

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,) ORDER APPROVING WATER AND
202 MacKenan Court, Cary, North) SEWER SYSTEM IMPROVEMENT
Carolina 27511, for Approval of Semi-) CHARGES ON A PROVISIONAL
Annual Adjustments to Water and) BASIS AND REQUIRING CUSTOMER
Sewer System Improvement Charges) NOTICE
pursuant to N.C. Gen. Stat. § 62-133.12)

BY THE COMMISSION: On November 1, 2021, Aqua North Carolina, Inc. (Aqua NC or the Company), filed an application requesting authority to adjust its Water System Improvement Charges (WSIC) and Sewer System Improvement Charges (SSIC) effective January 1, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39(f) and R10-26(f) (Application).

On December 22, 2021, the Public Staff filed its Notice of Public Staff's Plan to Present Comments and Recommendations at the Commission's January 10, 2022, Regular Staff Conference (Notice).

On January 7, 2022, Aqua NC filed a Revised Appendix B ANCW-5 Replacement Page to its Application to delete from consideration for WSIC surcharge cost recovery proposed Funding Project FP35801022853 – WSIC Cold Springs Water Main Extension.

On January 12, 2022, Aqua NC filed its Verified Response to the Public Staff's Notice.

This matter was presented at Staff Conference on January 18, 2022, rather than January 10, 2022, to allow time for Aqua NC to file a response to the Public Staff's Notice. At Staff Conference, Shannon Becker, President, appeared on behalf of Aqua NC and Charles Junis, Director, Water, Sewer, and Telephone Division appeared on behalf of the Public Staff.

Based on the Application, the records of the Commission, the comments and recommendations of the Public Staff, and the responses of Aqua NC, the Commission makes the following

FINDINGS OF FACT

1. Aqua NC is a corporation duly organized under the laws of and is authorized to do business in the State of North Carolina. Aqua NC is a franchised public utility providing water and sewer utility service to customers in North Carolina.

2. Aqua NC's WSIC and SSIC percentages were reset to zero as of October 26, 2020, the effective date of Aqua NC's new base rates in its general rate case in Docket No. W-218, Sub 526 (Sub 526 Rate Case). This is Aqua NC's third filing to implement charges under the WSIC and SSIC mechanisms since the Sub 526 Rate Case.

3. The Commission approved Aqua NC's request to utilize the WSIC and SSIC mechanisms on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC's rates every January 1 and July 1 based upon reasonable and prudently incurred investment in eligible system improvements completed and placed in service prior to the filing of the request.

4. Aqua NC requested authority to impose the following WSIC and SSIC percentages effective for service rendered on and after January 1, 2022:

	Previously Approved WSIC/SSIC Percentage	Net Proposed Change To WSIC/SSIC Percentage	Cumulative WSIC/SSIC Percentage
Aqua NC water	1.70%	1.66%	3.36%
Aqua NC sewer	3.06%	0.20%	3.26%
Fairways/Beau Rivage water	5.00%	0.25%	5.25%
Fairways/Beau Rivage sewer	0.55%	0.12%	0.67%
Brookwood/LaGrange water	0.60%	0.35%	0.95%

5. The WSIC and SSIC percentages above do not include the Experience Modification Factor (EMF) adjustments from the 2020 annual WSIC and SSIC revenue review which went into effect on July 1, 2021. The impacts of the 2020 EMF on Aqua NC's requested WSIC and SSIC percentages are as follows:

	WSIC/SSIC Percentage	2020 Experience Modification Factor	Cumulative WSIC/SSIC Percentage
Aqua NC water	3.36%	-0.040%	3.320%
Aqua NC sewer	3.26%	0.005%	3.265%
Fairways/Beau Rivage water	5.25%	0.100%	5.350%
Fairways/Beau Rivage sewer	0.67%	0.040%	0.710%
Brookwood/LaGrange water	0.95%	0.030%	0.980%

6. The cumulative WSIC and SSIC revenue requirements after Aqua NC's proposed increases/decreases are as follows:

	Previously Approved WSIC/SSIC Revenue Requirement	Net Change to WSIC/SSIC Revenue Requirement	Cumulative WSIC/SSIC Revenue Requirement
Aqua NC water	\$651,586	\$698,562	\$1,350,148
Aqua NC sewer	\$529,673	\$39,067	\$568,740
Fairways/Beau Rivage water	\$66,351	\$0	\$66,351
Fairways/Beau Rivage sewer	\$11,988	\$3,526	\$15,514
Brookwood/LaGrange water	\$38,476	\$22,270	\$60,746

