

# SANFORD LAW OFFICE, PLLC

Jo Anne Sanford, Attorney at Law

April 27, 2022

Ms. A. Shonta Dunston, 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 526A  
Application for Approval of Water and Sewer System Improvement  
Charge Rate Adjustments Pursuant to G.S. 62-133.12

Dear Ms. Dunston:

Aqua North Carolina, Inc. ("Aqua" or "Company") hereby files an Application for Approval of Water and Sewer System Improvement Charge Rate Adjustments Pursuant to G.S. 62-133.12 and Commission Rules R7-39 and R10-26. Aqua submits that its water and sewer system improvements are prudent and necessary to enable the Company to provide safe, reliable, and efficient service to its customers in accordance with applicable water quality and effluent standards, and requests that the Commission, upon review of this Application, so find. The impacts of these updated surcharges, to become effective for service rendered on and after July 1, 2022, range from a \$0.45 to \$3.09 surcharge per month for the various "average" residential customers in the Aqua network, varying by rate division.

Aqua hereby requests that the Commission approve implementation of the proposed new WSIC and SSIC tariffs and percentage charges effective for service rendered on and after July 1, 2022. The Company further requests that, if there are issues in controversy between Aqua and the Public Staff at the time this matter is presented to and considered by the Commission at Staff Conference, the Commission proceed to enter an Order effective for service rendered on and after July 1, 2022, approving new WSIC/SSIC surcharge

percentages which comprise and reflect a decision on all issues not then in controversy between the parties, assuming the Commission accepts the parties' joint view. The Commission is requested to thereafter proceed to separately consider and rule on the contested issues by way of a second Order and revise the applicable WSIC/SSIC surcharge percentages as necessary. This procedure will, if applied to this and future WSIC/SSIC Surcharge Applications, mitigate the degree of regulatory lag and negative short-term financial impacts on the Company.

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

Sincerely,

**Electronically Submitted**

**/s/Jo Anne Sanford**

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 526A

In the Matter of  
Application by Aqua North Carolina, ) APPLICATION FOR APPROVAL  
Inc., 202 MacKenan Court, Cary, North ) OF WATER AND SEWER  
Carolina 27511 for Authority to ) SYSTEM IMPROVEMENT  
Implement Water and Sewer System ) CHARGE RATE ADJUSTMENTS  
Improvement Charge Rate Adjustments ) PURSUANT TO G.S. 62-133.12  
Pursuant to G.S. 62-133.12 )

**NOW COMES Aqua North Carolina, Inc.** (“Aqua” or “Company”), by and through counsel, and hereby applies to the North Carolina Utilities Commission (“Commission” or “NCUC”) for authority to implement water and sewer system improvement charge (“WSIC/SSIC”) rate adjustments pursuant to G.S. 62-133.12 and NCUC Rules R7-39 and R10-26. Aqua states the following in support of this Application:

1. On June 12, 2013, North Carolina Session Law 2013-106 (House Bill 710), An Act to Permit Water Utilities to Adjust Rates for Changes in Costs Based on Third-Party Rates and to Authorize the Utilities Commission to Approve a Rate Adjustment Mechanism for Water and Sewer Utilities to Recover Costs for Water and Sewer System Improvements, was signed into law, having previously been ratified by the North Carolina General Assembly. In this legislation, the General Assembly, in pertinent part, enacted G.S. 62-133.12 to authorize the Commission in a general rate proceeding to approve a rate adjustment mechanism to allow water and sewer utilities to recover reasonable and prudently-incurred investments in eligible water and sewer system improvements. Session Law 2013-106 became

effective on June 12, 2013. Prior to enactment of this legislation, the Commission did not have statutory authority to establish these rate adjustment mechanisms for water and sewer utilities.

2. G.S. 62-133.12 was recently amended by the North Carolina General Assembly by Section 2 of Session Law 2021-149 (Senate Bill 211) effective September 10, 2021.

3. G.S. 62-133.12 provides for Commission approval of a water system improvement charge (“WSIC”) and a sewer system improvement charge (“SSIC”), upon a finding that the rate adjustment mechanism is in the public interest. G.S. 62-133.12(a) provides:

"The frequency and manner of the rate adjustments under the mechanism shall be as prescribed by the Commission."

4. On August 28, 2013, the Commission entered an Order Establishing Rulemaking in Docket No. W-100, Sub 54 and, in pertinent part, granted Aqua’s petition to intervene.

5. On May 2, 2014, the Commission entered an Order Granting Partial Rate Increase, Approving Rate Adjustment Mechanism, and Requiring Customer Notice (“2014 Rate Case Order”) in Docket No. W-218, Sub 363.

6. Decretal Paragraph 9 of the 2014 Rate Case Order provided that: “Aqua’s request to utilize a WSIC/SSIC mechanism pursuant to G.S. 62-133.12 to recover certain incremental costs related to eligible investment in water and sewer infrastructure projects completed and placed in service between general rate case proceedings is in the public interest and is hereby approved.”

7. Decretal Paragraph 10 of the 2014 Rate Case Order provided that: “Aqua shall utilize the alternative procedures set forth in Appendices C and D, attached hereto, and shall make the requisite filings in order to qualify for implementation of the WSIC/SSIC without having to make an additional rate filing subsequent to the adoption of final rules in Docket No. W-100, Sub 54.”

8. On June 6, 2014, the Commission entered an Order Adopting Rules to Implement G.S. 62-133.12 in Docket No. W-100, Sub 54. Rule R7-39, entitled “Water System Improvement Charge Mechanism,” and Rule R10-26, entitled “Sewer System Improvement Charge Mechanism,” were adopted effective as of the date of the rulemaking order.

