



March 2021

Dear Arbor Run Customer:

I hope my note finds you well. I am reaching out to provide some helpful information about a change in water rates in your area.

As part of Aqua's most recently completed rate case, the North Carolina Utilities Commission (NCUC) initiated an investigation of rate design requesting "rate design proposals that may better achieve revenue sufficiency and stability while also sending appropriate efficiency and conservation signals to consumers." Your water system, Arbor Run, is one of four systems throughout our service territory that was recently approved by the NCUC to pilot the application of tiered conservation rates.

Carrying out this conservation rate pilot means that customers who use significant amounts of water, particularly during typical higher usage months (April through October), will see an increase in their monthly bill. On the contrary, customers who use less water will see a drop in their monthly bill.

Below are several questions and answers that help to explain the conservation rate pilot:

What are the new conservation rates that will be used to calculate my monthly water bills?

Your monthly metered water bill is calculated using two components: 1) a fixed minimum charge (or Base Facility Charge), and 2) a variable (or volumetric) charge based on actual metered gallons used. While your previous monthly bills were calculated using these same two components, there was only one variable rate applied to all usage. This single rate has been replaced with a tiered variable rate structure that increases as actual water usage increases for conservation pilot customers. The NCUC approved pilot rates for residential and irrigation meters are included in the following table:

Residential Meters:

Base facility charge (zero usage, based on meter size)	
<1" meter	\$ 20.70
Tiered usage charge, per 1,000 gallons (residential)	
1 - 4,000 gallons	\$ 4.14
4,001 - 8,000 gallons	\$ 6.21
8,001 - 15,000 gallons	\$ 9.32
15,001+ gallons	\$ 12.42

Irrigation Meters:

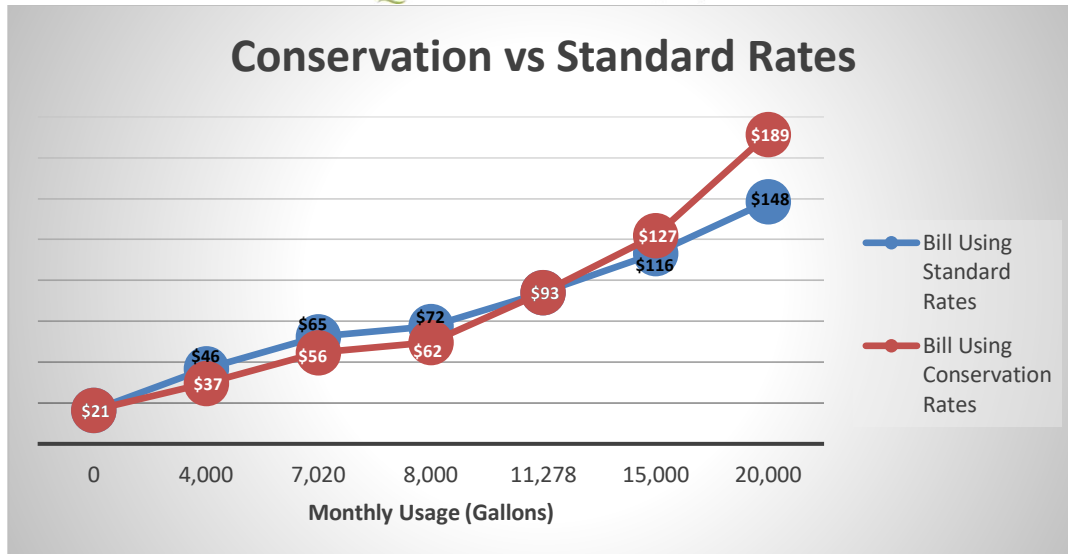
Base facility charge (zero usage, based on meter size)	
<1" meter	\$ 20.70
Tiered usage charge, per 1,000 gallons (irrigation meters)	
1 - 15,000 gallons	\$ 9.32
15,001+ gallons	\$ 12.42

How will this rate pilot affect me?

Aqua estimates that customers using less than 11,278 gallons of water in each month will benefit from tiered conservation rates. The chart below lays out several scenarios of the difference in monthly bills by applying Aqua's standard rates vs. conservation rates to varying levels of usage:



An Essential Utilities Company



Can you provide some real-world scenarios to help me understand the impact?

Yes. Below are two fictional customers and the typical impacts they would see with a conservation rate pilot being applied to their monthly usage:

- Jane is cognizant of her water use; minimizes the amount of time she showers and combines small loads of laundry together. She doesn't have a pool and waters her yard minimally in the summer. Her average monthly water consumption is 5,000 gallons. Jane's monthly bill on the conservation rate is \$43.47. On the standard/non-conservation rate, her bill would have been \$52.60. By paying attention to her consumption and using water efficiently, Jane saved \$9.13 on this rate.
- John has a large yard that he waters daily and a pool in his backyard where he can host parties. His average monthly water consumption is 15,700 gallons. John's monthly bill on the conservation rate is \$136.03. On the standard/non-conservation rate, his bill would have been \$120.87. Because John uses more water, he owes an extra \$15.16 on this rate.

Why was a Conservation Rate Pilot Program implemented?

This new rate structure is being introduced in your area as it experiences significant increases in summer water usage. These large increases stress the system and can create aesthetic water quality issues for the entire community. Aqua anticipates that carrying out this pilot will help to reduce water demand during periods of high usage. In turn, it should help to limit related water quality issues and maintain reliable capacity that might otherwise require significant capital investment if conservation is not realized in the near term.

We hope you find this information helpful. These details and other useful water quality information are also available by visiting ncwaterquality.com. If you have additional questions about the conservation rate program, please email us at AquaNCPresident@aquaamerica.com. Note that this email address is not monitored on weekends or after-hours.

Sincerely,

Shannon Becker
President
Aqua North Carolina