

## **Lingering Questions or Inconsistencies re: the Petrus Petition/Transaction Summaries**

### **Global or General Considerations:**

- Original Cost of all systems: I do not believe we have any information reflecting the original cost to build the systems, or how to fill in this field.
  - Gary previously mentioned that he could probably give a reasonable original cost of the systems in today's dollars, but likely not a prorated cost.
  - I'm not sure this information is absolutely critical to the State Corporation Commission. We might be able to get by with a response to the effect of "This information is not available."
- Upgrades and repairs of all systems: Per his 10/14/16 email, Gary indicated that the robust majority of the systems will need upgrades of some sort, including the major upgrade of meter replacement. We need to somehow identify each upgrade for each specific system, and assess any impact on customers' rates.
- Piping data for all systems: For some of the systems, we have a general idea of piping data within each system based on the Annual Tax Report. However, some of this information is hard to decipher, and amounts to guesswork in some degree. Moreover, some of the piping data appears to be inconsistent with descriptions that Phil Martin provided (even though he did not provide piping data for each system). Given these inconsistencies, and given that I do not anticipate this information being critical for the State Corporation Commission, I did not include any piping data in the Transaction Summaries.
- No real estate information for Fox Chase Water Company, LLC and Timberlake Water Company: For whatever reason, there is no GIS information for Fox Chase and Timberlake. I have searched many variations of these entity's names, but to no avail.
- Aubon Water Co. real estate: There is a discrepancy in the total number of real estate parcels in the three Aubon systems.
  - From all of the information available (GIS, Tax Report, and Phil Martin's description), I surmised that Aubon Water Co. had four parcels of real estate. Two were discernibly linked to Hillcrest, and one to Long Island. This would presumably leave one to Alton Park. However, there are two well lots mentioned in the lease associated with Alton Park, of which the a couple named the Crutchfields are lessors.
  - On GIS, there are two parcels owned by the Crutchfields on Route 756, of which the lease indicates is the location of the well lots. However, these parcels, 0810006701 and 0810006800, do not appear to be well lots.
  - Thus, I am not sure whether Alton Park has two parcels of real estate (with Aubon having five, rather than four real estate parcels). If it does have more than one parcel, I do not have the additional tax ID or acreage information.
- Compass Cove subdivisions: There seems to be an inconsistency as to the correct names of the subdivisions served by Compass Cove Water System, Inc. The Engineering

Description indicates that the Compass Cove System supplies potable water to the Compass Cove and Sunset *Point* subdivisions. However, the billing information sheet I have references the Compass Cove and Sunset *Terrace* subdivisions.

- SML Water Company subdivisions: With respect to SML Water Company, Phil Martin's description indicates that the Hales Point system is comprised solely of a distribution system, yet it seemingly has two real estate parcels associated with it: 0150204800 (0.000 acres) and 0150205000 (1.717 acres).
  - The Engineering Description further indicates that the waterworks consists of distribution mains only, with storage being provided by the Bedford County Public Service Authority's 1 MG storage tank located on Radford Church Road in Bedford County.
  - However, GIS indicates that both 0150204800 and 0150205000 are well lots.
    - How can this only be a distribution system if there are two real estate parcel IDs, one with acreage information, and GIS describes them as well lots?
      - And if it is only a distribution system, does that mean that Hales Point is not a subdivision? In other words, does this mean that SML Water Company only provides services to the Cedar Ridge subdivision?
    - The "distribution system only" characterization is further made inconsistent by acknowledging that (i) Hales Point services connections separate and apart from Cedar Ridge, (ii) that SML charges a different rate to the Hales Point connections than it does for Cedar Ridge, and (iii) that the WVWA is assessing a Capital Assessment fee on Hales Point connections, but not on Cedar Ridge connections.
- LakeWatch Utility Company commercial rates: The LakeWatch system is the sole wastewater system of the Petrus Entities involved in this transaction. LakeWatch services both residential and commercial connections. Given that all of the other systems only concerned residential customers' rates, I restricted my mention of rates in the LakeWatch Transaction Summary to its residential connections. This was, in part, due to the fact that I could not calculate rates unless had a baseline monthly average of gallon usage. If we need to add the impact on commercial customers' rates, I will need to know the baseline monthly average for commercial gallon usage.

### **Build Dates:**

#### Aubon Water Co.

- Alton Park
  - Engineering Description = Date issued 6/18/1979
  - 2014 IRS Form 4562 shows Alton Park assets being in service as early as 9/1/1978
- Hillcrest
  - Engineering Description = Date issued 4/14/1980
  - 2014 IRS Form 4562 shows Hillcrest assets being in service as early as 3/1/1980

- Long Island
  - Engineering Description = Effective date 9/19/1979
  - 2014 IRS Form 4562 shows Long Island assets being in service as early as 9/1/1978

#### SML Water Company

- Cedar Ridge
  - Engineering Description = Date issued 6/30/1988
  - No 2015 IRS Form 4562
- Hales Point
  - Engineering Description = Original permit issued 7/31/1987
  - No 2015 IRS Form 4562

#### Cherokee Hills Waterworks, Inc.

- Engineering Description = Effective date 6/27/1977
- In the 2015 IRS Form 4562, the earliest mention of assets reflects a date of 3/8/2004

#### Deer Creek Water Co., Inc.

- Engineering Description = Date issued 8/8/1979
- In the 2015 IRS Form 4562, the earliest mention of assets reflects a date of 9/1/2006

#### Fox Chase Water Company, LLC

- Do not have Engineering Description
- Do not have 2015 IRS Form 4562

#### Lake Forest Waterworks, Inc.

- Engineering Description = Date issued 6/17/1986
- Do not have 2015 IRS Form 4562

#### Ridgecrest Waterworks, Inc.

- Engineering Description = Date issued 2/12/1990
- In the 2015 IRS Form 4562, the earliest mention of assets reflects a date of 11/1/2010

#### Twin Coves Water Company

- Engineering Description = Date issued 11/21/2003
- In the 2015 IRS Form 4562, the earliest mention of assets reflects a date of 8/5/2005

#### Bel Lago Water Company

- Engineering Description = Date issued 5/13/2004
- Do not have 2015 IRS Form 4562

Compass Cove Water System, Inc.

