composite	Effluent
TN Load ^{5,6}	QM600	Monitor & Report (pound/month)		Monthly	Calculated	Effluent
	QY600	Monitor & Report (pound/year)		Annually		
	QY600	8,138 pound/year (effective 1/1/2022) ⁷		Annually		
Total Phosphorus	CO665	Monitor & Report (mg/L)		2/Month	Composite	Effluent
TP Load ^{5,6}	QM665	Monitor & Report (pound/month)		Monthly (pound/month)	Calculated	Effluent
	QY665	566 pound/year		Annually (pound/year)	Calculated	
Dissolved Oxygen	00300			Weekly	Grab	Upstream & Downstream
Temperature (°C)	00010			Weekly	Grab	Upstream & Downstream

*Summer: April 1 – October 31
*Winter: November 1 – March 31

Footnotes:

- Starting on December 21, 2016, the permittee shall begin submitting discharge monitoring reports electronically using the NC DWR's eDMR application system [see A. (7)].
- Upstream = at least 100 feet above the outfall. Downstream = at least 100 feet below the outfall.
- The Division shall consider all effluent TRC values reported below 50 µg/L to be in compliance with the permit. However, the Permittee shall continue to record and submit all values reported by a North Carolina certified laboratory (including field certified), even if these values fall below 50 µg/L.
- TKN is Total Kjeldahl Nitrogen, NO₃-N and NO₂-N are Nitrate and Nitrite Nitrogen, respectively.
- TN or TP Load is the mass quantity of Total Nitrogen or Phosphorus discharged in a given period of time [see A. (5)].
- Compliance with mass limits shall be determined in accordance with section A. (4).

7. Per the Jordan Lake Wastewater Discharge Rule (15A NCAC 02B .0270) as modified by North Carolina Session Laws 2011-394 (HB119), 2013-395 (SB515), and 2015-241 (H97), the annual mass Total Nitrogen limit shall be effective beginning with calendar year 2022, unless the discharger has received by December 31, 2022, an authorization-to-construct permit for construction, installation, or alteration of the treatment works for purposes of complying with this limit, in which case the limit shall be effective beginning with calendar year 2024.

THERE SHALL BE NO DISCHARGE OF FLOATING SOLIDS OR VISIBLE FOAM IN OTHER THAN TRACE AMOUNTS.

A. (2) EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS (0.5MGD)

[15A NCAC 02B.0400 et seq., 15A NCAC 02B.0500 et seq.]

During the period beginning **after expansion above 0.27 MGD** and lasting until expiration, the Permittee is authorized to discharge treated wastewater from Outfall 001. Such discharges shall be limited and monitored¹ by the Permittee as specified below:

EFFLUENT CHARACTERISTICS		EFFLUENT LIMITATIONS			MONITORING REQUIREMENTS		
	Parameter Code	Monthly Average	Weekly Average	Daily Maximum	Measurement Frequency	Sample Type	Sample Location ²
Flow	50050	0.5 MGD			Continuous	Recording	Influent or Effluent
Total Monthly Flow (MG)		Monitor & Report			Monthly	Rec. or Calc.	Influent or Effluent
BOD, 5-day, (20°C) – Summer [*]	CO310	5.0 mg/L	7.5 mg/L		Weekly	Composite	Effluent
BOD, 5-day, (20°C) – Winter [*]	CO310	10.0 mg/L	15.0 mg/L		Weekly	Composite	Effluent
Total Suspended Solids	CO530	30.0 mg/L	45.0 mg/L		Weekly	Composite	Effluent
NH ₃ as N – Summer [*]	CO610	2.0 mg/L	10.0 mg/L		Weekly	Composite	Effluent
NH ₃ as N – Winter [*]	CO610	4.0 mg/L	20.0 mg/L		Weekly	Composite	Effluent
Dissolved Oxygen	00300	≥ 6.0 mg/L			Weekly	Grab	Effluent
Fecal Coliform (geometric mean)	31616	200/100 mL	400/100 mL		Weekly	Grab	Effluent
pH	00400	Not ≤ 6.0 nor ≥ 9.0 standard units			Weekly	Grab	Effluent
Total Residual Chlorine ³	50060			17 µg/L	Daily	Grab	Effluent
Temperature (°C)	00010				Daily	Grab	Effluent
TKN (mg/L) ⁴	00625	Monitor & Report (mg/L)			Weekly	Composite	Effluent
NO ₃ -N + NO ₂ -N ⁴	00630	Monitor & Report (mg/L)			Weekly	Composite	Effluent
Total Nitrogen ⁵	CO600	Monitor & Report (mg/L)			Weekly	Composite	Effluent
TN Load ^{5,6}	QM600	Monitor & Report (pound/month)			Monthly	Calculated	Effluent
	QY600	Monitor & Report (pound/year)			Annually		
	QY600	8,138 pound/year (effective 1/1/2022) ⁷			Annually		
Total Phosphorus	CO665	Monitor & Report (mg/L)			Weekly	Composite	Effluent
TP Load ^{5,6}	QM665	Monitor & Report (pound/month) 566 pound/year			Monthly (pound/month)	Calculated	Effluent
	QY665				Annually (pound/year)		
Dissolved Oxygen	00300				Weekly	Grab	Upstream & Downstream
Temperature (°C)	00010				Weekly	Grab	Upstream & Downstream

^{*}Summer: April 1 – October 31
^{*}Winter: November 1 – March 31

Footnotes:

1. Starting on December 21, 2016, the permittee shall begin submitting discharge monitoring reports electronically using the NC DWR's eDMR application system [see A. (7)].
2. Upstream = at least 100 feet above the outfall. Downstream = at least 100 feet below the outfall.
3. The Division shall consider all effluent TRC values reported below 50 µg/L to be in compliance with the permit. However, the Permittee shall continue to record and submit all values reported by a North Carolina certified laboratory (including field certified), even if these values fall below 50 µg/L.
4. TKN is Total Kjeldahl Nitrogen, NO₃-N and NO₂-N are Nitrate and Nitrite Nitrogen, respectively.
5. TN or TP Load is the mass quantity of Total Nitrogen or Phosphorus discharged in a given period of time [see A. (5)].
6. Compliance with mass limits shall be determined in accordance with section A. (4).
7. Per the Jordan Lake Wastewater Discharge Rule (15A NCAC 02B .0270) as modified by North Carolina Session Laws 2011-394 (HB119), 2013-395 (SB515), and 2015-241 (H97), the annual mass Total Nitrogen limit shall be effective beginning with calendar year 2022, unless the discharger has received by December 31, 2022, an authorization-to-construct permit for construction, installation, or alteration of the treatment works for purposes of complying with this limit, in which case the limit shall be effective beginning with calendar year 2024.

THERE SHALL BE NO DISCHARGE OF FLOATING SOLIDS OR VISIBLE FOAM IN OTHER THAN TRACE AMOUNTS.

A. (3) NUTRIENT ALLOCATIONS
[NCGS 143-215.1 (b)]

- a) The following table lists the Total Nitrogen (TN) and Total Phosphorus (TP) allocations assigned to, acquired by, or transferred to the Permittee in accordance with the Jordan Lake nutrient management rule (T15A NCAC 02B .0270) and the status of each as of permit issuance. For compliance purposes, this table does not supersede any TN or TP limit established elsewhere in this permit or in the NPDES permit of a compliance association of which the Permittee is a Co-Permittee Member.

Total Nitrogen Allocation

ALLOCATION TYPE	SOURCE	DATE	ALLOCATION AMOUNT ⁽¹⁾		STATUS
			Delivered (pound/year)	Discharge (pound/year)	
Base	Assigned by Rule (T15A NCAC 02B .0270)	8/11/09	6,836	8,138	Active
TOTAL			6,836	8,138	Active

Footnote: (1) Nitrogen Transport Factor = 84%

Total Phosphorus Allocation

ALLOCATION TYPE	SOURCE	DATE	ALLOCATION AMOUNT ⁽¹⁾		STATUS
			Delivered (pound/year)	Discharge (pound/year)	
Base	Assigned by Rule (T15A NCAC 02B .0270)	8/11/09	498	566	Active
TOTAL			498	566	Active

Footnote: (1) Phosphorus Transport Factor= 88%

- b) Any addition, deletion, or modification of the listed allocation(s) (other than to correct typographical errors) or any change in status of any of the listed allocations shall be considered a major modification of this permit and shall be subject to the public review process afforded such modifications under state and federal rules.

