

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

July 2, 2021

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

**Via Electronic Delivery**

Re: Aqua North Carolina, Inc.  
Docket No. W-218, Sub 526A  
Supplemental Verified Response to the Public Staff's Agenda Item  
to be Presented at The Commission's July 6, 2021 Regular Staff  
Conference

Dear Ms. Dunston:

Aqua North Carolina, Inc. hereby files the Company's Supplemental  
Verified Response to the Public Staff's Agenda Item to be presented at the  
Commission's July 6, 2021 Regular Staff Conference.

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 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application by Aqua North Carolina, Inc.,	) SUPPLEMENTAL VERIFIED
202 MacKenan Court, Cary, North	) RESPONSE TO THE
Carolina 27511, for Authority to Adjust	) PUBLIC STAFF'S AGENDA
and Increase Rates for Water and Sewer	) ITEM TO BE PRESENTED
Utility Service in All Its Service Areas in	) AT THE COMMISSION'S
North Carolina	) JULY 6, 2021 REGULAR
	) STAFF CONFERENCE

**NOW COMES Aqua North Carolina, Inc.** (Aqua or Company), represented by the undersigned counsel, to file this Supplemental Verified Response<sup>1</sup> to the Public Staff's Agenda Item which will be considered at the Commission's July 6, 2021 Regular Staff Conference. The Public's Staff's Agenda Item addresses the WSIC/SSIC Surcharge Application filed by Aqua in this docket on April 28, 2021, and proposes nine ratemaking adjustments to the Company's WSIC/SSIC Surcharge Application. Aqua does not disagree with or oppose seven of the Public Staff's ratemaking adjustments as set forth in its Agenda Item [Adjustments (1) – (3), (5), (6), (8), and (9)], but does disagree with and oppose two of the Staff's proposed adjustments [Adjustments (4) and (7)].

Aqua disputes the Public Staff's Adjustments (4) and (7) for the reasons set forth below.

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<sup>1</sup> The information contained in this Response has been verified by Aqua North Carolina President Shannon V. Becker.

### **A. SSIC Eligibility of Grinder Pumps**

The Public Staff takes the position that individual grinder pumps are not eligible for SSIC cost recovery for reasons stated by the Staff in its Initial and Reply Comments filed in this docket on April 19, 2021 and June 7, 2021, respectively.

Aqua opposes the Public Staff's proposed ratemaking adjustment to exclude from SSIC cost recovery capital costs in the amount of \$71,151 related to the replacement of 24 grinder pumps in the Company's Uniform Sewer Rate Division. Aqua fully set forth its position in support of the eligibility of grinder pumps for SSIC cost recovery in both its Verified Response to Initial Comments of the Public Staff filed in this docket on May 7, 2021, and the Company's Verified Response to the Reply Comments of the Public Staff and Notice filed on June 28, 2021. Aqua hereby reaffirms and commends for Commission consideration the statements made by the Company in its two prior filings, as they pertain to the eligibility of grinder pumps for SSIC cost recovery. The Company's arguments will not be repeated here.

Accordingly, Aqua requests that the Commission deny the position taken by the Public Staff and, instead, adopt the Company's position and rule that pressurized sewer system grinder pumps are eligible for SSIC cost recovery.

### **B. Public Staff's Adjustment to Disallow Capital Costs Associated with the Company's Willow Creek Lift Station**

The Public Staff made a ratemaking adjustment to exclude total capital costs in the amount of approximately \$83,886 from SSIC cost recovery in this case related to improvements completed by Aqua to reduce and/or eliminate the inflow and infiltration (I&I) related to rainfall and ground water into a portion of the

Willow Creek collection system.<sup>2</sup> This project, and all related work, was intended to reduce the negative impact of I&I on lift station run times and increased water being unnecessarily treated by the Willow Creek wastewater treatment plant. The Staff's stated rationale for this adjustment set forth on page 9 of its Agenda Item is that the adjustment is "...based on the chronology of the improvements, lack of cohesion between the separate improvements, and insufficient explanation/documentation provided by Aqua..."

