

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

March 1, 2023

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.
Eighth 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 Eighth Water System Improvement Charge/Sewer System Improvement Charge ("WSIC/SSIC") Annual Report and Experience Modification Factor Calculations. This Eighth 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)
	EIGHTH WSIC/SSIC ANNUAL REPORT AND EXPERIENCE MODIFICATION FACTOR CALCULATIONS

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 (Eighth 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 Eighth 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 case 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, in pertinent part, as follows:

"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 third update to Aqua's WSIC and SSIC surcharges under W-218, Sub 526A went into effect on January 1, 2022.

14. The fourth update to Aqua's WSIC and SSIC surcharges under W-218, Sub 526A went into effect on July 1, 2022.

15. Based on the information set forth in this Eighth Annual Report, including Appendix A attached hereto, Aqua hereby notifies the Commission that the Company experienced WSIC/SSIC (over)/under-collections during the 2022 WSIC/SSIC Period as follows:

- Aqua Water \$9,363 under-collection
- Aqua Sewer \$33,904 over-collection*
- Fairways Water \$518 under-collection
- Fairways Sewer \$491 under-collection
- Brookwood Water \$400 over-collection*

*The over collection amounts include the application of 10% interest.

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

- Aqua Water +0.02%
- Aqua Sewer -0.19%
- Fairways Water +0.04%
- Fairways Sewer +0.02%
- Brookwood Water -0.01%

17. 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 Eighth Annual Report, (b) the WSIC/SSIC EMF calculations set forth in this Eighth 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, 2023.

Respectfully submitted this 1st day of March 2023.

SANFORD LAW OFFICE, PLLC

Electronically Submitted

/s/Jo Anne Sanford

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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 **EIGHTH WSIC/SSIC ANNUAL REPORT AND EXPERIENCE MODIFICATION FACTOR CALCULATIONS** filed in Docket No. W-218, Sub 526A; that he has read the foregoing Eighth 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.



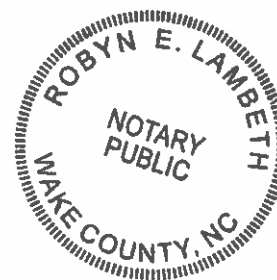
Dean R. Gearhart

Sworn to and subscribed before me this
the 1st day of March 2023.



Notary Public

My Commission Expires: May 13 2026



APPENDIX A
(1 OF 2)

Aqua North Carolina, Inc.
 Docket No. W-218, Sub 526A
 Calculation of Experience Modification Factor (EMF) for 2023 (Reconciliation of Calendar Year 2022)
 WSIC/SSIC Cycle Begun 1/1/2022

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 2022	\$629,863	\$284,768	\$31,176	\$8,222	\$30,420	\$984,449
	Revenue requirement for last six months of 2022 (7/1/2022-	(line 12-b x line 14)					
2	12/31/2022	\$ 803,679	\$ 357,868	\$ 47,567	\$ 9,629	\$ 38,512	\$ 1,257,255
3	Revenue requirement for 2022	\$ 1,433,542	\$ 642,636	\$ 78,743	\$ 17,851	\$ 68,932	\$ 2,241,704
4	Actual amount billed for 2022 [1]	\$ 1,424,179	\$ 672,118	\$ 78,225	\$ 17,360	\$ 69,280	\$ 2,261,161
5	(Over) / under collection	\$ 9,363	\$ (29,482)	\$ 518	\$ 491	\$ (348)	\$ (19,457)
6	Interest on overcollections @ 10.00%	\$ -	\$ (4,422)	\$ -	\$ -	\$ (52)	\$ (4,474)
7	Amount to be charged (refunded)	\$ 9,363	\$ (33,904)	\$ 518	\$ 491	\$ (400)	\$ (23,932)
8	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 7/1/2023	0.02%	-0.19%	0.04%	0.02%	-0.01%	-0.04%
10							

Revenue requirements from NCUC orders approving

11	Surcharges:						
12	Annual WSIC/SSIC Award Amount as of 1/1/2022	1,343,492	568,741	66,351	15,514	60,740	2,054,838
12-a	Annual EMF adjustment as of 7/1/2021	\$ (14,107)	\$ 795	\$ 1,159	\$ 930	\$ 1,647	(9,576)
12-b	Total amount from 1/1/2022-6/30/2022	1,329,385	569,536	67,510	16,444	62,387	2,045,262
12-c	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
12-d	WSIC/SSIC Pct as of 1/1/2022	3.31%	3.27%	5.35%	0.71%	0.98%	

Aqua 1st Half-year factor (per public staff workpapers in 2016 EMF filing)

13	Annual WSIC/SSIC Award Amount as of 7/1/2022	1,330,583	559,639	64,736	15,228	59,837	2,030,023
13-a	Annual EMF adjustment as of 7/1/2022	\$ 196,743	\$ 156,097	\$ 23,645	\$ 4,030	\$ 15,324	395,839
13-b	Total amount from 7/1/2022-12/31/2022	1,527,326	715,736	88,381	19,258	75,161	2,425,862
13-c	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
13-d	WSIC/SSIC Pct as of 7/1/2022	3.81%	4.10%	6.99%	0.84%	1.18%	