9. Rules R7-39(f) and R10-26(f) provide that once WSIC and SSIC mechanisms are approved and eligible water and sewer system improvements are in service, the utility (in this case, Aqua) may file a request with the Commission for authority to impose the water and sewer system improvement charges pursuant to the mechanisms, to be effective no less than 60 days after filing the request.

10. On October 26, 2020, the Commission entered an Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Granting Partial Rate Increase, and Requiring Customer Notice (“2020 Rate Case Order”) in Docket No. W-218, Sub 526, Aqua’s most recent general rate case.

11. Commission Rules R7-39(i) and R10-26(i) provide that authorized utilities, such as Aqua, may file requests for WSIC and SSIC rate adjustments no more frequently than semiannually. Therefore, by this Application, Aqua files this

semiannual application (in Docket No. W-218, Sub 526A) for WSIC and SSIC rate adjustments, provides the requisite minimum notice of 60 days, and requests authority to impose revised WSIC and SSIC customer charges effective for service rendered on and after July 1, 2022.

12. Pursuant to NCUC Rules R7-39(b)(7) and R10-26(b)(7), the WSIC and SSIC Period for Aqua is the 12-month period ended December 31 each year. For purposes of this Application, the applicable WSIC and SSIC Period is the 12-month period ended December 31, 2022.

13. For purposes of this Application, Aqua is not seeking cost recovery of additional or newly-completed investments in eligible water and sewer system improvements (placed in-service since September 30, 2021) as defined in G.S. 62-133.12(c).

14. The updated WSIC/SSIC revenue amounts requested in this filing result from (a) the “Year-2” update/reduction to the revenue amounts awarded July 1, 2021, designated as 2021-2 in Exhibit 1, Schedule 3 and (b) the newly-calculated experience modification factors (EMFs) that will be in effect on July 1, 2022.

15. NCUC Rules R7-39(b)(1) and R10-26(b)(1) define the term “capital costs” to mean the pretax return on costs permitted to be capitalized pursuant to the National Association of Regulatory Utility Commissioners (“NARUC”) Uniform System of Accounts, net of accumulated depreciation and accumulated deferred income taxes, using the current federal and state income tax rates and the utility’s

capital structure, cost of long-term debt, and return on equity approved in the utility's most recent general rate case. Accordingly, Aqua has updated its request for WSIC and SSIC cost recovery of its capital costs utilizing the current federal and state income tax rates and the utility's capital structure, cost of long-term debt, and return on equity approved in Docket No. W-218, Sub 526, the Company's most recent general rate case.

16. NCUC Rules R7-39(b)(6) and R10-26(b)(6) define the terms "WSIC Revenue Requirement" and "SSIC Revenue Requirement" to mean the annual revenue required to allow a utility to recover the annual incremental depreciation expense and capital costs of eligible water and sewer system improvements. Accordingly, Aqua has developed this Application and calculated its request to recover the updated WSIC and SSIC Revenue Requirements consistent with the methodology set forth in subsections (g) of the referenced rules.

17. Aqua's updated WSIC Revenue Requirements for purposes of this Application are: Aqua Water: +\$183,834; Brookwood/LaGrange Water: +\$14,421; and Fairways and Beau Rivage Water: +\$22,030. The Company's updated SSIC Revenue Requirements are: Aqua Sewer: +\$147,035; and Fairways and Beau Rivage Sewer: +\$3,744.

18. Aqua's cumulative WSIC Revenue Requirements for purposes of this Application are: Aqua Water: +\$1,527,326; Brookwood/LaGrange Water: +\$75,161; and Fairways and Beau Rivage Water: +\$88,381. The Company's

cumulative SSIC Revenue Requirements are: Aqua Sewer: +\$715,776; and Fairways and Beau Rivage Sewer: +\$19,258.

19. The applicable projected (non-WSIC/non-SSIC) annual service revenue amounts have been projected for the period from January 2022 – December 2022. NCUC Rules R7-39(h) and R10-26(h) specify how the water and sewer system charges are to be calculated. Subsections (h)(1) of the Rules specify that the WSIC and SSIC shall be expressed as a percentage carried to two decimal places and shall be applied to the total utility bill of each customer under the utility's applicable service rates and charges.

20. The changes to the WSIC/SSIC surcharges requested by Aqua, as set forth above, would result in the following proposed updated, cumulative WSIC and SSIC surcharge percentages to become effective on July 1, 2022: Cumulative WSIC surcharge percentages: Aqua Water: 3.81%; Brookwood/LaGrange Water: 1.18%; and Fairways and Beau Rivage Water: 6.99%. Cumulative SSIC surcharge percentages are: Aqua Sewer: 4.10%; and Fairways and Beau Rivage Sewer: 0.84%. Note – These rates include the impact of the respective EMFs effective July 1, 2022.

21. If approved by the Commission, these cumulative surcharge percentages will be applied to the utility bill of each customer under the Company's applicable service rates and charges for service rendered on and after July 1, 2022.



22. Subsections (h)(2) of the NCUC Rules specify that the WSIC and SSIC shall be computed by dividing the annual WSIC and SSIC Revenue Requirements by the projected non-WSIC/SSIC revenues of the utility during the 12-month period following implementation of the charges. By this Application, Aqua has made the required computations consistent with the NCUC Rules by utilizing the following projected non-WSIC Revenue Requirements during the 12-month period following implementation of the charges: Aqua Water: \$40,128,431; Brookwood Water: \$6,365,569; and Fairways Water \$1,263,679. In making the required computations, Aqua utilized the following projected non-SSIC Revenue Requirements: Aqua Sewer: \$17,448,549; and Fairways and Beau Rivage Sewer: \$2,300,268.

