

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

June 28, 2021

Ms. Kimberley A. Campbell, 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  
Verified Response to Reply Comments of the Public Staff and Notice  
of Public Staff's Plan to Present Comments and Recommendations  
at the Commission's July 6, 2021, Regular Staff Conference

Dear Ms. Campbell:

Aqua North Carolina, Inc. hereby files the Company's *Verified Response to Reply Comments of the Public Staff and Notice of Public Staff's Plan to Present Comments and Recommendations 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

DOCKET NO. W-218, SUB 526A

In the Matter of

**NOW COMES Aqua North Carolina, Inc.** (Aqua or Company), represented

Aqua disputes certain portions of the Public Staff's Reply Comments and

2 WSIC is the acronym for Water System Improvement Charge and SSIC is the acronym for Sewer System Improvement Charge, a surcharge adjustment mechanism authorized by G.S. 62-133.12 and Commission Rules R7-39 and R10-26.

#### **A. Public Staff's Position Regarding SSIC Eligibility of Grinder Pumps**

In both its Reply Comments and Notice, the Public Staff defends its position that replacements of individual grinder pumps are ineligible for SSIC cost recovery premised on its assertion that the primary purpose of an individual grinder pump station is to serve the connected premise<sup>3</sup> and, that if a grinder pump fails to perform its intended function of chopping the waste and transporting it into and, to some extent, through the collection system, any resulting obstruction typically occurs in the pump station itself or the service line, as opposed to in the pressure sewer system. The Public Staff also asserts that one individual grinder pump, or even multiple grinder pumps, being offline does not materially impact functionality of the collection system as a whole.

The Public Staff also asserts that the replacement of an individual grinder pump and/or control panel is not done systematically, preventatively, or in a planned fashion, which is logical and appropriate given that grinder pump failure commonly occurs unexpectedly. Given the nature and magnitude of grinder pump costs, the Public Staff states that replacements of individual household grinder pumps are performed on an as-needed basis and are not the type of project that would be accelerated by the SSIC incentive. The Public Staff further describes the WSIC/SSIC's five percent revenue requirement cap as being, in effect, negatively

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<sup>3</sup> The Public Staff carefully asserts at page 3 of its Reply Comments that "...the primary purpose of an individual grinder pump station is to serve the connected premise...." While that statement may be true, it ignores the fact that grinder pumps are essential elements of the entire permitted pressurized sewer collection system and that their proper operation (even individually) is absolutely necessary and imperative to ensure, to the maximum extent possible, the proper function of the system as a whole, consistent with environmental and public health concerns.

impacted if “routine, individual replacements such as grinder pumps” are recoverable through the WSIC/SSIC cost-recovery mechanism.

The Public Staff recommends that grinder pumps not be allowed for SSIC cost recovery.

### **Aqua’s Position Regarding SSIC Eligibility of Grinder Pumps**

Aqua hereby reaffirms and commends for Commission consideration the statements made by the Company in its Verified Response to Initial Comments of the Public Staff filed in this docket on May 7, 2021, as that Response pertains to the eligibility of grinder pumps for SSIC cost recovery.

Contrary to the position taken by the Public Staff, Aqua continues to maintain that the replacements of sewer system grinder pumps **on pressurized sewer collection systems** (as compared to grinder pumps installed on a gravity collection system that support a single premise) benefit not only the individual customers they serve, but are necessary, integral, and beneficial to maintaining the hydraulics and proper overall operation of the particular pressure sewer system as well.<sup>4</sup> The grinder pumps at issue are integral and indispensable parts of the pressurized wastewater collection systems permitted by the North Carolina Department of Environmental Quality (NCDEQ) and they are absolutely necessary

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<sup>4</sup> Aqua owns and operates twenty alternative sewer collection systems with approximately 4000 pumps in total. An alternative sewer collection system is one that utilizes a pressure sewer (grinder system), vacuum sewer, or Septic Tank Effluent Pump (STEP) system. The Company’s largest system has 979 pumps. These systems are commonly called grinder pump systems, although they are pressure sewer systems. These grinder pump systems consist of multiple wastewater tanks and pumps which chop the solids in the wastewater prior to pumping the waste through a pressure sewer to a wastewater treatment plant. These systems are specifically permitted by the North Carolina Department of Environmental Quality (“NCDEQ”) as a collection system in accordance with 15A NCAC 02T .0304 (c). **Note:** This Rule was quoted on page 4 of the Company’s June 7, 2021 Verified Response.

to proper operation of the entire collection systems. It is imperative that these pressurized sewer collection systems work as a whole in order for them to properly operate as permitted and required by NCDEQ. It is Aqua's responsibility as the NCDEQ-authorized permittee to ensure compliance and to correct any environmental or public health problems with the systems which may result from a grinder pump malfunction or failure.

