

SANFORD LAW OFFICE, PLLC

Jo Anne Sanford, Attorney at Law

February 14, 2022

Via Electronic Filing

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

Re: Aqua North Carolina, Inc.
Docket No. W-218, Sub 526A
Conservation Pilot Program Annual Revenue Reconciliation Request
Pursuant to Ordering Paragraph 15 of W-218, Sub 526 Rate Case
Order

Dear Ms. Dunston:

This packet submits for filing Aqua North Carolina, Inc.'s (Aqua or Company) Conservation Pilot Program annual revenue reconciliation request, with supporting calculation and data, made pursuant to Ordering Paragraph 15 of the Commission's W-218, Sub 526 Rate Case Order, dated October 26, 2020 (page 170).

I hereby certify that a copy of this compliance filing has been served upon the parties to Docket No. W-218, Sub 526A.

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
Sanford Law Office, PLLC
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 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Aqua North Carolina, Inc., 202 MacKenan
Court, Cary, North Carolina 27511 – Conservation
Pilot Program Annual Revenue Reconciliation Request

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

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

Ordering Paragraph 15, at page 170 of the North Carolina Utilities
Commission ("Commission" or "NCUC") Order of October 26, 2020 in the W-218,
Sub 526 Rate Case requires that Aqua file a Conservation Pilot Program annual
revenue reconciliation adjustment request, with supporting calculation and data.
This request must be filed at least 45 days prior to the annual adjustment effective
date.¹

Pages 123-124 of the "Commission Conclusions Regarding the
Conservation Pilot Program" section of the referenced Sub 526 Rate Case Order
provide the following guidance for the calculation of the annual revenue
reconciliation:

The Commission acknowledges that N.C.G.S. § 62-133.12A allows the
Commission to "adopt, implement, modify, or eliminate a rate adjustment

¹ The Company's proposed annual adjustment effective date in this case is April 1, 2022; therefore,
the filing deadline is February 15, 2022.

mechanism for one or more of the company's rate schedules to track and true-up variations in average per customer usage from levels approved in the general rate case proceeding" upon a finding that such mechanism is appropriate to track and true-up variations in average per customer usage and is in the public interest. **The Commission concludes that it is reasonable and appropriate that a revenue reconciliation process as set forth by the Company be integral to the pilot program...** (Emphasis added)

Consistent with the above-quoted and emphasized language, Aqua's annual revenue reconciliation calculations provided herein true-up the annual variations in average per customer usage as set forth by Company Witness Thill's direct testimony in the W-218, Sub 526 rate case. Aqua's calculations and data are contained in Appendix A.

This filing contains the Tiered Pilot Year-End 2021 Revenue Reconciliation. It uses revenue billing information for the four Aqua North Carolina systems which are part of the Company's Conservation Pilot Program. The systems are:

<u>System</u>	<u>County</u>	<u>End of 2021 Bill Count</u>
Arbor Run	Guilford	227
Bayleaf	Wake	6,505
Merion	Wake	112
Pebble Bay	Catawba	215

This reconciliation compares the 2021 final revenue for these four systems to the revenue requirement from the rate design for Docket No. W-218, Sub 526. The revenue reconciliation is based on Thill Direct Exhibit 4, Scenario 2 where the customers conserve LESS than modeled in rates; therefore, average consumption is HIGHER than in rates.

In the rate design for W-218, Sub 526, the usage/block revenue for these four systems is:

Annual Bill Count:	81,972
Usage:	562,714 Kgals
Gal per Bill	6,865
Volumetric Revenue:	\$3,786,155
Revenue per Bill:	\$46.19

The actual 2021 usage/block revenue realized by the Company was:

Annual Bill Count:	83,550
Usage:	579,753 Kgals
Gal per Bill	6,939
Volumetric Revenue:	\$3,961,620
Revenue per Bill:	\$47.42

The variance in per bill usage/block revenue is an excess of \$1.23 (2.7%) [$\$1.23 \times$ the Aqua NC actual 2021 bill count of 83,550 = \$102,766.50]. This is the amount to be refunded to these customers in 2022.

