

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

January 31, 2020

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

**Via Electronic Delivery**

Re: Rulemaking Proceeding to Implement G.S. 62-133.12A, North  
Carolina Session Law 2019-88 (House Bill 529)  
Docket No. W-100, Sub 61  
Initial Comments of Aqua North Carolina, Inc. and Carolina  
Water Service, Inc. of North Carolina

Dear Ms. Campbell:

Enclosed for electronic filing please find the Initial Comments of Aqua  
North Carolina, Inc. and Carolina Water Service, Inc. of North Carolina.

As always, thank you and your office for your assistance and please feel  
free to contact me if there are any questions.

**Electronically Submitted**

**/s/Jo Anne Sanford**

State Bar No. 6831

Attorney for Aqua North Carolina, Inc.  
and Carolina Water Service, Inc. of  
North Carolina

c: Parties of Record

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-100, SUB 61

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of

Petition for Rulemaking to Implement	)	
N.C. Gen. Stat. § 62-133.12A, North	)	INITIAL COMMENTS
Carolina Session Law 2019-88 (House	)	REGARDING RULEMAKING
Bill 529)	)	PROCEEDING

**NOW COME Aqua North Carolina, Inc. (“Aqua”) and Carolina Water Service, Inc. of North Carolina (“CWSNC”)** to file Initial Comments in response to the *Order Establishing Rulemaking Proceeding and Granting Petitions to Intervene* (“Rulemaking Order”) entered by the Commission in this docket on November 14, 2019.

In support of these Initial Comments, Aqua and CWSNC (collectively, the “Companies”) state the following:

**Procedural Context**

1. Effective July 8, 2019, the North Carolina General Assembly enacted G.S. 62-133.12A, North Carolina Session Law 2019-88 (House Bill 529), entitled “Customer usage tracking rate adjustment mechanisms for water and wastewater rates”. G.S. 62-133.12A provides as follows:

In setting rates for a water and wastewater utility in a general rate proceeding under G.S. 62-133, the Commission may adopt, implement, modify, or eliminate a rate adjustment mechanism for one or more of the company's rate schedules to track and true-up variations in average per customer usage from levels approved in the general rate case proceeding. The Commission may adopt a rate adjustment mechanism only upon a finding by the Commission

that the mechanism is appropriate to track and true-up variations in average per customer usage by rate schedule from levels adopted in the general rate case proceeding and the mechanism is in the public interest."

2. On October 31, 2019, the Public Staff filed a Petition in this docket requesting that the Commission establish a rulemaking proceeding to implement the provisions of the newly-enacted G.S. 62-133.12A. In conjunction with its Petition, the Public Staff also filed a set of proposed rules for water and wastewater companies, which would, if implemented, govern the creation and operation of customer usage tracking rate adjustment mechanisms for water and wastewater rates for ratemaking purposes. These mechanisms are referred to herein as a Water Usage Adjustment ("WUA") and a Sewer Usage Adjustment ("SUA").

3. The Public Staff further requested that the Commission, after receiving comments from interested parties, adopt its proposed Commission Rule R7-40 for water and Rule R10-27 for sewer, attached to its Petition as Exhibits A and B, respectively, with such modifications as may be appropriate.

4. On November 4, 2019, Aqua and CWSNC filed petitions to intervene in this docket, and on November 14, 2019, the Commission established a rulemaking proceeding, allowing Aqua and CWSNC to intervene and requiring petitions to intervene to be filed by November 22, 2019, initial comments to be filed by December 16, 2019, and reply comments to be filed by January 6, 2020.

5. On December 12, 2019, Aqua and CWSNC jointly filed a Motion for Extensions of Time to File Initial and Reply Comments, whereby the Commission was requested to extend the deadlines for the filing of Initial Comments to

January 31, 2020, and similarly extend the deadline for the filing of Reply Comments to February 28, 2020.

6. On December 18, 2019, the Commission entered an *Order Granting Motion for Extension of Time Nunc Pro Tunc*, effective December 16, 2019.

### **Initial Comments of Aqua and CWSNC**

The Companies have fully considered and evaluated Proposed Rules R7-40 for water and R10-27 for sewer, as drafted by the Public Staff, and hereby submit and advocate for certain changes to those rules as reflected in the Revised Proposed Rules R7-40 and R10-27, which are attached to these Initial Comments as Exhibits A and B, respectively. The Companies also attach, as Exhibit C, a detailed sample calculation consistent with the Revised Proposed Rules.

The Companies offer the following comments in support of their Revised Proposed Rules R7-40 and R10-27.

### **Commission-Authorized Customer Usage Tracker Rate Adjustment Mechanisms for the Natural Gas Industry in North Carolina**

First, the Companies note that G.S. 62-133.12A, as adopted by the North Carolina General Assembly, contains language which tracks almost verbatim the language of a substantively identical rate adjustment mechanism which was established by the North Carolina Legislature for the natural gas industry in this State. That statute, G.S. 62-133.7 (attached hereto as Exhibit D), was enacted effective July 18, 2007, and it is entitled “Customer usage tracking rate adjustment mechanisms for natural gas local distribution company rates”. Utilization of this natural gas customer usage tracking rate adjustment mechanism has been authorized by the Commission for both of the largest natural gas companies in

North Carolina; i.e., Piedmont Natural Gas Company, Inc. ("Piedmont") and Public Service Company of North Carolina, Inc. ("PSNC").<sup>1</sup>

Piedmont's customer usage tracking rate adjustment mechanism is tariffed and designated in the Piedmont tariffs as the Margin Decoupling Tracker or MDT. PSNC's mechanism is tariffed and designated in the PSNC tariffs as the Customer Usage Tracker or CUT. Both natural gas mechanisms: specify, in pertinent part, how the adjustments (semi-annual) are to be calculated; reflect the affected rate schedules; require reports containing specified information; provide that interest will be applied to the utility's deferred account; and direct that the utility will file revised tariffs for Commission approval upon 14 days' notice to implement a decrement or an increment.

The Commission neither engaged in a rulemaking proceeding nor adopted formal rules for the natural gas customer usage tracking rate adjustment mechanisms implemented by Piedmont and PSNC. Instead, the practices and procedures adopted and approved by the Commission are included in the individual natural gas company tariffs.

These G.S. 62-133.7 natural gas mechanisms have been in effect for more than a decade and apparently work well. It follows that the practices and procedures approved by the Commission which govern those mechanisms presumably also work well, and thus a template for successful implementation of G.S. 62-133.12A already exists. For that reason, the Companies propose that the rules adopted by the Commission in this docket for the water and sewer industry

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<sup>1</sup> PSNC now does business in North Carolina as Dominion Energy North Carolina.

should mirror, as much as reasonably practicable, the longstanding practices and procedures which underlie the natural gas mechanisms.

**Comments of Aqua and CWSNC Regarding the  
Public Staff's Proposed Rules R7-40 and R10-27**

Aqua and CWSNC have carefully reviewed Proposed Rules R7-40 and R10-27 as propounded by the Public Staff and offer the following comments in response thereto:

- 1) Regulated water and sewer utilities in North Carolina remain fundamentally challenged by the inability of the current ratemaking process to adequately capture the fluctuations inherent in customer consumption levels over time. Consumption is a critical component of rate-setting. It is also very difficult to accurately capture in a rate case. Additionally, there are intermittent periods of flat, decreasing and increasing consumption. Variability in consumption undermines the ability to set rates that assure fairness both to customers and utility providers. The Companies' shared understanding and belief is that G.S. 62-133.12A was implemented with the goal of protecting both customers and the utility from unforeseeable, significant fluctuations in consumption.
- 2) The Companies have reviewed the Public Staff's proposed rules ("Staff Proposal"); G.S. 62-133.12A and G.S. 62-133.7; existing regulated natural gas utility tariffs, rate orders, and filings; and existing water and sewer mechanism legislation and related Commission rules. The Companies respectfully submit that the Staff Proposal fails to align with the letter and the intent of G.S. 62 133.12A in certain key aspects.



