

**Aqua North Carolina, Inc.**  
**Docket No. W-218, Subs 570 and 571**  
**Public Staff Data Request No. 1**  
**Date Sent: December 1, 2021**  
**Date Requested: December 13, 2021**

**Public Staff Technical Contact(s):** Julie Perry  
Phone #: (919) 733-0944  
Email: [julie.perry@psncuc.nc.gov](mailto:julie.perry@psncuc.nc.gov)

**Public Staff Legal Contacts:** Megan Jost  
Phone #: (919) 733-0978  
Email: [megan.jost@psncuc.nc.gov](mailto:megan.jost@psncuc.nc.gov)

Beth Culpepper  
Phone #: (919) 733-0972  
Email: [elizabeth.culpepper@psncuc.nc.gov](mailto:elizabeth.culpepper@psncuc.nc.gov)

**Topic: Affiliated Interest Agreement, Restructuring Petition, and General**

In this data request, Aqua North Carolina, Inc., is referred to as “Aqua NC” or “the Company.” Please provide all responses to this request in searchable native electronic format (e.g., Excel, Word, or PDF files). If in Excel format, please include all working formulas. In addition, please include (1) the name and title of the individual who has the responsibility for the subject matter addressed therein, and (2) the identity of the person making the response by name, occupation, and job title.

Affiliated Interest Agreement (AIA)

Question 1

On August 24, 2006, the Commission issued an Order Accepting Agreement for Filing and Allowing Utility to Pay Compensation in Docket No. W-218, Sub 220, regarding a Service Company Agreement between Aqua Services, Inc., and Aqua NC, Mountain Point Utilities, Inc., Heater Utilities, Inc., Fairways Utilities, Inc., Rayco Utilities, Inc., Brookwood Water Corporation, Glynnwood Water Systems, Inc., Willowbrook Utility Company, Inc., and LaGrange Waterworks (Service Company Agreement).

- a. Has Aqua NC entered into any amendments to the Service Company Agreement and/or any additional affiliate service agreements that were not filed with the Commission?

Answer:

Yes. Aqua NC has a 2018 Affiliate Interest Agreement, which is an update to its approved 2006 Affiliate Agreement.

b. If so, please provide copies of such amendments and agreements.

Answer:

See "Attachment DR 1 Q1 Aqua NC – Aqua Services AIA 20180222.pdf"  
(Note: this AIA was provided to the Public Staff during discovery during the W-218 Sub 526 rate case).

Prepared by:  
Mary Hopper, Aqua  
Regulatory Counsel II  
Public Affairs/Regulatory

## SERVICES AGREEMENT

This Agreement (“Agreement”) dated as of February 21, 2018, 20\_\_\_\_ between Aqua Services, Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 762 W. Lancaster Avenue, Bryn Mawr, PA 19010 (hereinafter “Service Company”), and Aqua North Carolina, Inc., located at 202 MacKenan Court, Cary, NC 27511 (hereinafter referred to individually as “Aqua”) and collectively hereinafter referred to jointly as the “Parties” or individually as a “Party.”

### RECITALS

1. WHEREAS, both Service Company and Aqua are direct or indirect subsidiaries of Aqua America, Inc., a Pennsylvania corporation (hereinafter “Aqua America”); and
2. WHEREAS, Aqua has been organized for and is presently engaged in the business of providing water and/or wastewater services as a public utility in the State of North Carolina (hereinafter Aqua and any of its affiliates that are also engaged in the business of providing water and/or wastewater services as a public utility in the same state are collectively referred to in this Agreement as “Aqua”); and
3. WHEREAS, Service Company maintains an organization whose officers and employees are familiar with the water and wastewater utility business, including the business and operations of Aqua, and have experience and expertise in accounting and financial services, administration, communications, corporate secretarial, customer service and billing, engineering, financial, fleet services, human resources, information systems, operation, rates and regulatory, risk management, water quality, legal, and purchasing, contracts and sales of real estate of water and wastewater utilities. The officers and employees of Service Company are qualified to aid, assist and advise Aqua in its business operations through the services to be performed under this Agreement; and

