

SANFORD LAW OFFICE, PLLC

Jo Anne Sanford, Attorney at Law

June 19, 2020

Ms. Kimberley A. 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 No. W-218, Sub 526 - General Rate Case Proceeding
Revised Rebuttal Testimony and Exhibits

Dear Ms. Campbell:

Attached for electronic filing please find revisions to certain specific pages of the Rebuttal Testimony and Exhibits filed in this docket by Aqua North Carolina, Inc. (“Aqua” or “Company”) by Aqua witnesses Amanda Berger and Edward Thill.

More specifically, Aqua hereby files replacement pages containing revisions to page 15 (at lines 1 and 5) and page 18 (lines 12 - 15) of the Berger Rebuttal Testimony and Berger Rebuttal Exhibits 2 and 3 (Revised). In addition, Aqua files replacement pages containing revisions to page 6 (at lines 8 - 14), page 39 (line 5), and page 46 (lines 13 - 16) of the Thill Rebuttal Testimony and Revised Thill Rebuttal Exhibit 5. The need for these changes was recognized by Aqua witnesses Berger and Thill as they prepared responses to data requests served on the Company by the Public Staff regarding Rebuttal Testimony.

By copy of this letter, I hereby certify that this filing has been electronically served on counsel for the Public Staff and the Attorney General, the only other formal parties of record.

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

- 1 ○ Projected 25.1% decline in 2020 (See Berger Rebuttal
- 2 Exhibit 2 Revised)
- 3 • 49% decline in Discolored Water Work Orders from 2017 to 2019
- 4 in Bayleaf Master System (See Berger Rebuttal Exhibit 3)
- 5 ○ Projected 76% decline in 2020 (See Berger Rebuttal
- 6 Exhibit 3 Revised)
- 7 • A reduction in Bi-Monthly Reporting from 18 systems to 2
- 8 systems
- 9 • A reduction in systems reported in Semi-Annual Water Quality
- 10 Reports within the past 18 months
- 11 • Improved communication within Bayleaf customers, to include
- 12 Advisory Group participants' assistance in social media
- 13 messages
- 14 • A reduction in NCDEQ Notices of Deficiency from 68 Entry Points
- 15 in 2018 to 13 Entry Points as of Quarter 1 2020.
- 16 ○ The quarterly NOD communication is shared with the
- 17 Public Staff and contains historical and recent sampling
- 18 data and actions Aqua has taken and has scheduled to
- 19 address secondary water quality issues.
- 20 • Communication from the former NCDEQ Raleigh Regional
- 21 Supervisor stating, "Aqua has made tremendous improvements
- 22 to a number of water systems regarding Fe/Mn and I'm sure the
- 23 customers appreciate that! I appreciate all that you and the rest

