



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

July 1, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. W-218, Sub 526 – Application for General Rate Increase

Dear Ms. Campbell:

In connection with the above-referenced docket, attached for filing is a Partial Settlement Agreement and Stipulation entered into by Aqua North Carolina, Inc., and the Public Staff.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

Attachments

Executive Director
(919) 733-2435

Communications
(919) 733-5610

Economic Research
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Legal
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Consumer Services
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Electric
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Natural Gas
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Jul 01 2020

DOCKET NO. W-218, SUB 526

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Aqua North Carolina, Inc.,)	
202 MacKenan Court, Cary, North)	PARTIAL SETTLEMENT
Carolina 27511, for Authority to Adjust)	AGREEMENT AND
and Increase Rates for Water and Sewer)	STIPULATION
Utility Service in All Its Service Areas in)	
North Carolina)	

Aqua North Carolina, Inc. (Aqua or the Company), and the Public Staff – North Carolina Utilities Commission (Public Staff) (collectively the Stipulating Parties), through counsel and pursuant to N.C. Gen. Stat. § 62-92 and Rule R1-24(c) of the Rules and Regulations of the North Carolina Utilities Commission (Commission), respectfully submit the following Partial Settlement Agreement and Stipulation (Stipulation) for consideration by the Commission in this proceeding. The Stipulating Parties hereby stipulate and agree as follows:

I. BACKGROUND

A. On December 31, 2019, Aqua filed an application with the Commission requesting authority to adjust and increase its rates for water and sewer utility services in all its service areas in North Carolina effective January 30, 2020.

B. On February 14, 2020, the Commission issued its Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice (Scheduling Order). Among other things, the Scheduling Order established the dates, times, and locations for six public witness hearings to take place in April 2020 and an expert witness hearing to begin on June 23, 2020.

C. On March 31, 2020, to assist in preventing the spread of coronavirus and in response to Governor Roy Cooper's Executive Order No. 121 imposing a statewide "stay at home" order until April 29, 2020, the Commission issued an order postponing the previously scheduled public witness hearings pending further order.

D. On April 29, 2020, the North Carolina Attorney General's Office (AGO) filed a notice of intervention in this docket pursuant to N.C. Gen. Stat. § 62-20.

E. On May 12, 2020, the Public Staff filed a motion for extension of time to file its testimony until 5:00 p.m. on May 26, 2020, with the exception of the testimony of Public Staff witness John R. Hinton. On May 14, 2020, the Commission issued an order granting the Public Staff's motion. Pursuant to the Commission's order, the deadline for the Company to file its rebuttal testimony was extended to June 12, 2020, with the exception of the rebuttal testimony of Company witness Dylan W. D'Ascendis.

F. On May 19, 2020, the Public Staff filed the testimony of Public Staff witness Hinton.

G. On May 21, 2020, Aqua filed the revised exhibits to the direct testimony of its witnesses Shannon Becker and Edward Thill.

H. On May 26, 2020, the Public Staff filed the testimony of its witnesses Michelle M. Boswell, Lindsay Darden, Lynn Feasel, D. Michael Franklin, Windley E. Henry, and Charles M. Junis.

I. On June 2, 2020, Aqua filed the rebuttal testimony of Aqua witness D'Ascendis.

J. On June 11, 2020, Aqua filed a Petition for Approval of an Order Allowing Deferral of Revenues in Lieu of Rates Under Bond or, Alternatively, Notice of Intent to Place Temporary Rates in Effect Subject to a Refund Pursuant to G.S. 62-135 (Petition).

K. On June 12, 2020, Aqua filed the rebuttal testimony of its witnesses Amanda Berger, Dean R. Gearhart, Paul J. Hanley, Joe Pearce and George Kunkel, and Edward Thill.

L. Also on June 12, 2020, Aqua filed a motion for an extension of time until 12:00 p.m. on June 13, 2020, to file the joint rebuttal testimony of its witnesses Becker and Pearce.

M. On June 13, 2020, Aqua filed the joint rebuttal testimony of its witnesses Becker and Pearce.¹

N. On June 15, 2020, Aqua filed the rebuttal testimony of its witness Gearhart with corrected Rebuttal Exhibit 1, and the joint rebuttal testimony of its witnesses Becker and Pearce with corrected Rebuttal Exhibits.