4. WHEREAS, Aqua is entering into this Agreement with Service Company to specifically define the types of services available to it as set forth in Exhibit A attached hereto and made a part hereof; and
5. WHEREAS, Service Company has entered or proposes to enter into agreements similar to this agreement with other affiliated companies that are direct or indirect subsidiaries of Aqua America (hereinafter individually a “Subsidiary” or collectively the “Subsidiaries”), including those Subsidiaries that are regulated public utilities (hereinafter individually a “Utility Company” or collectively the “Utility Companies”) and those Subsidiaries that are other non-regulated businesses (hereinafter individually a “Non-Regulated Company” or collectively the “Non-Regulated Companies”); and
6. WHEREAS, Service Company may engage or subcontract with other companies or persons, including other affiliated companies, to provide portions of the services hereunder; and
7. WHEREAS, the services to be rendered under this Agreement are to be rendered by Service Company to Aqua at the lower of their cost or market to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, Service Company and Aqua agree as follows:

**ARTICLE I. PERSONNEL AND SERVICES TO BE PROVIDED**

1.1 During the term of this Agreement as set forth in Article V and upon the terms and conditions hereinafter set forth, Service Company may provide to Aqua the Accounting and Financial Services, Administration, Communication, Corporate Secretarial, Customer Service and Billing,

Engineering, Financial, Fleet Services, Human Resources, Information Systems, Operation, Rates and Regulatory, Risk Management, Water Quality, Legal, and Purchasing as set forth on Exhibit A attached hereto, provided, however, that Aqua may perform any such services with its own personnel or engage another company or person to provide those services on its behalf. Service Company may engage or subcontract with another company or person to provide such services on its behalf. If Service Company engages other affiliates of Aqua America to provide any of the services hereunder, such services shall be charged to Aqua on the same basis as the services provided by the Service Company.

1.2 Service Company shall employ qualified officers and employees to provide the services hereunder and those persons shall be available to serve as officers of Aqua.

## **ARTICLE II. PAYMENT FOR SERVICES**

2.1 In consideration for the services to be rendered by Service Company as herein provided, Aqua agrees to pay to Service Company the cost of the services provided to it, as determined in this Article II and in Article III.

2.2 The costs for service rendered by Service Company personnel directly for Aqua shall be charged to Aqua based on such personnel's time sheets.

2.3 For services that are made available by Service Company in common to other Aqua America Subsidiaries, including Aqua, which cannot be identified and related exclusively to a particular Subsidiary, the cost for such services will be first allocated between the Utility Companies and the Non-Regulated Companies based on the relative proportion of the total Utility Companies assets and the Non-Regulated Companies assets at the most recent fiscal year end to the total assets of all the Utility and Non-Regulated Companies assets combined.

2.4 The portion of the costs for such common services allocated to the Utility Companies or a group of Utility Companies will be further allocated to each Utility Company or group of Utility

Companies, including Aqua, based on the ratio of the number of customers served by each Utility Company or the group of Utility Companies at the most recent fiscal year end to the number of customers served by all Utility Companies, subject to adjustment during any year for a substantial change in the number of customers at any Utility Company or among the Utility Companies since the previous year-end in accordance with the Service Company's accounting policies.

- 2.4.1 For purposes of this calculation, customers of the Utility Companies who receive both water and wastewater services from a Utility Company will be counted as 1.5 customers.
- 2.4.2 For Customer Service and Billing Services provided to the Aqua America Utility Companies, including Aqua, and non-affiliated entities ("Third Party Clients") utilizing the Customer Service Billing System employed by the Service Company to provide these Services, which Services cannot be identified and related exclusively to a particular Utility Company or Third Party Client, the cost for such Customer Service and Billing Services will first be allocated between the Third Party Clients and the Utility Companies based on the relative proportion of Third Party Client and Utility Companies revenues budgeted to be generated from the Customer Service Billing System for the current year to the total budgeted revenues to be generated from the Customer Service Billing System for the current year for all Third Party Clients and Utility Companies combined.
- 2.4.3 The portion of the costs for such common Customer Service and Billing Services allocated to the Utility Companies or a group of Utility Companies will be further allocated to each Utility Company or group of Utility Companies, including Aqua, based on the ratio of the number of customers served by each Utility Company or the group of Utility Companies at the most recent fiscal year

end to the number of customers served by all Utility Companies, subject to adjustment during any year for a substantial change in the number of customers at any Utility Company or among the Utility Companies since the previous year-end in accordance with the Service Company's accounting policies.

