

SANFORD LAW OFFICE, PLLC
Jo Anne Sanford, Attorney at Law

May 21, 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
Application by Aqua North Carolina, Inc., 202 MacKenan Court, Cary, North
Carolina 27511, for Authority to Adjust and Increase Rates for Water and
Sewer Utility Service in all Service Areas in North Carolina
Revised Exhibits for Aqua Witnesses Becker and Thill

Dear Ms. Campbell:

Attached please find three revised exhibits to testimony submitted in this docket by Aqua North Carolina, Inc. ("Aqua" or "Company") witnesses Shannon V. Becker and Edward Thill. They replace Becker Direct Exhibit #3 and Thill Direct Exhibits #3 and #5. All are marked "Revised" and they are submitted for filing in substitution for the original exhibits, which were filed with Aqua's original Application.

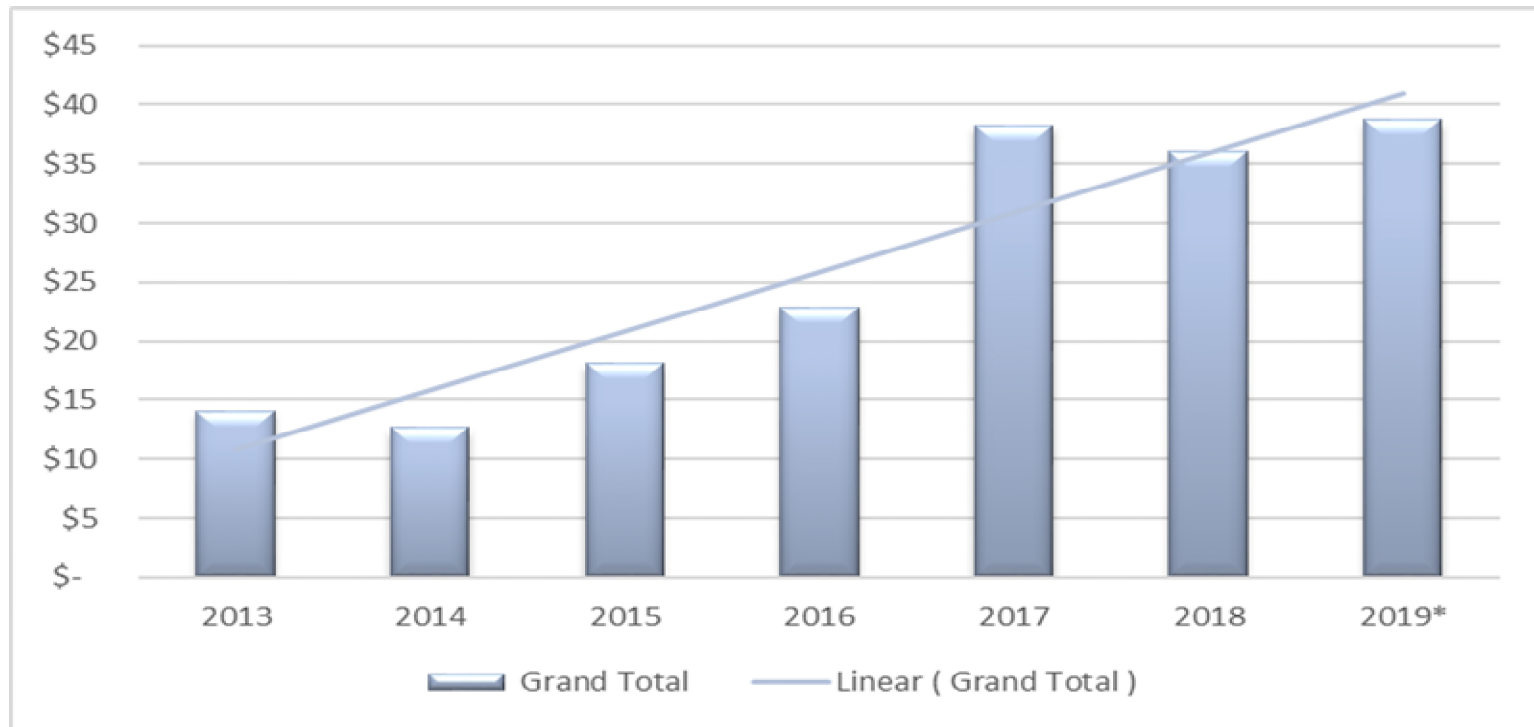
As always, we thank you and your staff for your assistance; please feel free to contact me if there are questions or if additional information is required.

