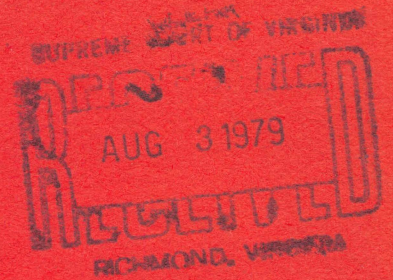


220VA559

IN THE SUPREME COURT OF VIRGINIA
AT RICHMOND



RECORD NO. 790687

STAFFORD SERVICE CORPORATION
Record No. 790687
S.C.C. Case No. 20052

APPELLANT

vs.

STATE CORPORATION COMMISSION

APPELLEE

CONSOLIDATED WITH

STAFFORD WATER CORPORATION
Record No. 790688
S.C.C. Case No. 20051

APPELLANT

vs.

STATE CORPORATION COMMISSION

APPELLEE

APPENDIX

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APPLICATION FOR A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY
FOR WATER AND SEWERAGE SERVICE
STAFFORD SERVICE CORP.
STAFFORD COUNTY, VIRGINIA

TO: VIRGINIA STATE CORPORATION COMMISSION, RICHMOND, VIRGINIA

(1) STATUS OF CORPORATION. Stafford Service Corp. is a duly authorized corporation, organized under the laws of the Commonwealth of Virginia on the 12th day of October, 1964. The corporation at this is in good standing with the State Corporation Commission, Commonwealth of Virginia.

(2) NUMBER OF CUSTOMERS TO BE SERVED. The corporation proposes to serve in excess of fifty (50) customers.

(3) APPROVAL OF GOVERNING BODY. Pursuant to the requirements of Section 56-265.3, Code of Virginia, 1950, as amended, it is hereby certified by the applicants that no authority has been granted by the political subdivision in which the applicant's area is located pursuant to Section 15.1-1239, Code of Virginia, 1950, as amended. However, for purposes of information, Stafford Service Corp. is the assignee of a certain contract entered into on the 25th day of April, 1967, with the Aquia Sanitary District and Stafford County, Virginia, which asserts that Stafford County will not object to this application, a copy of which is attached hereto and made a part hereof. (Attachment "A")

(4) STATEMENT OF QUALIFICATIONS TO ENGAGE IN BUSINESS. Attached hereto and made a part hereof are the qualifications of B. Calvin Burns, President, Stafford Service Corp., registered engineer and land surveyor, which contain his qualifications to engage in business. (Attachment "B")

(5) ESTIMATE OF COST OF ACQUISITION, CONSTRUCTION, OPERATION AND MAINTENANCE. All matters concerning engineering and costs of acquisition,

construction, operation and maintenance are submitted herewith. (Attachment "C")

(6) SET OF PLANS AND SPECIFICATIONS. One set of plans and specifications are submitted herewith. (Attachment "D")

(7) TWO IDENTICAL U. S. GEOLOGICAL SURVEY MAPS SHOWING EXACT AREA TO BE SERVED OUTLINED IN RED. Two maps, as required, with the service area outlined in red are attached hereto and made a part hereof. (Attachment "E")

(8) PROPOSED RULES, RATES AND REGULATIONS. Three copies of the proposed Rules, Rates, and Regulations of Stafford Service Corp., Stafford County, Virginia, duly authorized and executed by B. Calvin Burns, President, are attached hereto and made a part hereof. (Attachment "F")

(9) STATE PERMITS FOR WATER AND SEWER SERVICE. Sewer service as approved by Commonwealth of Virginia, State Water Control Board by various correspondence, resolutions and minutes which are attached hereto and made a part hereof. (Attachment "G")

(10) NAME, TITLE, ADDRESS AND TELEPHONE NUMBER OF PERSON TO BE CONTACTED IN CONNECTION WITH COMPLAINTS OR EMERGENCIES. B. Calvin Burns, Prince William Engineering Company, P. O. Box 254, Woodbridge, Virginia 22191, Telephone: area code, 703 - 494-2161, President, Stafford Service Corp. may be contacted in connection with complaints or emergencies.

STAFFORD SERVICE CORP.

Richard R. Nageotte
By Counsel

Richard R. Nageotte
RICHARD R. NAGEOTTE
Attorney at Law
14908 Jefferson Davis Highway
Woodbridge, Virginia 22191
Attorney for Applicants

THIS AGREEMENT made and entered into in duplicate originals this 25th day of April, 1967, by and between PAUL JOHNSON, B. CALVIN BURNS, and GROVER J. MANDERFIELD, partners trading as STAFFORDBORO ENTERPRISES, hereinafter called STAFFORDBORO, parties of the first part; and AQUIA SANITARY DISTRICT, hereinafter called District, party of the second part;

WITNESSETH: That in consideration of certain other transactions between the parties hereto consummated simultaneously herewith District agrees to furnish Staffordboro or its assigns water in bulk and sewage disposal service in quantities that shall be required by Staffordboro or its assigns as its needs may develop from time to time and upon the following conditions:

1. The services provided for hereunder shall be made available at Staffordboro's request as soon as District's water distribution and sewage disposal systems become operative in the area of Staffordboro's property.

2. The services provided for hereunder shall be limited to needs resulting from development of property now owned by Staffordboro in Aquia Sanitary District.

3. It is not contemplated that this Agreement binds District to lay any water or sewer lines on Staffordboro property but that Staffordboro will connect at its expense with District's systems at Staffordboro's property line or nearby suitable location.

4. This agreement is to be in effect for a period of ten (10) years from and after the date hereof, subject thereafter to re-negotiation between the parties as to any extension thereof.

5. The Ann Moncure Elementary School in Aquia Sanitary District will be served by District for water and for sewage disposal as and when District's systems become operative in the school area.

6. Rates to be paid by Staffordboro or its assigns to District for service hereunder shall be thirty-seven cents per thousand gallons of water as measured by meter to be installed and maintained by District at a suitable location at or near Staffordboro's property line. The rate for sewage treatment will be fourteen cents per thousand gallons and the volume thereof to be based on and to correspond with the amount of water consumed, said rates subject to change as may be required to meet statutory requirements or the terms of bond resolution to be adopted by District.

Said water meter shall be tested on request of Staffordboro or its assigns and the expense of such test shall be born by District if meter proves defective as a result of such test, otherwise the expense of such test shall be born by party requesting it.

7. One of the transactions referred to as occurring simultaneously with this Agreement is the conveyance by Staffordboro to District of tracts containing 77.0767 and 1.9213 acres respectively at a purchase price of \$134,000.00. It is agreed that Seven Thousand Five Hundred Dollars (\$7500.00) of said purchase price will be withheld pending receipt of satisfactory evidence that the sewage facilities according to plans prepared by P. Calvin Burns, registered engineer, dated May 4, 1964 consisting of nine sheets, filed with the State Water Pollution Control Board as amended thereafter, have been completed to the satisfaction of said Water Pollution Control Board and the Virginia State Board of Health. This balance of said purchase price will be payable promptly upon such completion and approvals.

IN WITNESS WHEREOF the Board of Supervisors of Stafford County, acting for and on behalf of Aquia Sanitary District, has caused its name to be signed hereto by Gordon Hyram, Chairman of said Board, and the execution of this Agreement attested by E. ^H Cann, Executive Secretary, both thereunto

duly authorized and the said parties of the first part have
hereunto affixed their signature.

BOARD OF SUPERVISORS OF STAFFORD COUNTY

BY Robert M. Bryan
CHAIRMAN

ATTEST:

Edward H. [Signature]
Executive Secretary

STAFFORDHORO ENTERPRISES

BY [Signature] Partner

BY [Signature] Partner

BY [Signature] Partner

CHANGE ROLL

RESUME OF: B. Calvin Burns
P. O. Drawer AA
Woodbridge, Virginia 22191

BORN: August 2, 1928
Nashville, Tennessee

GRADUATED: Mechanical Engineer from George Washington
University, February 1950, Civil Engineer
from George Washington University, June 1956.

REGISTERED CIVIL ENGINEER IN: Virginia, Maryland, Vermont,
Rhode Island, North Carolina, South Carolina,
Pennsylvania, New York, Georgia, Mississippi,
Indiana, Illinois, New Jersey, Delaware, Maine,
New Hampshire, Florida, Michigan, Tennessee,
West Virginia, Louisiana, California, Arizona,
Massachusetts and Alabama.

REGISTERED LAND SURVEYOR IN: Virginia, Maryland, Rhode
Island and West Virginia.

MEMBER: Professional Engineers in Private Practice,
Virginia Society of Professional Engineers,
Virginia Society of Professional Land Surveyors,
American Congress on Surveying and Mapping,
Tau Kappa Epsilon Fraternity.

SERVED ON: Federal Marine Resources Council, Various
Virginia Legislative Committees, U. S. Army
1945-46-47.

EMPLOYMENT: (1) 1950-52 U. S. Government Bureau of Ordnance
in Aviation Ordnance and Submarine Fire Control
Design.

(2) 1952-Present - Self-employed as Consulting
Engineer and Land Surveyor.

Larger contemporary projects:

Dale City, Prince William County, Virginia
Lake of the Woods, Orange County, Virginia
Ocean Pines, Worcester County, Maryland
Captain's Cove, Accomack County, Virginia
Sleepy Hollow Lake, Athens, New York

(3) Developer:

Staffordboro Mobile Homes
Staffordboro Townhouses
Nob Hill Subdivision

Forest Park Mobile Homes
Forest Grove Subdivision
Captain's Cove Subdivision
Fredericksburg Industrial Park

Augusta Farms

STAFFORD SERVICE CORPORATION
PRO FORMA SOURCE AND APPLICATION OF FUNDS
SIX AND ONE-HALF MONTHS ENDED DECEMBER 31, 1978
AND THE TOTAL YEAR 1979

	Six and 1/2 Months Ending 12/31/78	For the Year Ending 12/31/79
<u>OPERATING REVENUE</u>	\$ 40,230.78	\$ 74,272.20
<u>COST OF PURCHASING SEWAGE TREATMENT</u>	(9,761.31)	(18,020.88)
<u>OPERATING EXPENSE</u> Includes operation and maintenance, estimated misc. taxes except Federal, customer accounting expense.	(4,479.28)	(8,269.44)
<u>INTEREST ON LONG-TERM DEBT</u>	(10,319.63)	(18,023.73)
<u>RESERVE FOR DEPRECIATION</u>	(1,851.83)	(3,418.77)
<hr/>		
<u>NET OPERATING PROFIT</u>	15,818.73	26,539.38
<u>ADD BACK NON-CASH DEPRECIATION</u>	1,851.83	3,418.77
<u>TAP FEES INCOME</u>	156,800.00	-0-
<u>SHORT-TERM DEBT PAYMENT</u>	(156,800.00)	-0-
<u>LONG-TERM PRINCIPAL CURTAILMENT</u>	(8,752.85)	(17,187.03)
<hr/>		
<u>NET INCREASE (DECREASE) TO FUNDS</u>	6,917.71	12,771.12

STAFFORD SERVICE CORPORATION
PRO FORMA FINANCIALS

(1)
Opening Entry - June 15, 1978

Dr. Plant and Equipment	\$ 227,918.00	
Dr. Tap Fees - Receivable	156,800.00	
Dr. Other Assets	13,926.00	
Dr. Cash	300.00	
Cr. Short-Term Debt		\$ 156,800.00
Cr. Long-Term Debt		241,844.00
Cr. Capital Stock		300.00

To record the initial capitalization and purchase of utility plant assets from Staffordboro Enterprises as of June 15, 1978.

(2)

Dr. Cash	15,671.00	
Cr. Reserve for Depreciation		1,852.00
Cr. Operating Income		13,819.00
Dr. Cash	156,800.00	
Cr. Tap Fees - Receivable		156,800.00
Dr. Short-Term Debt	156,800.00	
Cr. Cash		156,800.00

To reflect changes to balance sheet resulting from operations profit: receipt of tap fees and payment of short-term debt, June 1, 1978 thru December 31, 1978.

(3)

Dr. Long-Term Debt	8,753.00	
Cr. Cash		8,753.00

To reflect principal curtailment, June 15, 1978 thru December 31, 1978.

(4)

Dr. Cash	29,958.00	
Cr. Accumulated Depreciation Reserve		3,419.00
Cr. Operating Income		26,539.00

To reflect changes in the balance sheet resulting from operations, January 1, 1979 thru December 31, 1979.

(5)

Dr. Long-Term Debt	17,187.00	
Cr. Cash		17,187.00

To reflect long-term debt curtailment for the year 1979.

STAFFORD SERVICE CORPORATION
PRO FORMA BALANCE SHEET
JUNE 15, 1978 to DECEMBER 31, 1979

	Beginning Balance 6/15/78	Pro Forma Activity		Balance 12/31/78
		Dr.	Cr.	
<u>ASSETS</u>				
Plant and Equipment	\$227,918.00(1)	\$	\$	\$ 227,918.00
Less Depreciation Reserve	<u>-0-</u>		1,852.00(2)	(1,852.00)
Net Plant	227,918.00			226,066.00
Current Assets:				
Cash	300.00(1)	156,800.00(2)	156,800.00(2)	7,218.00
		15,671.00(2)	8,753.00(3)	
A/R Tap Fees	156,800.00(1)		156,800.00(2)	-0-
Other Assets	<u>13,926.00(1)</u>			<u>13,926.00</u>
	<u>171,026.00</u>			<u>20,844.00</u>
Total Assets	398,944.00			247,210.00
<u>LIABILITIES AND OTHER CREDITS</u>				
Stockholders' Equity:				
Capital Stock	300.00(1)			300.00
Earned Surplus	<u>-0-</u>		13,819.00(2)	13,819.00
Total Stockholders' Equity	300.00			
Short-Term Debt	156,800.00(1)	156,800.00(2)		-0-
Long-Term Debt at 8% for 10 years	<u>241,844.00(1)</u>	<u>8,753.00(3)</u>		<u>233,091.00</u>
	<u>398,644.00</u>			
Total Liabilities and Other Credits	\$398,944.00	\$ 338,024.00	\$ 338,024.00	\$ 247,210.00

Pro Forma Activity		Balance 12/31/79
Dr.	Cr.	
\$	\$	\$ 227,918.00
	5,419.00(4)	(5,271.00)
		222,647.00
29,958.00(4)	17,187.00(5)	19,989.00
		-0-
		13,926.00
		<u>33,915.00</u>
		<u>256,562.00</u>
		300.00
	26,559.00(4)	<u>40,358.00</u>
		40,658.00
17,187.00(5)		<u>215,904.00</u>
		<u>215,904.00</u>
\$ 47,145.00	\$ 47,145.00	\$ 256,562.00

STAFFORD SERVICE CORPORATION

TOTAL PLANT

1	Rodding Machine
67	Town House Services
256	Mobile Home Services
6290	Lin. ft. 6" c. a. pipe
2538	Lin. ft. 8" c. a. pipe
1895	Lin. ft. 12" c. a. pipe
356	Lin. ft. 18" c. a. pipe
4434	Lin. ft. 14" c. a. pipe

EXHIBIT "D" - PLAT

(SEE ATTACHED PACKET)

EXHIBIT "E" - PLAT
(SEE ATTACHED PACKET)

STAFFORD SERVICE CORPORATION

STAFFORD COUNTY, VIRGINIA

RATES, RULES AND REGULATIONS

for

Sewer Service in
Territory Served by the Company in
Stafford County, Virginia

ISSUED: June 15, 1978

EFFECTIVE:

STAFFORD SERVICE CORPORATION

By


B. CALVIN BURNS, President

SCHEDULE NO. 1

SEWER RATES

Applicable in all territory served by the Company.

AVAILABILITY OF SERVICE:

Available to all metered water customers other than customers purchasing sewer for resale.

SEWAGE RATE:

The monthly sewage service charge shall be 106% of the charge for water as established by Stafford Water Corporation for commercial and residential customers with a minimum of \$22.55 per month.

MINIMUM CHARGES:

There shall be a monthly minimum charge of \$22.55 per month for sewage service, and no bill will be rendered for less than the minimum charges. All bills for sewer service will be rendered quarterly.

RULES AND REGULATIONS

The Rules and Regulations as herein set forth, or as they may hereafter be altered or amended, shall govern the rendering of sewer service, including the extension of mains and the making of connections thereto, and every customer upon signing an application for any service rendered by the Company, or upon the taking of sewer service shall be bound thereby.

RULE NO. 1 - DEFINITIONS:

- (a) A "sewage service connection" is a pipe connecting any premises with the Company's sewage transmission main.
- (b) "Premises" as used herein shall mean the lot or parcel of land upon which is situated a single family dwelling or a single commercial establishment.
- (c) "Customer" as used herein is any party who has applied for and is receiving sewage service at a premises.
- (d) "Company" as used herein is Stafford Service Corporation.

RULE NO. 2 - AVAILABILITY:

As soon as sewage service is available each owner who is obligated by contract or deed restriction to pay a coverage service availability fee shall pay a sewage service availability fee of \$4.00 per month for each parcel until sewage service is purchased in fact. Sewage service shall be deemed to be available from the dates mains operating or ready for operation are located adjacent to or in the immediate vicinity of a premises, whether or not any connection has been made.

RULE NO. 3 - SERVICE CONNECTIONS:

- (a) Before a sewage service connection is provided, the owner of the premises to be served, or his duly authorized representative, shall make application for sewage service upon forms prescribed by the Company. No application for sewage services shall be approved for premises for which an application for water service has not been first approved. Upon approval of the application, the Company will install the sewage service connection from the sewage collection main to the lot line of the premises to be served, and will charge a connection fee as follows:

Sewage Tap On Charge

There shall be a sewer tap on charge, payable at the time application is made for connection to the sewage system as follows:

<u>Description</u>	<u>Amount</u>
Townhouse (Individual Dwelling Unit)	\$ 800.00
Trailer Park	\$1,200.00 for first connection & \$ 400.00 for each connection thereafter

Where the above tap on schedule of charges is not applicable, the Company shall establish a fair and equitable charge as established by the Board of Directors and approved by the Virginia State Corporation Commission.

RULE NO. 3 - Continued.

- (b) The Company will maintain and replace all sewage connections from the transmission main in the street to the lot line.
- (c) The Company will make all connections to its mains and will specify the size, kind and quality of all materials entering into the service connection.
- (d) The sewage main to the lot line or premises to be served will be furnished and installed by and shall remain the property of the Company and under its sole jurisdiction.

RULE NO. 4 - CUSTOMER'S SERVICE PIPES:

- (a) The Company will specify the size, kind and quality of the materials which shall be laid between the lot line and the structures on the premises to be supplied.
- (b) The sewer service pipe from the lot line to the place of consumption shall be furnished and installed by the customer at his expense and risk.
- (c) The customer's service pipes and all connections and fixtures attached thereto shall be subject to the inspection and approval of the Company before sewage service is provided.
- (d) The customer's service pipes shall be laid at all points at least three feet below the surface of the ground and shall be installed in trenches at least two feet in a horizontal direction from any other trench wherein are laid gas pipe, service pipe, or other facilities, public or private, unless otherwise specifically authorized or approved by the Company. In back-filling the trench, rock or ashes shall not be permitted within one foot of a service pipe and clean soil shall be filled in to a depth of at least one foot over a service pipe. In the event any governmental authority shall require more stringent standards they shall apply.
- (e) The customer shall install a stop and waste cock of a type approved by the Company on the sewage service pipe immediately inside the foundation wall of the building supplied, and so located as to be easily accessible to the occupants and to provide proper drainage for all of the pipe lines in the building and the meter if installed in the building.

- (f) No fixture shall be attached to, or any branch made in a service pipe between the sewage service connection point and the street mains.
- (g) Any repairs, maintenance, replacement or relocation necessary on the customer's sewer service pipe or fixtures in or upon the customer's premises shall be performed by the customer at his expense and risk in a manner approved by the Company.

RULE NO. 5 - CROSS-CONNECTIONS AND BACK SIPHONAGE:

- (a) No pipe or fixtures connected with the mains of the Company shall also be connected with pipes or fixtures supplied from any other source.
- (b) The plumbing on all premises supplied from the Company's sewage system shall conform to the Commonwealth of Virginia Sanitary Code, and any Sanitary Code of Stafford County which may be applicable.

RULE NO. 6 - CUSTOMERS' DEPOSITS:

- (a) The Company may at any time require of any customer a cash deposit or other suitable guarantee to secure the performance by the customer of the terms and conditions of the Company under which sewage service is supplied. The amount of the deposit shall be determined in the following manner:

An amount equal to the estimated bill for one regular billing period.

In no case, however, shall the deposit be less than Ten Dollars.

- (b) The deposit will be refunded after final settlement, of the customer's account and simple interest on the deposit will be paid at that time at the rate of Six (6) per cent per annum annually from the date of the deposit receipt to the date the customer discontinues the use of sewage service. Payment of interest shall be made annually on demand or, at the option of the Company, credited on the customer's next following statement.
- (c) Whenever the Company may deem the customer's credit satisfactorily established it may notify the customer in writing that the deposit is refundable and interest on such deposit shall cease from the date of such notice.

RULE NO. 7 - DISCONTINUANCE OF SEWAGE SERVICE:

- (a) Sewage service may be discontinued by the Company after five (5) days' written notice for any of the following reasons:
1. For willful or indifferent waste of water due to any cause after due notice by the Company.
 2. For failure to protect and maintain the service pipe or fixtures on the property of the customer in a condition satisfactory to the Company.
 3. For molesting or tampering by the customer, or others with knowledge of the customer, with any connection, service pipe, seal, or any other appliance of the Company controlling or regulating the customer's sewage service.
 4. For failure to provide the Company's employees free and reasonable access to the premises supplied, or for obstructing the way of ingress to the lines or other appliances controlling or regulating the customer's sewage service.
 5. For non-payment of any account for sewage service, or for any fee or charge accruing under these Rules and Regulations and the effective Schedule of Rates.
 6. For violation of any rule or regulation of the Company.
 7. In the event of any discontinuance of service the Company shall give to the customer 5 days notice and the customer shall be entitled within the notice period to a hearing before the Board of Directors of the Company as to any matters relevant to the Company's decision to terminate service. Failure to request a hearing in writing by the customer within the 5 day period shall be deemed to be a waiver of any right to hearing.
- (b) Discontinuing the supply of sewage service to a premises for any reason shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of moneys due from the customer.

- (c) When sewage service to a customer has been terminated for any of the above stated reasons, other than temporary vacancy of the premises, it will be renewed only after the conditions, circumstances or practices which caused the sewage service to be discontinued are corrected to the satisfaction of the Company, and upon payment of all charges due and payable by the customer in accordance with these Rules and Regulations and the effective Schedule of Rates.

RULE NO. 8 - TURN-ON CHARGE:

- (a) When it has been necessary to discontinue sewage service to any premises because of a violation of these Rules and Regulations, or because of non-payment of any bill, a charge of Ten Dollars (\$10.00) may be made for providing sewage service. This charge, together with any arrears that may be due the Company for charges against the customer, must be paid before the sewage service will be resumed.
- (b) If at the time of such discontinuance of service for non-payment of bill, the customer does not have a deposit with the Company, the Company may require a deposit as a guarantee of the payment of future bills, as set forth in Rule No. 6, before service will be resumed.

RULE NO. 9 - BILLS FOR SEWAGE SERVICE:

- (a) Customers are responsible for furnishing the Company with their correct address. Failure to receive bills will not be considered an excuse for non-payment nor permit an extension of the date when the account will be considered delinquent.
- (b) If bills are to be sent to an address other than the premises served, the Company should be notified in writing by the customer of any change of address. In all cases, the occupant of the premises shall be responsible for the bill and bound by these rules and regulations.
- (c) If requested in writing by the customer, the Company will send bills to and will receive payments from agents or tenants. However, this accommodation will in no way relieve the customer of the liability for all charges, and the Company shall not be obligated to notify the customer of the non-payment of bills by such agents or tenants.
- (d) Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company.

- (e) The Company reserves the right to correct any bills endorsed in error as to the service supplied.
- (f) Each "Premises" as described in Rule No. 1 shall be billed separately for service.
- (g) If the meter should fail to register for any reason, or if the meter reader should be unable to gain admittance to the premises at the time the meter is due to be read, an estimated bill will be submitted. Such bill shall be based on an average of the consumption shown by three (3) previous consecutive billing periods, or, in the case of a new customer, where previous consumption cannot be so used for computing average consumption, reasonable estimated consumption shall be utilized.
- (h) Bills for availability fees or service shall be rendered monthly, quarterly or semi-annually in arrears.

RULE NO. 10 - TERMS OF PAYMENT:

- (a) Bills for service shall be due and payable when rendered and interest at the rate of 8% per annum shall begin accruing 30 days thereafter at the option of the Company.
- (b) If a bill is not paid within five (5) days after written notice properly given by the Company to the customer of record, service may be discontinued and the meter and service equipment removed by the Company, and the deposit, if any, may be applied against such bill and any other arrears due by the customer.

RULE NO. 11 - ABATEMENTS AND REFUNDS:

There shall be no abatement of the minimum rates in whole or in part, by reason of the extended absence of the customer, and no abatement shall be made for leaks or for water wasted by improper or damaged service pipes or fixtures belonging to the customer.

RULE NO. 12 - INTERRUPTIONS IN SEWAGE SERVICE:

- (a) The Company may at any time shut off the water in the mains of Stafford Water Corporation or otherwise interrupt sewage service in case of accident, or for the purpose of making connections, alterations, repairs, changes, or for other reasons.

- (b) While it is the intention of the Company to give notice in advance of any work which must be done that will necessitate any interruption of the service, such notice is to be considered an accomodation and not a requirement on the part of the Company. Property owners must so regulate their installations connected with the system that damage will not occur if water is shut off without notice and sewage service interrupted.
- (c) The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

RULE NO. 13 - GENERAL:

- (a) The service pipe and fixtures on the customer's premises shall be accessible to the Company for observation or inspection at reasonable hours.
- (b) The Company shall have the right to require easements from customers for the installation of sewage service connections and electrical connections, and the Company may condition the rendering or continuance of service on proper granting of such easements as the Company may reasonably request.
- (c) No person shall disconnect or remove or disturb any connection pipe or service line without the consent of the Company. Panalties provided by law for any such unauthorized action will be rigidly enforced.
- (d) No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these Rules and Regulations.
- (e) Any complaint against the service or employees of the Company must be made at the office of the Company in writing.

RULE NO. 14 - EXTENSION OF MAINS

The Company will extend its sewage service systems to supply consumer, where application for service has been made, under the following terms and conditions:

- (a) Where the cost of the extension does not exceed three and one-half times the estimated normal annual consumption revenue from bona fide applicants whose service pipes will be directly connected to the extension

and from whom the Company has received applications for service upon forms provided by the Company for this purpose, the Company will install, at its own cost and expense, the necessary extension.

- (b) Where the cost of making an extension exceeds three and one-half times the estimated normal annual revenue, the applicant or applicants shall deposit with the Company the excess cost of the extension, that is, the difference between the estimated cost of the extension and three and one-half times the estimated normal annual revenue from the applicant or applicants and other persons whose applications are received on or before the work of making the extension has begun.
- (c) Any deposit so made shall remain without interest, in the possession of the Company, subject to refunds as follows: After the completion of the extension when and as additional bona fide consumers are secured whose service lines are directly connected to such extension, the Company will refund to the original depositor or depositors an amount equal to three and one-half times the estimated annual normal revenue from such additional consumers. Refunds will be made for a period of ten years only from date of original deposit, and the total of such refunds will in no event exceed the amount of the original deposit. All or any part of the deposit not refunded within said ten year period shall remain the property of the Company.
- (d) The ownership of the extensions installed under this rule shall at all times be in the Company, its successors and assigns.
- (e) Where the main or extension is to be installed in a private street, the owner thereof shall provide, free of cost to the Company, an easement and a free, unobstructed and uninterrupted right-of-way for the installation, maintenance and extension of the main in such private street, and shall, if requested by the Company, place on public record a facsimile plat showing the location on such street.
- (f) The Company reserves the right to determine the size of the pipe necessary in making such extension.

COMMONWEALTH OF VIRGINIA: **STATE WATER CONTROL BOARD**

EXECUTIVE SECRETARY
A. H. PAESSLER

P. O. BOX 11143 - RICHMOND, VIRGINIA 23230 - (703) 770-2241

BOARD MEMBERS

W. P. GRIFFIN
HENRY S. HOLLAND, III
W. H. SINGLETON
ROBERT W. SPESSARD
E. BLACKBURN MOORE
CHAIRMAN

April 4, 1969

Mr. P. D. Larrimore, Jr.
Administrator, Aquia Sanitary District
Stafford County
Stafford, Virginia 22554

Dear Mr. Larrimore:

The Board has approved by letter ballot plans and specifications for sewer lines to serve Staffordborough and Staffordborough Townhouses located in Stafford County. This approval is in accordance with a letter dated March 4, 1969, from the State Department of Health and a memorandum dated March 10, 1969, from A. H. Paessler. A copy of each is enclosed for your information.

Very truly yours,

Original Signed By A. H. PAESSLER

Executive Secretary

/pmm

cc: State Department of Health
B. Calvin Burns

Enclosures: State Dept. of Health letter of 3/4/79
Memorandum of 3/10/69
Board Policy Statement

NOTE: The body of this letter was retyped
by the Appellants exactly as the original.
The original document could not be duplicated.

P. O. Box 11143

STATE WATER CONTROL BOARD
4010 W. Broad Street

Richmond, Virginia 23230

SUBJECT: Stafford County, Aquia Sanitary District, Staffordborough and Staffordborough Townhouses

TO: Board Members

FROM: A. H. Paessler

DATE: March 10, 1969

COPIES: Consultants

Plans Prepared By: B. Calvin Burns, Woodbridge, Virginia

Type of Plans: Final

Type of Facilities: The submitted plans cover some 8,332 feet of sanitary sewer lines which will discharge to the Aquia Sanitary District sewage treatment facilities. The existing sewage treatment facilities are designed to handle wastes from the proposed sewers, and treatment in the Aquia Sanitary District's existing sewage treatment facilities will not contravene standards previously adopted by the Board.

State Department
of Health Action:

By letter dated March 4, 1969, the State Department of Health recommends approval of these final plans.

