



Fox Rothschild LLP
ATTORNEYS AT LAW

434 Fayetteville Street
Suite 2800
Raleigh, NC 27601
Tel (919) 755-8700 Fax (919) 755-8800
www.foxrothschild.com

DAVID T. DROOZ
Direct No: 919.719.1258
Email: ddrooz@foxrothschild.com

July 10, 2023

Via Electronic Submittal

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street, Room 5063
Raleigh, NC 27603

**Re: In the Matter of
Application by Aqua North Carolina, Inc. for Authority to Adjust and
Increase Rates and Charges for Water and Sewer Utility Service in All
Service Areas in North Carolina
Docket No. W-218, Sub 573
*Aqua Motion on Wastewater Rate Design***

Dear Ms. Dunston:

On behalf of Aqua North Carolina, Inc. ("Aqua"), I herewith provide for filing in the above referenced docket, Aqua Motion on Wastewater Rate Design.

If you should have any questions concerning this filing, please let me know. Thank you and your staff for your assistance.

Sincerely,
/s/ David T. Drooz
David T. Drooz
Attorney for
Aqua North Carolina, Inc.

pbb

Enclosures

A Pennsylvania Limited Liability Partnership

California Colorado Delaware District of Columbia Florida Georgia Illinois Minnesota Nevada
New Jersey New York North Carolina Pennsylvania South Carolina Texas Virginia Washington



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Ms. A. Shonta Dunston
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Copy to: Parties and Counsel of Record
Elizabeth Culpepper, NC Public Staff
Heather Fennell, Commission - Legal
Jessica Heironimus, NC Public Staff
Lynn Jarvis, Commission - Legal
Megan Jost, NC Public Staff
Monica Webb-Shackleford, Commission – Legal

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JUL 10 2023

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-218, SUB 573

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Application by Aqua North Carolina,)
Inc., 202 Mackenan Court, Cary, N.C.)
27511, for Authority to Adjust and)
Increase Rates for Water and Sewer)
Utility Service in All Service Areas in)
North Carolina)

AQUA MOTION ON
WASTEWATER RATE DESIGN

NOW COMES Aqua North Carolina, Inc. (Aqua or Company), and requests that the Commission issue an Order approving the Company's corrected revised wastewater rate design schedules attached to this Motion as Appendix A-1 Updated for each of the Rate Years, consistent with the plain language of the Commission Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Approving Water and Sewer Investment Plan, Granting Partial Rate Increases, and requiring Customer Notice (Final Order) issued on June 5, 2023. In support of this Motion, the Company states the following:

1. Within the Final Order, decretal paragraphs 28 and 29 provide:

29. That Aqua and the Public Staff shall jointly file with the Commission within seven business days of the issuance date of this Order the WSIP Rate Year 1 Schedules of Rates, labeled as Appendix A-1, that reflect the Commission's decisions herein, for approval by the Commission. In addition, Aqua and the Public Staff shall jointly file the Bulk Purchased Water System Usage Rates and Purchased Sewer Rates, labeled as Appendix A-2; the Schedule of Connection Fees, labeled as Appendix A-3, and the Water and Sewer System Improvement Charges (reset to zero), labeled as Appendix A-4, for approval by the Commission. Upon approval by further

order of the Commission, the WSIP Rate Year 1 Schedules of Rates shall be effective for service rendered on and after is Order through December 31, 2023.

2. Thereafter, the Public Staff filed a Motion of the Public Staff for Reconsideration on June 13, 2023, and Aqua filed its Response to Motion of the Public Staff for Reconsideration and for Further Relief on June 15, 2023. The Commission issued its Order on Reconsideration on June 21, 2023, which also extended the deadline established in Ordering Paragraph Nos. 29, 31, and 32 of the Rate Case Order to July 3, 2023, and the deadline established in Ordering Paragraph No. 30 of the Rate Case Order to July 6, 2023.
3. On July 3, 2023, the Public Staff filed the items required by Ordering Paragraph Nos. 29 through 33 of the Rate Case Order on behalf of the Public Staff and Aqua, which includes the Schedule of Rates for all rate entities.
4. The Company's Motion is limited to the Sewer Utility Service SCHEDULE OF RATES for All Aqua NC System found in APPENDIX A-1, PAGE 4 OF 9 and PAGE 5 OF 9¹ of the Public Staff's July 3, 2023, filing in this docket. The rate year 1 schedule is excerpted here:

¹ The Company agrees with the rate design for its four remaining rate divisions: ANC Water, Brookwood Water, Fairways Water, and Fairways Sewer.