7. Pursuant to N.C.G.S. § 62-133.12(g), as amended by Session Law 2021-149, as of September 10, 2021, the cumulative WSIC and SSIC percentages are capped at 7.5% of total annual service revenues, instead of the original 5% of total annual service revenues approved by the Commission in the Sub 526 Rate Case. The resulting maximum revenue requirements for water and sewer operations are as follows:

	Sub 526 Annual Service Revenues	Maximum WSIC/SSIC Percentage	Maximum WSIC/SSIC Revenue Requirement
Aqua NC water	\$38,546,489	x 7.5% =	\$2,890,987
Aqua NC sewer	\$16,426,070	x 7.5% =	\$1,231,955
Fairways/Beau Rivage water	\$1,159,708	x 7.5% =	\$86,978
Fairways/Beau Rivage sewer	\$2,152,586	x 7.5% =	\$161,444
Brookwood/LaGrange water	\$6,433,919	x 7.5% =	\$482,544

As shown above, Aqua NC's proposed WSIC and SSIC revenue requirements do not exceed the maximum WSIC and SSIC revenue requirement for water and sewer operations.

8. Aqua NC's additional WSIC and SSIC revenue requirements are comprised of the calculated WSIC and SSIC revenue requirements for the current review period plus updates to the previously approved WSIC and SSIC revenue requirements that became effective on January 1, 2021, and July 1, 2021. The updates include the anticipated non-WSIC and non-SSIC annual service revenues based on Aqua NC's calendar year 2022 projection.

9. In its application, Aqua NC proposes the above increases in the WSIC and SSIC in order to recover the incremental depreciation and capital costs associated with the following WSIC and SSIC projects completed and placed in service from April 1, 2021, through September 30, 2021:

Main installation	\$ 56,000
Meters and/or appurtenances replacement	3,209,970
Primary drinking standards	331,479
Secondary drinking water standard	2,879,150
Pumping equipment replacement	15,005
Distribution valves replacement	17,309
Total WSIC plant additions	<u>\$ 6,508,913</u>
Pumping equipment replacement	\$ 181,465
Pumping equipment and wastewater treatment plants replacement	139,265
Total SSIC plant additions	<u>\$ 320,730</u>

10. Under N.C.G.S. § 62-133.12(c), eligible water system improvements include “equipment and infrastructure installed at the direction of the Commission to comply with secondary drinking water standards.” During the six months ended September 30, 2021, Aqua NC installed seven iron and manganese filter projects in the following subdivisions at a total cost of \$2,879,150:

WSIC Whitetail Farm FeMn Filter, Well #1	\$ 236,325
WSIC Shannon Wds FeMn Filter, Well #4	410,279
WSIC Carlyle Manor FeMn Filter, Well #1 and Well #7	976,817
WSIC Enclave BCB FeMn Filter P75, Well #18	288,084
WSIC High Meadows Fe/Mn Filter, Well #2 and Well #3	303,710
WSIC Royal Senter FeMn Filter, Well #2 and Well #3	383,722
WSIC Royal Senter Rdg #1 FeMn Filter, Well #1	280,213
Total FeMn filter projects	<u>\$ 2,879,150</u>

The Commission authorized the implementation of these filtration projects in its Orders Approving Secondary Water Quality Improvement Projects issued April 3, 2020, in Docket No. W-218, Sub 497A, and on January 8, 2021, March 16, 2021, and September 7, 2021, in Docket No. W-218, Sub 526A.¹

11. In its order adopting Commission Rules R7-39 and R10-26 issued on June 6, 2014, in Docket No. W-100, Sub 54, the Commission stated that the Public Staff is to review all infrastructure improvements proposed for recovery for eligibility and reasonableness prior to making its recommendations to the Commission on WSIC or SSIC rate adjustments. The Commission further stated that any WSIC or SSIC rate adjustments outside of a general rate case will be allowed to become effective, but not unconditionally approved, and may be disallowed in the next general rate case

¹ The WSIC Blue Water Cove OCCT project was authorized by the Commission for implementation of a filtration project to address secondary water quality; however, in addition to the system removing iron, the system also adjusts pH to maintain primary water quality compliance for lead.

proceeding if found to be unreasonable or imprudent upon review of the Public Staff and the Commission.

