

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-218, SUB 526

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by Aqua North Carolina, Inc., ) SECOND PROGRESS REPORT  
202 MacKenan Court, Cary, North Carolina ) REGARDING DEVELOPMENT  
27511, for Authority to Adjust and Increase ) OF A MUTUALLY AGREEABLE  
Rates for Water and Sewer Utility Service ) NON-REVENUE PURCHASED  
in All Its Service Areas in North Carolina ) WATER STANDARD

NOW COME the Public Staff – North Carolina Utilities Commission (Public Staff) and Aqua North Carolina, Inc. (Aqua NC or the Company), hereinafter collectively referred to as the Parties, by and through the undersigned counsel, and file this Second Progress Report Regarding Development of a Mutually Agreeable Non-Revenue Purchased Water Standard (Second Progress Report), as discussed below.

I. Background

1. In its Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Granting Partial Rate Increase, and Requiring Customer Notice issued on October 26, 2020, in Docket No. W-218, Sub 526 (Rate Case Order), the Commission ordered as follows:

16. That Aqua NC and the Public Staff shall develop a mutually-agreeable purchased water loss standard based upon the methodology for purchased water systems set forth in Aqua NC's Pearce and Kunkel rebuttal testimony for implementation in the Company's next general rate case and report on the progress of those discussions to the Commission within nine months of this Order.

Rate Case Order at 170.

2. In the Memorandum of Understanding (MOU) by and between the Public Staff and Aqua NC filed on May 26, 2021, in Docket No. W-218, Sub 526, the Parties stated as follows:

10. Aqua NC anticipates internal M36 Water Audits for calendar year 2020 will be completed for systems that exceeded 15% water loss by May 31, 2021. Aqua NC will provide the results of the internal M36 Water Audits and the Company's analysis of those results to the Public Staff no later than July 15, 2021. The Parties will file a progress report on the development of a mutually-agreeable water loss standard based on the M36 Water Audits no later than August 31, 2021, and every six months thereafter until the expiration of the two-rate case interim period.

MOU at 5.

3. In its Order Accepting Memorandum of Understanding Concerning Non-Revenue Purchased Water issued on July 27, 2021, in Docket No. W-218, Sub 526 (Order Accepting MOU), the Commission stated as follows:

Finally, the Commission understands the Parties' mutual agreement that data supporting development of a standard based on the Company's rebuttal testimony is not currently available and that an interim standard is needed for the period of time during which such data will be obtained and analyzed. However, the Commission is concerned about the Parties' defining the time period to acquire the necessary data as two rate cases rather than as the actual time that it will take to acquire and analyze the data. A period of two rate cases is vague and uncertain because the timing of rate cases is generally within the Company's control or discretion, i.e., there is no date certain when rate cases must be filed. Thus, the Commission directs the Parties to provide in their first report regarding non-revenue purchased water, to be filed no later than August 31, 2021, information explaining their rationale and basis for selecting a two-rate case period for application of the 20% interim non-revenue purchased water standard as opposed to a more definite time and to explain further why the interim standard would necessarily need to be applied to more than one future rate case. If there is good and sufficient reason for the two-rate case interim standard, the report should also discuss assurances that the actual time before applying a non-revenue purchased water standard based on actual data in the third future rate case will not be unreasonably vague and

indefinite. The Parties are also directed to include in their August 31, 2021 report a specific date or actual timeframe by which they anticipate reaching a final mutually agreeable non-revenue purchased water standard based on the methodology set forth in Aqua NC witnesses Pearce's and Kunkel's rebuttal testimony in the last general rate case.

Order Accepting MOU at 4-5.

4. On August 30, 2021, the Parties filed their Initial Progress Report Regarding Development of a Mutually Agreeable Non-Revenue Purchased Water Standard (Initial Progress Report). The Initial Progress Report summarized the activities undertaken by the Parties in furtherance of the development of a mutually-agreeable water loss standard, including meetings between Aqua NC and Public Staff personnel, and the Parties' review of information from purchased water systems with greater than 15% non-revenue water. The Initial Progress Report also included responses to the Commission's directives.

## II. Progress Report

On February 15, 2022, Aqua NC provided the Public Staff with the Georgia 2020 Water Audit data along with an analysis comparing the number of connections and average loss per connection or average loss per mile.

On February 18, 2022, Lindsay Darden, Public Utilities Engineer for the Public Staff Water, Sewer, and Telephone Division, and Joseph Pearce, Director of Operations for Aqua NC, met virtually to discuss water loss and the available data, including Aqua NC's analysis of the Georgia 2020 Water Audit data. Following the meeting, Aqua NC provided the Public Staff with a revised analysis spreadsheet containing analysis comparisons requested by the Public Staff. The analysis compared the average loss per connection or the average loss per mile

of water main for different sizes of systems. Aqua NC opined that the analysis shows there is no correlation evident between the size of the system and the average loss per connection or per mile of main. The Public Staff is still in the process of evaluating the information provided by Aqua NC.

The Parties have not been able to obtain the AWWA WLCC Reference Water Audit Dataset (2020)<sup>1</sup> mentioned in the Initial Progress Report. The data set that Aqua NC analyzed is the 2020 Water Loss Audit Results for the State of Georgia<sup>2</sup> published by the Environmental Protection Division in compliance with the Water Stewardship Act of 2010. The Water Stewardship Act of 2010 applies to public water systems serving over 3,300 in population and requires the completion of an Annual Water Loss Audit for each calendar year. Approximately 250 water providers in Georgia are subject to the Water Stewardship Act water loss control requirements.

