



Fox Rothschild LLP
ATTORNEYS AT LAW

434 Fayetteville Street
Suite 2800
Raleigh, NC 27601
Tel (919) 755-8700 Fax (919) 755-8800
www.foxrothschild.com

DAVID T. DROOZ
Direct No: 919.719.1258
Email: ddrooz@foxrothschild.com

March 31, 2023

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street, Room 5063
Raleigh, NC 27603

Via Electronic Submittal

Re: In the Matter of
Application by Aqua North Carolina, Inc. for Authority to Adjust and
Increase Rates and Charges for Water and Sewer Utility Service in All
Service Areas in North Carolina
Docket No. W-218, Sub 573
Partial Settlement Agreement and Stipulation

Dear Ms. Dunston:

On behalf of Aqua North Carolina, Inc. ("Aqua") and the Public Staff – North Carolina Utilities Commission, I herewith provide for filing in the above referenced docket, Partial Settlement Agreement and Stipulation.

If you should have any questions concerning this filing, please let me know. Thank you and your staff for your assistance.

Sincerely,
/s/ David T. Drooz
David T. Drooz
Attorney for
Aqua North Carolina, Inc.

pbb

Enclosures

A Pennsylvania Limited Liability Partnership

California Colorado Delaware District of Columbia Florida Georgia Illinois Minnesota Nevada
New Jersey New York North Carolina Pennsylvania South Carolina Texas Virginia Washington



Fox Rothschild LLP
ATTORNEYS AT LAW

Ms. A. Shonta Dunston
Page 2
March 31, 2023

Copy to: Parties and Counsel of Record
Elizabeth Culpepper, NC Public Staff
Heather Fennell, Commission - Legal
Jessica Heironimus, NC Public Staff
Lynn Jarvis, Commission - Legal
Megan Jost, NC Public Staff
Monica Webb-Shackleford, Commission – Legal

OFFICIAL COPY

Mar 31 2023

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, SUB 573

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Aqua North Carolina, Inc.,)	
202 MacKenan Court, Cary, North Carolina)	PARTIAL SETTLEMENT
27511, for Authority to Adjust and Increase)	AGREEMENT AND
Rates for Water and Sewer Utility Service in)	STIPULATION
All Service Areas in North Carolina and for)	
Approval of a Water and Sewer Investment)	

Aqua North Carolina, Inc. (Aqua or Company), through counsel, and the Public Staff – North Carolina Utilities Commission (Public Staff), through its Executive Director, Christopher J. Ayers (collectively, the Stipulating Parties), pursuant to N.C. Gen. Stat. § 62-130 et seq., N.C.G.S. § 62-133.1B, and Rules R1-15, R1-17, and R1-17A of the Rules and Regulations of the North Carolina Utilities Commission (Commission or NCUC), respectfully submit the following Partial Settlement Agreement and Stipulation (Stipulation) for consideration by the Commission in this proceeding. The Stipulating Parties hereby stipulate and agree as follows with regard to settling many of the issues in Docket No. W-218, Sub 573.

I. BACKGROUND

- A. On May 27, 2022, pursuant to Commission Rule R1-17(a), Aqua filed a letter notifying the Commission of its intent to file an application for a general rate case.

- B. On June 30, 2022, Aqua filed its Application for general rate relief and for approval of a multi-year rate plan or water and sewer investment plan (WSIP), including direct testimony by the following witnesses:
- 1) Shannon Becker, President of Aqua;
 - 2) Dean Gearhart, Rates and Planning Manager for Aqua;
 - 3) David Haddad, consultant with Regulated Capital Consultants, LLC;
 - 4) John Spanos, President of Gannett Fleming Valuation and Rate Consultants, LLC; and
 - 5) Dylan D'Ascendis, Partner at ScottMadden, Inc.
- C. On July 15, 2022, the Public Staff filed its Deficiency Letter.
- D. On July 20, 2022, Aqua filed supplemental information in response to the Deficiency Letter.
- E. On July 26, 2022, the Commission issued an Order Establishing General Rate Case and Suspending Rates.
- F. On September 8, 2022, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice.
- G. On October 23, 2022, Aqua filed a Certificate of Service of Customer Notice.
- H. On September 21, October 21, and November 18, 2022, Aqua filed rate case updates along with supporting schedules.