SEWER UTILITY SERVICE

► All Aqua NC systems except as noted below

Monthly Unmetered Service (flat rate):

Residential customer	\$ 89.93
Commercial customers (per REU)	\$125.90

STEP system flat rate (Monticello, Holly Brook, Saddleridge) \$ 32.00

Monthly Metered Service (residential and commercial customers):

Base facility charge (zero usage, based on meter size)

<1" meter	\$ 28.60
1" meter	\$ 71.50
1 1/2" meter	\$ 143.00
2" meter	\$ 228.80
3" meter	\$ 429.00
4" meter	\$ 715.00
6" meter	\$1,430.00

Usage charge, per 1,000 gallons \$ 13.45

For bulk purchased sewer system charges see attached Appendix A-2

Carolina Meadows, Inc. will be charged the sum of all contributory water meter base facility charges, which is currently 394.5 REUs.

5. The rate design using the Aqua Uniform Sewer Utility Service Monthly Metered Service customer rates that were filed on July 3, 2023 produces a 30/70 fixed/variable ratio for metered sewer customers, which is in direct conflict with the 60/40 fixed/variable rate design ratio approved in the Docket No. W-218, Sub 573, Final Order and Stipulation. Page 14 of that final Order states:

Rate Design

26. It is reasonable and appropriate that Aqua's rate design for water utility service provided to its residential customers should be based on the following fixed/variable ratios which were agreed upon in the Stipulation: 35%/65% for the Aqua Uniform Water Rate Division; 35%/65% for the Brookwood Water Rate Division; and 35%/65% for the Fairways Water Rate Division; and 60%/40% for the Aqua Uniform Sewer Rate Division and 60%/40% for the Fairways Sewer Rate Division. It is reasonable and appropriate that unmetered residential sewer rates remain flat.

The Partial Settlement Agreement and Stipulation provides age page 18:

III. TARIFF RATE DESIGN AND OTHER PROGRAMS

Fixed/Volumetric Rate Design. The Stipulating Parties agree that rate design in this case should be based on a 35/65 ratio of fixed/volumetric (or base/usage) revenues for water service rates. The Stipulating Parties further agree that rate design in this case should be based on a 60/40 ratio of fixed/volumetric (or base/usage) revenues for metered sewer service rates. Unmetered residential sewer rates should remain flat.

6. Public Staff's calculated rate design for its Aqua Uniform Sewer rate division (ANC Sewer) in the filing on July 3, 2023, produces a fixed/variable revenue ratio of 60/40 for the total revenue requirement of ANC Sewer, which includes both metered and unmetered (flat rate) customers. The Company, erroneously, initially agreed with the Public Staff's calculated rate design, but, upon further detailed inquiry and review of the W-218 Sub 573 Partial Settlement Agreement and Stipulation and the Final Order, Aqua realized on its own that the revenue from the flat rate customers (100% fixed) was included for the target ratio in that rate design calculation, which, Aqua believes, resulted in a flawed fixed/variable rate design. The Company apologizes for this oversight on its part but asserts that including flat rate

revenue is a substantive change to its understanding of the settlement agreement and the Commission order.

7. As illustrated in the example below, the Public Staff's calculations produce a 30/70 fixed/volumetric (or base/usage) rate design ratio for metered sewer service customers, which is contrary to the Stipulation and the Final Order.

