

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, North)
Carolina 27511, for Authority to Adjust) PUBLIC STAFF RESPONSE TO
and Increase Rates for Water and) AQUA MOTION ON WASTEWATER
Sewer Utility Service in All Service) RATE DESIGN
Areas in North Carolina and for)
Approval of a Water and Sewer)
Investment Plan)

NOW COMES THE PUBLIC STAFF – North Carolina Utilities Commission, by and through its Executive Director, Christopher J. Ayers, in response to the Motion on Wastewater Rate Design (Motion) filed by Aqua North Carolina, Inc. (Aqua or Company) on July 10, 2023, and requests that the Commission issue an order approving the wastewater rate design schedules filed on behalf of the Public Staff and Aqua on July 3, 2023. In support of its request, the Public Staff states the following:

1. In its Motion, Aqua contends that the Sewer Utility Service SCHEDULE OF RATES for All Aqua NC System for Rate Year 1 found in Appendix A-1, PAGE 4 OF 9 and PAGE 5 OF 9 of the July 3, 2023 joint filing produces a fixed:variable rate design ratio of 30:70 which conflicts with the 60:40 rate design ratio stipulated to by the Public Staff and Aqua and approved in the Commission’s Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Approving Water and Sewer Investment Plan, Granting Partial Rate

Increases, and Requiring Customer Notice issued on June 5, 2023 (Final Order). Aqua asserts that the Public Staff's erroneous inclusion of revenue from flat rate wastewater customers for the target ratio in the rate design calculation produced a fixed: variable rate design that the Company contends is "as substantive change to its understanding of the settlement agreement and Commission [Final] [O]rder."

2. In Aqua's general rate case in Docket No. W-218, Sub 573, Public Staff witness Lindsay Q. Darden recommended a service revenue ratio of 60:40 for Aqua's Uniform Sewer and Fairways Sewer customers.

3. When asked by Commissioner Brown-Bland during the evidentiary hearing whether the Public Staff would provide an updated billing analysis for Aqua's uniform sewer rate division in reference to Aqua witness Daniel T. Franceski's assertion in his prefiled rebuttal testimony that witness Darden's rate calculations were based on a 30:70 fixed:variable ratio as opposed to 60:40, witness Darden testified that the Public Staff's recommended rate design for ANC sewer was based on total fixed revenue as compared to total variable revenue (or, service revenues), whereas Aqua's proposed rate design was based on the average metered residential sewer customer bill.

4. On March 31, 2023, Aqua and the Public Staff filed a Partial Settlement Agreement and Stipulation (Settlement Agreement). In Section II. A. of the Settlement Agreement, the parties agree that rate design for metered sewer service rates should be based on a 60:40 ratio of fixed:volumetric (or base:usage) revenues, the same fixed:volumetric ratio recommended by Public Staff witness

Darden. The Commission's Final Order approved the Settlement Agreement in its entirety.

5. The Schedules of Rates filed on July 3, 2023, which were calculated by the Public Staff and reviewed by Aqua before they were filed, are based on the Public Staff's recommended 60:40 fixed:variable ratio and the methodology described by witness Darden in her response to Commissioner Brown-Bland's question during the evidentiary hearing. (Tr. vol. 7, 61-62) This same methodology was used to calculate all the Schedules of Rates filed on behalf of the Public Staff and Aqua, but Aqua has only taken issue with the Schedule of Rates for Aqua Uniform Sewer customers.

6. The monthly base facilities charge of \$28.60 based on a <1" meter for Uniform Sewer and Park South Station, Parkway Crossing, and Huntley Glen customers, for whom Aqua purchases sewer treatment from Charlotte Water, as filed on July 3, 2023, would increase to \$54.25 under Aqua's request.

7. Aqua's recommended rate design shifts nearly \$3.64 million of revenues to be collected in rates, or 17% of the Aqua Uniform Sewer revenue requirement, from variable usage charges to fixed base charges. This results in a service revenue ratio of 77:23 for the Uniform Sewer rate division instead of the 60:40 ratio agreed to by the parties to the Settlement Agreement and ordered by the Commission. This has a bolstering effect on revenue stability that is unique to the Aqua Uniform Sewer rate division.

8. The Public Staff's recommended rate design better achieves the 60:40 ratio agreed to by the parties and ordered by the Commission. It also gives customers greater control over their total bill, thereby promoting efficiency and conservation, while also maintaining revenue stability for the utility.

WHEREFORE, the Public Staff requests that the Commission issue an order approving the Schedules of Rates filed on behalf of the Public Staff and Aqua on July 3, 2023.

Respectfully submitted this the 12th day of July, 2023.

PUBLIC STAFF
Christopher J. Ayers
Executive Director

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Electronically submitted
/s/ Megan Jost
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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing Response on all parties of record, or their attorneys, or both, by United States mail, first class or better; by hand delivery; or by means of facsimile or electronic delivery upon agreement of the receiving party.

This the 12th day of July, 2023.

Electronically submitted
/s/ Megan Jost