23. NCUC Rules R7-39(i) and R10-26(i) authorize Aqua to request semiannual WSIC and SSIC adjustments. By this Application, Aqua applies for a semiannual WSIC and SSIC rate adjustment in Docket No. W-218, Sub 526A. Effective as of September 10, 2021, Session Law 2021-149 amended G.S. 62-133.12(g) to increase the cumulative percentage limitation or cap on cumulative water and sewer improvement charges from five percent (5%) to seven and one-half percent (7.5%) of the total annual service revenues approved by the Commission in the Company's last general rate case.<sup>1</sup> For purposes of this Application, Aqua states that the newly-enacted seven and one-half percent

---

<sup>1</sup> Subsections (i)(2) of the NCUC Rules need to be amended to specify that cumulative WSIC and SSIC Revenue Requirements may not exceed seven and one-half percent of the total annual service revenues approved in the utility's last general rate proceeding.

limitation has been calculated as follows based upon the total annual service revenues approved in the Company's last general rate proceeding: Aqua Water: \$2,890,987; Aqua Sewer: \$1,231,955; Brookwood/LaGrange Water: \$482,544; Fairways and Beau Rivage Water: \$86,978; and Fairways and Beau Rivage Sewer: \$161,444.

24. Aqua's proposed WSIC and SSIC adjustments will increase monthly residential average customer bills as follows:

**Aqua Water:** Per the current Aqua Water tariff (in effect as of the date of this filing), a residential customer with usage of 4,871 gallons per month would have a monthly bill of \$51.78. The cumulative WSIC request set forth in this Application would result in a monthly surcharge of \$1.97 for this billed amount, for a total bill of \$53.75. The average monthly residential bills for bulk purchased water systems will vary, but customer bills will be increased by this same WSIC surcharge rate.

**Aqua Sewer:** Per the current Aqua Sewer tariff (in effect as of the date of this filing), the flat rate residential monthly bill is \$75.38. The cumulative SSIC request set forth in this Application would result in a SSIC surcharge of \$3.09, for a total bill of \$78.47. The average monthly bills for *metered* residential and commercial sewer customers will vary, but customer bills will be increased by the same SSIC surcharge rate. The average monthly residential bills for bulk purchased sewer systems vary, but will have this same SSIC surcharge applied to customer bills each month.

**Fairways and Beau Rivage Water:** Per the current Fairways and Beau Rivage Water tariff (in effect as of the date of this filing), a residential customer with usage of 7,151 gallons per month would have a monthly bill of \$19.64. The cumulative WSIC request set forth in this Application would result in a monthly surcharge of \$1.37 for this billed amount, for a total bill of \$21.01.

**Fairways and Beau Rivage Sewer:** Per the current Fairways and Beau Rivage Sewer tariff (in effect as of the date of this filing), the flat rate residential monthly bill is \$54.11. The cumulative SSIC request set forth in this Application would result in a monthly surcharge amount of \$0.45, for a total bill of \$54.56. The average monthly bills for metered residential and commercial sewer customers will vary, but customer bills will be increased by this same SSIC surcharge rate.

**Brookwood/LaGrange Water:** Per the current Brookwood/LaGrange Water tariff (in effect as of the date of this filing), a residential customer with usage of 5,069 gallons per month, would have a monthly bill of \$39.18. The cumulative WSIC request set forth in this Application would result in a monthly surcharge of \$0.46 for this billed amount, for a total bill of \$39.64. The average monthly residential bills for bulk purchased water systems will vary, but customer bills will be increased by this same WSIC surcharge rate.

25. Aqua's proposed WSIC and SSIC tariff is attached hereto as Appendix B. This tariff is proposed to become effective for water and sewer utility service rendered on and after July 1, 2022.

26. The attorney for Aqua, on whom all pleadings and notices should be served, is:

Jo Anne Sanford  
Sanford Law Office, PLLC  
Post Office Box 28085  
Raleigh, North Carolina 27611-8085  
Telephone: 919-210-4900  
E-mail: sanford@sanfordlawoffice.com

**WHEREUPON**, Aqua hereby requests that the Commission approve implementation of the proposed updated WSIC and SSIC tariffs and percentage charges contained in Appendix A effective for service rendered on and after July 1, 2022. The Company further requests that, if there are issues in controversy between Aqua and the Public Staff at the time this matter is presented to and considered by the Commission at Staff Conference, the Commission proceed to enter an Order effective for service rendered on and after July 1, 2022, approving the updated WSIC/SSIC surcharge percentages which comprise and reflect a decision on all issues not then in controversy between the parties, assuming the Commission accepts the parties' joint view. The Commission is requested to thereafter proceed to separately consider and rule on the contested issues by way of a second Order and revise the applicable WSIC/SSIC surcharge percentages as necessary. This procedure will, if applied to this and future WSIC/SSIC Surcharge Applications, mitigate the degree of regulatory lag and negative short-term financial impacts on the Company.

Respectfully submitted this 27th day of April, 2022.

**SANFORD LAW OFFICE, PLLC**

**Electronically Submitted**

**/s/Jo Anne Sanford**

State Bar No. 6831

P.O. Box 28085

Raleigh, North Carolina 27611-8085

Phone: 919-210-4900

E-mail: sanford@sanfordlawoffice.com

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

Bennink Law Office

State Bar No. 6502

130 Murphy Drive

Cary, North Carolina 27513


Telephone: 919-760-3185

Email: BenninkLawOffice@aol.com

**Attorneys for Aqua North Carolina, Inc.**

**VERIFICATION**

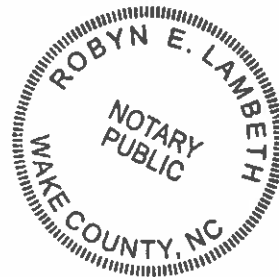
**Josh M. Howery**, being duly sworn, deposes and says: that he is the Controller of Aqua North Carolina, Inc.; that he is familiar with the facts set out in this **Application for Approval of Water and Sewer System Improvement Charge Rate Adjustments Pursuant to G.S. 62-133.12** filed in Docket No. W-218, Sub 526A; that he has read the foregoing Application and knows the contents thereof; and that the Application 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.