12. The Public Staff reviewed Aqua NC's WSIC and SSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications, and other accounting records. Based on this review, the Public Staff recommended the following adjustments to Aqua NC's WSIC and SSIC revenue requirements:

(1) Correction to accumulated deferred income tax (ADIT) – The ADIT calculation for Brookwood LaGrange Water was inadvertently understated due to the exclusion of Utility Account 346000 Communication Equipment in the calculation of ADIT. The Public Staff included the costs for Utility Account 346000 in the calculation of ADIT. This adjustment does not change the revenue requirement and percentages required by the Company. The Company agrees with this adjustment.

(2) Reclassification of monthly project charges – For some construction work in progress (CWIP) projects, the Company recorded charges, including allocation from the parent company, in one month and then reversed the charges in a subsequent month. The Public Staff believes recording charges in one month and reversing them in a subsequent month results in the overstatement of the AFUDC calculation. AFUDC is calculated by multiplying interest rates by the sum of three components: half of the current month's charges, accumulated monthly charges from all prior months, and accumulated AFUDC calculated from all prior months. If certain charges were recorded earlier than they should have been, the current month's project costs would be overstated and, thus, AFUDC would be overstated in that month. In a subsequent month, even though the project costs are reversed, the AFUDC would be calculated again because the reversal of the project costs will only reflect the current half month's costs, but the other two components, accumulated monthly charges from all prior months and accumulated AFUDC calculated from all prior months, will be mistakenly included in the basis of AFUDC calculation in that month. Therefore, the total AFUDC from both months would be mistakenly calculated multiple times. To remove this overstatement of AFUDC, the Public Staff adjusted the CWIP project monthly charges by removing costs from the month in which they were recorded and adding them back in the month in which they were reversed by the Company. The total project charges will be reduced after the correction of the AFUDC calculation. The Company does not oppose this adjustment.

(3) Imputation of 2% invoice discount for well meter purchasing – Based on its review of invoices for project FP35800018686 WSIC Well Meter Replace – Central, the Public Staff determined that Aqua NC did not pay invoices in a timely manner, which would have qualified the Company to receive a 2% discount on well meter costs from the supplier. The Public Staff does not believe customers should pay for the non-discounted cost of this project due to the Company's failure to make payments in a timely manner. Accordingly, the Public Staff imputed the 2%

discount on the well meter costs, resulting in a reduction of \$5,146. Aqua NC does not agree with the Public Staff's proposed adjustment.

(4) Removal of WSIC Cold Springs Water Main Extension – In its corrected Appendix B, Schedule ANCW-5, which it provided in response to a data request by the Public Staff, Aqua NC described this project as a “Main extension installed to serve properties included in the franchised service territory where it had not been installed by the developer. G.S. § 62-133.12(c)(2) Eligible Water System Improvements.” N.C.G.S. § 62-133.12(c)(2) states, “Main extensions installed to eliminate dead ends and to implement solutions to regional water supply in order to comply with primary and, upon specific Commission approval, secondary drinking water standards.” The Public Staff believes that this is a new line to serve new customers and does not meet the statutory definition of eligible water system improvement. Accordingly, the Public Staff removed the project cost in the amount of \$56,000. The Company does not oppose this adjustment and, for that reason, Aqua NC filed the Revised Appendix B ANCW-5 replacement page to its Application to delete this project from consideration for WSIC surcharge cost recovery.

In its Notice, the Public Staff recommended a further adjustment to update monthly interest rates used to calculate AFUDC based on documentation provided by the Company. Subsequent to the filing of its Notice, the Public Staff determined it was appropriate to continue to investigate the issue of AFUDC interest rates and to withdraw its recommendation for the purposes of Aqua NC's November 1, 2021 Application.

13. The only issue currently in contention between Aqua NC and the Public Staff concerns the imputation of the 2% discount on the well meter costs.