- 3) The first misalignment is in the Public Staff's focus on "variations in customer usage," which differs from the statute's focus on "variations in average per customer usage." This difference is important, as explained below.

The introductory paragraph and paragraph 1 of the Staff Proposal, in pertinent part, provide:

...In support of this petition, the Public Staff respectfully shows unto the Commission:

1. N.C. Gen. Stat. § 62-133.12A (attached as Exhibit C) entitled, "Customer usage tracking rate adjustment mechanisms for water and wastewater rates" authorized the Commission to "adopt, implement, modify, or eliminate" a rate adjustment mechanism for tracking and truing-up **variations in customer usage** from the levels approved in the general rate case proceeding.... [emphasis added]

Although the Staff Proposal provides a substantial recitation of the statute, the Companies submit that it is essential to view the precise, complete language, which reads in its entirety as follows:

...the Commission may adopt, implement, modify, or eliminate a rate adjustment mechanism for one or more of the company's rate schedules to track and true-up **variations in average per customer usage** from levels approved in the general rate case proceeding. [emphasis added]

The difference may appear subtle but is an important distinction that highlights the focus and goal of the law – to reconcile volatility in *per customer* consumption due to the vagaries of projecting end-user usage patterns. This directly correlates with the positions enunciated by the

Companies in their recent respective rate cases<sup>2</sup> – in summary, that the calculation should reflect a consumption adjustment mechanism that only seeks to correct a deficiency in the current ratemaking process, a position that the Companies believe is clearly supported by the letter of the law.

To understand the importance of this difference, the Companies feel it is critical to revisit the intent of this rate adjustment mechanism. The ratemaking equation, put simply, is:

Rate = Revenue Requirement / Total Consumption, where

Total Consumption = # of Customers \* Average Per Customer Usage

The revenue requirement and customer count figures are fixed as of a point in time and are subject to examination by the Public Staff and the Commission in the normal course of a general rate case proceeding. Average per customer usage, however, is unknowable in principle in advance of actual customer activity occurring. Rates are currently set by using historical customer behavior as a proxy for future customer behavior, with the assumption that the authorized consumption level is a “normalized” level of usage in an average year. If past customer behavior precisely foretold future behavior, there would be no need for an adjustment mechanism. Weather variations, conservation ethic/incentives and increasingly efficient appliances are just a few of the reasons consumption fluctuates year to year. Even as utilities and the Public Staff may

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<sup>2</sup> See the Supplemental Testimony of CWSNC witness Dante DeStefano which was filed in Docket No. W-354, Sub 364 on August 2, 2019, and the Direct and Rebuttal Testimony of Aqua witness Shannon V. Becker which was filed in Docket No. W-218, Sub 497 on July 27, 2018, and September 4, 2018, respectively.



reasonably disagree on the most appropriate method of determining the consumption component of the ratemaking equation, in the end, no method will perfectly match future consumption. The rate adjustment mechanism is intended to adjust rates to supplement the ratemaking process for the average per customer usage, in order to provide the utility a reasonable opportunity to achieve its authorized return on equity.

The Staff Proposal ignores the statute's explicit language concerning average per customer usage and instead focuses on reconciling authorized revenue. An alternative presentation of the ratemaking equation is:

$$\text{Authorized Revenue (or Revenue Requirement)} = \text{Rate} * \text{Total Consumption}$$

$$\text{Total Consumption} = \# \text{ of Customers} * \text{Average Per Customer Usage}$$

With a focus on authorized revenue, the Staff Proposal ignores that a portion of the revenue collected may be attributed to customers acquired after the rate case. This instills a projective element into the ratemaking equation, without a similar true-up of the other elements of the rate setting equation. This stream of logic would allow the utility to sell some of its systems and surrender those customers served, and then expect the remaining customers to make up the revenue shortfall, or to acquire a new system and yield no additional revenue. The Staff Proposal takes one of the fixed elements of the original rate design and makes it variable. If customer count is allowed to be used as a projective element, so too should other components of the revenue requirement – both expenses and return on capital. For utilities, revenue from new customers provides funding to offset ongoing increases in wages, benefits and other operating costs

(general cost increases as well as specific costs related to the new customers), beyond those recovered in base rates that were set at historically experienced levels. To freeze revenues would put the cost of all expense increases fully on the utility shareholders, further eroding return on equity, largely negating the purpose of the statute, and necessarily leading to more frequent rate cases.

- 4) The second divergence by the Staff Proposal from the literal language of the statute is in its Paragraph 2. Whereas Paragraph 1 of the Staff Proposal omitted consideration of key words from the statute's language, Paragraph 2 adds new words to the description of G.S. 62-133.12A's purpose. The Staff Proposal states that the statute "provides for Commission approval of a rate adjustment mechanism by customer classification and rate schedule..." The Companies dispute this characterization, as the statute makes no such provision regarding customer classification. In that most customers pay the same volumetric rate regardless of customer classification (residential, commercial, irrigation, et al.) and in that revenue requirements are not established separately for various customer classifications, implementation of distinct rate adjustment mechanisms would seem inconsistent with the rate setting process. Additionally, in that commercial accounts make up only a small portion of the Companies' customer base, and those accounts are more likely to experience significant variability, the impact of a rate adjustment mechanism on a small subset of customers has the potential to be quite dramatic. Therefore, the

Commission's authorization of true-up calculations for the WUA/SUA mechanisms must consider the customer composition of the utility's rate schedules in determining the applicable customer classes to be reconciled.

- 5) The Companies contest both the Public Staff's request for use of a three-year billing data analysis and the extremely granular constituent components described in the initial filing in this docket. The Staff Proposal would require "A three-year billing data analysis that includes a detailed breakdown of the monthly active customer counts and monthly usage data by blocks of 1,000 gallons for each year, customer classification, and rate schedule." The true-up mechanism, whether in the form proposed by the Public Staff or that proposed herein by the Companies, only requires the ratemaking attributes used in a final Order to perform the necessary calculations. Historical information may be relevant in determining initial rates but, once rates are set, they are not and should not be a part of the true-up calculation. Utilities and the Public Staff should not be burdened by a single method or set of data to determine the normalized consumption level on which to set base rates in a rate case. The burden is on the utility to show that its proposals are in the public interest. Nevertheless, a utility should not be required to provide more data than is necessary to support the basis for its normalized consumption and WUA/SUA mechanism proposal. The Companies submit that the required provision of the data as detailed in the Staff Proposal is excessive, potentially irrelevant, and unnecessarily burdensome.

6) Aqua and CWSNC object to the excessive and unnecessary reporting requirements proposed by the Public Staff, contending that the level of reporting requested is not productive of more efficient regulatory oversight and that it imposes burden without resulting benefit. The Staff Proposal would require utilities to provide a host of reports within 15 days of each month end and the Companies oppose these requirements for the following reasons.