STAFF RECOMMENDATIONS:

In accordance with the approval of the State Department of Health noted above, the staff recommends that these proposed sewerage facilities be approved by the Board.

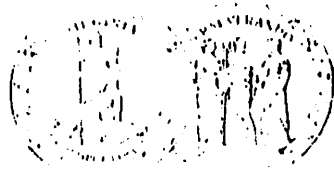
We request that you make your wishes known by the letter ballot enclosed.

JHRJr/pmm

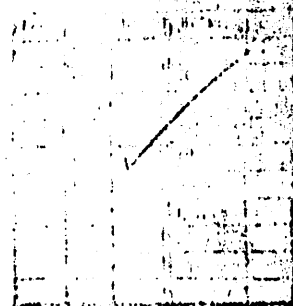


NOTE: The body of this letter was retyped
by the Appellants exactly as the original.
The original document could not be duplicated.

COMMONWEALTH OF VIRGINIA



DEPARTMENT OF HEALTH
RICHMOND, VIRGINIA



BRANHOLTZ, M. D.
DIRECTOR

SUBJECT: STAFFORD COUNTY
Sewerage - Staffordborough
Staffordborough Townhouse

March 4, 1969

State Water Control Board
P. O. Box 11143
Richmond, Virginia 23230

Attention: Mr. A. H. Paessler, Executive Secretary

Gentlemen:

Final plans, profiles and specifications have been received from Mr. B. Calvin Burns, Consulting Engineer, for sewer lines to serve Staffordborough and Staffordborough Townhouses located off Route 610 in Stafford County, Virginia.

The main trunk line through Staffordborough, formerly called Staffordborough Mobile Home Village, was previously approved by this Department in our letter to the Board dated 20 December 1965 and by the Board in their memorandum dated 23 December 1965. The main trunk lines when approved were all 8 inches in diameter. At the request of the Aquia Sanitary District these lines were increased in size and these plans which cover the main trunk line reflect these changes.

The main trunk lines which we understand have been constructed include the following gravity sewers; the lengths are approximate:

18" - 355'
14" - 1413'
12" - 1262'

The lines to serve the proposed Townhouses are all 8" in diameter and the approximate length is 2282 feet.

This system will discharge into the Aquia Sanitary District facilities formerly owned by Staffordborough Mobile Home Village and approved by the State Water Control Board by letter dated 17 December 1964. The effluent will discharge into Aquia Creek.

State Water Control Board

March 4, 1969

This is to advise that these plans and specifications for this sewerage system are approved by this Department. It is understood that final approval is a matter for the State Water Control Board.

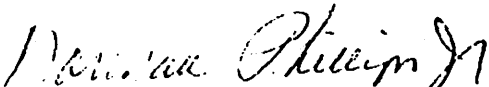
Notification of action taken by the Board should be sent to Mr. P. D. Larrimore, Jr., Administrator for Aquia Sanitary District, Stafford Court House, Virginia, with copies to Mr. B. Calvin Burns, Prince William Engineering Company, P. O. Box 254, Woodbridge, Virginia and to this Division.

We are forwarding under separate cover the following:

1. Sheet #1 titled Staffordborough dated February 1969.
2. Sheet #2 titled Staffordborough Sanitary Sewer Trunk Line Profiles not dated.
3. Sheet #3 titled Staffordborough Townehouses dated August 1968.
4. Sheet #4 titled Profile Sanitary Sewer Staffordborough Townehouses dated 1 February 1969.
5. Set of specifications titled Staffordborough Water and Sanitary Sewer.

By direction of the State Health Commissioner.

Very truly yours,


Norman Phillips, Jr., Director
Bureau of Sanitary Engineering

GENERAL CONDITIONS OF CERTIFICATE NO. 1797

In addition to the conditions listed in Certificate No. 1797, the following conditions shall apply and shall be a part of such Certificate

1. The effluent from the sewerage system and/or sewage treatment works (hereinafter referred to as "facilities") referred to in this Certificate shall be maintained at all times of such quality that upon mixing with the waters of Aquia Creek (Potomac River Basin), (hereinafter called the "stream"), and in combination with any other sewage, industrial waste or other waste discharges certificated by the Board, the following conditions shall be satisfied:
 - (c) Existing color of the stream will not have been appreciably changed.
 - (b) There will not be any settleable or floatable solids in the stream.
 - (c) There will not be any grease or oil films on the stream.
 - (d) pH value of the stream will not have changed sufficiently to affect its use as a habitat for indigenous aquatic life or for other purposes.
 - (e) Biochemical oxygen demand of the stream will be sufficiently low to prevent depressing the dissolved oxygen content, at any time or at any location, below that value which will affect its use as a habitat for indigenous aquatic life or for other purposes.
 - (f) Concentration of potentially toxic substances will be substantially below toxicity thresholds for indigenous aquatic or other life.
 - (g) The most probable number of coliform organisms will be sufficiently low so as not to endanger the uses of the stream.
2. The facilities shall be operated so as not to endanger the public health and not create a nuisance.
3. Records, satisfactory to the Board, shall be kept concerning the operation of the facilities, and shall be made available to the Board or its authorized representative upon request.
4. The facilities shall be subject to inspection by representatives of the Board or the State Department of Health to determine if they are being properly operated.
5. After the facilities are constructed, the owner shall furnish the Board with a statement to the effect that they have been constructed in accordance with plans identified in this Certificate.
6. If construction of the facilities is not underway on or before one year after the date of this Certificate, it shall become void.
7. This certificate is non-transferable to any company or any successor in interest to the owner to whom it is issued. Any new such owner must make application for a new Certificate prior to assuming ownership.
8. The Board may revoke or amend this Certificate for good cause and after proper hearing.

P. O. BOX 11143 - RICHMOND, VIRGINIA 23230 - MILTON 4-4111 - EXTENSION 6411

BOARD MEMBERS

W. P. GRIFFIN
HENRY S. HOLLAND, III
W. H. SINGLETON
ROSS H. WALKER
E. BLACKBURN MOORE
CHAIRMAN

CERTIFICATE NO. 1797

issued on January 22, 1965, in accordance with the
State Water Control Law,
Chapter 2, Title 62, Code of Virginia, 1950

to

Stafford Service Corporation
P. O. Box 254
Woodbridge, Virginia

an Owner, as defined by the Law, to construct a sewerage system and sewage treatment works (hereinafter referred to as "facilities") to serve Staffordboro Enterprises and Anne E. Moncure Elementary School in accordance with the conditions listed below and in the General Conditions attached hereto and to be read as a part hereof.

1. The facilities shall be constructed in accordance with plans and specifications submitted by B. Calvin Burns, Consulting Engineer, P. O. Box 254, Woodbridge, Virginia, identified as follows:

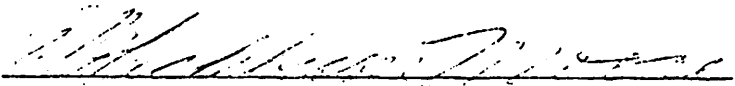
Plans: (1) Waste Stabilization Ponds for Mobile Home Park
Sheets: 1 - 9 inclusive
Dated: May 4, 1964 Revised May 21, 1965, and
June 2, 1964

(2) Site Plan and Profile
Sheets: 1 - 10 inclusive
Dated: September 1965

The plans and specifications were approved by the State Department of Health by letters of December 4, 1964, and December 20, 1965, and by the Water Control Board by letter ballots completed on January 22, 1965, and January 3, 1966.

2. All sewage from Staffordboro Enterprises and Anne E. Moncure Elementary School shall be treated in the facilities referred to in (1) above.

3. The effluent from the facilities shall be discharged into Aquia Creek (Potomac River Basin).
4. The facilities shall serve an equivalent population not to exceed 5,000, provided that the flow does not exceed 500,000 gallons per day and the B. O. D. loading does not exceed 1,000 lbs. per day.


E. BLACKBURN MOORE, CHAIRMAN

cc: Division of Engineering, State Department of Health
Stafford County Board of Supervisors

GHW/pm

Staffordborough

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COMMONWEALTH
OF VIRGINIA

STATE WATER CONTROL BOARD

EXECUTIVE SECRETARY
A. H. PAESSLER

415 WEST FRANKLIN ST. — RICHMOND, VIRGINIA, 23220 — MILTON 4-4111 — EXTENSION 2437
PLEASE ADDRESS CORRESPONDENCE TO P. O. BOX 5285, RICHMOND 23220

BOARD MEMBERS
W. H. SINGLETON
THOMAS M. THOPNHILL
ROSS H. WALKER
E. BLACKBURN MCCRE
CHAIRMAN

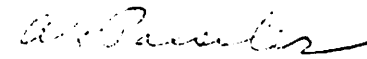
January 22, 1965

Mr. B. Calvin Burns
Prince William Engineering Company
P. O. Box 254
Woodbridge, Virginia

Dear Mr. Burns:

The Board has approved by letter ballot revised plans and specifications for sewage treatment facilities to serve Staffordborough Mobile Home Park. This approval is in accordance with a letter dated December 4, 1964, from the State Department of Health, and a memorandum dated December 17, 1964, from A. H. Paessler. A copy of each is enclosed for your information.

Yours very truly,



Executive Secretary.

bd
Enc.

cc: Mr. N. A. Campbell, Stafford County
Division of Engineering, SDH

CLEAN
STREAMS
PROVIDE
HEALTH
WEALTH
AND
RECREATION

MEMORANDUM

STATE WATER CONTROL BOARD

P. O. Box 5205

Richmond, Virginia 22200

SUBJECT: Staffordborough Mobile Home Park-- Approval of Final Plans and Specifications

TO: Board Members

FROM: A. H. Paessler

DATE: December 17, 1964

COPIES: Consultants

Type of Plans: Final

Plans Prepared by: B. C. Burns, Prince William Engineering Company,
P. O. Box 354, Woodbridge, Virginia

Design Population: Flow to be limited to 300,000 gallons per day.

Receiving Stream: Aquia Creek (Potomac River Basin).

Type of Plant: Two 6.25 acre raw sewage stabilization ponds followed by a 14.07 acre holding pond having a depth of 11 feet and providing 92 days holding capacity. The combined hydraulic capacity of all treatment facilities is such that the sewer can provide at least 100 days storage of the wastes with no discharge to State waters.

In Minute 71 from the proceedings of its meeting on September 22, 1964, the Board approved the owner's preliminary proposal for the above-mentioned sewage treatment plant.

By letter of December 4, 1964, the State Department of Health has recommended that these final plans and specifications be approved. However, they have included the following statement concerning chlorination facilities: "It has been our experience that it has been very difficult to get the owner to construct additional facilities after the initial construction has been completed. We, therefore, strongly recommend that the chlorination facilities be completed during the initial construction. In this way the downstream property owners will be protected when it becomes necessary to discharge effluent from this treatment facility."

The staff does not concur since there is to be no discharge from the facilities during the recreational season, and we do not feel that any downstream owners will be adversely affected if the chlorination facilities are not immediately installed. As has been pointed out to the Board in other cases, retention of sewage is one method of effectively reducing bacterial concentration. Since the owner will have no discharge during the recreational season by virtue of providing 100 days retention of the wastes, we feel that close surveillance by the staff will enable the staff and the State Department of Health to anticipate the need for chlorination in time to have these facilities constructed prior to the time that any discharge in State waters would occur.

Memo - Page 2

Stoffordborough, N. H.

December 17, 1964

The owner has stated that he is willing to construct chlorination facilities, provided evidence of their need is shown. Therefore, we expect no difficulties in obtaining these facilities should we find that they are needed.

Staff Recommendations:

The staff recommends that these final plans and specifications be approved that (1) the stipulations set forth in Regulation No. 3 be satisfied; (2) the engineer submits final plans and specifications for sewer lines, and (3) the owner installs chlorination facilities if staff and State Department of Health surveillance shows the need for them.

We request that you make your wishes known on the letter ballot enclosed.

AWH/ec-bd

Enc.

NOTE: The body of this letter was retyped by the Appellants exactly as the original. The original document could not be duplicated.

APPLICATION FOR A CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY
FOR WATER AND SEWERAGE SERVICE
STAFFORD WATER CORP.
STAFFORD COUNTY, VIRGINIA

TO: VIRGINIA STATE CORPORATION COMMISSION, RICHMOND, VIRGINIA

(1) STATUS OF CORPORATION. Stafford Water Corp. is a duly authorized corporation, incorporated under the laws of the Commonwealth of Virginia on the 12th day of October, 1964. The corporation at the time of this application is in good standing with the State Corporation Commission, Commonwealth of Virginia.

(2) NUMBER OF CUSTOMERS TO BE SERVED. The corporation proposes to serve in excess of fifty (50) customers.

(3) APPROVAL OF GOVERNING BODY. Pursuant to the requirements of Section 56-265.3, Code of Virginia; 1950, as amended, it is hereby certified by the applicants that no authority has been created by the political subdivision in which the applicant's area is located pursuant to Section 15.1-1259, Code of Virginia, 1950, as amended. However, for purposes of information, Stafford Water Corp. is the assignee of a certain contract entered into on the 25th day of April, 1967, with the Aquia Sanitary District and Stafford County, Virginia, which asserts that Stafford County will not object to this application, a copy of which is attached hereto and made a part hereof. (Attachment "A")

(4) STATEMENT OF QUALIFICATIONS TO ENGAGE IN BUSINESS. Attached hereto and made a part hereof are the qualifications of B. Calvin Burns, President, Stafford Water Corp., registered engineer and land surveyor, which contain his qualifications to engage in business. (Attachment "B")

(5) ESTIMATE OF COST OF ACQUISITION, CONSTRUCTION, OPERATION AND MAINTENANCE. All matters concerning engineering and costs of acquisition, operation, and maintenance are submitted herewith. (Attachment "C")

(6) SET OF PLANS AND SPECIFICATIONS. One set of plans and specifications are submitted herewith. (Attachment "D")

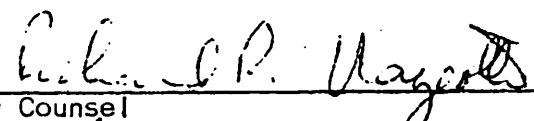
(7) TWO IDENTICAL U. S. GEOLOGICAL SURVEY MAPS SHOWING EXACT AREA TO BE SERVED OUTLINED IN RED. Two maps, as required, with the service area outlined in red are attached hereto and made a part hereof. (Attachment "L")

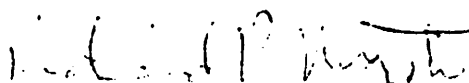
(8) PROPOSED RULES, RATES AND REGULATIONS. Three copies of the proposed Rules, Rates and Regulations of Stafford Water Corp., Stafford County, Virginia, duly authorized and executed by B. Calvin Burns, President, are attached hereto and made a part hereof. (Attachment "F")

(9) STATE PERMITS FOR WATER SERVICE. Water service was approved by Norman Phillips, Jr., P. E. Director, Bureau of Sanitary Engineering, Commonwealth of Virginia, Department of Health, by letter dated July 19, 1971, a copy of which is enclosed herewith and made a part hereof. (Attachment "G")

(10) NAME, TITLE, ADDRESS AND TELEPHONE NUMBERS OF PERSON TO BE CONTACTED IN CONNECTION WITH COMPLAINTS OR EMERGENCIES. B. Calvin Burns, Prince William Engineering Company, P. O. Box 254, Woodbridge, Virginia 22191, telephone: area code, 703 - 494-2161, President, Stafford Water Corp. may be contacted in connection with complaints or emergencies.

STAFFORD WATER CORP.


By Counsel


RICHARD R. NAGEOTTE
Attorney at Law
14908 Jefferson Davis Highway
Woodbridge, Virginia 22191
Attorney for Applicants

THIS AGREEMENT made and entered into in duplicate originals this 25th day of April, 1967, by and between PAUL JOHNSON, B. CALVIN BURNS, and GROVER J. MANDERFIELD, partners trading as STAFFORDBORO ENTERPRISES, hereinafter called STAFFORDBORO, parties of the first part; and AQUIA SANITARY DISTRICT, hereinafter called District, party of the second part;

WITNESSETH: That in consideration of certain other transactions between the parties hereto consummated simultaneously herewith District agrees to furnish Staffordboro or its assigns water in bulk and sewage disposal service in quantities that shall be required by Staffordboro or its assigns as its needs may develop from time to time and upon the following conditions:

1. The services provided for hereunder shall be made available at Staffordboro's request as soon as District's water distribution and sewage disposal systems become operative in the area of Staffordboro's property.

2. The services provided for hereunder shall be limited to needs resulting from development of property now owned by Staffordboro in Aquia Sanitary District.

3. It is not contemplated that this Agreement binds District to lay any water or sewer lines on Staffordboro property but that Staffordboro will connect at its expense with District's systems at Staffordboro's property line or nearby suitable location.

4. This agreement is to be in effect for a period of ten (10) years from and after the date hereof, subject thereafter to re-negotiation between the parties as to any extension thereof.

5. The Ann Moncure Elementary School in Aquia Sanitary District will be served by District for water and for sewage disposal as and when District's systems become operative in the school area.

6. Rates to be paid by Staffordboro or its assigns to District for service hereunder shall be thirty-seven cents per thousand gallons of water as measured by meter to be installed and maintained by District at a suitable location at or near Staffordboro's property line. The rate for sewage treatment will be fourteen cents per thousand gallons and the volume thereof to be based on and to correspond with the amount of water consumed, said rates subject to change as may be required to meet statutory requirements or the terms of bond resolution to be adopted by District.

Said water meter shall be tested on request of Staffordboro or its assigns and the expense of such test shall be born by District if meter proves defective as a result of such test, otherwise the expense of such test shall be born by party requesting it.

7. One of the transactions referred to as occurring simultaneously with this Agreement is the conveyance by Staffordboro to District of tracts containing 73.0787 and 1.9213 acres respectively at a purchase price of \$134,000.00. It is agreed that Seven Thousand Five Hundred Dollars (\$7500.00) of said purchase price will be withheld pending receipt of satisfactory evidence that the sewage facilities according to plans prepared by H. Calvin Burns, registered engineer, dated May 4, 1964 consisting of nine sheets, filed with the State Water Pollution Control Board as amended thereafter, have been completed to the satisfaction of said Water Pollution Control Board and the Virginia State Board of Health. This balance of said purchase price will be payable promptly upon such completion and approvals.

IN WITNESS WHEREOF the Board of Supervisors of Stafford County, acting for and on behalf of Aquia Sanitary District, has caused its name to be signed hereto by Gordon Byram, Chairman of said Board, and the execution of this Agreement attested by E. ^H Cann, Executive Secretary, both thereunto

duly authorized and the said parties of the first part have
hereunto affixed their signature.

BOARD OF SUPERVISORS OF STAFFORD COUNTY

BY Robert M. Bryan
CHAIRMAN

ATTEST:

Edward H. [Signature]
Executive Secretary

STAFFORDHORO ENTERPRISES

BY [Signature]
Partner

BY [Signature]
Partner

BY [Signature]
Partner

CHANGE ROLL

RESUME OF: B. Calvin Burns
P. O. Drawer AA
Woodbridge, Virginia 22191

BORN: August 2, 1928
Nashville, Tennessee

GRADUATED: Mechanical Engineer from George Washington
University, February 1950, Civil Engineer
from George Washington University, June 1956.

REGISTERED CIVIL ENGINEER IN: Virginia, Maryland, Vermont,
Rhode Island, North Carolina, South Carolina,
Pennsylvania, New York, Georgia, Mississippi,
Indiana, Illinois, New Jersey, Delaware, Maine,
New Hampshire, Florida, Michigan, Tennessee,
West Virginia, Louisiana, California, Arizona,
Massachusetts and Alabama.

REGISTERED LAND SURVEYOR IN: Virginia, Maryland, Rhode
Island and West Virginia.

MEMBER: Professional Engineers in Private Practice,
Virginia Society of Professional Engineers,
Virginia Society of Professional Land Surveyors,
American Congress on Surveying and Mapping,
Tau Kappa Epsilon Fraternity.

SERVED ON: Federal Marine Resources Council, Various
Virginia Legislative Committees, U. S. Army
1945-46-47.

EMPLOYMENT: (1) 1950-52 U. S. Government Bureau of Ordnance
in Aviation Ordnance and Submarine Fire Control
Design.

(2) 1952-Present - Self-employed as Consulting
Engineer and Land Surveyor.

Larger contemporary projects:

Dale City, Prince William County, Virginia
Lake of the Woods, Orange County, Virginia
Ocean Pines, Worcester County, Maryland
Captain's Cove, Accomack County, Virginia
Sleepy Hollow Lake, Athens, New York

(3) Developer:

Staffordboro Mobile Homes
Staffordboro Townhouses
Nob Hill Subdivision
Forest Park Mobile Homes
Forest Grove Subdivision
Captain's Cove Subdivision
Fredericksburg Industrial Park
Augusta Farms

STAFFORD WATER CORPORATION
PRO FORMA SOURCE AND APPLICATION OF FUNDS
SIX AND ONE-HALF MONTHS ENDED DECEMBER 31, 1978
AND THE TOTAL YEAR 1979

	Six and 1/2 Months Ending <u>12/31/78</u>	For the Year Ending <u>12/31/79</u>
<u>OPERATING REVENUE</u>	\$ 38,142.98	\$ 70,417.80
<u>COST OF PURCHASING WATER</u>	(10,845.90)	(20,023.20)
<u>OPERATING EXPENSE</u> (Includes operation and maintenance, estimated misc. taxes except Federal, customer accounting expense.)	(5,244.25)	(9,681.71)
<u>INTEREST ON LONG-TERM DEBT</u>	(8,085.65)	(14,121.98)
<u>RESERVE FOR DEPRECIATION</u>	(2,278.48)	(4,206.43)
<hr/>		
<u>NET OPERATING PROFIT</u>	<u>11,688.70</u>	<u>22,384.48</u>
<u>ADD BACK NON-CASH DEPRECIATION</u>	2,278.48	4,206.43
<u>TAP FEE INCOME</u>	153,450.00	-0-
<u>SHORT-TERM DEBT PAYMENT</u>	(153,450.00)	-0-
<u>LONG-TERM PRINCIPAL CURTAILMENT</u>	(6,858.05)	(13,466.38)
<hr/>		
<u>NET INCREASE (DECREASE) TO FUNDS</u>	7,109.13	13,124.53

STAFFORD WATER CORPORATION
PRO FORMA FINANCIALS

(1)
Opening Entry - June 15, 1978

Dr. Plant and Equipment	\$ 140,214.00	
Dr. Tap Fees	153,450.00	
Dr. Other Assets	49,275.00	
Dr. Cash	300.00	
Cr. Short-Term Debt		\$ 153,450.00
Cr. Long-Term Debt		189,489.00
Cr. Capital Stock		300.00

To record the initial capitalization and purchase of utility plant assets from Staffordboro Enterprises as of June 15, 1978.

(2)

Dr. Cash	13,967.00	
Cr. Reserve for Depreciation		2,278.00
Cr. Operating Income		11,689.00
Dr. Cash	153,450.00	
Cr. Tap Fees Income		153,450.00
Dr. Short-Term Debt	153,450.00	
Cr. Cash		153,450.00

To reflect changes to balance sheet resulting from operations profit: receipt of tap fees and payment of short-term debt, June 15, 1978 thru December 31, 1978.

(3)

Dr. Long-Term Debt	6,858.00	
Cr. Cash		6,858.00

To reflect principal curtailment June 15, 1978 thru December 31, 1978.

(4)

Dr. Cash	26,590.00	
Cr. Accumulated Depreciation Reserve		4,206.00
Cr. Operating Income		22,384.00

To reflect changes in the balance sheet resulting from operations January 1, 1979 thru December 31, 1979.

(5)

Dr. Long-Term Debt	13,466.00	
Cr. Cash		13,466.00

To reflect long-term debt curtailment for the year 1979.

STAFFORD WATER CORPORATION
PRO FORMA BALANCE SHEET
JUNE 15, 1978 to DECEMBER 31, 1979

	Beginning Balance 6/15/78	Pro Forma Activity		Balance 12/31/78
		Dr.	Cr.	
<u>ASSETS</u>				
Plant and Equipment	\$140,214.00(1)	\$		\$ 140,214.00
Less Depreciation Reserve	<u>-0-</u>		2,278.00(2)	<u>(2,278.00)</u>
Net Plant	140,214.00			137,936.00
Current Assets:				
Cash	500.00(1)	153,450.00(2)	153,450.00(2)	7,409.00
		13,967.00(2)	6,858.00(3)	
A/R Tap Fees	153,450.00(1)		153,450.00(2)	-0-
Other Assets	<u>49,275.00(1)</u>			<u>49,275.00</u>
	<u>203,025.00</u>			<u>56,684.00</u>
Total Assets	343,239.00			194,620.00
<u>LIABILITIES AND OTHER CREDITS</u>				
Stockholders' Equity:				
Capital Stock	300.00(1)			300.00
Earned Surplus	<u>-0-</u>		11,689.00(2)	<u>11,689.00</u>
Total Stockholders' Equity	300.00			
Short-Term Debt	153,450.00(1)	153,450.00(2)		
Long-Term Debt at 8% for 10 years	<u>189,489.00(1)</u>	<u>6,858.00(3)</u>		<u>182,631.00</u>
Total Liabilities and Other Credits	\$343,239.00	\$ 327,725.00	\$ 327,725.00	\$ 194,620.00

Pro Forma Activity		Balance 12/31/79
Dr.	Cr.	
\$	\$	\$140,214.00
	4,206.00 (4)	(6,484.00)
		133,730.00
26,590.00 (4)	13,466.00 (5)	20,533.00
		49,275.00
		69,808.00
		203,538.00
	22,384.00 (4)	300.00
		34,073.00
<u>13,466.00 (5)</u>		<u>169,165.00</u>
\$ 40,056.00	\$ 40,056.00	\$ 203,538.00

STAFFORD WATER CORPORATION

TOTAL PLANT

2	Wells
2	Pumps
1	Pump House
1	50,000 Gallon Standpipe
1	Pump House Meter
67	3/4" Meters
67	Town House Service
256	Mobile Home Services
4	Fire Hydrants
405	Lin. ft. 2" pvc pipe
5945	Lin. ft. 4" pvc pipe
4609	Lin. ft. 6" c. a. pipe
2900	Lin. ft. 8" c. a. pipe

EXHIBIT "D" - PLAT
(SEE ATTACHED PACKET)

EXHIBIT "E" - PLAT
(SEE ATTACHED PACKET)

STAFFORD WATER CORPORATION

STAFFORD COUNTY, VIRGINIA

RATES, RULES AND REGULATIONS

for

Water Service in the
Territory Served by the Company
Stafford County, Virginia

ISSUED: June 15, 1978

EFFECTIVE:

STAFFORD WATER CORPORATION

By:


B. CALVIN BURNS, President

SCHEDULE NO. 1

WATER RATES

Applicable in all territory served by the Company.

AVAILABILITY OF SERVICE:

Available to all metered customers other than customers purchasing water for resale.

WATER RATE:

	<u>Gallons Per Month</u>	<u>Rate per 1,000 Gallons</u>
For the first	5,000	4.25
	5,000 to 10,000	4.05
	10,000 to 20,000	3.95
	20,000 to 50,000	3.90
	50,000 to 100,000	3.85
For all over	100,000	3.80

MINIMUM CHARGES:

There shall be a monthly minimum charge of \$21.25 per month for water, and no bill will be rendered for less than the minimum charges. All bills for water and sewer service will be rendered quarterly.

RULES AND REGULATIONS

The Rules and Regulations as herein set forth, or as they may hereafter be altered or amended, shall govern the rendering of water service, including the extension of mains and the making of connections thereto, and every customer upon signing an application for any service rendered by the Company, or upon the taking of water service shall be bound thereby.

RULE NO. 1 - DEFINITIONS:

- (a) A "water service connection" is the water service line service line, meter and meter equipment connection the Company's water main or lateral to a customers premises.
- (b) "Premises" as used herein shall mean the lot or parcel of land upon which is situated a single family dwelling or a single commercial establishment.
- (c) "Customer" as used herein is any party who has applied for and is receiving water service at a premises.
- (d) "Company" as used herein is Stafford Water Corporation.

RULE NO. 2 - AVAILABILITY:

As soon as water service is reasonably available to a parcel of real estate the owner of which is obligated by contract or deed restriction to pay a water service availability fee, the owner shall pay a water service availability fee to the Company of \$5.00 per month for each parcel (as determined by the recorded subdivision plat) until water service is purchased in fact. Water service shall be deemed to be available from the dates mains operating or ready for operation are located adjacent to or in the immediate vicinity of a premises, whether or not any connection has been made.

RULE NO. 3 - SERVICE CONNECTIONS:

- (a) Before a water service connection is provided, the owner of the premises to be supplied, or his duly authorized representative, shall make application for water service upon forms prescribed by the Company. Upon approval of the application, the Company will install the service connection from the main in the street to the meter box, and will charge a connection fee as follows:

Water Tap On Charges

There shall be a water tap on charge, payable at the time application is made for connection to the water distribution system, as shown below.

<u>Description</u>	<u>Per Unit</u>
Townhouse Individual Dwelling Unit	\$ 750.00
Trailer Parks & Courts	\$1,200.00 First Unit \$ 400.00 For each additional unit

Where the above schedule of tap on charges is not applicable to an application for water service, the proposed service shall be investigated by the Company and a fair and equitable charge established by the Board of Directors and approved by the Virginia State Corporation Commission.

RULE NO. 3 - Continued:

- (c) The Company will maintain and replace all water service connections from the main in the street to the meter box.
- (d) The Company will make all connections to its mains and will specify the size, kind and quality of all materials entering into the service connection.
- (e) The corporation cock, meter cock, meter box and service pipe from the water main to the meter at the lot line of premises to be served will be furnished and installed by and shall remain the property of the Company and under its sole jurisdiction.

RULE NO. 4 - CUSTOMER'S SERVICE PIPES:

- (a) The Company will specify the size, kind and quality of the materials which shall be laid between the meter cock or lot line and the structures on the premises to be supplied.
- (b) The water service pipe from the meter cock to the place of consumption shall be furnished and installed by the customer at his expense and risk.
- (c) The customer's service pipes and all connections and fixtures attached thereto shall be subject to the inspection and approval of the Company before the water will be turned on.