14. It is not appropriate to reduce Aqua NC's project FP35800018686 WSIC Well Meter Replace – Central by the imputed amount of \$5,146 as recommended by the Public Staff.

15. The impact of the adjustments discussed in Finding of Fact No. 12 and reflecting the Commission's rejection of the Public Staff's proposed adjustment to impute the 2% discount decreases the overall revenue requirement for Aqua NC water operations and Brookwood/LaGrange water operations. The overall revenue requirement for Aqua Water operations is decreased to \$691,907. The overall revenue requirement for Brookwood/LaGrange water operations is decreased to \$22,266. The proposed WSIC percentage for Aqua Water operations dropped from 3.32% to 3.31% after consideration of EMF impact, but the proposed WSIC percentage for Brookwood/LaGrange water operations did not change based on the projected 2022 non-SSIC and non-WSIC revenues.

16. The Public Staff continues to be concerned about the prudence and reasonableness of installation costs for Aqua NC's Meter Exchange Projects, which the Public Staff stated have increased approximately 40% since Aqua NC's rate case in

Docket No. W-218, Sub 497 (Sub 497 Rate Case). Given the extensive record regarding this matter in Aqua NC's Sub 497 Rate Case, the complexity of the issue, and the absence of the Meter Exchange Project from Aqua NC's previous three-year plans, the Commission has concluded that the proper proceeding in which to address the Public Staff's concerns regarding the costs of Aqua NC's Meter Exchange Projects, after further investigation, is Aqua NC's next general rate case.²

17. Based on the adjustments described above, excluding the Public Staff's recommendation on the 2% invoice discount issue, the appropriate adjustments to the WSIC and SSIC revenue requirements and percentages proposed by Aqua NC are as follows:

	WSIC/SSIC Percentage Per Aqua NC	WSIC/SSIC Revenue Requirement Allowed	Impact of Adjustments	WSIC/SSIC Percentage Allowed
Aqua NC water	3.32%	\$1,343,492	-0.01%	3.31%
Aqua NC sewer	3.27%	\$568,741	0.00%	3.27%
Fairways/Beau Rivage water	5.35%	\$66,351	0.00%	5.35%
Fairways/Beau Rivage sewer	0.71%	\$15,514	0.00%	0.71%
Brookwood/LaGrange water	0.98%	\$60,740	0.00%	0.98%

18. Rejection of the Public Staff's adjustment on the 2% invoice discount does not change the overall WSIC/SSIC percentages recommended by the Public Staff, however, it does increase the WSIC revenue requirement recommended by the Public Staff for the Aqua NC water rate division by \$639.

19. It is appropriate to allow Aqua NC to implement the WSIC and SSIC percentages outlined in Finding of Fact No. 17 effective for service rendered on or after January 1, 2022, subject to true-up. The Public Staff should continue to review the justness, prudence, and reasonableness of these improvements during its review of Aqua NC's future WSIC and SSIC filings and in Aqua NC's next general rate case.

CONCLUSIONS

The only issue currently in contention on this matter is the Public Staff's proposed imputation of the 2% discount offered by Aqua NC's well meter vendor if Aqua NC paid the invoice within 15 days. The Commission does not find it appropriate to adopt the Public Staff's proposed adjustment in this WSIC/SSIC proceeding, given the limited evidentiary record on the issue. The record demonstrates that Aqua NC did not pay any of the invoices in question late or beyond their due dates and, for this reason, the Commission does not agree with the Public Staff's assertion that Aqua NC failed to make payments in a timely manner. Further, neither the Public Staff nor Aqua NC could point

² Order Approving Water and Sewer System Improvement Charges on a Provisional Basis and Requiring Customer Notice, Docket No. W-218, Sub 526A, at 13 (November 1, 2021).

the Commission to any proceeding in which the Commission had considered, much less determined, that a public utility acted unreasonably or imprudently by failing to take advantage of a discount for early payment. Regardless, if the Public Staff wishes to examine this issue going forward and raise for the Commission's consideration in a rate case proceeding, it may do so by proffering material evidence to support its position. As to the particular invoices for water well meters at issue in this proceeding, based on the comments made by both Aqua NC and the Public Staff at the Staff Conference on January 18, 2022, the Commission encourages Aqua NC to investigate the matter and to take advantage of such discounts in the future if it finds based on a cost/benefit analysis that it would be advantageous for both the Company and its ratepayers for it to do so.