- a. First, with regard to frequency of reporting, the rate adjustment processes proposed by both the Public Staff and the Companies provide for annual calculations subject to full audit by the Public Staff. Monthly reporting provides no benefit to any parties since no interim action would be created other than the additional work of report production and review. Additionally, because of the volatility in consumption caused by seasonality, deferral balances will likely fluctuate to extremes (highs and lows) during the WUA/SUA Period before settling on a single meaningful number at the end of the WUA/SUA Period. That said, the Companies recognize that periodic review by the Public Staff allows parties to resolve any perceived inconsistencies on an interim basis and makes the final Public Staff audit more efficient. For that reason, the Companies propose that quarterly reporting would better balance the additional administrative burden upon the utilities

with the benefit of interim, periodic Public Staff review during the WUA/SUA Period.

b. Second, regarding the specific reports required, the Staff Proposal seeks the following reports which the Companies submit have no relevance to the rate adjustment mechanism:

- Balance sheet and income statement for the calendar month and year to date;
- Statement of net operating income for the calendar month and year to date for each rate division; and
- Total revenue for each system excluding flat rate and purchased water systems.

These reports provide no added value to the calculation nor do they support the explicit purpose of the rate adjustment mechanism. They would be an unnecessary burden placed upon the utilities, are largely duplicative of WSIC/SSIC mechanism filing requirements discussed below, and should be omitted from the reporting requirement.

The Staff Proposal would also require periodic reporting regarding customer count, gallons sold, and activity specific to WUA/SUA collections/payments. The Companies recognize the general relevance of this data, but submit that the data should be provided at no greater level of detail than is necessary for computation and monitoring of the rate adjustment mechanism

(i.e., customer classification detail should not be required unless a specific mechanism is applied at that level).

- c. Third, regarding timing, the Staff Proposal would give the utilities only 15 days after month-end to file its periodic reports. This short timeframe is overly-restrictive and unnecessarily burdensome. Only the final annual report leads to action subject to other time restrictions and deadlines; thus, requiring utilities to regularly add an additional reporting requirement during their normal month-end processes only serves to create a false sense of urgency for non-actionable information. The Companies submit that a 45-day timeframe is more appropriate and is consistent with the existing requirements of the WSIC/SSIC mechanisms.

- 7) The Staff Proposal suggests that the WUA/SUA should be effective no less than 60 days after the utility's filing of the request. There is no timing requirement for Public Staff action other than its notification to the Commission 15 days in advance prior to scheduling for consideration. The Companies' proposal, alternatively, allows for quarterly reporting which can be audited and verified for accuracy by Public Staff over the course of the WUA/SUA Period, minimizing significant audit efforts at the end of the WUA/SUA Period.

This proposed filing cycle is also consistent with the existing WSIC/SSIC mechanism requirements in R7-39(n)(2) and R10-26(n)(2). However, the WSIC/SSIC mechanisms require review of six months of construction



activity that can vary in scale and scope in each filing, while the WUA/SUA activity will be comprised of consistently structured and easily verifiable data, especially once such filings are submitted on a routine schedule. Therefore, the Companies propose utilities to file, in conjunction with the 4<sup>th</sup> quarterly report of the WUA/SUA Period, the request for initiation/update of the resulting WUA/SUA Charge/Credit as a tariff revision, subject to 14 days' notice to the Commission and Public Staff. This is consistent with the review and charge/credit initiation process utilized for the highly comparable Margin Decoupling Tracker mechanism employed by Piedmont and the Customer Usage Tracker mechanism employed by PSNC for over 10 years.

- 8) The Staff Proposal suggests that the WUA/SUA Charge/Credit should be applied to the usage rate, which the Companies interpret to mean it would not appear as a separate line item on customer bills. The Companies believe that separate billing codes would provide better clarity for customers. Absent such a code, customers might see an increase or decrease in their bill's base rate charges and infer that the utilities are changing rates without authorization, rather than that the increase or decrease is a result of ensuring that the utilities or customers are being made whole for variations in customer usage patterns.
- 9) The Staff Proposal suggests that if a WUA/SUA Period is bifurcated by a rate case, a simple proration should be applied for the shortened period. In that consumption is volatile due to seasonality, a simple proration would likely lead to a disproportionately large deferral balance, positive or

negative. For instance, a stub period covering billing activity in December-February would calculate average per customer usage very differently than a period covering June-August, even if both were within historical norms. The Companies submit that any Order should explicitly indicate the monthly distribution of average per customer usage that drives the rate calculation, and that figure should be the basis for each monthly true-up calculation. Since usage assumptions are based on historical actuals, distributing the usage assumption across the calendar should not be overly burdensome and would allow sufficient detail to recognize seasonal fluctuations and segregate billing activity based on applicable rates in effect. Additionally, per the Companies' proposal, the WUA/SUA mechanism would continue to reconcile authorized versus actual usage per customer independent of base rate case timing, and any resulting charge/credit would not require "roll-in" to base rates. As such, an Experience Modification Factor ("EMF") is not required, as the mechanism will incorporate over/under-recoveries into each rate adjustment.

- 10) The Staff Proposal would have utilities pay interest on over-collections pursuant to G.S. 62-130(e). If the Commission deems that interest should be paid in the case of an over-collection under this rate adjustment mechanism, the Companies propose that any under-collection should be credited with interest at the same rate. Further, the Companies recommend that any interest authorized should be assessed or awarded at levels equal to a short-term risk-free benchmark rate, preferably the 1-year U.S.

Treasury, recognizing the limited risk for either the utility or its customers as well as the short-term nature of any over or under-collection accruing prior to initiation or update of a charge/credit. The Commission would be required to explicitly authorize such interest rate in the utility's base rate case Order authorizing the WUA/SUA mechanism.

### **CONCLUSION**

Aqua and CWSNC request that the Commission give careful consideration to the Initial Comments offered by the Companies in support of adoption of the Revised Proposed Rules R7-40 and R10-27 attached hereto as Exhibits A and B, respectively.

Respectfully submitted, this the 31st day of January, 2020.

### **SANFORD LAW OFFICE, PLLC**

#### **Electronically Submitted**

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**ATTORNEYS FOR AQUA NORTH  
CAROLINA, INC. AND CAROLINA WATER  
SERVICE, INC. OF NORTH CAROLINA**

**Proposed Revised Water Rule Submitted by Aqua North Carolina, Inc. and  
Carolina Water Service, Inc. of North Carolina**

**R7-40 WATER USAGE ADJUSTMENT MECHANISM**

(a) Scope of Rule.—This rule provides the procedure for the approval and administration of a rate adjustment mechanism pursuant to G.S. 62-133.12A, known as a Water Usage Adjustment, or WUA. This mechanism would allow a utility to track and true-up variations in average per customer usage from levels approved by the Commission in the most recent general rate case proceeding. This rule excludes flat rate customers and purchased water rate customers.

(b) Definitions.—As used in this rule:

(1) “WUA Charge/Credit” means an increment or decrement adjustment to the applicable usage rate that allows a utility to recover or credit the revenue variations attributable to per customer usage variations.

(2) “Water system adjustment” or “WUA mechanism” means a rate adjustment mechanism approved by the Commission in a general rate case pursuant to G.S. 62-133.12A.

(3) “WUA Period” means the 12-month period beginning the first full month following the effective date of rates approved by the Commission in conjunction with the approval of a WUA mechanism in a general rate case proceeding.

(c) Request for Water Usage Adjustment Mechanism.—A utility seeking approval of a WUA mechanism shall include in its application for a general rate increase under G.S. 62-133 and Commission Rule R1-17 the following:

(1) A description of the customer classifications as applicable and rate schedules the proposed WUA mechanism would include and the criteria to group customers in a fair and reasonable manner;

(2) Schedules or exhibits detailing the computation of the proposed average per customer usage for each customer classification as applicable and rate schedule;

(3) Testimony, affidavits, exhibits, or other evidence demonstrating that a WUA mechanism is appropriate to track and true-up variations in average per customer usage by rate schedule from levels adopted in the general rate case proceeding and the mechanism is in the public interest; and

(4) Any other information required by the Commission.