O. On June 16, 2020, the Commission filed an Order Granting Extension of Time to File Rebuttal Testimony Nunc Pro Tunc allowing Aqua's

¹ Because June 13, 2020, fell on a Saturday, when the Chief Clerk's Office was closed, the joint rebuttal testimony of Aqua witnesses Becker and Pearce was not marked filed by the Chief Clerk's Office until June 15, 2020, the next business day following June 13, 2020.

motion for an extension of time to 12:00 p.m. on June 13, 2020, to file the joint rebuttal testimony of its witnesses Becker and Pearce.

P. Also on June 16, 2020, the Public Staff and the Attorney General's Office filed a joint response to Aqua's Petition filed June 11, 2020.

Q. On June 19, 2020, Aqua filed revisions to the rebuttal testimony and exhibits of Aqua witnesses Berger and Thill.

R. On June 22, 2020, the Public Staff filed the corrected testimony of its witness Junis and the corrected joint testimony and exhibits of its witnesses Henry and Junis.

S. Subsequent to the filing of the Company's application in this docket, the Public Staff engaged in substantial discovery of Aqua regarding the matters addressed by the Company's application and further examined the relevant books and records of Aqua with respect to the Company's application. The Public Staff's discovery efforts spanned a period of months, entailed over 135 sets of multi-question data requests directed to the Company, as well as informal follow-up questions. The Public Staff also reviewed North Carolina Department of Environmental Quality (DEQ) records. Due to the coronavirus outbreak and the "stay at home" order issued by North Carolina Governor, Roy Cooper, the Public Staff was unable to conduct site visits as of the time of the filing of this Partial Settlement Agreement and Stipulation.

T. Following completion of the Public Staff's investigation of the Company's application and accompanying documents, review of the results of its examination of the Company's books and records, review of the Company's responses to the Public Staff's Data Requests and follow-up questions, and after the Public Staff filed its direct testimony on May 19 and 26, 2020, and the Company filed its rebuttal testimony on June 12 and 13, 2020, the Public Staff conducted additional discovery regarding the Company's rebuttal testimony and the Stipulating Parties participated in multiple virtual meetings to discuss possible settlement.

U. After settlement negotiations, in which concessions from their litigation positions were made by both parties, the Stipulating Parties were ultimately able to arrive at a partial settlement, the terms of which are reflected in the following sections of this Stipulation and the schedules and exhibits attached hereto. The Stipulating Parties agree and stipulate as follows:

II. UNRESOLVED ISSUES BETWEEN THE STIPULATING PARTIES

The Stipulating Parties have not reached a compromise on the following issues:

- A. Conservation Pilot Program;
- B. Rate design;
- C. Water quality reporting; and
- D. The in-service date of plant and Aqua's unitization process.

III. REVENUE REQUIREMENT ISSUES RESOLVED BETWEEN THE STIPULATING PARTIES

The Stipulating Parties have reached an agreement regarding the following revenue requirement issues. The actual amount of the agreed-upon adjustments may differ due to the effects of the Unresolved Issues and/or updated information to be provided by the Company. The revenue requirement effects of the agreed-upon issues are shown on Settlement Exhibit I. The revenue requirement effects of this Stipulation provide sufficient support for the annual revenue required on the issues agreed to in this Stipulation. Unless otherwise stated in this Stipulation, no Stipulating Party waives any right to assert a position in any future proceeding or docket before the Commission or in any court, as the adjustments agreed to in this Stipulation are strictly for purposes of compromise and are intended to show a rational basis for reaching the agreed-upon revenue requirement adjustments without either party conceding any specific adjustment. The Stipulating Parties agree that settlement on these issues will not be used as a rationale for future arguments on contested issues brought before the Commission. The areas of agreement are as follows:

A. The test period for this rate case is the twelve months ending September 30, 2019, adjusted for certain changes in plant, revenues, and costs that were not known at the time the case was filed but are based upon circumstances occurring or becoming known through March 31, 2020. The salaries and wages, pensions and benefits, and payroll tax for Aqua NC employees were updated through March 31, 2020 based on the agreement of the Stipulating Parties.