- (d) The customer's service pipes shall be laid at all points at least three feet below the surface of the ground and shall be installed in trenches at least two feet in a horizontal direction from any other trench wherein are laid gas pipe, service pipe, or other facilities, public or private, unless otherwise specifically authorized or approved by the Company. In back-filling the trench, rock or ashes shall not be permitted within one foot of a service pipe and clean soil shall be filled in to a depth of at least one foot over a service pipe. In the event any governmental authority shall require more stringent standards they shall apply.
- (e) No fixtures shall be attached to or any branch made in a service pipe between the meter and the street mains.
- (f) Any repairs, maintenance, replacement or relocation necessary on the customer's water service pipe or fixtures in or upon the customer's premises shall be performed by the customer at his expense and risk in a manner approved by the Company.

RULE NO. 5 - CROSS-CONNECTIONS AND BACK SIPHONAGE:

- (a) No pipe or fixtures connected with the mains of the Company shall also be connected with pipes or fixtures supplied with water from any other source.
- (b) Piping systems supplying swimming pools or tanks shall be so arranged as to prevent water from re-entering the water distribution system by siphonage or other means. An independent supply pipe shall be provided in such a way that its discharge end is at least eight inches above the highest possible water level in such a swimming pool or tank. These installations shall in each case be approved by the Company.
- (c) The plumbing on all premises supplied from the Company's water system shall conform to the Commonwealth of Virginia Sanitary Code, and any Sanitary Code of Stafford County which may be applicable.

RULE NO. 6 - METERS AND METER INSTALLATIONS:

- (a) The Company shall determine the type and size of meter to be installed.

- (b) Meters will be furnished, installed and removed by the Company and shall remain its property.
- (c) Each premises shall be supplied through a separate meter.
- (d) Meters will be maintained by the Company at its expense insofar as ordinary wear is concerned, but damage to any meter due to causes arising out of or caused by the customer's negligence or carelessness shall be paid for by the customer.
- (e) The customer shall promptly notify the Company of any defect in or damage to the meter or its connection.

RULE NO. 7 - METER TESTS AND TEST FEES:

- (a) All meters are accurately tested before installation. Meters are also periodically tested in accordance with State Corporation Commission's Regulations. The Company may at any time remove any meter for routine tests, repairs or replacement.
- (b) The Company shall upon request of a customer, and if he so desires in his presence or that of his authorized representative, make without charge a test of the accuracy of the meter in use at his premises, provided that the meter has not been tested by the Company or by the State Corporation Commission within the period of one year previous to such request, and that the customer will agree to abide by the results of such test in the adjustment of disputed charges. A written report of the results of the test shall be furnished the customer.
- (c) Whenever a test of a meter reveals it to have an average error of more than five (5) per cent, for any given six (6) month period the Company shall bill or refund to the customer, as the case may be, such percentage of the amount of bills, covering the consumption indicated by the meter for the previous six months, as the meter was found to be in error at the time of test, unless it can be shown from the records of either party that the error found has existed for a greater or lesser period, in which case the adjustment shall cover such actual period.

RULE NO. 8 - CUSTOMERS' DEPOSITS:

- (a) The Company may at any time require of any customer a

cash deposit or other suitable guarantee to secure the performance by the customer of the terms and conditions of the company under which water or sewage service is supplied. The amount of the deposit shall be determined in the following manner:

An amount equal to the estimated bill for one regular billing period.

In no case, however, shall the deposit be less than Twenty Dollars.

- (b) The deposit will be refunded after final settlement, of the customer's account and simple interest on the deposit will be paid at that time at the rate of Six (6) per cent per annum annually from the date of the deposit receipt to the date the customer discontinues the use of water service. Payment of the interest shall be made annually on demand or, at the option of the Company, credited on the customer's next following statement.
- (c) Whenever the Company may deem the customer's credit satisfactorily established it may notify the customer in writing that the deposit is refundable and interest on such deposit shall cease from the date of such notice.

RULE NO. 9 - DISCONTINUANCE OF WATER SERVICE:

- (a) Water service may be discontinued by the Company after five (5) days' written notice for any of the following reasons:
 - 1. For willful or indifferent waste of water due to any cause after due notice by the Company.
 - 2. For failure to protect and maintain the service pipe or fixtures on the property of the customer in a condition satisfactory to the Company.
 - 3. For molesting or tampering by the customer, or others with the knowledge of the customer, with any meters, connection, service pipe, meter cock, seal, or any other appliance of the Company controlling or regulating the customer's water supply.
 - 4. For failure to provide the Company's employees free and reasonable access to the premises supplied, or for obstructing the way of ingress to the meter or other appliances controlling or regulating the customer's water supply.

5. For non-payment of any account for water supplied, for water service, or for any fee or charge accruing under these Rules and Regulations and the effective Schedule of Rates.
 6. Non-payment to Stafford Service Corporation and/or violation of its rules and regulations.
 7. For violation of any rule or regulation of the Company.
 8. In the event of any discontinuance of service the Company shall give to the customer 5 days notice and the customer shall be entitled within the notice period to a hearing before the Board of Directors of the Company as to any matters relevant to the Company's decision to terminate service. Failure to request a hearing in writing by the customer within the 5 day period shall be deemed to be a waiver of any right to hearing.
- (b) Discontinuing the supply of water service to a premises for any reason shall not prevent the Company from pursuing any lawful remedy by action at law or otherwise for the collection of moneys due from the customer.
- (c) When water service to a customer has been terminated for any of the above stated reasons, other than temporary vacancy of the premises, it will be renewed only after the conditions, circumstances or practices which caused the water service to be discontinued are corrected to the satisfaction of the Company, and upon payment of all charges due and payable by the customer in accordance with these Rules and Regulations and the effective Schedule of Rates.

RULE NO. 10 - TURN-ON CHARGE:

- (a) When it has been necessary to discontinue water service to any premises because of a violation of these Rules and Regulations, or because of non-payment of any bill, a charge of Ten Dollars (\$10.00) may be made for turning on the water or providing sewage service. This charge, together with any arrears that may be due the Company for charges against the customer, must be paid before the water or sewage service will be resumed. Company shall not be required to restore service except during normal business hours.
- (b) If at the time of such discontinuance of service for non-payment of bill, the customer does not have a deposit with the Company, the Company may require a deposit as a guarantee of the payment of future bills, as set forth in Rule No. 8, before service will be resumed.

- (c) If sewage service has also been terminated by the Stafford Service Corporation water service will not be turned on until such time as the customer qualifies for a resumption of sewage service by the Stafford Service Corporation.

RULE NO. 11 - BILLS FOR WATER AND SEWAGE SERVICE:

- (a) Customers are responsible for furnishing the Company with their correct address. Failure to receive bills will not be considered an excuse for non-payment nor permit an extension of the date when the account will be considered delinquent.
- (b) If bills are to be sent to an address other than the premises served, the Company should be notified in writing by the customer of any change of address. In all cases the occupant of the premises shall be responsible for the bill and bound by these rules and regulations.
- (c) If requested in writing by the customer, the Company will send bills to and will receive payments from agents or tenants. However, this accommodation will in no way relieve the customer of the liability for all charges, and the Company shall not be obligated to notify the customer of the non-payment of bills by such agents or tenants.
- (d) Payments shall be made at the office of the Company or at such other places conveniently located as may be designated by the Company.
- (e) The Company reserves the right to correct any bills endorsed in error as to the service supplied.
- (f) Each "Premises" as described in Rule No. 1 shall be billed separately for service.
- (g) If the meter should fail to register for any reason, or if the meter reader should be unable to gain admittance to the premises at the time the meter is due to be read, an estimated bill will be submitted. Such bill shall be based on an average of the consumption shown by three (3) previous consecutive billing periods, or, in the case of a new customer, where previous consumption cannot be so used for computing average consumption, reasonable estimated consumption shall be utilized.
- (h) Bills for availability fees or service shall be rendered monthly, quarterly or semi-annually in arrears.

RULE NO. 12 - TERMS OF PAYMENT:

- (a) Bills for service shall be due and payable when rendered and interest at the rate of 8% per annum shall begin accruing 30 days thereafter at the option of the Company.
- (b) If a bill is not paid within five (5) days after written notice properly given by the Company to the customer of record, service may be discontinued and the meter and service equipment removed by the Company, and the deposit, if any, may be applied against such bill and any other arrears due by the customer.

RULE NO. 13 - ABATEMENTS AND REFUNDS:

There shall be no abatement of the minimum rates in whole or in part, by reason of the extended absence of the customer, and no abatement shall be made for leaks or for water wasted by improper or damaged service pipes or fixtures belonging to the customer.

RULE NO. 14 - PRESSURE AND CONTINUITY OF SUPPLY:

- (a) The Company does not guarantee a sufficient or uniform pressure, or an uninterrupted supply of water, and customers are cautioned to provide sufficient storage of water where an absolutely uninterrupted supply must be assured, such as for steam boilers, domestic hot water systems, gas engines, etc.
- (b) In high level sections where pressure is low the customer shall, if he desires a higher pressure than that furnished at the mains of the Company, install at his own expense a tank and/or booster pump, of a type and installation approved by the Company.
- (c) Where the pressure to a customer's premises is greater than he wishes, it shall be his responsibility to install the proper regulating device to reduce the pressure to the extent desired.

RULE NO. 15 - INTERRUPTIONS IN WATER SUPPLY:

- (a) The Company may at any time shut off the water in the mains in case of accident, or for the purpose of making connections, alterations, repairs, changes, or for other reasons, as may restrict the use of water to reserve a sufficient supply for public fire service or other emergencies whenever the public welfare may require it.
- (b) While it is the intention of the Company to give notice in advance of any work which must be done that will

necessitate any interruption of this supply, such notice is to be considered an accomodation and not a requirement on the part of the Company. Property owners must so regulate their installations connected with the water supply system that damage will not occur if water is shut off without notice.

- (c) The Company will undertake to use reasonable care and diligence in order to prevent and avoid interruptions and fluctuations in the service, but it cannot and does not guarantee that such will not occur.

RULE NO. 16 - GENERAL:

- (a) The service pipe, meters and fixtures on the customer's premises shall be accessible to the Company for observation or inspection at reasonable hours.
- (b) The Company shall have the right to require easements from customers for the installation of meters and electrical connections, and the Company may condition the rendering or continuance of service on proper granting of such easements as the Company may reasonably request.
- (c) No person shall turn the water on or off at any street valve corporation cock, meter cock or other connection, or disconnect or remove any meter or disturb any connection pipe or service line without the consent of the Company. Penalties provided by law for any such unauthorized action will be rigidly enforced.
- (d) No employee or agent of the Company shall have the right or authority to bind it by any promise, agreement or representation contrary to the letter or intent of these Rules and Regulations.
- (e) Any complaint against the service or employees of the Company must be made at the office of the Company in writing.

RULE NO. 17 - EXTENSION OF MAINS:

The Company will extend its water distribution systems to supply consumer, where application for service has been made, under the following terms and conditions:

- (a) Where the cost of the extension does not exceed three and one-half times the estimated normal annual consumption revenue from bona fide applicants whose service pipes will be directly connected to the extension

and from whom the Company has received applications for service upon forms provided by the Company for this purpose, the Company will install, at its own cost and expense, the necessary extension.

- (b) Where the cost of making an extension exceeds three and one-half times the estimated normal annual revenue, the applicant or applicants shall deposit with the Company the excess cost of the extension, that is, the difference between the estimated cost of the extension and three and one-half times the estimated normal annual revenue from the applicant or applicants and other persons whose applications are received on or before the work of making the extension has begun.
- (c) Any deposit so made shall remain without interest, in the possession of the Company, subject to refunds as follows: After the completion of the extension when and as additional bona fide consumers are secured whose service lines are directly connected to such extension, the Company will refund to the original depositor or depositors an amount equal to three and one-half times the estimated annual normal revenue from such additional consumers. Refunds will be made for a period of ten years only from date of original deposit, and the total of such refunds will in no event exceed the amount of the original deposit. All or any part of the deposit not refunded within said ten year period shall remain the property of the Company.
- (d) The ownership of the extensions installed under this rule shall at all times be in the Company, its successors and assigns.
- (e) Where the main or extension is to be installed in a private street, the owner thereof shall provide, free of cost to the Company, an easement and a free, unobstructed and uninterrupted right-of-way for the installation, maintenance and extension of the main in such private street, and shall, if requested by the Company, place on public record a facsimile plat showing the location on such street.
- (f) The Company reserves the right to determine the size of the pipe necessary in making such extension.

COMMONWEALTH OF VIRGINIA



SHANFOLTZ, M. D.
JMM:BRICNER

DEPARTMENT OF HEALTH
RICHMOND, VA. 23219

PERMIT NO. 1572, STAFFORDBORO
STAFFORD COUNTY

To Operate a Water Works System

In accordance with the provisions of Title 62, Chapter 3, Section 62-50,
Code of Virginia,

PERMISSION IS HEREBY GRANTED

Stafford Water Corporation to operate Well #1 in Staffordsboro, Stafford County, Virginia. The well and stand tank lots are shown on plat prepared by B. Calvin Burns, Certified Land Surveyor and recorded in Plat Book #3, Page 106 in the Clerk's Office of the Circuit Court of Stafford County, Virginia.

Well #1 is 6 inches in diameter, 210 feet deep, cased and grouted to a depth of 80 feet. A submersible type pump operated by a 2½ H.P. electric motor and having a rated capacity of 85 gpm is set at 200 feet. The discharge piping and valves are so arranged that water may either be pumped to the 50,700 gallon stand tank or directly into the system. The distribution system is made up of 8, 6, and 4-inch mains.

Recommended

E. C. Meredith
Director, Division of Engineering

Approved

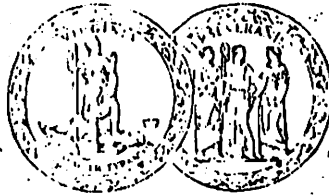
Mark I. Shanley
State Health Commissioner

5 May 1967

NOTE: The body of this letter was retyped
by the Appellants exactly as the original.
The original document could not be duplicated.

Stafford County
COMMONWEALTH OF VIRGINIA

(46)



DEPARTMENT OF HEALTH
RICHMOND, VA. 23219

SUBJECT: STAFFORD COUNTY
Water - Staffordboro

May 3, 1967

Mr. B. Calvin Burns
Consulting Engineer
P. O. Box 254
Woodbridge, Virginia

Dear Mr. Burns:

I am enclosing Permit No. 1572 covering operation of the Staffordboro well and water supply system operated by the Stafford Water Corporation.

Very truly yours,

Norman Phillips, Jr.
Norman Phillips, Jr., Director
Bureau of Sanitary Engineering

Enclosure

CC: Stafford County Health Department

NOTE: The body of this letter was retyped
by the Appellants exactly as the original.
The original document could not be duplicated.

Staffordboro

#37

COMMONWEALTH OF VIRGINIA



MACK I. SHANHOLTZ, M. D.
COMMISSIONER

DEPARTMENT OF HEALTH
RICHMOND, VA. 23219

SUBJECT: STAFFORD COUNTY
Water - Aquia Sanitary District
Staffordboro Townhouses

19 July 1971

Prince William Engineering Company
P. O. Box 254
Woodbridge, Virginia 22191

Attention: Mr. Wayne Stanton

Gentlemen:

We have reviewed final plans and specifications for a water distribution system to serve Sections 3 through 9 of the Staffordboro Townhouses in Stafford County. The proposed distribution system will serve 930 units.

This is to advise that the proposed water line extension has been approved by this Department. Since this proposal is only a line extension no permit will be issued.

Very truly yours,

Norman Phillips Jr.
Norman Phillips, Jr., P.E., Director
Bureau of Sanitary Engineering

cc: Mr. W. Hansford Abel

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 6, 1978

APPLICATION OF

STAFFORD SERVICE CORP.

CASE NO. 20052

For a Certificate of Public
Convenience and Necessity
for sewage service

ON JUNE 21, 1978, Stafford Service Corp. (hereinafter referred to as "Company") filed an application with this Commission for a Certificate of Public Convenience and Necessity to provide sewage service in an area within Stafford County, Virginia. Said application includes Rates, Rules and Regulations which bear no effective date.

By order dated October 4, 1978, the Commission assigned this matter a Case Number and continued it until further order.

AND THE COMMISSION, having considered the application, is of the opinion that a public hearing should be set and that members of the Commission's Staff responsible for such matters should study the application, including the proposed Rates, Rules and Regulations and report their findings and recommendations at the public hearing; accordingly,

IT IS ORDERED:

(1) That the members of the Commission's Staff responsible for such matters undertake a study of Company's application for a Certificate of Public Convenience and Necessity, and the proposed Rates, Rules and Regulations, and report their findings to the Commission at the public hearing set herein;

(2) That a public hearing be held at 10:00 a.m., January 31, 1979, in the Commission's 13th Floor Courtroom, Blanton Building;

(3) That, on or before December 11, 1978, Company file ten (10) copies of the prepared testimony and exhibits of each witness it intends to present at the January 31 hearing and make a copy available for public inspection during regular business hours at the Company office (which is also that of Prince William Engineering Company), 13621 Jefferson Davis Highway, Woodbridge, Virginia;

(4) That Company send copies of the prepared testimony and exhibits to any party filing a Notice of Protest;

(5) That, on or before December 22, 1978, all persons who expect to submit evidence, cross-examine witnesses or otherwise participate in the January 31 hearing as protestants under Rule 4:6 of Commission's Rules of Practice and Procedure, file a Notice of Protest as provided by Rule 5:16(a);

(6) That, on or before January 15, 1979, the Commission's Staff and all persons previously filing Notices of Protest, file with the Clerk of the Commission ten (10) copies of the prepared testimony and exhibits of each witness said parties expect to present at the January 31 hearing and simultaneously serve a copy upon Company and upon all other protestants (service upon Company should be addressed to Richard R. Nageotte, Esquire, 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191);

(7) That, not later than the filing of their prepared testimony and exhibits, all protestants file copies of their

Protests as required by Commission's Rule 5:16(b) and simultaneously serve a copy upon Company and upon all other protestants;

(8) That, forthwith, Company give notice of the hearing to all customers Company presently serves within the territory covered by this application, by sending such customers a copy of the following notice by first class mail, postage prepaid:

NOTICE TO PERSONS SERVED BY STAFFORD SERVICE CORP.
OF ITS APPLICATION FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY AND THE APPROVAL OF RATES

Notice is hereby given that on June 21, 1978, Stafford Service Corp. (hereinafter referred to as "Company") applied to the Virginia State Corporation Commission for a Certificate of Public Convenience and Necessity to provide sewage service in an area previously uncertificated in Stafford County.

Included in the application are proposed Rates, Rules and Regulations pertaining to Company's water service. The proposed rates for service are as follows:

Available to all metered water customers other than customers purchasing sewer for resale.

SEWAGE RATE:

The monthly sewage service charge shall be 106% of the charge for water as established by Stafford Water Corporation for commercial and residential customers with a minimum of \$22.55 per month.

MINIMUM CHARGES:

There shall be a monthly minimum charge of \$22.55 per month for sewage service, and no bill will be rendered for less than the minimum charges. All bills for sewer service will be rendered quarterly.

SEWAGE TAP ON CHARGE:

There shall be a sewer tap on charge, payable at the time application is made for connection to the sewage system as follows:

<u>Description</u>	<u>Amount</u>
Townhouse (individual Dwelling Unit)	\$ 800.00
Trailer Park	\$1,200.00 for first connection & \$ 400.00 for each connection thereafter

The Commission has scheduled a public hearing at 10:00 a.m., January 31, 1979, in the Commission's 13th Floor Courtroom, Blanton Building, Bank and Governor Streets, Richmond, Virginia.

Any interested persons (public witnesses) who wish to make a statement in their own behalf at the January 31 hearing, for or against the proposed certificate or rates, should appear at the Commission's 13th Floor Courtroom at 9:45 a.m. on that day. Persons intending to appear at the hearing should notify the Commission Clerk in writing of their intention to make a statement, so that a schedule of speakers might be prepared.

On or before December 11, 1978, Company will file with the Clerk of the Commission copies of prepared testimony and exhibits it intends to present in support of its proposed certificate and rates. A copy of the testimony and exhibits will be available for review after December 11, 1978, during regular business hours at the Company office located at 13621 Jefferson Davis Highway, Woodbridge, Virginia or in the Commission Clerk's Office, Blanton Building.

On or before December 22, 1978, all persons who intend to submit evidence at the January 31 hearing as protestants, to cross-examine Company witnesses, must file a Notice of Protest in conformity with the Commission's Rules of Practice and Procedure. Service upon Company should be directed to Richard R. Nageotte, 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191.

On or before January 15, 1979, all parties who have filed a Notice of Protest must file with the Clerk of the Commission ten (10) copies of the prepared testimony and exhibits such parties intend to submit as evidence at the January 31 public hearing, and must serve a copy upon Company and all other protestants. No later than the date on which such testimony is filed, protestants must file copies of their Protest with the Clerk of the Commission, as required by Commission Rules.

All written communications to the Commission regarding this matter should be addressed to William C. Young, Clerk, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23209.

STAFFORD SERVICE CORP.

(9) That Company furnish the Commission at the commencement of the January 31 hearing with a certificate of mailing by which Company certifies that it has mailed the above notice as prescribed herein, and the date of such mailing;

(10) That a copy of this order, together with a copy of the application and proposed tariff schedules be served forthwith by Company on the Commonwealth's Attorney and the Chairman of the Board of Supervisors of each county (or equivalent officials in counties having alternate forms of government) covered by the proposed certificate, and on the Mayor or Manager and the Attorney of every city and town (or on equivalent officials in towns and cities having alternate forms of government) covered by the proposed certificate. Service shall be made by personal delivery to the customary place of business of the person served, or to his residence, or shall be sent by certified mail, return receipt requested;

(11) That proof of the service required herein be furnished the Commission at the commencement of the January 31 public hearing.

AN ATTESTED COPY hereof shall be sent to Richard R. Nageotte, Esquire 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191; Donald G. Owens, Esquire, Assistant Attorney General, Shockoe Center, 11th S. 12th Street, Richmond, Virginia 23219; and an attested copy shall be delivered to the Commission's Divisions of Energy Regulation, Accounting and Finance, and Economic Research and Development.

A True Copy

Teste:

A handwritten signature in cursive script, reading "William C. Young".

Clerk of State Corporation Commission

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 6, 1978

APPLICATION OF

STAFFORD WATER CORP.

CASE NO. 20051

For a Certificate of Public
Convenience and Necessity
for water service

ON JUNE 21, 1978, Stafford Water Corp. (hereinafter referred to as "Company") filed an application with this Commission for a Certificate of Public Convenience and Necessity to provide water service in an area within Stafford County, Virginia. Said application includes Rates, Rules and Regulations which bear no effective date.

By order dated October 4, 1978, the Commission assigned this matter a Case Number and continued it until further order.

AND THE COMMISSION, having considered the application, is of the opinion that a public hearing should be set and that members of the Commission's Staff responsible for such matters should study the application, including the proposed Rates, Rules and Regulations and report their findings and recommendations at the public hearing; accordingly,

IT IS ORDERED:

(1) That the members of the Commission's Staff responsible for such matters undertake a study of Company's application for a Certificate of Public Convenience and Necessity, and the proposed Rates, Rules and Regulations, and report their findings to the Commission at the public hearing set herein;

(2) That a public hearing be held at 10:00 a.m., January 31, 1979, in the Commission's 13th Floor Courtroom, Blanton Building;

(3) That, on or before December 11, 1978, Company file ten (10) copies of the prepared testimony and exhibits of each witness it intends to present at the January 31 hearing and make a copy available for public inspection during regular business hours at the Company office (which is also that of Prince William Engineering Company), 13621 Jefferson Davis Highway, Woodbridge, Virginia;

(4) That Company send copies of the prepared testimony and exhibits to any party filing a Notice of Protest;

(5) That, on or before December 22, 1978, all persons who expect to submit evidence, cross-examine witnesses or otherwise participate in the January 31 hearing as protestants under Rule 4:6 of Commission's Rules of Practice and Procedure, file a Notice of Protest as provided by Rule 5:16(a);

(6) That, on or before January 15, 1979, the Commission's Staff and all persons previously filing Notices of Protest, file with the Clerk of the Commission ten (10) copies of the prepared testimony and exhibits of each witness said parties expect to present at the January 31 hearing and simultaneously serve a copy upon Company and upon all other protestants (service upon Company should be addressed to Richard R. Nageotte, Esquire, 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191);

(7) That, not later than the filing of their prepared testimony and exhibits, all protestants file copies of their Protests as required by Commission's Rule 5:16(b) and simultaneously serve a copy upon Company and upon all other protestants;

(8) That, forthwith, Company give notice of the hearing to all customers Company presently serves within the territory covered by this application, by sending such customers a copy of the following notice by first class mail, postage prepaid:

NOTICE TO PERSONS SERVED BY STAFFORD WATER CORP.
OF ITS APPLICATION FOR A CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY AND THE APPROVAL OF RATES

Notice is hereby given that on June 21, 1978, Stafford Water Corp. (hereinafter referred to as "Company") applied to the Virginia State Corporation Commission for a Certificate of Public Convenience and Necessity to provide water service in an area previously uncertificated in Stafford County.

Included in the application are proposed Rates, Rules and Regulations pertaining to Company's water service. The proposed rates for service are as follows:

WATER RATE:

Available to all metered customers other than customers purchasing water for resale.

	<u>Gallons Per Month</u>	<u>Rate per 1,000 Gallons</u>
For the first	5,000	4.25
	5,000 to 10,000	4.05
	10,000 to 20,000	3.95
	20,000 to 50,000	3.90
	50,000 to 100,000	3.85
For all over	100,000	3.80

MINIMUM CHARGES:

There shall be a monthly minimum charge of \$21.25 per month for water, and no bill will be rendered for less than the minimum charges.

WATER TAP ON CHARGES:

<u>Description</u>	<u>Per Unit</u>
Townhouse Individual Dwelling Unit	\$ 750.00
Trailer Parks & Courts	\$1,200.00 First Unit \$ 400.00 For each additional unit

The Commission has scheduled a public hearing at 10:00 a.m., January 31, 1979, in the Commission's 13th Floor Courtroom, Blanton Building, Bank and Governor Streets, Richmond, Virginia.

Any interested persons (public witnesses) who wish to make a statement in their own behalf at the January 31 hearing, for or against the proposed certificate or rates, should appear at the Commission's 13th Floor Courtroom at 9:45 a.m. on that day. Persons intending to appear at the hearing should notify the Commission Clerk in writing of their intention to make a statement, so that a schedule of speakers might be prepared.

On or before December 11, 1978, Company will file with the Clerk of the Commission copies of prepared testimony and exhibits it intends to present in support of its proposed certificate and rates. A copy of the testimony and exhibits will be available for review after December 11, 1978, during regular business hours at the Company office located at 13621 Jefferson Davis Highway, Woodbridge, Virginia or in the Commission Clerk's Office, Blanton Building.

On or before December 22, 1978, all persons who intend to submit evidence at the January 31 hearing as protestants, to cross-examine Company witnesses, must file a Notice of Protest in conformity with the Commission's Rules of Practice and Procedure. Service upon Company should be directed to Richard R. Nageotte, 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191.

On or before January 15, 1979, all parties who have filed a Notice of Protest must file with the Clerk of the Commission ten (10) copies of the prepared testimony and exhibits such parties intend to submit as evidence at the January 31 public hearing, and must serve a copy upon Company and all other protestants. No later than the date on which such testimony is filed, protestants must file copies of their Protest with the Clerk of the Commission, as required by Commission Rules.

All written communications to the Commission regarding this matter should be addressed to William C. Young, Clerk, State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23209.

STAFFORD WATER CORP.

(9) That Company furnish the Commission at the commencement of the January 31 hearing with a certificate of mailing by which Company certifies that it has mailed the above notice as prescribed herein, and the date of such mailing;

(10) That a copy of this order, together with a copy of the application and proposed tariff schedules be served forthwith by Company on the Commonwealth's Attorney and the Chairman of the Board of Supervisors of each county (or equivalent officials in counties having alternate forms of government) covered by the proposed certificate, and on the Mayor or Manager and the Attorney of every city and town (or on equivalent officials in towns and cities having alternate forms of government) covered by the proposed certificate. Service shall be made by personal delivery to the customary place of business of the person served, or to his residence, or shall be sent by certified mail, return receipt requested;

(11) That proof of the service required herein be furnished the Commission at the commencement of the January 31 public hearing.

AN ATTESTED COPY hereof shall be sent to Richard R. Nageotte, Esquire 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191; Donald G. Owens, Esquire, Assistant Attorney General, Shockoe Center, 11th S. 12th Street, Richmond, Virginia 23219; and an attested copy shall be delivered to the Commission's Divisions of Energy Regulation, Accounting and Finance, and Economic Research and Development.

A True Copy

Teste:

A handwritten signature in cursive script, reading "William C. Young".

Clerk of State Corporation Commission.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 5, 1979

APPLICATION OF

STAFFORD WATER CORP.

CASE NO. 20051
FINAL ORDER

For a certificate of public
convenience and necessity for
water service

and

APPLICATION OF

STAFFORD SERVICE CORP.

CASE NO. 20052
FINAL ORDER

For a certificate of public
convenience and necessity for
sewerage service

On June 21, 1978, Stafford Water Corp. and Stafford Service Corp. (hereinafter "Companies") filed applications with the Commission for certificates of public convenience and necessity and for the approval of rates. Companies proposed to furnish their respective public utility services within the Aquia Sanitary District, Stafford County, Virginia (hereinafter "County").

On November 6, 1978, the Commission entered an order setting a hearing for 10:00 a.m., January 31, 1979 in the Commission's Courtroom.

On January 23, 1979, the Board of Supervisors of Stafford County, on behalf of the Aquia Sanitary District, moved the Commission to permit the County to enter as a protestant despite its failure to have filed appropriate pleadings as required by earlier order. Upon the requests of Companies

and County, oral arguments were scheduled for 9:30 a.m., January 31, 1979. On that day, County withdrew its motion, stating that it no longer intended to participate formally in the case. The public hearing then proceeded to review evidence related to the subject applications.

