

Report to House Energy and Public Utilities Committee

Regulated Water & Wastewater Utilities in North Carolina

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National Association of Water Companies
(NAWC) - Southeast Chapter



MOVING WATER FORWARD

National Association of Water Companies (NAWC)

- Trade association representing the private water service industry
- Nearly 73 million Americans receive water service from a privately owned water utility or a municipal utility operating under a public-private partnership
- Private water companies own and operate 17% of the nation's community water systems



Aqua North Carolina Operations At-A-Glance

NYSE: WTR



282k PEOPLE
SERVED



1600+ WELLS



51 COUNTIES



80k WATER
CONNECTIONS



17k WASTEWATER
CONNECTIONS



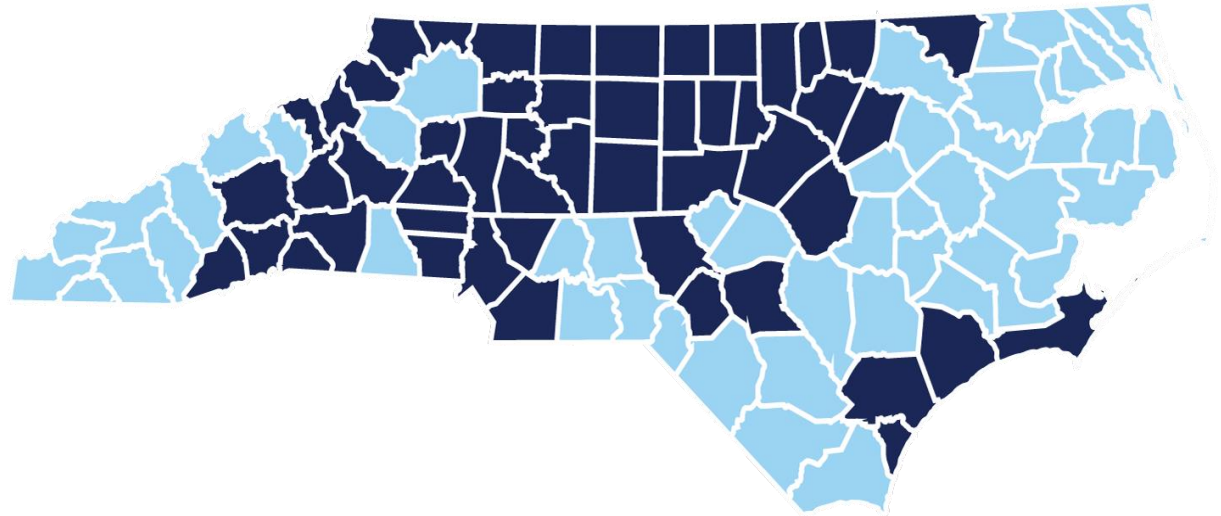
165 EMPLOYEES



59 WASTEWATER
TREATMENT PLANTS



750 WATER SYSTEMS



 Aqua

Carolina Water Service, Inc. of North Carolina Operations At-A-Glance

NYSE: WTR



89k

PEOPLE
SERVED



300+

WELLS



38

COUNTIES



35k

WATER
CONNECTIONS



22k

WASTEWATER
CONNECTIONS



85

EMPLOYEES



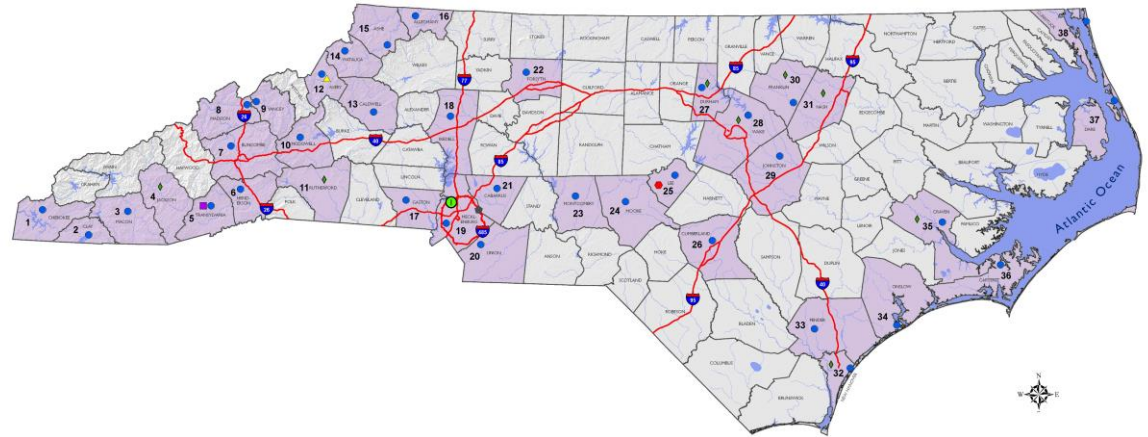
35

WASTEWATER
TREATMENT PLANTS



105

WATER SYSTEMS



Regulated Water Utilities

- Oversight by NC Utilities Commission protects customers with respect to rates and service quality
- Fragmented—low economies of scale
- Heavy environmental regulation
- High capital needs; low rate of capital recovery
- There is no substitute for water
- Critical for economic stability & growth

Regulation of Water Utilities

Economic Regulation

- North Carolina Utilities Commission (NCUC)

Environmental Regulation

- North Carolina Department of Environmental Quality (NCDEQ)
- Environmental Protection Agency

Ratemaking

Principles

- Rates are tied directly to the cost of service
- Expenditures are scrutinized to ensure they are prudent and necessary
- Regulated water and wastewater utilities are granted an allowable return to ensure stability and attract investment. They are NOT guaranteed a certain rate of return.

Process

- Rates are established by the North Carolina Utilities Commission
- In-depth review of financial and operational information
- Public field hearings to gather input from customers impacted by the ratemaking process
- Public Staff represents the interests of the customer
- The ratemaking process takes approximately 300 days to complete

State of Water & Sewer Infrastructure in North Carolina

- 20-Year capital cost estimates:
 - water = \$10 to \$15 billion
 - wastewater = \$7 to \$11 billion
- These are capital costs only—it excludes operation, maintenance, and on-going renewal and replacement
- Only a fraction of today's infrastructure capital needs can be met by currently available state or federal subsidizing funding levels

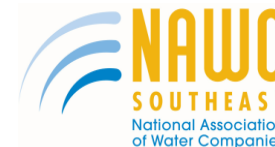
An example of the infrastructure issue



Policy Considerations

- Parity with Municipalities
- Ratemaking in a rising-cost environment
- Aging infrastructure
- Water conservation and reduced consumption

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