(d) Customer Notice.—The notice to customers of the utility's general rate case application shall include the proposed WUA mechanism.

(e) General Rate Case Review.—Following notice and hearing, the Commission shall approve a WUA mechanism only upon a finding that it is in the public interest.

(f) Quarterly Reports.—The utility will file with the Commission

quarterly reports that include: (a) a copy of each monthly computation of the Accumulated WUA Deferral Balance, as described per Subsection (h)(2) below, by customer classification as applicable and rate schedule. Such reports will be filed within 45 days after the end of the quarter for which the report is being filed. Public Staff shall audit the quarterly reports and may request recalculation or modification of the filing as deemed reasonable. Should the utility disagree with Public Staff's audit findings, the utility shall provide a response in the relevant docket. The Commission shall issue an Order to resolve any unresolved disputes regarding the Company's quarterly reports.

(g) Initiation of Adjustment.—Once a WUA mechanism is approved, and concurrent with the 4th quarterly report in a WUA Period described in Subsection (f) above, the utility shall file a request in the established WUA mechanism docket for authority to revise its tariffs on 14 days' notice and to impose the WUA Charge/Credit rates pursuant to the mechanism, to be effective the first day of the month after filing the request. The utility shall include in the request its proposed calculated WUA Charge/Credit for each applicable customer classification and rate schedule. The utility shall also provide a copy of the request to the Public Staff. Prior to the effective date, the Public Staff shall schedule the request for Commission consideration at the regularly scheduled staff conference and recommend that the Commission issue an order approving, modifying and approving, or rejecting the proposed WUA Charge/Credit rates. The Commission shall issue its final



order subsequent to the receipt of the Public Staff's recommendation.

(h) Computation of WUA Charge/Credit.—

(1) The WUA Charge/Credit shall be expressed as an increment/decrement calculated to the nearest whole cent per 1,000 gallons and shall be applied as a usage rate under the utility's applicable rate schedules and charges.

(2) The WUA Mechanism deferral balance shall be computed for each applicable customer classification and rate schedule in each quarterly report described in Subsection (f) above as follows:

- a. Authorized Average per Customer Usage shall equal the Commission-approved authorized consumption divided by the authorized annualized customer bills from the most recent general rate case.
- b. Actual Average per Customer Usage shall equal actual billed usage divided by actual billed customers.
- c. WUA Average per Customer Usage Variation shall equal the Authorized Average per Customer Usage less the Actual Average per Customer Usage.
- d. Deferral Balance Adjustment shall equal the WUA Average per Customer Usage Variation multiplied by the authorized volumetric rate multiplied by actual billed customers.

e. Any actual WUA Charge/Credit activity emanating from active WUA mechanism rates shall be combined with the Deferral Balance Adjustment to determine the Net WUA Deferral Balance Adjustment.

f. The Accumulated WUA Deferral Balance before interest at the end of the current month will be averaged with the prior month's Accumulated WUA Deferral Balance to determine the average WUA deferral balance. This average WUA deferral balance will be multiplied by  $1/12^{\text{th}}$  of the 12-month Treasury Bill rate as authorized in the utility's most recent general rate case to determine the Accrued Interest.

g. The combination of the prior month Accumulated WUA Deferral Balance, Net Monthly WUA Deferral Balance Adjustment, and Accrued Interest shall be the Accumulated WUA Deferral Balance for the current month.

h. If a quarterly report period includes a WUA Charge/Credit change, the utility will segregate any actual WUA Charge/Credit activity for the reporting period based on the applicable WUA Charge/Credit rate.

(3) The WUA Charge/Credit for each customer classification as applicable and rate schedule shall be an increment/decrement

equal to the Accumulated WUA Deferral Balance as of the 4<sup>th</sup> quarterly report of the WUA Period divided by the result of the Authorized Average per Customer Usage multiplied by the actual customers.

(i) Elimination or Modification of WUA Mechanism.—After notice to the utility and opportunity to be heard, the Commission may eliminate or modify any previously authorized WUA mechanism upon a finding that it is not in the public interest.

(j) Burden of Proof.—The burden of proof as to whether a WUA mechanism is in the public interest and the correctness and reasonableness of any WUA Charge/Credit shall be on the utility.

(NCUC Docket No. W-100, Sub 61, XX/XX/2020)

**Proposed Revised Sewer Rule Submitted by Aqua North Carolina, Inc. and  
Carolina Water Service, Inc. of North Carolina**

**R10-27 SEWER USAGE ADJUSTMENT MECHANISM**

(a) Scope of Rule.—This rule provides the procedure for the approval and administration of a rate adjustment mechanism pursuant to G.S. 62-133.12A, known as a Sewer Usage Adjustment, or SUA. This mechanism would allow a utility to track and true-up variations in average per customer usage from levels approved by the Commission in the most recent general rate case proceeding. This rule excludes flat rate customers and purchased sewer rate customers.

(b) Definitions.—As used in this rule:

(1) “SUA Charge/Credit” means an increment or decrement adjustment to the applicable usage rate that allows a utility to recover or credit the revenue variations attributable to per customer usage variations.

(2) “Sewer system adjustment” or “SUA mechanism” means a rate adjustment mechanism approved by the Commission in a general rate case pursuant to G.S. 62-133.12A.

(3) “SUA Period” means the 12-month period beginning the first full month following the effective date of rates approved by the Commission in conjunction with the approval of a SUA mechanism in a general rate case proceeding.

(c) Request for Sewer Usage Adjustment Mechanism.—A utility seeking approval of a SUA mechanism shall include in its application for a general rate increase under G.S. 62-133 and Commission Rule R1-17 the following:

(1) A description of the customer classifications as applicable and rate schedules the proposed SUA mechanism would include and the criteria to group customers in a fair and reasonable manner;

(2) Schedules or exhibits detailing the computation of the proposed average per customer usage for each customer classification as applicable and rate schedule;

(3) Testimony, affidavits, exhibits, or other evidence demonstrating that a SUA mechanism is appropriate to track and true-up variations in average per customer usage by rate schedule from levels adopted in the general rate case proceeding and the mechanism is in the public interest; and

(4) Any other information required by the Commission.

(d) Customer Notice.—The notice to customers of the utility's general rate case application shall include the proposed SUA mechanism.

(e) General Rate Case Review.—Following notice and hearing, the Commission shall approve a SUA mechanism only upon a finding that it is in the public interest.

(f) Quarterly Reports.—The utility will file with the Commission

quarterly reports that include: (a) a copy of each monthly computation of the Accumulated SUA Deferral Balance, as described per Subsection (h)(2) below, by customer classification as applicable and rate schedule. Such reports will be filed within 45 days after the end of the quarter for which the report is being filed. The Public Staff shall audit the quarterly reports and may request recalculation or modification of the filing as deemed reasonable. Should the utility disagree with the Public Staff's audit findings, the utility shall provide a response in the relevant Docket. The Commission shall issue an Order to resolve any unresolved disputes regarding the Company's quarterly reports.