The grinder pump stations at issue, which are an integral part of the alternative pressurized sewer systems permitted by North Carolina, are not stand-alone units for the sole benefit of a single customer.<sup>5</sup>

By its pending WSIC/SSIC Surcharge Application, Aqua seeks SSIC cost recovery for its capital investment of approximately \$71,151 for replacement of 24 grinder pumps in the Company's Uniform Sewer Rate Division during the first calendar quarter of 2021. This is a significant capital investment which should not be denied eligibility for SSIC surcharge cost recovery based upon the Public Staff's argument that it represents a low-cost plant addition. Grinder pump replacements are SSIC-eligible improvements under G.S. 62-133.12 because they are necessary for Aqua "...to implement solutions to wastewater problems, and to comply with State and federal law and regulations." (See the Aqua Sub 363 Rate Case Order at page 76). In addition, they are necessary for Aqua "...to provide

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<sup>5</sup> As noted on pages 21 – 22 of the Company's May 7, 2021 Verified Response, there are also grinder pump systems which are used for the sole benefit of individual customers. These grinder pump systems are for a single facility that includes a pressurized drain connecting to a utility-owned gravity sewer. These are permitted under the NC Plumbing Code, as part of P3007.6, and are not permitted under NCDEQ jurisdiction. The grinder pumps installed for the sole benefit of a single customer are not part of any Aqua-owned sewer collection systems, and the Company does not own, operate, or maintain any grinder pump stations installed for the benefit of a single customer.

safe, reliable, and efficient service in accordance with applicable...effluent standards. G.S. 62-133.12(b). G.S. 62-131(b) also supports the Company's position on this point.

Aqua also disputes the Public Staff's assertion that the WSIC/SSIC five percent revenue requirement cap will, in effect, be negatively impacted and eroded if "routine, individual replacements such as grinder pumps" are recoverable through the WSIC/SSIC cost-recovery mechanism. The maximum SSIC revenue requirement of Aqua's Uniform Sewer Rate Division under the Commission's Sub 526 Rate Case Order is \$821,304 as shown on page 3 of the Public Staff's June 21, 2021 Notice, while the Company's requested SSIC revenue requirement for that rate division, if fully granted by the Commission, is only \$533,523. The Public Staff's argument with respect to the Company's Uniform Sewer Rate Division SSIC revenue requirement cap should not be allowed to deflect attention from the real issue; i.e., whether grinder pumps are eligible SSIC investments under G.S. 62-133.12(d)(4). The SSIC revenue cap is not threatened by inclusion of grinder pump recovery in this case, and the Public Staff's argument should not be accepted in disqualification of such recovery.

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 and are properly included in the Company's Ongoing WSIC/SSIC Three-Year Plan, filed on March 1, 2021.

## **B. Public Staff's Position Regarding Budget Markers**

In Paragraph 7 at pages 4 - 5 of its Initial Comments filed in this docket on April 19, 2021, the Public Staff made the following criticisms of Aqua's current WSIC/SSIC Three-Year Plan:

In a departure from all of its previous three-year plans, Aqua included numerous line items for budget markers in its most recently filed WSIC/SSIC Plan.<sup>6</sup> These budget markers are generic dollar amounts that lack detailed information concerning eligible system improvement projects. The budget markers are a significant factor contributing to the increased overall amount of planned investment, including, in 2021, \$1.75 million for primary treatment projects, \$0.275 million for mains, valves, services, meters, and hydrants replacements, and \$0.2 million for pumps, motors, blowers, and other mechanical equipment. During the 2021-2023 period, budget markers total \$9.149 million, or over 18% of Aqua's WSIC/SSIC Plan. It is the Public Staff's opinion that budget marker line items should be removed or, in the alternative, that their use should be limited to future years. As stated in the CWSNC WSIC/SSIC Order, "a three-year plan [shall] provide the Public Staff with advance notice of the types of improvements, corresponding dollar amounts, and the timing of the improvements prior to the inclusion of such improvements in a WSIC/SSIC surcharge application" and "the Commission expects the utilities to apprise the Public Staff of any deviations between the eligible improvements included in its WSIC/SSIC application and the eligible improvements presented in its latest three- three-year plan on file with the Commission." *Id.* In either scenario, due to the lack of detail regarding these budget markers, when specific eligible projects occur and are included in a WSIC/SSIC application, the utilities should apprise the Public Staff of this deviation, or development.

