

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-218, SUB 526A

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of  
Application by Aqua North Carolina, Inc.,            ) ORDER APPROVING  
202 MacKenan Court, Cary, North Carolina        ) CONSERVATION PILOT PROGRAM  
27511, for Approval of Annual Adjustment         ) REVENUE RECONCILIATION  
to Conservation Pilot Program Revenue            ) SURCHARGE AND REQUIRING  
Reconciliation Charge/Credit                        ) CUSTOMER NOTICE

BY THE COMMISSION: On February 7, 2023, Aqua North Carolina, Inc. (Aqua or the Company) filed a Conservation Pilot Program (Pilot Program) annual revenue reconciliation request (Reconciliation Request) pursuant to the Commission’s Order Approving Partial Settlement Agreement and Stipulation, Deciding Contested Issues, Granting Partial Rate Increase, and Requiring Customer Notice (Sub 526 Rate Case Order) issued on October 26, 2020, in Docket No. W-218, Sub 526 (Sub 526 Rate Case).

On March 27, 2023, the Public Staff filed a letter in this docket stating that, based on its review of the Reconciliation Request and the Commission’s Order Approving Conservation Pilot Program Revenue Reconciliation Bill Credit and Requiring Customer Notice issued August 1, 2022 (2022 Revenue Reconciliation Order), the Public Staff did not object to the surcharge requested by the Company.

On April 24, 2023, the Public Staff presented this matter at the Commission’s Staff Conference. The Public Staff recommends that the Commission issue an order allowing Aqua to implement a surcharge to recover a revenue deficit in the amount of \$69,665.25 through a surcharge calculated on a volumetric basis at a rate of \$0.16 per 1,000 gallons of usage beginning with its next billing cycle and continuing through December 31, 2023.

**FINDINGS OF FACT**

1. Aqua is a corporation duly organized and authorized to do business under the laws of the State of North Carolina. Aqua is a franchised public utility providing water and sewer utility service to customers in North Carolina, and is subject to the Commission’s jurisdiction.

2. In the Sub 526 Rate Case, Aqua proposed to implement a Conservation Pilot Program for residential customers in five of the Company’s service areas in North Carolina, including a revenue reconciliation process. The Commission approved the Conservation Pilot Program for four of the five service areas included in Aqua’s proposal.

3. The Sub 526 Rate Case Order includes the following Findings of Fact regarding the Conservation Pilot Program and the related revenue reconciliation process:

33. For the pilot program, Aqua NC proposed four usage tiers with inclining block rates and separate irrigation rates to be charged to residential water customers in the Arbor Run, Merion, Pebble Bay, and Bayleaf Master System service areas (a portion of the Aqua NC Water Rate Division) and The Cape service area (Fairways Water Rate Division). The Company stated that its Pilot Program proposal is contingent upon Commission approval of its proposed revenue reconciliation process specific to the pilot areas. According to Aqua NC, the purpose of the proposed revenue reconciliation process is to assure that the Company will receive its full authorized revenue requirement, no more and no less.

. . .

43. It is reasonable and appropriate that a Conservation Pilot Program be designed to maintain revenue sufficiency and stability for Aqua NC. A revenue reconciliation mechanism is appropriate to support the Company's reasonable opportunity to recover its full Commission-approved revenue requirements despite implementation of a Conservation Pilot Program.

. . .

44. For purposes of implementing the Conservation Pilot Program in a portion of the Aqua NC Water Rate Division, a revenue reconciliation process applicable only to the pilot group is in the public interest. It is reasonable and appropriate that a revenue reconciliation process as set forth by the Company be integral to the Pilot Program; however, such revenue reconciliation process allowed in this docket for this specific purpose is not intended to establish the process by which any future revenue reconciliation for Aqua NC or other regulated utilities related to actual consumption variances from Commission-approved levels in general rate case proceedings as allowed by N.C. [Gen. Stat.] § 62-133.12A will be calculated.

4. On August 1, 2022, the Commission issued its 2022 Revenue Reconciliation Order in this docket in which it concluded that the revenue reconciliation methodology based on average use per customer, as recommended by Aqua, was appropriate.