(g) Initiation of Adjustment.—Once a SUA mechanism is approved, and concurrent with the 4<sup>th</sup> quarterly report in a SUA Period described in Subsection (f) above, the utility shall file a request in the established SUA mechanism docket for authority to revise its tariffs on 14 days' notice and to impose the SUA Charge/Credit rates pursuant to the mechanism, to be effective the first day of the month after filing the request. The utility shall include in the request its proposed calculated SUA Charge/Credit for each applicable customer classification and rate schedule. The utility shall also provide a copy of the request to the Public Staff. Prior to the effective date, the Public Staff shall schedule the request for Commission consideration at the regularly scheduled staff conference and recommend that the Commission issue an order approving, modifying and approving, or rejecting the proposed SUA Charge/Credit rates. The Commission shall issue its final



order subsequent to the receipt of the Public Staff's recommendation.

(h) Computation of SUA Charge/Credit.—

(1) The SUA Charge/Credit shall be expressed as an increment/decrement calculated to the nearest whole cent per 1,000 gallons and shall be applied as a usage rate under the utility's applicable rate schedules and charges.

(2) The SUA Mechanism deferral balance shall be computed for each applicable customer classification and rate schedule in each quarterly report described in Subsection (f) above as follows:

- a. Authorized Average per Customer Usage shall equal the Commission-approved authorized consumption divided by the authorized annualized customer bills from the most recent general rate case.
- b. Actual Average per Customer Usage shall equal actual billed usage divided by actual billed customers.
- c. SUA Average per Customer Usage Variation shall equal the Authorized Average per Customer Usage less the Actual Average per Customer Usage.
- d. Deferral Balance Adjustment shall equal the SUA Average per Customer Usage Variation multiplied by the authorized volumetric rate multiplied by actual billed customers.
- e. Any actual SUA Charge/Credit activity emanating

from active SUA mechanism rates shall be combined with the Deferral Balance Adjustment to determine the Net SUA Deferral Balance Adjustment.

f. The Accumulated SUA Deferral Balance before interest at the end of the current month will be averaged with the prior month's Accumulated SUA Deferral Balance to determine the average SUA deferral balance. This average SUA deferral balance will be multiplied by  $1/12^{\text{th}}$  of the 12-month Treasury Bill rate as authorized in the utility's most recent general rate case to determine the Accrued Interest.

g. The combination of the prior month Accumulated SUA Deferral Balance, Net Monthly SUA Deferral Balance Adjustment, and Accrued Interest shall be the Accumulated SUA Deferral Balance for the current month.

h. If a quarterly report period includes a SUA Charge/Credit change, the utility will segregate any actual SUA Charge/Credit activity for the reporting period based on the applicable SUA Charge/Credit rate.

(3) The SUA Charge/Credit for each customer classification as applicable and rate schedule shall be an increment/decrement equal to the Accumulated SUA Deferral Balance as of the 4<sup>th</sup> quarterly

report of the SUA Period divided by the result of the Authorized Average per Customer Usage multiplied by the actual customers.

(i) Elimination or Modification of SUA Mechanism.—After notice to the utility and opportunity to be heard, the Commission may eliminate or modify any previously authorized SUA mechanism upon a finding that it is not in the public interest.

(j) Burden of Proof.—The burden of proof as to whether a SUA mechanism is in the public interest and the correctness and reasonableness of any SUA Charge/Credit shall be on the utility.

(NCUC Docket No. W-100, Sub 61, XX/XX/2020)

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				Base Case Annual	WUA Month Year 1						
					Jan.	Feb.	Mar	Apr	May	Jun	
Authorized Consumption	[A]			600,000,000	[A']	45,000,000	46,000,000	47,000,000	48,000,000	49,000,000	51,000,000
Authorized Annualized Bills	[B]			120,000	[B']	10,000	10,000	10,000	10,000	10,000	10,000
Authorized Average per Customer Usage (modeled)	[C]			5,000	[C']	4,500	4,600	4,700	4,800	4,900	5,100
Actual Consumption Billed	[D]					46,920,000	49,200,000	47,380,000	46,575,000	49,920,000	52,250,000
Actual Customers Billed	[E]					10,200	10,250	10,300	10,350	10,400	10,450
Actual Average per Customer Usage	[F]	= [D]/[E]				4,600	4,800	4,600	4,500	4,800	5,000
Average per Customer Usage Variance	[G]	= [C]-[F]				(100)	(200)	100	300	100	100
Authorized Volumetric Rate	[H]					\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10
WUA Component Rate	[I]	= [Q]				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferral Balance Adjustment - Due to Consumption	[J]	= [H]*[E]*([G])/1000				\$ (5,202)	\$ (10,455)	\$ 5,253	\$ 15,836	\$ 5,304	\$ 5,330
Deferred Balance Adjustment -Due to WUA Component Rate	[K]	= [I]*(-[D])/1000				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Deferral Balance Adjustment - (over)/under	[L]	= [K]+[J]				\$ (5,202)	\$ (10,455)	\$ 5,253	\$ 15,836	\$ 5,304	\$ 5,330
Accumulated Deferral Balance w/o interest - (over)/under	[M]	= Prior [M]+[O]				\$ (5,202)	\$ (15,660)	\$ (10,420)	\$ 5,399	\$ 10,700	\$ 16,039
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N]	= (Prior [M] +[M])/2*.015/12				\$ (3)	\$ (13)	\$ (16)	\$ (3)	\$ 10	\$ 17
Accumulated Deferral Balance - (over)/under	[O]	= [M]+[N]				\$ (5,205)	\$ (15,673)	\$ (10,437)	\$ 5,396	\$ 10,710	\$ 16,056
Deferral Balance for New Rate	[P]										
Surcharge/ (Credit) per 1,000/gallons	[Q]	= [P]/([C']*[E]/1000)									

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		WUA Month Year 1					
		Jul	Aug	Sep	Oct	Nov	Dec
Authorized Consumption	[A]	54,000,000	57,000,000	55,000,000	54,000,000	48,000,000	46,000,000
Authorized Annualized Bills	[B]	10,000	10,000	10,000	10,000	10,000	10,000
Authorized Average per Customer Usage (modeled)	[C]	5,400	5,700	5,500	5,400	4,800	4,600
Actual Consumption Billed	[D]	54,600,000	58,025,000	57,240,000	56,445,000	52,430,000	49,987,500
Actual Customers Billed	[E]	10,500	10,550	10,600	10,650	10,700	10,750
Actual Average per Customer Usage	[F] = [D]*[E]	5,200	5,500	5,400	5,300	4,900	4,650
Average per Customer Usage Variance	[G] = [C]-[F]	200	200	100	100	(100)	(50)
Authorized Volumetric Rate	[H]	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10
WUA Component Rate	[I] = [Q]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]*([G])/1000	\$ 10,710	\$ 10,761	\$ 5,406	\$ 5,432	\$ (5,457)	\$ (2,741)
Deferred Balance Adjustment -Due to WUA Component Rate	[K] = [I]*(-[D])/1000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Deferral Balance Adjustment - (over)/under	[L] = [K]+[J]	\$ 10,710	\$ 10,761	\$ 5,406	\$ 5,432	\$ (5,457)	\$ (2,741)
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M]+[O]	\$ 26,766	\$ 37,554	\$ 43,000	\$ 48,482	\$ 43,082	\$ 40,398
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*.015/12	\$ 27	\$ 40	\$ 50	\$ 57	\$ 57	\$ 52
Accumulated Deferral Balance - (over)/under	[O] = [M]+[N]	\$ 26,793	\$ 37,594	\$ 43,050	\$ 48,539	\$ 43,139	\$ 40,450
Deferral Balance for New Rate	[P]						\$ 40,450
Surcharge/(Credit) per 1,000/ gallons	[Q] = [P]/ ([C]*[E]/ 1000)						\$ 0.0627