2.5 The amount for a Service Company employee's costs to be billed shall be computed on the employee's total labor rate, including base pay and other compensation, payroll taxes and fringe benefits (calculated on a per hour basis), plus a general overhead factor as set forth in Article III.

2.6 All direct expenses of Service Company incurred in connection with services rendered by Service Company which can reasonably be identified and related exclusively to Aqua, shall be charged directly to Aqua.

**ARTICLE III. ALLOWANCE FOR OVERHEAD**

3.1 In determining the cost for services rendered by the Service Company to Aqua as herein provided, there shall be added to the base pay rate of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the overhead of Service Company, as defined below, allocable to each such officer or employee. The overhead shall be calculated each year and shall be based on the ratio of the total overhead of the Service Company for the year to the total salaries of the Service Company officers and employees for whose services charges are to be made to the Subsidiaries, including Aqua. No general overhead or other markups by the Service Company shall be added to costs incurred for services of consultants or other third parties employed by Service Company.

3.2 The term "overhead" shall include, but not be limited to:

- 3.2.1 building costs, lease costs, utilities, and other costs associated with office space and equipment, and

3.2.2 taxes other than payroll taxes.

**ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS**

4.1 As soon as practicable after the last day of each month, Service Company shall render a bill to Aqua for all amounts due from Aqua for services and expenses for such month, computed pursuant to Article II and Article III. Alternatively, Service Company may require any other affiliated company from which it procures services for Aqua to bill Aqua for such services and related expenses on the same basis as set forth in Articles II and Article III. Such bills shall be in sufficient detail to show the charge for each service rendered. All amounts shall be paid by Aqua within thirty (30) days after Aqua's receipt of the bill.

4.2 Service Company agrees to keep its books and records, and to require any other affiliated company providing services to Aqua hereunder to keep their books and records, available at all times for inspection by representatives of Aqua or by regulatory bodies having jurisdiction over Aqua during normal business hours and upon reasonable advance notice.

4.3 Service Company shall at any time, upon request of Aqua furnish any and all information required by Aqua with respect to the services rendered by Service Company or any affiliated companies hereunder, the costs thereof, and the allocation of such costs among the Subsidiaries.

---

**ARTICLE V. TERM OF AGREEMENT**

5.1 This Agreement shall become effective as of the later of (a) the date first set forth above or (b) the date the Parties receive the last of any necessary approvals of governmental regulatory agencies having jurisdiction over this Agreement. Upon becoming effective, this Agreement shall supersede all prior agreements, written or oral, which shall terminate on the date this Agreement



becomes effective. This Agreement shall continue in full force and effect until terminated by either of the Parties hereto giving the other party hereto thirty days' (30) notice in writing; provided, however, that this Agreement shall terminate as of the date Aqua or Service Company ceases to be an affiliate of Aqua America.

5.2 Upon termination of the Agreement without cause by Aqua, Service Company shall continue to provide services to Aqua at Aqua's request for a period of no more than sixty (60) days from and after the effective date of the termination to facilitate Aqua's transition to another service provider. Such transition shall be provided on the same terms and conditions as set forth in this Agreement, including compensation.

#### **ARTICLE VI. BREACH**

6.1 Either Party to the Agreement may terminate this Agreement upon material breach by the other Party. The non-breaching Party shall provide written notice of such breach to the other Party by certified mail, setting forth in detail the alleged failure and/or deficiency. If such breach is not corrected by the breaching Party within thirty (30) days from receipt of written notice by certified mail, this Agreement shall thereupon terminate.

#### **ARTICLE VII. OTHER AGREEMENTS**

7.1 It is understood by Aqua that Service Company has entered or may enter into similar agreements with other Subsidiaries to which similar services are to be furnished. Service Company will not enter into agreements to perform similar services for other companies on terms more favorable than those provided herein.

**ARTICLE VIII. INFORMATION EXCHANGE**

8.1 Aqua shall provide such information as required by Service Company for Service Company to perform its obligations hereunder. Service Company agrees on behalf of it and its employees and contractors that it will maintain such information as confidential and not disclose such information to third parties unless required by law and applicable regulatory agencies. Service Company's obligation of confidentiality will not apply to information which (a) is or becomes available to the public other than as a result of a disclosure by Service Company or its employees or contractors, (b) was in Service Company's possession and obtained on a non-confidential basis prior to its disclosure by Aqua or (c) becomes available to the Service Company on a non-confidential basis from a person or entity other than Aqua who Service Company does not know or have reason to know is under an obligation of confidentiality to Aqua.