- I. Following the filing of the Company's Application, the Public Staff engaged in substantial discovery of Aqua regarding the matters addressed by the Company's Application, its testimony, and its updates. The Public Staff further examined the relevant books and records of Aqua with respect to the Company's Application.
- J. Public hearings were held in this matter in Raleigh on October 4, 2022, via videoconference on October 20, 2022, in Wilmington on October 26, 2022, and in Gastonia on October 27, 2022. Aqua filed a report on the customer testimony after each public hearing.
- K. On December 2, 2022, the Public Staff filed the testimony and exhibits of witnesses John R. Hinton, Shashi M. Bhatta, D. Michael Franklin, Evan M. Houser, Jay B. Lucas, and Lindsay Q. Darden, and the joint testimony of witnesses Lynn Feasel, June Chiu, and Michelle M. Boswell.
- L. On December 5, 2022, the Public Staff filed the joint testimony and exhibits of witnesses Michelle M. Boswell, John R. Hinton, Kuei Fen Sun, Fenge Zhang, and Charles M. Junis regarding the WSIP, along with Darden Exhibits 8 through 12. Also on December 5, 2022, the Commission granted the Public Staff's motion for extension of time, nunc pro tunc, to file its WSIP testimony and exhibits. On December 13, 2022, the Public Staff filed the supplemental joint testimony of witnesses Feasel, Chiu, and Boswell and a corrected exhibit associated with their testimony; the

supplemental joint testimony of witnesses Boswell, Hinton, Sun, Zhang, and Junis and a corrected exhibit associated with their testimony; corrected Exhibits 8 through 12 of witness Darden; corrected Exhibit 2 of witness Franklin; and corrected page 29 of the Joint Testimony of witnesses Boswell, Hinton, Sun, Zhang, and Junis.

- M. On December 19, 2022, Aqua filed the rebuttal testimonies of witnesses Amanda A. Berger, Daniel Franceski, Dylan D'Ascendis, and Michael Melton, the joint rebuttal testimony of witnesses Joseph Pearce, Amanda A. Berger, Michael Melton, and Shannon Becker, and the joint rebuttal testimony of witnesses Shannon Becker, William Packer, Whitney Kellett, and Michael Melton, along with rebuttal exhibits.
- N. On December 19, 2022, filed-stamped in the docket on December 20, 2022, Aqua filed the joint rebuttal testimony and exhibits of witnesses Dean Gearhart and David Haddad.
- O. On January 4, Aqua filed late-filed Exhibit 1 to the joint rebuttal testimony of witnesses Gearhart and Haddad.
- P. From January 9 to January 13, 2023, the evidentiary hearing was held in Raleigh, North Carolina.
- Q. On January 30, 2023, Aqua filed its Late-Filed Exhibits 1, 3, 4, 5, 6, 7, 8, 9, and 10. On January 31, 2023, Aqua filed its Late-Filed Exhibit 2.

- R. On February 2, 2023, the Public Staff filed its Late-Filed Exhibits 1 and 2.
- M. Following conclusion of the evidentiary hearing, the Stipulating Parties engaged in settlement negotiations over a period of many days.
- N. After settlement negotiations, in which some concessions from their respective litigation positions were made by both Stipulating Parties, the Stipulating Parties were ultimately able to arrive at a partial joint settlement proposal addressing many of the issues in dispute, the terms of which are reflected in the following sections of this Stipulation and the schedules attached to the Public Staff settlement testimony. The Stipulating Parties agree and stipulate as follows:

II. WATER AND SEWER INVESTMENT PLAN (WSIP)

The Parties agree that Aqua should be authorized to implement a multi-year rate plan or WSIP, according to the following parameters:

- A. Term of WSIP. The WSIP should be implemented for a three-year period following the base year of calendar year 2022. WSIP Rate Year 1 began on January 1, 2023, Rate Year 2 will begin on January 1, 2024, and Rate Year 3 will begin on January 1, 2025. The WSIP may be modified or terminated prior to the end of WSIP Rate Year 3 as permitted by N.C.G.S. § 62-133.1B(f) and Commission Rule R1-17A(f).

