



# Regulated Water Industry Update

## NC House Energy and Public Utilities Committee



**Carolina Water Service**  
of North Carolina™

March 5, 2025

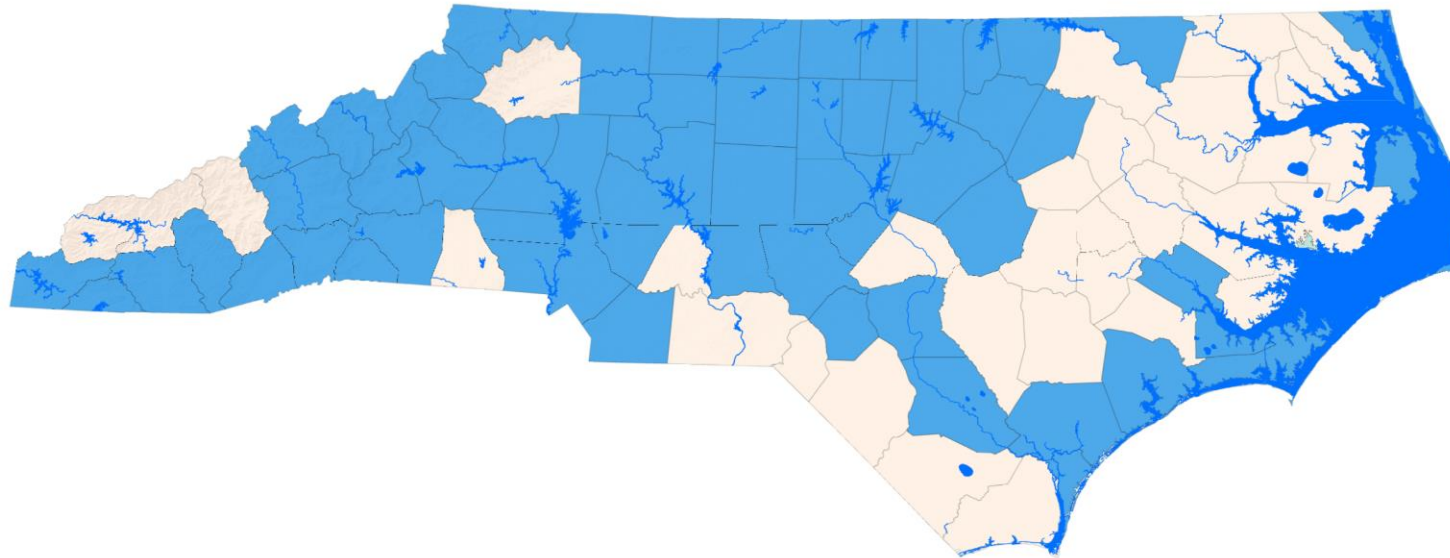


## Shannon Becker

President, Aqua North Carolina, Inc.

## Donald Denton

President, Carolina Water Service

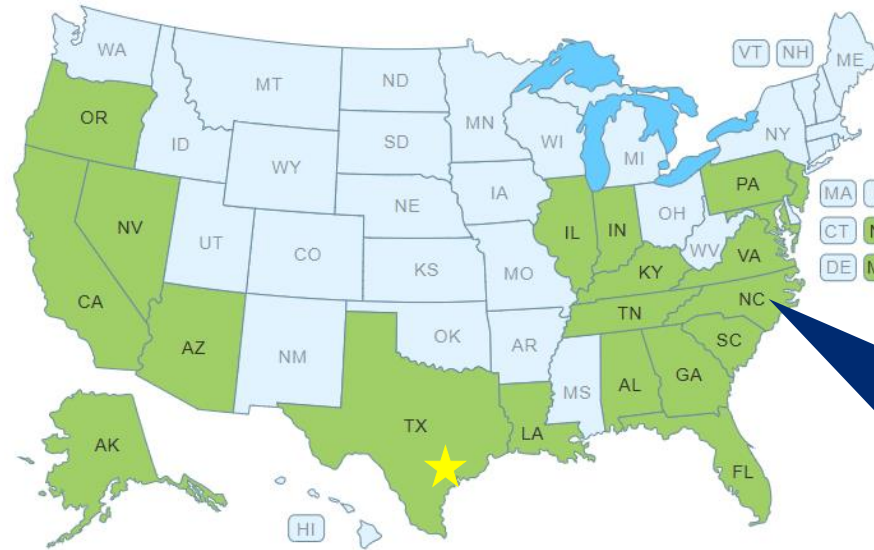


Carolina Water Service and Aqua  
Counties of Operations

# Who We Are – Nexus Water Group

Nexus Water Group was formed April 1, 2024, as a merger of equals between Southwest Water Company and Corix Regulated Utilities.

