

SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law

July 27, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Via Electronic Filing

Re: Aqua North Carolina, Inc. - Application for General Rate Increase
Docket No. W-218, Sub 526
Aqua's Further Response to Late Filed Exhibit Requests from North
Carolina Utilities Commission

Dear Ms. Campbell:

During the evidentiary hearing of this matter, which took place on July 8th, 9th, 10th and 13th, various requests for late-filed exhibits were posed by the Commissioners. These requests were collected and transmitted to the parties by e-mail from Ms. Freda Hilburn of the Commission staff, dated Wednesday, July 15th and attached for your reference.

The status of Aqua's responses are as follows:

• **Question 1 – Commissioner Clodfelter Request to Witness Becker:**

“Regarding the confidential exhibit filed with the Commission on July 7, 2020, for each of the eight Essential Utilities states listed on the schedule, would Aqua please provide two additional columns of information: (1) the annual depreciation expense and (2) the annual capital spending. (Both columns presented on the same basis as comparable figures provided for Aqua North Carolina).

Commissioner Clodfelter also requested from witness Becker and Ms. Sanford if Aqua could inform the Commission with respect to what regulatory tools the other state Commissions are employing (such as future test year or multi-year rate plans, etc.) – that North Carolina is not – that is assisting the other Essential states in obtaining actual ROEs closer to their Commission-authorized ROEs. In addition, where North Carolina has a mechanism, such as WSIC or SSIC, that also exists in the other states, please indicate any significant variations or differences that are material to the results achieved in the other Essential states.”

Aqua Response:

Aqua has broken down Commissioner Clotfelter's Question 1 into two parts: Sub-part (a) deals with the Becker Direct Confidential Exhibit regarding financials from the Aqua states, and Sub-part (b) addresses the differences in existence and utilization of regulatory tools employed in other states, as compared to those used in North Carolina.

Question 1, Sub-part (a), the update of the Confidential Exhibit (Becker Direct Exhibit 4) regarding financials, was filed and served on July 15, 2020. It should be denominated as *Aqua Confidential Late-Filed Exhibit No. 1/Becker Direct Exhibit No. 4, Financial Information*.

Question 1, Sub-part (b), dealing with regulatory tools, is attached as *Aqua Late-Filed Exhibit No. 2, Regulatory Tools from Other States*.

- **Question 2 – Commissioner McKissick Request to Witness Thill:**

"What percentages of revenue requirement have you incorporated in each block for each of the pilot program systems? Could you please provide a late-filed exhibit for the revenue percentages of each block for each of the five systems included in the pilot program?"

Aqua Response:

Please find the response attached as *Aqua Late-Filed Exhibit No. 3, Revenue Requirement, Pilot Program Systems*. Page 1 includes data for ANC pilot systems and Page 2 includes data for Fairways.

- **Question 3 – Commissioner Hughes Request to Witness Thill:**

"How many of Aqua's total customers currently receive paperless delivery of their monthly bills? Please provide the number of customers and the calculation of the percentage of total customers. Also, how many of Aqua's total customers utilize Aqua's direct pay option? Please provide the number of customers and the

calculation of the percentage of total customers. If this information is readily available by rate division, please provide by (1) Aqua Water and Aqua Sewer (combined); (2) Brookwood Water; and (3) Fairways Water and Fairways Sewer (combined)."

Aqua Response:

Attached please find *Aqua Late-Filed Exhibit No. 4, Paperless Delivery and Direct Pay*. Aqua attempted to convert the existing data necessary to provide this response by rate division; however, it is not in a categorized format that is readily available to determine these metrics by rate division.