NOW, THEREFORE, it appearing to the Commission that Virginia Code §56-265.3 requires that, prior to granting certificates of public convenience and necessity to water and sewerage companies, the Commission find, among other things, that ". . . no other publicly or privately owned system is able to adequately provide service in the said area . . .";

And it further appearing to the Commission upon the evidence received, and it so finds, that the Aquia Sanitary District of Stafford County is ready and able to adequately provide water and sewerage service within the area proposed for certification; accordingly,

IT IS ORDERED that the applications for certificates of public convenience and necessity be, and same are hereby DENIED, and there appearing nothing further to be done in this case, the papers herein shall be passed to the file for ended causes.

AN ATTESTED COPY hereof shall be mailed to Richard R. Nageotte, Esquire, 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191; Patrick D. Molinari, Esquire, 4217 Dale Boulevard, Woodbridge, Virginia 22193; William H. Harris, Esquire, 809 Williams Street, Fredericksburg, Virginia 22401; and to the Commission's Divisions of Energy Regulation and Accounting and Finance.

A True Copy

Teste:

William C. Young

Clerk of State Corporation Commission.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
RICHMOND

AT RICHMOND, JUNE 4, 1979

APPLICATION OF

STAFFORD WATER CORP.

CASE NO. 20051
OPINION

For a certificate of public
convenience and necessity for
water service

and

APPLICATION OF

STAFFORD SERVICE CORP.

CASE NO. 20052
OPINION

For a certificate of public
convenience and necessity for
sewerage service

On June 21, 1978, Stafford Water Corp. and Stafford Service Corp. ("Applicants" or "Companies") filed with the Commission applications for certificates of public convenience and necessity for water service and sewerage service respectively. Attached to their respective applications, Companies filed proposed water service rates, rules and regulations and proposed sewerage service rates, rules and regulations. The two applications were consolidated for purposes of public hearing, which was scheduled by Order dated November 6, 1978. Such hearing was held on January 31, 1979, and the testimony of one witness for the Applicants and two witnesses for the Commission's Staff was received. By Order dated February 5, 1979, both the applications were denied.

Counsel appearances were entered at the hearing as follows: Richard R. Nageotte, Esquire, and Daniel Borinsky, Esquire, for the Applicants; William H. Harris, Esquire, for Stafford County Board of Supervisors and Aquia Sanitary District; Patrick D. Molinari, Esquire, for thirty-five Protestants - homeowners in the Staffordboro Townhouse Complex; and A. Lynn Ivey, III, Esquire, for the Commission.

Opinion, SHANNON, Commissioner.

Staffordboro Enterprises ("Staffordboro") is a partnership¹ and initial developer of the area in Stafford County, Virginia, comprising approximately 400 acres and for which the certificates herein are sought. In 1968, Staffordboro sold part of its development project to another developer, Army-Navy Properties, Inc. The record indicates that after acquiring the development project, Army-Navy Properties, Inc. was declared bankrupt and Staffordboro foreclosed on the conveyed property.²

¹ Mr. B. Calvin Burns and Mrs. Ethel Johnson are the principals in the partnership. Stafford Water Corp. and Stafford Service Corp. were incorporated in Virginia in 1964 by Mr. Burns. Neither corporation has commenced operations.

² Army-Navy Properties, Inc. built the first 21 townhouse units and had commenced construction of the remaining units of the 67 unit complex when the company was declared bankrupt. The record indicates that some townhouse purchasers believe that their contracts with Army-Navy Properties, Inc. included water and sewage connections.

According to the testimony of B. Calvin Burns, of Staffordboro Enterprises, there are 67 townhouses in the development project. Within the proposed certificated area, there also is a trailer park which is owned and operated by Staffordboro.

Both the supply of water and the sewage treatment facilities are provided by Aquia Sanitary District, as are all pipes and pumping equipment - excepting only the distribution lines installed by the developer of the project. According to the record, these distribution lines have at times been maintained by the developer, by the Sanitary District and by the residents themselves.

The development appears to have begun life with the developer assuming the cost of water and sewage disposal provided the residents. Hence, the developer, Staffordboro, has actually been billed by the Sanitary District over the years. It further appears that more recently Staffordboro has been endeavoring to bill the residents of the townhouses and trailer park for the services in question. This has lead to contractual disputes between such residents and Staffordboro over payment for the services. Further disputes exist between the Sanitary District and the developer over the amount of money due the District. The latter disputes are in litigation, and have been for several years.

The contractual relationships and related disputes among the townhouse residents, Staffordboro and Aquia Sanitary District are not matters to be adjudicated by this Commission. The only question concerning us is whether to issue a certificate of public convenience and necessity to Stafford Water Corp., authorizing it to provide water service, and to Stafford Service Corp., authorizing it to provide sewage service. The Commission's authority to issue such certificate is derived from the Utility Facilities Act, Title 56, Chapter 10.1. Va. Code §56-265.3 reads in part:

If the applicant seeks authority to furnish water or sewerage service, he shall file with his application a detailed description of the facilities and services to be provided, together with a detailed estimate of the cost of construction, operation and maintenance thereof; proposed rules, regulations and rates, fees and charges under which service is to be rendered; a statement of his qualifications to engage in such activities; and such other information as the Commission may require.

In such cases involving authority to furnish water or sewerage service, after formal hearing upon such notice to the public as the Commission may prescribe and after ascertaining that (1) there is a public need for the service in the area for which the certificate is sought; (2) no other publicly or privately owned system is able to adequately provide service in the said area; (3) the applicant's proposed facilities will provide proper and adequate service for the area; (4)

the applicant's proposed rules, regulations and rates, fees and charges for the service to be rendered are reasonable; and (5) the applicant has the financial and managerial ability necessary to properly install, maintain and operate the proposed facilities and to render the required service, the Commission may, if it finds such action in the public interest, issue a certificate of convenience and necessity allotting territory for development of the public utility service by the applicant; provided, however, that if the application provides for the furnishing of water or sewerage service within any political subdivision in which there has been created an authority for either or both of such purposes pursuant to §15.1-1239 et seq. of the Code of Virginia, the Commission shall not hold any hearing on such application or issue any certificate for the allotment of territory unless the application shall first have been approved by the governing body of the political subdivision in which the territory is located.

In our judgment, Aquia Sanitary District provides and maintains a publicly owned system which is able to provide both water and sewerage service to the area sought to be certificated. Further, there is affirmative evidence that Aquia Sanitary District is willing and able to continue to provide such service to the area sought to be certificated. Under such conditions, it would be contrary to sound regulation to certificate a private water or sewerage system. The public interest is not served by the creation of a utility in an area where a public system is ready, willing and

able to serve the same prospective customers who, in fact, are presently being served by the public system.

We deem it in the public interest for Aquia Sanitary District to continue to serve the area sought to be certificated, and we leave it to appropriate court action, if necessary, to settle all disputes pertaining to payment for all services rendered by the public system. Its rate schedules and all related matters are beyond the purview of this Commission.

By Final Order dated February 5, 1979, the Applications for Certificate of Public Convenience and Necessity were denied. There appearing nothing further to be done in this proceeding, IT IS ORDERED that a copy of this Opinion be mailed to the following parties and the papers herein shall be filed with ended causes.

BRADSHAW, Chairman, and HARWOOD, Commissioner, concur.

AN ATTESTED COPY hereof shall be mailed to Richard R. Nageotte, Esquire, 14908 Jefferson Davis Highway, Woodbridge, Virginia 22191; Patrick D. Molinari, Esquire, 4217 Dale Boulevard, Woodbridge, Virginia 22193; William H. Harris, Esquire, 809 Williams Street, Fredericksburg, Virginia 22401; and to the Commission's Divisions of Energy Regulation and Accounting and Finance.

A True Copy

Teste:



Clerk of State Corporation Commission.

To: State Corporation Commission
Commonwealth of Virginia
Richmond, Virginia 23219

June 15, 1978

Re: Application for approval of contract with affiliated entity in accordance with Code of Virginia 1950 (as amended) Sec. 56-1 et. seq.--Stafford Service Corp.

Your applicant, Stafford Service Corp. does hereby apply for approval of a transaction with an affiliated entity in accordance with Code of Virginia 1950 (as amended) Sec. 56.1 et. seq. upon the following information:

1. Stafford Service Corp. is a public service corporation organized and existing under and by virtue of the laws of the Commonwealth of Virginia. Its charter was issued by the State Corporation Commission for the State of Virginia on October 12, 1964.
2. Stafford Service Corp. has operated as a "de facto" corporation since the date of its incorporation. While it has had no customers, it has located within its franchise area, Staffordboro Mobile Home Park and 67 townhouse residential dwellings, which will require sewer service from Stafford Service Corp.
3. Stafford Service Corp. has entered into a contract with an affiliated entity, Staffordboro Enterprises, a partnership organized and existing under and by virtue of the laws of the Commonwealth of Virginia. B. Calvin Burns is a two-thirds owner and partner in Staffordboro Enterprises and a two-thirds owner of Stafford Service Corp. Ethel Johnson is a one-third owner in Staffordboro Enterprises and a one-third owner of Stafford Service Corp. The contract proposed between Stafford Enterprises and Stafford Service Corp. would convey from Stafford Enterprises to Stafford Service Corp., all lines, mains and related equipment necessary for the operation of a sewage collection facility within the franchise area of Stafford Service Corp. The conveyance of these facilities and the considerations for said conveyance are as set out in the contract which is the subject of this application, a copy of which is marked Exhibit "A", attached hereto, incorporated herein and made a part hereof.
4. Stafford Service Corp. is a public service corporation organized for the purpose of providing sewer service within territory controlled by the corporation. Accordingly, property transferred to the corporation in exchange for the considerations as set out in the contract attached hereto, incorporated herein and made a part hereof, is necessary and essential for the operation of the corporation of the public service company providing sewer service within property owned by Staffordboro, Stafford County, Virginia.

5. The company has not transacted any substantial business since its formation, but is making application to the Virginia State Corporation Commission for a certificate of convenience and necessity and is submitting therewith a statement of financial condition.

RESPECTFULLY SUBMITTED

STAFFORD SERVICE CORP.

BY: [Signature]
B. CALVIN BURNS, President

The undersigned certifies that he is an officer of Stafford Service Corp. and is familiar with the facts set forth in the above petition and attachments and does certify that such facts are truly stated:

[Signature]
B. CALVIN BURNS, President

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by B. Calvin Burns, President of Stafford Service Corp. on behalf of the corporation.

[Signature]
NOTARY PUBLIC

My commission expires:

12/10/78

The undersigned certify that they are the sole partners of Staffordboro Enterprises, a partnership organized and existing under the laws of the Commonwealth of Virginia, and that they are familiar with the facts set forth in the above petition and attachments, and do certify that such facts are truly stated.

[Signature]
B. CALVIN BURNS, Partner

[Signature]
ETHEL JOHNSON, Partner

By George H. V. Cooper, her attorney in fact

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by B. Calvin Burns, partner, on behalf of Staffordboro Enterprises, a partnership.

[Signature]
NOTARY PUBLIC

My commission expires:

12/16/78

STATE OF VIRGINIA

COUNTY OF Prince William, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by Ethel Johnson, by George H. V. Cooper, her attorney in fact, partner, on behalf of Staffordboro Enterprises, a partnership.

[Signature]
NOTARY PUBLIC

My commission expires:

12/16/78

RICHARD R. NAGEOTTE
ATTORNEY AT LAW, LTD.
RICHARD R. NAGEOTTE
DANIEL H. BORINSKY
ROBERT J. ZELNICK
14908 JEFFERSON DAVIS
HIGHWAY
WOODBIDGE, VIRGINIA
22191

CONTRACT OF SALE

THIS CONTRACT made and entered into this 15th day of June, 1978, by and between B. Calvin Burns and Ethel Johnson, partners t/a Staffordboro Enterprises, a Virginia partnership, parties of the first part, hereinafter referred to as "Sellers", and Stafford Service Corp., a Virginia corporation, party of the second part, hereinafter referred to as "Buyer".

WHEREAS, Stafford Service Corp. was heretofore organized under the laws of the Commonwealth of Virginia on October 12, 1964, for the purposes of operating a public service corporation to provide sewer service for that property known as Staffordboro located in Stafford County, Virginia, and

WHEREAS, Stafford Service Corp. has been operating since the date of its incorporation as a "de facto" corporation, and it is necessary and proper that it acquire the physical plant, assets and liabilities of Staffordboro Enterprises in relation to sewer collection facilities so that it might conduct its lawful and proper business as a public service corporation, and to that end file for a certificate of convenience and necessity with the Virginia State Corporation commission, and

WHEREAS, Staffordboro Enterprises, a partnership, was organized under and by virtue of the laws of the State of Virginia, and originally composed of the following named people, all holding a one-third interest each in the partnership, to-wit:

Paul Johnson, B. Calvin Burns, and Grover J. Manderfield. Grover J. Manderfield sold and assigned, with the consent of the partnership, his one-third interest unto Nick Basiliko. Nick Basiliko conveyed his one-third interest that he received from Grover J. Manderfield unto B. Calvin Burns in August, 1967, such conveyance being evidenced by an instrument recorded in the Clerk's Office of the Circuit Court of Stafford County, Virginia, on August 3, 1967. The remaining parties in the partnership and the respective interests after Basiliko's assignment were Paul Johnson holding a one-third

Interest in the partnership, and B. Calvin Burns, holding a two-thirds interest in the partnership; and

WHEREAS, the partnership had acquired various parcels of real estate in the Aquia Sanitary District, Stafford County, Virginia, aggregating some 391.0503 acres, more or less, and partially fronting on the west line of Interstate Route No. 95, State Route 610 and State Route 659; and

WHEREAS, there was no municipally or county-owned water and sewage system in the area of the aforesaid real estate and, for the orderly development of the said real estate, Staffordboro Enterprises caused to be formed two public service corporations, namely, Stafford Water Corp. and Stafford Service Corp., for the purpose of providing water and sewage service facilities for the aforesaid 391.0503 acres; and

WHEREAS, on October 12, 1964, the State Corporation Commission of Virginia granted charters for Stafford Water Corp. and Stafford Service Corp., respectively; and

WHEREAS, the aforesaid corporations have never been formally organized and no stock has been issued to date; and

WHEREAS, there was formed in Stafford County, Virginia, the Aquia Sanitary District for the purpose of providing water and sewage service within such district; and

WHEREAS, Staffordboro Enterprises caused to be constructed and installed a sewage treatment facility which, by an agreement dated April 25, 1967, Staffordboro Enterprises agreed to transfer unto the Aquia Sanitary District, Stafford County, Virginia, tracts of its real estate containing 73.0787 acres and 1.9213 acres, respectively, or a total of 75.0 acres, at a purchase price of \$134,000.00.

WHEREAS, the partnership conveyed the said 75.0 acres unto the Aquia Sanitary District for the further consideration of the Aquia Sanitary

District's agreeing to sell water and sewage services unto Staffordboro Enterprises or its assigns at the rate of 37¢ per 1000 gallons of water as measured by a meter to be installed and maintained by the District and at the rate of 14¢ per 1000 gallons for sewage service, the volume thereof to be based on and to correspond with the amount of water consumed for use by Staffordboro in and about the property which Staffordboro owns in the Aquia Sanitary District, Stafford County, Virginia. This agreement was dated April 25, 1967, and was to be in effect for a period of 10 years, subject thereafter to renegotiation between the parties as to any extension thereof; and

WHEREAS, the partnership known as Staffordboro Enterprises has constructed and installed upon property owned by it in the Aquia Sanitary District, Stafford County, Virginia, certain water and sewage service lines, and, by way of illustration and not by way of limitation, including water mains, pumping stations, sewage treatment facilities, a lagoon for the treatment of sewage, and other equipment and appurtenances thereunto pertaining, for the purpose of ultimately conveying such property unto the aforesaid public service corporations, namely, Stafford Water Corp. and Stafford Service Corp., for the providing of water and sewage service within the remaining acreage owned by Staffordboro Enterprises in the Aquia Sanitary District. Staffordboro Enterprises had constructed and installed a sanitary sewage service line running the entire length of its remaining acreage in the Aquia Sanitary District, such acreage being 316.0503 acres, more or less, according to a survey by B. Calvin Burns, Certified Land Surveyor, dated July 18, 1969, and entitled "Plat Showing the Property of Staffordboro Enterprises, Aquia Magisterial District, Stafford County, Virginia"; and

WHEREAS, by deed dated April 12, 1967, by and between Paul Johnson, B. Calvin Burns and Grover J. Manderfield, partners trading as Staffordboro Enterprises and Aquia Sanitary District, the partnership agreed

to enlarge the sewer trunk line running the length of their property in exchange for, among other considerations, the Sanitary District's contributing Twenty-Five Thousand & No/100 (\$25,000.00) Dollars, towards the cost of such enlargement and, the exchange for the mutual agreements contained in such deed, Staffordboro Enterprises and Aquia Sanitary District have a right to 50% respective use of the sewage trunk line and, further, the Aquia Sanitary District was granted the privilege of going on the land serviced by the said sewage line for the purpose of maintaining, inspecting, improving, replacing and altering the said sewage line, such right being restricted to a ten foot permanent easement strip along the length of the said line. The said sewage line running the length of Staffordboro Enterprises property is shown on a plat by Martin, Clifford & Assocs., Engineers and Consultants, attached to the aforesaid deed dated April 12, 1969, and entitled "Aquia Sanitary District, Aquia Magisterial District, Stafford County, Virginia, Easement for Existing Sanitary Sewer Main"; and

WHEREAS, Paul Johnson died October 1, 1968, and Ethel A. Johnson, his widow, succeeded to his interest; and

WHEREAS, it is necessary, essential and proper that the Stafford Service Corp. be properly organized for the purpose of providing sewer service within the Staffordboro Enterprises territory as a public service corporation; and

WHEREAS, it is necessary and essential for the proper conduct, management and operation of the corporation, to apply to the State Corporation Commission for the necessary certificates of public convenience and necessity for the furnishing of sewer service as a public service corporation within the proposed area of Staffordboro Enterprises that the corporation intends to serve; and

WHEREAS, it is necessary and essential that this corporation apply to the State Corporation Commission for approval of its issuances of stock; and

WHEREAS, Staffordboro Enterprises desires to sell and convey to Stafford Service Corp., the necessary physical plant and equipment and the assets of Staffordboro Enterprises as the same relate to the sewage collection facilities upon the property of Staffordboro Enterprises so that Stafford Service Corp. can conduct its lawful business as a public service corporation, make application for a Certificate of Convenience and Necessity and be authorized acceptable rates and tariffs by the Virginia State Corporation Commission.

NOW, THEREFORE, WITNESSETH; That for and in consideration of the sum of Ten Dollars (\$10.00) each to the other paid in hand, the receipt and sufficiency of which is hereby acknowledged, together with the other considerations expressed herein, and the mutual covenants and agreements and releases of the parties hereto, each to the other, Seller does hereby grant, bargain, sell and convey to Buyer, all of its right, title and interest in and to all of the lines, mains and related equipment, including, but not limited to, meters, pumps and associated equipment essential and appurtenant thereto, located upon the property of Staffordboro Enterprises as the same are more fully set out and described in a plat marked Exhibit "A", attached hereto, incorporated herein and made a part hereof.

1. Buyer agrees to pay to Seller, the total sum of \$398,643.57 which sum is derived as follows:

(a) Capital Plant and Equipment:	\$227,918.00
(b) Sums heretofore paid by Seller:	55,048.34
(c) Accounts payable of Seller:	<u>115,677.23</u>
TOTAL:	\$398,643.57

1. a. Buyer agrees to give to Seller, a promissory note and a recorded first deed of trust and/or recordable security agreement as to any personalty or fixtures, in the amount of \$170,725.57 in favor of Staffordboro Enterprises bearing interest at the rate of eight per cent (8%) per annum, all to be due and payable on July 31, 1978. Said promissory note and deed of trust and/or security agreement shall be in consideration of the expenses of Staffordboro Enterprises prior to organization as permitted by Code of Virginia 1950 (as amended) Sec. 56-3, which the President, as authorized by the Board of Directors of Stafford Service Corp., Inc. by execution of this agreement, deem necessary and reasonable, which expenses as listed as follows:

(a) Sums heretofore paid by Seller: \$ 55,048.34

(b) Accounts payable of Seller: 115,677.23

TOTAL: \$170,725.57

It is the intention of the parties hereto that the above note shall be paid and satisfied in full by tap fees collected by the Buyer from its new customers to be served to-wit; 67 townhouses @ \$300.00 each and 1 mobile home @ \$1,200.00 and 255 mobile homes at \$400.00 each, which total is \$156,800.00, leaving a balance to be applied to paragraph 1 b. in the amount of \$13,925.57 which shall increase the cost of capital plant by \$13,925.57.

1. b. Buyer agrees to give a recorded second deed of trust and/or a security agreement as to any personalty or fixtures, in the amount of \$241,843.57 in favor of Staffordboro Enterprises, bearing interest at the rate of eight per cent (8%) per annum, on the declining balance, payable in monthly installments of \$2,934.23 on the first of each month, for a term of ten (10) years. The promissory note herein given is in consideration of the following facilities and capital plant conveyed to Buyer from Seller.

- a. 6,290 lin. ft. 6" line
- b. 2,583 lin. ft. 8" line
- c. 1,895 lin. ft. 12" line
- d. 4,434 lin. ft. 14" line
- e. 356 lin. ft. 18" line
- f. 67 townhouse services
- g. 256 mobile home services
- h. one rodding machine

2. Any trustees to be named in a deed of trust or trust shall be named by the party or parties secured thereby.

3. All taxes, insurance, interest and other matters shall be pro rated between the parties as of June 15, 1978.

4. Seller agrees to deliver to Buyer, as appropriate, any necessary deeds and/or assignments and/or easements in form recordable within the land records of Stafford County, Virginia, to convey the facilities intended by the parties to be conveyed herein, and further to transfer and assign to the Buyer from the Seller, all right, title and interest in its contracts and agreements retaining its rights as to any matters concerning accounts payable with Stafford County, Virginia, the Aquia Sanitary District and/or any other governmental authority, which contracts are the subject of and concern themselves with the business of operation of a public service corporation for the purposes of sewer collection within the boundaries of the Staffordboro property as the same are set out in the plat of said property, which is marked Exhibit "A", attached hereto, incorporated herein and made a part hereof.


5. It is understood and agreed between the parties that no liability shall exist upon the part of the Buyer as to any account payable as shown upon the books of the Seller and/or as reported to the Buyer. Seller

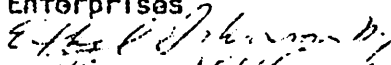
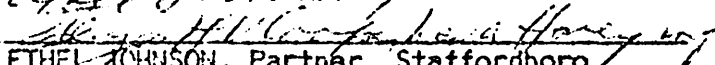
covenants and agrees to indemnify and hold harmless the Seller for the payment of any of the accounts payable of the Seller. Both of the parties hereto understand and agree that certain of the accounts payable as listed or reported to the Buyer by the Seller are the subject of dispute or litigation, and nothing herein contained in this agreement shall be considered or construed as an admission that the accounts payable as hereinabove set out are proper and/or legally enforceable against the Seller or the Buyer by any person or persons making claims as to said accounts payable. No person nor a party to this agreement shall use or construe this agreement as an admission that accounts payable of the Seller are legal or valid and/or due and payable.

6. Buyer agrees to indemnify and hold harmless the Seller from any claim, suit and/or other matter arising from and/or as a result of this agreement, and/or any other action of the Seller taken as a result of and/or concerning the operation of the sewer facilities as Staffordboro Enterprises, including, but not limited to, reasonable costs and attorney's fees associated therewith.

7. This instrument contains the entire agreement between the parties, and no statements, promises or inducements made by either party or agent of either party that is not contained in this written contract shall be valid or binding. This contract may not be enlarged, modified or altered, except in writing, signed by the parties, and endorsed hereon.

8. This agreement shall be binding upon the respective parties,
their heirs, executors, administrators, and assigns.

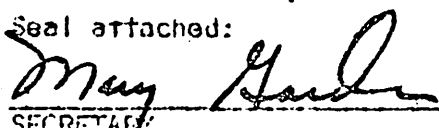

B. CALVIN BURNS, Partner, Staffordboro
Enterprises



ETHEL JOHNSON, Partner, Staffordboro
Enterprises by her attorney in fact
GEORGE H. V. COOPER

STAFFORD SERVICE CORP.

BY: 
President

Seal attached:


SECRETARY

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day
of June, 1978, by B. Calvin Burns, partner, on behalf of Staffordboro
Enterprises, a partnership.


NOTARY PUBLIC

My commission expires:

12/16/78

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing Instrument was acknowledged before me this 15th day of June, 1978, by Ethel Johnson, by her attorney in fact George H. V. Cooper, partner, on behalf of Staffordboro Enterprises, a partnership.



NOTARY PUBLIC

My commission expires:

6/16/78

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing Instrument was acknowledged before me this 15th day of June, 1978, by B. Calvin Burns, President, Stafford Service Corp. on behalf of the corporation.



NOTARY PUBLIC

My commission expires:

12/16/78

To: State Corporation Commission
Commonwealth of Virginia
Richmond, Virginia 23219

June 15, 1973

Re: Application for approval of contract with affiliated entity in accordance with Code of Virginia 1950 (as amended) Sec. 56-1 et. seq.—Stafford Water Corp.

Your applicant, Stafford Water Corp. does hereby apply for approval of a transaction with an affiliated entity in accordance with Code of Virginia 1950 (as amended) Sec. 56.1 et. seq. upon the following information:

1. Stafford Water Corp. is a public service corporation organized and existing under and by virtue of the laws of the Commonwealth of Virginia. Its charter was issued by the State Corporation Commission for the State of Virginia on October 12, 1964.

2. Stafford Water Corp. has operated as a "de facto" corporation since the date of its incorporation. While it has had no customers, it has located within its franchise area, Staffordboro Mobile Home Park and 67 townhouse residential dwellings, which will require water service from Stafford Water Corp.

3. Stafford Water Corp. has entered into a contract with an affiliated entity, Staffordboro Enterprises, a partnership organized and existing under and by virtue of the laws of the Commonwealth of Virginia. B. Calvin Burns is a two-thirds owner and partner in Staffordboro Enterprises and a two-thirds owner of Stafford Water Corp. Ethel Johnson is a one-third owner in Staffordboro Enterprises and a one-third owner of Stafford Water Corp. The contract proposed between Stafford Enterprises and Stafford Water Corp. would convey from Stafford Enterprises to Stafford Water Corp., all lines, mains, meters and related equipment necessary for the operation of a water distribution facility within the franchise area of Stafford Water Corp. The conveyance of these facilities and the considerations for said conveyance are as set out in the contract which is the subject of this application, a copy of which is marked Exhibit "A", attached hereto, incorporated herein and made a part hereof.

4. Stafford Water Corp. is a public service corporation organized for the purpose of providing water service within territory controlled by the corporation. Accordingly, property transferred to the corporation in exchange for the considerations as set out in the contract attached hereto, incorporated herein and made a part hereof, is necessary and essential for the operation of the corporation of the public service company providing water service within property owned by Staffordboro Stafford County, Virginia.

5. The company has not transacted any substantial business since its formation, but is making application to the Virginia State Corporation Commission for a certificate of convenience and necessity and is submitting therewith a statement of financial condition.

RESPECTFULLY SUBMITTED

STAFFORD SERVICE CORP.

BY: [Signature]
B. CALVIN BURNS, President

The undersigned certifies that he is an officer of Stafford Water Corp. and is familiar with the facts set forth in the above petition and attachments and does certify that such facts are truly stated:

B. CALVIN BURNS, President

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by B. Calvin Burns, President of Stafford Water Corp. on behalf of the corporation.

[Signature]
NOTARY PUBLIC

My commission expires:

12/10/78

The undersigned certify that they are the sole partners of Staffordboro Enterprises, a partnership organized and existing under the laws of the Commonwealth of Virginia, and that they are familiar with the facts set forth in the above petition and attachments, and do certify that such facts are truly stated.

[Signature]
B. CALVIN BURNS, Partner

[Signature]
ETHEL JOHNSON, Partner

By George H. V. Cooper, her attorney in fact

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by B. Calvin Burns, partner, on behalf of Staffordboro Enterprises, a partnership.

[Signature]
NOTARY PUBLIC

My commission expires: 12/16/78

STATE OF VIRGINIA

COUNTY OF Prince William, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by Ethel Johnson, by George H. V. Cooper, her attorney in fact, partner, on behalf of Staffordboro Enterprises, a partnership.

[Signature]
NOTARY PUBLIC

My commission expires: 12/16/78

RICHARD R. NAGEOTTE
ATTORNEY AT LAW, LTD.
RICHARD R. NAGEOTTE
DANIEL H. BORINSKY
ROBERT J. ZELNICK
14908 JEFFERSON DAVIS
HIGHWAY
WOODBIDGE, VIRGINIA
22191

CONTRACT OF SALE

THIS CONTRACT made and entered into this 15th day of June, 1978, by and between B. Calvin Burns and Ethel Johnson, partners t/a Staffordboro Enterprises, a Virginia partnership, parties of the first part, hereinafter referred to as "Sellers", and Stafford Water Corp., a Virginia corporation, party of the second part, hereinafter referred to as "Buyer".