Aqua disputes the Public Staff's proposed ratemaking adjustment for the following reasons. The SSIC project in question was completed by Aqua to address I&I in a portion of the Willow Creek gravity collection system. Aqua acknowledges that the Willow Creek I&I project was completed over an extended period due to various operational concerns, including contractor availability related to the COVID pandemic. While some operational decisions may be easily made in hindsight, the management of project activities by the Company is fluid and decisions are made based on the best information available at a point in time. Aqua does not have the advantage of hindsight when working to address operational challenges, including unexpected delays, and their duration, that may result for various reasons. The Company maintains that such challenges, in the absence of imprudence, should not preclude the eligibility of a cost, let alone the cost of an entire project, from SSIC cost recovery.

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<sup>2</sup> The Willow Creek I&I SSIC improvement project was included in Aqua's 2019 and 2020 Ongoing WSIC/SSIC Three-Year Plans and corresponding WSIC/SSIC Quarterly Construction Status Reports filed by the Company from Q3 2019 through Q1 2021.

Based on discovery-related follow-up communications with the Public Staff regarding the Willow Creek I&I project, Aqua is of the understanding that one of the measurable concerns of the Staff relates to the chronology and timing of the improvements made related to the I&I project; i.e., that the project should have been separated and that the accrual of AFUDC should have been discontinued or halted on the earlier activities until progress continued. If the Commission were to conclude that the Public Staff's concern is justified, Aqua recalculated the AFUDC impact and asserts that any adjustment based upon a concern about excessive project length would produce a reduction in project cost of approximately \$2,207 out of the total project cost of \$83,886.

Aqua, through conversations with the Public Staff, was also made aware of a Staff concern regarding an invoice for cleaning and sending a camera through the gravity lines to identify the location of a leak or leaks (cctv'ing), the cost of which amounted to \$16,960.58. The Company understands that the Public Staff's concern is with a portion of the project costs specifically related to the cleaning of the gravity mains associated with the Willow Creek I&I project which is included as part of the \$16,960.58 invoice. Although a separate line item does not exist for the line cleaning costs within this invoice, Aqua estimates that \$5,092.88<sup>3</sup> of the \$16,960.58 is for line cleaning. Line cleaning is typically performed as part of an I&I project and is necessary to clear the mains in advance of cctv'ing to accurately

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<sup>3</sup> The invoice contained a line for 4552.7 feet at a \$2.75 unit price for "Light Cleaning and CCTV of 8"-10" Sewer". To estimate the light cleaning portion of the questioned invoice, Aqua pulled cleaning invoices for the same time period and arrived at a \$1.00 unit price. (4,552.7 x \$1.00 = \$4,552.70 plus \$540.18 for "Heavy Cleaning of 6"-10" Sewers" = \$5,092.88)

identify the location of a leak or leaks. Line cleaning costs related to I&I projects have been regularly capitalized as a component of previously-approved SSIC eligible I&I project costs. These costs are incurred specific to the completion of a project and are incremental to the proactive collection system line cleaning (i.e., jetting) efforts performed by the Aqua operations teams during the normal course of business to maintain the integrity of a collection system and that are expensed.

Aqua specifically disputes the Public Staff's claims of SSIC-ineligibility of the relatively small amounts for AFUDC accrual and line cleaning. The Company also disputes the Public Staff's overly generic recommendation that Aqua's entire capital investment in the Willow Creek I&I project should be considered completely ineligible for SSIC cost recovery. Aqua provided requested documentation, including invoicing and clarification to the sequence of events for the project, to the Public Staff for review. Additionally, several follow-up calls between Company and Public Staff engineers and accountants were held to provide understanding and explanation regarding the project in question. Aqua asserts that the Public Staff has provided neither the Company nor the Commission with convincing justification which would warrant excluding the remaining estimated \$76,586.13 (\$83,885.53 – \$2,206.52 – \$5,092.88) of Willow Creek I&I project costs from SSIC cost recovery.

Aqua reasserts its position, expressed to the Public Staff, that this project constitutes "improvements completed to reduce and/or eliminate the inflow and infiltration of rain water into a portion of the collection system," and that this project, in its totality, is specifically eligible as a sewer system improvement pursuant to

G.S. 62-133.12(d)(2). For the reasons set forth above, the Company requests that the Commission determine and declare the full project capital cost amount of \$83,886 to be a SSIC-eligible project for cost recovery purposes.