Electronically Submitted

/s/Jo Anne Sanford
North Carolina State Bar No. 6831
Attorney for Aqua North Carolina, Inc.

c: Parties of Record

Aqua NC Capital Spend By Year



* Projected

Aqua North Carolina, Inc.

Thill Direct Exhibit 3 (revised)

Docket No. W-218, Sub 526

Key Customer Statistics for Pilot Areas

For the Test Year Ended 9/30/2019

	<u>The Cape</u>	<u>Arbor Run</u>	<u>Bayleaf</u>	<u>Merion</u>	<u>Pebble Bay</u>	<u>Total</u>
Rate Entity	Fairways	ANC	ANC	ANC	ANC	
Geographic Region	East	West	Central	Central	West	
Primary City	Wilmington	Winston-Salem	Raleigh	Apex	Denver	
Total customers with 12 months of consumption in test year	3,703	213	5,501	94	174	9,685
For those customers with 12 bills in test period:						
Avg consumption (in gallons per month)	7,223	9,415	7,367	5,678	9,856	7,385
Consumption in customer's 2nd highest month*	12,974	17,544	12,497	8,048	19,316	12,870
Consumption in customer's 2nd lowest month*	2,902	3,866	3,677	3,731	3,423	3,381
Volatility Ratio (2nd highest/2nd lowest)	4.5	4.5	3.4	2.2	5.6	3.8
Customers with Volatility Ratios of:						
Less than 1.5 (minimal volatility)	17%	9%	20%	38%	9%	19%
Greater than 4.0 (significant volatility)	34%	46%	26%	11%	59%	30%
Total CUSTOMERS with consumption in test year	4,650	226	6,003	101	200	11,180
Number/% of customers with any bill above threshold:						
>20,000 gallons	1,440 / 31%	97 / 43%	1,489 / 25%	12 / 12%	104 / 52%	3,142 / 29%
>50,000 gallons	415 / 9%	12 / 5%	319 / 5%	1 / 1%	18 / 9%	765 / 7%
Total BILLS with consumption in test year	51,875	2,656	70,025	1,197	2,274	128,027
Number/% of bills above threshold						
>20,000 gallons	5,439 / 10%	321 / 12%	4,689 / 7%	29 / 2%	333 / 15%	10,811 / 8%
>50,000 gallons	1,036 / 2%	20 / 1%	623 / 1%	1 / 0%	22 / 1%	1,702 / 1%

* The 2nd highest and lowest months were selected in order to minimize the impact of potential anomalies (billing errors, leaks, other adjustments).

Aqua North Carolina, Inc.
Docket No. W-218, Sub 526
Deferred Accounting on Post-Test Year Additions

Thill Direct Exhibit 5
Updated 5/20/2020

TABLE 1							
Summary of Post-Test Year Additions							
	ANC Water	Brookwood Water	Fairways Water	ANC Sewer	Fairways Sewer	Total	
WSIC/SSIC eligible projects	\$ 3,428,386	\$ 3,267,647	\$ -	\$ 615,050	\$ 7,383	\$ 7,318,466	
Non-WSIC/SSIC projects	\$ 3,983,052	\$ 563,611	\$ 32,206	\$ 2,967,734	\$ 338,729	\$ 7,885,331	
Total projects	\$ 7,411,438	\$ 3,831,258	\$ 32,206	\$ 3,582,784	\$ 346,112	\$ 15,203,797	
Routine replacements & Dev systems	\$ 3,711,105	\$ 793,484	\$ 181,082	\$ 2,078,253	\$ 102,909	\$ 6,866,833	
Total post-test year additions	\$ 11,122,543	\$ 4,624,742	\$ 213,288	\$ 5,661,037	\$ 449,020	\$ 22,070,631	

TABLE 2							
Summary of Projected WSIC/SSIC Earnings on Post-Test Year Additions							
	Rate	ANC Water	Brookwood Water	Fairways Water	ANC Sewer	Fairways Sewer	Total
WSIC/SSIC eligible projects		\$ 3,428,386	\$ 3,267,647	\$ -	\$ 615,050	\$ 7,383	\$ 7,318,466
Recovery rate*		\$ 0.11	\$ 0.10	\$ -	\$ 0.10	\$ 0.13	
Annual WSIC/SSIC revenue		\$ 377,122	\$ 333,300	\$ -	\$ 63,965	\$ 982	\$ 775,369
Pro ration factor 1 **		0%	0%	0%	0%	0%	0%
Projected WSIC/SSIC recovery on PTY additions		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Recovery Rate is based on the Company's most recent WSIC/SSIC filing but will be trued up when final post-test year information is available.