WHEREAS, Stafford Water Corp. was heretofore organized under the laws of the Commonwealth of Virginia on October 12, 1964, for the purposes of operating a public service corporation to provide water service for that property known as Staffordboro located in Stafford County, Virginia, and

WHEREAS, Stafford Water Corp. has been operating since the date of its incorporation as a "de facto" corporation, and it is necessary and proper that it acquire the physical plant, assets and liabilities of Staffordboro Enterprises in relation to water distribution facilities so that it might conduct its lawful and proper business as a public service corporation, and to that end file for a certificate of convenience and necessity with the Virginia State Corporation commission, and

WHEREAS, Staffordboro Enterprises, a partnership, was organized under and by virtue of the laws of the State of Virginia, and originally composed of the following named people, all holding a one-third interest each in the partnership, to-wit:

Paul Johnson, B. Calvin Burns, and Grover J. Manderfield. Grover J. Manderfield sold and assigned, with the consent of the partnership, his one-third interest unto Nick Basiliko. Nick Basiliko conveyed his one-third interest that he received from Grover J. Manderfield unto B. Calvin Burns in

August, 1967, such conveyance being evidenced by an instrument recorded in the Clerk's Office of the Circuit Court of Stafford County, Virginia, on August 3, 1967. The remaining parties in the partnership and the respective interests after Basilikio's assignment were Paul Johnson holding a one-third interest in the partnership, and B. Calvin Burns, holding a two-thirds interest in the partnership; and

WHEREAS, the partnership had acquired various parcels of real estate in the Aquia Sanitary District, Stafford County, Virginia, aggregating some 391.0503 acres, more or less, and partially fronting on the west line of Interstate Route No. 95, State Route 610 and State Route 659; and

WHEREAS, there was no municipally or county-owned water and sewage system in the area of the aforesaid real estate and, for the orderly development of the said real estate, Staffordboro Enterprises caused to be formed two public service corporations, namely, Stafford Water Corp. and Stafford Service Corp., for the purpose of providing water and sewage service facilities for the aforesaid 391.0503 acres; and

WHEREAS, on October 12, 1964, the State Corporation Commission of Virginia granted charters for Stafford Water Corp. and Stafford Service Corp., respectively; and

WHEREAS, the aforesaid corporations have never been formally organized and no stock has been issued to date; and

WHEREAS, there was formed in Stafford County, Virginia, the Aquia Sanitary District for the purpose of providing water and sewage service within such district; and

WHEREAS, Staffordboro Enterprises caused to be constructed and installed a sewage treatment facility which, by an agreement dated April 25, 1967, Staffordboro Enterprises agreed to transfer unto the Aquia Sanitary District, Stafford County, Virginia, tracts of its real estate containing 73.0787 acres and 1.9213 acres, respectively, or a total of 75.0 acres, at a

purchase price of \$134,000.00.

WHEREAS, the partnership conveyed the said 75.0 acres unto the Aquia Sanitary District for the further consideration of the Aquia Sanitary District's agreeing to sell water and sewage services unto Staffordboro Enterprises or its assigns at the rate of 37¢ per 1000 gallons of water as measured by a meter to be installed and maintained by the District and at the rate of 14¢ per 1000 gallons for sewage service, the volume thereof to be based on and to correspond with the amount of water consumed for use by Staffordboro in and about the property which Staffordboro owns in the Aquia Sanitary District, Stafford County, Virginia. This agreement was dated April 25, 1967, and was to be in effect for a period of 10 years, subject thereafter to renegotiation between the parties as to any extension thereof; and

WHEREAS, the partnership known as Staffordboro Enterprises has constructed and installed upon property owned by it in the Aquia Sanitary District, Stafford County, Virginia, certain water and sewage service lines, and, by way of illustration and not by way of limitation, including water mains, pumping stations, sewage treatment facilities, a lagoon for the treatment of sewage, and other equipment and appurtenances thereunto pertaining, for the purpose of ultimately conveying such property unto the aforesaid public service corporations, namely, Stafford Water Corp. and Stafford Service Corp., for the providing of water and sewage service within the remaining acreage owned by Staffordboro Enterprises in the Aquia Sanitary District. Staffordboro Enterprises had constructed and installed a sanitary sewage service line running the entire length of its remaining acreage in the Aquia Sanitary District, such acreage being 316.0503 acres, more or less, according to a survey by B. Calvin Burns, Certified Land Surveyor, dated July 18, 1969, and entitled "Plat Showing the Property of Staffordboro Enterprises, Aquia Magisterial District, Stafford County, Virginia"; and

WHEREAS, by deed dated April 12, 1967, by and between Paul Johnson, B. Calvin Burns and Grover J. Manderfield, partners trading as Staffordboro Enterprises and Aquia Sanitary District, the partnership agreed to enlarge the sewer trunk line running the length of their property in exchange for, among other considerations, the Sanitary District's contributing Twenty-Five Thousand & No/100 (\$25,000.00) Dollars, towards the cost of such enlargement and, the exchange for the mutual agreements contained in such deed, Staffordboro Enterprises and Aquia Sanitary District have a right to 50% respective use of the sewage trunk line and, further, the Aquia Sanitary District was granted the privilege of going on the land serviced by the said sewage line for the purpose of maintaining, inspecting, improving, replacing and altering the said sewage line, such right being restricted to a ten foot permanent easement strip along the length of the said line. The said sewage line running the length of Staffordboro Enterprises property is shown on a plat by Martin, Clifford & Assocs., Engineers and Consultants, attached to the aforesaid deed dated April 12, 1969, and entitled "Aquia Sanitary District, Aquia Magisterial District, Stafford County, Virginia, Easement for Existing Sanitary Sewer Main"; and

WHEREAS, Paul Johnson died October 1, 1968, and Ethel A. Johnson, his widow, succeeded to his interest; and

WHEREAS, it is necessary, essential and proper that the Stafford Water Corp. be properly organized for the purpose of providing water service within the Staffordboro Enterprises territory as a public service corporation; and

WHEREAS, it is necessary and essential for the proper conduct, management and operation of the corporation, to apply to the State Corporation Commission for the necessary certificates of public convenience and necessity for the furnishing of sewer service as a public service corporation within the proposed area of Staffordboro Enterprises that the corporation intends to

serve; and

WHEREAS, It is necessary and essential that this corporation apply to the State Corporation Commission for approval of its issuances of stock; and

WHEREAS, Staffordboro Enterprises desires to sell and convey to Stafford Water Corp., the necessary physical plant and equipment and the assets of Staffordboro Enterprises as the same relate to the water distribution facilities upon the property of Staffordboro Enterprises so that Stafford Water Corp. can conduct its lawful business as a public service corporation, make application for a Certificate of Convenience and Necessity and be authorized acceptable rates and tariffs by the Virginia State Corporation Commission.

NOW, THEREFORE, WITNESSETH; That for and in consideration of the sum of Ten Dollars (\$10.00) each to the other paid in hand, the receipt and sufficiency of which is hereby acknowledged, together with the other considerations expressed herein, and the mutual covenants and agreements and releases of the parties hereto, each to the other, Seller does hereby grant, bargain, sell and convey to Buyer, all of its right, title and interest in and to all of the lines, mains and related equipment, including, but not limited to, meters, pumps and associated equipment essential and appurtenant thereto, located upon the property of Staffordboro Enterprises as the same are more fully set out and described in a plat marked Exhibit "A", attached hereto, incorporated herein and made a part hereof.

1. Buyer agrees to pay to Seller, the total sum of \$342,939.51, which sum is derived as follows:

(a) Capital Plant and Equipment:	\$140,214.17
(b) Sums heretofore paid by Seller:	74,666.23
(c) Accounts payable of Seller:	<u>128,059.11</u>

TOTAL: \$342,939.51

1. a. Buyer agrees to give to Seller, a promissory note and a recorded first deed of trust and/or recordable security agreement as to any personalty or fixtures, in the amount of \$202,725.34 in favor of Staffordboro Enterprises bearing interest at the rate of eight per cent (8%) per annum, all to be due and payable on July 31, 1978. Said promissory note and deed of trust and/or security agreement shall be in consideration of the expenses of Staffordboro Enterprises prior to organization as permitted by Code of Virginia 1950 (as amended) Sec. 56-3, which the President, as authorized by the Board of Directors of Stafford Water Corp., Inc. by execution of this agreement, deem necessary and reasonable, which expenses as listed as follows:

(a) Sums heretofore paid by Seller: \$ 74,666.23

(b) Accounts payable of Seller: 128,059.11

TOTAL: \$202,725.34

It is the intention of the parties hereto that the above note shall be paid and satisfied in full by tap fees collected by the Buyer from its new customers to be served to-wit; 67 townhouses @ \$750.00 each, and 1 mobile home @ \$1,200.00 and 255 mobile homes at \$400.00 each, which total is \$153,450.00, leaving to be added to the amount required by paragraph 1 b. in the amount of \$49,275.34.

1 b. Buyer agrees to give a recorded second deed of trust and/or a security agreement as to any personalty or fixtures, in the amount of \$189,489.51 in favor of Staffordboro Enterprises, bearing interest at the rate of eight per cent (8%) per annum, on the declining balance, payable in monthly installments of \$2,299.03 on the first of each month, for a term of ten (10) years. The promissory note herein given is in consideration of the following facilities and capital plant conveyed to Buyer from Seller.

- a. well house
- b. two wells
- c. stand pipe (50,000 gal.)
- d. 2 pumps
- e. 254 services to mobile homes
- f. 4 fire hydrants
- g. 67 services to townhouses
- h. 67 meters at townhouses
- i. well house meters
- j. 405 ft. of 2" pipe
- k. 5,945 ft. of 4" pipe
- l. 4,609 ft. of 6" pipe
- m. 2,900 ft. of 8" pipe

2. Any trustees to be named in a deed of trust or trust shall be named by the party or parties secured thereby.

3. All taxes, insurance, interest and other matters shall be prorated between the parties as of June 15, 1978.

4. Seller agrees to deliver to Buyer, as appropriate, any necessary deeds and/or assignments and/or easements in form recordable within the land records of Stafford County, Virginia, to convey the facilities intended by the parties to be conveyed herein, and further to transfer and assign to the Buyer from the Seller, all right, title and interest in its contracts and agreements retaining its rights as to any matters concerning accounts payable with Stafford County, Virginia, the Aquia Sanitary District and/or any other governmental authority, which contracts are the subject of and concern themselves with the business of operation of a public service corporation for the purposes of sewer collection within the boundaries of the Staffordboro property as the same are set out in the plat of said property, which is marked Exhibit "A", attached hereto, incorporated herein

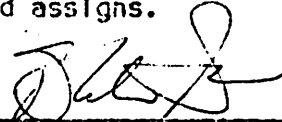
and made a part hereof.

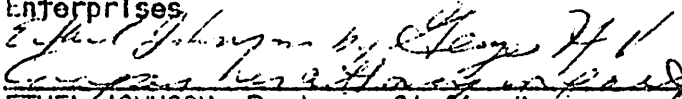
5. It is understood and agreed between the parties that no liability shall exist upon the part of the Buyer as to any account payable as shown upon the books of the Seller and/or as reported to the Buyer. Seller covenants and agrees to indemnify and hold harmless the Seller for the payment of any of the accounts payable of the Seller. Both of the parties hereto understand and agree that certain of the accounts payable as listed or reported to the Buyer by the Seller are the subject of dispute or litigation, and nothing herein contained in this agreement shall be considered or construed as an admission that the accounts payable as hereinabove set out are proper and/or legally enforceable against the Seller or the Buyer by any person or persons making claims as to said accounts payable. No person not a party to this agreement shall use or construe this agreement as an admission that accounts payable of the Seller are legal or valid and/or due and payable.

6. Buyer agrees to indemnify and hold harmless the Seller from any claim, suit and/or other matter arising from and/or as a result of this agreement, and/or any other action of the Seller taken as a result of and/or concerning the operation of the water facilities as Staffordboro Enterprises, including, but not limited to, reasonable costs and attorney's fees associated therewith.

7. This instrument contains the entire agreement between the parties, and no statements, promises or inducements made by either party or agent of either party that is not contained in this written contract shall be valid or binding. This contract may not be enlarged, modified or altered, except in writing, signed by the parties, and endorsed hereon.

8. This agreement shall be binding upon the respective parties,
their heirs, executors, administrators, and assigns.


B. CALVIN BURNS, Partner, Staffordboro
Enterprises


ETHEL JOHNSON, Partner, Staffordboro
Enterprises by her attorney in fact
GEORGE H. V. COOPER

STAFFORD WATER CORP.

BY: 
President

Seal attached:


SECRETARY

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by B. Calvin Burns, partner, on behalf of Staffordboro Enterprises, a partnership.



NOTARY PUBLIC

My commission expires:

12/16/78

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by Ethel Johnson, by her attorney in fact George H. V. Cooper, partner, on behalf of Staffordboro Enterprises, a partnership.



NOTARY PUBLIC

My commission expires:

12/16/78

STATE OF VIRGINIA

COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing instrument was acknowledged before me this 15th day of June, 1978, by B. Calvin Burns, President, Stafford Water Corp. on behalf of the corporation.



NOTARY PUBLIC

My commission expires:

12/16/78

STAFFORD SERVICE CORPORATION,

Appellant

vs.

RECORD NO. 790687

STATE CORPORATION COMMISSION, et al

SCC CASE NO. 20052

Appellees

ASSIGNMENTS OF ERROR

COMES NOW the appellant, Stafford Service Corporation, by counsel, and files the following assignments of error pursuant to Rule 5:18 (1) of the Rules of Court:

1. The Commission erred in denying the appellant a certificate of convenience and necessity in its finding, pursuant to Virginia Code Section 56-265.3, that there existed a public or privately owned system able to adequately provide service in the subject area; such a finding was directly contrary to the testimony of the sole witness on this issue that the other system (Aquia Sanitary District of Stafford County) was not financially prepared to acquire the necessary facilities to serve the subject population.

2. The Commission erred in setting a hearing to determine rates and tariffs without first ruling on the filed applications for the approval of transactions with affiliated parties.

STAFFORD SERVICE CORPORATION

BY COUNSEL

DANIEL H. BORINSKY
Nageotte, Borlinsky & Zelnick
14908 Jefferson Davis Highway
Woodbridge, Virginia 22191
Counsel for Appellant

STAFFORD WATER CORPORATION,

Appellant

vs.

RECORD NO. 790688

STATE CORPORATION COMMISSION, et al

SCC CASE NO. 20051

Appellees

ASSIGNMENTS OF ERROR

COMES NOW the appellant, Stafford Water Corporation, by counsel, and files the following assignments of error pursuant to Rule 5:18 (1) of the Rules of Court:

1. The Commission erred in denying the appellant a certificate of convenience and necessity in its finding, pursuant to Virginia Code Section 56-265.3, that there existed a public or privately owned system able to adequately provide service in the subject area; such a finding was directly contrary to the testimony of the sole witness on this issue that the other system (Aquia Sanitary District of Stafford County) was not financially prepared to acquire the necessary facilities to serve the subject population.

2. The Commission erred in setting a hearing to determine rates and tariffs without first ruling on the filed applications for the approval of transactions with affiliated parties.

STAFFORD WATER CORPORATION

BY COUNSEL

DANIEL H. BORINSKY
Nageotte, Borinsky & Zelnick
14908 Jefferson Davis Highway
Woodbridge, Virginia 22191
Counsel for Appellant

December 11, 1978

VIRGINIA STATE CORPORATION COMMISSION

PRE-FILE TESTIMONY

B. CALVIN BURNS PRESIDENT STAFFORD SERVICE CORPORATION

QUESTION: Would you please state your name and address:

ANSWER: B. CALVIN BURNS, 13621 Jefferson Davis Highway, Woodbridge, Virginia.

QUESTION: Mr. Burns, What is your occupation and position with the applicant Stafford Service Corp?

ANSWER: I am the President of the corporation and a member of the Board of Directors.

QUESTION: Mr. Burns, are you currently involved in any other activity or profession?

ANSWER: Yes, I am a registered civil engineer in the State of Virginia.

QUESTION: Mr. Burns, are you licensed to practice the profession of civil engineering in states other than the State of Virginia, and if so, would you please designate such states as you can recall you are also licensed to practice in?

ANSWER: I can't recall them all, there are about 30, but they include all the neighboring states, such as Maryland, North and South Carolina, and those states, in this area, but about 30 in all.

QUESTION: Mr. Burns, has your license to practice as a civil engineer ever been revoked in the Commonwealth of Virginia or any other place in which you have such a license?

ANSWER: No.

QUESTION: Mr. Burns, I believe you stated previously that you are an officer and director of Stafford Service Corp., is that correct?

ANSWER: Yes.

QUESTION: Would you tell me please again what office you hold and how long you have held that office?

ANSWER: I am the President of the corporation and have been so since its inception in 1964.

QUESTION: Mr. Burns, would you tell us please why the Stafford Service Corp. was formed?

ANSWER: It was formed to provide sewer service to property owned by a partnership of which I was an am a member, a project called Staffordboro, in Stafford County, property consisting of approximately 400 acres.

QUESTION: Mr. Burns, has the Stafford Service Corp. done any business as a sewer corporation?

ANSWER: No.

QUESTION: Mr. Burns, could you tell me if the Stafford Service Corp. was formed in 1964 why it has not done any business prior to this time and why it proposes now to do business at this time?

ANSWER: Until this time Stafford Service Corp. hasn't had any customers and it is my understanding that you have to have your rates and tariffs established and a certificate of convenience and necessity before you can have over 50 customers and do business.

QUESTION: Mr. Burns, can you tell me why it has taken so long, that is from 1964 until this time, to come before the Virginia State Corporation Commission and request that Stafford Service Corp. be authorized to do business as a public utility company and to charge for its services.

ANSWER: Actually, Stafford Service Corp. is not this late in coming to the commission. We came first in 1965, but shortly after that time my partner in the partnership died and there was various involvements concerning his estate and settlement of it. The corporation made a contract with the local sanitary district, the Aquia Sanitary District, wherein it conveyed its sewage treatment plant to the county for other considerations and that agreement has been in court and has been involved in litigation for a long period of time. We have also made an attempt to get this matter cleared up several times since 1965, and I think the most recent one prior to this was in 1972,

when my present attorney, Mr. Richard Nageotte, made an application. But over the period of years there has always been some reason usually involving litigation why we could not come before the commission. I believe that the only thing left to do at the time of our last application was to set the rates and tariffs and forward the necessary accounting information to the State Corporation Commission. Because of the pending litigation at that time we felt that it would be difficult if not impossible to do this. The litigation revolved about what were the appropriate rates covered in the agreement with the Sanitary District that would be paid for their bulk services and in addition regarding the tap fees and the amount of them, whether or not free, as expressed in the agreement, that would be involved in providing service through this corporation.

QUESTION: Mr. Burns, was it possible in your opinion to come to the Virginia State Corporation Commission prior to this date to request that the Virginia State Corporation Commission fix rates and tariffs for the Stafford Service Corporation?

ANSWER: It would have been very difficult, many of the matters are still not resolved. But at this time, the problems and the rising debts and expenses of the operation are such that I have to come before the commission to get some type of relief. Staffordboro Enterprises cannot continue to provide free water and sewer as they have been doing and not being able to charge for the service.

QUESTION: Have you testified previously before this commission?

ANSWER: I have not testified before this commission regarding this utility company. I believe that I was asked as an engineer to speak regarding other applications many years ago, one of which comes to mind is the Dale City Service Corporation.

QUESTION: Please tell the commission briefly of your educational background and experience in the water works industry.

ANSWER: I am a graduate engineer from George Washington University,

both as a mechanical engineer and a civil engineer, and I have been involved in this profession since 1950. During that time a large part of my practice has emphasized work in sewage and water design.

QUESTION: Mr. Burns are you familiar with the development of the applicant company, Stafford Service Corp?

ANSWER: Yes.

QUESTION: Will you give the commission a brief history of the Stafford Service Corp?

ANSWER: Stafford Service Corp. was formed and certificate issued on October 12, 1964.

QUESTION: Please tell the Commission how the prospective customers of the Stafford Service Corporation come into being.

ANSWER: In 1968, the partnership sold part of its property to a developer who started to develop houses and went bankrupt, we had to foreclose and take the property back. Since that time, about 1970, the townhouses, 67 of them, have been receiving without paying for it, water and sewer service since that time until today. The county still charges, however, for water and sewer services and the debt is mounting monthly. I have tried this year, 1978, to collect a portion of the money for the past services and to encourage the town house owners, the individual owners, to pay for their service on a current monthly basis. Staffordboro Enterprises owns and operates a large trailer park on this property also, but has in the past paid for its water and sewer service.

QUESTION: Mr. Burns, as Stafford Service Corp. has not in the past, and does not at this time, have customers, why did you take the action which you previously indicated?

ANSWER: I was advised by counsel that he had conferred with someone in the State Corporation Commission and he was advised that even though the corporation did not have a certificate to do business and could not and did not consider these people to be their customers, that some interim billing was appropriate

until the matter could be resolved by the commission.

QUESTION: What if anything occurred when you proceeded to attempt to collect charges from these townhouse residents?

ANSWER: When they refused to pay after several notices, I set out on the first of June to terminate service to those individuals. After initiating that program on the first, I received an urgent call from Mr. Tice of the Corporation Commission saying that I had to go back and restore service to those that I had disconnected and to not disconnect anymore. I then called my counsel and told him of this matter and we went shortly after that, I think on June 5, 1978, to the Corporation Commission and met with Mr. Tice and Mr. Ivey and Mr. White. They advised us that we would have to complete our application for a certificate and if we did so promptly it would possibly be considered by the Commission during July, 1978. We did make such an application, on the 21st of June, and have been waiting ever since for it to come before the Commission to resolve this matter.

QUESTION: Mr. Burns, in order to come before the Virginia State Corporation Commission and request rates and tariffs for Stafford Service Corp., was it necessary to convey the facilities?

ANSWER: Yes, the corporation made an agreement on the 15th of June to acquire the facilities from Staffordboro Enterprises, who owned them.

QUESTION: What is Staffordboro Enterprises?

ANSWER: Staffordboro Enterprises is a partnership consisting at this time of myself and one other person, a Mrs. Ethel Johnson, who is the decedent of Mr. Paul Johnson, who was one of my original partners.

QUESTION: Mr. Burns, I show you an exhibit which is marked "Contract of Sale" and ask if you can identify this?

ANSWER: Yes I can.

QUESTION: Alright, this is a contract of sale made and entered into on the 15th day of June, 1978, by and between B. Calvin Burns and Ethel Johnson, Partners, t/a Staffordboro Enterprises, a Virginia Partnership, to Stafford

Service Corp., a Virginia corporation. Is that the contract of sale to which you refer?

ANSWER: It is.

QUESTION: Mr. Burns, this contract of sale is now exhibit "A" in these proceedings. Mr. Burns would you explain please to the Corporation Commission why it was necessary for Staffordboro Enterprises and Stafford Service Corp. to enter into the agreement which is now marked Exhibit "A", dated June 15, 1978?

ANSWER: I was advised by my attorney that it would be necessary for the corporation to own the facilities as a basis for setting their rates and tariffs and to operate as a utility company. That is the reason that the corporation went to the partnership and made the agreement to purchase the facilities owned by them.

QUESTION: Mr. Burns the principals within the Stafford Service Corp. and the Staffordboro Enterprises, a Virginia partnership, are they related in any way?

ANSWER: The principals in the corporation are myself and Mrs. Johnson and a George Cooper, and the partnership partners are Mrs. Johnson and myself.

QUESTION: Mr. Burns does Mr. Cooper own any stock in the corporation or is he solely there for another purpose.

ANSWER: He is there for another purpose, he does not own any stock. He is the son-in-law of Mrs. Johnson and is there to represent her interests. She is an elderly lady and it is not convenient for her to attend board meetings and be very active in the corporation.

QUESTION: Mr. Burns, would you tell me the amount of compensation or consideration paid under the agreement which is Exhibit "A" to the partnership from the corporation.

ANSWER: The corporation agreed to pay the partnership a total amount of \$398,643.57.

QUESTION: Mr. Burns how was this sales price determined?

ANSWER: It was determined based on the actual cost of the capital plant

and included sums that had been paid by the partnership for previous service to the county and also included the accounts payable by the partnership on behalf of the utility. This is the agreement to purchase the sewer facilities.

QUESTION: Mr. Burns would you tell us please the amounts attributable to each of those three items which made the total purchase price for the sewer company facilities?

ANSWER: Yes, the capital plant and equipment is \$227,918.00. The sums that had been paid by the partnership previously were \$55,048.34. And the accounts payable were \$115,677.23, making the grand total of \$398,643.57. All of the above sums included 8% simple interest for the cost from the date they were incurred until June of 1978.

QUESTION: Mr. Burns was any interest attributable to accounts payable?

ANSWER: No sir, although it is very likely that interest will have to be paid.

QUESTION: So the interest was only attributable to capital plant and equipment and to sums already paid by the partnership on behalf of the sewer company?

ANSWER: That is correct sir.

QUESTION: What terms, if any, are specified in the agreement to assist the corporation in paying the partnership this sum of money?

ANSWER: It was to be paid in two parts. One was based on a short term note in the amount of \$170,725.57, that note was to be paid by July 31, 1978. Of course, this matter did not come before the Commission at that time, and the corporation was unable to make this payment. The partnership has agreed to withhold collection only until the Commission fixes the rates that would cover payment. The other note was for \$241,843.57 and is to be paid over a period of 10 years.

QUESTION: Mr. Burns, could you tell me please the reason for the necessity of the short term note and how it was contemplated that the corporation would be in a financial position to pay the short term note?

ANSWER: The money to pay the short term note was anticipated to be derived from tap fees to be charged to the new customers when they become customers of the corporation. The money was needed to pay the proper amount under the agreement to the Sanitary District for water and sewer that had been provided, say water in this case, water that had been provided to these townhouses for a period of 8 years. And also to pay back as far as possible to the partnership its out of pocket costs that it had advanced for the utility company.

QUESTION: Was there, or will there be, sufficient amounts from a tap fee to completely cover the short term obligation?

ANSWER: No, that shortage was added to the amount of the long term note which represents, the acquisition of the capital plant and equipment. Since there wasn't enough at this stage to be derived from tap fees, it was felt this was the only way that the partnership could recover those sums.

QUESTION: Mr. Burns what tap fee is necessary in order to liquidate the short term debt?

ANSWER: My calculations on the tap fees to take care of the short term debt would be that a townhouse would be charged \$800.00 a unit and the mobile homes would be charged \$1,200.00 for the first unit and \$400.00 for each additional unit. Those being, of course, the identical fees charged by the Aquia Sanitary District for the same service. The Aquia Sanitary District operates around this property in Stafford County.

QUESTION: Mr. Burns, after the State Corporation Commission approves the connection fees for the new customers to be served by the Stafford Service Corp. and the short term debt incurred by the corporation has been paid from those funds, how much long term debt would the Stafford Service Corp. then have left?

ANSWER: \$241,843.57.

QUESTION: Would you explain please what constitutes that long term debt?

ANSWER: That essentially is the capital plant equipment and easements with the interest that has accrued on the capital plant since it was constructed. It also includes an additional sum that was not able to be paid from the tap fee proceeds.

QUESTION: Mr. Burns, tell me please the terms and conditions of the long term debt to be incurred by Stafford Service Corp. in the amount of \$241,843.57.

ANSWER: The agreement requires that it be paid over a period of 10 years monthly with simple interest at the rate of 8% per annum. The monthly payment is \$2,934.23. The partnership would hold a security interest in the facilities to insure its payment.

QUESTION: Mr. Burns, are you a certified public accountant.

ANSWER: No.

QUESTION: Did you have these rates and tariffs prepared by a certified public accountant.

ANSWER: No sir.

QUESTION: Would you tell the State Corporation Commission please why you did not have the rates and tariffs prepared by a certified public accountant.

ANSWER: I just did not have the money to have it done at this time.

QUESTION: Would you tell the State Corporation Commission please who prepared the prospective rates and tariffs for Stafford Service Corp?

ANSWER: I did.

QUESTION: Did you receive the assistance of a certified public accountant?

ANSWER: Yes I did.

QUESTION: Would you tell the State Corporation Commission who the certified public accountant was that assisted you?

ANSWER: Mr. Daniel Borinsky of Woodbridge.

QUESTION: Is Mr. Borinsky also an attorney?

ANSWER: Yes, he is an attorney in the firm of Richard R. Nageotte, Attorney at Law, in Woodbridge.

QUESTION: Mr. Burns, based upon the long term debt incurred by Stafford Service Corp. as a result of its agreement with Staffordboro Enterprises, in the amount of \$189,489.51, were you able to take that and add to it the normal operating costs of the water corporation to establish a rate and tariff to be charged for water provided by the Stafford Service Corp?

ANSWER: Yes.

QUESTION: Mr. Burns, would you advise the Corporation Commission concerning the amount of rates and tariffs that you established as being necessary to be paid by prospective customers, of Stafford Service Corp?

ANSWER: Do you mean monthly service charges?

QUESTION: Yes.

ANSWER: I established a minimum monthly bill for sewer of \$22.55, with the monthly bill for sewer in the amount of 106% of the charge for water.

QUESTION: Mr. Burns, in establishing these rates and tariffs for Stafford Service Corp., did you refer to or use the rates and tariffs of other entities providing sewer service to determine that these charges were consistent with what other sewer companies charge?

ANSWER: I used other sources, but they were not the controlling factor. The rates that established are actually those that are necessary to recover the investment and make an 8% return. I believe that they are fair and consistent with other sewer companies with debt to be curtailed.

QUESTION: Is it your testimony then that the rates and tariffs that you established for Stafford Service Corp. are designed to recover the capital cost as paid by Stafford Service Corp. to Staffordboro Enterprises. Additionally the normal monthly operating costs including water bills paid to the Aquia Sanitary District as are charged by the district and an 8% return on investment?

ANSWER: Yes sir, that is so, but also we included the otherwise unrecovered monies advanced by Staffordboro Enterprises.

QUESTION: Mr. Burns, you have testified concerning the rates that were established and submitted to the State Corporation Commission in your rates, rule

and regulations submitted for Stafford Service Corp. to the State Corporation Commission on June 15, 1978, is that correct?

ANSWER: Yes sir.

QUESTION: Are the rates as established in your rates, rules and regulations submitted to the Virginia State Corporation Commission on June 15, 1978, still valid?

ANSWER: No sir.

QUESTION: Would you tell the commission please why these rates are not valid?

ANSWER: They are not valid for two reasons. One is fairly easy to explain. Since they were submitted the water and sewer service has been furnished for six months, this is assuming through the end of December, and the additional bill owing to the sanitary district is \$8,721.00 which was not included in the calculations. Now depending upon when Stafford Service Corp. could start charging and be legally qualified to charge for service that figure could grow. The other reason is that the Aquia Sanitary District in the last few days has enacted new rates that increase the average water and sewer bill to the residents of the district and also to the corporation over 50%. Now that 50% includes both water and sewer, water was not raised that dramatically, but sewer was. Because of the new financial requirements of the sanitary district sewage treatment plant and I guess EPA or whatever makes those costs so high.