Mr. Pearce confirmed in the meeting that Aqua NC still anticipates that internal M36 Water Audits for calendar year 2021 will be completed by March 31, 2022, for systems exceeding 15% non-revenue water, as stated in the Initial Progress Report, and that Aqua NC will provide the results and the Company's analysis of those results to the Public Staff no later than May 31, 2022. The Public Staff and Aqua NC plan to discuss the results at their next meeting. Ultimately, the 2021 data will be analyzed together with multiple subsequent years of data in order to determine the repeatability and reliability of the water audits.

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<sup>1</sup> Kunkel, G. et al. *AWWA WLCC Reference Water Audit Dataset. 2020*. AWWA. Denver, CO.

<sup>2</sup> 2020 Water Loss Audit Results for the State of Georgia available at <https://epd.georgia.gov/watershed-protection-branch/water-efficiency-and-water-loss-audits>

WHEREFORE, the Public Staff and Aqua NC request that the Commission review this Second Progress Report and accept the content herein as responsive to the Commission's directives in its Order Accepting MOU.

Respectfully submitted, this the 28th day of February 2022.

ATTORNEY FOR THE PUBLIC STAFF

/s/Megan Jost  
Staff Attorney  
Public Staff Legal Division  
4326 Mail Service Center  
Raleigh, NC 27699-4300  
megan.jost@psncuc.nc.gov

ATTORNEYS FOR AQUA NORTH CAROLINA, INC.

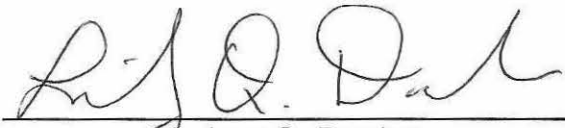
/s/Jo Anne Sanford  
Sanford Law Office, PLLC  
Post Office Box 28085  
Raleigh, North Carolina 27611-8085  
T: 919.210.4900  
sanford@sanfordlawoffice.com  
State Bar No. 6831

/s/Robert H. Bennink, Jr.  
Bennink Law Office  
130 Murphy Drive  
Cary, North Carolina 27513  
T: 919.760.3185  
BenninkLawOffice@aol.com  
State Bar No. 6502


VERIFICATION

STATE OF NORTH CAROLINA       )  
   )  
 COUNTY OF WAKE                    )

Lindsay Q. Darden, first being duly sworn, deposes and says that she is a Utilities Engineer with the Water, Sewer, and Telephone Division, Public Staff – North Carolina Utilities Commission, that as such, she has read the foregoing Second Progress Report Regarding Development of a Mutually Agreeable Non-Revenue Purchased Water Standard, and knows the contents thereof; that the same are true of her own knowledge except as to those matters stated therein on information and belief, and as to those she believes them to be true.

  
 Lindsay Q. Darden

Sworn to and subscribed before me,  
 this 28 day of February, 2022.

  
 Signature of Notary Public

Joanne M. Berube  
 Name of Notary Public – Typed or Printed

Joanne M. Berube  
 NOTARY PUBLIC  
 WAKE COUNTY, N.C.  
 My Commission Expires 12-17-2022.

My Commission Expires: 12/17/2022

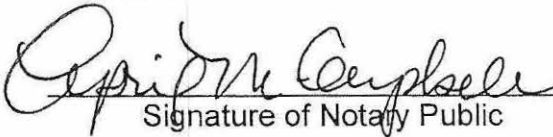
VERIFICATION

STATE OF NORTH CAROLINA       )  
   )  
 COUNTY OF ~~WAKE~~ Lincoln       )

Joseph R. Pearce, first being duly sworn, deposes and says that he is the Director of Operations of Aqua North Carolina, Inc., that as such, he has read the foregoing Second Progress Report Regarding Development of a Mutually Agreeable Non-Revenue Purchased Water Standard, and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated therein on information and belief, and as to those he believes them to be true.

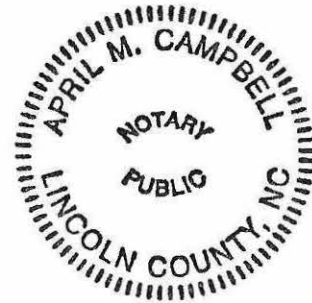
  
 \_\_\_\_\_  
 Joseph R. Pearce

Sworn to and subscribed before me,  
 this 28<sup>th</sup> day of February, 2022.

  
 \_\_\_\_\_  
 Signature of Notary Public

April M. Campbell  
 Name of Notary Public – Typed or Printed

My Commission Expires: May 15, 2026





CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing Second Progress Report Regarding Development of a Mutually Agreeable Non-Revenue Purchased Water Standard on all parties of record in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of facsimile or electronic delivery upon agreement with the receiving party.

This the 28th day of February, 2022.

Electronically submitted  
/s/Megan Jost  
Staff Attorney

4326 Mail Service Center  
Raleigh, North Carolina 27699-4300  
Telephone: (919) 733-6110  
Email: [megan.jost@psncuc.nc.gov](mailto:megan.jost@psncuc.nc.gov)