The Company proposes that this amount be refunded to the 2021 year-end customers no later than April of 2022. The year-end 2021 customer count for these systems totals 7,059, which would be a refund amount of \$14.56 per customer.

Aqua has not proposed to include carrying costs as part of the Company's proposed annual revenue reconciliation. At page 124 of its Docket No. W-218 Sub 526 Rate Case Order, dated October 26, 2020, the Commission stated, in pertinent part, as follows:

...In regard to whether a carrying cost should be applied to the annual surcharge or sur-credit to customers, that matter will be determined by further order of the Commission in conjunction with the parties filing of the first proposed annual revenue reconciliation adjustment....

Given the complexity of determining the amount of interest on the actual monthly consumption variances versus total consumption amounts used in the rate design process and the negligible amount of this interest, Aqua simplified its calculation to exclude this exercise. The Company will, however, refund the entire assessed sur-credit in the first billing subsequent to the Commission's Order versus assessing any sur-credit over a nine-month period as was initially proposed in Aqua Witness Thill's direct testimony. Under these circumstances, Aqua requests that the Commission rule that no interest will be required in this case.

FURTHER AFFIANT SAYETH NOT.


This the 14th day of February 2022.


Dean R. Gearhart, Manager-Rates and Planning

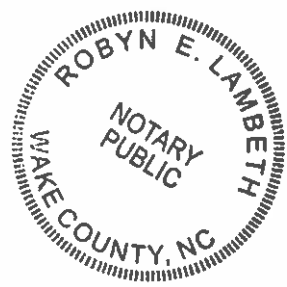
NOTARY SEAL

Sworn and subscribed before me this

14th day of February 2022.


Notary Public

My Commission Expires: May 13 2026



APPENDIX A
W-218 SUB 526A

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Feb 14 2022

NC Tier Pilot - 2021 YEAR-END Revenue Reconciliation

Row	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Based on Scenario 2 of NC Thill Ex.4 from W-218 Sub 526							
2	Scenario 2 - Customers conserve LESS than modeled for rates; average consumption is HIGHER than in rates							
3	Rate Order Rate Design (W-218 Sub 526) - per NCUC							
4	<u>\$/kGal</u>	<u>Usage Kgals</u>		<u>Block Revenue</u>				
5	\$ 6.73		562,714	\$ 3,786,155.00	(A)			
6		Bill count in rate design		81,972	(B)			
7		Gallons per Bill		6,865	Line 5 Kgal / (B) x 1000			
8		Revenue per Bill as Authorized [(A)/(B)]	\$	46.19	(C)			
9								
10	Actual 2021 Billing Information (from Summary schedules in this filing)							
11	<u>\$/kGal</u>	<u>Usage Kgals</u>		<u>Block Revenue</u>				
12	\$ 6.83		579,753	\$ 3,961,620.00	(D)			
13		Actual 2021 Bill Count		83,550	(E)			
14		Gallons per Bill		6,939	Line 12 Kgal / (E) x 1000			
15		Revenue per Bill-Actual [(D)/(E)]	\$	47.42	(F)			
16		Revenue per Bill Excess/(Deficit) [(F)-(C)]	\$	1.23	(G)			
17		Excess/(Deficit) Rate [(G)/(C)]		2.7%	(H)			
18								
19	Revenue EXCESS to be refunded as a FLAT RATE CREDIT:							
20		Revenue Excess to be refunded [(E) * (G)]	\$	102,766.50	(I)			
21		Year-end 2021 Bill Count		7,059	(J) below			
22		Proposed refund to each year-end customer	\$	14.56	applied during April 2022			
23								
24								
25	(A) & (B) final rate design numbers provided to Company by NCUC							
26	(D) & (E) from the Tiered Pilot summary in Aqua NC's Compliance Filing Pursuant to Ordering Paragraph 14 of W-218 Sub 526, filed on 1/31/2022							