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<sup>6</sup> Previously, budget markers were used on a limited basis for higher frequency, lower individual cost project types such as SSIC eligible replacements of pumps, motors, and blowers in future years. [**Note:** This footnote (designated by the Public Staff as footnote 2) was part of the Public Staff's Initial Comments regarding Paragraph 7 thereof].

### **Aqua's Response Regarding Budget Markers**

In its May 7, 2021 Verified Response at pages 8 – 12, Aqua set forth a detailed response in opposition to the position expressed by the Public Staff regarding the Company's use of budget markers. That response is incorporated herein by reference. The Public Staff did not specifically address Aqua's Verified Response regarding the budget marker issue in either its June 7, 2021 Reply Comments or in its June 21, 2021 Notice; therefore, the Company sees no need to further address that issue. Aqua requests that the Commission carefully review the Company's position as set forth in its May 7, 2021 Verified Response; authorize the use of budget markers in the Company's current Ongoing Three-Year Plan as well as future Plans; and deny the specific relief requested by the Public Staff at page 5 of its April 19, 2021 Initial Comments.

Aqua believes and asserts that its use of budget markers is reasonable, limited in scope, and necessary for the Company to efficiently run its business. It also provides sufficient information in the Company's Three-Year Plan (particularly in combination with other modes of reporting, such as ongoing discussions, Quarterly Construction Status Reports, prior filings concerning meters, etc.) to allow the Public Staff to meet the Commission's direction to review and scrutinize WSIC/SSIC investments, including those denominated by budget markers.

#### **C. Criticisms of Aqua's WSIC/SSIC Three-Year Plans by the Public Staff**

In paragraph 9 of its June 7, 2021 Reply Comments entitled Other Matters, the Public Staff included the following statements at pages 9 – 10:



In addition to the foregoing specific matters, Aqua NC addresses a number of general concerns regarding the Public Staff's Initial Comments in its Verified Response. The Company summarizes the procedural history of the WSIC/SSIC mechanism to "point out to the Commission that . . . the Company had never previously received indication from the Staff that it was dissatisfied with the details, content, and format of the **seven** WSIC/SSIC Three-Year Plans previously filed with the Commission over a period of **eight** years." Verified Response at 5. Aqua NC's summary does not mention that the Public Staff identified a number of deficiencies in Aqua NC's proposed three-year plan and the Company's response to discovery the Public Staff served on the Company to address those deficiencies. The Company's response also does not mention Public Staff witness David Furr's testimony during the evidentiary hearing in the Sub 363 case in which he stated that the Public Staff would request that Aqua NC provide more detailed descriptions of all projects the Company believed to be WSIC/SSIC eligible. Sub 363 Order at 73. (Emphasis in bold in original; underlining added by Aqua for emphasis)

#### **Aqua's Response to Public Staff Criticisms Related to the Company's Ongoing WSIC/SSIC Three-Year Plans**

Aqua concedes that the Company was in error as reflected in the underlined portion of the above quote from the Public Staff's June 21, 2021 Reply Comments. The failure to report or recognize the criticisms made by Public Staff witness David Furr during his testimony in the Sub 363 Rate Case with respect to Aqua's then-pending Three-Year Plan was inadvertent and not willful.

