



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

April 6, 2023

Ms. A. Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

Re: Docket No. W-218, Sub 573 – 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 of North Carolina and Approval of a Three-Year Water and Sewer Investment Plan

Dear Ms. Dunston:

The Public Staff reviewed the proposed order it submitted on March 31, 2023, after filing and identified minor errors that need correction. The errors are listed below.

- 1) The table of performance-based metrics related to the Partial Settlement and Stipulation Agreement included on pages 44 through 46 is not legible. The table, as it should appear, is attached.
- 2) Findings of Fact 96 and 97 on page 39 discuss Appendix X and the corresponding Evidence and Conclusions on page 239 discuss Appendix B. Appendix X and Appendix B are the same document; it was inadvertently omitted from the proposed order filing. The appendix, properly marked as Appendix A, is attached.
- 3) References to the appendix need to be corrected on pages 39 and 239. A copy of those pages of the proposed orders showing the corrections is attached.

Executive Director
(919) 733-2435

Accounting
(919) 733-4279

Consumer Services
(919) 733-9277

Economic Research
(919) 733-2267

Energy
(919) 733-2267

Legal
(919) 733-6110

Transportation
(919) 733-7766

Water/Telephone
(919) 733-5610

Ms. A. Shonta Dunston
April 6, 2023
Page 2

By copy of this letter, I am forwarding a copy to all parties of record by electronic delivery.

Sincerely,

Electronically submitted
/s/ Reita D. Coxton
Staff Attorney
reita.coxton@psncuc.nc.gov

Attachments

Item No. 1: Table of Performance-Based Metrics for Pages 44-46

Description	Measure	Penalty	Incentive
Expense Efficiency	Operation & Maintenance expense, per Equivalent Residential Connection (ERC) on a rate division and Company basis, excluding Purchased Water / Sewer Treatment and Purchased Power	None	<p>If, on a Company basis, the actual O&M expense level is reduced by at least \$100K in comparison to the authorized level, then a two and one-half Basis Points (BP) increase to the high-end of the band is awarded.</p> <p>For each additional \$20K in savings, an additional one-half BP increase is awarded, up to a cumulative maximum of 10 BPs.</p>
Utilization of the SRF Program	Whether the Company applied for SRF funds for four eligible projects estimated at a total of \$2 million or more during each Rate Year of the WSIP	10 BP ROE reduction to high-end of the Commission-approved band for failure to submit the applications required by the measure.	One-quarter BP increase to the high-end of the Commission-approved band for every \$500K in funding the Company is awarded.
Water Service Disruptions	Unplanned water service disruptions – recorded water main breaks / 1,000 accounts	Tracking metric	Tracking metric
Sewer Overflows	<p>Number of sanitary sewer overflows (SSOs)</p> <p>Wastewater SSOs / (100 miles of gravity line)</p>	Tracking metric	Tracking metric
Water Loss	(Water purchased – water sold) / water purchased	Tracking metric	Tracking metric

Description	Measure	Penalty	Incentive
Routine Flushing	Percent of systems flushed within the WSIP Rate Year Percent of systems means number of systems flushed / total number of systems during the WSIP rate year.	Tracking metric	Tracking metric
Water Service Quality Customer Complaints	Technical service complaints (Lab D) / (active accounts / 1,000) Underlying data should incorporate subdivision and system name	Tracking metric	Tracking metric
Timely Answering of Customer Calls	Telephone service factor – calls answered within 30 seconds / total calls answered (tracked by quarter; based on calls received during business hours)	Tracking metric	Tracking metric
Customer Call Abandonment Rate	Percentage of calls abandoned by customers during the WSIP rate year	Tracking metric	Tracking metric
Employee Safety	OSHA incident rate – (number of injuries and illnesses*200,000) / employee hours worked	Tracking metric	Tracking metric
Injury Severity	OSHA DART Rate – (number of OSHA Recordable Injuries and Illnesses that resulted in Days Away, Restricted Duty, or a Transfer of Duties)	Tracking metric	Tracking metric
Field Employee Safety Training	Field Employee safety training – hours of employee safety training /employee Field Employee means staff member who works	Tracking metric	Tracking metric

Description	Measure	Penalty	Incentive
	<p>outside the office at least one-half of the year</p> <p>Safety training means structured and organized training (not peer to peer training)</p>		
Employee Turnover	Number of employees that leave / total number of employees for same time period	Tracking metric	Tracking metric