### **C. Conclusion and Recommendations**

First, Aqua requests that the Commission reject the two ratemaking adjustments proposed in this proceeding by the Public Staff related to the Company's replacement of 24 grinder pumps and the Company's I&I improvement project at its Willow Creek sewer lift station for the reasons stated by the Company in this Supplemental Verified Response and in the two prior Verified Responses filed in this docket on May 7, 2021, and June 28, 2021.

Second, Aqua requests that the Commission, by further Order,<sup>4</sup> examine and address issues raised in prior comments in this docket by the Public Staff, in particular, related to certain subjects which have been addressed by the Company in its prior Verified Responses. More specifically, Aqua requests that the Commission carefully review the Company's current WSIC/SSIC Ongoing Three-Year Plan (including the Company's May 7, 2021 and June 28, 2021 two prior Verified Responses to the Initial and Reply Comments of the Public Staff) and enter an Order which finds and concludes (a) that the Company's current Ongoing Three-Year Plan complies with the informational requirements set forth in NCUC Rules R7-39 and R10-26 and is not materially deficient; (b) that the Public Staff has not documented material deficiencies with the Company's current Three-Year

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<sup>4</sup> The Company's pending WSIC/SSIC Surcharge Rates are proposed to become effective for water and sewer utility service rendered on and after July 1, 2021. For that reason, Aqua proposes and requests that the Commission rule on certain supplemental issues related to the Company's current Ongoing WSIC/SSIC Three-Year Plan, practices, and procedures by separate Order.

Plan which require revisions to be filed; (c) that Aqua's Verified Responses fully address the deficiencies alleged by the Public Staff and provide additional responsive information that supplements the information contained in the current Three-Year Plan - thereby curing any minor deficiencies in the Plan; (d) that an otherwise eligible WSIC or SSIC improvement's lack of specific inclusion in a Three-Year Plan, whether or not included as part of a budget marker, does not limit its eligibility as a WSIC/SSIC recoverable cost; and (e) that Aqua and the Public Staff are expected to work cooperatively to address and resolve questions and issues that may arise as to details in the current and/or future Ongoing Three-Year Plans prior to formally bringing those issues to the Commission.

Respectfully submitted this the 2nd day of July, 2021.

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

**Electronically Submitted**

**/s/Jo Anne Sanford**

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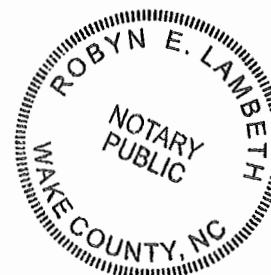
VERIFICATION

Shannon V. Becker, being duly sworn, deposes and says: that he is the President of Aqua North Carolina, Inc.; that he is familiar with the facts set out in this **SUPPLEMENTAL VERIFIED RESPONSE TO THE PUBLIC STAFF'S AGENDA ITEM TO BE PRESENTED AT THE COMMISSION'S JULY 6, 2021 REGULAR STAFF CONFERENCE**, filed in Docket No. W-218, Sub 526A; that he has read the foregoing Supplemental Verified Response and knows the contents thereof; and that the same 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.

  
Shannon V. Becker

Sworn to and subscribed before me this  
the 2nd day of July, 2021.

  
Robyn E. Lambeth  
Notary Public



My Commission Expires: May 13, 2026

I signed this notarial certificate on July 2, 2021, according to the emergency video notarization requirements contained in G.S. 10B-25.

Notary Public location during video notarization: Wake County  
Stated physical location of principal during video notarization: Wake County

**CERTIFICATE OF SERVICE**

I hereby certify that on this the 2nd day of July, 2021, a copy of the foregoing  
**SUPPLEMENTAL VERIFIED RESPONSE TO THE PUBLIC STAFF'S AGENDA ITEM  
TO BE PRESENTED AT THE COMMISSION'S JULY 6, 2021 REGULAR STAFF  
CONFERENCE**, filed in Docket No. W-218, Sub 526A, has been duly served by  
electronic service upon the parties to this docket.

**Electronically Submitted****/s/Jo Anne Sanford**

State Bar No. 6831

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