

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

February 25, 2022

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

**Via Electronic Filing**

Re: Aqua North Carolina, Inc.  
Seventh Water System Improvement Charge/Sewer System  
Improvement Charge Annual Report and Experience Modification  
Factor Calculations  
Docket No. W-218, Sub 526A

Dear Ms. Dunston:

Aqua North Carolina, Inc. ("Aqua" or "Company") hereby submits for filing its Seventh Water System Improvement Charge/Sewer System Improvement Charge ("WSIC/SSIC") Annual Report and Experience Modification Factor Calculations. This Seventh WSIC/SSIC Annual Report is filed pursuant to G.S. 62-133.12 and NCUC Rules R7-39(j) and (l) and R10-26(j) and (l).

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

In the Matter of	
Aqua North Carolina, Inc., 202 MacKenan	)
Court, Cary, North Carolina 27511 -	)
Reporting Requirements from General	)
Rate Case Order in Docket No. W-218,	)
Sub 526	)
	<b>SEVENTH WSIC/SSIC ANNUAL REPORT AND EXPERIENCE MODIFICATION FACTOR CALCULATIONS</b>

**NOW COMES Aqua North Carolina, Inc.** (“Aqua” or “Company”), by and through counsel, and hereby submits its Water System Improvement Charge/Sewer System Improvement Charge (“WSIC/SSIC”) Annual Report and Experience Modification Factor (“EMF”) Calculations (“Seventh Annual Report”) pursuant to G.S. 62-133.12 and NCUC Rules R7-39(j) and (l) and R10-26(j) and (l).

Aqua states the following in support of this Seventh Annual Report:

1. On June 12, 2013, North Carolina Session Law 2013-106 (House Bill 710), An Act to Permit Water Utilities to Adjust Rates for Changes in Costs Based on Third-Party Rates and to Authorize the Utilities Commission to Approve a Rate Adjustment Mechanism for Water and Sewer Utilities to Recover Costs for Water and Sewer System Improvements, was signed into law, having previously been ratified by the North Carolina General Assembly. In this legislation, the General Assembly, in pertinent part, enacted G.S. 62-133.12 to authorize the Commission in a general rate proceeding to approve a rate adjustment mechanism to allow water and sewer utilities to recover reasonable and prudently incurred investments in eligible water and sewer system improvements. Session Law 2013-106 became effective on June 12, 2013. Prior to enactment of this legislation, the Commission

did not have statutory authority to establish these rate adjustment mechanisms for water and sewer utilities.

2. G.S. 62-133.12 provides for Commission approval of a water system improvement charge (“WSIC”) and a sewer system improvement charge (“SSIC”), upon finding the rate adjustment mechanism is in the public interest. G.S. 62-133.12(a) provides:

"The frequency and manner of the rate adjustments under the mechanism shall be as prescribed by the Commission."

3. On August 28, 2013, the Commission entered an Order Establishing Rulemaking in Docket No. W-100, Sub 54 and, in pertinent part, granted Aqua’s petition to intervene.

4. On May 2, 2014, the Commission entered an Order Granting Partial Rate Increase, Approving Rate Adjustment Mechanism, and Requiring Customer Notice (“2014 Rate Case Order”) in Docket No W-218, Sub 363.

5. Decretal Paragraph 9 of the 2014 Rate Case Order provided that: “Aqua’s request to utilize a WSIC/SSIC mechanism pursuant to G.S. 62-133.12 to recover certain incremental costs related to eligible investment in water and sewer infrastructure projects completed and placed in service between general rate case proceedings is in the public interest and is hereby approved.”

6. Decretal Paragraph 10 of the 2014 Rate Case Order provided that: “Aqua shall utilize the alternative procedures set forth in Appendices C and D, attached hereto, and shall make the requisite filings in order to qualify for

implementation of the WSIC/SSIC without having to make an additional rate filing subsequent to the adoption of final rules in Docket No. W-100, Sub 54.”

7. On June 6, 2014, the Commission entered an Order Adopting Rules to Implement G.S. 62-133.12 in Docket No. W-100, Sub 54. Rule R7-39, entitled “Water System Improvement Charge Mechanism,” and Rule R10-26, entitled “Sewer System Improvement Charge Mechanism,” were adopted, effective as of the date of the rulemaking order.

