

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

October 1, 2019

Ms. Kimberley 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 Nos. W-218, Subs 497 and 497A
Affidavit of C. Ruffin Poole, Director of Business Development,
Aqua North Carolina, Inc. Providing Verified Information in
Response to Commission Order Dated September 17, 2019

Dear Ms. Campbell:

Attached please find for filing the Affidavit of C. Ruffin Poole, the Director of Business Development for Aqua North Carolina, Inc. ("Aqua" or "Company"), responding to the NCUC *Order Requiring Verified Information and Allowing Comments* entered in Docket No. W-218, Sub 497 on September 17, 2019.

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 497
DOCKET NO. W-218, SUB 497A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Reporting Requirements from Docket)
No. W-218, Sub 497 - Application by)
Aqua North Carolina, Inc., 202) **AFFIDAVIT OF C. RUFFIN POOLE,**
MacKenan Court, Cary, North) **DIRECTOR OF BUSINESS**
Carolina 27511 for Authority) **DEVELOPMENT, AQUA NORTH**
To Adjust and Increase Rates for) **CAROLINA, INC., PROVIDING**
Water and Sewer Utility Service in) **VERIFIED INFORMATION**
All of its Service Areas in North)
Carolina)

NOW COMES C. Ruffin Poole, Director of Business Development for Aqua North Carolina, Inc. ("Aqua NC" or "Company"), being duly sworn, who hereby executes this Affidavit on behalf of Aqua in Docket Nos. W-218, Sub 497 (a general rate case) and Sub 497A (a reporting docket), in response to the *Order Requiring Verified Information and Allowing Comments* entered by the Commission in the Sub 497 Docket on September 17, 2019.

BACKGROUND

1. On December 18, 2018, the Commission entered an Order in Docket No. W-218, Sub 497, captioned *Order Approving Partial Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice* ("Sub 497 Rate Case Order"). Ordering Paragraph No. 25, at page 186, provides as follows:

That Aqua NC shall, within 30 days following the issuance of this Order, make a compliance filing to show its present and future

accounting treatment, in a manner consistent with the findings and conclusions of the Commission herein, of the capacity purchased from, and the transmission expenses paid to, Johnston County. Such filing shall include the net rate base adjustment and total revenue requirement effect to the Company as a result of the Commission's determinations of these issues herein.

2. On January 18, 2019, Aqua NC filed the affidavit of Tammy S. Bernard, Senior Accountant III for Aqua NC, which provided a partial response to the requirements of Ordering Paragraph No. 25. In particular, Affiant Bernard provided the Company's present accounting treatment of the capacity purchased from, and transmission expenses paid to, the Johnston County Department of Public Utilities (Johnston County). Aqua NC requested additional time to prepare and file its response to Ordering Paragraph No. 25 with respect to the Company's future accounting treatment of the capacity purchased from, and transmission expenses paid to, Johnston County and the net rate base adjustment and total revenue requirement effect to the Company as a result of the Commission's determinations in the December 18, 2018 Order. On January 24, 2019, the Commission issued an Order accepting the Affidavit of Tammy S. Bernard into the record and granting Aqua NC an extension of time until March 15, 2019, to file the remainder of its response to Ordering Paragraph No. 25.

3. On March 15, 2019, Aqua NC filed the affidavit of Edward P. Thill, Controller II for Aqua NC, which provided the Company's remaining response in compliance with Ordering Paragraph No. 25 of the December 18, 2018 Order, concerning the future accounting treatment of the Johnston County transmission and capacity fees.

4. On June 19, 2019, the Public Staff filed comments regarding the Affidavit of Edward P. Thill and requested that the Commission issue an order requiring Aqua NC to record all Johnston County reservation capacity and transmission fees received from the Flowers Plantation Buffalo Creek developers as contributions in aid of construction when received.

5. On June 27, 2019, the Commission issued an Order accepting the Affidavit of Edward P. Thill into the record and allowing interested parties to file reply comments regarding the Public Staff's June 19, 2019 comments and also initial comments regarding the Affidavits of Tammy S. Bernard and Edward P. Thill on or before July 26, 2019.