- **Question 4 – Presiding Commissioner Brown-Bland to Witness Thill (coordinate if needed with Witness Junis):**

"On 1/15/2020, in a letter filed with the Commission in this docket, the Public Staff requested that Aqua provide, pursuant to Commission Rule R1-17, certain additional or missing files related to the Company's rate case application filed on December 31, 2019. On 1/29/2020, Aqua filed its responses with the Commission and also provided the Public Staff with those additional files. Could either the Public Staff (witness Junis) or the Company (witness Thill) make an arrangement with the Commission Staff to email the Commission Staff those Excel files (with working formulas intact) related to billing determinants (BDs), particularly the Excel files ([NC WT BDs 3YE 2019 09.xlsx] and [NC SW BDs 3YE 2019 09.xlsx] mentioned on pages 2 and 3 of Aqua's 1/29/2020 filing and [NC ANC PDE for Tiers TYE 2019 09.xlsx] and [NC Frwys PDE for Tiers TYE 2019 09.xlsx] mentioned on page 11 of the response. Please also provide the Excel version (with working formulas intact) of Exhibits F, H, and J of the application if they are not included in the above-requested Excel files. Further, please provide the Excel files (with working formulas intact) for the billing analysis update to 3/31/2020 that was requested by the Public Staff. Along with the requested Excel files, please include any applicable supporting workpapers.

Aqua Response:

Witness Junis provided an email to Ms. Freda Hilburn of the Commission Staff on Tuesday, July 21, 2020 at 1:25 p.m. stating the Public Staff would provide the response to Presiding Commissioner Brown-Bland's request.

- **Question 11 – Presiding Commissioner Brown-Bland asked Public Staff Witness Junis to provide the following information concerning the Pilot Program:**

“For the five systems proposed in the Aqua’s pilot program, please provide the number of water customers and the number of sewer customers in each system.”

Aqua Response:

In Public Staff’s filed response on July 20, 2020 Re: Public Staff Late Filed Exhibit No. 2 - Aqua North Carolina, Inc. Docket No. W-218, Sub 526, the Public Staff indicated that the response to this question should come from Aqua. Please see the answer to Presiding Commissioner Brown-Bland’s question in the attached *Aqua Late-Filed Exhibit No. 5, Number of Customers in Pilot Program*.

- **Question 16 – Presiding Commissioner Brown-Bland to Aqua Attorney Ms. Sanford – as it relates to Aqua’s Proposed Order:**

“The Commission requests that Aqua include with its proposed order “Schedule of Rates” appendices that state its requested rates for each of the five rate entities.

Aqua Response:

Noting that the Public Staff filed on July 7, 2020 “Revised billing analysis exhibits of Public Staff witness Junis in support of the agreed-upon revenue requirements” as specifically requested by the Commission, Aqua submits herein that it will respond to the Commission’s request by filing submitted on August 17, 2020, along with the Proposed Order. Aqua notes that the impact of differences in rate

design when applying the stipulated revenue requirement, as agreed to between the Company and the Public Staff, will be apparent in that filing.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted

/s/Jo Anne Sanford

State Bar No. 6831

Attorney for Aqua North Carolina, Inc.

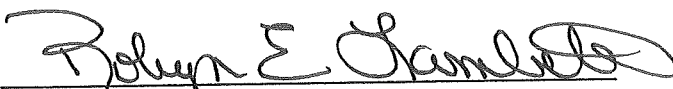
c: Parties of Record

VERIFICATION

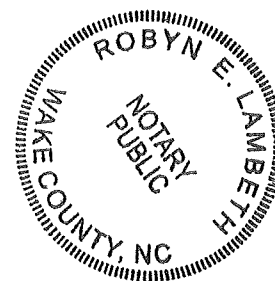
Shannon V. Becker, being duly sworn, deposes and says that he is the State President of Aqua North Carolina, Inc.; that he is familiar with the facts set out in the attached **Aqua Late-Filed Exhibits**, filed in Docket No. W-218, Sub 526; that he has read the foregoing and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.


Shannon V. Becker

Sworn to and subscribed before me this
the 27th day of July, 2020.


Robyn E. Lambeth
Notary Public

My commission expires: May 13, 2021



I signed this notarial certificate on July 27, 2020, according to the emergency video notarization requirements contained in G.S. 10-B-25.

