

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-218, SUB 497

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

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| In the Matter of                             |   |                     |
| Application by Aqua North Carolina, Inc.,    | ) | ORDER CLARIFYING    |
| 202 MacKenan Court, Cary, North Carolina     | ) | RATE BASE REDUCTION |
| 27511, for Authority to Adjust and Increase  | ) | CONCERNING CIAC AND |
| Rates for Water and Sewer Utility Service in | ) | REQUESTING RESPONSE |
| All Service Areas in North Carolina          | ) |                     |

BY THE COMMISSION: On December 18, 2018, the Commission issued an Order Approving Partial Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice (Rate Order) in the above-captioned docket, a general rate case for Aqua North Carolina, Inc. (Aqua NC or Company).

In an email dated April 25, 2019, from the Public Staff – North Carolina Utilities Commission (Public Staff), written by William Grantmyre, Public Staff Attorney, and sent to Freda Hilburn, Commission Staff Financial Analyst, the Public Staff requested clarification regarding the \$2,000,925 in contributions in aid of construction (CIAC) that Aqua NC collected from the Buffalo Creek developers prior to and through the date of the evidentiary hearing in the rate case. The Public Staff asked whether the entire amount of \$2,000,925 related to the 333,671 gallons per day of capacity to be purchased from Johnston County was included by the Commission as CIAC (less amortization) in the Rate Order, and, thereby, reduced the rate base for Aqua NC Sewer Operations by that amount. The Public Staff commented that the Rate Order did not specifically set forth the precise amount that was deducted. The Public Staff stated that its interpretation of the Rate Order is that the entire \$2,000,925 (less amortization) was included as CIAC, thereby reducing the rate base for Aqua NC Sewer Operations approved in the Rate Order.

On May 9, 2019, the Public Staff's email was accepted by the Clerk's Office and filed in Docket No. W-218, Sub 497. It is hereinafter referred to as the Public Staff's Motion for Clarification, or Motion. Also on May 9, 2019, Ms. Hilburn sent all parties an email with a copy of the Public Staff's Motion for Clarification attached. The email notified the parties that the Public Staff's Motion had been filed in the docket, and that the deadline to respond to the Motion was by close of business, Tuesday, May 14, 2019.

On May 14, 2019, Aqua NC filed its comments on the Public Staff's Motion. Aqua NC noted that the Company had no specific response to the Public Staff's Motion at that time, but stated that Aqua NC reserved the right to file a response to the Commission's order addressing the Public Staff's Motion, and/or any subsequent filing by the Public Staff containing comments on the Company's March 15, 2019 compliance filing required pursuant to Decretal Paragraph No. 25 of the Rate Order (Affidavit of Edward P.

Thill, Controller II, Aqua North Carolina, Inc. Concerning Future Accounting Treatment of Johnston County Transmission and Capacity Fees).<sup>1</sup>

No other party filed comments on the Public Staff's Motion.

In response to the Public Staff's Motion, the Commission provides the following information:

- The \$2,000,925 CIAC amount referred to in the Public Staff's Motion is found on Page 18 of 52, Table 2, in the rebuttal testimony of Aqua NC President Shannon Becker filed on September 4, 2018. The \$2,000,925 amount is referred to as "YTD [Year-to-Date] 2018" CIAC collections for capacity sold to developers on the Buffalo Creek side of the Flowers Plantation development. A specific date in 2018 is not referenced in witness Becker's rebuttal testimony, only "YTD 2018".
- On Public Staff Cooper Supp. Exhibit I, Schedule 2-3 Revised, filed on September 13, 2018, Line 1, Column (b), is the Public Staff's "Adjustment to include post test year additions" to CIAC in the amount of \$2,558,369.
- On Line 2, Column (b) of that same schedule, is the Public Staff's "Adjustment for Neuse Colony Wastewater Plant" which decreases the amount of CIAC deducted from rate base by \$1,497,399. This adjustment is explained on Pages 51-52 of Public Staff Engineer Charles Junis' testimony filed on August 22, 2018.
- On Page 129 of the Rate Order, under the heading "Neuse Colony WWTP CIAC", the Commission stated:

As discussed elsewhere in this Order, the Commission has concluded that the adjustment recommended by the Public Staff to remove from rate base the CIAC collected by Aqua NC in the amount of \$1.497 million related to the Neuse Colony WWTP is not appropriate in this proceeding. Further, the Commission concluded that the adjustment for the imputation of CIAC for the Buffalo Creek force main and pump station costs should be \$218,999 rather than \$315,687.

- As a result of the Commission's conclusions reached on Page 129 of the Rate Order, the amount of total CIAC the Commission deducted from the

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<sup>1</sup> On March 15, 2019, Aqua NC made a timely filing in response to the Commission's request that it provide the details of the future accounting treatment of the cost of capacity and transmission purchased from Johnston County, and the net rate base adjustment and total revenue requirement effect to the Company.

Aqua NC Sewer Operations Rate Base (see Page 169 of the Rate Order) was \$80,683,472.

- The \$80,683,472 amount was derived by the Commission as follows:

Public Staff Cooper Supp. Exhibit I, Schedule 2(b) Revised, Line 3, Column (c) = \$79,282,761.

The Public Staff's \$79,282,761 CIAC amount is increased by \$1,497,399 and reduced by \$315,687-\$218,999 or \$96,688 based on the Commission's conclusions stated on Page 129 of the Rate Order, as set forth above.

$\$79,282,761 + \$1,497,399 - \$96,688 = \$80,683,472$  (Total gross CIAC amount for Aqua NC Sewer Operations deducted from rate base per Page 169 of the Rate Order).

- The test year for the Sub 497 rate proceeding was the 12 months ended September 30, 2017. Therefore, to the extent the update to include post test year additions on Line 1, Column (b) of Public Staff Cooper Supp. Exhibit I, Schedule 2-3 Revised, included the total "YTD 2018" CIAC amount of \$2,000,925 referred to in witness Becker's rebuttal testimony, the Commission included it (less amortization) in the Rate Order as a reduction to rate base for Aqua NC Sewer Operations.

Based upon the foregoing and the record, to the extent the Public Staff included the entire amount of the "YTD 2018" CIAC in the amount of \$2,000,925 (less amortization) in the supplemental exhibit of Public Staff witness Cooper filed on September 13, 2018, in this docket, the Commission confirms the Public Staff's interpretation of the Rate Order that the entire amount of such CIAC (less amortization) reduced the rate base for Aqua NC Sewer Operations in the general rate proceeding. Furthermore, the Commission finds good cause to request that the Public Staff provide a response indicating the precise amount of the \$2,000,925 which is included in the supplemental exhibit of Public Staff witness Cooper filed on September 13, 2018. Consequently, the Commission requests that the Public Staff file, within five business days of this Order, its response, including any applicable supporting documentation, workpaper, or explanation, as appropriate.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 17<sup>th</sup> day of May, 2019.

NORTH CAROLINA UTILITIES COMMISSION



Janice H. Fulmore, Deputy Clerk