A. (4) ANNUAL LIMITS FOR TOTAL NITROGEN OR TOTAL PHOSPHORUS

[NCGS 143-215.1 (b)]

- (a.) Total Nitrogen (TN) and Total Phosphorus (TP) allocations and load limits for NPDES dischargers in the Jordan Lake watershed are annual limits and apply on a calendar year basis.
- (b.) For any given calendar year, the Permittee shall be in compliance with the annual TN (or TP) Load limit in this Permit if:
 - the Permittee's annual TN (or TP) Load is less than or equal to the effective limit, or
 - the Permittee is a Co-Permittee Member of a compliance association.
- (c.) The TN (or TP) Load limit in this Permit may be modified as the result of allowable changes in the Permittee's allocations.
 - Allowable changes include those resulting from purchase of TN (or TP) allocation from an authorized mitigation banker, the Ecosystem Enhancement Program, or other source allowed under applicable regulations; purchase, sale, trade, or lease of allocation between the Permittee and other dischargers; regionalization; and other transactions approved by the Division.
 - The Permittee may request a modification of the TN (or TP) Load limit in this Permit to reflect allowable changes in its allocation(s).
 - i. Upon receipt of timely and proper application, the Division will modify the permit as appropriate and in accordance with state and federal program requirements.
 - ii. Changes in TN (or TP) limits become effective on January 1 of the year following permit modification. The Division must receive application no later than August 31 for changes proposed for the following calendar year.
 - Any requests for modification should be sent to:

NCDEQ/ DWQ/ NPDES Programs
Attn: Jordan Lake Watershed Coordinator
1617 Main Service Center
Raleigh, NC 27699-1617
- (d.) If the Permittee is a member and co-permittee of an approved compliance association on January 1 of a given year, its TN and TP discharges during that year are governed by that association's group NPDES permit and the limits therein.
 - The Permittee shall be considered a Co-Permittee Member for any given calendar year in which it is identified as such in Appendix A of the association's group NPDES permit.
 - Association roster(s) and members' TN and TP allocations will be updated annually and in accordance with state and federal program requirements.

- If the Permittee intends to join or leave a compliance association, the Division must be notified of the proposed action in accordance with the procedures defined in the association's NPDES permit.
 - i. Upon receipt of timely and proper notification, the Division will modify the permit as appropriate and in accordance with state and federal program requirements.
 - ii. Membership changes in a compliance association become effective on January 1 of the year following modification of the association's permit.
- (e.) The TN and TP monitoring and reporting requirements in this Permit remain in effect throughout the term of the Permit and are not affected by the Permittee's membership in a compliance association.

A. (5) CALCULATION OF TOTAL NITROGEN OR TOTAL PHOSPHORUS LOADS
[NCGS 143-215.1 (b)]

- (a.) The Permittee shall calculate monthly and annual TN Loads as follows:
- Monthly TN (or TP) Load (pound/month) = TN (or TP) x TMF x 8.34
where:

TN or TP	=	the average Total Nitrogen or Total Phosphorus concentration (mg/L) of the composite samples collected during the month
TMF	=	the Total Monthly Flow of wastewater discharged during the month (MG/month)
8.34	=	conversion factor, from (mg/L x MG) to pounds
 - Annual TN (or TP) Load (pound/year) = Sum of the 12 Monthly TN (or TP) Loads for the calendar year
- (b.) The Permittee shall report monthly Total Nitrogen and Total Phosphorus results (mg/L and pound/month) in the appropriate discharge monitoring report for each month and shall report each calendar year's results (pound/year) with the December report for that year.

A. (6) NUTRIENT REOPENER CONDITION
[NCGS 143-215.1 (b)]

Pursuant to N.C. General Statutes Section 143-215.1 and the implementing rules found in the North Carolina Administrative Code at 15A NCAC 2H.0112 (b) (1) and 2H.0114 (a) and Part II sections B-12 and B-13 of this permit, the Director may reopen this permit to require supplemental nutrient monitoring of the discharge. The purpose of the additional monitoring will be to support water quality modeling efforts within the Cape Fear River Basin and shall be consistent with a monitoring plan developed jointly by the Division and affected stakeholders. In addition, the results of water quality modeling may require that limits for total nitrogen and total phosphorus be imposed in this permit upon renewal.

A. (7) ELECTRONIC REPORTING OF MONITORING REPORTS
[NCGS 143-215.1 (b)]

Federal regulations require electronic submittal of all discharge monitoring reports (DMRs) and program reports and specify that, if a state does not establish a system to receive such submittals, then permittees must submit monitoring data and reports

electronically to the Environmental Protection Agency (EPA). The final NPDES Electronic Reporting Rule was adopted and became effective on December 21, 2015.

NOTE: This special condition supplements or supersedes the following sections within Part II of this permit (*Standard Conditions for NPDES Permits*):

- Section B. (11.) Signatory Requirements
- Section D. (2.) Reporting
- Section D. (6.) Records Retention
- Section E. (5.) Monitoring Reports

1. Reporting Requirements [Supersedes Section D. (2.) and Section E. (5.) (a)]

Effective **December 21, 2016**, the permittee shall report discharge monitoring data electronically using the NC DWR's Electronic Discharge Monitoring Report (eDMR) internet application.

Monitoring results obtained during the previous month(s) shall be summarized for each month and submitted electronically using eDMR. The eDMR system allows permitted facilities to enter monitoring data and submit DMRs electronically using the internet. Until such time that the state's eDMR application is compliant with EPA's Cross-Media Electronic Reporting Regulation (CROMERR), permittees will be required to submit all discharge monitoring data to the state electronically using eDMR and will be required to complete the eDMR submission by printing, signing, and submitting one signed original and a copy of the computer printed eDMR to the following address:

NC DEQ / Division of Water Resources / Water Quality Permitting Section
ATTENTION: Central Files
1617 Mail Service Center
Raleigh, North Carolina 27699-1617

If a permittee is unable to use the eDMR system due to a demonstrated hardship or due to the facility being physically located in an area where less than 10 percent of the households have broadband access, then a temporary waiver from the NPDES electronic reporting requirements may be granted and discharge monitoring data may be submitted on paper DMR forms (MR 1, 1.1, 2, 3) or alternative forms approved by the Director. Duplicate signed copies shall be submitted to the mailing address above. See "How to Request a Waiver from Electronic Reporting" section below.

Regardless of the submission method, the first DMR is due on the last day of the month following the issuance of the permit or in the case of a new facility, on the last day of the month following the commencement of discharge.

Starting on **December 21, 2020**, the permittee must electronically report the following compliance monitoring data and reports, when applicable:

- Sewer Overflow/Bypass Event Reports;
- Pretreatment Program Annual Reports; and
- Clean Water Act (CWA) Section 316(b) Annual Reports.

The permittee may seek an electronic reporting waiver from the Division (see “How to Request a Waiver from Electronic Reporting” section below).

2. Electronic Submissions

In accordance with 40 CFR 122.41(l)(9), the permittee must identify the initial recipient at the time of each electronic submission. The permittee should use the EPA’s website resources to identify the initial recipient for the electronic submission. Initial recipient of electronic NPDES information from NPDES-regulated facilities means the entity (EPA or the state authorized by EPA to implement the NPDES program) that is the designated entity for receiving electronic NPDES data [see 40 CFR 127.2(b)].

EPA plans to establish a website that will also link to the appropriate electronic reporting tool for each type of electronic submission and for each state. Instructions on how to access and use the appropriate electronic reporting tool will be available as well. Information on EPA’s NPDES Electronic Reporting Rule is found at:

<http://www2.epa.gov/compliance/final-national-pollutant-discharge-elimination-system-npdes-electronic-reporting-rule>.

Electronic submissions must start by the dates listed in the “Reporting Requirements” section above.

3. How to Request a Waiver from Electronic Reporting

The permittee may seek a temporary electronic reporting waiver from the Division. To obtain an electronic reporting waiver, a permittee must first submit an electronic reporting waiver request to the Division. Requests for temporary electronic reporting waivers must be submitted in writing to the Division for written approval at least sixty (60) days prior to the date the facility would be required under this permit to begin submitting monitoring data and reports. The duration of a temporary waiver shall not exceed 5 years and shall thereupon expire. At such time, monitoring data and reports shall be submitted electronically to the Division unless the permittee re-applies for and is granted a new temporary electronic reporting waiver by the Division. Approved electronic reporting waivers are not transferrable. Only permittees with an approved reporting waiver request may submit monitoring data and reports on paper to the Division for the period that the approved reporting waiver request is effective.

