W-218 Sub 573
ITEM 18 Revised

Insurance Expense

AS UPDATED:

This update is to incorporate the *final* **2023** Insurance Expense Schedule into the adjustment for annual Insurance Expense incurred by Aqua NC beginning in January 2023, which would be Rate Year 1 in this WSIP filing.

The total annual insurance cost for Aqua NC for 2023 (rate year 1) $1,658,277. The expense portion for rate year 1 (2023) will be $1,572,055.

The adjustments reflect the 2023 level of insurance expense and is supported by the following schedules attached:

- Insurance Expense – Calculation of Insurance Expense for Aqua North Carolina (Exhibit B3-q-1). This schedule summarizes the ***2023*** Aqua Insurance expense for both Aqua America and Aqua North Carolina. The amounts in each category are included. This schedule goes from the **2023** Aqua North Carolina total amount to the final adjusted expense amount. In this schedule, claims amounts have been adjusted to the five-year average of claims paid and amounts related to workers compensation and automobile have had the test year utility labor expense percentages applied to them.
- Insurance Expense – **2023** Insurance Expense (Exhibit B3-q-4 2023 Update). This schedule details the 2023 Aqua NC Insurance Expense by category for all Essential Utilities entities.

The detailed adjustments in the schedules above reflect the appropriate amount of insurance expense the Company expects to incur **rate year 1** of this rate proceeding.

Insurance expense will still be increased by 3.04% per year for rate years 2 and 3. 3.04% as prescribed in this filing.

This update to insurance expense is reflected in the updated filing schedules Dw and Ds for each of Aqua NC's rate entities.

Aqua North Carolina, Inc.
Calculation of Insurance Expense for Aqua North Carolina
Test Year Ended September 30, 2021
Insurance Costs for 2023

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Exhibit B3-q-1

Line No.	Item	Total Aqua America Insurance Expense	Total Aqua NC Insurance Expense	Percentage To NC	Amount To NC	Percentage to Expense In This Case		Adjusted Insurance Expense	Capitalized	Adjustment from 2022 Ins Exp Budget
Line	[a]	[b]	[c]	[d]	[e]	[f]	[g]	[h]	[i]	[j]
1.	Workers compensation premium	$926,832	$54,303	5.86%	$54,303	76.52%	[5]	$41,553	$12,750	$0
2.	Automobile premium	361,460	$21,918	6.06%	21,918	76.52%	[5]	16,772	$5,146	$0
3.	General liability premium	1,301,384	$95,083	7.31%	95,083	100.00%		95,083	($0)	$0
4.	Property insurance	3,410,258	$304,326	8.92%	304,326	100.00%		304,326	$0	$0
5.	Employee Practices/Umbrella Premium	9,839,580	$554,054	5.63%	554,054	100.00%		554,054	($0)	$0
6.	Insurance Broker Fees	476,809	$26,848	5.63%	26,848	100.00%		26,848	$0	$0
7.	Executive risk	1,119,400	$63,032	5.63%	63,032	100.00%		63,032	$0	$0
8.	Pollution insurance	333,368	$19,847	5.95%	19,847	100.00%		19,847	$0	$0
9.	Cyber security	796,417	$44,845	5.63%	44,845	100.00%		44,845	$0	$0
10.	Claims handling expense	195,824	$17,230	8.80%	17,230	100.00%		17,230	$0	$0
11.	Total allocated costs (Sum of L1 thru L11)	18,761,332	$1,201,487	6.40%	1,201,487			1,183,590	$17,897	$0
12.	Directly assigned costs:									$0
13.	Workers compensation claims	1,831,000	115,098	6.29%	54,593 [4]	76.52%	[5]	41,775	$12,818	($60,505)
14.	Automobile claims	602,000	220,233	36.58%	383,927 [4]	76.52%	[5]	293,784	$90,143	$163,693
15.	General liability claims	2,746,000	120,158	4.38%	51,606 [4]	100.00%		51,606	$0	($68,552)
16.	Surety bonds	177,976	1,300	0.73%	1,300	100.00%		1,300	$0	$0
17.	Other (Inspections/Railroad/Aviation/Well Control)	30,158	0	0.00%	0	100.00%		0	$0	$0
18.	Total insurance request (Sum of L13 thru L16)	$24,148,466	$1,658,277	6.87%	$1,692,914			$1,572,055	$120,859	$34,637
		[1]	[2]	[3]	[4]			[6]	[7]	[8]

Test Year	$ 1,132,339	
Base Year	$ 1,301,372	
Rate Year 1	$ 1,572,055	reflected in updated Dw/Ds schedul