EXAMPLE:

Applying the rates referenced in paragraph 4 above to a residential volumetric sewer customer using 5,000 gallons of water in one month, will produce a monthly bill of:

BFC (fixed) <1" meter	\$28.60
Usage (variable) (\$13.45 x 5)	<u>\$67.25</u>
Total Bill =	\$95.85
Fixed % (\$28.60/\$95.85)	29.8%
Variable % (\$67.25/\$95.85)	70.2%

8. Furthermore, this calculation is inconsistent with the previously authorized 80/20 fixed/variable calculation used to determine the Aqua Uniform Sewer Utility Service Monthly Metered Service rates per the final order in the Docket No. W-218, Sub 526 rate case for the exact same affected customer class, as illustrated in the following example:

EXAMPLE:

Applying the volumetric sewer rates approved in Docket No. W-218, Sub 526, to a residential volumetric sewer customer using 5,000 gallons of water in one month, will produce a monthly bill of:

BFC (fixed) <1" meter	\$60.43
Usage (variable) (\$2.99 x 5)	<u>\$14.95</u>
Total Bill =	\$75.38

Fixed % (\$60.43/\$75.38)	80.2%
Variable % (\$67.25/\$95.85)	19.8%

9. The Company respectfully asserts that the rate design for Aqua's Uniform Sewer Utility Service customers as filed on July 3, 2023, is not consistent with the plain language of the Stipulation, the Final Order, the previous calculation of the rate design that facilitated an 80/20 fixed/variable rate design ratio.
10. Quite simply, the Company reasonably assumed that a Stipulation that says a 60/40% split for fixed/volumetric rate design for metered wastewater customers means exactly that – a rate design that produces a 60% fixed and 40% volumetric result in revenue for those customers, as illustrated in the following example:

EXAMPLE:

Applying the volumetric sewer rates in the appendix to this petition to a residential volumetric sewer customer using 5,000 gallons of water in one month will produce a monthly bill of:

BFC (fixed) <1" meter	\$54.25
Usage (variable) (\$7.62 x 5)	\$38.10
Total Bill =	\$92.35
Fixed % (\$54.25/\$92.35)	58.7%
Variable % (\$38.10/\$92.35)	41.3%

11. The Company contacted the Public Staff on July 7, 2023, to notify them of the error and requested that the Public Staff revise the applicable schedules. Based on the response from Public Staff, it is Aqua NC's

understanding that the Public Staff is not supportive of correcting the wastewater rate design at issue.

12. Based on the foregoing, Aqua disagrees with the July 3, 2023, filed rate design for its Aqua NC sewer rate division and that the compliant rate schedule is attached hereto as Appendix A-1 Updates for each of the Rate Years, which produces the appropriate 60/40 fixed/variable rate design for the Aqua NC metered sewer customers. These updates to the APPENDIX A-1 PAGE 4 OF 9 AND 5 OF 9 for each rate year would also need to be applied to the APPENDIX B-1 (Customer Notices), PAGES 5 OF 7 AND 6 OF 7 for each rate year as well. The full set of ANC Sewer rate design schedules, and calculations, will be made available to the Public Staff for review if requested.

WHEREFORE, Aqua requests that the Commission reject the Public Staff's rate schedule for "Sewer Utility Service, All Aqua NC systems" filed on July 3, 2023, and instead utilize the updated portions of APPENDIX A-1 for Rate Years one through three, as provided by the Company in the attached Appendix A-1 Updated for each of the Rate Years.

Respectfully submitted this the 10th day of July, 2023.

Electronically Submitted

/s/ David Drooz

North Carolina State Bar No. 10310

Fox Rothschild, LLP

434 Fayetteville Street

Suite 2800

Raleigh, North Carolina 27601-2943

Telephone: 919-719-1258

Email: Drooz@foxrothschild.com

ATTORNEY FOR AQUA NORTH CAROLINA, INC.

VERIFICATION

Dean R. Gearhart, being duly sworn, deposes and says:

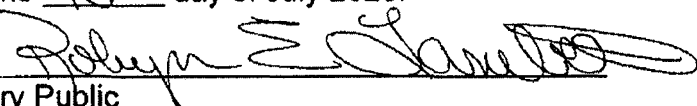
That he is the Manager of Rates for Aqua North Carolina, Inc.; that he is familiar with the facts set out in this Motion on Wastewater Rate Design filed by Aqua North Carolina, Inc.; that he has read the foregoing Motion and knows the contents thereof; and that the same is true of his knowledge except as to those matters stated on information and belief, and as to those he believes them to be true.