QUESTION: Mr. Burns, have you been able to establish a figure by which the rates for water provided for by the Stafford Service Corp. will have to be increased to adjust for the delay in bringing this matter to the State Corporation Commission?

ANSWER: Yes sir, if you recover that cost say in a year's time, a surcharge in the neighborhood of \$2.20 per month per unit will be required.

QUESTION: Mr. Burns, it is your testimony then that in addition to the rates established by the rates, rules and regulations submitted by

Stafford Service Corp. to the State Corporation Commission on June 15, 1978, an additional \$4.50 per month per customer will be required for a period of one year to recover the loss which resulted from the delay in having this matter put on the docket of the Commission.

ANSWER: That is correct.

QUESTION: Mr. Burns, have you been able to ascertain the additional rate necessary to compensate Stafford Service Corp. for the amount of increased billing by the Aquia Sanitary District resulting from the Sanitary District's recent rate increase?

ANSWER: Yes sir. I don't have a perfect number yet, since this is only two days old, but my calculations indicate that the minimum charge should be raised \$5.00 per month from \$22.55 to \$27.55, and that all service or consumption charges should be raised approximately \$1.25 per thousand gallons.

QUESTION: Mr. Burns I now show you the rates, rules and regulations for sewer service filed in this case on behalf of Stafford Service Corp., Stafford County, Virginia, issued June 15, 1978, and ask if these are the rates, rules and regulations that you filed on that date with the State Corporation Commission.

ANSWER: They are.

QUESTION: Mr. Burns I will ask that these be referred to as your Exhibit "B". Would you tell us please how you arrived at these rules and regulations?

ANSWER: I used as a typical format other rules and regulations that I had collected and wrote mine around those.

QUESTION: Is it your testimony then that you feel the rules and regulations in your Exhibit "B" are substantially similar to the rules and regulations established by other water corporations, franchised by the Virginia State Corporation Commission?

ANSWER: Yes.

QUESTION: Mr. Burns your testimony that the rates as established by the rates, rules and regulations filed with the Virginia State Corporation

Commission on June 15, 1978, reflect correctly the cost and needs of the Stafford Service Corporation with the exception of the two additional items which you testified to, that being the delay in having approval of these rates and also the recently enacted increases in the Aquia Sanitary District charges?

ANSWER: Yes sir.

QUESTION: Mr. Burns, did you cause to prepare or have prepared for Stafford Service Corp. a pro forma source and application of funds based upon the period of six and one-half months ended December 31, 1978, and the total year 1979?

ANSWER: Yes sir.

QUESTION: Mr. Burns was this pro forma prepared as a result of the rates filed by Stafford Service Corp. with the Virginia State Corporation Commission on June 15, 1978?

ANSWER: Yes sir.

QUESTION: Mr. Burns, I'll ask that the pro forma source and application of funds be your Exhibit "C" for this testimony. Would you please go through the figures contained on Exhibit "C" and indicate the manner in which the exhibit was prepared and the items considered in establishing the numbers contained on Exhibit "C".

ANSWER: Yes sir, the first line is operating revenue and that was the revenue calculated for those particular periods of time based on the rates that are filed with the commission as for water consumption. The cost of purchasing sewer is what would be charged by the Aquia Sanitary District to the corporation for providing the water service prior to the change. The cost of purchasing sewer would increase based on the new rates, as I testified earlier. The operating expense was based on a projection of what the hard cost would be of operating, including for instance, maintenance at \$200.00 a month, billing, etc. at \$100.00 a month. I have added in the gross receipts tax charged for this type of public utility, the county

tax on the plant and equipment, the state tax for this utility and expected legal and accounting costs. That is all of the first line, except for two additional items. Interest on the long term debt which I calculated from a repayment schedule, and the reserve for depreciation which was calculated by Mr. Borinsky, the certified public accountant, who assisted me in preparing these figures. When you subtract the cost from the expected revenue you get your net operating profit. You add back your depreciation and further on the form, we show the tap fee income, which is a one time item collected only when we obtain customers. That is balanced out immediately by the short term debt repayment to the partnership. The next line shows the long term principal curtailment which can also be calculated from the amortization of the debt. It shows on the last line an analysis of comparing those figures and shows a net increase of funds. That is both six and one-half months ending December 31, 1978, and for the year ending December 31, 1979. These figures do not show the surcharge necessary to compensate for the delay in receiving this hearing.

QUESTION: Mr. Burns, I now refer you to Stafford Service Corp. pro forma financials which we will refer to as Exhibit "D". Would you tell me please the purpose of the pro forma financial and who prepared them?

ANSWER: This page is prepared in an accounting format and was prepared essentially by Mr. Borinsky, the accountant, to reflect the utilization figures used in the performance source of application of funds. A computation that I believe to be correct, and would represent the financial condition of the corporation after the acquisition of the facilities from the partnership and the approval of the proposed rates and tariffs.

QUESTION: Mr. Burns, I call your attention to the Stafford Service Corp. pro forma balance sheet from June 15, 1978, to December 31, 1979, which we will refer to as your Exhibit "E". Would you please advise the commission as to who prepared these figures and for what purpose they were prepared?

ANSWER: They were prepared by Mr. Borinsky again, and they were prepared to indicate in this accounting format the current and projected status of the corporation after acquisition of the facility and the approval of the rates and tariffs. They do not reflect the increase necessary as a result of the new charges by the Aquia Sanitary District or the surcharge necessary as a result of the delay in having this matter brought to the attention of the Commission.

QUESTION: Mr. Burns I call your attention next to the Stafford Service Corp. total plant, that will be for purposes of your testimony, Exhibit "F", and ask you to explain what this list represents.

TOTAL PLANT

1 Rodding Machine
67 Townhouse Services
256 Mobile Home Services
6290 Lin. Ft. 6" C.A. Pipe
2538 Lin. Ft. 8" C.A. Pipe
1895 Lin. Ft. 12" C.A. Pipe
4434 Lin. Ft. 14" C.A. Pipe
356 Lin. Ft. 18" C.A. Pipe

QUESTION: Mr. Burns, in addition to the total plant, is the partnership known as Staffordboro Enterprises also conveying to the Stafford Service Corp. the required easements?

ANSWER: Yes sir.

QUESTION: Mr. Burns, would you explain please to the corporation commission the consideration being paid by the Stafford Service Corp. to Staffordboro Enterprises for the total plant and easements.

ANSWER: Yes sir, I started out with the original capital cost of the plant. I realize that there has been depreciation for accounting purposes since that time. In addition, I also know the easements that are needed to make the plant effective are worth money too. I have determined

that the value of the easements would be considerably in excess of the amounts that should be allowed for the depreciation in this short period of time. To make the arrangement cost effective to the corporation, the partnership has decided to only charge for the easements an amount equal to that that would be charged against the plant for depreciation.

QUESTION: It's your testimony then that in order to assist the Stafford Service Corp. in its formative financial years, you are giving them easements of a value in excess of the depreciation of the total plant and simply using the easement value to negate the depreciation to the original total plant.

ANSWER: Yes.

QUESTION: Mr. Burns, alternatively to that approach, is it possible to have the easements valued?

ANSWER: Yes sir, I could get an appraiser, but of course that again takes money that is not available at the time, and when it was done it would, I'm sure, demonstrate my belief that the easements are worth more than the allowable depreciation and would cause the service charges to be raised beyond the point that is now proposed.

QUESTION: Mr. Burns, if the corporation commission does not approve the rates and tariffs as established by your rates, rules and regulations filed with the commission on June 15, 1978, including such additional amounts as are necessary to increase these rates to reflect the six month delay in the commission hearing this matter, together with the increased rates which will be required by the increases in rates charged to Safford Service Corp. by the Aquia Sanitary District, what would be the end result of that action?

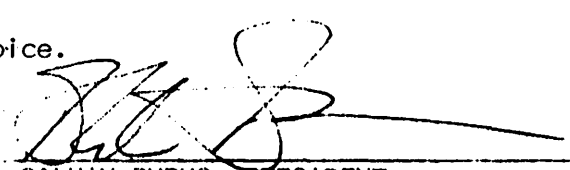
ANSWER: Well, I think there is only one possible result for that, the partnership cannot afford to furnish free water and sewer service to these proposed customers, and they would probably just have to go out of business.

QUESTION: Mr. Burns, in the event that the commission does not approve the conveyance of the facilities to the Stafford Service Corp. from the partnership and approve reasonable and necessary rates for the proper provision of water service to the prospective customers, is it the partnership's intention or desire to furnish water service to these persons?

ANSWER: The partnership in 1964 decided not to be in the utility business. That's why they had the corporation formed. The partnership has not changed its mind or attitudes about being in that business. They don't want to be in the business, they don't have the assets, so I can assure you that the partnership will go quickly out of this business of providing free water and sewer service.

QUESTION: Mr. Burns, is it then your testimony that in the event that the Stafford Service Corp. is not provided the approval of the State Corporation Commission to provide water service to the customers proposed at rates that would insure the financial interests of the corporation and in the event that this responsibility should revert to the partnership Staffordboro Enterprises that the partnership would terminate all water service?

ANSWER: We would have no other choice.


B. CALVIN BURNS, PRESIDENT
STAFFORD WATER CORPORATION

STATE OF VIRGINIA
COUNTY OF PRINCE WILLIAM, to-wit:

The foregoing testimony was acknowledged before me this 11th day of December, 1978, by B. Calvin Burns, President of Stafford Water Corporation, a Virginia corporation, on behalf of the corporation.


NOTARY PUBLIC

My commission expires:

August 18, 1981.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION AT RICHMOND
DECEMBER 14, 1978

IN RE: Application of Stafford Service Corp., Case #20052

CORRECTION SHEET FOR TYPOGRAPHICAL ERRORS
CONTAINED IN PRE-FILE TESTIMONY OF STAFFORD SERVICE CORP.

The following corrections to typographical errors in the pre-file testimony of Stafford Service Corp., Case #20052, are hereby made and it is requested that said pre-file testimony be considered as corrected by the below listed changes:

Page 1:

Line 5, the word corporation should be capitalized.

Line 8, the words registered, civil and engineer should all be capitalized.

Line 25, the word corporation should be capitalized.

Page 2:

Line 12, the word hasn't should be spelled hasn't.

Line 14, the words certificate, convenience and necessity should be capitalized.

Line 21, the word commission should be capitalized.

Line 22, the word partnership should be capitalized.

Line 23, the word corporation should be capitalized.

Line 25, the word county should be capitalized.

Page 3:

Line 3, the word commission should be capitalized.

Line 12, the word corporation should be capitalized.

Line 19, the word commission should be capitalized.

Line 23, the word commission should be capitalized.

Line 24, the word commission should be capitalized.

Line 28, the word commission should be capitalized.

Line 29, the word water should be changed to sewer.

Page 4:

Line 1, the words mechanical, engineer, civil and engineer should be capitalized

Line 3, the words "and construction" should be added to the end of the sentence.

Line 7, the word commission should be capitalized.

Line 9, the word "the" should be inserted before the word certificate, and the word "certificate" should be capitalized.

Line 13, the word partnership should be capitalized.

Line 17, the word county should be capitalized.

Line 28, the word corporation at the end of the line should be capitalized.

Line 29, the word certificate should be capitalized.

Page 5:

Line 1, the word commission should be capitalized.

Line 12, the word certificate should be capitalized.

Line 19, the word corporation should be capitalized.

Page 6:

Line 9, the word croporation should be capitalized.

Line 11, the words "corporation" and "partnership" should be capitalized.

Line 16, the word corporation should be capitalized.

Line 17, the word partnership should be capitalized.

Line 18, the word corporation should be capitalized.

Line 23, the word corporation should be capitalized.

Line 25, the word partnership should be capitalized.

Line 26, the word corporation should be capitalized.

Line 27, the words corporation and partnership should be capitalized.

Page 7:

Line 1, the word partnership should be capitalized.

Line 2, the words county and partnership should be capitalized.

Line 8, the word partnership should be capitalized.

Line 15, the word partnership should be capitalized.

Line 19, the words corporation and partnership should be capitalized.

Line 23, the words corporation and partnership should be capitalized.

Line 28, the word corporation should be capitalized.

Page 8:

Line 3, the word corporation should be capitalized.

Line 5, the word water should be changed to sewage.

Line 6, the word partnership should be capitalized.

Line 12, the word wasn't should be spelled wasn't.

Line 13, the word partnership should be capitalized.

Line 25, the word corporation should be capitalized.

Page 9:

Line 1, the word and should be inserted after the word plant.

Line 8, there should be a comma after the word years.

Line 9, there should be a comma after the word monthly at the beginning of the line.

Line 10, the word partnership should be capitalized.

Line 12, the words certified, public and accountant should be capitalized.

Line 14, the word certified should be capitalized.

Line 15, the words public and accountant should be capitalized.

Line 18, the words certified, public and accountant should be capitalized.

Line 23, the words certified, public and accountant should be capitalized.

Line 25, the word certified should be capitalized.

Line 26, the words public and accountant should be capitalized.

Page 10:

Line 3, \$189,489.51 should be changed to \$241,843.57.

Line 4, the word water should be deleted and the word service should be inserted in its place. The word corporation should be capitalized.

Line 5, the word water should be changed to sewage.

Line 19, the word were should be inserted after the first word that.

Line 24, the word as should be deleted and the words to be should be inserted.

Line 25, the word water should be deleted and the word sewage inserted.

Line 26, the word district should be capitalized.

Page 11:

Line 8, the word commission should be capitalized.

Line 13, the words sanitary and district should be capitalized.

Line 18, the word district should be capitalized.

Line 19, the word corporation should be capitalized.

Line 20, the word new should be deleted.

Line 21, the word new should be inserted after the word the. The words sanitary and District should be capitalized. A comma should be inserted after the word plant.

Line 22, the initials EPA should have periods after them.

Line 24, the word water should be changed to sewage. The word for should be deleted.

Page 12:

Line 2, \$4.50 should be changed to \$2.20.

Line 26, the word water should be deleted and the words sewer or service should be inserted.

Line 29, the word does should be inserted after the name Burns.

Page 13:

Line 23, the word commission should be capitalized. The words water consumption should be deleted and the words sewer service inserted.

Line 25, the word corporation should be capitalized. The word water should be deleted and the word sewer inserted.

Line 26, the word service should be inserted after the word sewer.

Line 30, the word county should be capitalized.

Page 14:

Line 1, the word state should be capitalized.

Line 2, the word line should be deleted and the word section inserted.

Line 3, there should be a semicolon after the word items. The word interest should have a small i.

Line 5, The words certified, public and accountant should be capitalized.

Line 11, the word partnership should be capitalized.

Line 13, the word of should be deleted.

Line 14, the word both should be deleted. The words for the should be inserted after the word is.

Line 17, the words or include revised figures based on the new Aquia Sanitary District rates should be added to the end of the sentence.

Line 22, the word of should be inserted after the word utilization

Line 23, the word performance should be deleted and the words Pro Forma inserted. The word source should be capitalized. The word of should be deleted and the word and inserted. The word application should be capitalized. The word funds should be capitalized. There should be a comma after the word funds. The word A should be a small a.

Line 25, the word corporation should be capitalized.

Line 26, the word partnership should be capitalized.

Line 29, the word commission should be capitalized.

Page 15:

Line 3, the word corporation should be capitalized.

Line 10. The words It reads: should be inserted after the word represents.

Line 19, the words and manholes for all of the above pipe should be added after the word Pipe.

Line 20 should read as follows: ANSWER: These are the items along with the easements representing the total plant and equipment acquired by the Corporation from the Partnership.

Line 24, the word corporation should be capitalized.

Line 25, the word commission should be capitalized.

Page 16:

Line 4, the words corporation and partnership should be capitalized.

Line 19, the words corporation and commission should be capitalized.

Line 21, the word commission should be capitalized.

Line 23, the word commission should be capitalized.

Line 28, the word partnership should be capitalized.

Page 17:

Line 1, the word commission should be capitalized.

Line 2, the word partnership should be capitalized.

Line 4, the word water should be changed to sewer. The word partnership's should be capitalized.

Line 5, the word water should be changed to sewer.

Line 6, the word partnership should be capitalized.

Line 7, the words corporation and partnership should be capitalized.

Line 10, the word partnership should be capitalized.

Line 14, the word water should be changed to sewer.

Line 15, the word corporation should be capitalized.

Line 16, the word partnership should be capitalized. There should be a comma after the word partnership.

Line 17, there should be a comma after the word Enterprises. The word partnership should be capitalized.

Signature Block should read as follows: B. CALVIN BURNS, PRESIDENT
STAFFORD SERVICE CORPORATION

Notary Acknowledgement:

Line 2, the word Water should be deleted and the word Service inserted.

Line 3, the second word corporation at the end of the line should be capitalized.

PREPARED TESTIMONY

OF

S. FRANK LEIS

STAFFORD WATER CORPORATION
CASE NO. 20051

STAFFORD SERVICE CORPORATION
CASE NO. 20052
JANUARY 31, 1979

Q. Will you please state your name and the position you hold with the State Corporation Commission?

A. My name is S. Frank Leis, and I am the Assistant Director of the Division of Public Utility Accounting and Finance for the Commission.

Q. Would you briefly describe your professional experience and background?

A. A brief resume of my professional qualifications and background is contained in Appendix I to my testimony.

Q. Have you included both Stafford Water Corporation and Stafford Service Corporation in your testimony?

A. Yes, I have combined both the water and sewer corporations instead of providing separate testimony for each.

Q. Has the Accounting Division Staff prepared exhibits for use in this proceeding?

A. Yes, several exhibits have been prepared. These will provide accounting information showing net utility plant investment (Rate Base) for the water and sewer corporations in the amounts of \$136,807 and \$225,316 respectively. The water corporation's

net operating income for the pro forma test period ending December 31, 1979 is \$29,616 and the sewer corporation's net operating income is \$35,678. The combined net operating income of these two corporations amounts to \$65,294.

In this testimony, I have tried to present as fairly and accurately as possible pro forma earnings, expenses, and investment applicable to the Stafford Water Corporation and the Stafford Service Corporation.

This briefly summarizes my exhibits and testimony which I submit at this time.

(COUNSEL FILES REPORT)

BACKGROUND

On June 21, 1978 Stafford Water Corporation and Stafford Service Corporation filed applications with the Commission for Certificates of Public Convenience and Necessity. These two respective corporations were formed as public service corporations to provide water and sewer services to that property known as Staffordboro located in Stafford County, Virginia.

Stafford Water Corporation was chartered by the State Corporation Commission on October 12, 1964. The facilities of the Corporation were purchased from Staffordboro Enterprises, a partnership composed of Mr. B. Calvin Burns and Mrs. Ethel Johnson. In the "Contract of Sale" Stafford Water Corporation agreed to pay a purchase price of \$342,939.51 to Staffordboro Enterprises. The facilities purchased by Stafford Water Corporation are composed of the actual cost of the plant, sums previously paid by the partnership for previous service to the

county, and the accounts payable incurred by the partnership on behalf of the Utility. The Corporation's payment to Staffordboro Enterprises will consist of two notes. The first is a short-term note for \$153,450.00 and the second is a long-term note for \$189,489.51 for a total purchase price of \$342,939.51. The Corporation proposes to pay for the short-term note through the collection of tap fees to new customers. The long-term note will be paid monthly over a ten-year period with simple interest at 8% per annum.

Like Stafford Water Corporation, Stafford Service Corporation was chartered by the State Corporation Commission on October 12, 1964. The facilities of the Corporation were purchased from Staffordboro Enterprises. In the "Contract for Sale" Stafford Service Corporation agreed to pay a purchase price of \$398,643.57 to Staffordboro Enterprises. The facilities purchased by Stafford Service Corporation are composed of the actual cost of the plant, sums previously paid by the partnership for previous service to the county and the accounts payable incurred by the partnership on behalf of the utility. The Corporation's payment to Staffordboro Enterprises will consist of two notes. The first is a short-term note for \$156,800.00 and the second is a long-term note for \$241,843.57 for a total purchase price of \$398,643.57. The Corporation proposes to pay for the short-term note through the collection of tap fees to new customers. The long-term note will be paid monthly over a ten-year period with simple interest at 8% per annum.

Although the Corporations were chartered in 1964, they have been unable to come before the Commission and request authorization to do business as public utility companies and to charge for their services due to pending litigation. On April 25, 1967, Staffordboro Enterprises entered into a contract with the Aquia Sanitary District, the local sanitary district, which conveyed the sewage treatment plant to the county for other considerations. Because of this contract, the Corporations are involved in litigation which revolves around the appropriate rates, covered in the agreement with the Sanitary District, that would be paid for their bulk services. In addition, the litigation also concerns the amount of tap fees (as expressed in the agreement) involved in providing services through these corporations.

SCOPE OF REVIEW

At the present time, Stafford Water Corporation and Stafford Service Corporation do not maintain accounting records. The accounting information that is available for review is contained on the books of Staffordboro Enterprises. Because of the lack of historical data on the water and sewer corporations only pro forma Rate of Return Statements and an Income Statement have been prepared. The Balance Sheet, as presented, reflects the sale of the utility plants to the corporations from Staffordboro Enterprises. Several exhibits have been prepared and are assembled in report form as follows:

Statement I - Pro forma Rate of Return, Stafford Water Corporation.

Statement II - Pro forma Rate of Return, Stafford Service Corporation.

Statement III - Pro forma Rate of Return, Reflects Combination of Stafford Water Corporation and Stafford Service Corporation.

Statement IV - Pro forma Income Statement.

Statement V - Balance Sheet

STAFF EXHIBIT

STATEMENT III

This is the combined Pro forma Rate of Return Statement for Stafford Water Corporation and Stafford Service Corporation. Operating Revenues for the proformed test period amounted to \$144,690; Operation and Maintenance Expenses, Depreciation and Taxes were \$79,396. Deducting this total from total Operating Revenues leaves a Net Operating Income of \$65,294. This, when related to the combined rate base of \$362,123 for the two corporations, generates an overall rate of return of 18.03%. The procedure used by the two corporations for estimating their pro forma figures are as follows: Operating Revenues and the cost of purchasing water and sewage treatment from the Aquia Sanitary District are based on the estimated consumption of the 67 townhouses and the 256 mobile homes. The corporations estimated, that on an average, each townhouse would consume 7,000 gallons per month and each mobile home site would consume 4,000 gallons per month. The estimated costs of Operation and Maintenance expenses, Depreciation, and Taxes Other Than Federal Income Taxes were annualized to reflect a full year's effect. The

Virginia Gross Receipts Tax figure and the Federal Income Tax figure were calculated by the Staff using the new rates effective January 1, 1979.

THE RATE BASE

The Rate Base is composed of the Corporations' plant and facilities used and useful in the rendition of their utility service to the public. This figure represents the actual cost of the investments by the two corporations and is used as it most fairly states the actual investment made in the Corporations' plant and the value which ratepayers will be required to return in the form of depreciation expense.

SUMMARY AND CONCLUSION

In its application the water and sewer corporations are asking for Certificates of Convenience and Necessity and approval of the rates established for their service. The Corporations had not previously charged for these services and are proposing the following:

WATER SERVICE

<u>Gallons Per Month</u>	<u>Rate Per 1000 Gallons</u>
For the First 5,000	\$4.25
5,000 to 10,000	4.05
10,000 to 20,000	3.95
20,000 to 50,000	3.90
50,000 to 100,000	3.85
For all over 100,000	3.80
Minimum monthly charge shall be	\$21.25
Connection Fees:	
Townhouse (Individual Dwelling unit)	\$750.00

Trailer Parks & Courts	\$1,200.00 First unit
	400.00 Each Additional unit

Availability Charge: \$5.00 per month

SEWER SERVICE

Monthly Service Charge - 106% of Water Charge
Minimum Charge \$22.55 Per Month

Connection Fees:

Townhouse (Individual Dwelling Unit)	\$ 800.00
--------------------------------------	-----------

Trailer Park	1,200.00 First Connection
	400.00 Each Additional Connection.

Availability Charge: \$4.00 per month

The revenues that these rates and charges will produce are shown by the Company's pro forma estimates, and by the Staff's Statements I, II, and III. Upon analysis of the total number of customers paying the minimum rates, the Staff computed the revenues for each Company as shown by column II of each statement. These computations show a very high rate of return amounting to 28.55% and 20.15% for the water and sewer companies respectively.

With the limited amount of data available at the present time the Staff is of the opinion that the Company's proposed rates and charges would be excessive; accordingly, the Staff has presented its recommended interim revenue increase as shown by column (3) of statements I, II, and III. These revenues will be produced with the minimum charges for water and sewer service as follows:

INTERIM RATES

Water:	\$10.00	per month
Sewer:	\$15.00	per month

In the case of the water company a small net operating income of \$3,991 will accrue, generating a 2.92% rate of return. Cash flow will be improved further by \$4,206 of depreciation, a non-cash expense.

The Staff's interim proposed rates will produce a net operating income of \$22,929 for the sewer company and generate a 10.18% rate of return with additional cash flow available from \$3,419 of depreciation expense.

When viewed on a total company basis, net operating income becomes \$26,920 with a 7.43% rate of return.

Examination of the Company's pro forma income statement shows an interest requirement of \$32,146, payable to the principals of Stafford Water and Sewer Company and Staffordboro Enterprises. While this interest requirement exceeds the net operating income available, it should be emphasized that there is additional cash flow available from \$7,625 of depreciation expense.

In light of the foregoing discussion and the lack of sufficient historical data concerning rate base and operating expenses; it is recommended, that the Staff's proposed rates be implemented as an interim measure.

In addition, it is further recommended that the Company establish its records in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of

Accounts; following which another audit will be conducted, between six months and one year, to determine appropriate water and sewer rates.

Q. Does this conclude your testimony?

A. Yes, it does.

STAFFORD WATER CORPORATION

Pro Forma Rate of Return
For the Twelve Months Ended December 31, 1979

	Per Company's Pro Forma Statement Col. 1	Staff's Pro Forma Statement Col. 2	Staff's Recommended Increase Col. 3
<u>Operating Revenues</u>	<u>\$ 70,418</u>	<u>\$ 82,365</u>	<u>\$ 38,760</u>
<u>Operating Revenue Deductions</u>			
Cost of Purchasing Water	\$ 20,023	\$ 20,023	\$ 20,023
Operation and Maintenance Expenses	7,680	7,680	7,680
Depreciation Expense	4,206	4,206	4,206
Taxes Other Than Federal Income Taxes	2,427	2,572	2,043
Federal Income Taxes	6,466	8,827	,817
<u>Total Operating Revenue Deductions</u>	<u>\$ 40,802</u>	<u>\$ 43,308</u>	<u>\$ 34,769</u>
<u>Net Operating Income (Loss)</u>	<u>\$ 29,616</u>	<u>\$ 39,057</u>	<u>\$ 3,991</u>
<u>Utility Plant</u>			
Utility Plant in Service	\$140,214	\$140,214	\$140,214
Less: Reserve for Depreciation	6,485	6,485	6,485
<u>Net Utility Plant</u>	<u>\$133,729</u>	<u>\$133,729</u>	<u>\$133,729</u>
<u>Allowance for Working Capital</u>			
Cash (40 Days of Cost of Purchasing Water and Operation and Maintenance Expenses)	3,078	3,078	3,078
<u>Net Utility Plant and Allowances</u>	<u>\$136,807</u>	<u>\$136,807</u>	<u>\$136,807</u>
<u>Rate of Return</u>	21.65%	28.55%	2.92%

() Denotes negative amount

STAFFORD SERVICE CORPORATION

Pro Forma Rate of Return
For the Twelve Months Ended December 31, 1979

	Per Company's Pro Forma Statement Col. 1	Staff's Pro Forma Statement Col. 2	Staff's Recommended Increase Col. 3
<u>Operating Revenues</u>	<u>\$ 74,272</u>	<u>\$ 87,404</u>	<u>\$ 58,140</u>
<u>Operating Revenue Deductions</u>			
Cost of Purchasing Sewage Treatment	\$ 18,021	\$ 18,021	\$ 18,021
Operation and Maintenance Expenses	6,000	6,000	6,000
Depreciation Expense	3,419	3,419	3,419
Taxes Other Than Federal Income Taxes	3,172	3,331	2,976
Federal Income Taxes	7,982	11,240	4,795
<u>Total Operating Revenue Deductions</u>	<u>\$ 38,594</u>	<u>\$ 42,011</u>	<u>\$ 35,211</u>
<u>Net Operating Income (Loss)</u>	<u>\$ 35,678</u>	<u>\$ 45,393</u>	<u>\$ 22,929</u>
<u>Utility Plant</u>			
Utility Plant in Service	\$227,918	\$227,918	\$227,918
Less: Reserve for Depreciation	5,271	5,271	5,271
<u>Net Utility Plant</u>	<u>\$222,647</u>	<u>\$222,647</u>	<u>\$222,647</u>
<u>Allowance for Working Capital</u>			
Cash (40 Days of Cost of Purchasing Sewage Treatment and Operation and Maintenance Expenses)	2,669	2,669	2,669
<u>Net Utility Plant and Allowances</u>	<u>\$225,316</u>	<u>\$225,316</u>	<u>\$225,316</u>
<u>Rate of Return</u>	15.83%	20.15%	10.18%

STAFFORD UTILITIES CORPORATION

Total Company (Service and Water Corporations)
 Pro Forma Rate of Return
For the Twelve Months Ended December 31, 1979

	Per Company's Pro Forma Statement Col. 1	Staff's Pro Forma Statement Col. 2	Staff's Recommended Increase Col. 3
<u>Operating Revenues</u>	<u>\$144,690</u>	<u>\$169,769</u>	<u>\$ 96,900</u>
<u>Operating Revenue Deductions</u>			
Cost of Purchasing Water and Sewage Treatment	\$ 38,044	\$ 38,044	\$ 38,044
Operation and Maintenance Expenses	13,680	13,680	13,680
Depreciation Expense	7,625	7,625	7,625
Taxes Other Than Federal Income Taxes	5,599	5,903	5,019
Federal Income Taxes	14,448	20,067	5,612
<u>Total Operating Revenue Deductions</u>	<u>\$ 79,396</u>	<u>\$ 85,319</u>	<u>\$ 69,980</u>
<u>Net Operating Income (Loss)</u>	<u>\$ 65,294</u>	<u>\$ 84,450</u>	<u>\$ 26,920</u>
<u>Utility Plant</u>			
Utility Plant in Service	\$368,132	\$368,132	\$368,132
Less: Reserve for Depreciation	11,756	11,756	11,756
<u>Net Utility Plant</u>	<u>\$356,376</u>	<u>\$356,376</u>	<u>\$356,376</u>
<u>Allowance for Working Capital</u>			
Cash (40 Days of Cost of Purchasing Water and Sewage Treatment and Operation and Maintenance Expenses)	5,747	5,747	5,747
<u>Net Utility Plant and Allowances</u>	<u>\$362,123</u>	<u>\$362,123</u>	<u>\$362,123</u>
<u>Rate of Return</u>	18.03%	23.32%	7.43%

STAFFORD UTILITIES CORPORATION

Total Company (Water and Service Corporations)
 Pro Forma Income Statement
For The Twelve Months Ended December 31, 1979

	Water Corp. <u>Col. 1</u>	Service Corp. <u>Col. 2</u>	Total <u>Col. 3</u>
<u>Operating Revenues</u>	\$70,418	\$74,272	\$144,690
<u>Operating Revenue Deductions</u>			
Cost of Purchasing Water and Sewage Treatment	\$20,023	\$18,021	\$ 38,044
Operation and Maintenance Expenses	7,680	6,000	13,680
Depreciation Expense	4,206	3,419	7,625
Taxes Other Than Federal Income Taxes	3,670	4,483	8,153
Federal Income Taxes	6,218	7,720	13,938
<u>Total Operating Revenue Deductions</u>	<u>\$41,797</u>	<u>\$39,643</u>	<u>\$ 81,440</u>
<u>Net Operating Income (Loss)</u>	<u>\$28,621</u>	<u>\$34,629</u>	<u>\$ 63,250</u>
<u>Other Income Deductions</u>			
Interest	\$14,122	\$18,024	\$ 32,146
<u>Net Income (Loss)</u>	<u>\$14,499</u>	<u>\$16,605</u>	<u>\$ 31,104</u>

STAFFORD UTILITIES CORPORATION
Total Company (Service and Water Corporations)
Balance Sheet
at June 15, 1978

<u>ASSETS AND OTHER DEBITS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
<u>Utility Plant</u>		<u>Equity Capital</u>	
<u>Service Corporation</u>		Common Stock	\$ 600
Plant and Equipment	\$227,918	<u>Long-Term Debt</u>	431,333
<u>Water Corporation</u>		<u>Current and Accrued Liabilities</u>	
Plant and Equipment	<u>140,214</u>	Short-Term Debt	<u>310,250</u>
<u>Total Utility Plant</u>	\$368,132		
<u>Current and Accrued Assets</u>			
Cash	\$ 600		
Accounts Receivable Tap Fees	310,250		
Other Assets	<u>63,201</u>		
<u>Total Current and Accrued Assets</u>	<u>374,051</u>		
<u>TOTAL ASSETS AND OTHER DEBITS</u>	<u>\$742,183</u>	<u>TOTAL LIABILITIES AND OTHER CREDITS</u>	<u>\$742,183</u>

S. Frank Leis
 Assistant Director of Public Utility Accounting
 State Corporation Commission
 Commonwealth of Virginia

EDUCATION

1959	Master of Business Administration degree in Financial Management, The George Washington University, Washington, D.C.
1956	Bachelor of Business Administration degree in Economics, University of Miami, Florida.
1971	Department of Defense Computer Institute, Executive Course.
1943-74	Various Professional Military Schools and Colleges.

