



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

June 22, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. W-218, Sub 526 – Application for General Rate Increase

Dear Ms. Campbell:

On May 26, 2020, the Public Staff filed the joint testimony and exhibits of Windley E. Henry and Charles M. Junis in the above-captioned docket.

Since that time, Mr. Henry and Mr. Junis have made corrections to their joint testimony. Those corrections appear on pages 10 and 14 and Exhibit 1.

The Public Staff apologizes for this error and for any inconvenience or confusion it may have caused the Commission or the parties.

Attached are corrected, relined versions of pages 10 and 14 and Exhibit 1, as well as corrected versions of pages 10 and 14 and Exhibit 1 with no redlining.

By copy of this letter, we are providing copies to all parties of record by electronic delivery.

Sincerely,

/s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

MJ/cla

Attachment(s)

Executive Director
(919) 733-2435

Communications
(919) 733-5610

Economic Research
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Electric
(919) 733-2267

Natural Gas
(919) 733-4326

Water
(919) 733-5610

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JUN 22 2020

1 The discussion above has established the setting and we will now
2 describe in detail our review of utility plant in service and our
3 recommended adjustments.

4 **Q. DID YOU MAKE ANY OBSERVATIONS THAT SHOULD BE**
5 **BROUGHT TO THE ATTENTION OF THE COMMISSION DURING**
6 **YOUR REVIEW OF UPIS AND THE DEFERRAL REQUEST?**

7 A. Yes. Unfortunately, the Public Staff failed to identify and make
8 appropriate adjustments for a number of discrepancies between the
9 in service date and the Company's unitization date for projects
10 included in rate base during the W-218, Sub 497, rate case. The
11 Company previously asserted that the accounting process to book
12 capital projects typically takes 30 to 60 days, sometimes longer, as
13 described above. Accepting this explanation, the Public Staff did not
14 initially recommend an adjustment. As shown in **Henry and Junis**
15 **Exhibit 1**, the Company unitized the projects' costs in 2018, months
16 after the asset was placed in service in 2017, which is an
17 unreasonable delay. The list of plant additions in the total amount of
18 ~~over-nearly~~ \$4.75-8 million have accumulated one less year of
19 depreciation due to the delay in unitization. The decreased amount
20 of accumulated depreciation has the effect of increasing rate base
21 that earns a return for the Company. The Public Staff requests that
22 the Commission weigh these facts appropriately as part of its
23 decision-making in the present proceeding.

1 Table 1

Rate Entity	In Service in Prior Year	Total Projects	Percentage of Projects
ANC Water	4	16	25%
ANC Sewer	7	16	44%
Brookwood	2	3	67%
Fairways W	-	2	0%
Fairways S	-	-	-
Total	13	37	35%

2 As shown in **Henry and Junis Exhibit 4**, the Public Staff made
3 adjustments as part of WSIC/SSIC procedure to account for the in
4 service date occurring months before the Company finally unitized
5 each of the projects. The in service date adjustment amounted to
6 **\$50,20233,142** of additional accumulated depreciation, or **3933%**
7 more than the Company's unitizations. The Company did not include
8 these adjustments to accumulated depreciation as part of its rate
9 case application. Therefore, we recommend the Commission
10 approve these regulatory accounting adjustments, as incorporated in
11 the schedules of Public Staff witness Henry, and require Aqua to
12 include them in all future rate cases until the assets are retired.

13 When incorporating these plant additions into rate base during the
14 rate case, the timing of the in service date between Q1 2019 and Q4
15 2018 is the difference of nine months of additional accumulated
16 depreciation on the Company's books.

17 **Q. DO YOU RECOMMEND ANY ADDITIONAL ADJUSTMENTS TO**
18 **UPIS?**

In Service Date and Unitization Date Discrepancies (Sub 497)

Non-routine, Non-WISC/SSIC Plant Additions (Per Aqua)

description	Rate Entity	cpr_activity_wo_ number	cpr_activity_wo_desc	gl_posting_mo_ yr	activity_cost	in_service_date
380000-Treatment & Disposal Equip	ANC WW	35880077580	Colvard Frm Rplc 5Day Upset Pnd Lnr	3/1/2018 0:00	75,367.69	10/31/2017
380000-Treatment & Disposal Equip	ANC WW	35880065274	Crooked Crk Filter Rplc Nozzle/Medi	3/1/2018 0:00	50,062.98	10/31/2017
334400-Meters & Meter Installations	ANC Water	35100064936	Fleetwood Falls Instl RF Meters	3/1/2018 0:00	117,118.21	10/31/2017
380000-Treatment & Disposal Equip	ANC WW	35880094189	Hawthorne WWTP Nitrogen Upgrds	3/1/2018 0:00	699,703.92	10/31/2017
354000-Structures & Improvements	ANC WW	35880094189	Hawthorne WWTP Nitrogen Upgrds	3/1/2018 0:00	58,217.87	10/31/2017
380000-Treatment & Disposal Equip	ANC WW	35880070155	HM Hawthorne WWTP Train #3	3/1/2018 0:00	207,905.96	11/30/2017
304000-Structures & Improvements	ANC Water	35100071595	Old Beau VFD Installation	2/1/2018 0:00	73,741.91	10/31/2017
380000-Treatment & Disposal Equip	ANC WW	35880069833	RC Gov Club EQ Replacement	4/1/2018 0:00	1,071,792.87	12/31/2017
354000-Structures & Improvements	ANC WW	35880069833	RC Gov Club EQ Replacement	4/1/2018 0:00	76,927.34	12/31/2017
Total					\$ 2,420,838.75	\$ 1,282,118.54

WISC/SSIC Plant Additions (Per Aqua)

description	Rate Entity	cpr_activity_wo_ number	cpr_activity_wo_desc	gl_posting_mo_ yr	activity_cost	in_service_date
331400-T&D Mains	ANC Water	35800052806	WSIC Rplc Main/Svc Camelot	2/1/2018 0:00	689,545.39	10/31/2017
333400-Services	ANC Water	35800052806	WSIC Rplc Main/Svc Camelot	2/1/2018 0:00	130,377.53	10/31/2017
331400-T&D Mains	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	1/1/2018 0:00	1,612,539.11	10/31/2017
333400-Services	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	1/1/2018 0:00	725,585.47	10/31/2017
334400-Meters & Meter Installations	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	1/1/2018 0:00	178,979.55	10/31/2017
304000-Structures & Improvements	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	1/1/2018 0:00	79,373.41	10/31/2017
Total					\$ 3,416,400.46	
Grand Total					\$ 5,847,239.21	\$ 4,698,519.00

The transaction listings in the tables above were compiled from Aqua's response to Public Staff Data Request No. 82 in Docket No. W-218, Sub 526.

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17 unreasonable delay. The list of plant additions in the total amount of
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