Based upon the foregoing, the Commission concludes that Aqua NC should be allowed to implement the increases in the WSIC and SSIC percentages outlined in Finding of Fact No. 17 above effective for service rendered on and after January 1, 2022. These WSIC or SSIC rate adjustments, while allowed to become effective, are not unconditionally approved and will be subject to further examination for justness and reasonableness in the WSIC and SSIC annual review and reconciliation and in Aqua NC's next general rate case.

Finally, with respect to the Public Staff's concern regarding the prudence and reasonableness of installation costs for Aqua NC's Meter Exchange Projects, which the Public Staff states have increased approximately 40% since Aqua NC's Sub 497 Rate Case, the Commission concludes that given the extensive record regarding this matter in Aqua NC's Sub 497 Rate Case, the complexity of the issue, and the absence of the Meter Exchange Project from Aqua NC's previous three-year plans, the proper proceeding in which to address the Public Staff's concerns, after further investigation, is Aqua NC's next general rate case. Further, in this instant case, the Commission acknowledges the right of the Public Staff to conduct prudency review investigations in future general rate cases relative to specific and new AMR meter costs first proposed for inclusion in the Company's cost of service.

IT IS, THEREFORE, ORDERED as follows:

1. That Aqua NC is authorized to implement the Water and Sewer System Improvement Charges set forth in the attached Appendix A-4 to Aqua NC's Schedule of Rates effective for service rendered on and after January 1, 2022, subject to true-up. The rates contained therein are provisional and subject to review in the WSIC and SSIC annual review and reconciliation and in Aqua NC's next general rate case;
2. That the attached Appendix A-4 is approved and is deemed filed with the Commission pursuant to N.C.G.S. § 62-138; and
3. That Aqua NC shall mail to each of its customers with the next regularly scheduled customer billing the Commission-approved customer notice, and Aqua NC

shall file the attached Certificate of Service, properly signed and notarized, not later than 45 days after the issuance of this Order.³

ISSUED BY ORDER OF THE COMMISSION.

This the 26th day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script, appearing to read "Joann R. Snyder".

Joann R. Snyder, Deputy Clerk

³ Three separate customer notices are attached hereto as Attachments A, B, and C, respectively. The separate customer notices are intended to minimize customer confusion. Aqua NC shall mail the appropriate customer notice to each of its customers with the next regular customer billing.

**AQUA NORTH CAROLINA, INC.
WATER AND SEWER SYSTEM IMPROVEMENT CHARGES**

WATER SYSTEM IMPROVEMENT CHARGE

All Aqua NC water systems except as noted below	3.31% ^{1/} , ^{2/}
Water systems in Brookwood and LaGrange service areas	0.98% ^{1/} , ^{2/}
Water systems in Fairways and Beau Rivage service areas	5.35% ^{1/} , ^{2/}

SEWER SYSTEM IMPROVEMENT CHARGE

All Aqua NC sewer systems except as noted below	3.27% ^{3/} , ^{4/}
Sewer systems in Fairways and Beau Rivage service areas	0.71% ^{3/} , ^{4/}

^{1/} The Water System Improvement Charge will be applied to the total water utility bill of each customer under the Company's applicable rates and charges.

^{2/} The Water System Improvement Charge includes the Experience Modification Factor that went in effect on July 1, 2021, and will cease on June 30, 2022.

^{3/} The Sewer System Improvement Charge will be applied to the total sewer utility bill of each customer under the Company's applicable rates and charges.

^{4/} The Sewer System Improvement Charge includes the Experience Modification Factor that went in effect on July 1, 2021, and will cease on June 30, 2022.

Issued in Accordance with Authority Granted by the North Carolina Utilities Commission in Docket No. W-218, Sub 526A on this the 26th day of January, 2022.

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,)
202 MacKenan Court, Cary, North) NOTICE TO CUSTOMERS IN
Carolina 27511, for Approval of Semi-) BROOKWOOD / LAGRANGE
Annual Adjustments to Water and Sewer) SERVICE AREAS
System Improvement Charges pursuant)
to N.C. Gen. Stat. § 62-133.12)

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated January 26, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua NC), to adjust its Water System Improvement Charge (WSIC) effective for service rendered on and after January 1, 2022, in Aqua NC's Brookwood/LaGrange service areas in Cumberland and Hoke Counties in North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua NC's request, pursuant to N.C.G.S. § 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in Aqua NC's last general rate case. WSIC and SSIC charges for Aqua NC were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC's rates every January 1 and July 1.