- Nexus serves 20 U.S. states from FL to Alaska as well as 2 Canadian Provinces
- Headquartered in Sugarland, TX
- Serving over 1.3 million people
- Over 670 Water Systems and 360 Wastewater Systems
- 1,300 Employees
- CWSNC is the 5<sup>th</sup> Largest Business Unit in the portfolio of Companies



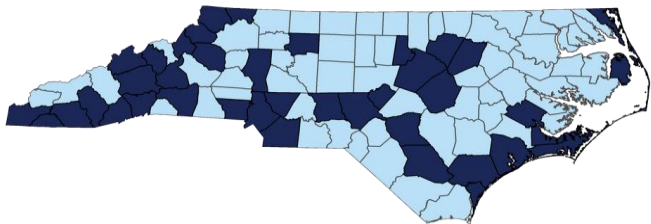
**Carolina Water Service**  
of North Carolina™

# Carolina Water Service At a Glance

## Water



Carolina Water Service  
of North Carolina™



120 Water Systems



38K Water Connections



312 Wells



865 Miles of Water Main



43k Customers



38 Counties Served



100 Employees



Business Unit  
Headquarters

Charlotte, NC

## Wastewater



54 Wastewater Systems



23K Wastewater Connections



30 Wastewater Plants



390 Lift Stations

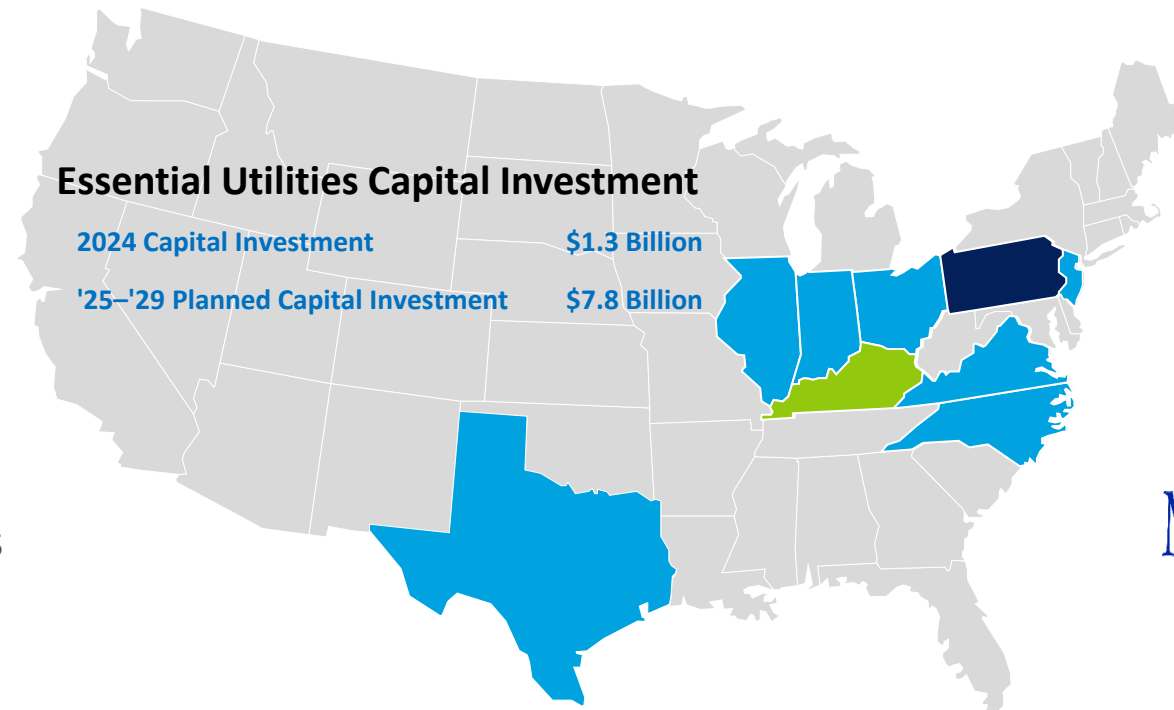


381 Miles of Sewer Main

# Who We Are – Essential Utilities Inc. (NYSE:WTRG)

Essential Utilities is one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving approximately 5 million people across 9 states with 3,200+ employees under the Aqua and Peoples brands.