Item No. 2: Omitted Appendix A

Additional Performance-Based Metrics (PBMs) Recommended by the Public Staff

Description	Measure	Penalty	Incentive
Timely Completion of CIP Projects	<p>Percentage of projects \$200,000 or over in the approved WSIP incomplete during the planned rate year on a Company basis</p> <p>Approved WSIP means a list of projects with estimated in service dates and costs upon completion allowed for prospective cost recovery</p> <p>Incomplete means not placed in service.</p>	<p>10 BP reduction to the high-end of the Commission-authorized band if measure exceeds:</p> <p>15% in RY1 25% in RY2 35% in RY3</p>	None
Completion of CIP Projects on Budget	<p>Percentage of projects \$200,000 or over that cost in excess of 110% of the estimate in the approved WSIP on a Company basis</p> <p>Approved WSIP means a list of projects with estimated in service dates and costs upon completion allowed for prospective cost recovery</p>	<p>10 BP reduction to the high-end of the Commission-authorized band if measure exceeds:</p> <p>15% in Rate Year 1 25% in Rate Year 2 35% in Rate Year 3</p>	None
Safe Drinking Water Compliance (Quality)	<p>% days in compliance with health based MCLs and TTs – (sum of all days – sum of all days out of compliance) / sum of all days (excludes monitoring / reporting violations)</p> <p>Sum of all days = No. of systems x 365 days</p>	<p>10 BP ROE reduction to the high-end of the band if less than the three-year average (2020-2022) compliance on Company basis.</p> <p>Resets annually</p>	None
Clean Water Act Compliance (Quality)	<p>% days in compliance with effluent standards – (sum of all days – sum of all days out of compliance) / sum of all days (excludes monitoring / reporting violations)</p> <p>Sum of all days = No. of systems x 365 days</p>	<p>10 BP ROE reduction to the high-end of the band if less than the three-year average (2020-2022) compliance on Company basis</p> <p>Resets annually</p>	None

Item No. 3: Order pages showing appendix label correction

96. To comply with N.C.G.S. § 62-133.1B.(a) and Commission Rule R1-17A(b)(1) and (c)(10), it is appropriate to establish the Performance Based Metrics (PBMs) and incentives and penalties set out in Appendix ~~A~~X to this Order, in addition to the PBMs, incentives, and penalties agreed upon by the Stipulating Parties.

97. Aqua shall report on its performance on the PBMs set out in Appendix ~~A~~X on an annual basis in accordance with Commission Rule R1-17A(g)(1)(b).

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 1-25

The Stipulation, Acceptance of Stipulation, and WSIP

The evidence supporting these findings of fact is found in the Stipulation, the testimony of both Aqua's and the Public Staff's witnesses, Public Staff Settlement Exhibit 1, and the entire record in this proceeding.

On March 31, 2023, Aqua and the Public Staff entered into and filed a Stipulation of Partial Settlement that (a) memorializes their agreements on specified issues in this proceeding, and (b) lists the remaining disputed issues.

Accompanying the Stipulation is Public Staff Settlement Exhibit 1, which demonstrates the impact of the Parties' agreements on the calculation of Aqua's

agreement about a margin of error or reasonable amount of deviation in the Company's compliance rate, witness Berger stated, "Yeah. I think the concern with the Public Staff's recommendation was 100 percent compliance."

On March 30, 2023, the Public Staff filed Public Staff Supplemental WSIP Exhibit 7 which reflects modifications the Public Staff made to four of its recommended performance based metrics based on comments and questions from the Commission at the evidentiary hearing. The modified PBMs are Timely Completion of CIP Projects, Completion of CIP Projects on Budget, Safe Drinking Water Act Compliance, and Clean Water Act Compliance. As compared to the original exhibit, the Supplemental Exhibit reduces the penalties attached to the Timely Completion of CIP Projects and Completion of CIP Projects on Budget metrics and reduces the compliance level below which a penalty is assessed from 100% compliance to the Company's three year average rate of compliance with health-based standards.

Discussion and Conclusions

Based upon careful consideration of the entire record in this proceeding, the Commission concludes that it is reasonable, appropriate, and in the public interest to approve implementation of the Timely Completion of CIP Projects, Completion of CIP Projects on Budget, Safe Drinking Water Act Compliance, Safe Drinking Water Act Compliance, and Clean Water Act Compliance set out in Appendix **AB** to this Order, in addition to the PBMs agreed to by the Stipulating Parties.