**ARTICLE IX. GENERAL PROVISIONS**

9.1 **JOINT OBLIGATIONS OF THE PARTIES.** Service Company and Aqua agree to cooperate in all matters that are the subject of this Agreement.

9.2 **ARBITRATION.** It is the stated purpose and goal of both Parties at all times to resolve any disputes and reach agreement by good faith negotiation between the Parties, without recourse to arbitration or other legal actions. In the event, however, that any such dispute cannot be settled through negotiation, either Party may request that the matter(s) in dispute be referred to arbitration. The demand for arbitration must be submitted to the American Arbitration Association within sixty (60) calendar days after the date of such request, in which case the arbitration shall be conducted at a mutually agreed upon location, in accordance with the rules and procedures then existing under the Commercial Arbitration rules of the American Arbitration Association, provided that

notwithstanding anything to the contrary contained in such Rules the following shall apply: The arbitration board shall consist of a single arbitrator. The Parties shall endeavor to agree upon the single arbitrator. If the Parties fail to agree on a single arbitrator within twenty (20) business days, the arbitrator shall be selected by the American Arbitration Association or otherwise in accordance with such Rules. After the appointment of the arbitrator, the arbitrator shall meet as necessary for the purpose of reaching a determination in the dispute, and the decision of the arbitrator, submitted in writing, to the Parties shall be final and binding upon both Parties. Judgment upon any decision rendered by arbitrator may be entered in any court having jurisdiction. Each Party shall bear the expense of its own witnesses, and the expenses of the arbitrator and any general expenses of the arbitration shall be borne equally by the Parties.

9.3 FORCE MAJEURE. Neither Party will be in default or otherwise liable for any delay in or failure of its performance hereunder due to any act of God, adverse weather condition, fire, flood, riot, strike, terrorism, accident, war, governmental requirement, inability to secure materials, labor or transportation, cable cut or other cause beyond the reasonable control of the affected Party.

9.4 STANDARD OF CARE. Service Company shall perform its services with that degree of care, diligence and professional skill and judgment which is normally exercised by professionals in its industry. Except as otherwise expressly set forth in this Agreement, Service Company makes no warranties, representations or other agreements, expressed or implied with respect to this Agreement and the services provided hereunder. Service Company's entire liability to Aqua for any claim, loss, expense or damage under this Agreement, including any claims for special, incidental, consequential, indirect or punitive damages shall in no event exceed the sums actually paid by Aqua to Service Company during the most recent calendar year.

9.5 ASSIGNMENT. Neither Party may assign this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

9.6 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania.

9.7 INDEMNIFICATION:

9.7.1 To the extent allowed by law, Service Company shall defend, indemnify and hold harmless Aqua, its officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suit and actions (including reasonable attorney's fees), for personal injury, including death, property damage or other injury, to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Service Company or its officers, employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this Agreement.

9.7.2 To the extent allowed by law, Aqua shall defend, indemnify and hold harmless Service Company, its officers, directors, employees and agents from and against any and all liability, including liability to third parties, for personal injury, including death, property damage, or other actions, damages, fines, penalties, claims, demands, judgments, losses, costs, expenses, suit and actions (including reasonable attorney's fees), for personal injury, including death, property damage or other injury, to the extent caused by or arising out of negligence or wrongful or willful misconduct on the part of Aqua or its officers, employees, agents, contractors and subcontractors in connection with services provided pursuant to the terms of this Agreement.

9.8 SEVERABILITY. Each provision of this Agreement is severable from the whole, and if one provision is declared invalid, the other provisions shall remain in effect.

9.9 NO WAIVER. Failure by a Party to enforce any provision of this Agreement, or the waiver thereof in any instance, shall not be construed as a general waiver of rights.

9.10 NOTICES. Any notice given or made pursuant to this Agreement will be effective only if in writing and delivered in person, by messenger, by overnight delivery, or by certified mail, return receipt to a Party at the address first written above.

9.11 COMPLETE AGREEMENT. The terms of this Agreement constitute the entire agreement between the Parties concerning the subject matter hereof, and this Agreement may be modified only in a writing signed by both Parties.