Information on eDMR and the application for a temporary electronic reporting waiver are found on the following web page:

<http://deq.nc.gov/about/divisions/water-resources/edmr>

4. Signatory Requirements [Supplements Section B. (11.) (b) and Supersedes Section B. (11.) (d)]

All eDMRs submitted to the permit issuing authority shall be signed by a person described in Part II, Section B. (11.) (a) or by a duly authorized representative of that person as described in Part II, Section B. (11.) (b). A person, and not a position, must be delegated signatory authority for eDMR reporting purposes.

For eDMR submissions, the person signing and submitting the DMR must obtain an eDMR user account and login credentials to access the eDMR system. For more information on North Carolina's eDMR system, registering for eDMR and obtaining an eDMR user account, please visit the following web page:

<http://deq.nc.gov/about/divisions/water-resources/edmr>

Certification. Any person submitting an electronic DMR using the state's eDMR system shall make the following certification [40 CFR 122.22]. NO OTHER STATEMENTS OF CERTIFICATION WILL BE ACCEPTED:

"I certify, under penalty of law, that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing violations."

5. Records Retention [Supplements Section D. (6.)]

The permittee shall retain records of all Discharge Monitoring Reports, including eDMR submissions. These records or copies shall be maintained for a period of at least 3 years from the date of the report. This period may be extended by request of the Director at any time [40 CFR 122.41].

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is entered into as of the 20th day of August 2017 ("Effective Date") by and between **Fitch Creations, Inc. d/b/a Fearington Utilities**, a North Carolina corporation ("FCI"), and **Old North State Water Company, LLC**, a North Carolina limited liability company ("ONSWC") (individually referred to as a "Party" and collectively referred to as the "Parties").

WITNESSETH:

WHEREAS, FCI is the developer of the Fearington Village Subdivision in Chatham County, North Carolina, as defined and identified on the map attached hereto as Exhibit 1, and FCI is also the owner of wastewater assets that are related to the provision of wastewater service for the Fearington Village Subdivision (collectively, the "Wastewater Assets");

WHEREAS, Fearington Utilities holds a certificate of public convenience and necessity ("CPCN") granted by the North Carolina Utilities Commission (the "Commission") to provide wastewater service in the Fearington Village Subdivision; and

WHEREAS, ONSWC desires to purchase from FCI, and FCI desires to sell to ONSWC, the Wastewater Assets in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants as hereinafter set forth, the Parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE, PURCHASE PRICE AND CLOSING

- 1.1. Purchase and Sale. On the basis of the representations, warranties, and agreements herein, at the Closing (as defined below), FCI shall convey good and marketable title, which shall be free and clear of and all liens, encumbrances, taxes (except current year ad valorem taxes), and any other encumbrances of any kind, to the Wastewater Assets, as more particularly defined on Exhibit 2 hereto, to ONSCW and ONSWC shall purchase from FCI the Wastewater Assets by payment of the Purchase Price.

- 1.2. Purchase Price. The purchase price for the Wastewater Assets shall be \$1.00, payable at Closing.
- 1.3. Lease Agreement. The Parties agree and acknowledge that certain of the Wastewater Assets, specifically the wastewater treatment facility and two pump stations, are located on real property owned by FCI. In conjunction with the transaction contemplated herein, FCI agrees to convey a leasehold interest in such real property to ONSWC pursuant to the Lease Agreement attached hereto as Exhibit 3.
- 1.4. Long-term Plan for Provision of Wastewater Service to the Farrington Village Subdivision. The Parties agree and acknowledge that ONSWC intends, at its own expense, to interconnect the wastewater systems that serve the Farrington Village Subdivision and the Briar Chapel real estate development, which the Parties anticipate will involve the construction of a pump station at the site of Farrington's wastewater treatment facility and a wastewater force main to transport wastewater from the Farrington Village Subdivision to a treatment facility in or around the Briar Chapel real estate development. The Parties agree that, within a commercially reasonable time after FCI's wastewater treatment facility is no longer necessary for the provision of wastewater treatment, ONSWC shall at its own expense take out of service and decommission said wastewater treatment facility.
- 1.5. Closing. Subsequent to the approval by the Commission of the transfer of the CPCN from FCI to ONSWC, the Parties shall consummate the transfer of the Wastewater Assets on or before December 31, 2017. At Closing, FCI shall deliver to ONSWC:
 - a. Instruments and documents of conveyance and transfer, in a form acceptable to ONSWC, effective to transfer and assign to and vest in ONSWC, good and marketable title to the Wastewater Assets.
 - b. An executed Lease Agreement.
 - c. ONSWC will obtain an owner's policy for title insurance for all perpetual easements for the Wastewater Assets. The title insurance

shall insure the perpetual easements to be free and clear of all liens and encumbrances. ONSWC shall procure a title commitment on behalf of ONSWC with respect to each easement prior to Closing. FCI will provide all documentation in its possession with respect to easements and their locations, including plats, easement reservations, etc. At Closing, ONSWC shall pay all costs associated with the procurement of title insurance, including attorney's fees.

- d. An access and utility easement on the parcel in the Farrington Village Subdivision located north of the parcel where the wastewater treatment facility is located and identified as Parcel No. 71847.
- e. Assignment and copies of any contractual obligations related to the Wastewater Assets.
- f. Keys to all buildings and/or gates.

1.6. Due Diligence and Investigations. ONSWC, with full cooperation of FCI, is entitled to investigate the Wastewater Assets and perform all appropriate due diligence. Notwithstanding the foregoing, the Parties acknowledge and agree that ONSWC is acquiring the Wastewater Assets on an "AS IS, WHERE IS" basis "WITH ALL FAULTS" and without any representation or warranty from FCI as to environmental condition or fitness for particular purpose.

1.7. Documents to be Furnished by FCI. No later than thirty (30) business days from the Effective Date, FCI shall provide the following documents to ONSWC (the "Schedules"):

Schedule 1	Customer list and account numbers
Schedule 2	Easements
Schedule 3	Governmental Authorizations
Schedule 4	Map of collection system
Schedule 5	Agreements or commitment to provide service outside the Farrington Village Subdivision.

- 1.8. Connection Fees. ONSWC agrees that it will not request authorization from the Commission to charge connection fees for new wastewater utility service connections within the Fearington Village Subdivision or for any real estate acquired by FCI subsequent to the Effective Date.
- 1.9. Wastewater Service Rates. The Parties acknowledge and agree that ONSWC shall not request authority from the Commission to increase the rates for wastewater service that Fearington Utilities is authorized to charge as of the Effective Date for a period of at least twenty-four (24) months after Closing. The Parties acknowledge and agree that the first request to increase rates filed after the 24-month period shall not exceed a sixty percent (60%) increase over those rates authorized to be charged by Fearington Utilities as of the Effective Date. The Parties agree that subsequent to the approval by the Commission of ONSWC's first request to increase rates charged, ONSWC is not limited in terms of duration between requests to increase rates or extent of requested increases. Notwithstanding the foregoing, at no time shall customers within the Fearington Village Subdivision pay higher rates than customers of the same class within Briar Chapel.

ARTICLE II ONSWC'S OBLIGATIONS

- 2.1 ONSWC Reservation of Capacity. ONSWC shall provide service to all customers within the Fearington Village Subdivision as of the Effective Date, and ONSWC shall reserve for FCI a minimum of 270,000 gallons per day of wastewater treatment capacity, as well as any additional capacity necessary to serve future customers in the Fearington Village Subdivision and additional real property acquired by FCI subsequent to the Effective Date.

FCI, in its sole discretion, shall have the right to assign any such reserved capacity; in such situations ONSWC shall not charge a connection fee or any analogous fee for any service connections.

To ensure that infiltration and inflow experienced outside the Fearrington Village Subdivision and Consent Area (described in Section 2.2 below) including into the force main line from the Fearrington Village Subdivision to Briar Chapel is not counted toward FCI's capacity reservation hereunder, ONSWC shall install a flow meter on the pump station at the site of Fearrington's wastewater treatment facility to measure total flow from the Fearrington Village Subdivision to Briar Chapel, and share such data at least annually with FCI.

- 2.2 Consent Area and Extended Service Area. ONSWC shall not serve any future customers located on real property contiguous to or in proximity to Fearrington Village Subdivision's boundaries (the "Consent Area") without the prior written consent of FCI.