Dean R. Gearhart

North Carolina
Wake County

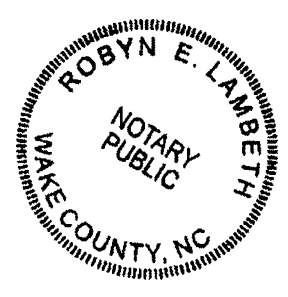
Sworn to and subscribed before me
this the 10th day of July 2023.



Notary Public

Robyn E. Lambeth
Printed Name

My Commission Expires: May 13, 2026
Date



CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing **AQUA MOTION ON WASTEWATER RATE DESIGN** in Docket No W-218, Sub 573, has been served on the Public Staff, North Carolina Utilities Commission, by hand-delivery or electronic transmission to Lucy Edmondson, Chief Counsel.

This the 10th day of July, 2023.

Attorney for Aqua North Carolina, Inc.

Electronically Submitted
/s/ David T. Drooz
Fox Rothschild, LLP
434 Fayetteville Street
Suite 2800
Raleigh, North Carolina 27601-2943
Telephone: 919-719-1258
Email: Drooz@foxrothschild.com

APPENDIX A-1 UPDATED FOR ANC SEWER - RATE YEAR ONE

DOCKET NO. W-218 SUB 573

SEWER UTILITY SERVICE

► All Aqua NC systems except as noted below

Monthly Unmetered Service (flat rate):

Residential customer	\$ 89.00
Commercial customers (per REU)	\$124.60

STEP system flat rate (Monticello, Holly Brook, Saddleridge) \$ 32.00

Monthly Metered Service (residential and commercial customers):

Base facility charge (zero usage, based on meter size)

<1" meter	\$ 54.25
1" meter	\$ 135.63
1 ½" meter	\$ 271.25
2" meter	\$ 434.00
3" meter	\$ 813.75
4" meter	\$1,356.25
6" meter	\$2,712.50

Usage charge, per 1,000 gallons \$ 7.62

For bulk purchased sewer system charges see attached Appendix A-2

Carolina Meadows, Inc. will be charged the sum of all contributory water meter base facility charges, which is currently 394.5 REUs.

APPENDIX A-1 UPDATED FOR ANC SEWER - RATE YEAR TWO

DOCKET NO. W-218 SUB 573

SEWER UTILITY SERVICE

▶ All Aqua NC systems except as noted below

Monthly Unmetered Service (flat rate):

Residential customer	\$ 90.30
Commercial customers (per REU)	\$126.42

STEP system flat rate (Monticello, Holly Brook, Saddleridge) \$ 32.00

Monthly Metered Service (residential and commercial customers):

Base facility charge (zero usage, based on meter size)

<1" meter	\$ 54.91
1" meter	\$ 137.28
1 ½" meter	\$ 274.55
2" meter	\$ 439.28
3" meter	\$ 823.65
4" meter	\$1,372.75
6" meter	\$2,745.50

Usage charge, per 1,000 gallons \$ 7.76

For bulk purchased sewer system charges see attached Appendix A-2

Carolina Meadows, Inc. will be charged the sum of all contributory water meter base facility charges, which is currently 394.5 REUs.

APPENDIX A-1 UPDATED FOR ANC SEWER - RATE YEAR THREE

DOCKET NO. W-218 SUB 573

SEWER UTILITY SERVICE

► All Aqua NC systems except as noted below

Monthly Unmetered Service (flat rate):

Residential customer	\$ 91.74
Commercial customers (per REU)	\$128.44

STEP system flat rate (Monticello, Holly Brook, Saddleridge) \$ 32.00

Monthly Metered Service (residential and commercial customers):

Base facility charge (zero usage, based on meter size)

<1" meter	\$ 55.67
1" meter	\$ 139.18
1 ½" meter	\$ 278.35
2" meter	\$ 445.36
3" meter	\$ 835.05
4" meter	\$1,391.75
6" meter	\$2,783.50

Usage charge, per 1,000 gallons \$ 7.91

For bulk purchased sewer system charges see attached Appendix A-2

Carolina Meadows, Inc. will be charged the sum of all contributory water meter base facility charges, which is currently 394.5 REUs.