- Engineering Description = Effective date 7/30/2008
- In the 2015 IRS Form 4562, the earliest mention of assets reflects a date of 9/1/2010

Highland Lake Waterworks, Inc.

- Engineering Description = Date issued 10/10/2001
- Do not have a 2015 IRS Form 4562

Retreat Water Company

- Engineering Description = Date issued 11/7/2006
- Do not have a 2015 IRS Form 4562

Timberlake Water Company

- Engineering Description = Date issued 3/31/2010
- In the 2015 IRS Form 4562, the earliest mention of assets reflects a date of 2/1/2010

The Franklin Waverly Water Company

- Engineering Description = Date issued 1/19/1990
- Do not have a 2015 IRS Form 4562

LakeWatch Utility Company

- Do not have Engineering Description
- Appraisal (page 10) suggests that the commercial development in the LakeWatch subdivision began in 2004, with all infrastructure in place by 2007.
- Do not have a 2015 IRS Form 4562

**Valuation Numbers:**

Aubon Water Co.

- 2016 Annual Tax Report = \$203,066.00 in value of real and personal property
- 2014 IRS Form 1120/4562 = \$195,612.00 in reported depreciable basis
- 2014 IRS Form 1120/4562 = \$177,856.00 reported depreciation

SML Water Company

- 2016 Annual Tax Report = \$171,110 total value of real and tangible personal property
- Do not have 2015 IRS Form 1120/4562

Cherokee Hills Waterworks, Inc.

- Do not have 2016 Annual Tax Report
- 2015 IRS Form 1120 = \$6,212 in total assets
- 2015 IRS Form 4562 = \$5,237 in depreciation

Deer Creek Water Co., Inc.

- 2016 Annual Tax Report = \$118,766 in total value of real and tangible personal property
- 2015 IRS Form 1120 = \$95,453.00 in total assets
- 2015 IRS Form 4562 = \$63,038 in prior and current depreciation
- 2015 IRS Form 4562 = \$73,189 as a depreciable basis

Fox Chase Water Company, LLC

- Do not have 2016 Annual Tax Report
- Do not have 2015 IRS Form 1120/4562

Lake Forest Waterworks, Inc.

- Do not have 2016 Annual Tax Report
- 2015 IRS Form 1120 = \$5,074.00 in total assets
- Do not have a 2015 IRS Form 4562

Ridgecrest Waterworks, Inc.

- Do not have 2016 Annual Tax Report
- 2015 IRS Form 1120 = \$8,281 in assets
- 2015 IRS Form 4562 = \$1,110 in current and prior depreciation
- 2015 IRS Form 4562 = \$3,558 in depreciable basis

Twin Coves Water Company

- 2016 Annual Tax Report = \$46,651 total value of real and tangible personal property.
- 2015 IRS Form 1120 = \$8,233 in total assets.
- 2015 IRS Form 4562 = \$3,296.00 in current and prior depreciation.
- 2015 IRS Form 4562 = \$10,839 as a depreciable basis.

Bel Lago Water Company

- 2016 Annual Tax Report = \$119,613.00 total value of real and tangible personal property.
- 2015 IRS Form 1120 = \$ -94.00 in total assets.
- Do not have a 2015 IRS Form 4562

Compass Cove Water System, Inc.

- 2016 Annual Tax Report = \$614,950 total value in real and tangible personal property
- 2015 IRS Form 1120 = \$7,338 in total assets
- 2015 IRS Form 4562 = \$1,497 in prior and current depreciation
- 2015 IRS Form 4562 = \$4,086 in depreciable basis

Highland Lake Waterworks, Inc.

- 2016 Annual Tax Report = \$205,624 total value of real and tangible personal property

- 2015 IRS Form 1120 = \$43,210 in total assets
- 2015 IRS Form 4562 = \$49,197 in current and prior depreciation
- 2015 IRS Form 4562 = \$63,729 as a depreciable basis

#### Retreat Water Company

- 2016 Annual Tax Report = \$773,472 total value of real and tangible personal property
- 2015 IRS Form 1120 = \$399,840 in total assets
- Do not have a 2015 IRS Form 4562

#### Timberlake Water Company

- 2016 Annual Tax Report = \$219,149 total value of real and tangible personal property
- 2015 IRS Form 1120 = \$5,610 in total assets
- 2015 IRS Form 4562 = \$46 in current and prior depreciation
- 2015 IRS Form 4562 = \$127 as a depreciable basis

#### The Franklin Waverly Water Company

- 2016 Annual Tax Report = \$202,696 total value of real and tangible personal property
- 2015 IRS Form 1120 = \$96,452.00 in total assets
- Do not have a 2015 IRS Form 4562

#### LakeWatch Utility Company

- November 2013 Appraisal = \$2.3 million
- No 2016 Annual tax Report
- No 2015 IRS Form 1120/4562