9.12 TITLES AND HEADINGS. Titles and headings to sections or paragraphs herein are inserted merely for convenience of reference and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

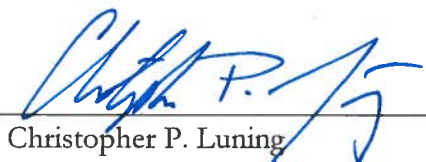
9.13 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Service Company and Aqua have caused this Agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, as of the day and year first above written.

AQUA NORTH CAROLINA, INC.

AQUA SERVICES, INC.

By:   
Shannon V. Becker

By:   
Christopher P. Luning

Title: President

Title: Senior Vice President, General Counsel and Secretary

## EXHIBIT A TO SERVICES AGREEMENT

Without limitation, services to be provided by the Service Company will include the following:

A. Accounting and Financial Services: Service Company will oversee and assist in the preparation and implementation of accounting methods and procedures that conform to the requirements, rules and regulation of governmental authorities having jurisdiction over Aqua and will oversee and assist in the preparation of Aqua's monthly financial reports, annual reports and other reports, including those for any governmental authorities. Service Company will oversee and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal controls for receipt and disbursement of funds, materials and supplies, and other assets. Service Company will assist in the maintenance of accounting records as required by Aqua. Service Company will oversee the work of and cooperate and consult with any independent certified public accountant for Aqua. Service Company will also provide services related to accounts payable, payroll, utility plant accounting, consolidation, SEC reporting/filing, ratemaking, regulatory relations, cash management, capital structure management, capital budgeting and allocation, operating budgeting and long-range planning.

Service Company will assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company will prepare or assist in the preparation of federal, state and local tax returns for and to the extent required by Aqua.

B. Administration: Service Company will assist in the performance of Aqua's corporate activities. Those employees will keep themselves informed on Aqua's operations. They will make recommendations to Aqua for operating expenditures and for additions to and improvements of

property, plant and equipment. They will keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect Aqua and advise Aqua of such developments and conditions to the extent that they may be important to Aqua. Service Company will provide an internal audit staff for periodic audits of accounts, records, policies and procedures of Aqua and submit reports thereon.

C. Communications: Service Company will recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials (including press releases, brochures, audio visual presentations and speeches), plant tours, public exhibits and displays and other related services to inform the public.

D. Corporate Secretarial: Service Company will maintain, in such places and manner as may be required by applicable law, corporate documents of Aqua, such as minute books, charters, by-laws, contracts, deeds and other corporate records. It will maintain, or arrange for the maintenance of, records of stockholders of Aqua and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company will review and may assist in the preparation of documents and reports required by Aqua such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

E. Customer Service and Billing: Service Company may provide customer service and billing services to Aqua, including live and automated telephone service to customers, non-telephonic services (including regular mail, facsimile, e-mail and Internet based), rendering of periodic bills and notices to customers based on Aqua's tariffs, collections, assisting customers with water and/or wastewater service changes, resolving customer disputes, work order distribution, remittance processing and data input to the customer information system.



F. Engineering: Service Company may provide engineering consulting regarding, and provide engineering services in connection with, the design, permitting and constructing of Aqua's facilities.

Service Company may conduct facility planning, hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data, as needed to support these engineering services. It may assist Aqua in the protection of Aqua's properties by periodic inspection of their structures, including, as applicable, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company may also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of Aqua's sources of supply, treatment plants, pumping stations, collection and distribution systems, and such other facilities as Aqua may request. Service Company may provide a materials management program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to Aqua and assist in the evaluation of new and existing products and application procedures.

G. Financial: Service Company will assist in the development and implementation of financing programs for Aqua, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advice concerning arrangements for the sale of securities; and assistance in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. Service Company will prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company will assist Aqua in treasury and cash management functions, including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

H. Fleet Services: Service Company may provide various fleet management services, including assistance with vehicle ordering and leasing, fuel card management, vehicle maintenance support and oversight, vehicle signage, vehicle titles and driver training.

I. Human Resources: Service Company will assist in obtaining qualified personnel for Aqua, in establishing appropriate rates of pay for those employees, and in negotiating with bargaining units, if any, representing Aqua's employees. Service Company will recommend and/or carry out training programs for the development of personnel and advise and assist Aqua regarding personnel issues and human resource policies and procedure. It will also advise and assist Aqua in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will provide advice regarding employment and benefit laws and procedures and assist in implementing controls for compliance with such laws.