FIELDS OF SPECIALIZATION

Public Utility Accounting.

Special Assignments in Financial Management at the Secretariat level for the Department of the Navy; to include Financial and Administrative Management, Budgeting, Forecasting, Accounting, Disbursing and Personnel Management.

Statistical Reporting.

Financial Management for large military industrial organizations.

PROFESSIONAL POSITIONS

1976	Assistant Director of Public Utility Accounting, State Corporation Commission.
1974-75	Public Utility Accountant, State Corporation Commission, Commonwealth of Virginia, Richmond, Virginia.
1971-74	Special Assistant, Office of the Comptroller, Department of the Navy, Washington, D.C.

1969-71 Comptroller for a \$700 million dollar organization and an annual Operations and Maintenance Budget of \$216 million, Cherry Point, North Carolina.

1965-67 Deputy Comptroller, \$300 million annual Operations and Maintenance Budget, Aiea, Hawaii.

1960-62 Deputy Comptroller, Norfolk, Virginia.

1959-60 Comptroller, Norfolk, Virginia.

PART TIME PROFESSIONAL ACTIVITY

Instructor "Accounting", University of Virginia, 1960-62.

Instructor "Governmental Budgeting", The George Washington University, 1962.

Instructor "Accounting", East Carolina University, 1969.

PROFESSIONAL SOCIETIES

American Society of Military Comptrollers

National Association of Accountants

PROFESSIONAL PAPERS

"Rate Case Preparation" - Before the Seminar for the Virginia Association of Electric Cooperatives, April 24, 1975.

"Normalization" (CoAuthor) - For the Southeastern Association of Regulatory Commissioners (SERUC), May 26, 1976.

"Nuclear Fuel Financial Accounting" - Before Members and Conferees of The National Association of Regulatory Commissioners (NARUC) Subcommittee on Accounting, March 9, 1977.

"Rate of Return Formulation and Problems for Electric and Telephone Cooperatives" - Before Members and Conferees of The National Association of Regulatory Commissioners (NARUC) Subcommittee on Accounting, September 26, 1977.

"Accounting Alternative to Recycled Nuclear Fuel" - Before Members and Conferees of The NARUC Subcommittee on Accounting, September 26, 1977.

"The Virginia Program of Annual Review of Utility Rates" - Before Members of the National Association of Water Companies, October 25, 1977.

"Allowance For Funds Used During Construction - A PARADOX." Before Members and Conferees of The NARUC Subcommittee on Accounting, September 11 - 14, 1978.

COUNSEL MOLINARI'S EXHIBIT 3

3 PLATS

(SEE ATTACHED PACKET)

NOTE: The matter is called to
be heard at 10 o'clock A.M. on January 31,
1979 before the Commissioners, as follows,
viz:

COMMISSIONER SHANNON: Mr. Ivey,
do you have anything in the way of a
preliminary statement?

MR. IVEY: Yes, Your Honor. First,
I would like to state that Aquia Sanitary
District has withdrawn its Motion to
participate as a protestant, just to
clarify the record.

COMMISSIONER SHANNON: Are they
going to participate as an Intervenor?

MR. IVEY: Yes, Your Honor. And
that will be explained a little bit later.

COMMISSIONER SHANNON: All right.
I think the Commission would want to hear
from them.

MR. IVEY: May it please the
Commission, my name is Lynn Ivey, and I
will be representing the Commission Staff

1
2 in this proceeding.

3 You have before you the applications
4 of two public service companies. They were
5 both chartered in 1964 but have not been
6 active in providing public utility service
7 since 1970. The public utility service
8 provided within the proposed certificate
9 area has been offered by Staffordboro
10 Enterprises.

11 Staffordboro Enterprises is a
12 partnership affiliated with the two Applicants
13 and is not a public service company.

14 On June 1st, 1978 the Commission
15 received calls from various customers within
16 the proposed certificated area. These
17 customers complained that their water
18 service was being cut off for the non-
19 payment of bills. At the request of the
20 Commission Staff, the public utility
21 service was restored to those persons.

22 On the 5th of June, 1978, the
23 Commission Staff met with representatives
24 of Staffordboro Enterprises. Those

representatives also are the counsel and the President of the two Applicants in this case. At that meeting, the Staff learned that no charges were being made for the public utility service that has been given in the past since 1970.

The partnership at that time was trying to collect for current expenses and past expenses that it incurred in providing that public utility service.

The Commission Staff informed the Company representatives that the proper procedure for the Companies to follow was to transfer the public utility property to the public service companies and that the public service companies should file for Certificates of Convenience and Necessity and appropriate rates.

Those applications were filed on the 21st of June, 1978. It is the Staff's understanding that the Companies are still not receiving any funds for the public utility services they provide.

1
2 The Staff does not oppose the
3 granting of these certificates applied
4 for. The Staff's primary concern is
5 that the water and sewer service that the
6 customers of Staffordboro Townhouses and
7 the nearby trailer park are receiving,
8 that the services are continued. The
9 Staff does not consider the proposed rates
10 that the Company has applied for as
11 reasonable.

12 The Staff has two witnesses, Mr.
13 E. Jackson Tice, an engineer with the
14 Commission Staff. Mr. Tice has reviewed
15 the tariffs, rates, and testimony that
16 the Company has submitted. Mr. Tice
17 requests that -- questions the Company
18 intentions to collect tap fees from
19 customers who have already been connected
20 to the public utility facilities. Mr.
21 Tice also questions at least one provision
22 of the tariffs regarding security deposits.

23 The Staff will also present Mr.
24 S. Frank Leis, who is the Assistant Director

1
2 of the Commission's Division of Public
3 Utilities Accounting and Finance. Mr.
4 Leis presents pro forma accounting figures
5 of the two Applicants. As noted in his
6 testimony, neither Company has any account-
7 ing records for the past. Mr. Leis proposes
8 to institute interim minimum rates of ten
9 dollars per month for water service, and
10 fifteen dollars per month for sewer service.

11 These rates are designed to cover
12 the Company's cost of current service. It
13 is the Staff's proposal that these rates
14 be charged for at least six months while
15 the Companies set up their books in ac-
16 cordance with the Uniform System of Accounts
17 for public utility companies. This period
18 will allow accurate expense and revenue
19 figures to be recorded and will give the
20 Staff more time to scrutinize the Companies'
21 rate base figures and affiliate debt
22 transactions that represent virtually all
23 of Companies' financing.

24 At a prehearing conference this

1
2 morning, the parties agreed on the following
3 order for the presentation of the case: The
4 Applicant will put on his witness first,
5 followed by the Staff and, then, the
6 Protestants.

7 For opening statements, the Applicant
8 will follow the Staff. Then, the Protestant.
9 And following the Protestant, Aquia Sanitary
10 District will make a statement for the
11 record.

12 COMMISSIONER SHANNON: Mr. Ivey,
13 what rates are being paid now for water
14 and sewerage?

15 MR. IVEY: It's my understanding
16 that no rates are being paid for the service.

17 COMMISSIONER SHANNON: No rates
18 have been paid?

19 MR. IVEY: That's correct.

20 COMMISSIONER SHANNON: Now, who is
21 going to be the spokesman for the Applicant?
22 Is it Mr. Nageotte?

23 MR. NAGEOTTE: Mr. Nageotte. Mr.
24 Chairman, members of the Commission, my name

1
2 is Richard Nageotte. I'm an attorney from
3 Woodbridge, Virginia, licensed to practice
4 in the State of Virginia. And I represent
5 the Applicant, along with Mr. Borinsky, of
6 my office, who is also licensed to practice
7 in the Commonwealth of Virginia.

8 COMMISSIONER SHANNON: We are glad
9 to have you with us.

10 MR. NAGEOTTE: Thank you, sir. This
11 is Mr. Burns, who is the Applicant, on
12 behalf of the Stafford Water Corporation,
13 Stafford Service Corporation.

14 I feel it's necessary to call to the
15 Commission's attention a jurisdictional
16 problem to begin with. On June the 15th of
17 1978, the Applicant filed with this
18 Commission, in accordance with Section 56.1
19 of the Code of Virginia, application for the
20 approval of a contract with an affiliated
21 entity as required by the Code of Virginia.
22 In order for Stafford Water Corporation and
23 Stafford Service Corporation to charge a
24 rate and tariff and have that rate and tariff

1
2 fixed by this Commission, it is first
3 of all incumbent upon those Corporations
4 to have received the capital plant
5 necessary to provide these services.
6 That capital plant was conveyed by
7 Staffordboro Enterprises, a partnership,
8 to Stafford Water Corporation and Stafford
9 Service Corporation, pursuant to contracts
10 entered into and which are subject to the
11 application for approval of affiliated
12 transactions.

13 So, until we resolve the affiliated
14 transaction it is my opinion that we cannot
15 fix rates and tariffs for the Corporations
16 which have no capital plant. And I think
17 that would be incumbent to prove that first
18 off.

19 COMMISSIONER SHANNON: Isn't it a
20 kind of chicken and egg proposition? You
21 don't have a Certificate of Public Convenience
22 and Necessity, so they could be approved
23 simultaneously, I suppose. But can you approve
24 an affiliate transaction before you hold

1
2 a Certificate from this Commission?

3 MR. NAGEOTTE: I believe you can.
4 According to the Code, the Code doesn't
5 require, as I recall, the -- it requires
6 approval of this Commission for an
7 affiliated transaction but it does not
8 make as a prerequisite to that approval
9 the existence of a Certificate.

10 COMMISSIONER SHANNON: We have to
11 have jurisdiction of the parties to approve
12 it, though, don't we?

13 MR. NAGEOTTE: I understand that, sir,
14 but I believe your jurisdiction of the
15 parties occurs on the filing of the affiliated
16 transaction and request for approval. I
17 think that filing gives you jurisdiction
18 to approve or disapprove the affiliated
19 transaction, which I think is a prerequisite
20 to the establishment of rates and tariffs,
21 because obviously your rates and tariffs
22 are based upon -- or, as a result of a rate
23 base of capital plant, which at this point
24 in time, until there is approval by this

Commission on the affiliated transaction, there is no capital plant upon which the Applicant can apply for a Certificate of Convenience and Necessity. So, that would be our position.

COMMISSIONER SHANNON: Thank you.

MR. NAGEOTTE: Now, I will try, as best I can, to advise the Commission that this is probably one of the most unique situations and circumstances I have ever been involved in. I do not practice regularly before this Commission. I have practiced before it from time to time, and I am somewhat familiar with utility companies.

Gentlemen of the Commission, I don't ever remember a situation in which people have received free sewer and water service for eight years, or so, without payment, where a utility comes in at this late date and asks for establishment of rates.

As I see this thing, it's a difficult

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2 problem for the Commission, and for myself,
3 to address because somehow, someway everyone
4 has to be made as whole as possible in this
5 entire mess, if you want to call it that, and
6 I believe it is.

7 Let me tell you the facts and cir-
8 cumstances which led to this. Staffordboro
9 Enterprises was a partnership formed to
10 develop certain real property in North
11 Stafford County, Virginia. Staffordboro
12 Enterprises proceeded to -- this is in the
13 days prior to a sanitary district -- they
14 proceeded to construct their own water
15 facility and their own sewerage treatment
16 lagoon to cover the needs of their property.
17 As it turned out, Stafford County decided
18 about the same time that they would like
19 to go into the water and sewer business
20 with a sanitary district, which subsequently
21 became the Aquia Sanitary District.

22 As a result, they approached Mr.
23 Burns and Mr. Johnson, who were partners
24 in Staffordboro Enterprises, and sought to

1
2 buy their capital facilities, i.e., the
3 sewerage treatment plant and the water
4 treatment plant, which they had built for
5 their subdivision, Staffordboro Enterprises.

6 This was not unacceptable to Mr.
7 Burns and Mr. Johnson, and negotiations led
8 to a contract between them and the Aquia
9 Sanitary District. The contract basically
10 provided for a certain payment in dollars
11 plus all of the service they needed for
12 their property plus the understanding that
13 Stafford Water and Stafford Service would
14 come to this Commission to have rates set
15 and would operate its own utility company.

16 Unfortunately, after that, a chain
17 of events occurred, not the least of which
18 was change of County people. As we all know,
19 when you deal with the government you sup-
20 posedly deal with the government but people
21 change in the government. It is my under-
22 standing that, first of all, Mr. Johnson died.
23 Mr. Johnson was elderly. He died; therefore,
24 there was a dispute and litigation over settle-

1
2 ment of his estate with the partnership.
3 So that was the first unfortunate circumstance
4 which occurred. Secondly, when Staffordboro
5 Enterprises sought to obtain the services
6 that they felt they were entitled to under
7 the contract, they were denied the services
8 by the County who, as I recall, said that
9 the contract, though it may be valid, was
10 a cancer on the body politic. So,
11 consequently that went into litigation.

12 As a result of all this, the litigation
13 and the problems have just been going on for
14 this number of years so that no rates and
15 tariffs have been set.

16 COMMISSIONER SHANNON: That's just
17 the sewer company?

18 MR. NAGEOTTE: Sewer and water company.

19 COMMISSIONER SHANNON: Both are in
20 litigation.

21 MR. NAGEOTTE: Both companies are
22 involved with litigation with the County.

23 COMMISSIONER BRADSHAW: How long has
24 that been going on?

1
2 MR. NAGEOTTE: It has been going
3 on now since 1972.

4 COMMISSIONER BRADSHAW: And the
5 Court hasn't resolved it yet?

6 MR. NAGEOTTE: The Court has entered
7 an Order in one case and -- in a Chancery case
8 for specific performance, dismissing the case
9 as to Staffordboro. And now a claim has
10 been made under Title 15 of the Code which
11 requires you to make a claim against the
12 County for contractual actions. The claim
13 has been denied. Now that case is in litigation
14 on the loss side of the Court for damages
15 as a result of breach of contract by the
16 County. And that case has not yet been
17 decided.

18 Technically speaking, we would prefer
19 not to come before this Commission until all
20 the litigation has been determined so that
21 we would all have a better understanding
22 of the actual responsibilities of all parties.
23 But, unfortunately we can't do that because
24 it has just gone on for so many years.

1
2 We came here once before in 1973
3 and started to file for a Certificate but
4 because of the uncertainties as to the rate
5 required we just abandoned that effort and
6 now -- but it is apparent today that we
7 cannot delay any further because it is
8 prejudicing all parties concerned. It is
9 prejudicing the Applicant in this case by
10 not being able to collect for sewer and
11 water services. It is prejudicing the
12 County because they are not receiving pay-
13 ment for their sewer and water bills rendered
14 on behalf of Aquia Sanitary District to
15 Staffordboro. Irrespective of the fact that
16 we dispute the amount of the bills, there
17 is no question but what there is money due;
18 the question is how much.

19 It prejudices all of the people
20 involved because here they have lived in
21 these properties for some eight years without
22 the payment of sewer and water. And I under-
23 stand their thinking that they would like
24 that to continue. But, unfortunately, we all

1
2 know that it can't continue.

3 COMMISSIONER BRADSHAW: Well, how
4 are they prejudiced if they are getting
5 free service?

6 MR. NAGEOTTE: That's exactly the
7 point. I mean, they are not prejudiced but
8 some day they may very well be, because we
9 all know there is no such thing as a free
10 lunch and they will eventually have to pay
11 one way or another for the free service that
12 they are obtaining today.

13 And I think it's incumbent upon all
14 of us to try to solve this problem now rather
15 than to let it continue to build and be a
16 more severe problem in the future. That's
17 why we are here today basically.

18 COMMISSIONER SHANNON: Was the
19 partnership the developer of this property?

20 MR. NAGEOTTE: No, sir. And, yes,
21 sir. The partnership developed the trailer
22 park and the trailer park has been paying
23 its own way. The partnership was not the
24 developer except indirectly of the townhouse

1
2 complex. The partnership sold property to
3 Army-Navy Properties, Incorporated, who was
4 the developer and builder of the townhouses.
5 Because of the default in Army-Navy Properties'
6 obligations, the partnership had to come
7 back in and foreclose on Army-Navy Properties,
8 the net result of which the partnership, in
9 order to not harm the people who had purchased
10 these townhouses, completed these townhouses
11 at a substantial loss -- I believe a loss
12 in the neighborhood of three hundred thousand
13 dollars to complete them and sell them under
14 the original VA and FHA contracts.

15 One might argue that they were not
16 obligated to do that, which is perhaps true;
17 however, they were sued by a number of the
18 contract purchasers of these homes claiming
19 that they were entitled to have the conveyance
20 made that was in litigation. It seemed fair
21 to the partnership at the time, that since
22 these people were involved that the partner-
23 ship really should complete the project that
24 it had foreclosed on and deliver the townhouse

properties, and they did that at a substantial loss.

So I don't think this is a classic case of a situation where a developer -- I understand where Your Honor is getting to -- where a developer comes in and builds a project, charges the cost of sewerage -- water and sewerage to the project and, then, turns around and sells it for substantial profit, making his profit twice. That's not the case here.

You can make very nice legal distinctions as far as obligations. I don't personally believe that someone should be prejudiced for being a nice guy, which is what I think happened here. Probably the better approach to the partnership back in those days would have been to cancel out all contracts and not honor them and be very legal and very technical and set all these people out on the street, make them lose their money. But they didn't choose to do that.

1
2 They chose to try to honor the
3 obligations of Army-Navy Properties, even
4 though they were not affiliated and had no
5 legal requirement to do so. I think what
6 we are talking about here is this partner-
7 ship has been prejudiced through the years
8 by being a nice guy.

9 COMMISSIONER BRADSHAW: Why didn't
10 you just cut the water off? You weren't
11 under the jurisdiction of anyone. Why didn't
12 you just cut the water off if they didn't
13 pay?

14 MR. NAGEOTTE: We did, sir. And here,
15 again, we come back to being the nice guy.

16 In June of last year when it became
17 apparent that no end was in sight and the
18 litigation -- when it became apparent that
19 there was no relief in sight, I called and
20 talked to Mr. Smith, an attorney for the
21 Commission, explained the dilemma my client
22 was in. Mr. Smith advised me it was not
23 unusual, even though we had -- we have no
24 customers now. It's our position we have no

customers now.

But, irrespective of that, Mr.

Smith advised me it was not unusual to go ahead and bill on an interim basis until you could have rates and tariffs approved. As a result of that advice, I advised Mr. Burns to bill these folks, which he did. He billed them for the past three years of service. They all refused to pay the bills.

COMMISSIONER SHANNON: He billed them retroactively? You say he billed for the past three years? He billed them retroactively?

MR. NAGEOTTE: He billed for the current service plus the past three years.

COMMISSIONER SHANNON: Of course, in Virginia there is no way you can have retroactive rates.

MR. NAGEOTTE: We are not talking about anything that has to do with the Commission, Your Honor. We are talking about an attempt by a property owner outside of the jurisdiction of the Commission to

1
2 attempt to be paid for services rendered
3 whether you call it on a quantum merit
4 basis --

5 COMMISSIONER SHANNON: I just wanted
6 to get it clear. I don't think Mr. Smith's
7 advise was to go back and billed retroactively.
8 At least, I hope it wasn't.

9 MR. NAGEOTTE: Well, in all fairness
10 to Mr. Smith, his advise was that it wasn't
11 unusual to collect current charges and past
12 due charges, and if you just went ahead and
13 did it, it was kind of an acceptable procedure.

14 Now, I don't want to suggest to the
15 Commission -- here I stand very formally, and
16 this is based on an informal conversation; we
17 all know that there are some situations in
18 which you react, maybe on an informal basis,
19 which would not be approved by this Commission.

20 And I'm not suggesting that this
21 Commission approves or disapproves what -- of
22 Mr. Smith's advice, and I'm not suggesting
23 that his advice was ill-founded. I'm suggest-
24 ing he tried to solve a practical problem at

1
2 that level on an informal basis. And it
3 was as a result of that that I advised my
4 client to bill.

5 When the bills were not paid, then,
6 my client said: Well, what do we do about
7 that? And I said: Well, you cut off the
8 service, because they are not your customers.
9 All of these people, these townhouses, are
10 basically interlopers; they are not customers
11 of these utility companies; they never have
12 been.

13 We have no customers. We are here
14 today to have customers, to decide if we
15 will or won't have customers.

16 They are getting free water and
17 service. I said: Cut off their services.

18 So, Mr. Burns did cut off their
19 service. As a result of that, Mr. Tice,
20 from the Commission called. I think Mr.
21 Tice will tell you -- I have the highest
22 regard for this Commission and Mr. Tice;
23 I've dealt with him for years. At Mr.
24 Tice's request, I told Mr. Burns that I

1
2 thought we should cooperate with the Com-
3 mission. And we reinstituted the sewer
4 and water as an accommodation to the State
5 Corporation Commission and came and applied
6 for the rates and tariffs in June.

7 We were advised that this matter
8 would be quickly heard, because they
9 realized it was a difficult situation.
10 Now, we are in January. The applications
11 were filed in June.

12 COMMISSIONER SHANNON: Mr. Nageotte,
13 how many -- I realize you contend you don't
14 have any customers. How many people do you
15 service?

16 MR. NAGEOTTE: Sixty-seven townhouses
17 plus a mobile home park having approximately
18 two hundred, and I think, fifty-four trailers.

19 COMMISSIONER SHANNON: Two fifty-four
20 plus sixty-seven?

21 MR. NAGEOTTE: Now, bear in mind that
22 the mobile home park, under the rules of
23 the Commission, is one customer. In other
24 words, the mobile home park does not bill

1
2 the individual trailer lots for service.
3 There is one service, one master service,
4 for the mobile home park. And that's
5 part of the rental of the space to provide
6 sewer and water service. So that constitutes
7 one customer.

8 In addition to that, there are
9 sixty-seven townhouses which were built
10 partially by Army-Navy Properties which are
11 receiving free service and have received
12 free service since approximately 1970.

13 COMMISSIONER BRADSHAW: You say the
14 trailer park, they are paying their way?
15 It's incorporated, I guess, in the rent.

16 MR. NAGEOTTE: Yes, sir. The trailer
17 park has always paid its way because the
18 trailer park is owned by Staffordboro Enter-
19 prises. The problem is that the townhouses
20 have not been paying their way.

21 And we all recognize that there would
22 be a day when this would be brought here;
23 unfortunately, I think, for my client there
24 are sixty-seven townhouses. It's too bad there

1
2 are not forty-eight, because if you had
3 forty-eight townhouses and the trailer park
4 we would do whatever we pleased, because we
5 wouldn't have fifty customers and be required
6 to come to you-all.

7 But we are just over the number and
8 we have to do something, and here we are.
9 Because we are technically under your
10 jurisdiction.

11 COMMISSIONER BRADSHAW: Not yet.

12 MR. NAGEOTTE: Not yet.

13 COMMISSIONER BRADSHAW: You haven't
14 been, and I want the public to know that.
15 You never have been under our jurisdiction.
16 And that's the purpose of this hearing, to
17 see if you come under it.

18 So maybe you were just being nice to
19 Mr. Tice when he asked you to cut the water
20 back on. I want the public to understand
21 that.

22 MR. NAGEOTTE: And I want the public
23 to understand that, too, sir, because I
24 believe that I -- I was very tempted at the

1
2 time to just say: Forget it. You-all have
3 tried to enjoin us and we will fight you in
4 court.

5 But I've always hesitated to do that.
6 Now, I have the greatest respect for this
7 Commission. I've always tried to work with
8 it and cooperate with it, and its Staff. And
9 I hope that that won't prejudice me, and I'm
10 sure that probably a lot of these property
11 owners don't appreciate that.

12 But, really that was our thinking, that
13 we didn't want to fly in the face of this
14 Commission. And legally and technically I
15 think we had every right to, but we didn't,
16 because we wanted to cooperate.

17 COMMISSIONER BRADSHAW: I think
18 you are right. I think legally and technically
19 you could have done just what you suggested.

20 COMMISSIONER SHANNON: Thank you,
21 Mr. Nageotte. Appreciate that.

22 Mr. Molinari.

23 MR. MOLINARI: Mr. Chairman, members
24 of the Commission, I am Patrick Molinari. I

position of the County? Do you know?

MR. MOLINARI: I believe the position of the County -- well, I think Mr. Harris can express that better than I, but I believe it is "watch and see". I don't know.

COMMISSIONER SHANNON: Mr. Harris.

MR. HARRIS: Mr. Commissioner, I would like to apologize to the Commission for any inconvenience I caused ya'll possibly by having to arrive early, but the decision to withdraw our protest was not made until the trip on the way down this morning.

And the County's position is that should the Commission decide not to grant -- and we are not asking you not to grant -- but should the Commission decide not to grant the Certificate of Convenience, that the Sanitary District would be willing to provide service. The County, although it had copies of the contract, and Mr. Nageotte filed, I personally was not aware of the clause in

1
2 there, and I am not, by withdrawing, either
3 admitting or denying the validity of that
4 contract. All we are saying is, for our
5 reasons we desire to withdraw as a protestant.

6 We do not really want to participate
7 as an intervenor, but we do feel that possibly
8 we have some information the Commission might
9 desire to hear.

10 And the County's position is that we
11 will be happy to answer your questions. But
12 we do not desire to participate actively in
13 the hearing.

14 Now, Mr. Sharp is the County
15 Administrator. He is also present in the
16 audience. And Mr. Fitter, who is a member
17 of the Board of Supervisors, is also present.

18 COMMISSIONER SHANNON: Now, to make
19 certain I understand the County's position,
20 if we were to turn down the Certificate for
21 the sewer company -- is that correct?

22 MR. HARRIS: That's correct.

23 COMMISSIONER BRADSHAW: And water?

24 MR. HARRIS: And water.

1
2 COMMISSIONER SHANNON: Is it the
3 Aquia Sanitary District --

4 MR. HARRIS: That's correct.

5 COMMISSIONER SHANNON: -- would provide
6 water and sewer service --

7 MR. HARRIS: We are providing it
8 now.

9 COMMISSIONER SHANNON: You are
10 providing it to whom?

11 MR. HARRIS: Staffordboro Enterprises.

12 COMMISSIONER BRADSHAW: And you are
13 not charging anything?

14 MR. HARRIS: No. We are in litigation
15 over that. Mr. Nageotte stated that the
16 first Chancery suit was a claim for a specific
17 performance. It also alleged damages. The
18 Court ruled that the prayer for specific
19 performance would be denied and as to any
20 claim on damages would also be denied. And
21 that all he was entitled to was ordinary water
22 and sewer services.

23 Then, Mr. Nageotte filed a law action
24 claiming damages, this time on the May 12th, '66

1
2 contract instead of the April -- well, he
3 combined the two; he combined the April
4 25th, '67 contract with the May 12, '66
5 contract and filed a law action, in my
6 opinion, on the same thing. But you can't
7 decide that.

