

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

**ONSWC – CHATHAM NORTH, LLC
FITCH CREATIONS, INC., D/B/A FEARRINGTON UTILITIES
DOCKET NO. W-1320, SUB 2
DOCKET NO. W-661, SUB 9**

**TESTIMONY OF CALVIN C. CRAIG, III
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION**

December 23, 2019

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

3 A. My name is Calvin C. Craig, III, and my business address is 430
4 North Salisbury Street, Raleigh, North Carolina. I am a Public
5 Utilities Financial Analyst in the Economic Research Division of the
6 Public Staff.

**7 Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND AND
8 EMPLOYMENT EXPERIENCE.**

9 A. I received a B.S. in Industrial Relations from the University of North
10 Carolina at Chapel Hill in 1985, an MBA from East Carolina
11 University in 1993, and a Juris Doctor from North Carolina Central
12 University in 2006. Since joining the Public Staff in November
13 1995, I have been involved with natural gas rate cases, have

1 conducted rate of return studies, and have filed testimony and
2 affidavits assessing financial viability and fair rate of return in
3 numerous utility rate cases.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my testimony is to present my recommendation to
7 the Commission regarding the financial capability of ONSWC-
8 Chatham North, LLC (Chatham North) to own, operate, maintain,
9 and upgrade the Briar Chapel and Fearington Village wastewater
10 utility systems in Chatham County, North Carolina.

11 **Q. WHY IS IT NECESSARY TO ASSESS THE FINANCIAL**
12 **CAPABILITY OF CHATHAM NORTH?**

13 A. If Chatham North lacks the financial capability to own, operate,
14 maintain, and upgrade these wastewater utility systems, it will not
15 be able to meet the wastewater needs of the current customers of
16 Briar Chapel and Fearington Village wastewater systems.

17 **Q. WHAT INFORMATION DID YOU EXAMINE IN THE COURSE OF**
18 **YOUR INVESTIGATION?**

19 A. In order to assess the financial capability of Chatham North; I
20 evaluated the financial and accounting information in the two
21 applications; confidential financial statements for Chatham North,
22 confidential financial statements for Chatham North's affiliate

1 company, Integra Water, LLC., confidential financial statements for
2 Chatham North Holdings, Inc., the parent company of Chatham
3 North, along with the testimony of Michael J. Myers, President of
4 Chatham North.

5 I also examined, the Chatham North application for approval of debt
6 financing pursuant to N.C. Gen. Stat. § 62-160, and Commission
7 Rule R1-16, filed on July 17, 2019, in Docket No. W-1320, Sub 3,
8 which was filed before Chatham North was a Commission
9 approved public utility, The Commission issued on July 25, 2019,
10 its *Order Dismissing Application Without Prejudice*, in which the
11 Commission states the application may be re-filed when Chatham
12 North is a public utility regulated by the Commission.

13 Chatham North has a credit agreement (Commitment) valid through
14 May 30, 2021, with Co Bank, ABC, for a loan in the aggregate
15 amount of \$6,500,000, payable in monthly installments over 20
16 years, with the first monthly payment due June 20, 2021. Co Bank
17 ABC has previously made long-term loans approved by the
18 Commission, to Commission regulated water and wastewater
19 public utilities, including four long-term loans to Heater Utilities, Inc.

20 **Q. PLEASE DESCRIBE THE CORPORATE RELATIONSHIP**
21 **BETWEEN CHATHAM NORTH AND INTEGRA WATER, LLC.**

1 A. Chatham North is one hundred percent owned by Chatham North
2 Holdings, Inc. Integra Water, LLC, owns 95% of the common stock
3 of Chatham North Holdings, Inc. Integra Water, LLC. owns and
4 operates wastewater utility systems in Alabama.

5 **Q. WHAT ARE THE RESULTS OF YOUR INVESTIGATION AND**
6 **WHAT IS YOUR RECOMMENDATION REGARDING THE**
7 **FINANCIAL CAPABILITY OF CHATHAM NORTH?**

8 A. Based on my evaluation of the information described above, I
9 conclude that Chatham North is financially capable of acquiring,
10 owning, operating, maintaining, and upgrading the Briar Chapel and
11 Fearington Village wastewater utility systems in Chatham County,
12 North Carolina.

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

14 A. Yes, it does