6. On July 26, 2019, Aqua NC filed the Second Affidavit of Edward P. Thill, in which Affiant Thill informed the Commission that subsequent to the Public Staff filing its June 19, 2019 comments, the Company and the Public Staff discussed both the content of his initial Affidavit and the Public Staff's response thereto, and the parties had come to an agreement which satisfactorily resolved all their differences. In his Second Affidavit, Affiant Thill stated that Aqua was authorized to state that the Company and the Public Staff jointly supported the following future accounting treatment of the Johnston County transmission and capacity fees:

- (a) The full value of developer payments (including both T&D and capacity fees) will be recorded by Aqua as amortizing CIAC in accordance with past practice; and
- (b) The full value of future capacity purchases from Johnston County (including both T&D and capacity fees) will be recorded by Aqua as depreciable Plant in Service.

7. Further, Aqua NC commented that the Company's June 2019 purchase of 51,440 gallons per day ("gpd") of additional capacity from Johnston County at a total cost of \$330,245 would be accounted for in accordance with the accounting treatment described above.

8. On September 17, 2019, the Commission entered its *Order Requiring Verified Information and Allowing Comments* in the Sub 497 Docket. By that Order, the Commission found good cause to accept the Second Affidavit of Edward P. Thill, filed on July 26, 2019, into the record. Further, the Order required that Aqua NC should be required to file verified responses to three specified questions concerning the Company's June 2019 purchase of additional capacity from Johnston County as noted in the Second Affidavit of Edward P. Thill.

9. Accordingly, I hereby execute this Affidavit on behalf of Aqua NC and provide the Company's verified information in response to the Commission's questions:

Background Information Regarding Aqua NC's Purchase of 51,440 GPD of Additional Capacity from Johnston County

The Commission's Sub 497 Rate Case Order, issued on December 22, 2018, requires that Aqua NC, on an annual basis, request written documentation of the current capacity fees charged by Johnston County. Aqua NC contacted Johnston County on or about May 14, 2019, and was advised that the proposed 2019-2020 Johnston County budget would fix bulk wastewater capacity fees at \$14.62/gpd effective July 1, 2019, a 72% increase to the 2018 rate of \$8.48/gpd.

For that reason, Aqua NC initiated discussions with the County to determine the Company's options in securing additional capacity at the lower previous rate

and was informed by Chandra Cox Farmer, Director of the Johnston County Department of Public Utilities, that the County's current facility had only 51,440 gpd of uncommitted capacity available for purchase by the Company at a rate of \$6.42/gpd. Any purchase of capacity above that amount would be based on the cost of the County's proposed new facility, which is the basis for the \$14.62/gpd future charge, which in fact became effective on July 1, 2019.

Thus, Aqua NC had an opportunity, until June 30, 2019, to secure 51,440 gpd of additional capacity at a rate of \$6.42/gpd (a portion of the Transmission & Distribution ("T&D") charge paid in the \$8.48/gpd rate of 2018 which was not required in the current purchase). This additional discount was lost upon the County's passage of its 2019-2020 budget.

Therefore, Aqua NC determined, after consultation with the Public Staff, that the Company, to the direct benefit of its customers, should take full advantage of this opportunity to secure all additional capacity available at the rate of \$6.42/gpd, a 56% discount to Johnston County's go-forward rate of \$14.62/gpd, which became effective on July 1, 2019.

Question One

1. The Commission observes that Aqua NC's June 2019 purchase of 51,440 gpd of additional sewer capacity from Johnston County at a total cost of \$330,245 calculates to a fee of \$6.42 per gpd. Please confirm the fee per gpd paid by Aqua NC to Johnston County in June 2019 for the additional sewer capacity. Did the fee per gpd include both a capacity fee component and a transmission fee

component? Please delineate and explain the components of the fee per gpd paid by Aqua NC in June 2019.

Aqua NC's Response to Question 1: On or about June 27, 2019, Aqua purchased and paid Johnston County for additional sewer capacity of 51,440 gpd. The total cost of the purchased sewer capacity was \$330,244.80. The sewer capacity charge was based on \$5.34/gpd of wastewater treatment capacity (based on the 2006 expansion) and \$1.08/gpd of transmission. An invoice dated June 20, 2019, a cost calculation sheet dated June 11, 2019, with a line item listing of costs associated with this transaction, and a copy of the payment check dated June 24, 2019, are attached hereto as Appendix A. Additionally, the letter to Aqua NC from Johnston County dated June 11, 2019 (attached hereto as Appendix B) states that bulk wastewater capacity must be purchased for transmission and treatment simultaneously and that the combined transmission and treatment capacity fee must be paid in full at the time of capacity reservation.