B. WSIP Revenue Requirements. The Stipulating Parties have reached agreement regarding certain revenue requirement issues that are identified on the attached Public Staff Settlement Exhibit 1,¹ which is incorporated herein by reference. The revenue requirement effects of this Stipulation provide sufficient support for the annual revenue required on the issues agreed to in this Stipulation for WSIP Rate Years 1, 2, and 3. No Stipulating Party waives any right to assert any position in any future proceeding or docket before the Commission or in any court, as the adjustments agreed to in this Stipulation are strictly for purposes of compromise and are intended to show a rational basis for reaching the agreed-upon revenue requirement adjustments without either Stipulating Party conceding any specific adjustment. The Stipulating Parties agree that settlement on these issues will not be used as a rationale for future arguments on contested issues brought before the Commission. The areas of agreement are as follows:

1. Base Case and Base Case Revenue Requirements. The Base Case for this rate case is the 12-month test period ending December 31, 2021, adjusted for certain changes in plant, revenues, and costs that were not known at the time the

¹ Because the appropriate rate of return on equity and other rate base related items listed in Section V remain in dispute, the amounts agreed to in Public Staff Settlement Exhibit 1 could change when the Commission determines these issues.

case was filed but are based upon circumstances occurring or becoming known through August 31, 2022, and including regulatory commission expense up to the close of the evidentiary hearing. The Base Case revenue requirements, as reported on Public Staff Settlement Exhibit 1, are used as the starting point for the revenue requirements for WSIP Rate Years 1, 2, and 3. The starting point for revenue requirements utilizes the Public Staff's corrected exhibits, adjusted for certain mutually agreed upon updates such as Regulatory Commission Expenses. Further, the Company accepts the Public Staff's proposed adjustments to O&M expenses as set forth in the testimony of Public Staff witnesses Franklin, Houser, Bhatta, and Darden, the joint testimony of Public Staff witnesses Feasel, Chiu, and Boswell, and the supplemental joint testimony of Public Staff witnesses Feasel, Chiu, and Boswell, with the following exceptions:

- a. The Stipulating Parties agree to an adjustment to salaries and wages in the amount of (\$195,143) to remove four open positions from the Company's filings, which includes the update to salaries and wages through August 31, 2022. The Stipulating Parties also agree to an adjustment to benefits associated with the four open positions in the amount of (\$42,843). This

adjustment is contingent upon the conditions set forth in subsections IV.C. and D.

- b. The Stipulating Parties agree to an adjustment in the amount of (\$264,603) to purchased water and sewer expense.
- c. The Stipulating Parties agree to amortize the rate case expenses in the current proceeding over four years and update prudent and reasonable actually incurred rate case expense through the conclusion of hearing.

2. Calculation of WSIP Rate Year 1 Revenue Requirements.

The starting point for the revenue requirements utilizes Public Staff Settlement Exhibit 1, adjusted for certain additional mutually agreed upon updates to Accumulated Depreciation due to retirements. To arrive at WSIP Rate Year 1 revenue requirements, the Base Case expenses are escalated by 3.04%, except for salaries and wages, pension and other benefits, and purchased water and sewer treatment. Certain adjustments are made for plant, rate base, revenues, and costs through the end of the Rate Year. WSIP Rate Year 1 salaries and wages and pension and other benefits expenses are escalated by 3%, and WSIP Rate Year 1 purchased water and sewer treatment expenses are those stated in the Base

Case, with future expenses to be offset through the pass-through mechanism.