ONSWC and FCI agree that FCI's consent may include, at the discretion of FCI, the payment by ONSWC to FCI, of a connection fee or tap fee per residential connection in the amount of \$2,500, adjusted annually by the inflation amount as shown in the consumer price index. Further, to the extent that any provision in this Section 2.2 is declared to be void or unenforceable by any court of law or administrative or governmental entity with jurisdiction, then ONSWC shall pay to FCI, its successor or assigns, a connection fee or tap fee of \$2,500 per connection or tap, adjusted annually by the inflation amount as shown in the consumer price index, for any future customer located in the Consent Area.

Beyond the Consent Area, ONSWC shall pay to FCI a connection fee or tap fee of \$2,500 per connection or tap for residential customers and \$2,500 multiplied by the Residential Equivalent Unit ("REU") for non-residential customers, for any future customer located within the Extended Service Area that is served by ONSWC, adjusted annually by the inflation amount as shown in the consumer price index. The Consent Area and the Extended Service Area are depicted on Exhibit 4.

Notwithstanding the foregoing, the Parties acknowledge and agree that, with the transfer of the Briar Chapel wastewater system from NNP-Briar Chapel to ONSWC, ONSWC is obligated to serve certain customers located in real

property contiguous to or in close proximity to Fearington Village Subdivision such as parcels owned by Newland Communities and commonly known as Briar Chapel and identified on Exhibit 4. The Parties agree that ONSWC is not required to secure FCI's consent to serve those customers. All parties agree hereto that Exhibit 4 accurately depicts the boundaries of said Consent Area.

ONSWC's obligations under this Section 2.2 shall survive Closing and shall be binding upon any successor or assign of ONSWC.

- 2.3 ONSWC's Obligation for Coordination. ONSWC shall routinely meet with FCI representatives to discuss the ongoing operation, maintenance and repair of the wastewater system serving the Fearington Village Subdivision. At these meetings, ONSWC shall discuss any statutory or regulatory compliance issue, future capacity needs, customer service issues, and the general state of the wastewater system. It is envisioned that these meeting will be no less frequent than annually.
- 2.4 ONSWC's Obligation to Minimize Disturbance. ONSWC shall use commercially reasonable efforts to maintain and repair the wastewater collection system in the Fearington Village Subdivision in a manner that minimizes disturbance to residents and interference with commercial operations and agricultural operations ongoing in Fearington Village Subdivision. To this end, to the extent that any portion of the wastewater collection system located in the commercial area of the Fearington Village Subdivision (the "Village Center") requires maintenance or repair, ONSWC shall use commercially reasonable efforts to coordinate its activities with FCI representatives to minimize disruption to commercial operations during normal business hours and to promptly restore any land area disturbed during the maintenance or repair activities.

Additionally, to the extent that it becomes necessary at any point in the future for ONSWC to relocate any portion of the wastewater collection system or to install a new phase of the wastewater collection system on land within the Fearington Village Subdivision as shown in Exhibit 1 attached, and notwithstanding Article III hereof, ONSWC agrees to coordinate with

FCI and secure FCI's prior written approval on the location of any such relocated wastewater collection system or new phase of the wastewater collection system to maintain the aesthetics of the Fearington Village Subdivision and to minimize interference with and disruption to FCI's operations and to residential areas within the Fearington Village Subdivision.

- 2.5 ONSWC's Obligation with respect to FCI's Intellectual Property. ONSWC acknowledges FCI's exclusive ownership of the intellectual property rights associated with: i) the term "Fearington Village" for which FCI has received U.S. Patent Office trademark protection; ii) the various logos and marks used by FCI including those used in connection with Fearington Village; iii) FCI-produced marketing materials, including website, brochures, photography and videos including those depicting its herd of Belted Galloway cows; iv) the unique combination of amenities FCI offers in connection with the Fearington Village Subdivision; v) FCI physical assets such as the Village, its individual businesses, the surrounding land and farm animals; and Fearington Village Subdivision's history and story. ONSWC further agrees not to use in any way such property rights without prior written permission from FCI.
- 2.6 ONSWC's Obligation to Comply with Permits. At all times subsequent to Closing, ONSWC shall comply with any and all Governmental Authorizations, as hereinafter defined.
- 2.7 Indemnification. To the fullest extent permitted by law, ONSWC and its successors or assigns shall indemnify, defend and hold harmless FCI and its successors, assigns, officers, officials, agents, contractors, consultants, and employees, from and against any and all liabilities, damages, claims, fines, causes of action, suits, judgments, and losses (including reasonable consultants' and attorneys' fees and expenses) arising from third-party or governmental claims or actions relating to the Wastewater Assets. ONSWC's obligations under this Section 2.7 shall survive Closing and shall be binding upon any successor or assign of ONSWC.

ARTICLE III

OBLIGATIONS RELATED TO COLLECTION SYSTEM

- 3.1 Obligation to Design, Construct and Install Additional Components of the Wastewater Collection System. FCI, at FCI's expense, shall design, construct, and install, in each section of the Fearington Village Subdivision in which a necessary component of the wastewater collection system has not been installed, a complete wastewater collection system necessary for the provision of wastewater service in that section of the Fearington Village Subdivision. The wastewater collection system shall be designed, constructed, and installed in such a manner as to restrict the entry of groundwater and surface waters into the system to the greatest extent practicable and, at a minimum, shall conform to the minimum applicable regulatory standards related to infiltration/inflow.
- 3.2 Oversight; Required Documents. Additional components of the wastewater collection system shall be installed in accordance with the plans and specifications approved (if required) by Chatham County and the North Carolina Department of Environmental Quality ("DEQ") or its successor agency. In addition, ONSWC shall have the right to review such plans and specifications. ONSWC shall not require a fee for such review. Approval of such plans and specifications by Chatham County and/or DEQ shall be evidence of sufficiency and adequacy of the plans and specifications.
- 3.3 Conveyance of Additional Components of the Wastewater Collection System. Once any additional phase of the wastewater collection system -- whether within the Fearington Village Subdivision, its Consent Area or elsewhere within the service area -- has been installed and certified by a North Carolina -- licensed professional engineer, FCI shall convey such phase to ONSWC at no cost and FCI shall thereafter have no rights or obligations related to such phase of the wastewater collection system.

ARTICLE IV GOVERNMENTAL AUTHORIZATIONS

- 4.1 Issuance and Transfer of Governmental Authorizations. Within 45 days of the Effective Date, ONSWC, at ONSWC's expense, shall apply for, and thereafter diligently seek and pursue, the issuance, cancellation, and/or transfer of all licenses, permits, approvals or authorizations from any federal, state or local governmental authority (the "Governmental Authorizations") necessary for ONSWC to own and operate the Wastewater Assets. FCI agrees to cooperate with ONSWC in these efforts.
- 4.2 Commission Authorization. It is a condition precedent to ONSWC's obligations hereunder that the Commission authorize the transfer of the CPCN from FCI to ONSWC and thereby allow ONSWC to provide wastewater service to the Farrington Village Subdivision.

ARTICLE V MISCELLANEOUS

- 5.1 Survival. Any agreement herein that contemplates performance by either Party subsequent to Closing shall not be deemed to be merged into or waived by the instruments delivered in connection with Closing but shall expressly survive Closing and be binding upon the Parties obligated thereby and their successors or assigns. Without limiting the generality of the foregoing, the obligations of ONSWC set forth in Article II hereof shall expressly survive Closing and be binding upon the ONSWC and its successors or assigns.
- 5.2 Assignment. FCI may assign this Agreement in whole or in part to assignees of its choice.
- 5.3 Notices. Any notice of delivery required to be made hereunder shall be made by mailing, via certified mail return receipt requested, or emailing a copy thereof addressed to the appropriate party as follows:

If to ONSWC:

Michael Myers

John
McDonald

Karen Kemerait

Old North State Water Company	Integra Water	Smith, Moore & Leatherwood, LLP
4700 Homewood Ct., Suite 108	2100 3 rd Ave. North, Suite 920	434 Fayetteville St., Suite 2800
Raleigh, NC 27609	Birmingham, AL 35203	Raleigh, NC 27601
mmyers@envirolinkinc.com		Karen.Kemerait@smithmoorelaw.com

If to FCI:

Fitch Creations, Inc.
 2000 Fearington Village
 Pittsboro, NC 27312
 Attn: Roy B. Fitch and Greg Fitch
greg@fearington.com
RB@fearington.com

In the interest of administration of this Agreement, each Party agrees to provide the other Party, within a commercially reasonable period of time, current contact information, should the contact information provided herein change from time to time.