B. The Stipulating Parties agree upon the difference in the calculation of the revenue requirement based on Company amounts [Line 2].

C. The appropriate long-term debt (LTD) cost is 4.21% [Line 3]. The capital structure is 50% long-term debt and 50% common equity. The Stipulating Parties agree that in consideration of a number of factors, including the impacts of the Coronavirus Pandemic on customers and the changing economic conditions, the appropriate return on common equity (ROE) to use in setting rates in this proceeding is 9.4% [Line 4]. The Stipulating Parties agree that the stipulated capital structure and stipulated levels of overall rate of return and rates of return on common equity and long-term debt are consistent with the requirements of N.C.G.S. § 62-133.

D. The Stipulating Parties agree that Aqua will forego inclusion in rates in this proceeding of the 11 post-test year projects completed after the close of the March 31, 2020 update period [Line 5], subject to the following conditions: (1) rates will be set in this proceeding based upon Aqua's actual allocated test year costs for Aqua Corporate Services and Aqua Customer Operations and (2) the Public Staff will not oppose the Company's right to recover the reasonable and prudent costs of the 11 post-March 31, 2020 projects in the Company's next rate case or, in the interim, to file a WSIC/SSIC application to recover the costs of any of the post-March 31, 2020 projects which qualify as eligible projects through a surcharge under N.C.G.S. § 62-133.12. The Stipulating Parties agree to the dollar adjustment on Line 5.

E. The Company accepts the Public Staff's proposed adjustment to re-allocate vehicles and accumulated depreciation related to those vehicles as set forth in the testimony of Public Staff witness Henry [Line 6].

F. The Company accepts the Public Staff's proposed adjustment to post test year additions to accumulated depreciation [Line 7].² This does not include post test year additions after March 31, 2020.

G. The Company accepts the Public Staff's proposed adjustment to remove accumulated depreciation related to future customers as set forth in the testimony of Public Staff witness Henry [Line 8].

H. The Company accepts the Public Staff's proposed adjustment to accumulated depreciation related to vehicle allocations [Line 9].

I. The Company accepts the Public Staff's proposed adjustment to accumulated depreciation for the WSIC/SSIC in service date [Line 10].²

J. The Company accepts the Public Staff's proposed adjustment to post test year additions to CIAC [Line 11].

K. The Company accepts the Public Staff's proposed adjustment to post test year additions to accumulated amortization – CIAC [Line 12].²

L. The Company accepts the Public Staff's proposed adjustment to post test year additions PAA [Line 13].

M. The Company accepts the Public Staff's proposed adjustment for Mid-South growth related PAA to March 31, 2020 [Line 14].

² Following the filing of its testimony on May 26, 2020, the Public Staff made corrections to this adjustment. The Company accepts the Public Staff's adjustment, as corrected.

N. The Company accepts the Public Staff's proposed adjustment to post test year additions accumulated amortization – PAA [Line 15].

O. The Company accepts the Public Staff's proposed adjustment to update advances for construction to March 31, 2020 [Line 16].

P. The Company accepts the Public Staff's proposed adjustment to ADIT - post test year additions [Line 17]. This does not include post test year additions after March 31, 2020.

Q. The Company accepts the Public Staff's proposed adjustment to ADIT - unamortized rate case expense [Line 18]. This adjustment will be updated for actual and estimated rate case expense through the issuance of the Commission's final order.

R. The Company accepts the Public Staff's proposed adjustment to Adjustment to ADIT - unamortized repair tax credit [Line 19].

S. The Company accepts the Public Staff's proposed adjustment to ADIT - protected EDIT [Line 20].

T. The Company accepts the Public Staff's proposed adjustment to update customer deposits to March 31, 2020 [Line 21].

U. The Stipulating Parties agree that no excess capacity ratemaking adjustment should be made in this rate case related to Aqua's wastewater treatment plants (WWTPs) which serve the Company's Carolina Meadows, The Legacy, and Westfall service areas [Line 22].