3. Calculation of WSIP Rate Year 2 Revenue Requirements. To arrive at WSIP Rate Year 2 revenue requirements, the Rate Year 1 expenses are escalated by 3.04%, except for salaries and wages, pension and other benefits, and purchased water and sewer treatment. WSIP Rate Year 2 salaries and wages and pension and other benefits expenses are escalated by 3% and WSIP Rate Year 2 purchased water and sewer treatment expenses are those stated in the Base Case, with future expenses to be offset through the pass-through mechanism.
4. Calculation of Rate Year 3 Revenue Requirements. To arrive at WSIP Rate Year 3 revenue requirements, the Rate Year 2 expenses are escalated by 3.04%, except for salaries and wages, pension and other benefits, and purchased water and sewer treatment. WSIP Rate Year 3 salaries and wages and pension and other benefits expenses are escalated by 3% and WSIP Rate Year 3 purchased water treatment expenses are those stated in the Base Case, with future expenses to be offset through the pass-through mechanism.

5. Plant in Service and Accumulated Depreciation Amounts and Methodology. On March 31, 2023, Aqua filed an update to Form W-1, Item 28. Based on the revised Form W-1, Item 28, which primarily addresses the bridge period of September through December of 2022, the projected plant in service additions and estimated retirements (10% of the plant cost) for WSIP Rate Years 1, 2, and 3 shall be as summarized in Public Staff Settlement Exhibit 2, to which the Commission's decision on the remaining disputed items should apply. The plant in service and accumulated depreciation amounts for WSIP Rate Years 1, 2, and 3 shall be calculated under the Public Staff's methodology of assuming that in each WSIP Rate Year, both plant in service and accumulated depreciation for the WSIP Rate Year reflect a full year of depreciation on Day 1 of such WSIP Rate Year.
6. Resulting WSIP Rate Year 1 Revenue Requirements. The Stipulating Parties mutually agree and stipulate that the basis upon which the Company's revenue requirement will be derived in WSIP Rate Year 1 is shown in Public Staff Settlement Exhibit 1. Public Staff Settlement Exhibit 1 shows the agreed upon rate base and operating deductions for Rate Year 1 for ANC Uniform Water, ANC Uniform Sewer,

Brookwood Water, Fairways Water, and Fairways Sewer to which the Commission's decision on the remaining disputed items should apply with all appropriate fallout calculations to arrive at the revenue requirements determined by the authorized net income.

7. Resulting WSIP Rate Year 2 Revenue Requirements. The Stipulating Parties mutually agree and stipulate that the basis upon which the Company's revenue requirement will be derived in WSIP Rate Year 2 is shown in Public Staff Settlement Exhibit 1. Public Staff Settlement Exhibit 1 shows the agreed upon rate base and operating deductions for Rate Year 2 for ANC Uniform Water, ANC Uniform Sewer, Brookwood Water, Fairways Water, and Fairways Sewer to which the Commission's decision on the remaining disputed items should apply with all appropriate fallout calculations to arrive at the revenue requirements determined by the authorized net income.
8. Resulting WSIP Rate Year 3 Revenue Requirements. The Stipulating Parties mutually agree and stipulate that the basis upon which the Company's revenue requirement will be derived in WSIP Rate Year 3 is shown in Public Staff Settlement Exhibit 1. Public Staff Settlement Exhibit 1 shows the agreed upon rate base and operating deductions for Rate

Year 3 for ANC Uniform Water, ANC Uniform Sewer, Brookwood Water, Fairways Water, and Fairways Sewer to which the Commission's decision on the remaining disputed issues should apply with all appropriate fallout calculations to arrive at the revenue requirements determined by the authorized net income.