  
\_\_\_\_\_  
Josh M. Howery

Sworn to and subscribed before me this  
the 9<sup>th</sup> day of April, 2022.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: May 13, 2026



APPENDIX A

**AQUA NORTH CAROLINA, INC.**  
**WSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Aqua North Carolina Water**

ANCW

Line#		4/30/2022	
1	Filing		
2	Plant in Service Date	3/31/2022	
3	WSIC Rates Effective	7/1/2022	
4	WSIC Period End	12/31/2022	
5			
6	Plant Additions, current period	-	No new plant additions
7	Accumulated depreciation	-	
8	Net plant	-	
9	Deferred Income Tax	-	
10	Net Eligible Property	-	
11	Pre-tax ROR %	8.2069%	Note 1
12	Pre-tax rate of return	-	
13	Annual depreciation expense	-	
14	Total, excluding regulatory fee	-	
15	Regulatory fee gross-up factor	0.99870	Note 2
16	Calculated WSIC revenue requirement for this filing	-	
17			
18	Total Service Revenues from Docket No. 218, Sub 526	38,546,489.00	
19	Cap of 7.5% of annual service revenues from Docket No. 218, Sub 526	2,890,986.68	line 18 x 7.5 %
20			
21	Revenue Request effective 1/1/2021 (2021-1)	135,741.00	revenue effective 1/1/22
21-b	Revenue Request effective 7/1/2021 (2021-2)	502,936.00	updated for year 2 (Appendix B)
21-c	Revenue Request effective 1/1/2022 (2022-1)	691,906.00	revenue effective 1/1/2022
21-d	Revenue Request effective 7/1/2022 (2022-2)	-	from line 16 above
22	Total Annual WSIC revenue based on cumulative WSIC net plant. CAPPED AT 7.5% TARGET FROM LINE 19 ABOVE	1,330,583.00	sum lines 21, capped at max from line 19
22-b	EMF Amount effective 7/1/2022	196,743.00	2022 EMF filing
22-c	Total Annual WSIC revenue requirement effective 7/1/2022	1,527,326.00	sum lines 22 + 22-b
23	Anticipated Non-WSIC service revenues 1/1/2022 to 12/31/2022	40,128,431.00	2022 Applicable Budgeted Revenue
24	WSIC Surcharge % requested for effective date of 7/1/2022	3.81%	line 22-c divided by line 23
25			
26			
27			

**AQUA NORTH CAROLINA, INC.**  
**WSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Aqua North Carolina Water**

Line#	(Note 1) Capital Structure and Rate of Return from Docket No. 218,					
28	Sub 526:					
29						
30	SIT rate (effective 1/1/19)	2.50%				
31	FIT rate (effective 1/1/18)	21.00%				
	Composite income tax rate $1 - ((1 - 2.5\%) \times (1 - 21\%))$	22.975%				
32						
33						
34	<u>Capital costs and structure from Docket No.218, Sub 526:</u>					
35	Debt		50%	Cost	4.21%	Weighted Cost
36	Equity		50%	Cost	9.40%	2.105%
37	(Pre Tax Equity 4.70% / (1-22.975%))				6.805%	6.102%
38						8.2069%
39	(Note 2)					
40	Regulatory fee rate (as of 7/1/2019)	0.130%				
41	Regulatory fee gross-up factor	1-13%				
42						
43	<u>Average Residential Customer Bill</u>					
44	monthly gallons billed per customer per Docket W-218, Sub 526	4,871				
45	BFC Charge, as of 10/26/2020	\$ 20.70				
46	Usage Charge, as of 10/26/2020	\$ 6.38				
47	Average Residential Customer Bill - prior to application of WSIC surcharge	\$ 51.78				line 45+line 44/1000 x line 46
48	WSIC Surcharge requested effective 7/1/22 (above)	\$ 3.81%				from line 24
49	Average Residential Customer Bill - after application of 7/1/22 WSIC surcharge	\$ 53.75				line 47 x (1+line 48)
50	Cumulative impact on monthly residential bills as of 7/1/2022	\$ 1.97				line 49 less line 47



**AQUA NORTH CAROLINA, INC.**  
**SSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Aqua North Carolina Wastewater**

Line#			
1	Filing	4/30/2022	
2	Plant in Service Date	3/31/2022	
3	SSIC Rates Effective	7/1/2022	
4	SSIC Period End	12/31/2022	
5			
6	Plant Additions, current period	-	No new plant additions
7	Accumulated depreciation	-	
8	Net plant	-	
9	Deferred Income Tax	-	
10	Net Eligible Property	-	
11	Pre-tax ROR %	8.2069%	Note 1
12	Pre-tax rate of return	-	
13	Annual depreciation expense	-	
14	Total, excluding regulatory fee	-	
15	Regulatory fee gross-up factor	0.99870	Note 2
16	Calculated SSIC revenue requirement for this filing	-	
17			
18	Total Service Revenues from Docket No. 218, Sub 526	16,426,070.00	
19	Cap of 7.5% of annual service revenues from Docket No. 218, Sub 526	1,231,955.25	line 18 x 7.5 %
20			
21	Revenue Request effective 1/1/2021 (2021-1)	\$ 61,155.00	revenue effective 1/1/22
21-b	Revenue Request effective 7/1/2021 (2021-2)	459,456.00	updated for year 2 (Appendix B)
21-c	Revenue Request effective 1/1/2022 (2022-1)	39,068.00	revenue effective 1/1/2022
21-d	Revenue Request effective 7/1/2022 (2022-2)	-	from line 16 above
22	Total Annual SSIC revenue based on cumulative SSIC net plant. CAPPED AT 7.5% TARGET FROM LINE 19 ABOVE	559,679.00	sum lines 21, capped at max from line 19
22-b	EMF Amount effective 7/1/2022	156,097.00	from 2022 EMF filing
22-c	Total Annual SSIC revenue requirement effective 7/1/2022	715,776.00	sum lines 22 + 22-b
23	Anticipated Non-SSIC service revenues 1/1/2022 to 12/31/2022	17,448,549.00	2022 Applicable Budgeted Revenue
24	Total Annual SSIC Revenue Requirement as % of Estimated Service Revenues	4.10%	line 22-c divided by line 23
25			
26			
27			

