

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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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)

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

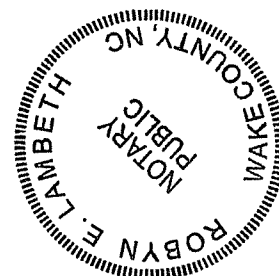
Sworn to and subscribed before me this

The 18th day of January 2019.



Notary Public

My Commission Expires: May 13, 2021



Work Order	35880089130	JE Code	MISC	Book	
Description	Rate Cs Adj Johnston Co WW Capacity	ID		Basis	
Asset Description	Property Held For Future Use: \$1,335,000 for Aqua purchase of capacity in Johnston County WWTP to serve Aqua customers once interconnection has been completed.				Cancel
Company	Aqua North Carolina	Book Schema	all	Minor Add	
Functional Class	Wastewater	Subledger	None	Yes	<input type="radio"/>
GL Account	103-Property Held for Future Use	Property Group	Office Furniture & Eq	No	<input checked="" type="radio"/>
Bus Segment	2-Wastewater	Accounting Month	12/2018		
Utility Account	103000-Property Held Future Use-W	Eng In Service Year	12/2018		
Sub Account	None	Posting Quantity	1.00		
Retirement Unit	Office Furniture EA	Posting Amount	\$1,335,000.00		
		Serial Number			
Asset Location	NEUSE COLONY N396 SWR 02-237				

Class Codes	Class Code Values
Class Code	Class Code
DSIC Eligible	
New or Replacement	Not Applicable
Prior Rate Case Adjustments	

Add \$1,335,000 Johnston city ww capacity purchase to HFU (GL 103000)

Rate case adjustment

Enter Total Adjustment Amounts:

Adjustment Date: 12/2018 Entry Quantity: 1.00
 Work Order: 35880089130 Adjusted Quantity: 1.00
 Journal Entry Code: MISC Entry Amount: \$2,120,000.00
 Second Financial Cost: \$.00
 Adjusted Amount: 1,335,000.00

Detail
 Book
 Cancel

Transaction Description: Rate case adjustment for Johnston County capacity purchased. Move \$1,335,000 to HFU to close when interconnect is complete. Further, move \$785,000 transmission fees to 186399 to be amortized for 6 years.
 Transaction: Adjustment - Work Order Addition

FERC Activity
 Add
 Adjust

Current Basis Amounts

Cost - No Detail	2,120,000.00
Labor	.00
Materials	.00
CIAC-Non Taxable	.00
AFUDC Equity	.00
AFUDC Debt	.00
IGNORE	.00
Current Total:	\$2,120,000.00

Adjusted Basis Amounts

Cost - No Detail	1,335,000.00
Labor	.00
Materials	.00
CIAC-Non Taxable	.00
AFUDC Equity	.00
AFUDC Debt	.00
IGNORE	.00
Adjusted Total:	\$1,335,000.00

RC Adjustment → move \$785,000 to 8800 186399 to amortize over 6 yrs. These are transmission fees.

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 Jan 18 2019

Ledger Entry Detail

Cancel

Description	Work Order Addition	Work Order	35880089130
Long Description	Organization costs		
Property Group	Intangible Plant	Subledger	None
Retirement Unit	Organization costs		
Unit of Measure	EA	Retire Method	specific
Asset Location	NEUSE COLONY N396 SWR 02-237		
Utility Account	351100-Organization	In Service Year	Jun-2018
Sub Account	None	Eng. In Service Year	Jun-2018
Business Segment	2-Wastewater	Accumulated Quantity	1.00
GL Account	101-Utility Plant in Service	Accum Cost(USD)	2,120,000.00
Company	Aqua North Carolina		
Functional Class	Wastewater		
Serial Number		Depreciation Group	351100-NCWW-ANC-Eas

Classification Information

Classifications	Values
Blanket Auto Close	
Bonus Depreciation	
Contributed Property	

Complete / Modify GL Account Information and Accept:

Scroll to the modified rows and select an offset account

Cost - No Detail [\$705,000.00] Offset Account: []

Tax Dveiheds [\$2,441.35] Offset Account: [Tax Only]

Accept

Cancel

Enter Total Adjustment Amounts:

Detail
Book
Cancel

Adjustment Date: 12/2018 Entry Quantity: 1.00
 Work Order: 35880089130 Adjusted Quantity: .00
 Entry Amount: \$1,335,000.00
 Journal Entry Code: MISC Second Financial Cost: \$.00
 Adjusted Amount: 1.00

Transaction Description: Rate case adjustment for Johnston County WW capacity purchased by Aqua \$1,335,000 to be moved to HFU (GL 103000) until interconnect has been completed, then charge will be unitized as part of the capital project.
 Transaction: Adjustment - Work Order Addition

FERC Activity
Add
Adjust

Current Basis Amounts

Adjusted Basis Amounts

Cost - No Detail	1,335,000.00
Labor	.00
Materials	.00
CIAC-Non Taxable	.00
AFUDC Equity	.00
AFUDC Debt	.00
IGNORE	.00
Current Total:	\$1,335,000.00

Cost - No Detail	.00
Labor	.00
Materials	.00
CIAC-Non Taxable	.00
AFUDC Equity	.00
AFUDC Debt	.00
IGNORE	.00
Adjusted Total:	\$.00

RC Adjustment → move \$1,335,000 to HFU (GL 103000) until Johnston city interconnect has been completed and placed into service.

Ledger Entry Detail

Cancel

Description	Work Order Addition	Work Order	35880089130
Long Description	Organization costs		
Property Group	Intangible Plant	Subledger	None
Retirement Unit	Organization costs		
Unit of Measure	EA	Retire Method	specific
Asset Location	NEUSE COLONY N396 SWR 02-237		
Utility Account	351100-Organization	In Service Year	Jun-2018
Sub Account	None	Eng. In Service Year	Jun-2018
Business Segment	2-Wastewater	Accumulated Quantity	1.00
GL Account	101-Utility Plant in Service	Accum Cost (USD.)	1,335,000.00
Company	Aqua North Carolina		
Functional Class	Wastewater		
Serial Number		Depreciation Group	351100-NCW/W-ANC-Eas

Classification Information

Classifications	Values
Blanket Auto Close	
Bonus Depreciation	
Contributed Property	

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Jan 18 2019

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	5,451.39	779,548.61
		<u>785,000.00</u>	<u>-</u>	<u>785,000.00</u>	<u>5,451.39</u>	<u>779,548.61</u>