V. The Company accepts the Public Staff's proposed adjustment to cash working capital [Line 23].

W. The Company accepts the Public Staff's adjustment for tank painting [Line 24].

X. The Company accepts the Public Staff's adjustment to unamortized rate case expense [Line 25].

Y. The Company accepts the Public Staff's proposed adjustment to depreciation study [Line 26].

Z. The Company accepts the Public Staff's proposed adjustment to repair tax credit [Line 27].

AA. The Company accepts the Public Staff adjustments to remove the Johnston County unamortized transmission charge and revenue deficit [Lines 28 and 29], consistent with the Commission's decision in the Sub 497 rate case.

BB. The Stipulating Parties agree with the Public Staff's proposed adjustment related to deferred accounting on post-test year plant additions [Line 30]. Therefore, the Stipulating Parties agree to the ratemaking adjustment shown on Line 30

CC. The Company accepts the Public Staff's proposed adjustment to average tax accruals [Line 31]. This adjustment will be updated for the final calculation of unemployment tax, regulatory fee, and property tax.

DD. The Company accepts the Public Staff's proposed adjustment to service revenues [Line 32]. Further, the Company withdraws its application for a conservation normalization factor.

EE. The Company accepts the Public Staff's proposed adjustment to late payment fees [Line 33]. This adjustment will be updated based on the ongoing level of service revenues approved by the Commission.

FF. The Company accepts the Public Staff's proposed adjustment to uncollectibles and abatements [Line 34].

GG. The Company accepts the Public Staff's proposed adjustment to remove capitalized labor [Line 35].

HH. The Company accepts the Public Staff's proposed adjustment to add transportation regular payroll [Line 36].

II. The Stipulating Parties agree to an adjustment in the amount of (\$222,275) to remove four open positions and to update salaries and wages through March 31, 2020 [Line 37].

JJ. The Stipulating Parties agree to an adjustment in the amount of (\$5,043) to remove leave without pay [Line 38].

KK. The Company accepts the Public Staff's proposed adjustment to reflect actual standby and overtime salaries and wages [Line 39].²

LL. The Public Staff agrees to withdraw its proposed adjustment to state bonuses related to EPS [Line 40]. This is consistent with the Commission's decision in the Sub 497 rate case.

MM. The Stipulating Parties agree to settle issues related to Executive Compensation and bonuses and Board of Directors compensation and expenses consistent with the Commission's decision in the Sub 497 rate case by removing 25% of such expenses requested in the Company's application [Lines 41, 59, 60].

With one exception involving Line 42, the Stipulating Parties agree that no further adjustments should be made in this case regarding allocations from Aqua Corporate Services and Aqua Customer Operations [Lines 42 and 45]. The Stipulating Parties agree to an adjustment in the amount of (\$92,050) to Line 42 related to open positions and terminations.

NN. The Company accepts the Public Staff's proposed adjustment to remove capitalized pensions and benefits [Line 43].

OO. The Stipulating Parties agree to an adjustment of (\$122,256) to remove four open positions and to update benefits through March 31, 2020, as discussed in Subparagraph DD above [Line 44].

PP. The Company accepts the Public Staff's proposed adjustment to remove unqualified benefits from Corporate Sundries [Line 46].

QQ. The Company accepts the Public Staff's proposed adjustment to fuel for production [Line 47].

RR. The Company accepts the Public Staff's proposed adjustment to sludge removal [Line 48].

SS. The Company accepts the Public Staff's proposed adjustment to purchased power [Line 49].

TT. The Company accepts the Public Staff's proposed adjustment to materials and supplies [Line 50].

UU. The Company accepts the Public Staff's proposed adjustment to testing [Line 51].

VV. The Stipulating Parties agree to an adjustment of (\$1,601) to contractual services – legal [Line 52].

WW. The Company accepts the Public Staff's adjustment for contractual services – other – pump maintenance [Line 53].

XX. The Company accepts the Public Staff's proposed adjustment to contractual services – other – corporate sundries [Line 54].

YY. The Company accepts the Public Staff's proposed adjustment to contractual services – other – accrued expenses [Line 55].²

ZZ. The Stipulating Parties agree that the Company's stipulated insurance expense [Line 56] will be subject to a 50% true-up based on actual claims paid as a regulatory asset or liability, without a return or carrying costs, to be recovered in future rate cases.