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		WUA Month Year 2					
		Jan.	Feb.	Mar	Apr	May	Jun
Authorized Consumption	[A]	45,000,000	46,000,000	47,000,000	48,000,000	49,000,000	51,000,000
Authorized Annualized Bills	[B]	10,000	10,000	10,000	10,000	10,000	10,000
Authorized Average per Customer Usage (modeled)	[C]	4,500	4,600	4,700	4,800	4,900	5,100
Actual Consumption Billed	[D]	49,140,000	51,537,500	49,595,000	48,727,500	53,250,000	58,697,500
Actual Customers Billed	[E]	10,800	10,850	10,900	10,950	11,000	11,050
Actual Average per Customer Usage	[F] = [D]*[E]	4,550	4,750	4,550	4,450	4,841	5,312
Average per Customer Usage Variance	[G] = [C]-[F]	(50)	(150)	150	350	59	(212)
Authorized Volumetric Rate	[H]	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10
WUA Component Rate	[I] = [Q]	\$ -	\$ -	\$ 0.0627	\$ 0.0627	\$ 0.0627	\$ 0.0627
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]*([G])/1000	\$ (2,754)	\$ (8,300)	\$ 8,339	\$ 19,546	\$ 3,315	\$ (11,947)
Deferred Balance Adjustment -Due to WUA Component Rate	[K] = [I]*(-[D])/1000	\$ -	\$ -	\$ (3,110)	\$ (3,056)	\$ (3,339)	\$ (3,681)
Net Deferral Balance Adjustment - (over)/under	[L] = [K]+[J]	\$ (2,754)	\$ (8,300)	\$ 5,228	\$ 16,490	\$ (24)	\$ (15,628)
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M]+[O]	\$ 37,696	\$ 29,445	\$ 34,715	\$ 51,245	\$ 51,274	\$ 35,710
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*.015/12	\$ 49	\$ 42	\$ 40	\$ 54	\$ 64	\$ 54
Accumulated Deferral Balance - (over)/under	[O] = [M]+[N]	\$ 37,745	\$ 29,487	\$ 34,755	\$ 51,299	\$ 51,338	\$ 35,765
Deferral Balance for New Rate	[P]						
Surcharge/(Credit) per 1,000/ gallons	[Q] = [P]/ ([C]*[E]/1000)						



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		WUA Month Year 2					
		Jul	Aug	Sep	Oct	Nov	Dec
Authorized Consumption	[A]	54,000,000	57,000,000	55,000,000	54,000,000	48,000,000	46,000,000
Authorized Annualized Bills	[B]	10,000	10,000	10,000	10,000	10,000	10,000
Authorized Average per Customer Usage (modeled)	[C]	5,400	5,700	5,500	5,400	4,800	4,600
Actual Consumption Billed	[D]	61,165,000	62,767,500	59,920,000	59,062,500	54,805,000	52,210,000
Actual Customers Billed	[E]	11,100	11,150	11,200	11,250	11,300	11,350
Actual Average per Customer Usage	[F] = [D]*[E]	5,510	5,629	5,350	5,250	4,850	4,600
Average per Customer Usage Variance	[G] = [C]-[F]	(110)	71	150	150	(50)	-
Authorized Volumetric Rate	[H]	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10
WUA Component Rate	[I] = [Q]	\$ 0.0627	\$ 0.0627	\$ 0.0627	\$ 0.0627	\$ 0.0627	\$ 0.0627
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]*([G])/1000	\$ (6,248)	\$ 4,016	\$ 8,568	\$ 8,606	\$ (2,882)	\$ -
Deferred Balance Adjustment - Due to WUA Component Rate	[K] = [I]*(-[D])/1000	\$ (3,836)	\$ (3,936)	\$ (3,758)	\$ (3,704)	\$ (3,437)	\$ (3,274)
Net Deferral Balance Adjustment - (over)/under	[L] = [K]+[J]	\$ (10,083)	\$ 80	\$ 4,810	\$ 4,902	\$ (6,319)	\$ (3,274)
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M]+[O]	\$ 25,681	\$ 25,800	\$ 30,642	\$ 35,579	\$ 29,302	\$ 26,069
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*.015/12	\$ 38	\$ 32	\$ 35	\$ 41	\$ 41	\$ 35
Accumulated Deferral Balance - (over)/under	[O] = [M]+[N]	\$ 25,720	\$ 25,832	\$ 30,677	\$ 35,621	\$ 29,343	\$ 26,103
Deferral Balance for New Rate	[P]						\$ 26,103
Surcharge/ (Credit) per 1,000/ gallons	[Q] = [P]/([C]*[E]/1000)						\$ 0.0399

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		WUA Month Year 3					
		Jan.	Feb.	Mar	Apr	May	Jun
Authorized Consumption	[A]	45,000,000	46,000,000	47,000,000	48,000,000	49,000,000	51,000,000
Authorized Annualized Bills	[B]	10,000	10,000	10,000	10,000	10,000	10,000
Authorized Average per Customer Usage (modeled)	[C]	4,500	4,600	4,700	4,800	4,900	5,100
Actual Consumption Billed	[D]	51,300,000	53,815,000	51,750,000	50,820,000	54,520,000	57,085,000
Actual Customers Billed	[E]	11,400	11,450	11,500	11,550	11,600	11,650
Actual Average per Customer Usage	[F] = [D]/[E]	4,500	4,700	4,500	4,400	4,700	4,900
Average per Customer Usage Variance	[G] = [C]-[F]	-	(100)	200	400	200	200
Authorized Volumetric Rate	[H]	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10
WUA Component Rate	[I] = [Q]	\$ 0.0627	\$ 0.0627	\$ 0.0399	\$ 0.0399	\$ 0.0399	\$ 0.0399
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]*([G])/1000	\$ -	\$ (5,840)	\$ 11,730	\$ 23,562	\$ 11,832	\$ 11,883
Deferred Balance Adjustment -Due to WUA Component Rate	[K] = [I]*(-[D])/1000	\$ (3,217)	\$ (3,375)	\$ (2,066)	\$ (2,029)	\$ (2,177)	\$ (2,279)
Net Deferral Balance Adjustment - (over)/under	[L] = [K]+[J]	\$ (3,217)	\$ (9,214)	\$ 9,664	\$ 21,533	\$ 9,655	\$ 9,604
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M]+[O]	\$ 22,886	\$ 13,702	\$ 23,389	\$ 44,945	\$ 54,643	\$ 64,309
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*.015/12	\$ 31	\$ 23	\$ 23	\$ 43	\$ 62	\$ 74
Accumulated Deferral Balance - (over)/under	[O] = [M]+[N]	\$ 22,917	\$ 13,725	\$ 23,412	\$ 44,988	\$ 54,705	\$ 64,383
Deferral Balance for New Rate	[P]						
Surcharge/(Credit) per 1,000/gallons	[Q] = [P]/([C]*[E]/1000)						