**AQUA NORTH CAROLINA, INC.**  
**SSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Aqua North Carolina Wastewater**

Line#	(Note 1) Capital Structure and Rate of Return from Docket No. 218,						
28	Sub 497:						
29	SIT rate (effective 1/1/19)		2.50%				
30	FIT rate (effective 1/1/18)		21.00%				
31	Composite income tax rate 1-((1-2.5%) x (1-21%))		22.975%				
32							
33							
34	<u>Capital costs and structure from Docket No. 218, Sub 497:</u>						
35	Debt	50%	4.21%	2.105%	2.105%		
36	Equity	50%	9.40%	4.700%	6.102%		
37	(Pre Tax Equity 4.70% / (1-22.975%))			6.805%	8.207%		
38							
39	<b>(Note 2)</b>						
40	Regulatory fee rate (as of 7/1/2019)		0.130%				
41	Regulatory fee gross-up factor		1-13%				
42							
43	<u>Average Residential Customer Bill</u>						
44	Residential Flat Rate Customer Bill - from Docket W-218, Sub 526,						
	as of 10/26/2020		\$ 75.38				
45	SSIC Surcharge requested effective 7/1/2022		4.10%	from line 24			
46	Residential Flat Rate Customer Bill - with impact from SSIC award		\$ 78.47	line 44 x (1+line 45)			
47	effective 7/1/2022		\$ 3.09	line 46 less line 44			
	Cumulative impact on monthly residential bills as of 7/1/2022						

APPENDIX A

FW

**AQUA NORTH CAROLINA, INC.**  
**WSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Fairways & Beau Rivage Water**

Line#		4/30/2022	
1	Filing		
2	Plant in Service Date	3/31/2022	
3	WSIC Rates Effective	7/1/2022	
4	WSIC Period End	12/31/2022	
5			
6	Plant Additions, current period	-	No new plant additions
7	Accumulated depreciation	-	
8	Net plant	-	
9	Deferred Income Tax	-	
10	Net Eligible Property	-	
11	Pre-tax ROR %	8.2069%	Note 1
12	Pre-tax rate of return	-	
13	Annual depreciation expense	-	
14	Total, excluding regulatory fee	-	
15	Regulatory fee gross-up factor	0.99870	Note 2
16	Calculated WSIC revenue requirement for this filing	-	
17			
18	Total Service Revenues from Docket No. 218, Sub 526	1,159,708.00	
19	Cap of 7.5% of annual service revenues from Docket No. 218, Sub 526	86,978.10	line 18 x 7.5 %
20	WSIC Revenue Requirement Requested (Lessor of Calculated WSIC revenue or 5% of annual service revenues from Docket No. 218, Sub 526)	-	revenue effective 1/1/22
21	Revenue Request effective 1/1/2021 (2021-1)	64,736.00	updated for year 2 (Appendix B)
21-b	Revenue Request effective 7/1/2021 (2021-2)	-	revenue effective 1/1/2022
21-c	Revenue Request effective 1/1/2022 (2022-1)	-	from line 16 above
21-d	Revenue Request effective 7/1/2022 (2022-2)	-	
22	Total Annual WSIC revenue based on cumulative WSIC net plant. CAPPED AT 7.5% TARGET FROM LINE 19 ABOVE	<b>64,736.00</b>	sum lines 21, capped at max from line 19
22-b	EMF Amount effective 7/1/2022	<b>23,645.00</b>	from 2022 EMF filing
22-c	Total Annual WSIC revenue requirement effective 7/1/2022	<b>88,381.00</b>	sum lines 22 + 22-b
23	Anticipated Non-WSIC service revenues 1/1/2022 to 12/31/2022	1,263,679.00	2022 Applicable Budgeted Revenue
24	WSIC Surcharge % requested for effective date of 7/1/2022	<b>6.99%</b>	line 22-c divided by line 23
25			

APPENDIX A

FW

**AQUA NORTH CAROLINA, INC.**  
**WSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Fairways & Beau Rivage Water**

Line#									
26									
27									
28	(Note 1)	Capital Structure and Rate of Return from Docket No.							
29	218, Sub 526:								
29	SIT rate (effective 1/1/19)			2.50%					
30	FIT rate (effective 1/1/18)			21.00%					
31	Composite income tax rate 1-((1-2.5%) x (1-21%))			22.98%					
32									
33									
34		<u>Capital costs and structure from Docket No.218, Sub 526:</u>							
35	Debt	50%	4.21%	2.105%	2.105%				
36	Equity	50%	9.40%	4.700%	6.102%				
37	(Pre Tax Equity 4.70% / (1-22.975%))			6.805%	8.207%				
38									
39	<b>(Note 2)</b>								
40	Regulatory fee rate (as of 7/1/2019)			0.130%					
41	Regulatory fee gross-up factor			0.99870					
42									
43	<u>Average Residential Customer Bill</u>								
44	monthly gallons billed per customer per Docket W-218, Sub 526			7,151					
45	BFC Charge, as of 10/26/2020	\$		8.56					
46	Usage Charge, as of 10/26/2020	\$		1.55					
47	Average Residential Customer Bill - prior to application of WSIC surcharge	\$		19.64	line 45+line 44/1000 x line 46				
48	WSIC Surcharge requested effective 7/1/2022 (above)			6.99%	from line 24				
49	Average Residential Customer Bill - after application of 1/1/2022 WSIC surcharge	\$		21.01	line 47 x (1+line 48)				
50	Cumulative Impact on monthly residential bills as of 1/1/2022	\$		1.37	line 49 less line 47				