** WSIC/SSIC filing was withdrawn, therefore rates will NOT go into effect (7/1/20).

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TABLE 3								
Calculation of Total Costs of PTY Additions for which deferral accounting is sought		Brookwood		Fairways				
		ANC Water	Water	Water	ANC Sewer	Fairways Sewer	Total	
Total projects (TABLE 1)		\$ 7,411,438	\$ 3,831,258	\$ 32,206	\$ 3,582,784	\$ 346,112	\$ 15,203,797	
Less Deferred Taxes		\$ (250,714)	\$ (13,500)	\$ (296)	\$ (271,137)	\$ (51,258)	\$ (586,906)	
Less depreciation ^^		\$ (133,765)	\$ (58,828)	\$ (704)	\$ (75,411)	\$ (7,097)	\$ (275,805)	
Rate base impact (A)		\$ 7,026,959	\$ 3,758,930	\$ 31,206	\$ 3,236,235	\$ 287,757	\$ 14,341,086	
	Rate ^							
Lost earnings on projects (B)= [(A)*Rate]	9.70%	\$ 340,828	\$ 182,319	\$ 1,514	\$ 156,967	\$ 13,957	\$ 695,585	
Lost interest on projects [(A)*Rate]	4.63%	\$ 162,674	\$ 87,019	\$ 722	\$ 74,919	\$ 6,662	\$ 331,996	
Unrecovered depreciation ^^		\$ 133,765	\$ 58,828	\$ 704	\$ 75,411	\$ 7,097	\$ 275,805	
Annual earnings impact		\$ 637,267	\$ 328,166	\$ 2,940	\$ 307,297	\$ 27,716	\$ 1,303,386	
Tax gross-up of equity return ^^^[(B)*Rate]	29.8%	\$ 101,662	\$ 54,382	\$ 452	\$ 46,820	\$ 4,163	\$ 207,479	
Annual revenue requirement		\$ 738,929	\$ 382,548	\$ 3,391	\$ 354,118	\$ 31,879	\$ 1,510,865	
Pro ration factor 2 ^^^^		75%	75%	75%	75%	75%	75%	
Pro rated revenue requirement		\$ 554,197	\$ 286,911	\$ 2,544	\$ 265,588	\$ 23,909	\$ 1,133,149	
WSIC/SSIC recovery		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net deferral request		\$ 554,197	\$ 286,911	\$ 2,544	\$ 265,588	\$ 23,909	\$ 1,133,149	
Annual amortization expense (C)		\$ 110,839	\$ 57,382	\$ 509	\$ 53,118	\$ 4,782	\$ 226,630	
Deferral to include in rate base		\$ 443,358	\$ 229,529	\$ 2,035	\$ 212,471	\$ 19,127	\$ 906,519	
Pro forma customer count ^^^^^ (D)		62,876	13,973	4,854	16,951	3,075	101,729	
Monthly impact of amortization [(C)/(D)*1/12]		\$ 0.15	\$ 0.34	\$ 0.01	\$ 0.26	\$ 0.13	\$ 0.19	

^ Financing rates are based on authorized rates in the Company's most recent rate case (W-218, Sub 497).

^^ Based on information supporting Exhibits A-1 through A-5, Schedule 2, of the Application. Note that depreciation attributed to routine replacements is excluded from these figures, and therefore these figures do not fully match the total depreciation identified in Schedule 2. These figures are estimates and will be updated once fully known at the end of the post-test year period.

^^^ Tax gross up rate is calculated as $[(1/(1-(21\%+2.5\%(1-21\%))) - 1]$ where the federal tax rate is 21% and state tax rate is 2.5%.

^^^^ Pro ration factor 2 assumes asset acquisitions occur ratably through the presumed post-test year period, 10/1/19-3/31/20, for an average acquisition date of 1/1/20, and new rates are Ordered effective 10/1/20.

Aqua North Carolina, Inc.

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Deferred Accounting on Post-Test Year Additions

^^^^^^ Total pro forma residential and commercial bills (divided by 12 months) from Application Exhibit F for each entity.

Thill Direct Exhibit 5

Updated 5/20/2020

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of May 2020, a copy of the foregoing document, captioned **REVISED EXHIBITS FOR AQUA WITNESSES BECKER AND THILL** has been duly served upon the parties of record by electronic service as follows:

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