

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-218, Sub 526

BEFORE THE NORTH CAROLINA UTILITIES
COMMISSION

In the Matter of)	
Application of Aqua North Carolina, Inc.,)	BRIEF OF THE
202 MacKenan Court, Cary, North Carolina)	ATTORNEY
27511, for Authority to Adjust and Increase)	GENERAL'S
Rates for Water and Sewer Utility Service in)	OFFICE
all Service Areas in North Carolina)	

The North Carolina Attorney General's Office ("AGO") respectfully submits this Brief relating to two issues in the general rate case filed by Aqua North Carolina, Inc. ("Aqua" or the "Company") in the above-captioned docket. First, the AGO supports the adoption of a rate design that reduces the monthly fixed charges and instead charges customers based on metered consumption of service, as proposed by the Public Staff. This rate design approach would give customers more control over how much they pay for service and would encourage water conservation. Second, while customer complaints focus on concerns about poor water quality, Aqua also needs to improve its operation and maintenance of wastewater facilities. This is shown by the substantial number of notices of deficiencies and violations that environmental regulators have imposed on Aqua.

- I. THE PUBLIC STAFF'S RATE DESIGN RECOMMENDATION SHOULD BE ADOPTED, SO THAT HIGHER VOLUMETRIC CHARGES AND LOWER FIXED BASE FACILITIES CHARGES GIVE CUSTOMERS MORE CONTROL OVER THEIR BILLS AND ENCOURAGE CONSERVATION.

To encourage water conservation, the Public Staff has proposed changes in rate design that would reduce the basic fixed charge for water service so that costs are recovered 30% from the fixed charge and 70% in usage charges. (T5 p 74) A lower base monthly charge for service would reduce the cost burden to access service and give customers greater control over their total bills. (T5 p 60)

In addition, the Public Staff proposes to change the rate design for wastewater customers who receive water and wastewater services from Aqua. Aqua recovers the full wastewater bill from most customers in a fixed monthly rate. The Public Staff proposes to use a similar 70/30 rate design for usage and fixed charges to encourage conservation. To mitigate the impact of the new rate design, the Public Staff proposes to initially recover 60% from the fixed charge and 40% in usage charges. (T5 pp 74-75)

The Public Staff's proposed rate design would have several benefits:

- It would be more consistent with rate designs for electric and natural gas service.
- It would be fairer to small households.
- It would allow customers to better control their cost of service.
- It would encourage water conservation.

See generally the testimony of Public Staff witness Junis.

Finally, the new rate design would respond to requests that customers have posed in past rate cases and recent public hearings. See, e.g., public testimonies from Eric Galamb (T10 p 72); Wendy Stevens (T10 pp 88-89); Michelle Raymond (T 9 p 24) and Sheeba Jumma (T9 p 120).

II. NOTICES OF VIOLATIONS AND DEFICIENCIES RECEIVED BY AQUA INDICATE THAT AQUA MUST IMPROVE OPERATION AND MAINTENANCE OF ITS WASTEWATER SYSTEMS.

Notices of violation and notices of deficiency directed to Aqua by the Department of Environmental Quality show that Aqua must improve how it maintains and operates its wastewater systems. Ratepayers should not bear the direct or indirect costs of these errors made by Aqua, and Aqua must break this pattern of violations to demonstrate adequate service.

Since Aqua's last general rate case in 2018, 123 Notices of Violation and 18 Notices of Deficiency have been issued to Aqua for environmental non-compliance at its wastewater treatment plants. Specifically:

- From July 1, 2018 to October 31, 2018, Aqua received 41 Notices of Violations at eight of its wastewater treatment plants, along with three Notices of Deficiency at three additional plants. (Berger AGO Direct Cross Examination Exhibit 1/Off. Exh. Vol. 8)
- In the first ten months of 2019, Aqua received 74 Notices of Violation at 19 of its wastewater treatment plants, along with 12 Notices of Deficiency at 11 plants. (Three plants received both a

Notice of Violation and a Notice of Deficiency.) (Berger AGO Direct Cross Examination Exhibit 1/Off. Exh. Vol. 8)

- In the first three months of 2020, Aqua received eight Notices of Violations at five of its wastewater treatment plants and three Notices of Deficiency at three additional plants. (Berger AGO Direct Cross Examination Exhibit 1/Off. Exh. Vol. 8)

Each Notice of Violation and Notice of Deficiency issued by the Department of Environmental Quality indicates Aqua's failure (1) to adhere to basic requirements that ensure the safe and efficient operation and maintenance of its facilities, and (2) to protect the health and welfare of its customers. Further, each Notice requires time and labor to identify the violation or deficiency and then to correct that violation or deficiency—costs Aqua often recovered from customers. The substantial number of violations received by Aqua for wastewater facilities are evidence of noncompliance that the Commission should consider as it evaluates whether Aqua's wastewater service is adequate.

Respectfully submitted this the 17th day of August, 2020.

JOSHUA H. STEIN
ATTORNEY GENERAL

/s/

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CERTIFICATE OF SERVICE

The undersigned certifies that she has served a copy of the foregoing BRIEF OF THE ATTORNEY GENERAL'S OFFICE upon the parties of record in this proceeding by email, this the 17th day of August, 2020.

/s/

Margaret A. Force
Assistant Attorney General