**AQUA NORTH CAROLINA, INC.**  
**SSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Fairways & Beau Rivage Wastewater**

Line#	1	Filing	4/30/2022	
	2	Plant in Service Date	3/31/2022	
	3	SSIC Rates Effective	7/1/2022	
	4	SSIC Period End	12/31/2022	
	5			
	6	Plant Additions, current period	-	No new plant additions
	7	Accumulated depreciation	-	
	8	Net plant	-	
	9	Deferred Income Tax	-	
	10	Net Eligible Property	-	
	11	Pre-tax ROR %	8.2069%	Note 1
	12	Pre-tax rate of return	-	
	13	Annual depreciation expense	-	
	14	Total, excluding regulatory fee	-	
	15	Regulatory fee gross-up factor	0.99870	Note 2
	16	Calculated SSIC revenue requirement for this filing	-	
	17			
	18	Total Service Revenues from Docket No. 218, Sub 526	2,152,586.00	
	19	Cap of 7.5% of annual service revenues from Docket No. 218, Sub 526	161,443.95	line 18 x 7.5 %
	20			
	21	Revenue Request effective 1/1/2021 (2021-1)	973.00	revenue effective 1/1/22
	21-b	Revenue Request effective 7/1/2021 (2021-2)	10,729.00	updated for year 2 (Appendix B)
	21-c	Revenue Request effective 1/1/2022 (2022-1)	3,526.28	revenue effective 1/1/2022
	21-d	Revenue Request effective 7/1/2022 (2022-2)	-	from line 16 above
		Total Annual SSIC revenue based on cumulative SSIC net plant.		
	22	CAPPED AT 7.5% TARGET FROM LINE 19 ABOVE	15,228.28	sum lines 21, capped at max from line 19
	22-b	EMF Amount effective 7/1/2022	4,030.00	from 2022 EMF filing
	22-c	Total Annual SSIC revenue requirement effective 7/1/2022	19,258.28	sum lines 22 + 22-b
	23	Anticipated Non-SSIC service revenues 1/1/2022 to 12/31/2022	2,300,268.00	2022 Applicable Budgeted Revenue
		Total Annual SSIC Revenue Requirement as % of Estimated Service Revenues	0.84%	line 22-c divided by line 23
	24			
	25			
	26			
	27			

**AQUA NORTH CAROLINA, INC.**  
**SSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Fairways & Beau Rivage Wastewater**

Line#	(Note 1) Capital Structure and Rate of Return from Docket No. 218, Sub 526:				
28	SIT rate (effective 1/1/19)	2.50%			
29	FIT rate (effective 1/1/18)	21.00%			
30	Composite income tax rate $1 - ((1 - 2.5\%) \times (1 - 21\%))$	22.975%			
32					
33					
34	<u>Capital costs and structure from Docket No. 218, Sub 526:</u>				
35	Debt	50%	Cost	4.21%	Pre - Tax Weighted Cost
36	Equity	50%		9.40%	2.105%
37	(Pre Tax Equity 4.70% / (1-22.975%))				4.700%
38					6.805%
39	(Note 2)				
40	Regulatory fee rate (as of 7/1/2019)			0.130%	
41	Regulatory fee gross-up factor			0.99870	
42					
43	Average Residential Customer Bill				
44	Residential Flat Rate Customer Bill - from Docket W-218, Sub 526, as of 10/26/2020		\$	54.11	
45	SSIC Surcharge requested effective 7/1/2022			0.84% from line 24	
46	Residential Flat Rate Customer Bill - with impact from SSIC award effective 7/1/2022		\$	54.56 line 44 x (1+line 45)	
47	Cumulative impact on monthly residential bills as of 7/1/2022		\$	0.45 line 46 less line 44	

APPENDIX A

**AQUA NORTH CAROLINA, INC.**  
**WSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Brookwood & LaGrange Water**

Line#		4/30/2022	3/31/2022	7/1/2022	12/31/2022
1	Filing				
2	Plant in Service Date				
3	WSIC Rates Effective				
4	WSIC Period End				
5					
6	Plant Additions, current period	-	-	-	-
7	Accumulated depreciation				
8	Net plant				
9	Deferred Income Tax				
10	Net Eligible Property				
11	Pre-tax ROR %	8.207%			
12	Pre-tax rate of return				
13	Annual depreciation expense				
14	Total, excluding regulatory fee				
15	Regulatory fee gross-up factor	0.99870			
16	Calculated WSIC revenue requirement for this filing				
17					
18	Total Service Revenues from Docket No. 218, Sub 526	6,433,920.00			
19	Cap of 7.5% of annual service revenues from Docket No. 218, Sub 526	482,544.00			
20					
21	Revenue Request effective 1/1/2021 (2021-1)				
21-b	Revenue Request effective 7/1/2021 (2021-2)	37,573.00			
21-c	Revenue Request effective 1/1/2022 (2022-1)	22,264.00			
21-d	Revenue Request effective 7/1/2022 (2022-2)	-			
22	Total Annual WSIC revenue based on cumulative WSIC net plant. CAPPED AT 7.5% TARGET FROM LINE 19 ABOVE	59,837.00			
22-b	EMF Amount effective 7/1/2022	15,324.00			
22-c	Total Annual WSIC revenue requirement effective 7/1/2022	75,161.00			
23	Anticipated Non-WSIC service revenues 1/1/2022 to 12/31/2022	6,365,569.00			
24	WSIC Surcharge % requested for effective date of 7/1/2022	1.18%			
25					
26					
27					