AAA. The Stipulating Parties agree that regulatory commission expense adjustment [Line 57] will be updated to represent actual rate case expenses, plus agreed upon estimated costs to complete the rate case proceeding. The Stipulating Parties also agree with the use of a three-year amortization in this case without a return or carrying costs on the unamortized balance.

BBB. The Company accepts the Public Staff's proposed adjustment to remove capitalized miscellaneous expense [Line 58].

CCC. The Company accepts the Public Staff's proposed adjustment to remove unqualified miscellaneous expenses for corporate sundries [Line 61].

DDD. The Stipulating Parties agree to an adjustment of \$14,150 to annualization and consumption [Line 62].

EEE. The Company accepts the Public Staff's proposed adjustment to Contra-OH allocations [Line 63].

FFF. The Company accepts the Public Staff's proposed adjustment to amortized EDIT [Line 64].

GGG. The Company accepts the Public Staff's proposed adjustment to payroll taxes [Line 65]. Payroll tax is subject to change when the salaries allocated from corporate service and ACO are changed and finalized.

HHH. The Stipulating Parties agree to utilize a 15 percent adjustment for allowable purchased water loss in this case [Line 66]. Further, the Stipulating Parties agree to work toward development of a mutually-agreeable standard based upon the methodology for purchased water systems set forth in Aqua's Pearce/Kunkle rebuttal testimony for implementation in the Company's next general rate case, and to report the progress of those discussions in the next case.

III. The Stipulating Parties agree to an adjustment in the amount of \$61,225 to contract services – other – temporary labor [Line 67].

JJJ. The Public Staff agrees to withdraw its proposed adjustment to the Johnston County purchased sewer rate [Line 68] which was proposed in the Company's Item 18 update filed April 21, 2020, and has since been confirmed by the Public Staff.

KKK. The Company accepts the Public Staff's proposed adjustment to rounding difference [Line 69].

IV. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER.

A. The Stipulating Parties will act in good faith to support the

reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket. The Stipulating Parties further agree that this Stipulation is in the public interest because it reflects a give-and-take partial settlement of contested issues.

B. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties, but reflect instead the compromise and settlement between the Stipulating Parties as to all of the issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Parties with regard to any issue in any other proceeding or docket before this Commission or in any court.

C. This Stipulation is a product of negotiation among the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

V. Introduction of Testimony and Waiver of Cross-Examination.

A. Except for testimony and exhibits related to the Unresolved Issues, the pre-filed testimony and exhibits of the Stipulating Parties may be received in evidence without objection, and each Party waives all right to cross examine any witness with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner, or if questions are asked or positions are taken

by any person who is not a Stipulating Party, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits.

B. The Stipulating Parties agree that Aqua's application, the testimony and exhibits of the Stipulating Parties, and this Partial Settlement Agreement and will provide sufficient support for the annual revenue requirement amounts agreed to herein, subject to the revenue requirement effect of the Commission's decisions on the Unresolved Issues.

VI. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on any of the Parties unless the entire Partial Settlement Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, each Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

VII. COUNTERPARTS

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 1st day of July, 2020.

Electronically Submitted

Aqua North Carolina, Inc.

By: /s/
Shannon V. Becker
President

Public Staff – North Carolina Utilities
Commission

By: /s/
Christopher J. Ayers
Executive Director

Agua North Carolina, Inc.
Docket No. W-218, Sub 526
CALCULATION OF GROSS REVENUE
IMPACT OF PUBLIC STAFF ADJUSTMENTS
For The Test Year Ended September 30, 2019