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		WUA Month Year 3					
		Jul	Aug	Sep	Oct	Nov	Dec
Authorized Consumption	[A]	54,000,000	57,000,000	55,000,000	54,000,000	48,000,000	46,000,000
Authorized Annualized Bills	[B]	10,000	10,000	10,000	10,000	10,000	10,000
Authorized Average per Customer Usage (modeled)	[C]	5,400	5,700	5,500	5,400	4,800	4,600
Actual Consumption Billed	[D]	59,670,000	63,450,000	62,540,000	61,620,000	57,120,000	54,372,500
Actual Customers Billed	[E]	11,700	11,750	11,800	11,850	11,900	11,950
Actual Average per Customer Usage	[F] = [D]/[E]	5,100	5,400	5,300	5,200	4,800	4,550
Average per Customer Usage Variance	[G] = [C] - [F]	300	300	200	200	-	50
Authorized Volumetric Rate	[H]	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10	\$ 5.10
WUA Component Rate	[I] = [Q]	\$ 0.0399	\$ 0.0399	\$ 0.0399	\$ 0.0399	\$ 0.0399	\$ 0.0399
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]/1000	\$ 17,901	\$ 17,978	\$ 12,036	\$ 12,087	\$ -	\$ 3,047
Deferred Balance Adjustment - Due to WUA Component Rate	[K] = [I]*[D]/1000	\$ (2,382)	\$ (2,533)	\$ (2,497)	\$ (2,460)	\$ (2,281)	\$ (2,171)
Net Deferral Balance Adjustment - (over)/under	[L] = [J] + [K]	\$ 15,519	\$ 15,444	\$ 9,539	\$ 9,627	\$ (2,281)	\$ 876
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M] + [O]	\$ 79,902	\$ 95,436	\$ 105,084	\$ 114,836	\$ 112,693	\$ 113,711
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2 * .015/12	\$ 90	\$ 110	\$ 125	\$ 137	\$ 142	\$ 142
Accumulated Deferral Balance - (over)/under	[O] = [M] + [N]	\$ 79,992	\$ 95,545	\$ 105,210	\$ 114,974	\$ 112,835	\$ 113,853
Deferral Balance for New Rate	[P]						\$ 113,853
Surcharge/(Credit) per 1,000/ gallons	[Q] = [P]/([C]*[E]/1000)						\$ 0.1898

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		WUA Month Year 4 - Rate Case Effective Feb.							
		Jan.	Rate Case		Feb.	Mar	Apr	May	Jun
Authorized Consumption	[A]	45,000,000	696,000,000	[A"]	56,400,000	54,000,000	52,800,000	56,400,000	58,800,000
Authorized Annualized Bills	[B]	10,000	144,000	[B"]	12,000	12,000	12,000	12,000	12,000
Authorized Average per Customer Usage (modeled)	[C]	4,500	4,833	[C"]	4,700	4,500	4,400	4,700	4,900
Actual Consumption Billed	[D]	53,400,000			56,032,500	53,845,000	52,852,500	56,730,000	59,412,500
Actual Customers Billed	[E]	12,000			12,050	12,100	12,150	12,200	12,250
Actual Average per Customer Usage	[F] = [D]*[E]	4,450			4,650	4,450	4,350	4,650	4,850
Average per Customer Usage Variance	[G] = [C]-[F]	50			50	50	50	50	50
Authorized Volumetric Rate	[H]	\$ 5.10			\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25
WUA Component Rate	[I] = [Q]	\$ 0.0399			\$ 0.0399	\$ 0.1898	\$ 0.1898	\$ 0.1898	\$ 0.1898
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]*(I[G])/1000	\$ 3,060			\$ 3,766	\$ 3,781	\$ 3,797	\$ 3,813	\$ 3,828
Deferred Balance Adjustment - Due to WUA Component Rate	[K] = [I]*(-[D])/1000	\$ (2,132)			\$ (2,237)	\$ (10,217)	\$ (10,029)	\$ (10,765)	\$ (11,274)
Net Deferral Balance Adjustment - (over)/under	[L] = [K]+[J]	\$ 928			\$ 1,528	\$ (6,436)	\$ (6,232)	\$ (6,952)	\$ (7,446)
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M]+[O]	\$ 114,781			\$ 116,452	\$ 110,160	\$ 104,070	\$ 97,251	\$ 89,932
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*.015/12	\$ 143			\$ 145	\$ 142	\$ 134	\$ 126	\$ 117
Accumulated Deferral Balance - (over)/under	[O] = [M]+[N]	\$ 114,924			\$ 116,596	\$ 110,302	\$ 104,204	\$ 97,377	\$ 90,049
Deferral Balance for New Rate	[P]								
Surcharge/ (Credit) per 1,000/ gallons	[Q] = [P]/([C"]*[E]/1000)								

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		WUA Month Year 4 - Rate Case Effective Feb.					
		Jul	Aug	Sep	Oct	Nov	Dec
Authorized Consumption	[A]	61,200,000	64,800,000	63,600,000	62,400,000	57,600,000	54,600,000
Authorized Annualized Bills	[B]	12,000	12,000	12,000	12,000	12,000	12,000
Authorized Average per Customer Usage (modeled)	[C]	5,100	5,400	5,300	5,200	4,800	4,550
Actual Consumption Billed	[D]	62,115,000	66,072,500	65,100,000	64,117,500	59,375,000	56,475,000
Actual Customers Billed	[E]	12,300	12,350	12,400	12,450	12,500	12,550
Actual Average per Customer Usage	[F] = [D]/[E]	5,050	5,350	5,250	5,150	4,750	4,500
Average per Customer Usage Variance	[G] = [C] - [F]	50	50	50	50	50	50
Authorized Volumetric Rate	[H]	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25
WUA Component Rate	[I] = [Q]	\$ 0.1898	\$ 0.1898	\$ 0.1898	\$ 0.1898	\$ 0.1898	\$ 0.1898
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]/1000	\$ 3,844	\$ 3,859	\$ 3,875	\$ 3,891	\$ 3,906	\$ 3,922
Deferred Balance Adjustment - Due to WUA Component Rate	[K] = [I]*[D]/1000	\$ (11,787)	\$ (12,538)	\$ (12,353)	\$ (12,167)	\$ (11,267)	\$ (10,716)
Net Deferral Balance Adjustment - (over)/under	[L] = [J] + [K]	\$ (7,943)	\$ (8,678)	\$ (8,478)	\$ (8,276)	\$ (7,360)	\$ (6,795)
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M] + [O]	\$ 82,106	\$ 73,535	\$ 65,154	\$ 56,965	\$ 49,681	\$ 42,953
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*0.015/12	\$ 108	\$ 97	\$ 87	\$ 76	\$ 67	\$ 58
Accumulated Deferral Balance - (over)/under	[O] = [M] + [N]	\$ 82,213	\$ 73,632	\$ 65,241	\$ 57,041	\$ 49,747	\$ 43,011
Deferral Balance for New Rate	[P]						\$ 43,011
Surcharge/ (Credit) per 1,000/gallons	[Q] = [P]/([C]*[E]/1000)						\$ 0.0618

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		WUA Month Year 5					
		Jan.	Feb.	Mar	Apr	May	Jun
Authorized Consumption	[A]	53,400,000	56,400,000	54,000,000	52,800,000	56,400,000	58,800,000
Authorized Annualized Bills	[B]	12,000	12,000	12,000	12,000	12,000	12,000
Authorized Average per Customer Usage (modeled)	[C]	4,450	4,700	4,500	4,400	4,700	4,900
Actual Consumption Billed	[D]	55,440,000	58,190,000	55,880,000	54,825,000	58,880,000	61,680,000
Actual Customers Billed	[E]	12,600	12,650	12,700	12,750	12,800	12,850
Actual Average per Customer Usage	[F] = [D]/[E]	4,400	4,600	4,400	4,300	4,600	4,800
Average per Customer Usage Variance	[G] = [C]-[F]	50	100	100	100	100	100
Authorized Volumetric Rate	[H]	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25
WUA Component Rate	[I] = [Q]	\$ 0.1898	\$ 0.1898	\$ 0.0618	\$ 0.0618	\$ 0.0618	\$ 0.0618
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]*([G])/1000	\$ 3,938	\$ 7,906	\$ 7,938	\$ 7,969	\$ 8,000	\$ 8,031
Deferred Balance Adjustment - Due to WUA Component Rate	[K] = [I]*(-[D])/1000	\$ (10,520)	\$ (11,042)	\$ (3,453)	\$ (3,388)	\$ (3,639)	\$ (3,812)
Net Deferral Balance Adjustment - (over)/under	[L] = [K]+[J]	\$ (6,583)	\$ (3,136)	\$ 4,484	\$ 4,581	\$ 4,361	\$ 4,220
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M]+[O]	\$ 36,428	\$ 33,342	\$ 37,870	\$ 42,495	\$ 46,907	\$ 51,183
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*.015/12	\$ 50	\$ 44	\$ 45	\$ 50	\$ 56	\$ 61
Accumulated Deferral Balance - (over)/under	[O] = [M]+[N]	\$ 36,478	\$ 33,386	\$ 37,915	\$ 42,546	\$ 46,963	\$ 51,244
Deferral Balance for New Rate	[P]						
Surcharge/ (Credit) per 1,000/ gallons	[Q] = [P]/([C]*[E]/1000)						