- 5.4 Release of Letter of Credit. ONSWC agrees to cooperate with FCI in securing the release of the Letter of Credit held by the North Carolina Utilities Commission, as evidenced in N.C.U.C. Docket No. W-661, Sub 7, upon the approval by the Commission of the transfer of the CPCN from FCI to ONSWC.
- 5.5 Termination. Notwithstanding anything in this Agreement to the contrary, either Party may terminate this Agreement by written notice to the other party in the event that Closing has not occurred on or by December 31, 2017, and thereafter neither party shall have any further obligations hereunder. In the event of the termination of this Agreement pursuant to Section 5.4, this Agreement shall forthwith become void, there shall be no liability on the part of FCI or ONSWC.

- 5.6 Severability. Should any court of law or administrative or governmental entity with jurisdiction declare any provision or provisions of this Agreement to be void or unenforceable, the remaining provisions of the Agreement shall remain in full force and effect.

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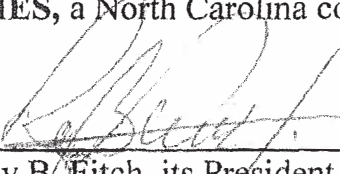
IN WITNESS WHEREOF, the Parties hereto have set their hands and seals the day and year above first written.

**OLD NORTH STATE WATER COMPANY,
LLC,**
a North Carolina limited liability company

By: 
Michael Myers, its Manager

Date: 9.22.17

**Fitch Creations, Inc. d/b/a FEARRINGTON
UTILITIES,** a North Carolina corporation

By: 
Roy B. Fitch, its President

Date: 9/26/17

EXHIBITS

Exhibit 1 – Map of Farrington Village Subdivision

Exhibit 2 – Wastewater Assets

Exhibit 3 – Lease Agreement

Exhibit 4 –Map of Consent Area and Extended Service Area

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Exhibit 1 – Map of Fearington Village Subdivision

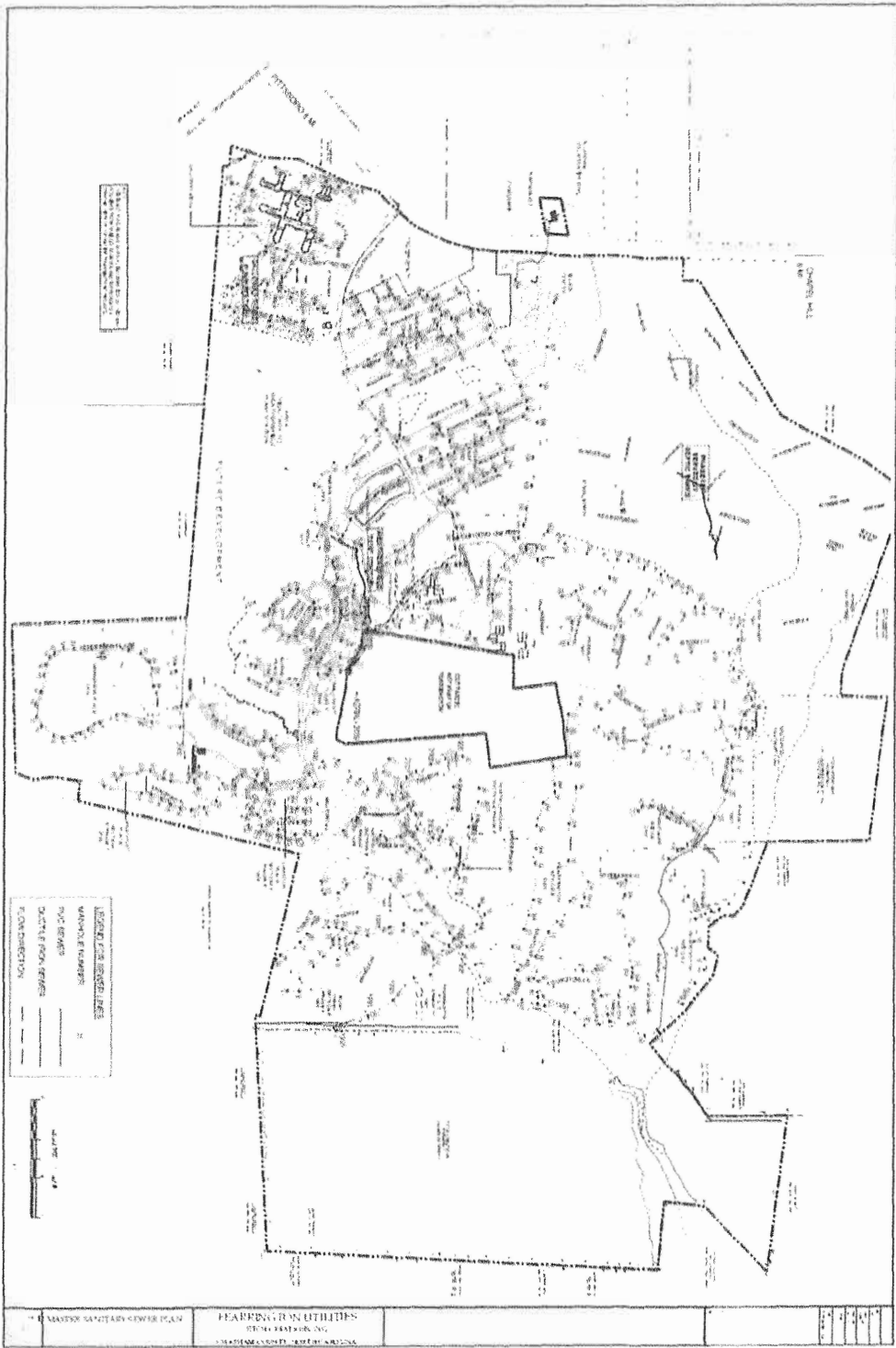


Exhibit 2 – Wastewater Assets

The Wastewater Assets include the following:

- Approximately 15 miles (79,200 ft) of gravity sewer
 - 78,000 ft of 8”
 - 1,500 ft of 10”
- Three (3) Sewer Pump Stations
 - Barnsley P/S
 - Weatherfield P/S
 - Galloway Ridge P/S (*NOTE: owned by Galloway Ridge, not FCI*)
- Approximately 7,000 ft of Force Main
 - 3,800 ft of 4” Force main
 - 3,200 ft of 6” Force main
- A 270,000 gpd Wastewater Treatment Plant consisting of the following:
 - Three (3) 90,000 gpd extended aeration treatment plants with tablet chlorination/dechlorination and chemical phosphorus removal
- Equipment as follows:
 - CLARIFIER REPLACEMENT
 - GUARANTEED SUPOY
 - PRO-WATER SYSTEM
 - PRO WATER SYSTEM
 - SEWER ERECTION
 - WATER TREATMENT SYSTEM
 - CLARIFIER REPLACEMENT
 - PIPING & NOZZELS
 - Barnsley Lift station engineering & design
 - 2 generators
 - Transfer Switches
 - WINCE GENERATOR SET
 - Sewer pump

- Composite Sampler
- Pump for Barnsley Station - Fair 4" D5435W
- John Deere diesel generator set
- Barnsley Pump - 4" D5435W 30HP
- Met/Hydro Model SB3SD300M3/4-4 pump
- Submersible pump
- Hydromatic pump
- Hydraulic Pump for sewer
- Lift station - Super Quiet Pak 70 Generator
- 3 HP Pump
- Sensaphone Lift Station Weathersfield
- Sewage Pump
- Hydromatic Pump
- USA Bluebook replacement grinder
- RACO Verbatim Autodialer
- Hydromatic Submersible Sewage Pu
- Weathersfield Lift Station Submersib

Exhibit 3 – Lease Agreement

CHATHAM COUNTY, NORTH CAROLINA

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is entered into as of the ____ day of _____, 2017 (the "Commencement Date") by and between Fitch Creations, Inc. d/b/a Fearington Utilities, a North Carolina corporation ("FCI"), and Old North State Water Company, LLC, a North Carolina limited liability company ("ONSWC") (individually referred to as a "Party" and collectively referred to as the "Parties").