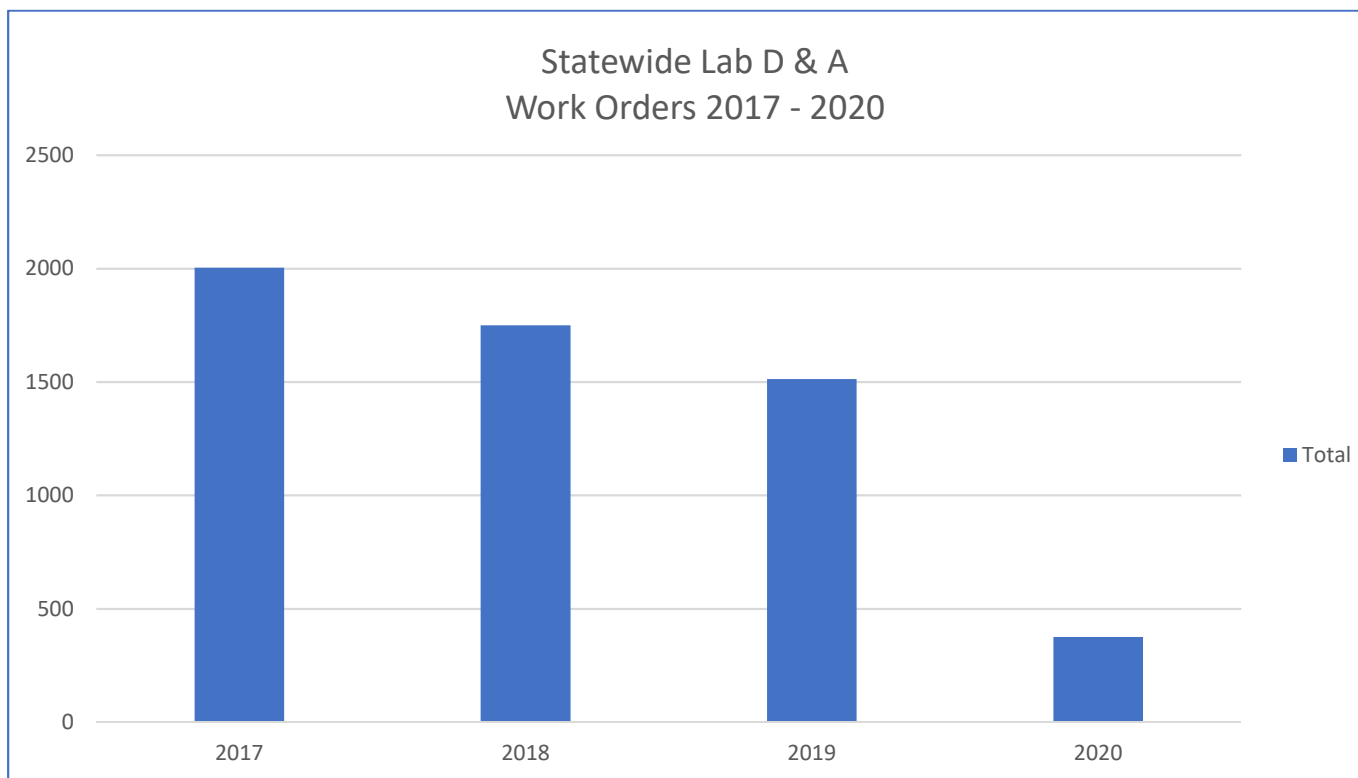
1 willingly participate in conversations designed to assess whether the current
2 reporting requirements should be revised.”

3 **Q. WHAT IS THE COMPANY’S RECOMMENDATION ON SECONDARY**
4 **WATER QUALITY REPORTING?**

5 A. The Company recognizes that some level of reporting to the Commission
6 on secondary water quality concerns may be desired and warranted. If so,
7 in lieu of the current bi-monthly and semi-annual reporting, I recommend
8 that the Commission establish an Annual Secondary Water Quality Report
9 to be filed by March 31st each year that provides an accounting of the
10 progress made in the previous calendar year. The Company proposes to
11 include the following data:

- 12 • A summary of systems to include secondary water quality concerns that
13 have affected 10 percent of the customers in an individual subdivision area
14 or 25 billing customers in an individual service area, whichever is less, in a
15 semi-annual period.
- 16 • A secondary water quality data update on the number of entry points that
17 have consistent water quality results greater than Group 1 (Fe + Mn > 1.0
18 mg/L or Mn > 0.3 mg/L) and status of each system.
- 19 • A secondary water quality project update that provides:
 - 20 ○ Number of Manganese Dioxide filters installed in the previous
21 calendar year
 - 22 ○ Number of Manganese Dioxide filters scheduled for the reporting
23 year

