



**NORTH CAROLINA  
PUBLIC STAFF  
UTILITIES COMMISSION**

May 26, 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:

In connection with the above-referenced dockets, I transmit herewith for filing on behalf of the Public Staff the testimony and exhibit of Michelle M. Boswell, Staff Accountant, Accounting Division.

By copy of this letter, we are forwarding copies to all parties of record.

Sincerely,

/s/ Megan Jost  
Staff Attorney  
[megan.jost@psncuc.nc.gov](mailto: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  
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May 26 2020

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-218, SUB 526

In the Matter of	)	TESTIMONY OF
Application by Aqua North Carolina,	)	MICHELLE M. BOSWELL
Inc., 202 MacKenan Court, Cary, North	)	PUBLIC STAFF – NORTH
Carolina 27511, for Authority to Adjust	)	CAROLINA UTILITIES
and Increase Rates for Water and	)	COMMISSION
Sewer Utility Service in All Service	)	
Areas in North Carolina	)	

**BEFORE THE NORTH CAROLINA UTILITIES COMMISSION**

**DOCKET NO. W-218, SUB 526**

**TESTIMONY OF MICHELLE M. BOSWELL  
ON BEHALF OF THE PUBLIC STAFF  
NORTH CAROLINA UTILITIES COMMISSION**

**MAY 26, 2020**

1    **Q.    PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**  
2           **PRESENT POSITION.**

3    A.    My name is Michelle M. Boswell. My business address is 430 North  
4           Salisbury Street, Dobbs Building, Raleigh, North Carolina. I am a  
5           Staff Accountant with the Accounting Division of the Public Staff –  
6           North Carolina Utilities Commission.

7    **Q.    BRIEFLY STATE YOUR QUALIFICATIONS AND DUTIES.**

8    A.    My qualifications and duties are included in Appendix A.

9    **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10   A.    The purpose of my testimony is to supplement the prefiled direct  
11           testimony of Public Staff witness Henry to present the accounting  
12           and ratemaking adjustments I am recommending regarding federal  
13           protected excess deferred income taxes (EDIT).

1   **Q.    MS. BOSWELL, PLEASE DESCRIBE THE SCOPE OF YOUR**  
2       **INVESTIGATION INTO THE COMPANY’S FILING.**

3    A.   My investigation included a review of the application, testimony,  
4       exhibits, and other data filed by Aqua North Carolina, Inc. (Aqua or  
5       Company). The Public Staff has also conducted extensive discovery  
6       in this matter, including the review of numerous responses provided  
7       by the Company in response to data requests.

8   **Q.    PLEASE DESCRIBE THE ORGANIZATION OF YOUR EXHIBITS.**

9    A.   Boswell Exhibit 1 presents the calculation of federal protected EDIT  
10       effects on the Company’s rate base and income statement.

11   **Q.    PLEASE DESCRIBE YOUR RECOMMENDED ADJUSTMENTS**  
12       **TO FEDERAL PROTECTED EDIT.**

13   A.   In the Company’s previous rate case in Docket No. W-218, Sub 497,  
14       Aqua and the Public Staff reached an agreement that the protected  
15       EDIT would be flowed back following the tax normalization rules  
16       utilizing the average rate assumption method (ARAM) required by  
17       IRC Section 203(e), based on the reduction of tax rates due to the  
18       passage of the Tax Cuts and Jobs Act, as outlined in Section II of the  
19       Partial Agreement and Stipulation filed on September 17, 2018. In  
20       the same docket, the Commission ordered “The Company’s  
21       protected federal excess deferred income taxes (EDIT) should be  
22       flowed back to customers by amortizing the protected EDIT over a

1 period of time equal to the expected lifespan of the plant, property,  
2 and equipment with which they are associated, in accordance with  
3 the normalization rules of the United States Internal Revenue  
4 Service (IRS).” The protected EDIT are deferred taxes related to  
5 timing differences arising from the utilization of accelerated  
6 depreciation for tax purposes and another depreciation method for  
7 book purposes. These deferred taxes are deemed protected  
8 because the IRS does not permit regulators to flow back the excess  
9 to ratepayers immediately, but instead requires that the excess be  
10 flowed back to ratepayers ratably over the life of the timing  
11 differences that gave rise to the excess, per IRC Section 203(e).

12 In the present case, the Company neglected to include the flowback  
13 of federal protected EDIT in determining the calculation of its  
14 proposed revenue requirement. I have made an adjustment to  
15 include the return of protected federal EDIT based upon the  
16 Company’s calculation of the net remaining life of the timing  
17 differences, utilizing the Company’s current composite tax rate to  
18 calculate the annual amortization, net of tax, to be flowed back to  
19 ratepayers. Boswell Exhibit 1 presents the impacts of the flow back  
20 of federal protected EDIT on rate base and the income statement.  
21 Public Staff witness Henry Exhibit I depicts the impact of the updated  
22 federal protected EDIT as shown on Boswell Exhibit 1.

- 1    **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**
- 2    A.     Yes, it does.

## **QUALIFICATIONS AND EXPERIENCE**

MICHELLE M. BOSWELL

I graduated from North Carolina State University in 2000 with a Bachelor of Science degree in Accounting. I am a Certified Public Accountant.

I am responsible for analyzing testimony, exhibits, and other data presented by parties before this Commission. I have the further responsibility of performing the examinations of books and records of utilities involved in proceedings before the Commission, and summarizing the results into testimony and exhibits for presentation to the Commission.

I joined the Public Staff in September 2000. I have performed numerous audits and/or presented testimony and exhibits before the Commission addressing a wide range of electric, natural gas, and water topics. I have performed audits and/or presented testimony in Duke Energy's 2010 REPS Cost Recovery Rider; the 2008 REPS Compliance Reports for North Carolina Municipal Power Agency 1, North Carolina Eastern Municipal Power Agency, GreenCo Solutions, Inc., and EnergyUnited Electric Membership; Duke Energy Carolinas LLC 2017 rate case, four recent Piedmont rate cases; the 2016 rate case of Public Service Company of North Carolina (PSNC), the 2012 rate case for Dominion Energy North Carolina (DENC, formerly Dominion North Carolina Power), Duke Energy Progress LLC 2013 and 2017 rate case, several Piedmont, NUI Utilities Inc. (NUI), and Toccoa

annual gas cost reviews; the merger of Piedmont and NUI; and the merger of Piedmont and North Carolina Natural Gas (NCNG).

Additionally, I have filed testimony and exhibits in numerous water rate cases and performed investigations addressing a wide range of topics and issues related to the water, electric, and telephone industries.





**Aqua North Carolina, Inc.**  
**Docket No. W-218, Sub 526**  
**ADJUSTMENT TO FLOWBACK PROTECTED EDIT DUE**  
**TO TAX CUTS AND JOBS ACT**  
**For the Test Year Ended September 30, 2019**

**Boswell Exhibit 1**

Line No.	Item	Amount
1	<u>Income statement</u>	
2	Annual amortization of protected EDIT - NC retail	(157,444) <sup>1/</sup>
3	Income tax impact	<u>36,173 <sup>2/</sup></u>
4	Annual amortization of protected EDIT - net of tax (L2 + L3)	<u><u>(\$121,271)</u></u>
5	<u>Rate base</u>	
6	Adjustment to regulatory assets and liabilities (L2)	\$157,444
7	Composite income tax rate	<u>22.9750%</u>
8	Impact to accumulated deferred income taxes (L6 x L7)	<u>(36,173)</u>
9	Adjustment to rate base (L6 + L8)	<u><u>\$121,271</u></u>

1/ Per Company.

2/ Line 2 times composite income tax rate on Line 7.