Question Two

2. Please explain why the sewer plant capacity fee per gpd paid by Aqua NC to Johnston County in June 2019 is different from the tariff amount of \$8.48 per gpd (consisting of sewer plant capacity fee per gpd of \$5.34 and transmission fees per gpd of \$3.14) included on Appendix A-1, Page 5 of 8, attached to the Commission's December 18, 2018 Order.

Aqua NC's Response to Question 2: When Aqua NC purchased sewer capacity from Johnston County in June 2018, the payment fully covered up to 300,000 gpd of transmission costs associated with the sewer purchased capacity. Therefore,

in conjunction with Aqua NC's June 2019 purchase of 51,440 gpd of additional sewer capacity, the Company was not required to pay \$2.06/gpd of transmission costs associated with the 12-inch parallel force main under US 70 as noted by this line item being struck from the transmission costs under Option No. 2 in the June 11, 2019 Aqua Wastewater Capacity Purchase sheet (See Appendix A). The \$3.14 T&D rate in 2018 included \$2.06/gpd for a Johnston County transmission pipe required to complete Aqua NC's sewer capacity allocation connection to Johnston County. With the 2018 sewer capacity purchase, Aqua NC's pro-rata cost share for the 12-inch parallel force main across the US 70/US 70 (BUS) interchange was covered.

Question Three

3. Was the fee per gpd paid by Aqua NC in June 2019 a negotiated fee between Aqua NC and Johnston County? Please explain. In addition, please provide documentation supporting the sewer capacity fee charged by Johnston County for Aqua NC's June 2019 purchase of 51,440 gpd of additional sewer capacity.

Aqua NC's Response to Question 3: Yes, the sewer capacity fee was negotiated, since the new Johnston County sewer capacity fee and policy did not go into effect until July 1, 2019. Under the pre-existing policy, Johnston County Water and Sewer Policies Revised July 1, 2018 Wholesale (Bulk) Sewer Service Capacity Fees were negotiated. Regarding the Commission's request for documentation supporting the sewer capacity fee charged by Johnston County for the June 2019 purchase, please see Appendix A attached hereto.

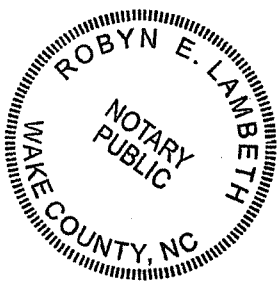
Accordingly, Aqua NC hereby submits this Affidavit of C. Ruffin Poole in response to the *Order Requiring Verified Information and Allowing Comments* entered by the Commission in the Sub 497 Docket on September 17, 2019. The Company requests that the Commission accept and acknowledge the verified information set forth in this Affidavit as being in full compliance with the *Order Requiring Verified Information*.

C. Ruffin Poole
C. Ruffin Poole
Director of Business Development
Aqua North Carolina, Inc.

Sworn to and subscribed before me
this the 30th day of September 2019.

Robyn E. Lambeth
Notary Public

My Commission Expires: May 13, 2021



Johnston County
DEPARTMENT OF PUBLIC UTILITIES
POST OFFICE BOX 2263
SMITHFIELD, N.C. 27577
(919) 989-5075

INVOICE

June 20, 2019

TO: Aqua North Carolina, Inc.
202 MacKenan Court
Cary, NC 27511

FROM: Johnston County Public Utilities *CCF*
PO Box 2263
Smithfield, NC 27577

Description: Bulk Wastewater Capacity Purchase

Wastewater Capacity Allocation Purchase: 51,440 gallons per day
Capacity Purchase Cost: \$6.42/gallon per day

53.6 gallons per minute peak
MP
6/25/19

$$51,440 \text{ gpd} \times \$6.42/\text{gpd} = \$330,244.80$$

TOTAL AMOUNT DUE

\$ 330,244.80

Please include a copy of this invoice and remit payment to:

Johnston County Public Utilities
Attn: Sandy Mills
PO BOX 2263
Smithfield, NC 27577

*Note to Johnston County Finance Department: Credit payment to account no. 68.7910.36181

Aqua Wastewater Capacity Purchase (up to 51,440 gpd)
Projected Costs
~~January 10, 2018~~ June 11, 2019

WWTP Capacity (Based on 2006 Expansion) \$ 5.34 /gpd

Option No. 1

Transmission with County Providing Pumping and Flow Eq:

42 East WWPS and Flow Eq Facility	\$ 1.84 /gpd *
NC 42 East to North Tech Park	\$ 0.42 /gpd
North Tech Park to Swift Creek Rd	\$ 0.37 /gpd
Swift Creek Road to Neuse River Parallel FM	\$ 0.29 /gpd
12" Parallel Force Main Under US 70	\$ 2.06 /gpd *
Total Transmission	\$ 4.98 /gpd
WWTP Capacity	\$ 5.34 /gpd
TOTAL OPTION NO. 1	\$ 10.32 /gpd

Option No. 2

Transmission with Aqua Providing Pumping and Flow Eq:

NC 42 East to North Tech Park	\$ 0.42 /gpd
North Tech Park to Swift Creek Rd	\$ 0.37 /gpd
Swift Creek Road to Neuse River Parallel FM	\$ 0.29 /gpd
12" Parallel Force Main Under US 70	\$ 2.06 /gpd *
Total Transmission	\$ 3.14 /gpd 1.08
WWTP Capacity	\$ 5.34 /gpd
TOTAL OPTION NO. 2	\$ 8.48 /gpd 6.42

*Estimated Costs. Project not constructed.

31509 JOHNSTON CTY DEPT OF UTILITIES CHECK PAYMENT NBR: 919608 DATE: 06/24/19

INVOICE	DATE	DESCRIPTION	GROSS AMOUNT	WITHHOLDING	DISCOUNT	NET AMOUNT
BULK WASTEWATERPUR	06/19/19		330,244.80	0.00	0.00	330,244.80
TOTAL:			\$330,244.80	\$0.00	\$0.00	\$330,244.80

AQUA NORTH CAROLINA INC.
762 Lancaster Avenue Bryn Mawr, PA 19010

OFFICIAL COPY
U.S. Pat. 6,095,407
Render Versascan Style ZR1132-E
Oct 01 2019

THIS DOCUMENT HAS A VOID PANTOGRAPH, MICROPRINTING, A CONTRASTIVE ARTIFICIAL WATERMARK AND THERMOCHROMATIC INK.

AQUA NORTH CAROLINA INC. PNC BANK, N.A. NEW JERSEY **919608**
762 Lancaster Avenue Bryn Mawr, PA 19010 CHECK NO.


PAY TO THE ORDER OF **JOHNSTON CTY DEPT OF UTILITIES**
ATTN: CHANDRA COATS-NEW DEV
PO BOX 2263
SMITHFIELD NC 27577

DATE: 06/24/19

AMOUNT: \$330,244.80

Three Hundred Thirty Thousand Two Hundred Forty Four and 80/100 Dollars

Check Not Valid After 180 days



⑈000919608⑈ ⑆036202770⑆ 8026224535⑈

*See Reverse Side For Full Company Instructions

AQUA NORTH CAROLINA INC.
762 Lancaster Avenue Bryn Mawr, PA 19010

JOHNSTON CTY DEPT OF UTILITIES
ATTN: CHANDRA COATS-NEW DEV
PO BOX 2263
SMITHFIELD NC 27577

Johnston County

DEPARTMENT OF PUBLIC UTILITIES

POST OFFICE BOX 2263
SMITHFIELD, N.C. 27577
(919) 989-5075

June 11, 2019

Mr. Ruffin Poole
Director, Business Development
Aqua North Carolina
202 MacKenan Drive
Cary, NC 27511

Re: Proposed Bulk Wastewater Capacity Purchase

Dear Ruffin:

In follow-up to our prior discussions, please be advised that Johnston County requires bulk wastewater capacity to be purchased for transmission and treatment capacity simultaneously. The combined transmission and treatment capacity fee must be paid in full at the time of capacity reservation. This is necessary for future planning and capacity reservation in the County's collection/transmission system and treatment facilities.

Please contact me at (919) 209-8333 or chandra.coats@johnstonnc.com if you have any questions or need additional information.

Sincerely,

Chandra C. Farmer

Chandra C. Farmer, PE
Director of Utilities

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Affidavit of C. Ruffin Poole, Director of Business Development for Aqua North Carolina, Inc., providing verified information in response to a Commission Order dated September 17, 2019, has been served on the parties of record to Docket Nos. W-218, Subs 497 and 497A, in accordance with North Carolina Utilities Commission Rule R1-39, either by: United States mail, first class postage pre-paid; by hand delivery; or by means of electronic delivery upon agreement of the receiving party.

This the 1st day of October 2019.

Electronically Submitted
/s/Jo Anne Sanford
State Bar No. 6831

SANFORD LAW OFFICE, PLLC
sanford@sanfordlawoffice.com
Tel: 919.210.4900

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