Notary Public location during video notarization: Wake County
Stated physical location of principal during video notarization: Wake County

Regulatory Mechanisms

	IL	IN	NJ	NC	OH	PA	TX	VA
Fair Market Value	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Single Tariff Pricing / Consolidated RB	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Commodity Pass Through	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Infrastructure Surcharge	2.5% Avg Annual Increase	10%	5% Water only	5%	12.75% W 9.00% WW	7.5% W 5% WW	Legislation passed to allow it	5%
Test Year	Fully Projected Future	Fully Projected Future	Historic	Historic	Future	Fully Projected Future	Historic	Future
Revenue Decoupling	Yes			Yes				

WSIC Practices - Aqua States

State	Surcharge name	Industry	Percentage	Filing Freq.
IL	Qualifying Infrastructure Plant Surcharge (QIPS)	Water; Wastewater	no maximum limit; average annual limit of 2.5%	Annual (based on projected projects)
IN	Infrastructure Improvement Charge (USIC)	Water; Wastewater	Limited to 10%	Annual (based on completed projects)
NJ	Distribution System Improvement Charge (DSIC)	Water	5.00%	Semi-Annual (based on completed projects)
NC	System Improvement Charge (WSIC)	Water; Wastewater	5.00%	Semi-Annual (based on completed projects)
OH	System Infrastructure Charge (SIC)	Water; Wastewater	up to 4.25% annually maximum in place 12.75% (W), up to 3% annually maximum in place 9.00% (WW)	Annual (based on completed projects)
PA	Distribution System Improvement Charge (DSIC)	Water; Wastewater	7.5% (W), 5.0% (WW)	Quarterly (based on completed projects)
VA	Water and Wastewater Infrastructure Service Charge (WWSIC)	Water; Wastewater	Case by Case	Case by Case (based on completed projects)

AQUA LATE FILED EXHIBIT NO. 3 -- REVENUE REQUIREMENT / PILOT PROGRAM SYSTEMS

Page 1

NC Tier Pcts at As-Filed Rates - ANC

	Usage Rev	Pct Of Tier Usg Rev	Pct Of Tot ANC Usg Rev	Pct Of Tot ANC Srvc Rev
Bayleaf				
Res Block 1	\$ 1,115,580	32%	5%	3%
Res Block 2	700,006	20%	3%	2%
Res+Irr Block 3	721,067	21%	3%	2%
Res+Irr Block 4	917,600	27%	4%	2%
Tier Subt Usg	3,454,253	100%	16%	9%

	Usage Rev	Pct Of Tier Usg Rev	Pct Of Tot ANC Usg Rev	Pct Of Tot ANC Srvc Rev
Arbor Run				
Res Block 1	\$ 43,385	24%	0.20%	0.11%
Res Block 2	36,230	20%	0.16%	0.09%
Res+Irr Block 3	46,032	25%	0.21%	0.12%
Res+Irr Block 4	55,415	31%	0.25%	0.14%
Tier Subt Usg	181,062	100%	0.82%	0.47%

	Usage Rev	Pct Of Tier Usg Rev	Pct Of Tot ANC Usg Rev	Pct Of Tot ANC Srvc Rev
Merion				
Res Block 1	\$ 19,300	48%	0.09%	0.05%
Res Block 2	10,556	26%	0.05%	0.03%
Res+Irr Block 3	6,332	16%	0.03%	0.02%
Res+Irr Block 4	3,678	9%	0.02%	0.01%
Tier Subt Usg	39,866	100%	0.18%	0.10%

	Usage Rev	Pct Of Tier Usg Rev	Pct Of Tot ANC Usg Rev	Pct Of Tot ANC Srvc Rev
Pebble Bay				
Res Block 1	\$ 35,030	22%	0.16%	0.09%
Res Block 2	29,155	18%	0.13%	0.08%
Res+Irr Block 3	44,101	27%	0.20%	0.11%
Res+Irr Block 4	52,451	33%	0.24%	0.14%
Tier Subt Usg	160,736	100%	0.73%	0.41%

	Usage Rev	Pct Of Tier Usg Rev	Pct Of Tot ANC Usg Rev	Pct Of Tot ANC Srvc Rev
ANC Tot				
Res Block 1	\$ 1,213,294	32%	5%	3%
Res Block 2	775,946	20%	4%	2%
Res+Irr Block 3	817,531	21%	4%	2%
Res+Irr Block 4	1,029,144	27%	5%	3%
Tier Subt Usg	3,835,916	100%	17%	10%
Com & Non-Tier Res	18,284,786		83%	47%
Subtot Usg Rev + Com	22,120,702		100%	57%
Base Charges	16,529,933			
Flat Rate	120,033			
Fixed Srvc Charges	16,649,966			43%
Tot Srvc Rev	38,770,668			100%