Aqua 2nd Half-year factor (per public staff workpapers in 2016 EMF filing)

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%	

Interest period information

16	Interest period information						
17	Mid point of collection period	6/30/2022					
18	Mid point of EMF billing period	12/31/2023					
19	Number of months	18					

[1] From Appendix A (2 of 2) line 23

Aqua North Carolina, Inc.
 Docket No. W-218, Sub 526A
 2022 WSIC/SSIC Revenue
 for Calculation of Experience Modification Factor (EMF) for 2023

Line	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	WSIC/SSIC Revenue Billed From 1/1/2022-12/31/2022	AQUA NC Water	AQUA NC Sewer	FAIRWAYS Water	FAIRWAYS Sewer	Brookwood Water	Grand Total
1	Aqua NC 2022 GL Amounts Billed (Jan-Dec 2022)	\$ 1,381,880.34	\$ 661,894.60	\$ 77,439.41	\$ 17,097.28	\$ 67,374.86	\$ 1,526,694.61
2	471100 Misc Srv Rev-DSIC IMPRV SURCH						\$678,991.88
3	536030 SW-Other WW Rev-DSIC						\$2,205,686.49
4	WSIC/SSIC Revenue billed during 2022	\$1,381,880.34	\$661,894.60	\$77,439.41	\$17,097.28	\$67,374.86	\$2,205,686.49
5							
6	January 2023 WSIC/SSIC Revenue related to 2022 [1]						
7	Aqua NC Jan 2023 GL Amounts Billed	\$ 119,708.69	\$ 63,863.74	\$ 5,422.51	\$ 1,460.09	\$ 6,364.19	\$ 131,495.39
8	471100 Misc Srv Rev-DSIC IMPRV SURCH						\$ 65,323.83
9	536030 SW-Other WW Rev-DSIC						\$196,819.22
10	Grand Total	\$119,708.69	\$63,863.74	\$5,422.51	\$1,460.09	\$6,364.19	\$196,819.22
11							
12	WSIC/SSIC surcharge prior to 12/31/22	3.81%	4.10%	6.99%	0.84%	1.18%	
13	WSIC/SSIC surcharge as of 1/1/23	3.81%	4.10%	6.99%	0.84%	1.18%	
14	Approx. Avg WSIC/SSIC rate for Jan '23 [1-B]	3.81%	4.10%	6.99%	0.84%	1.18%	
15	Jan '23 WSIC/SSIC Rev Pct - 2022 Rate [2]	50.0%	50.0%	50.0%	50.0%	50.0%	
16	Jan '23 WSIC/SSIC Rev Pct - 2023 Rate [3]	50.0%	50.0%	50.0%	50.0%	50.0%	
17	ADD: Jan '23 WSIC/SSIC Rev \$\$\$ - 2022 Usage [4]	\$ 59,854.35	\$ 31,931.87	\$ 2,711.26	\$ 730.05	\$ 3,182.10	\$ 98,409.61
18	Jan '23 WSIC/SSIC Rev \$\$\$ - 2023 Usage [5]	\$ 59,854.35	\$ 31,931.87	\$ 2,711.26	\$ 730.05	\$ 3,182.10	\$ 98,409.61
19		\$ 119,708.69	\$ 63,863.74	\$ 5,422.51	\$ 1,460.09	\$ 6,364.19	\$ 196,819.22
20							
21	LESS - Jan '22 WSIC/SSIC Rev \$\$\$ determined to be 2021 Usage [6]	\$ 17,556.08	\$ 21,708.56	\$ 1,925.82	\$ 467.77	\$ 1,276.84	\$ 42,935.08
22							
23	NC WSIC/SSIC Revenue billed for 2022 usage [7]	\$ 1,424,178.60	\$ 672,117.91	\$ 78,224.84	\$ 17,359.55	\$ 69,280.11	\$ 2,261,161.02
24							

[1] as in past EMF calculations, assumes half of January billed revenue is from the prior December usage
 [1-B] average of the WSIC/SSIC rates on line 12 and line 13
 [2] WSIC/SSIC pct on line 12 x .5 divided by avg Jan '22 rate on line 14
 [3] WSIC/SSIC pct on line 13 x .5 divided by avg Jan '22 rate on line 14
 [4] Jan '23 WSIC/SSIC Revenue on line 10 x pct on line 15 = 2022 REVENUE (Part of 2023 EMF Calculation)
 [5] Jan '23 WSIC/SSIC Revenue on line 10 x pct on line 16 = 2023 REVENUE for EMF Purposes
 [6] For the 2021/2022 EMF calculation, January 2022 WSIC/SSIC revenue was assumed to be attributed to 2021 (Line 19 of REVISED Appendix A filed in 2022).
 [7] WSIC/SSIC revenue billed in 2022 (line 4) ADD Jan '23 WSIC/SSIC Rev billed for 2022 usage (Line 17) LESS Jan '22 WSIC/SSIC Rev billed for 2021 Usage (line 21)

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing **EIGHTH 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 1st day of March 2023.

Electronically Submitted

/s/Jo Anne Sanford
State Bar No. 6831

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