- C. Capital Structure and Cost of Debt. The Parties agree to a capital structure consisting of 50.00% debt and 50.00% equity, and a cost of long-term debt of 3.97%, consistent with the Public Staff's direct testimony and Aqua's rebuttal testimony.
- D. Regulatory Commission Expense. The Stipulating Parties agree that regulatory commission expense, also known as rate case expense, will be updated by Aqua in a filing within ten business days after the settlement proceeding. The Public Staff has the right to investigate the expense filed by Aqua and to file a response with the Commission within five business days. The current rate case expense for this proceeding will be amortized over a four-year period without a return or carrying costs. Aqua agrees to establish a regulatory liability with no carrying costs to record recovery associated with the rate case expense over amortization after year four. The rate case expense from Docket No. W-218 Sub 526, and the unamortized rate case expense from Docket No. W-218 Sub 497, will continue to be amortized over three years per the final order from

the Docket No. W-218, Sub 526, rate case. The unamortized depreciation study expense from Docket No. W-218, Sub 497, will continue to be amortized over five years per the final order from the Docket No. W-218, Sub 497, rate case.

- E. ROE Banding. For WSIP Rate Years 1, 2, and 3 the banding of the authorized rate of return on equity (ROE) required by N.C.G.S. § 62-133.1B(g) shall be zero basis points above the authorized ROE and 50 basis points below the authorized ROE. Pursuant to Rule R1-17A(i), earnings in excess of the authorized ROE shall be refunded by credit to customers.
- F. Performance Based Metrics. The following performance based metrics (PBMs), incentives, and penalties shall be adopted in this case and reported on a basis consistent with Commission Rule R1-17A. In addition, the Stipulating Parties have not reached agreement on penalties for four other PBMs, as described in a subsequent section of this Stipulation.

Description	Measure	Penalty	Incentive
Expense Efficiency	Operation & Maintenance expense, per Equivalent Residential Connection (ERC) on a rate division and Company basis, excluding Purchased Water / Sewer Treatment and Purchased Power	None	If, on a Company basis, the actual O&M expense level is reduced by at least \$100K in comparison to the authorized level, then a two and one-half Basis Points (BP) increase to the

Description	Measure	Penalty	Incentive
			high-end of the band is awarded. For each additional \$20K in savings, an additional one-half BP increase is awarded, up to a cumulative maximum of 10 BPs.
Utilization of the SRF Program	Whether the Company applied for SRF funds for four eligible projects estimated at a total of \$2 million or more during each Rate Year of the WSIP	10 BP ROE reduction to high-end of the Commission-approved band for failure to submit the applications required by the measure.	One-quarter BP increase to the high-end of the Commission-approved band for every \$500K in funding the Company is awarded.
Water Service Disruptions	Unplanned water service disruptions – recorded water main breaks / 1,000 accounts	Tracking metric	Tracking metric
Sewer Overflows	Number of sanitary sewer overflows (SSOs) Wastewater SSOs / (100 miles of gravity line)	Tracking metric	Tracking metric
Water Loss	(Water purchased – water sold) / water purchased	Tracking metric	Tracking metric
Routine Flushing	Percent of systems flushed within the WSIP Rate Year Percent of systems means number of systems flushed / total number of systems	Tracking metric	Tracking metric

Description	Measure	Penalty	Incentive
	during the WSIP rate year.		
Water Service Quality Customer Complaints	Technical service complaints (Lab D) / (active accounts / 1,000) Underlying data should incorporate subdivision and system name	Tracking metric	Tracking metric
Timely Answering of Customer Calls	Telephone service factor – calls answered within 30 seconds / total calls answered (tracked by quarter; based on calls received during business hours)	Tracking metric	Tracking metric
Customer Call Abandonment Rate	Percentage of calls abandoned by customers during the WSIP rate year	Tracking metric	Tracking metric
Employee Safety	OSHA incident rate – (number of injuries and illnesses*200,000) / employee hours worked	Tracking metric	Tracking metric
Injury Severity	OSHA DART Rate – (number of OSHA Recordable Injuries and Illnesses that resulted in Days Away, Restricted Duty, or a Transfer of Duties)	Tracking metric	Tracking metric
Field Employee Safety Training	Field Employee safety training – hours of	Tracking metric	Tracking metric