The Public Staff – North Carolina Utilities Commission (Public Staff) has carefully reviewed Aqua NC’s stated WSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications, and other accounting records. On December 22, 2021, the Public Staff filed its Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 18, 2022, Regular Staff Conference (Notice).

Based on the application filed by Aqua NC and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC charge for the Brookwood and LaGrange service areas, effective for service rendered on and after January 1, 2022:

	<u>Aqua NC Proposed Percentage</u>	<u>Public Staff Recommended Percentage</u>	<u>Commission Approved Percentage</u>
WSIC	0.98%	0.98%	0.98%

The WSIC percentage of 0.98% will be applied to the water utility bill of each customer under Aqua NC’s applicable service rates and charges.

The 0.98% WSIC percentage will result in an increase of \$0.38 to the monthly average residential bill for a customer using the average of 5,069 gallons per month.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order issued May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12 issued June 6, 2014, in Docket No. W-100, Sub 54, Aqua NC’s WSIC/SSIC application filed on November 1, 2021, the Public Staff’s Notice filed December 22, 2021, and the Commission’s Order issued January 26, 2022, in Docket No. W-218, Sub 526A, all of which can be accessed from the Commission’s website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 526A).

Parties interested in receiving notice of these filings may subscribe to the Commission's electronic notification system through the Commission's website at www.ncuc.net.

ISSUED BY ORDER OF THE COMMISSION.

This the 26th day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink, appearing to read "Joann R. Snyder". The signature is written in a cursive, flowing style.

Joann R. Snyder, Deputy Clerk

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,)
202 MacKenan Court, Cary, North)
Carolina 27511, for Approval of Semi-)
Annual Adjustments to Water and Sewer)
System Improvement Charges pursuant)
to N.C. Gen. Stat. § 62-133.12)
NOTICE TO CUSTOMERS IN
FAIRWAYS AND BEAU RIVAGE
SERVICE AREAS

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated January 26, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua NC), to adjust its Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) effective for service rendered on and after January 1, 2022, in Aqua NC's Fairways and Beau Rivage service areas in New Hanover County, North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua NC's request, pursuant to N.C.G.S. § 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in Aqua NC's last general rate case. WSIC and SSIC charges for Aqua NC were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC's rates every January 1 and July 1.

The Public Staff – North Carolina Utilities Commission (Public Staff) has reviewed Aqua NC’s WSIC and SSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. On December 22, 2021, the Public Staff filed its Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 18, 2022, Regular Staff Conference (Notice).

Based on the application filed by Aqua NC and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC and SSIC charges for Aqua NC’s Fairways and Beau Rivage service areas, effective for service rendered on and after January 1, 2022:

	<u>Aqua NC Proposed Percentage</u>	<u>Public Staff Recommended Percentage</u>	<u>Commission Approved Percentage</u>
WSIC	5.35%	5.35%	5.35%
SSIC	0.71%	0.71%	0.71%

The WSIC percentage of 5.35% will be applied to the water utility bill of each customer, and the SSIC percentage of 0.71% will be applied to the sewer utility bill of each customer, under Aqua NC’s applicable service rates and charges.

The approved 5.35% WSIC percentage will result in an increase of \$1.05 to the monthly average residential bill for a customer using the average of 7,151 gallons per month. The 5.35% WSIC percentage will also apply to the monthly bills for customers on water systems for which Aqua NC purchases bulk water.

The 0.71% SSIC percentage will result in a \$0.38 increase to the monthly residential customer flat rate sewer bill.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission's Order issued May 2, 2014, in Docket No. W-218, Sub 363, the Commission's Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12 issued June 6, 2014, in Docket No. W-100, Sub 54, Aqua NC's WSIC/SSIC application filed on November 1, 2021, the Public Staff's Notice filed December 22, 2021, and the Commission's Order issued January 26, 2022, in Docket No. W-218, Sub 526A, all of which can be accessed from the Commission's website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 526A).