Joint Comments of Aqua North Carolina and  
Carolina Water Service, Inc. of North Carolina  
Sample WUA Calculation

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Exhibit C  
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		WUA Month Year 5					
		Jul	Aug	Sep	Oct	Nov	Dec
Authorized Consumption	[A]	61,200,000	64,800,000	63,600,000	62,400,000	57,600,000	54,600,000
Authorized Annualized Bills	[B]	12,000	12,000	12,000	12,000	12,000	12,000
Authorized Average per Customer Usage (modeled)	[C]	5,100	5,400	5,300	5,200	4,800	4,550
Actual Consumption Billed	[D]	64,500,000	68,635,000	67,600,000	66,555,000	61,570,000	58,517,500
Actual Customers Billed	[E]	12,900	12,950	13,000	13,050	13,100	13,150
Actual Average per Customer Usage	[F] = [D]*[E]	5,000	5,300	5,200	5,100	4,700	4,450
Average per Customer Usage Variance	[G] = [C]-[F]	100	100	100	100	100	100
Authorized Volumetric Rate	[H]	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25	\$ 6.25
WUA Component Rate	[I] = [Q]	\$ 0.0618	\$ 0.0618	\$ 0.0618	\$ 0.0618	\$ 0.0618	\$ 0.0618
Deferral Balance Adjustment - Due to Consumption	[J] = [H]*[E]*([G])/1000	\$ 8,063	\$ 8,094	\$ 8,125	\$ 8,156	\$ 8,188	\$ 8,219
Deferred Balance Adjustment -Due to WUA Component Rate	[K] = [I]*(-[D])/1000	\$ (3,986)	\$ (4,241)	\$ (4,177)	\$ (4,113)	\$ (3,805)	\$ (3,616)
Net Deferral Balance Adjustment - (over)/under	[L] = [K]+[J]	\$ 4,077	\$ 3,852	\$ 3,948	\$ 4,043	\$ 4,383	\$ 4,603
Accumulated Deferral Balance w/o interest - (over)/under	[M] = Prior [M]+[O]	\$ 55,320	\$ 59,239	\$ 63,258	\$ 67,378	\$ 71,843	\$ 76,532
Accrued Interest, 12-Month Treasury Bill Rate of 1.5%	[N] = (Prior [M] + [M])/2*.015/12	\$ 67	\$ 72	\$ 77	\$ 82	\$ 87	\$ 93
Accumulated Deferral Balance - (over)/under	[O] = [M]+[N]	\$ 55,387	\$ 59,311	\$ 63,335	\$ 67,460	\$ 71,930	\$ 76,625
Deferral Balance for New Rate	[P]						
Surcharge/(Credit) per 1,000/gallons	[Q] = [P]/([C]*[E]/1000)						

**Comparison of Language of G.S. 62-133.7 (Natural Gas Customer Usage Tracking Rate Adjustment Mechanisms) and G.S. 62-133.12A (Water and Wastewater Customer Usage Tracking Rate Adjustment Mechanisms)**

*Note the yellow highlight indicates the very few differences in wording between the two statutes.*

**§ 62-133.7. Customer usage tracking rate adjustment mechanisms for natural gas local distribution company rates.**

In setting rates for a natural gas local distribution company in a general rate case proceeding under G.S. 62-133, the Commission may adopt, implement, modify, or eliminate a rate adjustment mechanism for one or more of the company's rate schedules, excluding industrial rate schedules, to track and true-up variations in average per customer usage from levels approved in the general rate case proceeding. The Commission may adopt a rate adjustment mechanism only upon a finding by the Commission that the mechanism is appropriate to track and true-up variations in average per customer usage by rate schedule from levels adopted in the general rate case proceeding and that the mechanism is in the public interest.

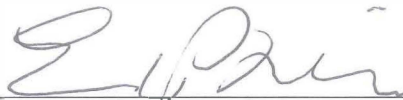
**§ 62-133.12A. Customer usage tracking rate adjustment mechanisms for water and wastewater rates.**

In setting rates for a water and wastewater utility in a general rate proceeding under G.S. 62-133, the Commission may adopt, implement, modify, or eliminate a rate adjustment mechanism for one or more of the company's rate schedules to track and true-up variations in average per customer usage from levels approved in the general rate case proceeding. The Commission may adopt a rate adjustment mechanism only upon a finding by the Commission that the mechanism is appropriate to track and true-up variations in average per customer usage by rate schedule from levels adopted in the general rate case proceeding and the mechanism is in the public interest.

VERIFICATION

Edward Thill, being duly sworn, deposes and says:

That he is the Controller for Aqua North Carolina, Inc.; that he is familiar with the facts set out in the attached **INITIAL COMMENTS REGARDING RULEMAKING PROCEEDING** filed in Docket No. W-100, Sub 61; that he has read the foregoing Initial Comments and knows the contents thereof; and that the same are true of his knowledge, except as to those matters stated therein on information and belief, and as to those he believes them to be true.



Edward Thill

Sworn to and subscribed before me this

the 31<sup>st</sup> day of January, 2020.



Notary Public

My Commission Expires: May 13, 2021



**VERIFICATION**

**Dante De Stefano**, being duly sworn, deposes and says:

That he is the Financial Planning and Analysis Director for Carolina Water Service, Inc. of North Carolina; that he is familiar with the facts set out in the attached **INITIAL COMMENTS REGARDING RULEMAKING PROCEEDING** filed in Docket No. W-100, Sub 61; that he has read the foregoing Initial Comments and knows the contents thereof; and that the same are true of his knowledge, except as to those matters stated therein on information and belief, and as to those he believes them to be true.



**Dante DeStefano**

Sworn to and subscribed before me this

the 31<sup>st</sup> day of January, 2020.

  
Notary Public

EVELIN LARIAS  
Notary Public - State of New Jersey  
My Commission Expires May 31, 2024

My Commission Expires: May 31<sup>st</sup> 2024

## **CERTIFICATE OF SERVICE**

I hereby certify that on this the 31st day of January, 2020, a copy of the foregoing **INITIAL COMMENTS REGARDING RULEMAKING PROCEEDING**, filed by Aqua North Carolina, Inc. and Carolina Water Service, Inc. of North Carolina in Docket No. W-100, Sub 61, has been duly served upon the Public Staff, the only other party to this proceeding, by electronic service, as follows:

William E. Grantmyre  
Staff Attorney, Legal Division  
North Carolina Utilities Commission - Public Staff  
william.grantmyre@psncuc.nc.gov

**Electronically Submitted**  
**/s/Jo Anne Sanford**  
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