Settlement Exhibit I

Line No.	Item	Aqua Water [1] (a)	Aqua Sewer [1] (b)	Fairways Water [1] (c)	Fairways Sewer [1] (d)	Brookwood Water [1] (e)	Total [2] (f)
1	Increase / (decrease) in total revenues per Company	\$4,044,422	\$1,545,098	\$113,289	\$82,169	\$1,001,869	\$6,786,847
2	Difference in calculation of revenue requirement based on Company amounts	(1,550)	1,648	(454)	(894)	(2,293)	(3,543)
3	Adjust debt cost rate to 4.21%	(27,721)	(12,436)	(680)	(2,151)	(5,421)	(48,409)
4	Adjust return on equity to 9.40%	(629,832)	(282,543)	(15,458)	(48,875)	(123,172)	(1,099,880)
5	Adjustment to post test year additions to plant in service	(223,380)	(82,346)	(788)	(17,660)	(232,767)	(556,941)
6	Adjustment to allocate vehicle purchased	(42,435)	18,194	7,491	4,877	11,873	0
7	Adjustment to post test year additions to A/D	13,852	(29,282)	(2,263)	(3,844)	118,220	96,683
8	Adjustment to remove A/D related to future customers	321	0	0	0	0	321
9	Adjustment to A/D for vehicle allocations	1,643	(655)	(304)	(198)	(486)	0
10	Adjustment to A/D for WSIC/SSIC in service date	(3,210)	(996)	0	0	(249)	(4,455)
11	Adjustment to post test year additions to CIAC	(106,527)	(126,451)	(13,679)	(19,319)	(383)	(266,359)
12	Adjustment to post test year additions to accumulated amortization - CIAC	37,976	49,535	4,782	4,568	3,173	100,034
13	Adjustment to post test year additions PAA	2,626	0	0	0	0	2,626
14	Adjustment for Mid South growth related PAA to 03/31/20	4,834	0	0	0	0	4,834
15	Adjustment to post test year additions accumulated amortization - PAA	(1,291)	1,964	0	0	(5)	668
16	Adjustment to update advances for construction to 03/31/20	5,991	13,107	565	0	0	19,663
17	Adjustment to ADIT - post test year additions	(7,133)	15,358	(553)	344	22,811	30,827
18	Adjustment to ADIT - unamortized rate case expense	622	1,639	(318)	254	8	2,205
19	Adjustment to ADIT - unamortized repair tax credit	(1,132)	(362)	(29)	(31)	(180)	(1,734)
20	Adjustment to ADIT - protected EDIT	6,190	1,634	472	301	1,368	9,965
21	Adjustment to update customer deposits to 03/31/20	184	66	18	0	99	367
22	Adjustment to remove excess capacity	0	0	0	0	0	0
23	Adjustment to cash working capital	(4,363)	(1,419)	(488)	(379)	(849)	(7,498)
24	Adjustment to tank painting	36,521	0	(307)	0	26,464	62,678
25	Adjustment to remove unamortized rate case expense	(12,276)	(3,090)	(881)	(560)	(2,744)	(19,551)
26	Adjustment to depreciation study	607	153	44	28	137	969
27	Adjustment to repair tax credit	2	6	(1)	(5)	4	6
28	Adjustment to remove JoCO unamortized transmission charge	0	(55,997)	0	0	0	(55,997)
29	Adjustment to remove JoCO transmission revenue deficit	0	(32,309)	0	0	0	(32,309)
30	Adjustment to remove deferred accounting on post test year additions	(148,651)	(65,111)	(229)	(7,461)	(54,484)	(275,936)
31	Adjustment to average tax accruals	(112)	(69)	1	(6)	(7)	(193)
32	Adjustment to service revenues	(355,983)	(12,443)	(12,747)	11,449	(17,784)	(387,508)
33	Adjustment for late payment fees	(611)	(14)	(18)	15	(60)	(688)
34	Adjustment to uncollectibles and abatements	1,974	39	33	(25)	873	2,894
35	Adjustment to remove capitalized labor	(215,884)	(53,117)	(2,628)	(2,803)	(18,240)	(292,672)
36	Adjustment to add transportation regular payroll	585	0	44	0	131	760
37	Adjustment to update salaries and wages March 31, 2020	(146,782)	(53,895)	(4,235)	(4,191)	(13,172)	(222,275)
38	Adjustment to remove leave without pay	(3,330)	(1,223)	(96)	(95)	(299)	(5,043)
39	Adjustment to reflect actual standby and overtime salaries and wages	(26,624)	21,427	351	134	2,933	(1,779)
40	Adjustment to remove bonuses related to EPS	0	0	0	0	0	0
41	Adjustment to allocate executive compensation to shareholders	(116,023)	(30,489)	(8,706)	(5,560)	(26,161)	(186,939)
42	Adjustment to reflect allocation from Corp Serv & ACO	(57,504)	(14,642)	(4,169)	(2,604)	(13,132)	(92,051)
43	Adjustment to remove capitalized pensions and benefits	(526,383)	(132,404)	(6,548)	(7,471)	(46,324)	(719,130)
44	Adjustment to update pensions and benefits to March 31, 2020	(80,884)	(29,660)	(2,298)	(2,433)	(6,981)	(122,256)
45	Adjustment to reflect benefits allocated from Corporate Services	0	0	0	0	0	0