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AQUA LATE FILED EXHIBIT NO. 3 -- REVENUE REQUIREMENT / PILOT PROGRAM SYSTEMS

Page 2

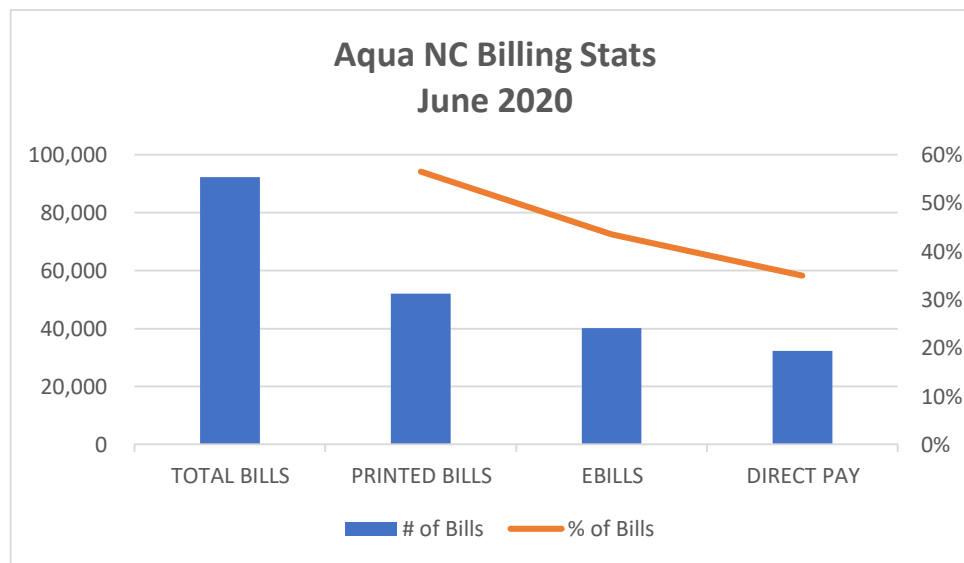
NC Tier Pcts at As-Filed Rates - Fairways

Fairways	Usage Rev		Pct Of Tier Us	Pct Of Tot Frwys	Pct Of Tot Frwys Srv
		Rev	Rev	Usg Rev	
Res Block 1	\$	108,048	16%	16%	9%
Res Block 2		71,428	11%	10%	6%
Res+Irr Block 3		239,810	36%	35%	19%
Res+Irr Block 4		239,469	36%	35%	19%
Tier Subt Usg		658,756	100%	96%	53%
Com		27,047		4%	2%
Subtot Usg Rev + Com		685,803		100%	55%
Base Charges		553,589			45%
Tot Srv		1,239,392			100%

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Late Filed Exhibit No. 4, Paperless Delivery and Direct Pay

North Carolina	# of Bills	% of Bills
TOTAL BILLS	92,254	
PRINTED BILLS	52,099	56%
EBILLS	40,155	44%
DIRECT PAY	32,207	35%



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AQUA LATE-FILED EXHIBIT NO. 5 -- NUMBER OF CUSTOMERS IN PILOT PROGRAM

**Aqua Water & Sewer Prems in Tier Areas
Residential Customers**

System as of Mar 2020	Aqua Water Only	Aqua Water & Aqua Sewer
Arbor Run	226	-
Bayleaf	5,313	765
Merion	102	-
Pebble Bay	205	-
ANC Totals	5,846	765
The Cape	1,375	2,876
Fairways Total	1,375	2,876

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing **Late-Filed Exhibits** filed by Aqua North Carolina, Inc. in Docket No. W-218, Sub 526, on the parties of record in accordance with North Carolina Utilities Commission Rule R1-39, either by United States mail, first class postage pre-paid; by hand delivery; or by means of electronic delivery upon agreement of the receiving party.

This the 27th day of July 2020.

Electronically Submitted
/s/Jo Anne Sanford
North Carolina State Bar No. 6831

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Attorney for Aqua North Carolina, Inc.