Customer Discolored Water Quality Complaint Trend

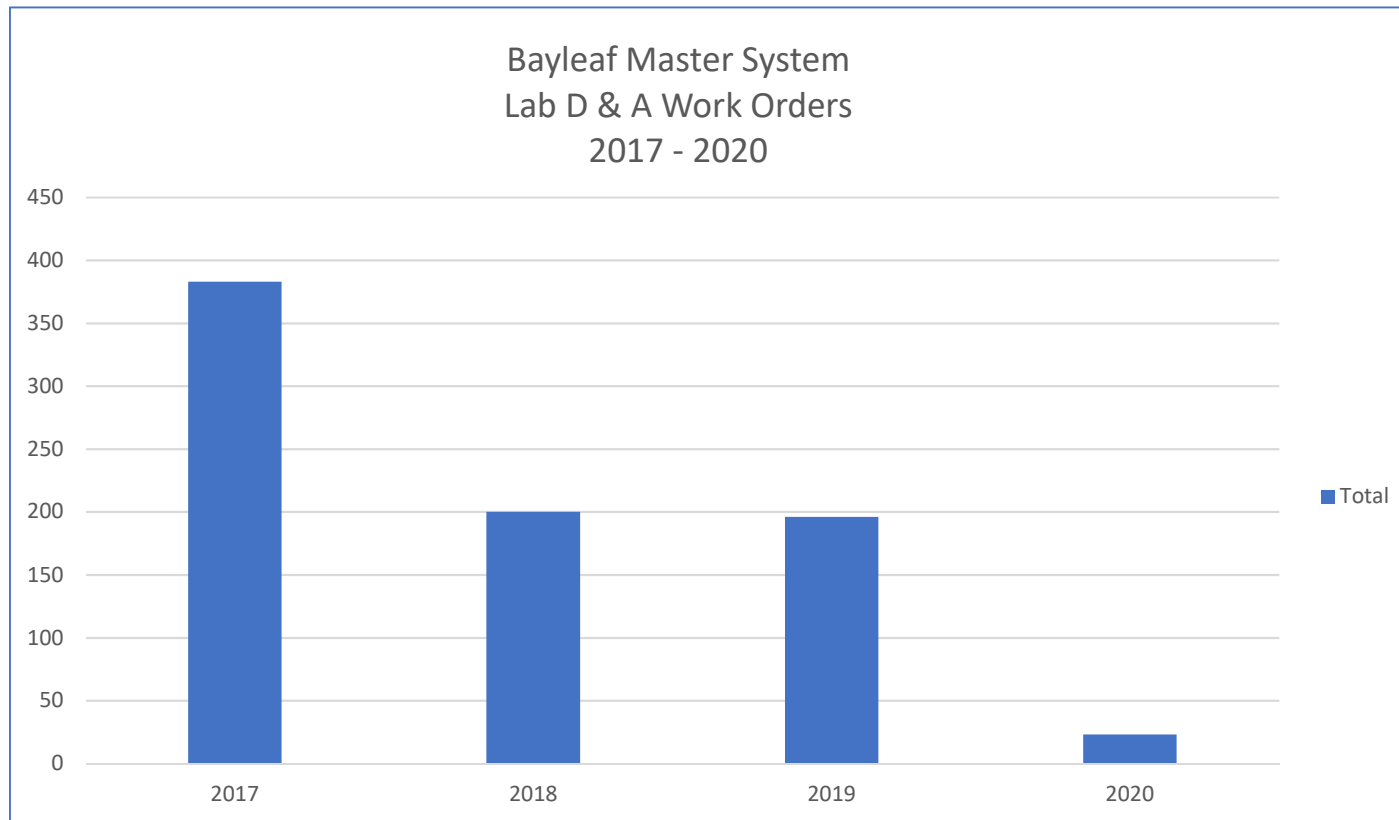


Statewide Discolored Water WO's:

- **24.5%** decline from 2017 – 2019
- Projected **25.1%** decline from 2017 to 2020*
 - 2020 data is through 3/31/2020

Note: Lab "A" is annotative of air in the water work orders. Lab "A" calls were commonly tracked as Lab "D" prior to the creation of the Lab "A" work order in 2018. Included both in Lab "A" and Lab "D" after 2018 to ensure data was representational.