Description	Measure	Penalty	Incentive
	<p>employee safety training /employee</p> <p>Field Employee means staff member who works outside the office at least one-half of the year</p> <p>Safety training means structured and organized training (not peer to peer training)</p>		
Employee Turnover	Number of employees that leave / total number of employees for same time period	Tracking metric	Tracking metric

G. Reporting Requirements.

1. Aqua will provide the quarterly and annual reports outlined in the WSIP Statute and the WSIP Rules. Because the rate case order will be issued after the first quarter of the proposed WSIP Rate Year 1, the quarterly reporting for the first quarter will be filed on the same date as the second quarter report required by Rule R1-17A(j).
2. Aqua agrees to file quarterly reports with the Commission that include (1) the steps the Company has taken to modify its current system of verifying completion of plant to be used and

useful, and (2) the following information about projects that the Company has manually entered into the plant accounting software beginning with Q4 2022: the total dollar amount of the plant; the original in-service date recorded by the system and the manually inserted in-service date entered by the Company; the calculation of AFUDC and corresponding entries to correct the overcollection of AFUDC by project; and the calculation of the depreciation expense differential caused by the override. The Company will file the first report on the same date as it files the report for Q2 of WSIP Rate Year 1, and will continue to file reports with each subsequent quarterly report through Q4 of Rate Year 3.

3. In addition, Aqua will continue the same secondary water quality reporting requirements ordered in Docket No. W-218, Subs 363, 497, and 526, with the additional modification that the Company be required to file a report regardless of whether the Water and Sewer Investment Charges (WSIC) are in effect and Aqua has an expectation of WSIC funding.
- H. Subsequent Review of Rate Base Items. The projects for which there are Post In-Service Charges, which are listed in Aqua Exhibit labeled Post In-Service Charges, will be subject to reasonableness and prudence review in the next Aqua general rate case.

III. TARIFF RATE DESIGN AND OTHER PROGRAMS

- A. Fixed/Volumetric Rate Design. The Stipulating Parties agree that rate design in this case should be based on a 35/65 ratio of fixed/volumetric (or base/usage) revenues for water service rates. The Stipulating Parties further agree that rate design in this case should be based on a 60/40 ratio of fixed/volumetric (or base/usage) revenues for metered sewer service rates. Unmetered residential sewer rates should remain flat.
- B. Rate Design for Huntley Glen, Park South, and Parkway Crossing. The Stipulating Parties agree that rates for the Huntley Glen, Park South, and Parkway Crossing systems should be based on the base charge for metered sewer service agreed to by the Stipulating Parties in Subsection A above, plus the Charlotte Water sewer usage rate, and that this rate design will produce rates that are just and reasonable as a compromise for settlement purposes.
- C. Purchased Water and Sewer Services Rate Adjustment Mechanisms. The Stipulating Parties agree that Aqua will continue to utilize the bulk purchased water and sewer services pass-through mechanism.
- D. WSIC and SSIC Mechanisms. The Stipulating Parties understand and agree that Aqua will suspend its use of the Water System Improvement Charge (WSIC) and the Sewer System Improvement Charge (SSIC) during the term of the WSIP but should be authorized

to begin using such rate mechanisms immediately upon the end of the WSIP.

- E. Consumption Adjustment Mechanism. The Stipulating Parties understand and agree that consistent with N.C.G.S. § 62-133.1B(d), there should be no Consumption Adjustment Mechanism under N.C.G.S. § 62-133.12A during the term of Aqua's WSIP.
- F. Modification of Sewer Tariff. The Stipulating Parties agree that Aqua's Sewer Tariff shall be modified to include a new Sewer Use Rule, intended to protect its wastewater systems from damaging industrial and nondomestic contaminants. The sewer tariff shall incorporate by reference the Sewer Use Rule with the wording proposed by Aqua, as modified by the Public Staff in testimony. The Sewer Use Rule shall be posted at <https://www.aquawater.com/assets/doc/sewer-use-rule.pdf>