The Commission, in the May 2, 2014 Sub 363 Rate Case Order at pages 80 – 81 stated the following, addressing the criticisms leveled by Public Staff witness Furr and other intervenors with respect to Aqua's then-pending WSIC/SSIC Three-Year Plan:

Witness Furr, the Attorney General, and Intervenor Coleman pointed out that the initial three-year plan filed by Aqua in this proceeding was materially deficient. However, the Commission notes that, on redirect, **Aqua witness Roberts testified that the Company is willing to provide all information required by the**

**Public Staff. The provision of a three-plan is a new process required by Aqua with respect to implementation of the WSIC/SSIC mechanism. As such, one party responding to a new process may believe the level of detail provided is sufficient; whereas, another party may not. The Commission determines that Aqua and the Public Staff should be able to work together to establish the level of detail to be provided to the Commission concerning its initial three-year plan. Aqua should provide sufficient information to the Public Staff such that the Public Staff may: (1) conduct its investigation and review of the Company's initial three-year plan; (2) have productive discussions with the Company regarding the specific projects included in the plan; and (3) conclude whether the projects included in three-year plan meet the criteria established in G.S. 62-133.12, and could be considered for recovery through the WSIC or SSIC mechanism. (Emphasis added)<sup>7</sup>**

Subject to the correction described by Aqua above, the Company asserts that the point it was making is still relevant and valid as set forth at pages 1 – 7 of the Background Section of its May 7 2021 Verified Response. That point is: to the best recollection of Company personnel, prior to the Public Staff's recent filing taking issue with certain aspects of Aqua's current Ongoing Three-Year WSIC/SSIC Plan, the Company had previously received only one early indication (related to Aqua's first WSIC/SSIC Three-Year Plan) that the Staff was dissatisfied with the details, content, and format of a WSIC/SSIC Three-Year Plan---over a period of eight years. Likewise, to the best of its recollection, Aqua has received no criticism from the Public Staff as to any alleged deficiency affecting the information provided by the Company in any of the Quarterly WSIC/SSIC Construction Status Reports filed over the past seven years.

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<sup>7</sup> Since the inception of G.S.62-133.12, the WSIC/SSIC statute, Aqua has consistently endeavored to work cooperatively and in good faith with the Public Staff to ensure compliance with the instructions from the Commission as highlighted in the above quotation from the Sub 363 Rate Case Order. This is, of course, a continuing obligation with which Aqua will comply.

Aqua hereby reaffirms its comments as set forth on pages 1 – 7 of the Company's May 7, 2021 Verified Response whereby the Company defended the validity of its WSIC/SSIC practices and procedures and the Three-Year Plans and Quarterly Construction Status Reports filed by the Company, the only exception being the filing of its first Three-Year Plan in December 2013, the adequacy of which was in fact criticized by the Public Staff during the Sub 363 Rate Case. Subsequent to the testimony offered by Public Staff witness David Furr in the Sub 497 Rate Case, the Company heard no criticisms of its Ongoing WSIC/SSIC Three-Year Plans until the Staff recently filed its April 9, 2021 Initial Comments.

**D. Public Staff's Comments Regarding Aqua's WSIC Meter Exchange Project**

In Paragraph 8 of its April 19, 2021 Initial Comments, the Public Staff stated that in its WSIC/SSIC Plan, Aqua added a line item for WSIC Meter Exchange Project in the ANC Water rate division for amounts of \$4,157,400 in 2021, \$1,425,400 in 2022, and \$1,169,300 in 2023, respectively. No additional information was provided, and this line item was not included in Aqua's prior WSIC/SSIC Plan filed on March 2, 2020. Neither this investment, nor the magnitude of its cost, was forecasted by Aqua in its previous three-year plans or during its most recent general rate case.

In paragraph 6 of its June 7, 2021 Reply Comments, the Public Staff states that:

It was not until April 30, 2020, when the Company filed its Application for Approval of Water and Sewer System Rate Adjustments Pursuant to G.S. 62-133.12 in Docket No. W-218, Sub 497A that the Company provided notice of its intent to seek

implementation of and WSIC cost recovery for its meter replacement program....As such, the Public Staff contends that, had Aqua NC followed the WSIC/SSIC rules, it would have provided the Public Staff with notice of its plan to implement its meter replacement program prior to its inclusion of the improvements in its April 30, 2020 WSIC/SSIC surcharge application. The Company could have done this in its Ongoing Three-Year WSIC/SSIC Plans filed on April 2, 2018, and March 1, 2019, and should have done so in its WSIC/SSIC Plan filed March 2, 2020.