Customer Discolored Water Quality Complaint Trend



Bayleaf Discolored Water WO's:

- **49%** decline from 2017 – 2019
- Projected **76%** decline from 2017 to 2020
 - 2020 data is through 3/31/2020

Note: Lab "A" is annotative of air in the water work orders. Lab "A" calls were commonly tracked as Lab "D" prior to the creation of the Lab "A" work order in 2018. Included both in Lab "A" and Lab "D" after 2018 to ensure data was representational.

1 conservation pilot. Of the full year population of customers, 19% had
2 low volatility and therefore low discretionary consumption. This group
3 would be the primary benefactor of the initial conservation rates as
4 they have a lower than average consumption pattern and would
5 therefore benefit from the reduced volumetric cost of Block 1
6 consumption with limited exposure to increases in Blocks 2-4.

7 Witness Junis identifies the pilot as being limited, but that is the very
8 nature of a pilot. Junis Exhibit 7 shows total measured monthly bills
9 for Aqua Uniform Water customers during the test year of 745,138.
10 Thill Revised Exhibit 3 shows total test-year bills for those same Aqua
11 customers included in the pilot as 76,152, excluding Fairways
12 customers at The Cape. Whereas any pilot is inherently limited,
13 Aqua's proposed pilot covers 10% of Aqua Uniform Water and 100%
14 of Fairways Water residential customers. This level of coverage,
15 particularly in areas of high consumption, should provide worthwhile data
16 on the effectiveness of the proposed design and valuable customer
17 behavior information that can be used to refine the rate structure and
18 apply it to the larger customer population in future cases.

19 **3) The pilot reverts to ratemaking with system-specific rates as**
20 **opposed to uniform rates.**

21 This objection by the Public Staff would preclude any pilot program.
22 As noted in my Direct Testimony, each of the seven largest cities in North
23 Carolina uses an inclining block structure, and each is vastly different from

1 efficacy issues that develop upon start-up.²⁹

2 **Q. HOW DOES THE COMPANY RESPOND TO THE SPECIFIC CONCERNS**
3 **IDENTIFIED BY THE PUBLIC STAFF AS SUPPORTED BY HENRY AND**
4 **JUNIS EXHIBIT 1?**

5 Revised Thill Rebuttal Exhibit 5 has added a column to Henry and Junis
6 Exhibit 1 to identify the last invoice payment for each of the listed projects.
7 Staff identified a number of subjective reasons that might appropriately
8 delay unitization, but invoice payment dates are a fully objective indicator,
9 as the project **cannot** close until all costs are in. Note that six line-items
10 totaling \$3.4 million of the \$4.7 million in question (after removing the
11 Governor's Club project from the population) show that, despite having in-
12 service dates of October 2017, final invoice payments did not occur until
13 December of 2017. Another \$0.8 million made final payments in November
14 2017. Just as immediate unitization is an ideal, so too is the 30-60 day
15 subsequent window.

16 **Q. BASED ON YOUR REVIEW, IS IT EASY TO SECOND-GUESS SOME OF**
17 **THE CLOSINGS?**

18 A. Looking back, we can now know definitively when final payments were
19 made, but only through that lens of hindsight. Information is often not known
20 for some window of time after payments are made due to the necessary

²⁹ Provided by Public Staff in response to question 1b(i) of Aqua's Data Request No. 8, included in this Rebuttal as Thill Rebuttal Exhibit 6.

1 notwithstanding accepted policy or its own expressed list of factors that
2 would appropriately delay unitization.

3 Staff states in its testimony³⁵:

4 As shown in **Henry and Junis Exhibit 5**, we adjusted the unitization
5 date for 44 plant additions in the total amount of \$1,381,871. For the
6 majority of the plant additions listed, the Public Staff corrected the date
7 to be the in service date inputted by the Company and/or a reasonable
8 amount of time after the trailing costs had been sufficiently captured.
9 End of year closings were considered to require the same level of
10 expediency as employed by the Company for its unitizations in
11 September 2019 and March 2020, a majority of which were same month
12 closings.