WITNESSETH:

WHEREAS, FCI is the developer of the Fearington Village Subdivision located in Chatham County, North Carolina;
WHEREAS, pursuant to that Asset Purchase Agreement entered into on _____, 2017, by and between FCI and ONSWC, FCI agreed to sell to ONSWC and ONSWC agreed to purchase from FCI wastewater assets that are related to the provision of wastewater service for the Fearington Village Subdivision;
WHEREAS, certain of those wastewater assets -- specifically, a wastewater treatment facility ("Wastewater Treatment Facility") and two lift stations (the "Barnsley Station" and the "Weathersfield Station") (collectively, the Wastewater Assets") -- are located on real property owned by FCI (the "Real Property"); and
WHEREAS, ONSWC desires to lease from FCI, and FCI desires to lease to ONSWC, the portions of the Real Property on which those Wastewater Assets are located, in accordance with the terms and conditions of this Lease.
NOW, THEREFORE, in consideration of the mutual covenants as hereinafter set forth, the Parties hereto agree as follows:

1. Premises. FCI hereby grants to ONSWC a leasehold interest in all or part of the Real Property (the "Premises") and easements for ingress and egress to the Premises, as more particularly identified in Exhibit 1 hereto. FCI shall maintain access to the Premises in a free and open condition so that no interference is caused to ONSWC's use of the Premises.
2. Term. The initial term of the Lease shall be ten (10) years (the "Initial Term") from the Commencement Date. ONSWC has the right to extend the Lease for terms of the Lease for renewal terms of ten (10) years ("Renewal Term(s)"). The Lease will automatically extend for each successive Renewal Term unless: i) the Lease is terminated pursuant to the terms and conditions contained in Section 11 hereof; or ii) ONSWC notifies FCI in writing of its

intention not to renew the Lease prior to the expiration of the Initial Term or any Renewal Term.

3. Consideration. The Parties agree that ONSWC shall pay to FCI a monthly payment of \$3,250 (the "Rental Payment"). ONSWC's obligation to pay the Rental Payment shall begin on the Commencement Date and shall thereafter occur on a monthly basis. After this Lease has been in effect for a period of seven (7) years, the Rental Payment shall be subject to a fee adjustment based on the Consumer Price Index (CPI) that will be initiated on January 1 of each calendar year after the seven (7)-year period. FCI may assign Rental Payment to any affiliate or person, without limitation, by providing ONSWC with written notice of such assignment.
4. Permitted Use. ONSWC is permitted to use the Premises for the purpose of constructing, maintaining, and operating the Wastewater Assets and for other uses which are incidental to the construction, maintenance and operation of the Wastewater Assets ("Permitted Use") and for no other purpose. FCI shall not interfere with ONSWC's use of the Premises for the Permitted Use.

Notwithstanding the foregoing, the Parties anticipate that the Wastewater Treatment Facility shall be taken out of service during the Initial Term. In addition, the Parties anticipate that ONSWC shall construct a new lift station in the location of the Wastewater Treatment Facility prior to the time that the Wastewater Treatment Facility is taken out of service.

ONSWC shall use the Premises for the Permitted Use and for no other purposes.

ONSWC acknowledges that the Wastewater Assets are located within established residential neighborhoods and, therefore, agrees to keep the Premises clean and free from litter, debris, unused equipment, etc. and to keep noise and odor to within industry standards.

5. Access. FCI shall continue to have access to Premises, and, therefore, ONSWC shall provide such access, for example by providing copies of keys to any perimeter fence gates, to FCI. FCI shall provide notice to ONSWC prior to entering the Premises.
6. Taxes. ONSWC shall pay, when due, any personal property taxes assessed on or attributable to the Wastewater Assets and reimburse FCI for any real property taxes assessed on the Premises.

7. Condition of Premises. ONSWC accepts the condition of the Premises on an “AS IS, WHERE IS” basis “WITH ALL FAULTS” and without any representation or warranty from FCI as to environmental condition or fitness for particular purpose.
8. Assignment and Subletting. ONSWC shall not enter into a sublease related to the Premises. Either Party may assign this Lease with a minimum 30-day prior written notice to and the consent of the other Party, which shall not be unreasonably withheld.
9. Events of Default. Any breach of any covenant or agreement in this Lease by either Party that is not cured within 30-days written notice of such breach shall be an Event of Default. The cure period may be extended if the defaulting party is making commercially reasonable efforts to cure.
10. Compliance with Laws. ONSWC shall comply with all applicable federal, state and local laws, regulations, and ordinances when using the Premises.
11. Termination. This Lease may be terminated by either Party upon the occurrence of an Event of Default.
12. Indemnification. ONSWC shall indemnify, defend and hold harmless FCI’s successors, assigns, officers, directors, members, managers, officials, partners, agents, employees, contractors, and subcontractors from and against any and all liabilities, damages, claims, fines, causes of action, suits, judgments, and losses (including reasonable attorneys’ fees and expenses) arising from third-party claims or governmental actions relating to any environmental damages or liabilities caused by ONSWC’s use of the Premises.
13. Enforcement of Lease. The failure of either Party hereto to enforce any of the provisions of this Lease or the waiver thereof in any instance by either Party shall not be construed as a general waiver or relinquishment on its part of any such provisions, but the same shall, nevertheless, be and remain in full force and effect.
14. Notice. Any notice of delivery required to be made hereunder shall be made by mailing, via certified mail return receipt requested, or emailing a copy thereof addressed to the appropriate party as follows:

- If to ONSWC:
- | | | | | | |
|----|---------------|----|---------|----|----------------|
| 1. | Michael Myers | 2. | John | 3. | Karen Kemerait |
| | | | McDonal | | |

- d
4.

Old North State Water Company

7.

4700 Homewood Ct., Suite 108

10.

Raleigh, NC 27609

13.

mmyers@envirolinki nc.com
5.

IntegraWater

8.

2100 3rd Ave. North, Suite 920

11.

Birmingham, AL 35203

14.
6.

Smith, Moore & Leatherwood, LLP

9.

434 Fayetteville St., Suite 2800

12.

Raleigh, NC 27601

15.

Karen.Kemerait@smithmoorelaw.com

If to FCI:
Fitch Creations, Inc.
2000 Fearrington Village
Pittsboro, NC 27312
Attn: Roy B. Fitch and Greg Fitch
greg@fearrington.com
RB@fearrington.com

In the interest of administration of this Lease, each Party agrees to provide the other Party, within a commercially reasonable period of time, current contact information, should the contact information provided herein change from time to time.

15. Governing Law. This Lease shall be governed by the laws of the State of North Carolina.

16. Counterparts. This Lease may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

17. Modifications in Writing. This Lease shall not be modified, amended, or changed in any respect except in writing, duly signed by each Party, and each Party hereby waives any right to amend the Lease in any other way.

18. Severability. Should any court of law or administrative or governmental entity with jurisdiction declare any provision or provisions of this Lease to be void or unenforceable, the remaining provisions of the Lease shall remain in full force and effect.

19. Binding Effect. This Lease runs with the Real Property and is binding on and shall inure to the benefit of the Parties and their respective successors and assigns.

IN WITNESS WHEREOF, the Parties hereto have set their hands and seals the day and year above first written

