

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

July 26, 2019

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

Via Electronic Delivery

Re: Aqua North Carolina, Inc.  
Docket Nos. W-218, Subs 497 and 497A  
Second Affidavit of Edward P. Thill, Controller II, Aqua North  
Carolina, Inc. Concerning Future Accounting Treatment of Johnston  
County Transmission and Capacity Fees

Dear Ms. Dunston:

Attached please find for filing the Second Affidavit of Edward P. Thill, Controller II for Aqua North Carolina, Inc. ("Aqua" or "Company"), responding to the directive contained in Ordering Paragraph No. 25 of the Commission's *Order Approving Partial Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice* entered in Docket No. W-218, Sub 497 on December 18, 2018.

As always, we thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

**Electronically Submitted**

**/s/Jo Anne Sanford**  
North Carolina 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 497  
DOCKET NO. W-218, SUB 497A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Reporting Requirements from Docket )  
No. W-218, Sub 497 - Application by )  
Aqua North Carolina, Inc., 202 )  
MacKenan Court, Cary, North )  
Carolina 27511 for Authority )  
To Adjust and Increase Rates for )  
Water and Sewer Utility Service in )  
All of its Service Areas in North )  
Carolina )

**SECOND AFFIDAVIT OF EDWARD  
P. THILL, CONTROLLER II, AQUA  
NORTH CAROLINA, INC.  
CONCERNING FUTURE  
ACCOUNTING TREATMENT OF  
JOHNSTON COUNTY  
TRANSMISSION AND  
CAPACITY FEES**

**NOW COMES** Edward P. Thill, Controller II, Aqua North Carolina, Inc. ("Aqua" or "Company"), being duly sworn, who hereby executes this Second Affidavit on behalf of Aqua in Docket Nos. W-218, Sub 497 (a general rate case) and Sub 497A (a reporting docket), in response to the Comments filed in these dockets by the Public Staff on June 19, 2019.

**BACKGROUND**

1. On December 18, 2018, the Commission entered an Order in Docket No. W-218, Sub 497, captioned *Order Approving Partial Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice* ("Sub 497 Rate Case Order"). Ordering Paragraph No. 25, at page 186, provides as follows:

That Aqua NC shall, within 30 days following the issuance of this Order, make a compliance filing to show its present and future accounting treatment, in a manner consistent with the findings and conclusions of the Commission herein, of the capacity purchased from, and the transmission expenses paid to, Johnston County. Such filing shall include the net rate base adjustment and total revenue requirement effect to the Company as a result of the Commission's determinations of these issues herein.

2. On January 18, 2019, Aqua filed a partial response to the Commission's request for information, in the form of an Affidavit by Tammy S. Bernard, Accountant III, Aqua North Carolina, Inc. The Affidavit provided the requested information related to the Company's present accounting treatment of the capacity purchased from, and transmission fees paid to, Johnston County. In that same filing, Aqua requested additional time (until Friday, March 15, 2019) to file the remainder of its response to the Commission's request for information related to the Company's future accounting treatment of the capacity purchased from, and transmission fees paid to, Johnston County ("County") and the net rate base adjustment and total revenue requirement effect to the Company as detailed in Ordering Paragraph No. 25 of the Sub 497 Rate Case Order issued on December 18, 2018.

3. By Order dated January 24, 2019, the Commission granted Aqua's request for an extension of time until Friday, March 15, 2019, to file the balance of its response, dealing with the future treatment of the items delineated in Ordering Paragraph No. 25. On March 15, 2019, Aqua filed my initial Affidavit wherein I set forth the Company's position concerning the future accounting treatment of Johnston County transmission and capacity fees.

4. On June 19, 2019, the Public Staff filed a response to my initial Affidavit, setting forth areas of disagreement with respect to its interpretation of certain parts of the Affidavit.

5. The Company and the Public Staff subsequently discussed both the content of my initial Affidavit and the Staff's response thereto, and have come to the agreement set forth in this Second Affidavit, having satisfactorily resolved all differences.

6. Aqua's intent has never been for the Company's proposed accounting treatment to impair its customers' financial position. Page 6 of my March 15, 2019 Affidavit stated that "The unremitted fund balance would constitute a deduction against future rate base." Aqua's primary purpose in proposing that developer payments would be held in a liability account was to accomplish the rate-base neutral result espoused by the Commission in its December 18, 2018 Sub 497 Rate Case Order. By holding the full value of the developer payments--- which by Order include both capacity and transmission and distribution fees ("T&D fees")---in a liability account, Aqua intended to segregate all funds that would flow to the County for future capacity purchases. This was necessary in order to bridge the disparate treatment of T&D fees paid before and after the Sub 497 Rate Case Order.

The \$785,000 paid by Aqua to Johnston County in 2018 for T&D fees is being amortized over six years and recovered in current rates. However, the Sub 497 Rate Case Order explicitly requires Aqua in the future to collect both T&D

and capacity fees from developers. Aqua's proposed accounting treatment was intended to ensure that any payments for future T&D and capacity were offset by the developer payments collected to fund those payments, and that customers were not negatively impacted by any such transactions.

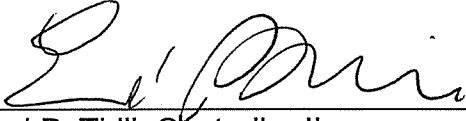
7. Aqua and the Public Staff have addressed and resolved the objections and concerns raised by the Public Staff. Specifically, Aqua is authorized to state that the Company and the Public Staff jointly support the following future accounting treatment of Johnston County transmission and capacity fees:

- (a) The full value of developer payments (including both T&D and capacity fees) will be recorded by Aqua as amortizing CIAC in accordance with past practice; and
- (b) The full value of future capacity purchases from Johnston County (including both T&D and capacity fees) will be recorded by Aqua as depreciable Plant in Service.

8. Aqua's June 2019 purchase of 51,440 gallons per day of additional capacity from Johnston County at a total cost of \$330,245 will be accounted for in accordance with the accounting treatment described above.

Accordingly, Aqua hereby submits this Second Affidavit of Edward P. Thill in support of its position in response to the Comments filed by the Public Staff on June 19, 2019, and Ordering Paragraph No. 25 of the Sub 497 Rate Case Order.

The Company requests that the Commission approve the accounting treatment proposed herein.

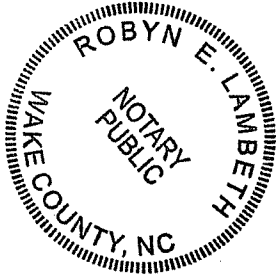


Edward P. Thill, Controller II  
Aqua North Carolina, Inc.

Sworn to and subscribed before me this  
the 26<sup>th</sup> day of July 2019.

  
Notary Public

My Commission Expires: May 13, 2021



**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing **Second Affidavit of Edward P. Thill, Controller II, Aqua North Carolina, Inc. Concerning Future Accounting Treatment of Johnston County Transmission and Capacity Fees** has been served on the parties of record to Docket Nos. W-218, Subs 497 and 497A, 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 26<sup>th</sup> day of July 2019.

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

**SANFORD LAW OFFICE, PLLC  
[sanford@sanfordlawoffice.com](mailto:sanford@sanfordlawoffice.com)  
Tel: 919.210.4900**

**ATTORNEY FOR AQUA NORTH  
CAROLINA, INC.**