13 Missing from Staff's explanation is clarification that it used its own estimate
14 to "correct" the unitization date to either the in-service date inputted by the
15 Company or an earlier date of Staff's determination of a reasonable amount
16 of time after the trailing costs had been sufficiently captured. Interesting in
17 this exercise is that Staff actually moved the unitization date in advance of
18 the final vendor payment for ten (10) of the 44 line-items, *a practice*
19 *unavailable to the Company as Staff has previously required that projects*
20 *close a single time once all costs are final*. In each of these 10 cases, the
21 last vendor payment was still in 2019, which matched the revised unitization
22 year, but Staff's presentation serves to exaggerate the unitization lag.

23 In that Staff, as shown earlier, acknowledges that there are valid reasons
24 that assets might be unitized beyond the service date, Aqua inquired in and
25 Staff responded to, Question 8 of its Data Request No. 8 as follows³⁶:

³⁵ Page 15, lines 5-13 of Joint Testimony

³⁶ Included in this Testimony as Thill Rebuttal Exhibit 9

Aqua North Carolina, Inc.

Docket No. W-218, Sub 526

Public Staff determined In Service Date and Unitization Date Discrepancies (Sub 497)

Revised Thill Rebuttal Exhibit 5

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	Last Vendor Payment
380000-Treatment & Disposal Equip	ANC WW	35880077580	Colvard Frm Rplc 5Day Upset Pnd Lnr	Mar-18	75,367.69	Oct-17	Oct-17
380000-Treatment & Disposal Equip	ANC WW	35880065274	Crooked Crk Filter Rplc Nozzle/Medi	Mar-18	50,062.98	Oct-17	Sep-17
334400-Meters & Meter Installations	ANC Water	35100064936	Fleetwood Falls Instl RF Meters	Mar-18	117,118.21	Oct-17	Sep-17
380000-Treatment & Disposal Equip	ANC WW	35880094189	Hawthorne WWTP Nitrogen Upgrds	Mar-18	699,703.92	Oct-17	Dec-17
354000-Structures & Improvements	ANC WW	35880094189	Hawthorne WWTP Nitrogen Upgrds	Mar-18	58,217.87	Oct-17	Dec-17
380000-Treatment & Disposal Equip	ANC WW	35880070155	HM Hawthorne WWTP Train #3	Mar-18	207,905.96	Nov-17	Mar-17
304000-Structures & Improvements	ANC Water	35100071595	Old Beau VFD Installation	Feb-18	73,741.91	Oct-17	Apr-17
380000-Treatment & Disposal Equip	ANC WW	35880069833	RC Gov Club EQ Replacement	Apr-18	1,071,792.87	Dec-17	Apr-18
354000-Structures & Improvements	ANC WW	35880069833	RC Gov Club EQ Replacement	Apr-18	76,927.34	Dec-17	Apr-18
					Total \$	2,430,838.75	

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	Last Vendor Payment
331400-T&D Mains	ANC Water	35800052806	WSIC Rplc Main/Svc Camelot	Feb-18	689,545.39	Oct-17	Nov-17
333400-Services	ANC Water	35800052806	WSIC Rplc Main/Svc Camelot	Feb-18	130,377.53	Oct-17	Nov-17
331400-T&D Mains	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	Jan-18	1,612,539.11	Oct-17	Dec-17
333400-Services	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	Jan-18	725,585.47	Oct-17	Dec-17
334400-Meters & Meter Installations	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	Jan-18	178,979.55	Oct-17	Dec-17
304000-Structures & Improvements	ANC Water	35800052807	WSIC Rplc Main/Svc Medfield Est	Jan-18	79,373.41	Oct-17	Dec-17
					Total \$	3,416,400.46	
					Grand Total \$	5,847,239.21	

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.