IV. OTHER ISSUES

- A. Docket No. W-218, Sub 571 Regulatory Conditions. The Stipulating Parties agree that they will work together in Docket No. W-218, Subs 570 and 571 to finalize regulatory conditions related to the Company's request for approval of an Affiliated Interest Agreement between Aqua Services, Inc., as the Company filed in Docket No. W-218, Sub 570, and its Verified Petition for Approval of Restructuring Pursuant to North Carolina General Statute § 62-111(a) filed in Docket No. W-218, Sub 571.

- B. 2018 Affiliate Interest Agreement. Aqua agrees to file in Docket No. W-218, Sub 570, its 2018 Affiliate Interest Agreement, which will satisfy the Public Staff's concern that this agreement was not previously filed with the Commission for approval. The 2018 Affiliate Interest Agreement is superseded by the Affiliated Interest Agreement between Aqua Services, Inc., and the Company pending approval in Docket No. W-218, Sub 570, and is therefore filed as an information item and not for approval by the Commission.
- C. Open Position Adjustment Conditions. Aqua agrees to the following as a condition of the adjustment to open positions set forth in subsection B.1.d. of this Stipulation:
1. Aqua agrees to consider creating any new positions recommended as a result of the third-party staffing audit described in subsection IV.D. of this Stipulation. Aqua further agrees to consider any realignment or reclassification recommendations, as appropriate, any existing positions pursuant to recommendations as a result of the third-party staffing audit described in subsection IV.D. of this Stipulation.
 2. Aqua agrees to include in its quarterly filing required by Commission Rule R1-17A(j) the following information:
 - a. A list of all the open positions as of the beginning of the three-month period addressed by the filing;

- b. The salary and pension and benefits associated with each position; and
 - c. The number of days the position has been open.
3. It is Aqua's intent to fill all of the open positions and maintain a full complement of positions. The Stipulating Parties agree that if the Company has not filled the open positions beyond the vacancy rate of 4 included in the Stipulation, the Public Staff has the right to propose a corresponding adjustment to the salaries, pensions, and benefits expense during the annual review process and the Commission has the authority to adjust rates for Years 2 and 3 accordingly.
- D. Retention of Consultant. The Stipulating Parties will mutually identify a third-party consulting firm that Aqua will retain, with the goal of ensuring implementation of the multi-year components of the WSIP will benefit the using and consuming public and the Company. The consulting firm must be a competent, qualified, and independent consultant and all costs associated with the engagement will be borne by the Company.
- The consulting firm shall undertake an independent assessment of, and complete a report detailing its findings and recommendations related to, Aqua's operations and management in the following areas: Assessment of current Aqua staffing levels and organizational structure; Determination of whether anticipated Aqua staffing levels

and structure are sufficient to fully and properly implement the WSIP; Succession planning to ensure continuity of WSIP operational and regulatory filing capabilities during workforce transitions throughout the WSIP period; Assurance of efficient information flow within the organization to facilitate timely decision making and implementation of these decisions consistent with the WSIP objectives; Assurance of appropriate internal decision-making, managerial oversight, and accountability during WSIP implementation; Assurance of current training for current and future employees, cross-training, and back up support associated with the WSIP and meeting WSIP reporting obligations; and Assurance that the WSIP is implemented consistent with statutory and regulatory requirements.

Aqua will notify the Commission once the consulting firm has been retained. Aqua will grant sufficient access in a timely manner to allow the consulting firm to perform an independent assessment and complete its report related to the topics listed above. The Public Staff will work with Aqua and the consultant to facilitate the completion of the assessment in no more than a 3-month timeframe after the consultant is chosen. The cost of the independent assessment will be capped at no more than \$75,000. Any recommendations that Aqua agrees to will include timeframes for implementation. Upon conclusion of the engagement, Aqua will file the consulting firm's report detailing its findings and recommendations with the

Commission. Aqua shall also file a report addressing the timelines for implementation of the accepted consulting firm's recommendations. Aqua will report on a quarterly basis for one year on the implementation of such recommendations.