No new plant additions

revenue effective 1/1/22 updated for year 2 (Appendix B)

revenue effective 1/1/2022 from line 16 above

sum lines 21, capped at max from line 19 from 2022 EMF filing

sum lines 22 + 22-b

2022 Applicable Budgeted Revenue

line 22-c divided by line 23

**AQUA NORTH CAROLINA, INC.**  
**WSIC Filing Summary - W-218, Sub 526A**  
**Rate Entity: Brookwood & LaGrange Water**

Line#	(Note 1) Capital Structure and Rate of Return from Docket No. 218, Sub 526:	Cost	Weighted Cost	Pre-Tax Weighted Cost
28	Debt	4.21%	2.105%	2.105%
29	Equity	9.40%	4.700%	6.102%
30	(Pre Tax Equity 4.70% / (1-22.975%))		6.805%	8.207%
31	(Note 2)			
32	Regulatory fee rate (as of 7/1/2019)	0.130%		
33	Regulatory fee gross-up factor 1-13%	0.99870		
34	Average Residential Customer Bill	5,069		
35	monthly gallons billed per customer per Docket W-218, Sub 526	\$ 16.01		
36	BFC Charge, as of 10/26/2020	\$ 4.57		
37	Usage Charge, as of 10/26/2020	\$ 39.18	line 45+line 44/1000 x line 46	
38	Average Residential Customer Bill - prior to application of WSIC surcharge	\$ 1.18%	from line 24	
39	WSIC Surcharge requested effective 7/1/2022 (above)	\$ 39.64	line 47 x (1+line 48)	
40	Average Residential Customer Bill - after application of 7/1/2022	\$ 0.46	line 49 less line 47	
41	WSIC surcharge			
42	Cumulative Impact on monthly residential bills as of 7/1/2022			



**Aqua North Carolina, Inc.**  
Docket No. W-218, Sub 526A  
Calculation of WSIC & SSIC Revenue Requirement  
for WSIC & SSIC Period - Second Half of 2021  
(October 2020 through March 2021 Additions)

2021-2  
Exhibit 1  
Schedule 3  
2022-2

Line No.	Item	Year 1 (7/1/21 - 6/30/22)	Year 2 (7/1/22 - 6/30/23)	Year 3 (7/1/23 - 6/30/24)	Year 4 (7/1/24 - 6/30/25)	Year 5 (7/1/25 - 6/30/26)
		(a)	(b)	(c)	(d)	(e)
<b>UNIFORM WATER OPERATIONS</b>						
1	Plant in service	\$4,689,048 [1]	\$4,689,048 [1]	\$4,689,048 [1]	\$4,689,048 [1]	\$4,689,048 [1]
2	Accumulated depreciation	(187,882) [2]	(338,513) [2]	(489,144) [2]	(639,775) [2]	(790,406) [2]
3	ADIT	(59,266) [3]	(65,727) [3]	(72,188) [3]	(78,648) [3]	(85,109) [3]
4	Net plant investment (L1 + L2 + L3)	4,441,900	4,284,808	4,127,716	3,970,625	3,813,533
5	Pre-tax rate of return	8.207% [4]	8.207% [4]	8.207% [4]	8.207% [4]	8.207% [4]
6	Capital costs (L4 x L5)	364,543	351,651	338,758	325,866	312,973
7	Depreciation expense	150,631 [5]	150,631 [5]	150,631 [5]	150,631 [5]	150,631 [5]
8	Subtotal, excluding regulatory fee (L6 + L7)	515,174	502,282	489,389	476,497	463,604
9	Regulatory fee gross-up factor	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]
10	Annual WSIC revenue requirement (L8 / L9)	515,845	502,936	490,026	477,117	464,208
<b>UNIFORM SEWER OPERATIONS</b>						
11	Plant in service	\$4,801,758 [1]	\$4,801,758 [1]	\$4,801,758 [1]	\$4,801,758 [1]	\$4,801,758 [1]
12	Accumulated depreciation	(99,528) [2]	(189,514) [2]	(279,500) [2]	(369,486) [2]	(459,472) [2]
13	ADIT	(97,296) [3]	(117,582) [3]	(137,868) [3]	(158,153) [3]	(178,439) [3]
14	Net plant investment (L11 + L12 + L13)	4,604,934	4,494,662	4,384,390	4,274,118	4,163,847
15	Pre-tax rate of return	8.207% [4]	8.207% [4]	8.207% [4]	8.207% [4]	8.207% [4]
16	Capital costs (L14 x L15)	377,923	368,873	359,823	350,773	341,723
17	Depreciation expense	89,986 [5]	89,986 [5]	89,986 [5]	89,986 [5]	89,986 [5]
18	Subtotal, excluding regulatory fee (L16 + L17)	467,909	458,859	449,809	440,759	431,709
19	Regulatory fee gross-up factor	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]
20	Annual SSIC revenue requirement (L18 / L19)	468,518	459,456	450,394	441,333	432,271
<b>FAIRWAYS WATER OPERATIONS</b>						
21	Plant in service	\$603,962 [1]	\$603,962 [1]	\$603,962 [1]	\$603,962 [1]	\$603,962 [1]
22	Accumulated depreciation	(18,311) [2]	(36,622) [2]	(54,933) [2]	(73,243) [2]	(91,554) [2]
23	ADIT	(1,343) [3]	(2,686) [3]	(4,030) [3]	(5,374) [3]	(6,717) [3]
24	Net plant investment (L21 + L22 + L23)	584,308	564,654	544,999	525,346	505,691
25	Pre-tax rate of return	8.207% [4]	8.207% [4]	8.207% [4]	8.207% [4]	8.207% [4]
26	Capital costs (L24 x L25)	47,954	46,341	44,728	43,115	41,502
27	Depreciation expense	18,311 [5]	18,311 [5]	18,311 [5]	18,311 [5]	18,311 [5]
28	Subtotal, excluding regulatory fee (L26 + L27)	66,265	64,852	63,039	61,426	59,813
29	Regulatory fee gross-up factor	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]
30	Annual WSIC revenue requirement (L28 / L29)	66,351	64,736	63,121	61,506	59,891
<b>FAIRWAYS SEWER OPERATIONS</b>						
31	Plant in service	\$102,645 [1]	\$102,645 [1]	\$102,645 [1]	\$102,645 [1]	\$102,645 [1]
32	Accumulated depreciation	(6,439) [2]	(10,163) [2]	(13,887) [2]	(17,612) [2]	(21,336) [2]
33	ADIT	(7,543) [3]	(7,294) [3]	(7,045) [3]	(6,796) [3]	(6,547) [3]
34	Net plant investment (L31 + L32 + L33)	88,663	85,188	81,713	78,237	74,762
35	Pre-tax rate of return	8.21% [4]	8.21% [4]	8.207% [4]	8.207% [4]	8.207% [4]
36	Capital costs (L34 x L35)	7,276	6,991	6,706	6,421	6,136
37	Depreciation expense	3,724 [5]	3,724 [5]	3,724 [5]	3,724 [5]	3,724 [5]
38	Subtotal, excluding regulatory fee (L36 + L37)	11,000	10,715	10,430	10,145	9,860
39	Regulatory fee gross-up factor	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]
40	Annual SSIC revenue requirement (L38 / L39)	11,015	10,729	10,444	10,159	9,873
<b>BROOKWOOD WATER OPERATIONS</b>						
41	Plant in service	\$357,163 [1]	\$357,163 [1]	\$357,163 [1]	\$357,163 [1]	\$357,163 [1]
42	Accumulated depreciation	(10,017) [2]	(20,033) [2]	(30,050) [2]	(40,067) [2]	(50,083) [2]
43	ADIT	(981) [3]	(1,962) [3]	(2,943) [3]	(3,924) [3]	(4,905) [3]
44	Net plant investment (L41 + L42 + L43)	346,165	335,168	324,170	313,172	302,175
45	Pre-tax rate of return	8.21% [4]	8.21% [4]	8.207% [4]	8.207% [4]	8.207% [4]
46	Capital costs (L44 x L45)	28,409	27,507	26,604	25,702	24,799
47	Depreciation expense	10,017 [5]	10,017 [5]	10,017 [5]	10,017 [5]	10,017 [5]
48	Subtotal, excluding regulatory fee (L46 + L47)	38,426	37,524	36,621	35,719	34,816
49	Regulatory fee gross-up factor	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]	0.99870 [6]
50	Annual WSIC revenue requirement (L48 / L49)	38,476	37,573	36,668	35,765	34,861