8. Commission Rules R7-39(l) and R10-26(l) require utilities with approved WSIC/SSIC mechanisms, such as Aqua, to file Annual Reports within 60 days of the end of each WSIC/SSIC period. Pursuant to Rules R7-39(b)(7) and R10-26(b)(7), the terms “WSIC Period” and “SSIC Period” are defined to be the 12-month period ended December 31 for Aqua. The Rules, in subsection (l), specify what must be included in the Annual Report and require (1) Aqua to reconcile the Company’s actual eligible water and sewer system improvement costs with actual WSIC and SSIC revenues and make WSIC/SSIC EMF computations and (2) the Public Staff to audit Aqua’s actual eligible water and sewer system improvement costs, actual WSIC and SSIC revenues, and WSIC/SSIC EMF computations, and file a report on its audit no later than four months after the end of Aqua’s WSIC/SSIC Period.

9. Commission Rules R7-39(j) and R10-26(j) establish an “Experience Modification Factor” or “EMF” and provide that the WSIC and SSIC shall be modified through the use of an EMF that reflects the difference between the WSIC

and SSIC Revenue Requirement and the revenues that were actually realized under the WSIC and SSIC during the WSIC/SSIC Period. The Rules further provide that the EMF shall remain in effect for a 12-month period and that, pursuant to G.S. 62-130(e), any over-collection of reasonable and prudently incurred costs of the utility for eligible water and sewer system improvements to be refunded to a utility's customers through operation of the EMF shall include an amount of interest at such rate as the Commission determines to be just and reasonable, not to exceed the maximum statutory rate.

10. Aqua filed an Application for a general rate increase in Docket No. W-218, Sub 526 on December 31, 2019. The Commission entered an Order ("2020 Rate Case Order") in that docket on October 26, 2020, which granted the Company a partial rate increase. Consistent with Commission Rules R7-39(k) and R10-26(k), Aqua's WSIC and SSIC surcharges were reset to zero as of result of the Sub 526 docket.

11. The first update to Aqua's WSIC and SSIC surcharges under W-218, Sub 526A went into effect on January 1, 2021.

12. The second update to Aqua's WSIC and SSIC surcharges under W-218, Sub 526A was proposed to go into effect on July 1, 2021; however – due to disputed items – the Commission's Sub 526A WSIC/SSIC Surcharge Order was not issued until November 1, 2021.

13. The Conclusion section of the Commission's November 1, 2021 WSIC/SSIC Surcharge Order (at page 5) states, in pertinent part, as follows:

...Aqua NC should be allowed to retroactively charge customers for the approved surcharges through the EMF calculation for the period July 1, 2021, through the date of this Order.

The delayed effective date of the corresponding NCUC WSIC/SSIC surcharge approved in the Sub 526A WSIC/SSIC Surcharge Order results in the larger EMF that the Company is requesting to become effective on July 1, 2022.

14. Based on the information set forth in this Seventh Annual Report, including Appendix A attached hereto, Aqua hereby notifies the Commission that the Company experienced WSIC/SSIC under-collections during the 2021 WSIC/SSIC Period as follows:

- Aqua Water \$214,318 under-collection
- Fairways Water \$25,552 under-collection
- Brookwood Water \$16,601 under-collection
- Aqua Sewer \$177,808 under-collection
- Fairways Sewer \$4,496 under-collection

15. As calculated in Appendix A, the WSIC/SSIC under-collections result in the following EMF adjustments as follows:

- Aqua Water +0.53%
- Fairways Water +2.02%
- Brookwood Water +0.26%
- Aqua Sewer +1.02%
- Fairways Sewer +0.20%

16. The attorney for Aqua, on whom all pleadings and notices should be served, is:

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**WHEREUPON**, Aqua hereby requests that, for purposes of and consistent with G.S. 62-133.12 and Commission Rules R7-39 and R10-26, the Commission approve (a) this Seventh Annual Report, (b) the WSIC/SSIC EMF calculations set forth in this Seventh Annual Report, and (c) implementation of the proposed WSIC EMFs for Aqua Water, Brookwood Water and Fairways Water, and the proposed SSIC EMFs for Aqua Sewer and Fairways Sewer effective for service rendered on and after July 1, 2022.

Respectfully submitted this 25<sup>th</sup> day of February 2022.