J. Information Systems: Service Company will make available to Aqua electronic data processing systems, networks, applications and services. Service Company will design, implement and maintain a computer network, data communications system, database and applications services, desktop and laptop computers, and peripheral equipment along with periodic upgrades, data backups and recovery procedures for the benefit of Aqua.

K. Operation: Service Company may develop and assist in the implementation of operating procedures to promote the efficient and economic operation of Aqua. Periodic operational reviews may be performed by Service Company personnel and recommendations for improvements will be reported to Aqua.

L. Rates and Regulatory: Service Company personnel will make recommendations for changes in rates, tariffs, rules and regulations and will assist Aqua in the conduct of proceedings before, and in their compliance with the rulings of, regulatory bodies having jurisdiction over Aqua's operation. These personnel will keep abreast of economic and regulatory developments and conditions that may affect Aqua and advise Aqua of developments and conditions to the extent that they may be important to Aqua. Service Company Rates and Regulatory personnel will assist in the preparation of rate filings or applications and the supporting documents and exhibits requested or required by Aqua and their respective regulatory commissions. Service Company will also provide qualified personnel to testify on behalf of Aqua as required during any regulatory proceedings.

M. Risk Management: Service Company will provide risk management services to review the exposures to accidental loss, recommend methods of protection, either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. Service Company will also supervise the investigation of claims against Aqua and assist in the negotiation and settlement of such claims at the request of Aqua. It will assist, as requested by Aqua, in the establishment of safety and security programs for Aqua.

N. Water Quality: Service Company will provide information to Aqua on relevant current or pending water quality, drinking water, and other environmental regulations. It will review water quality data and provide advice and consultation to assist Aqua in complying with current and proposed water quality standards set by federal or state agencies. It will provide technical assistance and general direction for Aqua personnel on water quality issues, assist in selecting compliance strategies and evaluating alternatives for capital projects driven by environmental compliance or water quality, and assist in providing responses to and coordination with public agencies to maintain or achieve compliance.

Service Company will also provide laboratory testing services for compliance testing for which it or its affiliated lab is certified in a particular state, or for non-compliance testing where special testing services or a check on a local lab might be needed. Service Company will help evaluate pricing of local and regional laboratory services, provide competitive pricing where appropriate in negotiating pricing with contract laboratories, and will provide inspection and/or audits of contract labs where appropriate.

Service Company will provide services for the generation and distribution of Annual Water Quality Reports (CCR's) in compliance with state and federal requirements, and will post and maintain these documents on the Aqua website. Service Company will also assist in drafting and/or editing required public notices and public education materials related to water quality.

O. Legal: Service Company will provide legal services, including legal advice and representation on legal matters. Service Company will also provide oversight of outside counsel retained to represent Aqua.

P. Purchasing, Contracts and Sales of Real Estate: Service Company may (a) act as purchasing agent for Aqua, so far as it is feasible, in the purchase of supplies, materials and equipment for which Aqua may submit a requisition through the Service Company's purchasing system; (b) endeavor to secure prompt shipment and delivery of items ordered; (c) provide Aqua the benefit of cash, trade and quantity discounts obtained by Service Company with respect to items ordered for Aqua; (d) keep in touch with market conditions and endeavor to recommend to Aqua purchases at advantageous times; (e) negotiate purchases and sales of real estate and the terms of leases; (f) analyze quotations or competitive bids of suppliers or contractors submitted to Aqua and make recommendations relative thereto; and (g) establish and assist in the administration of purchasing card accounts.

**Aqua North Carolina, Inc.**  
**Docket No. W-218, Subs 570 and 571**  
**Public Staff Data Request No. 1**  
**Date Sent: December 1, 2021**  
**Date Requested: December 13, 2021**

**Public Staff Technical Contact(s):** Julie Perry  
Phone #: (919) 733-0944  
Email: [julie.perry@psncuc.nc.gov](mailto:julie.perry@psncuc.nc.gov)

**Public Staff Legal Contacts:** Megan Jost  
Phone #: (919) 733-0978  
Email: [megan.jost@psncuc.nc.gov](mailto:megan.jost@psncuc.nc.gov)

Beth Culpepper  
Phone #: (919) 733-0972  
Email: [elizabeth.culpepper@psncuc.nc.gov](mailto:elizabeth.culpepper@psncuc.nc.gov)

**Topic: Affiliated Interest Agreement, Restructuring Petition, and General**

In this data request, Aqua North Carolina, Inc., is referred to as “Aqua NC” or “the Company.” Please provide all responses to this request in searchable native electronic format (e.g., Excel, Word, or PDF files). If in Excel format, please include all working formulas. In addition, please include (1) the name and title of the individual who has the responsibility for the subject matter addressed therein, and (2) the identity of the person making the response by name, occupation, and job title.