- E. Pittsboro Purchased Water Aqua shall pursue ways to reduce the high cost of purchased water from the Town of Pittsboro, including a request to the Town that it charge Aqua no more than the rate for customers inside city limits. If that is not successful, Aqua shall inquire about other options, such as prepayment of bills or a minimum bill amount. Aqua shall report on its progress to the Commission and Public Staff on a semi-annual basis.
- F. Future Rate Case Filings. Aqua agrees to use its best efforts to communicate with the Public Staff, Commission, and other Class A water and sewer utilities regarding scheduling of future rate case filings in an effort to avoid pancaked filings going forward.

V. ISSUES THAT REMAIN IN DISPUTE

The Parties have not resolved the following issues, which will be addressed in their separate proposed orders and which should be decided by the Commission on the basis of the evidence in the record:

1. The appropriate rate of return on equity;
2. Recovery of costs incurred or planned to be incurred as part of Aqua's Capital Investment Plan for treatment of PFAS;

3. Recovery of costs incurred or planned to be incurred as part of Aqua's Capital Investment Plan for the Service Improvement Project (SIP), including SAP software and related projects;
4. Certain PBMs, incentives, and/or penalties; namely, timely completion of WSIP capital projects, (ii) completion of WSIP capital projects on budget, (iii) Safe Drinking Water Act compliance, and (iv) Clean Water Act compliance;
5. Customer Service/Public Witness Hearings – not disputed but the Parties will file different versions in their respective proposed orders;
6. Conservation Pilot Program;
7. Customer Assistance Program;
8. Adjustment to Wakefield Filter Project.

VI. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER

- A. The Stipulating Parties will act in good faith to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket. The Stipulating Parties further agree that this Stipulation is in the public interest because it reflects a give-and-take settlement of contested issues.
- B. The provisions of this Stipulation do not reflect any position asserted by any of the Stipulating Parties but reflect instead the compromise

and settlement between the Stipulating Parties as to all of the issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties regarding any issue in any other proceeding or docket before this Commission or in any court.

- C. This Stipulation is a product of negotiation between the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

VII. INTRODUCTION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

- A. The prefiled testimony and exhibits of the Stipulating Parties, including Party may respond to such questions by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits; provided, however, that such testimony, exhibits, or cross-examination shall not be inconsistent with this Stipulation. The Stipulating Parties further agree that all supplemental testimony filed in support of the Stipulation shall not be inconsistent with this Stipulation.

VIII. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on either of the Stipulating Parties unless the entire Joint Partial Settlement Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

IX. COUNTERPARTS

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 31st day of March, 2023.

**Electronically Submitted
Aqua North Carolina, Inc.**

By: /s/ Jo Anne Sanford
Sanford Law Office, PLLC
Post Office Box 28085
Raleigh, NC 27611-8085
E-mail: sanford@sanfordlawoffice.com

**Public Staff – North Carolina Utilities
Commission**

By: /s/ Christopher J. Ayers
Executive Director, Public Staff
4326 Mail Service Center
Raleigh, NC 27699-4300
E-mail: Christopher.ayers@psncuc.nc.gov

CERTIFICATE OF SERVICE

It is hereby certified that the foregoing Partial Settlement Agreement and Stipulation, filed on behalf of Aqua North Carolina, Inc. and North Carolina Public Staff, has been this day served upon each of the parties and counsel of record in this proceeding by e-mail / electronic transmission or by deposit of same in the U. S. Mail, postage prepaid.

This 31st day of March, 2023.

By: /s/ David T. Drooz

David T. Drooz
Fox Rothschild LLP
434 Fayetteville Street
Suite 2800
Raleigh, NC 27601
Telephone: 919-719-1258
E-mail: ddrooz@foxrothschild.com