OLD NORTH STATE WATER COMPANY, LLC,
a North Carolina limited liability company

By: _____
Michael Myers, its Manager

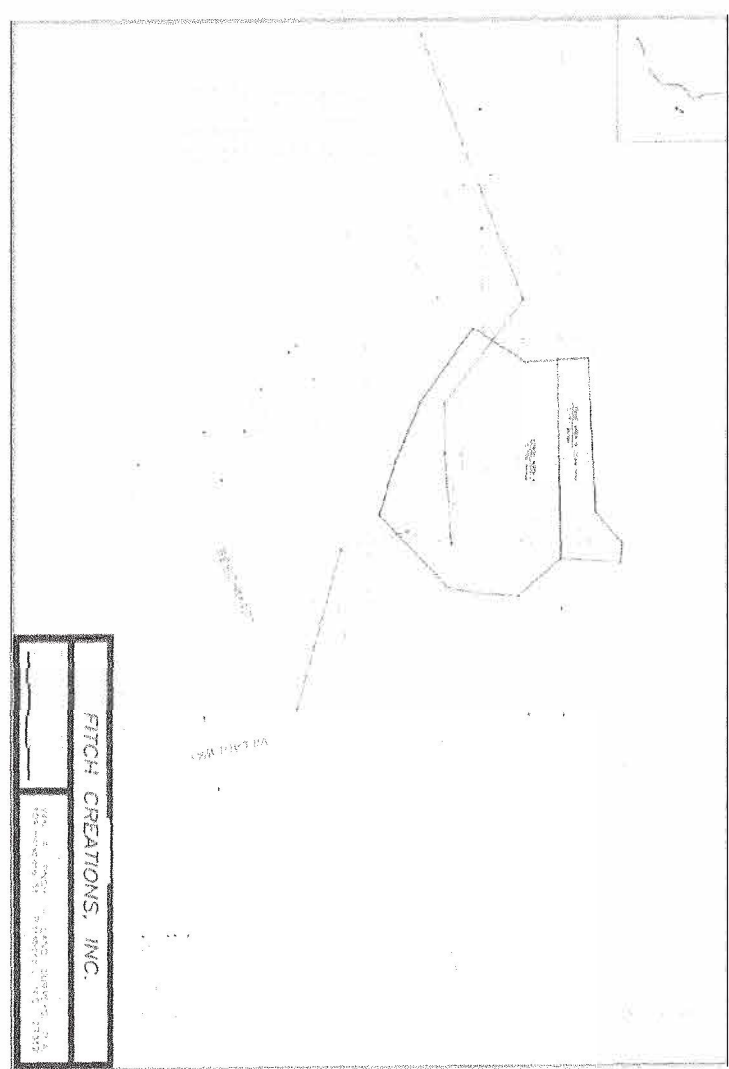
Date: _____

Fitch Creations, Inc. d/b/a FEARRINGTON UTILITIES, a North Carolina corporation

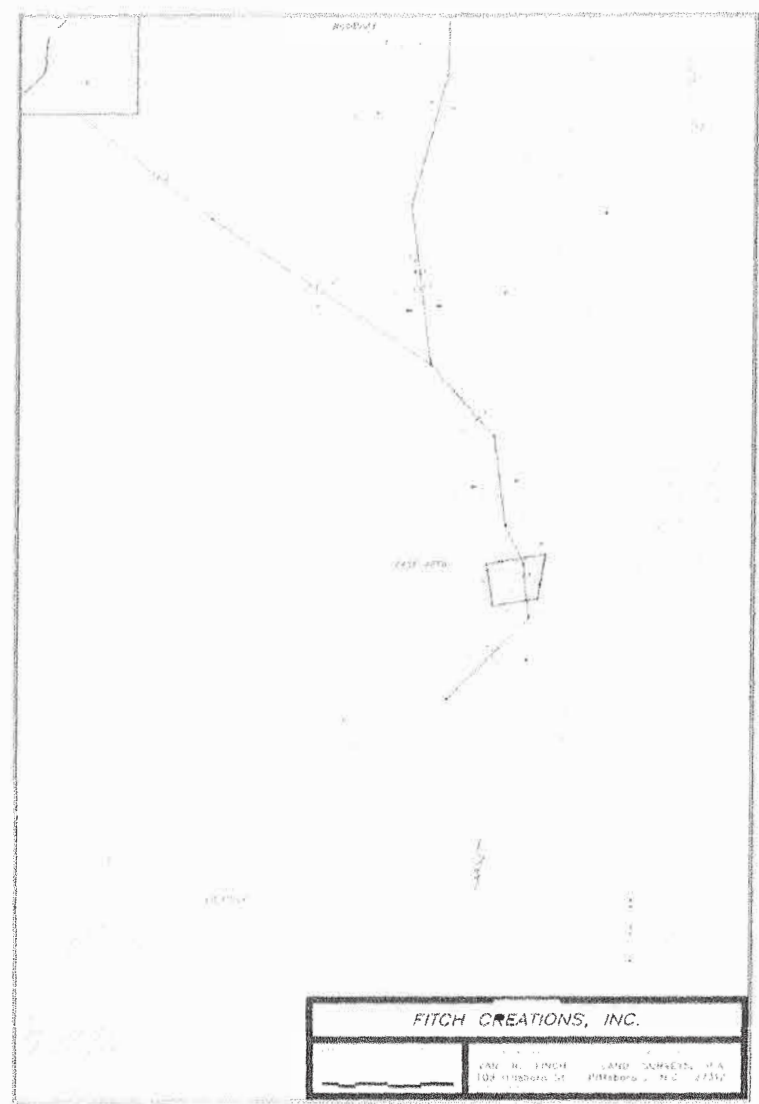
By: _____
Roy B. Fitch, its President

Date: _____

Exhibit 1
Wastewater Facility Property



Weathersfield Lift Station Property



Barnsley Lift Station Property (in inset circle in survey)