Affiliated Interest Agreement (AIA)

Question 2

Recital Paragraph 8 states that under the AIA, services “are to be rendered by Service Company to Aqua NC at the lower of their cost or market to Service Company. . . .” Please define the term “cost” as it applies to this statement.

Answer:

Cost, as stated in the Affiliate Agreement, is the direct or allocated charged from Aqua Services. There is no profit margin being charged to Aqua NC from Aqua Services. Pursuant to the agreement the employee’s costs will be computed on the employee’s total labor rate.

Prepared by:  
Mary Hopper, Aqua  
Regulatory Counsel II  
Public Affairs/Regulatory

**Aqua North Carolina, Inc.**  
**Docket No. W-218, Subs 570 and 571**  
**Public Staff Data Request No. 1**  
**Date Sent: December 1, 2021**  
**Date Requested: December 13, 2021**

**Public Staff Technical Contact(s):** Julie Perry  
Phone #: (919) 733-0944  
Email: [julie.perry@psncuc.nc.gov](mailto:julie.perry@psncuc.nc.gov)

**Public Staff Legal Contacts:** Megan Jost  
Phone #: (919) 733-0978  
Email: [megan.jost@psncuc.nc.gov](mailto:megan.jost@psncuc.nc.gov)

Beth Culpepper  
Phone #: (919) 733-0972  
Email: [elizabeth.culpepper@psncuc.nc.gov](mailto:elizabeth.culpepper@psncuc.nc.gov)

**Topic: Affiliated Interest Agreement, Restructuring Petition, and General**

In this data request, Aqua North Carolina, Inc., is referred to as “Aqua NC” or “the Company.” Please provide all responses to this request in searchable native electronic format (e.g., Excel, Word, or PDF files). If in Excel format, please include all working formulas. In addition, please include (1) the name and title of the individual who has the responsibility for the subject matter addressed therein, and (2) the identity of the person making the response by name, occupation, and job title.

Affiliated Interest Agreement (AIA)

Question 3

Section 2.3.1 states that the Modified Massachusetts Formula (MMF) may be updated quarterly “[i]n the event of changes due to acquisitions, mergers or asset sales.”

- a. Please explain how often the MMF will be updated during normal business operations and provide the MMF for the most recent period available.

Answer:

The MMF will be updated yearly. See “Attachment DR 1 Q3 MMF Allocation 11292021.xlsx” for the most recent MMF allocation.

- b. If the MMF will be updated more than once a year, please explain and justify the reason for the frequent allocation changes.

Answer:

The MMF will not be updated more than once a year.

Prepared by:  
Mary Hopper, Aqua  
Regulatory Counsel II  
Public Affairs/Regulatory

**DR#1 Q3**

**Essential Utilities**

**Split of Essential Hold Co costs**

			<u>Pronge data</u>	<u>% Split</u>	<u>Weight</u>	<u>Water</u>	<u>Gas</u>
RATE BASE	Water	\$	6,087,491,628	68.3%	25.0%	17.08%	
	Gas	\$	2,822,740,237	31.7%	25.0%		7.92%
CUSTOMER	Water		1,102,336	60.4%	25.0%	15.11%	
	Gas		721,700	39.6%	25.0%		9.89%
PEOPLE	Water		1,681	50.0%	25.0%	12.49%	
	Gas		1,684	50.0%	25.0%		12.51%
OM TOTI	Water	\$	402,436	63.4%	25.0%	15.85%	
	Gas	\$	232,457	36.6%	25.0%		9.15%
						60.52%	39.48%

People	Water	Gas
	1,761	1,694
	80	10
	1,681	1,684

O&M / TOTI	338,180	213,603
	64,256	18,854
	402,436	232,457