8 COMMISSIONER SHANNON: Mr. Harris,
9 are you the County Attorney for Stafford
10 County?

11 MR. HARRIS: Yes, sir, and I have
12 been the County Attorney since '75.

13 COMMISSIONER SHANNON: Let me ask
14 you one question. Then, you are familiar
15 with the provision I guess of 56-265.3
16 which says, I think, before we can issue
17 a Certificate for water and sewer service
18 it has got to -- well, I'm not going to
19 read the whole thing, but it simply says
20 that: However, if the application provides
21 for the furnishing of water or sewerage service
22 within any political subdivision in which
23 there has been created an authority for
24 either or both of such purposes pursuant to

That answers the question.

COMMISSIONER BRADSHAW: You say,
it is a sanitary --

MR. HARRIS: It is a sanitary district.
It's not an authority.

COMMISSIONER BRADSHAW: But you --
the mechanics are there to provide the
service?

MR. HARRIS: That's correct.

COMMISSIONER BRADSHAW: Regardless
of what you call it?

MR. HARRIS: That's correct.

COMMISSIONER SHANNON: All right.
Do we have any -- they are the only counsel
that appeared, I believe; is that correct?

'All right. Mr. Nageotte, do you
want to go ahead and present your case?

MR. NASEOTTE: Yes, sir, Your Honor.
I would like to present at this time a
Certificate to the Commission. I apologize,
it is handwritten, but it had to be done
this morning, that the Notice of the hearing
was provided to the persons to be served by

1 Burns - Direct 56

2 but I definitely do owe, yes.

3
4 COMMISSIONER BRADSHAW: Have you
5 paid anything?

6 WITNESS BURNS: Oh, yes. I paid
7 for five or six years. I haven't paid for
8 two or three years.

9 COMMISSIONER SHANNON: Mr. Burns, I
10 believe in your testimony you indicate that
11 if the Certificates are not granted and
12 reasonable rates established you are going
13 to go out of business; is that correct?

14 WITNESS BURNS: Yes, sir, in the
15 respect that it's not -- I'm not saying that
16 as a threat.

17 COMMISSIONER SHANNON: I didn't
18 construe it as a threat. I understand what
19 you are saying. But, supposing that eventuality
20 should come about, what would these people do
21 in that case?

22 WITNESS BURNS: I don't know, sir.
23 You know, you've heard the County say --

24 COMMISSIONER SHANNON: Would the Aquia

Sanitary District provide water and sewerage service to these people?

WITNESS BURNS: They would need some plant to do it with, and the present plant and such belongs to the utility companies. And I'm sure that Stafford County probably could, you know, undoubtedly, at a certain price build a plant and provide service, acquire easements and do whatever it is that they do.

COMMISSIONER SHANNON: All right. Go ahead, Mr. Nageotte.

BY MR. NAGEOTTE: (Continuing)

Q Mr. Burns, did it become necessary to establish a tap-on fee?

A There is a figure established that is called a tap-on fee. I really don't know whether that is properly expressed as what it amounts to or not. It's called that.

It happens to parallel and be the same as that charged by the Sanitary District. It is a figure that is necessary to pay the debt of the Company.

Q All right. Now, Mr. Burns, in actuality,

1
2 be tapped directly onto the existing system,
3 I would say maybe one hundred units.

4 However, some parts of the system
5 can be used for quite a few more units as
6 maybe a trunk sewer or a transmission water
7 main that would provide incidental or ancillary
8 services to other units.

9 So the whole property, you know, itself
10 I think is designed to ultimately include well
11 over a thousand units. But you will have to
12 add water and sewer lines.

13 COMMISSIONER SHANNON: What is the
14 source of the water that you are selling?

15 WITNESS BURNS: The present source
16 is from the Aquia Sanitary District through
17 a master meter. We started out, we had -- we
18 dug two wells and we put a stand pipe and we
19 built our own water system and we built our
20 own sewerage plant.

21 When the Sanitary District came along,
22 it purchased the sewerage plant and that
23 acreage that surrounded it. It also included
24 the area for the toe of the new dam on Aquia

1
2 Creek. The County built a reservoir there.
3 I think it's called Smith's Lake after
4 Howard Smith, and they have a filtration
5 plant.

6 Mr. Nageotte said that we sold --
7 Staffordboro sold the filtration plant.
8 We didn't. The County built the filtration
9 plant, and they provide water service in
10 that area.

11 Now, they do provide us service
12 through that master meter which we then
13 run through our old stand pipe. We still
14 use it, because the County's pressure is
15 unreliable.

16 COMMISSIONER BRADSHAW: Are there
17 any other small water companies like yourself
18 hooked onto the same system, the same Sanitary
19 District?

20 WITNESS BURNS: No, sir, that I know
21 about. The only thing I know about is the
22 Camp Barrett. The Marine Corps is hooked onto
23 their system.

24 And I think there were one or two small,

whatever they were, that were hooked on.

But I think the County has absorbed those
at this time. You will have to ask them.

COMMISSIONER SHANNON: Go ahead.

BY MR. MOLINARI: (Continuing)

Q You say there is room for growth. First
of all, how big a parcel is that?

Is it a three hundred fifty acre, some-
thing like that, parcel?

A The whole tract of ground that now remains --
it was originally about four twenty. About seventy-five
went to the County. Something over three hundred acres
that is now there. That includes where the trailer park
is and the undeveloped ground, close to three hundred
acres.

Q Okay. And when you say one hundred units,
would you clarify that?

Do you mean a total of one hundred units
possible, or an additional one hundred units?

A An additional hundred units.

Q Without any change in capacity or size or
without any addition to the system?

A Well, you know, that's my --

Q Guess.

A Yes. You know, you could reach capacity. The County could use too much of the trunk main. You could use that. Also, I'm not sure that under current Health Department standards that you could add any more units onto it, even though it happens to be physically where you could build a unit.

It may be under capacity, because of the new and more stringent requirements for service.

Q I understand. And when you say the County got seventy-five acres, what do you mean?

A Seventy-eight acres. I believe they purchased the sewerage treatment plant and seventy-eight acres that surround it.

Q Now, the history of this -- going back to it for a minute -- was that, if I understand it correctly, that Army-Navy Properties bought it from Staffordboro Enterprises?

A (Witness nodded in the affirmative)
Yes, sir.

Q Correct?

A Yes, sir.

Q Subject apparently to a note of trust, I believe, and it became necessary -- and, then, Army-Navy Properties built the things --

A Yes.

Q Actually developed the property?

A Yes. They build the first twenty-one units to -- essentially to completion, and had the other remaining part of sixty-seven well under construction.

Q When they folded?

A Yes.

COMMISSIONER SHANNON: Let me interrupt you, if I may, Mr. Molinari. You said that the County purchased the sewerage treatment plant. Then, I take it that the Service Company or your Sewer Company doesn't actually own any sewerage treatment or sewerage facilities?

You are relying entirely upon the Aquia District to treat the sewerage?

WITNESS BURNS: That's correct, sir.

COMMISSIONER SHANNON: Okay.

WITNESS BURNS: And the same answer goes

for water.

COMMISSIONER SHANNON: All right.

BY MR. MOLINARI: (Continuing)

Q In other words, it's just going over -- the water is going through -- the water and the sewer is going through your lines in certain minimal plant facilities; is that correct?

In other words, the County is providing the service through your plant. Isn't that correct?

A I think that's a good statement.

COMMISSIONER SHANNON: You think that is what?

WITNESS BURNS: That's a good statement. They are providing it through my--- categorizing the word "plant", as you do here at the Commission.

COMMISSIONER BRADSHAW: In other words, all you own is distribution lines now?

WITNESS BURNS: Essentially. Storage.

COMMISSIONER BRADSHAW: And the storage tank which helps the County's pressure?

WITNESS BURNS: Yes, sir.

COMMISSIONER BRADSHAW: What do you consider your investment in just that distribution plant?

WITNESS BURNS: Sir, that is reported in the papers we have filed with the Commission. But what it does, it takes those lines that were built by Staffordboro at the cost that they required to build them at that time --

COMMISSIONER BRADSHAW: Right.

WITNESS BURNS: -- and, then, it goes on to make the statement that -- and that's not for plant or anything else. In fact, it even gives, you know, credit for the fact that the County bought half the capacity and its line for twenty-five thousand, it takes that out. And, then, it makes the statement that the figure has not been reduced by depreciation nor increased because of inflation and the easements are included in the same price.

Now, you could come at it three or four different ways. But I felt that that was a minimum value as far as worth.

1
2 else. But I don't know.

3 Q Okay. They bought that property from
4 Staffordboro pursuant to option agreements, didn't
5 they?

6 A Yes. Yes, that's correct.

7 Q And didn't those option agreements
8 provide, or contemplate, tap-on fees at the time to
9 be paid?

10 A If they ever paid for it, yes.

11 Q And your contention is, they defaulted
12 and you foreclosed and those things were never actually
13 paid off?

14 A That's correct.

15 Q Well, as part of the development wasn't
16 it necessary to dedicate some of these facilities to
17 County use or to the public use?

18 A No. Because there are no -- Staffordboro
19 Townhouses have nothing public. The roads are private
20 and the water and sewer utilities are private.

21 The only power is private. I don't know
22 of anything public in there except that they front on a
23 public road, Staffordboro Boulevard.

24 Q Mr. Burns, you are also a land surveyor,

1
2 aren't you?

3 A Yes, sir.

4 Q I'm going to show you attested copies
5 of the Staffordboro Townhouse plat book, after I show
6 counsel.

7
8 COMMISSIONER SHANNON: While he is
9 showing that, let me ask you this, Mr. Burns.

10 Precisely where is Staffordboro?
11 Can you give it in terms of landmarks?

12 WITNESS BURNS: Yes, sir. It is
13 easy to express. It adjoins Interstate 95
14 at the first interchange coming from the
15 north in Stafford. It is directly below
16 Quantico.

17 COMMISSIONER SHANNON: When you say
18 below, how far from Quantico?

19 WITNESS BURNS: Well, the property
20 line of Staffordboro originally was the
21 Quantico line. If you would, just ride with
22 me. We go to Fredericksburg and when you
23 get there you have Route 3. You have Route 17,
24 which is Falmouth. You have Route 630, which

1
2 them about water and sewer?

3 WITNESS BURNS: Nothing. I never
4 met anyone, never sold any of the houses,
5 never had any direct -- it was mainly a job
6 of finishing up what he had started in
7 exercising the contracts he had in operation.

8 CHAIRMAN HARWOOD: Did you sell many
9 of the townhouses that were not in negotiated
10 sale or under contract after Mr. Meyer?

11 WITNESS BURNS: Yes, I'm sure I did a
12 small number.

13 CHAIRMAN HARWOOD: You essentially
14 took over on the default of the contract and
15 honored the contract made by Mr. Meyer?

16 WITNESS BURNS: That's correct, sir.
17

18 BY MR. MOLINARI: (Continuing)

19 Q Mr. Burns, I show you copies of plat
20 books, Plat Book 4, Page 34 of Stafford County court
21 records. Plat Book 4, Page 58; Plat Book 4, Page 108,
22 which purport to be copies of those plat books attested
23 by the Clerk of the Court.

24 A Yes, sir.

Q Now, referring to that, it shows that the easement for water and sewer lines were dedicated to public use, does it not?

A It has that expression.

MR. NAGEOTTE: I object, gentlemen of the Commission. It doesn't say that. It excludes those, I believe, in the dedication.

BY MR. MOLINARI: (Continuing)

Q Why don't you just go ahead and read it? It will speak for itself.

MR. NAGEOTTE: I object, gentlemen of the Commission. If the document speaks for itself, there is no sense in the witness reading it.

COMMISSIONER SHANNON: I don't think it has been put in evidence yet. Maybe he is not going to put it in.

But go ahead and read it. We can overrule your objection to reading it.

WITNESS BURNS: It says that the

owners -- We, B. Calvin Burns, Paul Johnson, and Army-Navy Properties, Inc., a Virginia Corporation, being the owners of the land shown hereon and described in the surveyor's certificate, do hereby adopt and consent to this plan of subdivision, that we do hereby dedicate the street to public use and public areas for public use subject to the rights hereby reserved by the dedicators or their assigns for perpetual right-of-way and easement to construct, direct, put down and maintain gas, electric, telephone, television lines, water pipes and sanitary sewer pipes, and all other things appertaining to the operation of said systems, and do hereby dedicate the storm sewer, sanitary sewer and water line easements to public use, all shown hereon and established hereby.

MR. MOLINARI: All right. I would offer these plats into evidence at this time.

COMMISSIONER BRADSHAW: What is the relevancy?

MR. MOLINARI: Well, they dedicated

these easements that he indicates have some value to public use. Under the Code, they go to -- inure to the County.

COMMISSIONER SHANNON: Are they certified copies?

MR. MOLINARI: Yes, sir, attested by the Clerk of the --

COMMISSIONER BRADSHAW: Your contention is that the value he is putting in the rate base, and they really belong to someone else?

MR. MOLINARI: Yes, sir.

COMMISSIONER SHANNON: We will accept that as Counsel Molinari's Exhibit Number 3, I believe is the next exhibit, Mr. Bailiff.

THE BAILIFF: Yes, sir.

BY MR. MOLINARI: (Continuing)

Q All right. Under the agreement, as I said in opening, Mr. Burns, we don't have any bone to pick between you and the County, but in the agreement between you and the County, County has the right to use half of the capacity.

Isn't that correct?

1
2 A Of a certain line.

3 Q Is that a sewer line, sewer interceptor
4 line?

5 A Yes. Which they are at, or exceeding
6 now.

7 Q But there was no -- as I understand it,
8 in that contract, there was no ownership right of the
9 County in the line; is that correct?

10 A That's correct.

11
12 COMMISSIONER BRADSHAW: Mr. Molinari,
13 if the County owns the easement, why would
14 they need his permission for a line to run
15 through it?

16 MR. MOLINARI: I'm wondering. I
17 don't know.

18
19 BY MR. MOLINARI: (Continuing)

20 Q Now, in your testimony -- not prefiled
21 testimony, but in your oral testimony you indicated
22 that you would be willing to relinquish a claim, your
23 claim of interest if the County would reciprocate, and I
24 think you used the figure there, real bill.

Would you elaborate on that a little bit?

A Well, I would really rather not. But I don't want -- whatever the proper amount owed to the County is, if they will reduce that amount.

Q Well, now it comes through a master meter, doesn't it?

A Yes.

Q And don't you have an agreement with the County on a certain amount of water? I mean, a certain amount per gallon?

A Well, I have an agreement, sir, but they chose not to honor it.

Q So the amount per gallon is in dispute between you and the County?

A Yes, sir.

Q What do they charge you, or what have they been charging you, say, in the past three years?

A Over most of the last three years, they have been charging a minimum rate for water and sewer of nine fifty per platted unit, whether or not unit is occupied or used. And they charge in addition by their rate schedule, which I believe is eighty cents a thousand

1 rates that were stated in the application. Correct?

2 A Yes. I believe that if I could see
3 a copy of that Notice. (Witness looking at paper
4 writing)
5

6 No, sir. They were not addressed
7 except by reference saying they are in the prefiled
8 testimony that's available for their perusal.

9 Q Okay. Thank you.

10 Now, I would like to ask you a couple
11 of questions on maintenance. Up until now, Staffordboro
12 Enterprises has been operating the public utility
13 service, or has been providing --

14 A Yes.

15
16 MR. NAGEOTTE: I object, Mr.
17 Commissioner. As of right now, no one
18 is providing service. Water is flowing
19 through water lines and sewer is flowing
20 through sewer lines, but no one is
21 providing any service.

22 I understand this is a very
23 technical, perhaps even nit-picking
24 distinction, but I think that from a purely

1 legal point of view, there are no
2 customers. There is no service provided.

3 There is water and sewer flowing
4 for whatever reason. It doesn't necessarily
5 mean there is service.

6
7 MR. MOLINARI: May I be heard on
8 that? Bills were rendered, and I don't
9 think that they can take a position, if
10 you render a bill that no one is providing
11 a service. I think the testimony has been
12 that the bills were rendered.

13 Now, I don't know who they were
14 rendered by, but they were rendered,
15 and you will hear evidence of that later
16 on also.

17 COMMISSIONER SHANNON: Mr. Ivey.

18 MR. IVEY: It's a technical point.
19 We can argue it if the Commission would
20 like.

21 COMMISSIONER SHANNON: We will go
22 ahead. We understand your position, Mr.
23 Nageotte. Go ahead and proceed with your
24 line of questioning.

BY MR. IVEY: (Continuing)

Q Do you have a crew of any kind that has maintained these lines in the past?

A I don't have any particular crew. On occasion when problems arose that required our attention, we -- I have sent people there and hired people and other firms to do work. But I don't have anyone particularly styled just to do that work on a regular basis.

Q Have you had someone available to receive telephone complaints and that kind of thing?

A Well, not -- no one, you know, assigned to that purpose. But, whenever they call the office if the problem existed we would try to do what we could to solve it.

Q Have you read the prefiled testimony of certain townhouse owners to the effect that they have cleaned out the sewerage lines themselves?

A Yes, I read that.

Q Would you like to respond to those comments?

A Well, I think the main thing they talked about -- and I think it was Mr. Arida that

1
2 addressed it -- was the sewerage main that is the
3 responsibility of the Sanitary District. I know
4 there have been maybe some other occasions that
5 instead of waiting for me to find someone to solve
6 a problem that some of the people that have lived
7 there have addressed themselves.

8 I don't know that Mr. Arida states
9 any frequency, any frequency of a response. I can't
10 agree or disagree with what his comment is, but I
11 know that there have been occasions that some of the
12 residents there have unclogged a line or something
13 of that nature.

14 I also know that the Staffordboro
15 Enterprises has done it, too. And I think the County,
16 in addition, has --

17 Q The County has?

18 A Has done some work like that.

19 Q The County has done some maintenance
20 work on these lines?

21 A Yes.

22
23 COMMISSIONER SHANNON: Are the town-
24 houses separately metered, each one?

the Water and Sewer Company, what is your source of those two figures; or, let me rephrase that. Is that the figures which were submitted --

A That's the figures that were submitted by the Company.

Q As of June 15th, '78? That's on your Exhibit 5, Utility Plant Service Corporation, two twenty-seven nine eighteen and Water Corporation, one forty-two fourteen.

I notice that the two amounts are slightly below that. Is that for depreciation for the six months?

A (Witness nodded in the affirmative)

Q All right. Did you -- in -- there appears to me, and correct me if I'm wrong, to be a charge according to the contracts which were attached to Mr. Burns' testimony a charge of -- regarding the Water Company, one hundred forty thousand two hundred fourteen dollars and seventeen cents, which is the identical figure from Table 5 referred to as Plant and Equipment, plus two other charges, sums heretofore paid by Seller and accounts payable of Seller. They all aggregate the three hundred forty-two thousand nine

hundred thirty-nine dollars and fifty-one cents.

Am I correct in assuming that you disregard, for purposes of the rate base, the sums referred to in Part B and C of the testimony of Mr. Burns in determining the gross amount of the sale price to the utility company?

A I disregarded your accounts receivable of three hundred ten thousand, which you carry on your balance sheet as short-term debt in both cases.

Q I see. So, that's the B and C. And in the contract, explanation of what the total price is, you disregarded that entirely?

A And there are a couple of reasons.

Q All right. What are the reasons?

A Number one, if you do get your connection fees it would be contributed property and you wouldn't earn on it anyway; we would deduct it; we would show it in the rate base and deduct it out of contributed, so you wouldn't earn on it anyway.

If at the present time you, of course, haven't had any connection fees -- if the Company is truly out of the pocket for that amount of money right now, then, appropriately it should be there. I can give

I have it down there; it's academic, because all I tried to do was to give the Company enough revenue to cover operating expenses.

And I reviewed the other O&M expenses
and they appear reasonable for such things

1
2
3 N. C. SHARP, a witness called by the
4 Commission, having first been duly sworn, testified
5 as follows:

6 DIRECT EXAMINATION

7 BY MR. IVEY:

8
9 Q Would you please state your full name
10 and your position with Stafford County?

11 A My name is N. C. Sharp. I'm the County
12 Administrator of Stafford.

13
14 COMMISSIONER SHANNON: What are your
15 initials?

16 WITNESS SHARP: N. C.

17 CHAIRMAN HARWOOD: North Carolina.

18 WITNESS SHARP: That's right. (Laughter
19 in the courtroom)

20 COMMISSIONER SHANNON: Mr. Sharp, I
21 believe Mr. Harris said in opening statement
22 that Aquia District would be willing to serve --
23 provide sewer and water service to this area.

24 Is that correct?

1 Sharp - Direct

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2 WITNESS SHARP: That's correct.

3 We are providing --

4 COMMISSIONER SHANNON: You are
5 providing --

6 WITNESS SHARP: We own all of the
7 water treating and handling facilities.
8 We own all of the sewer plant and treating
9 facilities.

10 COMMISSIONER BRADSHAW: The only thing
11 you don't own is the distribution line?

12 WITNESS SHARP: The distribution
13 lines that's in the subdivision.

14 COMMISSIONER SHANNON: Is the County
15 prepared to acquire those lines from the --
16 from Mr. Burns' company?

17 WITNESS SHARP: We are not prepared
18 financially to acquire those lines at this
19 time.

20 COMMISSIONER SHANNON: Does the County
21 want to serve them?

22 WITNESS SHARP: The County has been
23 moving in Stafford County now for a period
24 of six years to have one ownership of sewer

1
2 and water in the County. This is one of
3 the few remaining -- in fact, I think there
4 is only two remaining systems of this nature
5 in the entire County.

6 COMMISSIONER BRADSHAW: If you served
7 them, what would your rate be?

8 WITNESS SHARP: Our rate would be
9 approximately -- I believe it's fifteen
10 dollars for both a month.

11 COMMISSIONER SHANNON: Fifteen dollars
12 a month for water and sewer?

13 WITNESS SHARP: Yes, approximately.
14 Right in that neighborhood.

15 COMMISSIONER SHANNON: Has there ever
16 been any attempt to get together with Mr.
17 'Burns' organization and work out an arrange-
18 ment whereby the County can serve these
19 people?

20 WITNESS SHARP: I have been in Stafford
21 County as Chief Administrator now for six
22 years. There was litigation with him when
23 I came and it is continuing. And I cannot
24 foresee an immediate solution to that type

litigation. I mean, I would like to see it but it just doesn't work out.

For example, in one case it has gone all the way to the Supreme Court in which the County was sustained, but it's of that nature.

CHAIRMAN HARWOOD: Does Aquia Sanitary District cover the whole County?

WITNESS SHARP: No, sir. Stafford County has three basic sanitary districts that cover all of the populated areas. They are all joined together.

CHAIRMAN HARWOOD: You have three separate sanitary districts?

WITNESS SHARP: Yes, sir. This particular sanitary district covers all of the North Stafford area, which comprises about three magisterial districts. It's a little better, I think, than about twenty square miles.

COMMISSIONER SHANNON: Mr. Sharp, would the County be willing to enter into discussions with Mr. Burns relative to the

taking over of this service?

WITNESS SHARP: There has been some informal discussions in the past with the County, yes.

COMMISSIONER SHANNON: Would the County -- maybe I ought to address this to Mr. Harris. Would the County be willing to undertake some real hard nose, bona fide discussions with this gentleman?

MR. NAGEOTTE: May I be heard?

COMMISSIONER SHANNON: Yes. I'm going to let you be heard, too.

MR. HARRIS: At the present time -- we have a schedule now of negotiations on the other law suit set for February 13th and if they were receptive I would be willing to discuss this matter also.

COMMISSIONER SHANNON: I didn't hear the first part.

MR. HARRIS: At the present time, in the other law suits that we have involving Mr. Burns, we have a settlement meeting scheduled for February the 13th. And to my

knowledge, that is still on. We could address this problem if they were willing to talk about it.

CHAIRMAN HARWOOD: February 14th is Valentine's Day. Maybe you-all ought to -- (Laughter in the courtroom)

COMMISSIONER SHANNON: Do you have some questions of Mr. Sharp?

COMMISSIONER BRADSHAW: All those questions previously posed, the willing seller and willing buyer, counselor, we weren't trying to force anything.

MR. NAGEOTTE: If it please the Commission, I would like to point out, I think it's unfair you have asked Mr. Harris and I would like to testify as well.

COMMISSIONER SHANNON: That's not testimony. That's just lawyers --

MR. NAGEOTTE: I understand. I might say this, that, in my opinion, until the Stafford County Administration and its Board of Supervisors ceases to take an immoral position, which I believe they've

taken, there will be no resolution to this problem.

COMMISSIONER BRADSHAW: Immoral?

MR. NAGEOTTE: Immoral. Immoral.

Stafford County's track record has been one that if they don't get what they want, they will refuse or turn down plats filed, they will take whatever steps they desire. And I have this on the record.

. When you straighten out your business with us, that's when you will get what you want.

Until that attitude changes, gentlemen, I'm afraid -- I have spent hours and hours in negotiations with Mr. Harris. We have been willing to settle our differences with the County. But as long as the County's attitude, and Mr. Sharp's attitude, stays the way it is there will be no resolution to this problem at the County level.

COMMISSIONER SHANNON: Do you have any questions?

MR. NAGEOTTE: I have several.

CROSS EXAMINATION

BY MR. NAGEOTTE:

Q Mr. Sharp, you indicated to the Commission that you felt the Sanitary District would provide sewer and water services for fifteen dollars a month; is that correct?

A That I believe is, to the best of my memory -- I don't manage the Departments anymore. We have another man. It's approximately -- our minimum I believe is about fifteen dollars a month, yes.

Q What would you propose to do with the outstanding indebtedness for the properties that you would serve for fifteen dollars a month?

Would you discharge that indebtedness, or forgive that indebtedness to the Sanitary District?

A Repeat the question.

Q What would you propose to do with the current indebtedness of the -- on behalf of Staffordboro to the Sanitary District?

Would you forgive that indebtedness?

A I think there are procedures under which -- where bonds have been issued that probably prohibit forgiving

that type debt.

Q All right. In that event, how would you provide sewer and water service at fifteen dollars a month if you had to pay the indebtedness which has been incurred?

A Well, of course, we have a connection fee process that's outside of the fifteen dollars.

Q All right, sir. Are you telling all of these good folks that if you, Aquia Sanitary District, comes in instead of Mr. Burns you will charge a tap fee; is that right?

A Well, first of all, there has not been an engineering or administrative feasibility analysis, or any financial report, as to exactly what would be done. We have, as I understand from our attorney, and I have not attended any of the work sessions between yourself, Mr. Burns, and our attorneys, we have never gotten enough information out of those work sessions to put it into a computer yet.

Q Mr. Sharp, isn't it a fact that you and I sat directly across from each other at your desk and you told me that if any settlement involved payment of any money to Staffordboro, Mr. Burns, you would be damned

1
2 if any money would be paid?

3 A No, that was not the discussion.

4 Q Tell the Commission what the discussion --

5 A The discussion that we had was that
6 there are no available capital funds at this time for
7 the purchase of this equipment -- I mean, of this plant.
8 I believe this is what the discussion was.

9 Q Let me ask you this: If I came down to
10 your office and asked you to give me facilities that
11 were owned by the Aquia Sanitary District, would you
12 do that?

13 A To give you facilities?

14 Q Yes, to make a gift to me?

15 A Well, of course -- now, let's be sure
16 we understand. No facilities that have bond debt on
17 them would be given away. But under the present policy
18 in Stafford County, developers and builders who build a
19 subdivision such as this donate and give the lines to
20 the sanitary districts. They are a part of developmental
21 construction costs, and the County doesn't spend one
22 dime on new additions building these type lines.

23 They are capital costs written into the
24 project at the time of the original construction. Those --

Q That wasn't the case in Staffordboro, was it, because it was another agreement with the County?

A I wasn't in Stafford at the time.

Q Well, you've read the agreements haven't you?

COMMISSIONER BRADSHAW: Counselor, the Commission called this man to the stand as their witness. I think we are exceeding the scope of our little bit of cross examination here.

All we called him for here was to -- under the statute, we have to determine that there is no other available source for water and sewer in that area. And that was the sole purpose the Commission called him to the stand for, to get that in the record.

And with that I think we can make our finding.

MR. NAGEOTTE: All right.

COMMISSIONER BRADSHAW: I think your questions --

MR. NAGEOTTE: I apologize. I
didn't realize you had a limited scope
of examination. And having recognized
that, I have no further questions.

COMMISSIONER BRADSHAW: I think your
line would -- I think your line may be
appropriate in another forum at a later
date.

COMMISSIONER SHANNON: Does any other
counsel have any other questions? (No
response)

You may stand down.

* * * * *

WITNESS STOOD ASIDE

1
2 COMMISSIONER SHANNON: Mr. Molinari,
3 I think you have some witnesses, but I don't
4 believe that it will be necessary to hear
5 them in view of the Commission's ruling in
6 this case. And we are going to make the
7 ruling in just a minute.

8 I just wanted you to know we are
9 not precluding you or cutting you off.
10 After we make the ruling, if you feel
11 otherwise, we will be glad to hear from
12 you.

13 MR. MOLINARI: Thank you.

14 COMMISSIONER SHANNON: Under Section
15 56-265.3 of the Code, it provides that in
16 cases involving requests to furnish water or
17 sewer service, sewerage service, after formal
18 hearing and notice, the Commission may prescribe --
19 it has to ascertain, of course, if there is a
20 public need for the service. Secondly, and
21 this is the key, that no other public or
22 privately owned system is able to adequately
23 provide service in said area.

24 Now, we think that there is the Aquia

Sanitary District and the County has said that they are willing to provide service. They would like to provide service.

And I don't think in view of that testimony, and in view of this requirement, the Commission cannot make this finding number two.

So we are going to have to deny the applications for Certificates and applications for the rates. And we would urge voluntarily that the Applicant and the County people get together and work these things out for the benefit of the public.

Have I expressed it clearly with my colleagues? I want to make sure it's unanimous.

All right. Then, if there is nothing further the Commission -- Mr. Molinari, did you want to be heard now?

COMMISSIONER BRADSHAW: In light of the ruling?

MR. MOLINARI: No, gentlemen. The only problem I can foresee is that Mr. Sharp's