

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Aqua North Carolina, Inc., 202	)	
MacKenan Court, Cary, North Carolina 27511, for	)	
Authority to Implement Water and Sewer System	)	PUBLIC STAFF
Improvement Surcharge Rate Adjustments	)	REPORT
Pursuant to N.C. Gen. Stat. § 62-133.12	)	

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission by and through its Executive Director, Christopher J. Ayers, and respectfully submits its report on the Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) collected by Aqua North Carolina, Inc. (Aqua NC or Company), for the twelve months ended December 31, 2021, (WSIC and SSIC Period) pursuant to Commission Rules R7-39(I)(2) and R10-26(I)(2).

**Aqua NC Annual Report**

On February 25, 2022, Aqua NC filed its seventh WSIC/SSIC Annual Report and Experience Modification Factor Calculations (Annual Report) reconciling its actual eligible water and sewer system improvement costs, and actual WSIC and SSIC revenues, and providing its computation of the Experience Modification Factor (EMF) for each of its rate divisions. On March 8, 2022, Aqua NC filed a revised Annual Report (Revised Annual Report) which supersedes and replaces the February 25, 2022 filing.

Pursuant to Commission Rules R7-39(j) and R10-26(j), the EMF is to reflect the difference between the WSIC and SSIC revenue requirements and the

revenues that were actually realized during the WSIC and SSIC Period. The EMF will remain in effect for a 12-month period and, under N.C. Gen. Stat. § 62-133.12(e), any over-collections under the system improvement charge will include interest pursuant to N.C.G.S. § 62-130(e).

In its original Annual Report, Aqua NC calculated the following under-collections for the 12 months ended December 31, 2021:

	WSIC / SSIC Revenue Requirement for 2021	WSIC / SSIC Revenues Billed for 2021	Under- Collection for 2021
Uniform water	\$ 399,955	\$ 185,637	\$214,318
Uniform sewer	\$ 297,065	\$ 119,257	\$177,808
Fairways water	\$ 31,870	\$ 6,318	\$ 25,552
Fairways sewer	\$ 7,034	\$ 2,538	\$ 4,496
Brookwood water	\$ 20,259	\$ 3,658	\$ 16,601

Based on these under-collections, Aqua NC calculated the following EMFs to be effective for the 12 months beginning July 1, 2022:

	Under- Collection For 2021	Projected 12 Months Revenues	EMF Effective for 12 Months Beg. 7/1/22
Uniform water	\$214,318	\$40,128,431	0.53%
Uniform sewer	\$177,808	\$17,448,549	1.02%
Fairways water	\$25,552	\$1,263,679	2.02%
Fairways sewer	\$4,496	\$2,300,268	0.20%
Brookwood water	\$16,601	\$6,365,569	0.26%

### **Public Staff Review and Recommended Adjustments**

Based on its review of the Annual Report, the Public Staff recommends six adjustments to the under-collections reported by Aqua NC.

1) Aqua NC 2021 GL Amounts Billed: According to the general ledger (GL) documentation provided in response to a Public Staff data request, the Company

adjusted the actual revenue billed in the year 2021 for each of the five rate divisions.

2) Aqua NC January 2022 GL Amounts Billed related to 2021 revenue:

According to the GL documentation provided in response to a Public Staff data request, the Company adjusted the actual revenue billed in January 2020 related to the year 2021 for each of the five rate divisions.

3) WSIC/SSIC surcharge prior to 12/31/2021 for Aqua NC Sewer:

The WSIC/SSIC surcharge prior to December 31, 2021, was 3.08% for Aqua NC Sewer, whereas the percentage approved in the Commission's order issued on November 1, 2021, is 3.06%. Aqua NC corrected this error in the Revised Annual Report.

4) WSIC/SSIC surcharge prior to 12/31/2021 for Fairways Water:

The WSIC/SSIC surcharge prior to December 31, 2021, was 5.06% for Fairways Water, whereas the percentage approved in the Commission's order issued on November 1, 2021, is 5.10%. Aqua NC corrected this error in the Revised Annual Report.

5) Line 23, Appendix A, Page 2 of 2, January 2021 WSIC/SSIC revenue

dollar amounts determined to be 2020 usage: In response to a Public Staff data request, the Company indicated that the numbers appearing on Line 23 are related to WSIC/SSIC revenue billed in January 2020, not 2021. The amounts on Line 23 should actually be zero, since the WSIC/SSIC revenue billed in January 2021 was assumed to all be applicable to the WSIC/SSIC rate order effective January 1, 2021. The Company corrected this error in the Revised Annual Report.

6) Line 4, Appendix A, Page 1 of 2: In response to a Public Staff data request, the Company indicated that Line 4 of Appendix A, Page 1 of 2, incorrectly showed only the calendar year 2021 GL revenue. The Company corrected this error by replacing the numbers on Line 4 with Line 28, Appendix A, Page 2 of 2, NC WSIC/SSIC revenue billed for 2021 usage.

On March 8, 2022, Aqua NC filed its Revised Annual Report to correct the errors addressed by the six recommended adjustments described above. The Public Staff has reviewed the Revised Annual Report and agrees with the Company's corrections.

Based on the Company's Revised Annual Report, the under-collections for the 2021 review period are as follows:

	Under- Collection For 2021	Projected 12 Months Revenues	EMF Effective for 12 Months Beg. 7/1/22
Uniform water	\$196,743	\$40,128,431	0.49%
Uniform sewer	\$156,097	\$17,448,549	0.89%
Fairways water	\$23,645	\$1,263,679	1.87%
Fairways sewer	\$4,030	\$2,300,268	0.18%
Brookwood water	\$15,324	\$6,365,569	0.24%

As shown in the chart above, Aqua NC's EMF percentages decreased by 0.04% for Aqua NC Water, 0.13% for Aqua NC Sewer, 0.15% for Fairways Water, 0.02% for Fairways Sewer, and 0.02% for Brookwood Water. The Public Staff recommends that the EMF percentages proposed by Aqua NC in its Revised Annual Report be approved for the 2021 review period.

The revised EMFs calculated by Aqua NC are based on the projected 12-month revenues in its Annual Report. These amounts should be consistent with

the projected revenues used to calculate the WSIC and SSIC percentages to be implemented on July 1, 2022. If Aqua NC updates or changes the projected revenues in its filing for the July 1, 2022 rate adjustment, which is due no later than April 29, 2022, the EMF calculations above should be revised to reflect the updated projected revenues.

Respectfully submitted this the 1st day of April, 2022.

PUBLIC STAFF  
Christopher J. Ayers  
Executive Director

Dianna W. Downey  
Chief Counsel

Electronically submitted  
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## CERTIFICATE OF SERVICE

I certify that a copy of this Report has been served on all parties of record or their attorneys, or both, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 1st day of April, 2022.

Electronically submitted  
/s/ Megan Jost