

DOCKET NO. W-218, SUB 497

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina, Inc.,)
202 MacKenan Court, Cary, North Carolina) PUBLIC STAFF'S RESPONSE
27511, for Authority to Adjust and Increase) TO AFFIDAVIT OF
Rates for Water and Sewer Utility Service in) DEAN R. GEARHART
All Service Areas in North Carolina)

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission (Public Staff), by and through its Executive Director, Christopher J. Ayers, and respectfully submits the following response to the Affidavit of Dean R. Gearhart filed by Aqua North Carolina, Inc. (Aqua or the Company) in this docket on November 19, 2018.

1. As indicated in the Affidavit of Mr. Gearhart, Aqua and the Public Staff agreed in their Partial Settlement Agreement and Stipulation (Stipulation) filed in this docket on September 17, 2018, to a methodology for calculating rate case expenses and to update Settlement Exhibit 1, Line 33 for actual and estimated expenses once available. The parties did not agree to the amortization period for rate case expenses, with the Public Staff supporting a five-year period, and Aqua supporting a three-year period.

2. Also as indicated in Mr. Gearhart's Affidavit, Aqua included in its Proposed Order filed in this docket on October 30, 2018, a finding of fact that it is reasonable and appropriate to amortize rate case expenses over a period of four years, with the exception of expenses associated with the Company's 2017 depreciation study, which shall be amortized over a five-year period.

3. In its Proposed Order filed October 30, 2018, the Public Staff included a finding of fact that it is appropriate to amortize rate case expense over a period of five years.

4. Mr. Gearhart's Affidavit includes a list of the Company's rate case expenses, broken down into thirteen categories, which total \$818,397. Aqua requests in the Affidavit that these expenses be amortized over four years, with the exception of the expenses associated with the Company's 2017 depreciation study, which it requests be amortized over five years.

5. The Public Staff has reviewed documentation provided by Aqua in support of the rate case expenses listed in Mr. Gearhart's Affidavit. While the Public Staff does not dispute that the Company has provided documentation supporting the expenses listed in the Affidavit, due to the magnitude of the expenses, in particular the legal fees from the rate case proceeding in the amount of \$417,876, the Public Staff maintains its previously stated position that all rate case expenses should be amortized over a five-year period to mitigate the impact to customers.

The Public Staff respectfully requests that the Commission consider the foregoing response in approving rate case expenses in this proceeding.

Respectfully submitted this 26th day of November, 2018.

PUBLIC STAFF
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Electronically submitted
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CERTIFICATE OF SERVICE

I certify that I have served a copy of the foregoing Reponse on all parties of record in accordance with Commission Rule R1-39, by United States mail, postage prepaid, first class; by hand delivery; or by means of electronic delivery upon agreement of the receiving party.

This the 26th day of November, 2018.

Electronically submitted
/s/ Megan Jost