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ISSUED BY ORDER OF THE COMMISSION.

This the 26th day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Joann R. Snyder". The signature is written in a cursive style with a large initial "J".

Joann R. Snyder, Deputy Clerk

**STATE OF NORTH CAROLINA
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DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,)
202 MacKenan Court, Cary, North)
Carolina 27511, for Approval of Semi-)
Annual Adjustments to Water and Sewer)
System Improvement Charges pursuant)
to N.C. Gen. Stat. § 62-133.12)

NOTICE TO CUSTOMERS
IN AQUA NORTH CAROLINA
UNIFORM RATES SERVICE AREAS

NOTICE IS HEREBY GIVEN that the North Carolina Utilities Commission (Commission) has issued an Order dated January 26, 2022, pursuant to N.C. Gen. Stat. § 62-133.12 and Commission Rules R7-39 and R10-26, authorizing Aqua North Carolina, Inc. (Aqua NC), to adjust its Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) effective for service rendered on and after January 1, 2022, in its service areas in North Carolina.

By Order entered in Docket No. W-218, Sub 363, on May 2, 2014, the Commission approved Aqua NC's request, pursuant to N.C.G.S. § 62-133.12, for authority to implement a semi-annual water and sewer system improvement charge (WSIC/SSIC) adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in Aqua NC's last general rate case. WSIC and SSIC for Aqua NC were first approved by the Commission on December 22, 2014, effective January 1, 2015. The WSIC and SSIC procedures allow for semi-annual adjustments to Aqua NC's rates every January 1 and July 1.

The Public Staff – North Carolina Utilities Commission (Public Staff) has carefully reviewed Aqua NC’s stated WSIC and SSIC improvements, including construction work in progress ledgers and transactions, invoices, work orders, engineering certifications and other accounting records. On December 22, 2021, the Public Staff filed its Notice of Public Staff’s Plan to Present Comments and Recommendations at the Commission’s January 18, 2022, Regular Staff Conference (Notice).

Based on the application filed by Aqua NC and the Public Staff’s Notice and recommendations, the Commission has approved the following WSIC and SSIC charges for Aqua NC’s uniform service areas, effective for service rendered on and after January 1, 2022:

	<u>Aqua NC Proposed Percentage</u>	<u>Public Staff Recommended Percentage</u>	<u>Commission Approved Percentage</u>
WSIC	3.32%	3.31%	3.31%
SSIC	3.27%	3.27%	3.27%

The WSIC percentage of 3.31% will be applied to the water utility bill of each customer, and the SSIC percentage of 3.27% will be applied to the sewer utility bill of each customer, under Aqua NC’s applicable service rates and charges.

The approved 3.31% WSIC percentage will result in a \$1.71 increase to the monthly average residential bill for a customer using the average of 4,871 gallons per month. The 3.31% WSIC percentage will also apply to the monthly bills for customers on water systems for which Aqua NC purchases bulk water.

The approved 3.27% SSIC percentage will result in a \$2.46 increase to the monthly residential flat rate sewer bill. The 3.27% SSIC percentage will also apply to the monthly metered bills for customers on sewer systems for which Aqua NC purchases bulk sewer treatment.

Additional information regarding the WSIC/SSIC mechanism is contained in the Commission’s Order issued May 2, 2014, in Docket No. W-218, Sub 363, the Commission’s Order Adopting Rules to Implement N.C. Gen. Stat. § 62-133.12 issued June 6, 2014, in Docket No. W-100, Sub 54, Aqua NC’s WSIC/SSIC application filed November 1, 2021, the Public Staff’s Notice filed December 22, 2021, and the Commission Order issued January 26, 2022, in Docket No. W-218, Sub 526A, all of which can be accessed from the Commission’s website at www.ncuc.net, under Docket Portal, using the Docket Search feature for the docket numbers stated above (i.e., for Docket No. key: W-218 Sub 526A).

Parties interested in receiving notice of these filings may subscribe to the Commission's electronic notification system through the Commission's website at www.ncuc.net.

ISSUED BY ORDER OF THE COMMISSION.

This the 26th day of January, 2022.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in cursive script, appearing to read "Joann R. Snyder".

Joann R. Snyder, Deputy Clerk