



**NORTH CAROLINA
PUBLIC STAFF
UTILITIES COMMISSION**

February 2, 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 – Notice of Aqua North Carolina, Inc.’s
Intent to Place Temporary Rates in Effect Subject to an Undertaking
to Refund Pursuant to N.C. Gen. Stat. § 62-135 and Request for
Approval of Notice and Undertaking

Dear Ms. Dunston:

On January 26, 2023, Aqua North Carolina, Inc. (Aqua or Company), filed a Notice of Intent to Place Temporary Rates in Effect Subject to an Undertaking to Refund Pursuant to N.C. Gen. Stat. § 62-135 (Notice) and Request for Approval of Notice and Undertaking (Request for Approval) in the above-referenced docket. The Public Staff has reviewed the Notice, including meeting with Company representatives, and believes the temporary rates set out in the Notice comply with the requirement of N.C. Gen. Stat. § 62-135(b) that “[n]o rate or rates placed in effect pursuant to this section shall result in an increase of more than twenty percent (20%) on any single rate classification of the public utility.” However, the Public Staff does not believe the temporary rates proposed by the Company meet the requirement of N.C.G.S. § 62-130(a) that rates allowed by the Commission be just and reasonable or the requirement of N.C.G.S. § 62-140 that public utilities not establish any unreasonable difference as to rates or services as between localities or classes of service. In support of this contention, the Public Staff notes the following:

- The Company’s Request for Approval states that its proposed temporary rates will increase current rates and charges for its Aqua Sewer Rate Division by 9.9%. However, under the proposed temporary rates, the Company’s proposed Aqua Sewer usage charge represents a 27.8% increase from the currently approved Aqua Sewer usage charge and the purchased sewer systems

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receiving pass through service from Charlotte Water would receive a 40.1% decrease as a result of the Company using the Aqua Sewer rate instead of the purchased sewer pass through rate.

- The Company's Request for Approval states that its proposed temporary rates will increase current rates and charges for its Brookwood Water Rate Division by 11.1%. However, the proposed temporary rates would result in a 4% rate decrease for Brookwood Water Commercial Flat Rate customers.
- Aqua witness Daniel T. Franceski stated in his pre-filed rebuttal testimony that Public Staff witness Lindsay Q. Darden's "methods for determining purchased water rates, including [] her process for dealing with tiered rates, are correct." However, instead of using witness Darden's proposed purchased water rates, the Company proposed temporary purchased water rates that appear to arbitrarily increase rates for some systems and decrease rates for some systems.

It appears from the increases listed in paragraph 8. of the Company's Request for Approval that the Company was targeting an overall increase in rates of approximately 10%. The Public Staff believes such an increase could have been achieved in a manner that is just and reasonable and does not result in unreasonable differences as to rates or services as between localities or classes of service. Moreover, based on the revenue requirements recommended by the Public Staff and the estimated revenues produced by the Company's proposed temporary rates, the Public Staff believes there is an increased likelihood that the Company's proposed temporary rates will result in the need for a refund to customers in the Aqua Water and Aqua Sewer Rate Divisions,

By copy of this letter, I am forwarding copies to all parties of record.

Sincerely,

/s/ Megan Jost
Staff Attorney
megan.jost@psncuc.nc.gov

cc: Parties of Record