

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

November 19, 2018

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4325

Via Electronic Delivery

Re: Application of Aqua North Carolina, Inc. for Authority to Adjust and Increase Rates for Water and Sewer Utility Service in All of Its Service Areas in North Carolina
Docket No. W-218, Sub 497 - Affidavit of Dean R. Gearhart

Dear Ms. Jarvis:

Aqua North Carolina, Inc. ("Aqua" or "Company") hereby submits for electronic filing in this docket the Affidavit of Dean R. Gearhart, the Company's Manager - Rates and Planning, regarding the Company's requested level of rate case expense. The Company requests that Mr. Gearhart's Affidavit be admitted in evidence.

In addition, I hereby certify that Mr. Gearhart's Affidavit has today been served on all parties of record.

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

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-218, SUB 497

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

Application by Aqua North Carolina, Inc.,)	
202 MacKenan Court, Cary, North Carolina)	AFFIDAVIT OF
27511, for Authority to Adjust and Increase)	DEAN R. GEARHART
Rates for Water and Sewer Utility Service in)	
All Service Areas in North Carolina)	

**AFFIDAVIT OF DEAN R. GEARHART, MANAGER - RATES AND PLANNING
AQUA NORTH CAROLINA, INC.**

Dean R. Gearhart, Manager - Rates and Planning, Aqua North Carolina, Inc. ("Aqua" or "Company"), first being duly sworn, deposes and says:

1. On March 7, 2018, Aqua North Carolina, Inc. (Aqua or Company) filed an Application for a general rate increase in this docket seeking authority to increase and adjust its rates for water and sewer utility service in all of its service areas in North Carolina.

2. On September 17, 2018, Aqua and the Public Staff filed a Partial Settlement Agreement and Stipulation ("Stipulation") in this docket. Section III, Paragraph FF of the Stipulation provides as follows:

The Stipulating Parties have agreed to a methodology for calculating regulatory commission expense, also known as rate case expense, and will update the number in Settlement Exhibit 1, Line 33 for actual and estimated costs once supporting documentation is provided by the Company. Aqua seeks a three-year amortization period; the Public Staff supports five.

3. In its Proposed Order, which was filed in this docket on October 30, 2018, Aqua included the following finding of fact regarding the Company's rate case expense:

Due to the particular circumstances of this proceeding, the reasonable and appropriate period for amortization of rate case expenses in this case is four (4) years, except for the Company's 2017 depreciation study which shall be amortized over five (5) years.

4. As required by the September 17, 2018 Stipulation, Aqua has provided the Public Staff with all required documentation of rate case expense incurred to date in conjunction with this proceeding. The documentation provided by the Company includes only one estimate for the costs of preparing and mailing Notices to Customers once the Commission issues its final order in this case. Otherwise, all costs submitted by Aqua for review by the Public Staff and for inclusion in the Company's cost of service in this proceeding are based on actual costs incurred to date.

5. Aqua requests that the Commission approve and include total rate case costs in this proceeding in the amount of \$818,397. Those costs are broken down into the following categories and applicable amounts:

Aqua Service Company Capitalized Time	\$5,699
Billing Analysis/Rate Design	\$52,416
Consultants	\$38,536
Depreciation Study	\$58,664
External Auditor Fee	\$2,000
Legal Fees – Current Proceeding	\$417,876
Legal Fees – Defending WSIC/SSIC ¹	\$55,560
Mailing/Printing Customer Notices	\$99,737
NCUC Hearing Costs ²	\$11,057

¹ This expense item is for the costs associated with defending the Commission's Final Order in the Sub 363 rate case before the North Carolina Supreme Court in response to the appeal taken by the North Carolina Department of Justice.

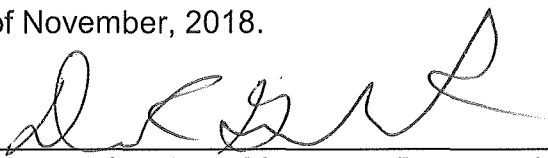
² This expense item is for the costs associated with outside court reporting services.

NCUC Rate Case Filing Fee	\$500
ROE/Capital Structure Witness	\$48,537
Travel Expenses	\$1,816
Environmental Finance Center Studies ³	\$26,000
TOTAL	\$818,397

6. Aqua requests that the Commission approve cost recovery of the Company's total rate case costs in the amount of \$818,397, with those costs being amortized as follows; i.e., the Company's 2017 depreciation study should be amortized over five years and the remainder of the Company's rate case costs should be amortized over four years. Thus, the annual amount for rate case costs which Aqua requests that the Commission include in rates in this proceeding is \$201,666.

FURTHER AFFIANT SAYETH NOT.

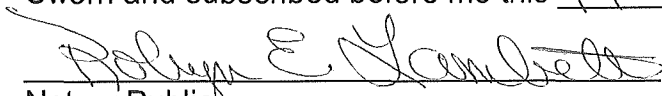
This the 19th day of November, 2018.



 Dean R. Gearhart, Manager - Rates and Planning

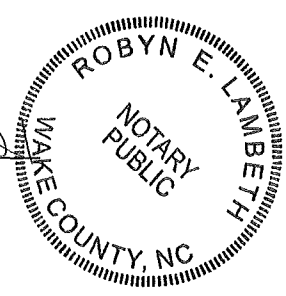
NORTH CAROLINA
 COUNTY OF WAKE

Sworn and subscribed before me this 19th day of November, 2018.

 (SEAL)

 Notary Public

My Commission Expires: May 13, 2022



³ The Environmental Finance Center "Studies of Volumetric Wastewater Rate Structures and a Consumption Adjustment Mechanism for Water Rates of Aqua North Carolina, Inc." were filed jointly by Aqua and the Public Staff in Docket No. W-218, Sub 363A on March 31, 2016. These studies were prepared for use in this proceeding and were in fact used and cited by both Aqua and the Public Staff in this case.