[1] From Exhibit B3-q-4, lines 13 and 27
[2] From Exhibit B3-q-4, lines 4 and 17
[3] Column c divided by column b
[4] The claims amounts on lines 13-15 are from Exhibit B3-q-2, line 7)
[5] Test year utility labor expense percentage from Exhibit B1/B2-7
[6] Column e multiplied by column f to calculate final insurance expense
[7] Column 3 less column h, resulting in the amounts capitalized related to workers compensation and automobile insurance amounts
[8] Column c less less column e, resulting in the adjustment to claims expense by adjusting to the 5-year average of claims paid on Exhibit B3-q-2

INSURANCE EXPENSE - 2023 Insurance Expense

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Exhibit B3-q-4
2023 Update

[a] Line	[b] AquaAmerica	[c] Workers Compensation Premium	[d] Workers Compensation Claims	[e] Total Workers Compensation (Prem + Claims)	[f] GL Premium	[g] GL Claims Losses	[h] Umbrella Premium	[i] Insurance/ Broker Fees	[j] Pollution CEL	[k] Pollution PARLL	[l] Total Liability Premiums & Claims
1	Aqua Illinois	33,661	228,661	262,321	58,939	122,000	343,439	16,642	-	23,912	564,932
2	Aqua Indiana	15,119	1,698	16,817	26,473	13,092	154,259	7,475	6,229	8,855	216,382
3	Aqua New Jersey	18,497	46,855	65,352	32,387	138,254	188,721	9,145	-	15,487	383,994
4	Aqua North Carolina	54,303	115,098	169,401	95,083	120,158	554,054	26,848	-	19,847	815,991
5	Aqua Pennsylvania	234,774	673,559	908,334	411,082	1,327,917	2,395,404	116,077	-	155,859	4,406,339
6	Aqua Ohio	-	-	-	113,107	308,446	659,084	31,938	12,271	38,247	1,163,093
7	Aqua Texas	39,744	122,051	161,796	69,591	201,395	405,513	19,650	4,839	26,100	727,089
8	Aqua Virginia	16,194	2,077	18,271	28,356	58,737	165,232	8,007	-	7,605	267,936
9	Aqua Pennsylvania Sewer	5,301	-	5,301	9,282	-	54,085	2,621	1,081	5,787	72,855
10	Aqua Pennsylvania Non-Reg Lab Fees	0	-	-	-	-	-	-	7,250	-	7,250
11	Peoples Natural Gas	509,239	463,000	972,239	457,084	456,000	4,919,790	238,405	-	-	6,071,279
12	Delta	-	178,000	178,000	-	-	-	-	-	-	-
13	Essential Utilities Total	926,832	1,831,000	2,757,832	1,301,384	2,746,000	9,839,580	476,809	31,670	301,698	14,697,141

Line	AquaAmerica (Continued)	Auto Premium	Auto Claims Losses	Total Auto Premiums & Claims	Property	Executive Risk	Claims Handling	Surety Bonds	Cyber Insurance	Other Insurance	Total Annual
14	Aqua Illinois	9,796	1,012	10,808	297,975	39,071	11,873	15,018	27,798	-	1,229,796
15	Aqua Indiana	3,796	-	3,796	78,146	17,549	595	700	12,486	-	346,471
16	Aqua New Jersey	4,775	-	4,775	59,513	21,470	7,135	2,778	15,275	-	560,292
17	Aqua North Carolina	21,918	220,233	242,151	304,326	63,032	17,230	1,300	44,845	-	1,658,277 [1]
18	Aqua Pennsylvania	50,937	84,607	135,544	1,376,619	272,514	78,530	75,210	193,885	-	7,446,974
19	Aqua Ohio	16,408	3,701	20,109	571,040	74,981	12,977	1,800	53,346	-	1,897,346
20	Aqua Texas	14,081	195,221	209,302	127,229	46,133	19,812	407	32,822	-	1,324,590
21	Aqua Virginia	6,000	5,226	11,226	90,575	18,798	2,714	11,066	13,374	-	433,960
22	Aqua Pennsylvania Sewer	-	-	-	-	6,153	-	4,110	4,378	-	92,797
23	Aqua Pennsylvania Non-Reg Lab Fees	-	-	-	-	-	-	-	-	-	7,250
24	Peoples Natural Gas	233,749	62,000	295,749	504,836	559,699	37,093	65,306	398,208	18,460	8,922,869
25	Delta	-	30,000	30,000	-	-	7,865	281	-	11,698	227,844
26	Essential Utilities Total	361,460	602,000	963,460	3,410,258	1,119,400	195,824	177,976	796,417	30,158	24,148,466

27 [1] ties to Exhibit B3-q-1 col c, line 18