5. Aqua's Reconciliation Request is based on the third scenario presented in Aqua witness Edward Thill's Direct Exhibit 4 filed in the Sub 526 Rate Case. Under this scenario, customers were assumed to have lower than average consumption, and Aqua would collect the resulting revenue deficit through a monthly bill surcharge during the recovery period. In the Sub 526 Rate Case, the Pilot Program annualized billing determinants were 81,972 bills and 562,713,732 gallons, resulting in a monthly average consumption per bill of 6,865 gallons. The Pilot Program service revenue requirement authorized by the

Commission in the Sub 526 Rate Case was \$5,482,975, comprised of \$1,696,820 (31%) for base facility charges and \$3,786,155 (69%) for consumption charges.

6. During the 12 months of 2022, Aqua issued 84,468 bills for 563,954,700 gallons, resulting in a monthly average consumption per bill of 6,677 gallons in the pilot service areas. The actual Pilot Program service revenue was approximately \$5,595,277, consisting of \$1,765,115 for base facility charges and \$3,830,162 for consumption charges.

7. In its Reconciliation Request, Aqua compares the monthly average bill amount for consumption charges utilizing the number of bills and total consumption from the Sub 526 Rate Case of \$46.19 to the monthly average bill amount for consumption charges utilizing the actual number of bills and total consumption from the 12 months of 2022 of \$45.34. This comparison results in a revenue deficit of \$0.85 per bill, or 1.840%. Aqua proposes to collect through surcharges a total of \$69,665.25, which is the rate design's volumetric revenue of \$3,786,155 multiplied by the 1.840% deficit.

8. Aqua proposes to recover the deficit on a volumetric basis beginning April 1, 2023, and continuing through December 31, 2023, at a rate of \$0.16 per 1,000 gallons of usage, as calculated on line 21 of Appendix A to the Reconciliation Request. Aqua further proposes to monitor the amount of this recovery over the 2023 calendar year and requests authority to adjust the rate of \$0.16 per 1,000 gallons during the fourth quarter of 2023 to prevent the over or under collection of the deficit amount.

9. The Public Staff recommends that the Commission issue an order allowing Aqua to implement a surcharge to recover the revenue deficit as calculated by Aqua beginning with its next billing cycle and continuing through December 31, 2023.

## **DISCUSSION AND CONCLUSIONS**

Based on the foregoing, the Commission concludes that Aqua should be allowed to recover the revenue deficit in the amount of \$69,665.25 through the proposed surcharge and that Aqua should be authorized to adjust the surcharge in the fourth quarter of 2023 as needed to prevent the over or under collection of the 2022 authorized deficit amount.

IT IS, THEREFORE, ORDERED as follows:

1. That Aqua shall implement the recommended Conservation Pilot Program surcharge set forth herein, to be issued as part of Aqua's next billing cycle;

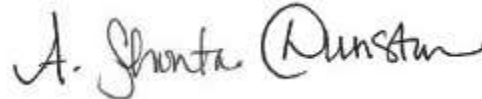
2. That Aqua shall mail to each of the customers in the Conservation Pilot Program service areas with the next regularly scheduled customer billing a copy of the attached Notice to Customers, and Aqua shall file the attached Certificate of Service, properly signed and notarized, not later than 45 days after the issuance of this Order; and

3. That Aqua shall notify the Commission and the Public Staff by October 2, 2023, if it intends to change the rate from \$0.16 per 1,000 gallons in the fourth quarter of 2023 to prevent the over or under collection of the 2022 authorized deficit amount.

ISSUED BY ORDER OF THE COMMISSION.

This the 25th day of April, 2023.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "A. Shonta Dunston". The signature is written in a cursive style with a large, looped initial "A".

A. Shonta Dunston, Chief Clerk

Commissioner Kimberly W. Duffley did not participate in this decision.



CERTIFICATE OF SERVICE

I, \_\_\_\_\_, mailed with sufficient postage or hand delivered to all affected customers copies of the attached Notice to Customers issued by the North Carolina Utilities Commission in Docket No. W-218, Sub 526A, and the Notice was mailed or hand delivered by the date specified in the Order.

This the \_\_\_\_ day of \_\_\_\_\_, 2023.

By: \_\_\_\_\_  
Signature  
Aqua North Carolina, Inc.  
\_\_\_\_\_

The above-named Applicant, \_\_\_\_\_, personally appeared before me this day and, being first duly sworn, says that the required Notice to Customers was mailed or hand delivered to all affected customers, as required by the Commission Order dated \_\_\_\_\_ in Docket No. W-218, Sub 526A.

Witness my hand and notarial seal, this the \_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Printed Name

(SEAL) My Commission Expires:

\_\_\_\_\_  
Date