In addition, in its June 21, 2021 Notice, the Public Staff included the following statements at pages 9 – 10:

Finally, the Public Staff is concerned about the prudence and reasonableness of installation costs for Aqua NC's Meter Exchange Projects, which have increased approximately 40% since Aqua NC's rate case in Docket No. W-218, Sub 497 (Sub 497 Rate Case). Given the extensive record regarding this matter in Aqua NC's Sub 497 Rate Case, the complexity of the issue, and the absence of the Meter Exchange Project from Aqua NC's previous three-year plans, the Public Staff believes the proper proceeding in which to address these concerns, after further investigation, is Aqua NC's next general rate case.

#### **Aqua's Response Regarding WSIC Meter Exchange Project**

Subject to one clarification,<sup>8</sup> Aqua hereby incorporates by reference and reaffirms the Company's May 7, 2021 Verified Response set forth at pages 13 - 18 regarding the issues raised by the Public Staff with respect to its Meter Exchange Project.

In its pleadings, the Public Staff contends that had Aqua followed the WSIC/SSIC rules, the Company would have provided the Public Staff with notice of its plan to implement its meter replacement program prior to its inclusion of the improvements in its April 30, 2020 WSIC/SSIC surcharge application. The Public

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<sup>8</sup> On page 14, the last sentence of the first full paragraph contains an incorrect reference to the Commission's December 18, 2018 Rate Case Order in Docket No. W-218, Sub 497. The correct citation is to the Commission's October 26, 2020 Rate Case Order in Docket No. W-218, Sub 526.

Staff further asserts that the Company could have done this in its Ongoing Three-Year WSIC/SSIC Plans filed on April 2, 2018, and March 1, 2019, and should have done so in its WSIC/SSIC Plan filed March 2, 2020. Aqua disagrees with these assertions for the following reasons.

It was not until the Commission issued its Rate Case Order for Carolina Water Service, Inc. of North Carolina (CSWNC) on March 31, 2020, in Docket No. W-354, Sub 364, that it became clear to Aqua that AMR meters installed pursuant to the Company's Meter Exchange Project were eligible for WSIC surcharge cost recovery pursuant to G.S. 62-133.12. Until that time, Aqua had not challenged the position taken by the Public Staff that the WSIC statute only allowed cost recovery for "in-kind" meter replacements. More specifically, Aqua had not challenged the Public Staff's interpretation that replacing an analog meter with an AMR meter was not an "in-kind" replacement.

At pages 46 - 47 of the CWSNC Sub 364 Rate Case Order, the Commission specifically held that the exchange of one type of meter reading device for another type of meter reading device is an "in-kind" replacement as that term is used in G.S. 62-133.12(c)(1). With regard to AMR meter installation projects planned for the future, the Commission stated that CWSNC (and by inference, Aqua) and the Public Staff should work together pursuant to Commission Rule R7-39 to mitigate regulatory lag using WSIC recovery.

Thus, the Public Staff's assertion that Aqua could have included AMR meter projects in its Ongoing Three-Year WSIC/SSIC Plans filed on April 2, 2018, and March 1, 2019, and should have done so in its WSIC/SSIC Plan filed March 2,

2020, is inapposite. That assertion ignores the fact that until the Commission issued its CWSNC Sub 364 Rate Case Order on March 31, 2020, Aqua did not challenge the Public Staff's interpretation as applied to "in-kind" meter replacements.

The WSIC/SSIC Ongoing Three-Year Plan filed by Aqua on March 2, 2020, predated the CWSNC Sub 364 Rate Case Order and decision, which explains why AMR meter replacement projects were not included in that Plan. However, Aqua did take the Commission's CWSNC "in-kind" holding to heart and quickly included AMR meter replacement costs in its next Semi-Annual WSIC/SSIC Surcharge Application which was filed on April 30, 2020.<sup>9</sup> The Company followed that action by including line items for AMR meter replacement projects in the Company's most recent WSIC/SSIC Ongoing Three-Year Plan, filed on March 1, 2021, in Docket No. W-218, Sub 526A.

Aqua further notes that the Public Staff, in its June 21, 2021 Notice, stated that it is concerned about the prudence and reasonableness of installation costs for Aqua's Meter Exchange Projects in the Company's pending WSIC/SSIC surcharge application and that the proper proceeding in which to address those concerns, after further investigation, is the Company's next general rate case. Aqua offers the following comments regarding this part of the Public Staff's Notice. In addition, out of an abundance of caution---perhaps unnecessary---with respect to any possibility of an effort to relitigate the decisions previously made by the

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<sup>9</sup> Aqua withdrew the April 30, 2020 WSIC/SSIC Surcharge Application by Notice filed on May 8, 2020.