**SANFORD LAW OFFICE, PLLC**

**Electronically Submitted**

**/s/Jo Anne Sanford**

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**/s/Robert H. Bennink, Jr.**

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**Attorneys for Aqua North Carolina, Inc.**

VERIFICATION

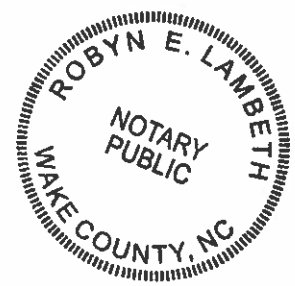
Dean R. Gearhart, being duly sworn, deposes and says: that he is the Manager of Rates and Planning for Aqua North Carolina, Inc.; that he is familiar with the facts set out in this SEVENTH WSIC/SSIC ANNUAL REPORT AND EXPERIENCE MODIFICATION FACTOR CALCULATIONS filed in Docket No. W-218, Sub 526A; that he has read the foregoing Seventh Annual Report and knows the contents thereof; and that the Report 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.

  
\_\_\_\_\_  
Dean R. Gearhart

Sworn to and subscribed before me this the 23<sup>rd</sup> day of February 2022.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: May 13 2024





APPENDIX A  
(1 OF 2)

**Aqua North Carolina, Inc.**  
Docket No. W-218, Sub 526A  
Calculation of Experience Modification Factor (EMF) for 2022  
(WSIC/SSIC Cycle Begun 1/1/2020)

Line No.	Item	Aqua Water (a)	Aqua Sewer (b)	Fairways Water (c)	Fairways Sewer (d)	Brookwood Water (e)	Combined Operations (f)
1	Revenue requirement for first six months of 2021	(line 12-b x line 14) \$62,706	\$31,028	\$39	\$557	(\$300)	\$94,030
2	Revenue requirement for last six months of 2021	(line 13-b x line 15-b + line 13-a) 337,248	266,037	31,831	6,477	20,559	662,153
3	Revenue requirement for 2021	399,955	297,065	31,870	7,034	20,259	756,183
4	Actual amount billed for 2021	\$ 185,637	\$ 119,257	\$ 6,318	\$ 2,538	\$ 3,658	\$ 317,408
5	{Over} / under collection	214,318	177,808	25,552	4,496	16,601	438,774
6	Interest on overcollections @	10.00%	-	-	-	-	-
7	Amount to be (refunded)	214,318	177,808	25,552	4,496	16,601	438,774
8	Projected 12-month revenues (Co. 2022 budget non-WSIC/SSIC rev)	40,128,431	17,448,549	1,263,679	2,300,268	6,365,569	67,506,496
9	EMF adjustment effective for 12 months beginning 7/1/2022	0.53%	1.02%	2.02%	0.20%	0.26%	0.65%
10							
11	Revenue requirements from NCUIC orders approving surcharges:						
12	Annual Award Amount as of 1/1/2021	139,175	62,761	0	1,009	0	202,945
12-a	Annual EMF adjustment as of 7/1/2020	\$ (6,827)	\$ (706)	\$ 84	\$ 105	\$ (615)	(7,959)
12-b	Total amount from 1/1/2021-6/30/2021	132,348	62,055	84	1,114	(615)	194,986
13	Awarded Amount as of 7/1/2021 [1]	655,020	531,279	57,985	12,024	38,476	1,294,784
13-a	Annual EMF adjustment as of 7/1/2021	\$ (14,107)	\$ 795	\$ 1,159	\$ 930	\$ 1,647	(9,576)
13-b	Total amount from 7/1/2021-12/31/2021	640,913	532,074	59,144	12,954	40,123	1,285,208
14	Aqua 1st Half-year factor (per public staff workpapers in 2016 EMF filing)	47.38%	50.00%	46.18%	50.00%	48.76%	
15	Aqua 2nd Half-year factor (per public staff workpapers in 2016 EMF filing)	52.62%	50.00%	53.82%	50.00%	51.24%	
16	Interest period information						
17	Mid point of collection period	6/30/2021					
18	Mid point of EMF billing period	12/31/2022					
19	Number of months	18					
20							
24	[1] The effective date of this WSIC/SSIC Order was 11/1/2021						

**Aqua North Carolina, Inc.**  
 Docket No. W-218, Sub 526A  
 2021 WSIC/SSIC Revenue  
 for Calculation of Experience Modification Factor (EMF) for 2022