Agua North Carolina, Inc.
Docket No. W-218, Sub 526
CALCULATION OF GROSS REVENUE
IMPACT OF PUBLIC STAFF ADJUSTMENTS
For The Test Year Ended September 30, 2019

Settlement Exhibit I

Line No.	Item	Aqua Water (a)	[1]	Aqua Sewer (b)	[1]	Fairways Water (c)	[1]	Fairways Sewer (d)	[1]	Brookwood Water (e)	[1]	Total (f)	[2]
46	Adjustment to remove unqualified benefits from Corporate Sundries	(11,250)		(4,821)		(357)		(357)		(1,071)		(17,856)	
47	Adjustment to fuel for production	(2,744)		(7,083)		572		1,946		(1,516)		(8,825)	
48	Adjustment to sludge removal	0		(14,555)		0		(445)		0		(15,000)	
49	Adjustment to purchased power	103,897		18,765		(934)		(4,315)		9,067		126,480	
50	Adjustment to materials and supplies	17,428		11,206		(1,241)		2,110		11,225		40,728	
51	Adjustment to testing	0		(11,869)		0		(1,005)		0		(12,874)	
52	Adjustment to contractual services - legal	(994)		(263)		(76)		(48)		(220)		(1,601)	
53	Adjustment to contractual services - other - pump maintenance	0		(18,690)		0		1,697		0		(16,993)	
54	Adjustment to contractual services - other- corporate sundries	(42,150)		(11,129)		(3,217)		(2,050)		(9,318)		(67,864)	
55	Adjustment to contract services - other- accrued expenses	(15,020)		0		0		0		0		(15,020)	
56	Adjustment to insurance	(84,532)		25,807		(14,455)		42		(29,930)		(103,068)	
57	Adjustment regulatory commission expense	(161,833)		(40,777)		(11,628)		(7,390)		(36,160)		(257,788)	
58	Adjustment to remove capitalized miscellaneous expense	(8,530)		(4,181)		(643)		(287)		(944)		(14,585)	
59	Adjustment to remove 25% BOD compensation from miscellaneous exp.	(20,484)		(7,542)		(590)		(590)		(1,831)		(31,037)	
60	Adjustment to remove 25% BOD expenses from miscellaneous expense	(374)		(957)		363		145		1,001		178	
61	Adjustment to remove unqualified misc exp. for Corporate Sundries	(6,523)		(1,722)		(498)		(317)		(1,442)		(10,502)	
62	Adjustment to annualization and consumption	26,766		(6,154)		1,715		(13,882)		5,705		14,150	
63	Adjustment to Contra-OH allocations	907,386		229,674		11,665		12,853		79,196		1,240,774	
64	Adjustment to amortized EDIT	(97,916)		(25,854)		(7,472)		(4,760)		(21,646)		(157,649)	
65	Adjustment to payroll taxes	(145,293)		(5,041)		(10,728)		(3,717)		(24,750)		(189,529)	
66	Adjustment to purchased water	(62,448)		0		0		0		0		(62,448)	
67	Adjustment to contract services - other- Temporary labor	46,458		0		46		0		14,721		61,225	
68	Adjustment to purchased sewer	0		12,885		0		0		0		12,885	
69	Rounding difference	(11)		(18)		4		(2)		(1)		(28)	
70	Revenue impact of Public Staff adjustments	<u>(2,183,861)</u>		<u>(758,501)</u>		<u>(101,550)</u>		<u>(124,968)</u>		<u>(385,013)</u>		<u>(3,553,893)</u>	
71	Increase / (decrease) per Public Staff	<u>\$1,860,561</u>		<u>\$786,597</u>		<u>\$11,739</u>		<u>(\$42,799)</u>		<u>\$616,856</u>		<u>\$3,232,954</u>	

[1] Calculated by the Public Staff.

[2] Sum of Column (a) thru Column (e).