Commission regarding AMR meters in the Sub 497 and Sub 526 Rate Cases, Aqua hereinafter addresses that possibility.

First, Aqua understands from the Public Staff's Notice, and based upon a discussion with Staff Counsel, that the Public Staff does not challenge or propose disallowance of AMR meter cost recovery in this proceeding through the WSIC surcharge mechanism. The Company is appreciative of that position. Second, Aqua recognizes and does not dispute the right of the Public Staff to conduct a prudence investigation during the course of the Company's next general rate case with respect to the specific costs of AMR meters that Aqua seeks to recover in that case. Third, the Commission has specifically recognized that the WSIC/SSIC Rules allow sufficient time for the Public Staff to conduct a thorough review of a utility's application for WSIC/SSIC surcharge cost recovery. Finally, Commission Orders approving WSIC/SSIC surcharges routinely state that WSIC or SSIC rate adjustments, while allowed to become effective, are not unconditionally approved, and are subject to further examination for justness and reasonableness in the WSIC and SSIC annual review and reconciliation and in the Company's next general rate case.

Furthermore, Aqua asserts that the Public Staff's reference to "...the absence of the Meter Exchange Project from Aqua NC's previous three-year plans..." fails to provide any support or justification for a prudence investigation, particularly in view of the statements set forth above by the Company in Section D of this Verified Response. Likewise, the Public Staff's reliance on "...the extensive record regarding this matter [the prudence of Aqua's decision to install AMR meters

and the costs thereof] in Aqua NC's Sub 497 Rate Case..." is an argument unnecessary and irrelevant to the right of the Public Staff to conduct an AMR meter prudence review in the Company's next general rate case with respect to and limited to the specific AMR meter costs proposed for inclusion in that proceeding.

The Sub 497 Rate Case was an exceptionally difficult proceeding with respect to the AMR meter-related issues as well as certain other ratemaking topics, and it involved meticulous examination of those subjects. The Public Staff should not be allowed to relitigate that case as it pertained to any AMR meter issues that were decided by the Commission based upon a voluminous record and which were addressed by the Commission in its 230-page December 18, 2018 Rate Case Order.<sup>10</sup> That Order consisted of four Findings of Fact and more than 18 single-spaced pages of discussion and conclusions regarding the AMR meter issues.

The Public Staff also references "the complexity of the issue" as constituting a supporting basis for a prudency review. Aqua does not view ratemaking issues related to the allowable costs for AMR meters eligible for inclusion in the Company's rate base to be particularly complex. In addition, "complexity" has no bearing on the Public Staff's right to conduct a prudency review of specific new AMR meter costs first proposed for inclusion in the Company's next general rate case.

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<sup>10</sup> The Public Staff did not appeal the Sub 497 Rate Case Order. Nor did it contest or oppose the inclusion of the additional AMR meter costs proposed by Aqua for inclusion in rates in the Company's recent Sub 526 Rate Case, which was decided by an Order of the Commission dated October 26, 2020.



The Commission's Sub 497 Order is important precedent and was not appealed. The determinations made therein, as well as in the Company's most recent Sub 526 Rate Case Order (which also was not appealed), should not be reopened or relitigated. Nevertheless, prudence issues related to specific projects and costs first proposed for inclusion by Aqua in a future rate case are clearly eligible for prudence review by the Public Staff.

**E. Issues Raised by the Public Staff in Its June 21, 2021 Notice and Aqua's Responses**

Based upon its review of Aqua's WSIC/SSIC surcharge application, the Public Staff recommended seven adjustments to the Company's pending WSIC and SSIC proposed surcharges to which Aqua replies as follows:

1. Correction to Accumulated Depreciation – Aqua does not contest this adjustment
2. Correction to Accumulated Deferred Income Tax (ADIT) – Aqua does not contest this adjustment.
3. Correction to Annual Depreciation – Aqua does not contest this adjustment.
4. Adjustment to Remove Grinder Pumps – Aqua contests this adjustment for the reasons set forth above in Section A of this Verified Response.
5. Adjustment to NCDOT Main Relocate Projects – Aqua does not contest this adjustment.
6. Adjustment to NCDOT Sewer Force Main Relocate Project –
  - (a) The Public Staff initially identified \$28,411 of costs which it asserted to be ineligible for SSIC cost recovery. Aqua further reviewed the detail and noted that two invoices totaling \$10,275 of the amount of \$28,411 should be eligible. However, Aqua subsequently identified two other invoices totaling \$5,385 that should have been excluded as they are ineligible for SSIC recovery; therefore, making the adjusted ineligible amount for which Aqua

agrees to be \$23,522. These changes were discussed with the Public Staff and documentation was provided. Aqua and the Public Staff are now in agreement that \$23,522 is the appropriate amount for the adjustment regarding this item.

(b) Aqua has provided the Public Staff with additional explanation regarding the reasonableness of upsizing the former 12-inch sewer force main to a 16-inch diameter pipe. During the Hwy 42 NCDOT project, Aqua determined that there were multiple force mains along certain sections of the collection system. Rather than have the NCDOT replace multiple individual lines, the Company along with Dewberry, the engineer on the job, reviewed the hydraulics associated with the Buffalo Creek Pump Station and determined that it was most appropriate to increase the pipe size to accommodate this flow.

7. Adjustment to Remove Willow Creek Lift Station – Aqua disputes this adjustment and has provided the Public Staff with additional explanation in support of the Company's position. If the Staff, after consideration of the additional information provided by Aqua, continues to assert that these costs should be excluded from SSIC cost recovery as its final position, the Company will file a supplemental response setting forth the rationale for its position in opposition to the Staff's adjustment prior to the July 6, 2021 Staff Conference.

### **Conclusions**

Aqua renews its request that the Commission carefully review the Company's current WSIC/SSIC Ongoing Three-Year Plan (including the Company's May 7, 2021 Verified Response to the Initial Comments of the Public Staff and this Verified Response to the Reply Comments of the Public Staff and Notice) 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 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.

In addition, Aqua requests that the Commission find and conclude that grinder pumps are sewer system improvements eligible for surcharge cost recovery under the SSIC mechanism and that the ratemaking adjustments proposed herein by the Public Staff, but opposed and not agreed to by Aqua, be rejected and denied.

Aqua further requests that its two Verified Responses be recognized and treated by the Commission and the Public Staff as addenda to the Company's pending Application for Approval of Water and Sewer System Charge Rate Adjustments filed in this same docket on April 28, 2021.

Respectfully submitted this the 28th day of June 2021.

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

**Electronically Submitted**

**/s/Jo Anne Sanford**

North Carolina State Bar No. 6831

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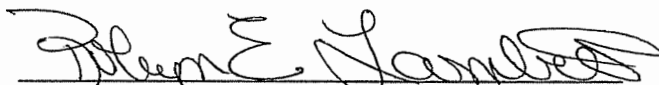
**/s/Robert H. Bennink, Jr.**  
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**VERIFICATION**

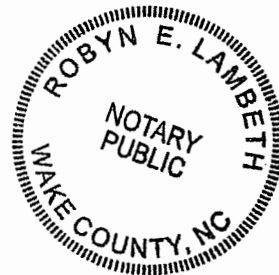
**Shannon V. Becker**, being duly sworn, deposes and says: that he is the President of Aqua North Carolina, Inc.; that he is familiar with the facts set out in this **VERIFIED RESPONSE TO REPLY COMMENTS OF THE PUBLIC STAFF AND NOTICE OF PUBLIC STAFF'S PLAN TO PRESENT COMMENTS AND RECOMMENDATIONS AT THE COMMISSION'S JULY 6, 2021, REGULAR STAFF CONFERENCE**, filed in Docket No. W-218, Sub 526A; that he has read the foregoing 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 28<sup>th</sup> day of June 2021.

  
\_\_\_\_\_  
Robyn E. Lambeth  
Notary Public

My Commission Expires: May 13, 2026



I signed this notarial certificate on June 28, 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 28th day of June 2021, a copy of the foregoing **VERIFIED RESPONSE TO REPLY COMMENTS OF THE PUBLIC STAFF AND NOTICE OF PUBLIC STAFF'S PLAN TO PRESENT COMMENTS AND RECOMMENDATIONS 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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