Line	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	WSIC/SSIC Revenue Billed From 1/1/2021-12/31/2021	AQUA NC Water	AQUA NC Sewer	FAIRWAYS Water	FAIRWAYS Sewer	Brookwood Water	Grand Total
1	Aqua NC 2021 GL Amounts Billed (Jan-Dec 2021)	\$ 185,637.31	\$ 119,256.69	\$ 6,317.65	\$ 2,538.42	\$ 3,658.12	\$ 195,613.08
2	471100 Misc Srv Rev-DSIC IMPRV SURCH						\$ 121,795.11
3	536030 SW-Other WW Rev-DSIC						
4	WSIC/SSIC Revenue billed in 2021	\$185,637.31	\$119,256.69	\$6,317.65	\$2,538.42	\$3,658.12	\$317,408.19
5							
6							
7							
8	January 2022 WSIC/SSIC Revenue related to 2021 [1]						
9	Aqua NC Jan 2022 GL Amounts Billed	\$ 52,562.49	\$ 44,906.92	\$ 3,946.05	\$ 1,030.68	\$ 3,263.04	\$ 59,771.58
10	471100 Misc Srv Rev-DSIC IMPRV SURCH						\$ 45,937.60
11	536030 SW-Other WW Rev-DSIC						
12	Grand Total	\$52,562.49	\$44,906.92	\$3,946.05	\$1,030.68	\$3,263.04	\$105,709.18
13							
14	WSIC/SSIC surcharge prior to 12/31/21	1.66%	3.08%	5.06%	0.59%	0.63%	
15	WSIC/SSIC surcharge as of 1/1/22	3.31%	3.27%	5.35%	0.71%	0.98%	
16	Approx. Avg WSIC/SSIC rate for Jan '22 [1-8]	2.49%	3.18%	5.21%	0.65%	0.81%	
17	Jan '22 WSIC/SSIC Rev Pct - 2021 Rate [2]	33.4%	48.5%	48.6%	45.4%	39.1%	
18	Jan '22 WSIC/SSIC Rev Pct - 2022 Rate [3]	66.6%	51.5%	51.4%	54.6%	60.9%	
19	ADD: Jan '22 WSIC/SSIC Rev \$\$\$ - 2021 Usage [4]	\$ 17,556.08	\$ 21,781.62	\$ 1,918.06	\$ 467.77	\$ 1,276.84	\$ 43,000.38
20	Jan '22 WSIC/SSIC Rev \$\$\$ - 2022 Usage [5]	\$ 35,006.41	\$ 23,125.30	\$ 2,027.99	\$ 562.91	\$ 1,986.20	\$ 62,708.80
21		\$ 52,562.49	\$ 44,906.92	\$ 3,946.05	\$ 1,030.68	\$ 3,263.04	\$ 105,709.18
22							
23	LESS - Jan '21 WSIC/SSIC Rev \$\$\$ determined to be 2020 Usage [6]	\$ 34,276.64	\$ 7,555.00	\$ (118.34)	\$ 54.29	\$ 8,308.18	\$ 50,075.77
24							
25							
26	Grand Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
27							
28	NC WSIC/SSIC Revenue billed for 2021 usage [6]	\$ 168,916.76	\$ 133,483.31	\$ 8,354.05	\$ 2,951.90	\$ (3,373.22)	\$ 310,352.80
29							

[1] assumes half of January 2022 billed revenue is from December 2021 usage  
 [1-8] average of the WSIC/SSIC rates on line 14 and line 15  
 [2] WSIC/SSIC pct on line 14 x .5 divided by avg Jan '22 rate on line 16  
 [3] WSIC/SSIC pct on line 15 x .5 divided by avg Jan '22 rate on line 16  
 [4] Jan '22 WSIC/SSIC Revenue on line 12 x pct on line 17 = 2021 REVENUE (Part of 2022 EMF Calculation)  
 [5] Jan '22 WSIC/SSIC Revenue on line 12 x pct on line 18 = 2022 REVENUE for EMF Purposes  
 [6] WSIC/SSIC revenue billed in 2021 which was assumed to be from December 2020 in the 2021 Aqua NC EMF filing from Feb 2021.  
 [7] WSIC/SSIC revenue billed in 2021 (line 5) ADD Jan '22 WSIC/SSIC Rev billed for 2020 Usage (line 23)

**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing **SEVENTH WSIC/SSIC ANNUAL REPORT AND EXPERIENCE MODIFICATION FACTOR CALCULATIONS** filed in Docket No. W-218, Sub 526A on the parties to that Docket 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 25<sup>th</sup> day of February 2022.

**Electronically Submitted**

**/s/Jo Anne Sanford**  
State Bar No. 6831

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