- [1] Exhibit 1, Schedule 3-1, Column (i).
- [2] Exhibit 1, Schedule 3-2, average accumulated depreciation for year.
- [3] Exhibit 1, Schedule 3-2, average ADIT for year
- [4] Pre-tax rate of return percentage for relevant period
- [5] Exhibit 1, Schedule 3-1, Column (j).
- [6] 1 minus regulatory fee rate for the relevant period

**Aqua North Carolina, Inc. (“Aqua” or “Company”)  
Water and Sewer System Improvement Charge Rate Adjustment  
Mechanism  
Tariff/Rate Schedule  
Docket No. W-218, Sub 526A**

By Order entered in Docket No. W-218, Sub 526 on October 26, 2020, the North Carolina Utilities Commission (“NCUC”) continued its approved Aqua’s request, pursuant to G.S. 62-133.12, for authority to continue to implement a semiannual water and sewer system improvement charge (WSIC/SSIC) rate adjustment mechanism designed to recover the incremental costs associated with eligible investments in certain water and sewer infrastructure improvement projects completed and placed in service between general rate case proceedings. The WSIC/SSIC mechanism is subject to Commission approval and to audit and refund provisions. Any cumulative system improvement charge recovered pursuant to the WSIC/SSIC mechanism may not exceed 7.5% of the total annual service revenues approved by the Commission in the Company’s last general rate case. NCUC Rules R7-39(h) and R10-26(h) specify how the water and sewer system improvement charges are to be calculated. Subsections (h)(1) of the Rules specify that the WSIC and SSIC shall be expressed as a percentage carried to two decimal places and shall be applied to the total utility bill of each customer under the utility’s applicable service rates and charges.

**WSIC/SSIC Cumulative Percentage Surcharges  
(Effective for Service Rendered On and After July 1, 2022)**

Pursuant to G.S. 62-133.12 and NCUC Rules R7-39 and R10-26, the NCUC entered an Order in Docket No. W-218, Sub 526A on \_\_\_\_\_, 2022, which authorized Aqua to implement the following cumulative WSIC and SSIC percentage surcharges effective for service rendered on and after July 1, 2022:

WSIC Surcharges

Aqua Water:	3.81%
Brookwood/LaGrange Water:	1.18%
Fairways and Beau Rivage Water:	6.99%

SSIC Surcharges

Aqua Sewer:	4.10%
Fairways and Beau Rivage Sewer:	0.84%

These updated, cumulative WSIC and SSIC percentage surcharges will be applied to the total utility bill of each Aqua customer under the Company's applicable service rates and charges and will remain in effect unless and until modified or superseded by the NCUC in a subsequent semiannual WSIC/SSIC surcharge proceeding or they are reset to zero in a subsequent general rate case.

## **CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing **Application for Approval of Water and Sewer System Improvement Charge Rate Adjustments Pursuant to G.S. 62-133.12**, filed by Aqua North Carolina, Inc. in Docket No. W-218, Sub 526A, on the parties to Docket No. W-218, Sub 526 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 27<sup>th</sup> day of April, 2022.

**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.**