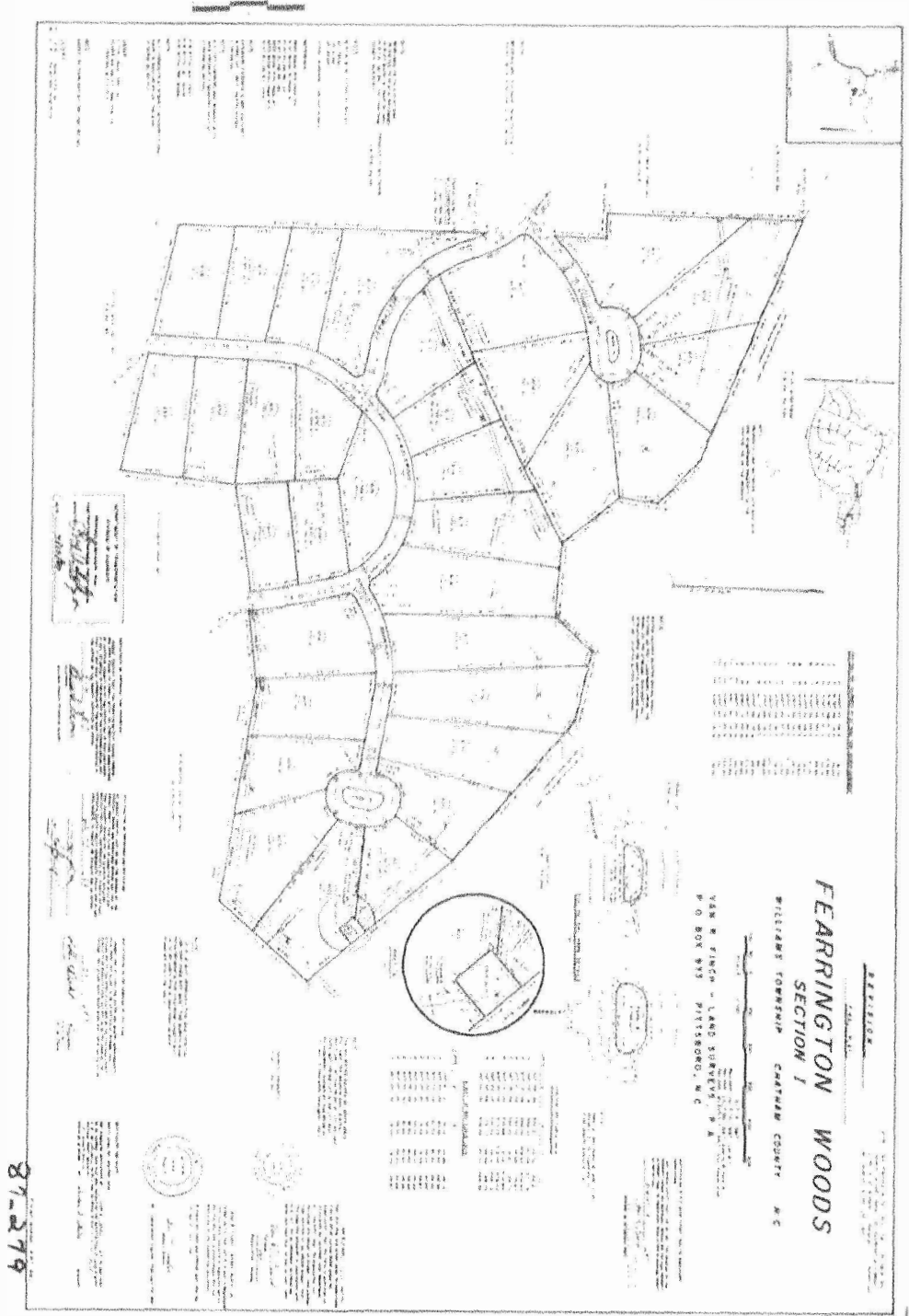
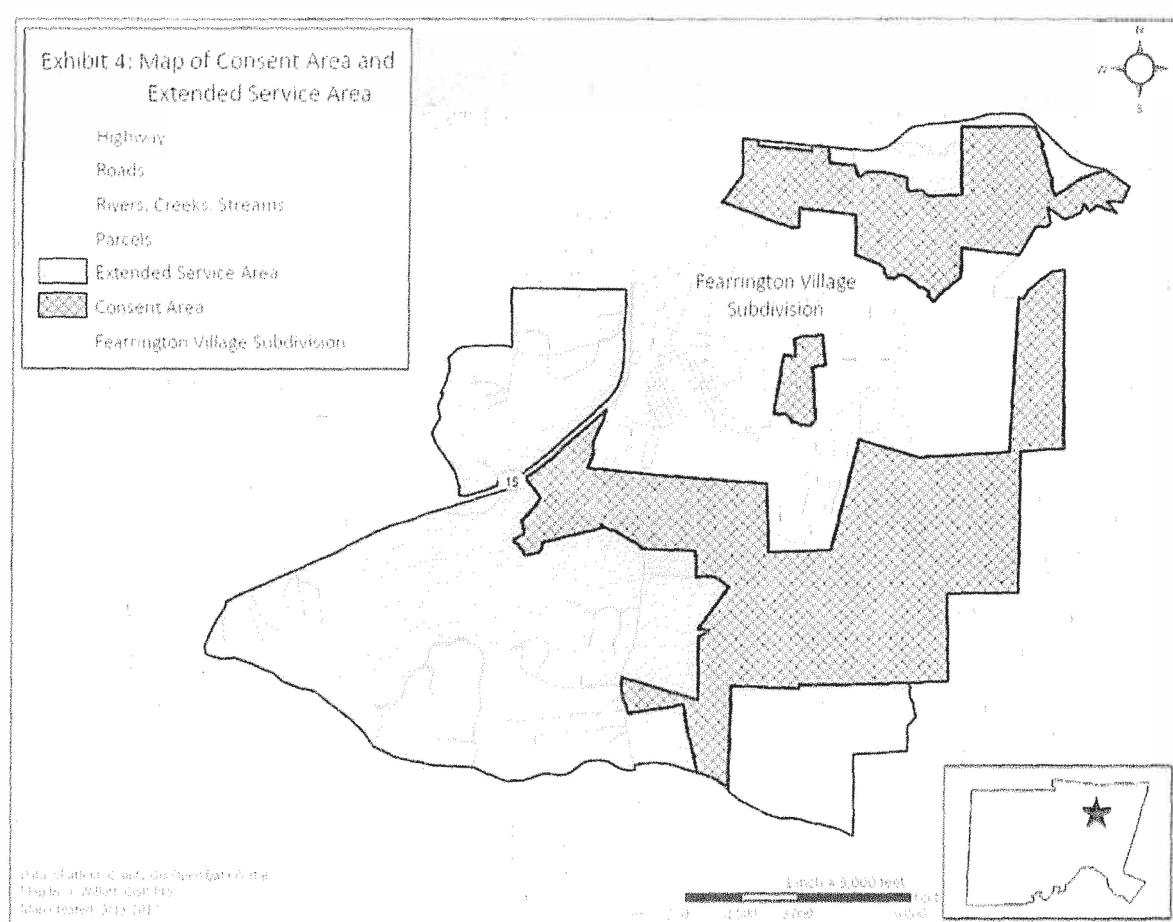
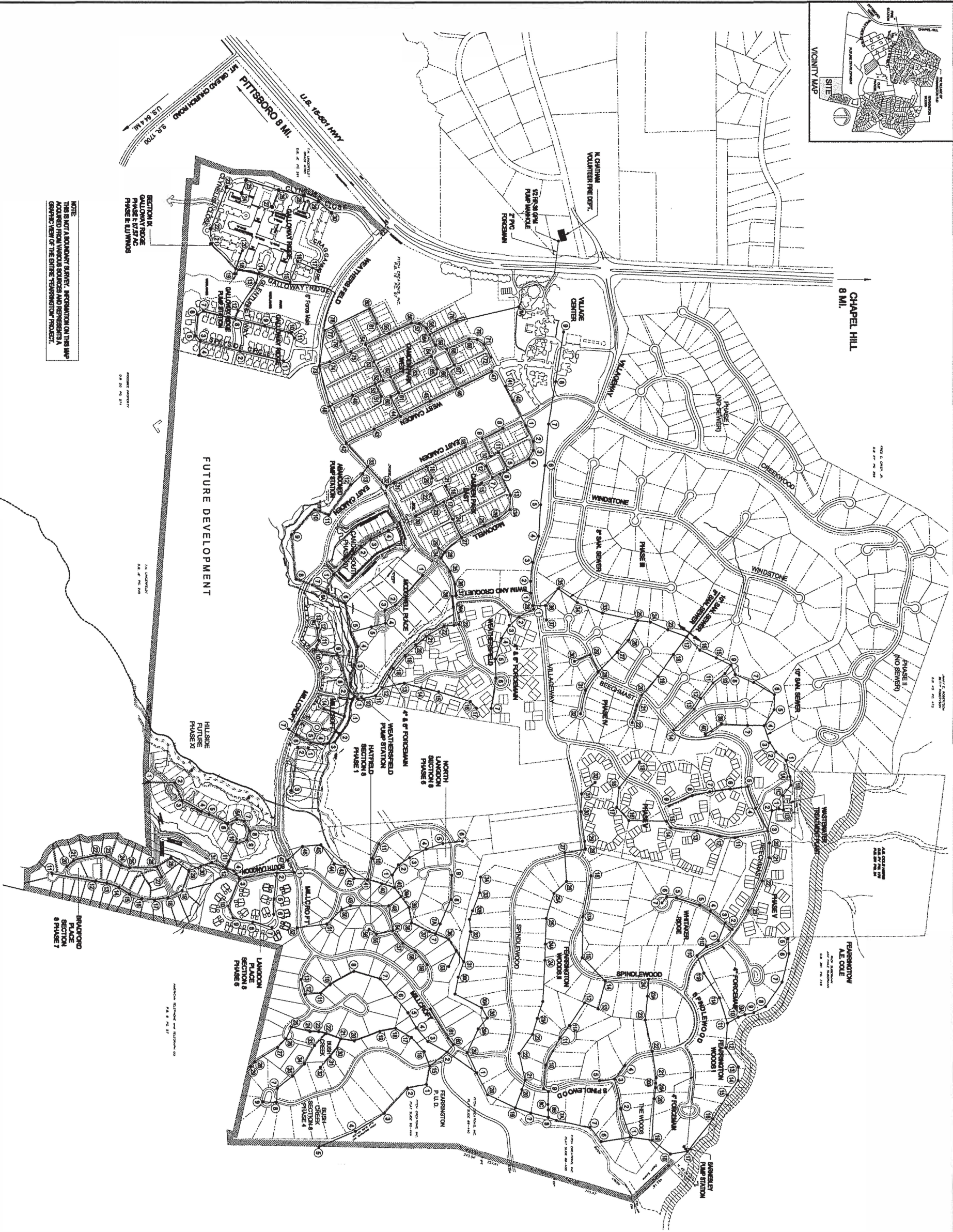
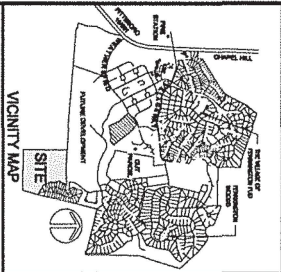


Exhibit 4 – Map of Consent Area and Extended Service Area

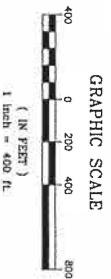


4823-6225-1837, v. 12

Exhibit B



NOTE:
THIS IS NOT A BOUNDARY SURVEY. INFORMATION ON THIS MAP
OBTAINED FROM VARIOUS SOURCES AND REPRESENTS A
GENERAL VIEW OF THE ENTIRE TRANSMISSION PROJECT.



202 NO. 2
SECTION
DATE
BY
CHECKED
DATE
SCALE
FILE
APPROVED

REVISIONS:

CONSULTING ENGINEERS
DIEHL & PHILLIPS, P.A.
219 E. CHATHAM ST.
CARY, N.C. 27511 • (919) 467-9972

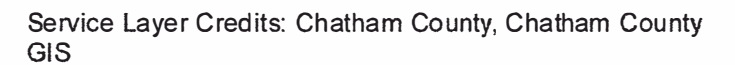


FEARRINGTON P.U.D.
CHATHAM COUNTY, NORTH CAROLINA

MASTER SANITARY SEWER PLAN

Sheet 1 of 1

Exhibit 7



CHATHAM COUNTY
NORTH CAROLINA