SANFORD LAW OFFICE, PLLC

Jo Anne Sanford, Attorney at Law

January 18, 2019

Ms. M. Lynn Jarvis, Chief Clerk North Carolina Utilities Commission 4325 Mail Service Center Raleigh, North Carolina 27699-4325

Via Electronic Filing

Re:

Aqua North Carolina, Inc. Docket No. W-218, Sub 497

Affidavit of Tammy S. Bernard and Request for Extension of Time

Dear Ms. Jarvis:

On December 18, 2018, the Commission entered an Order Approving Partial Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice ("Sub 497 Rate Case Order") in response to the General Rate Case Application filed by Aqua North Carolina, Inc. ("Aqua" or "Company") in Docket No. W-218, Sub 497. Decretal Paragraph No. 25 of the Sub 497 Rate Case Order provides as follows:

25. 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.

Aqua has been working diligently to prepare and file the information required by Decretal Paragraph No. 25 and hereby files a partial response to the Commission's request for information; i.e., the attached Affidavit of Tammy S. Bernard, Aqua's Senior Accountant III. Ms. Bernard, in her Affidavit, provides the requested information related to the Company's *present* accounting treatment of the capacity purchased from, and transmission expenses paid to, Johnston County.

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sanford@sanfordlawoffice.com

Aqua requires, and hereby requests, additional time to prepare and file the remainder of its response to the Commission's request for information related 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 Sub 497 Rate Case Order.

Accordingly, Aqua hereby requests an extension of time until Friday, March 15, 2019, to file the information requested by the Commission in Decretal Paragraph No. 25 related 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 Sub 497 Rate Case Order.

I hereby certify that this partial response and request for an extension of time has today been served upon all parties of record to NCUC Docket No. W-218, Sub 497.

Aqua is authorized to state that the Public Staff supports this request and that the Attorney General and Intervenor Eric Galamb do not oppose it.

As always, thank you and your staff for your assistance; please feel free to contact me if there are any questions or suggestions.

Sincerely,

Electronically Submitted
/s/Jo Anne Sanford
State Bar No. 6831
Attorney for Aqua North Carolina, Inc.

c: Parties of Record (Docket No. W-218, Sub 497)

STATE OF NORTH CAROLINA UTILITIES COMMISSION RALEIGH

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) AFFIDAVIT OF
Carolina 27511, for Authority to Increase) TAMMY S. BERNARD,
Rates for Water and Sewer Utility) AQUA NORTH CAROLINA, INC.
Service in All of Its Service Areas in)
North Carolina	j

NOW COMES Tammy S. Bernard, Senior Accountant III, for Aqua North Carolina, Inc. ("Aqua" or "Company"), being duly sworn, who hereby executes this Affidavit on behalf of Aqua in Docket No. W-218, Sub 497, a general rate case proceeding before the North Carolina Utilities Commission ("Commission" or "NCUC").

1. On December 18, 2018, the Commission entered an Order Approving Partial Settlement Agreement and Stipulation, Granting Partial Rate Increase, and Requiring Customer Notice ("Sub 497 Rate Case Order") in response to the General Rate Case Application filed by Aqua North Carolina, Inc. ("Aqua" or "Company") in Docket No. W-218, Sub 497. Decretal Paragraph No. 25 of the Sub 497 Rate Case Order 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. Aqua hereby files a partial response to the Commission's request for information; i.e., the requested information related to the Company's *present* accounting treatment of the capacity purchased from, and transmission expenses paid to, Johnston County. Aqua has, as part of this filing, requested additional time to prepare and file its response to the Commission's request for information related 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 Sub 497 Rate Case Order.

AQUA'S PARTIAL RESPONSE

- 3. In June 2018, Aqua paid Johnston County \$785,000 as payment for a transmission/distribution fee and \$1,335,000 for the reservation of 250,000 gallons per day ("gpd") of wastewater treatment capacity in the Johnston County wastewater treatment plant ("WWTP"). The total price paid was \$2,120,000. Aqua initially capitalized this cost to Rate Base/Utility Plant In-Service ("UPIS"), GL Account 300000, as a non-depreciating asset, consistent with Aqua President Becker's rebuttal testimony that it was appropriate to include these costs in rate base because "the capacity will be used within a reasonable time frame after the close of our evidentiary hearing." (See witness Becker's Prefiled Rebuttal Testimony at page 26, lines 4 7)
- 4. As required by Finding of Fact No. 44 of the Commission's Sub 497 Rate Case Order, Aqua removed \$785,000 from UPIS (GL Account 300000) for the transmission and distribution fees paid to Johnston County and recorded those

fees to Deferred Reg Asset (GL Account 186399) to be amortized over 6 years, with no unamortized balance included in the Company's rate base. (Please refer to the attached PDF file "Required Reporting – Ordering Para 25 – Capacity.") In addition, consistent with the Sub 497 Rate Case Order, Aqua amortized ½ month of the transmission and distribution fees in December 2018 and will continue to amortize those fees monthly until it they are fully amortized in December 2024. The amortization is being recorded as a debit to expense GL Account 736500 – Outside Services Other – Transmission & Distribution Operations and a credit to GL Account 186399 Deferred Reg Asset. (Please refer to attached PDF file "Aqua Amort JoCo Fees" for the Company's amortization schedule). The unamortized balance will be excluded from rate base.

5. As required by Finding of Fact No. 44 of the Commission's Sub 497 Rate Case Order, Aqua also removed \$1,335,000 from UPIS (GL Account 300000) and moved that amount to Property Held for Future Use (GL Account 103000). (Please refer to attached PDF file "Required Reporting – Ordering Para 25 – Capacity").

Tammy S. Bernard

Sworn to and subscribed before me this

The \swarrow $\overset{\leftarrow}{\sum}$ day of January 2019.

Notary Public

My Commission Expires:

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General Ledger Journal Entry with Comments

Version 9 1000 lines

Company

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2018

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\$785,000 transmission fo	ees to 186399 to be amor	tized for 6 years.	Adjust 🖲
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RC Adjustment >7 move \$1,335,000 to HFU (GL 103000) until Johnston cty interconnect has been completed and placed into service.

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W-218 Sub 497 Aqua Amort JoCo Fees

AQUA NORTH CAROLINA, INC. Acct 8800 - 186399 Johnston County Transmission & Distribution Fees (6 years) December 2018 Expense to 736500

Description	PERIOD	TOTAL AMOUNT	BALANCE 12/31/18	ADDITIONS	EXPENSE TO MONTH# 0.50	BALANCE YTD
Johnston Co	12/18-12/24	785,000.00 785,000.00		785,000.00 785,000.00	5,451.39 5,451.39	779,548.61 779,548.61