- Founded in 1886 in Bryn Mawr, Pennsylvania
- Largest publicly traded water, wastewater and natural gas provider in the US
- >1500 Water Systems and 200 Wastewater Systems
- 4,700 employee volunteer hours; \$5.5M charitable donations
- Aqua NC is the 3rd Largest Business Unit in the portfolio of Companies



MOODY'S

**Baa2** **Baa2**  
Issuer Issuance

**S&P Global**  
Ratings

**A-** **BBB+**  
Issuer Issuance



# Aqua North Carolina At a Glance

## Water



87K

WATER  
CONNECTIONS



1519

WELLS



737

WATER  
SYSTEMS



500+

MILES  
OF WATER MAINS



184

EMPLOYEES



51

COUNTIES



330K

PEOPLE  
SERVED



2%

CUSTOMER  
GROWTH RATE



Corporate Headquarters: Cary  
Regional Operations Centers: Hampstead, Fayetteville,  
Kernersville, Gastonia, and Denver, NC

## Wastewater



23K

WASTEWATER  
CONNECTIONS



59

WASTEWATER  
TREATMENT FACILITIES



5.1

MILLION GALLONS  
TREATED DAILY



50+

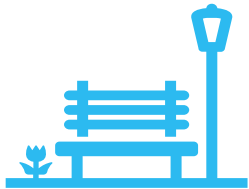
LIFT STATIONS

# Who We Are = Regulated Investor Owned Utilities (IOUs)

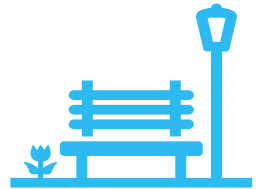
Aqua NC & CWSNC are regulated Investor-Owned water and sewer utility providers in North Carolina



- Private vs Public (We are Public, but not Municipals)
- NC's Two Largest Regulated water/sewer IOUs (of 84)



- Statewide Operations - Large NC Footprint
- Suburban / Rural / Remote



- Economies of scale
- Access to capital markets



# Regulation of Investor Owned Utilities

IOU's are regulated by Environmental regulators & NC Utility Commission to ensure provision of:  
Safe, Reliable, and Affordable Service

- **Rates & Service**

- North Carolina Utilities Commission
- North Carolina Public Staff

- **Environmental and Public Health**

- Environmental Protection Agency (EPA)
- NC Department of Environmental Quality (DEQ)
- NC Department of Health and Human Services (DHHS)
- Local governments





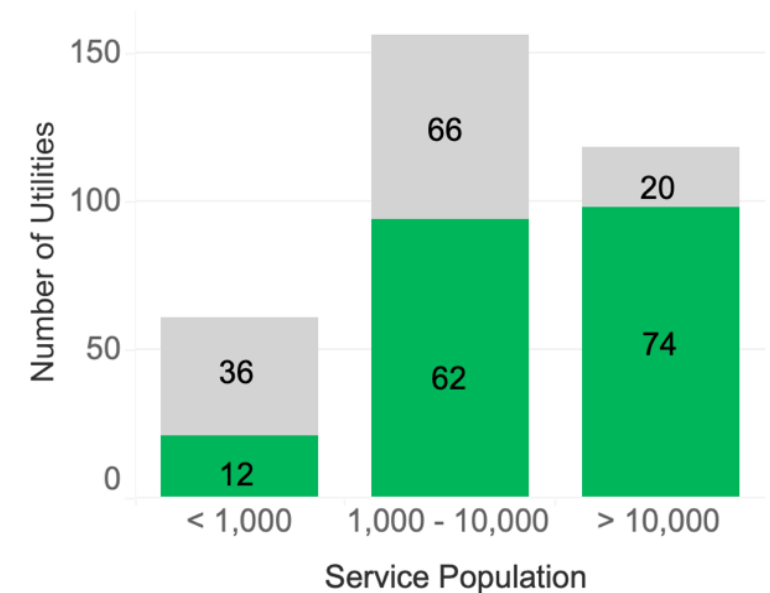
# Rate Setting for Regulated Water Utilities

NCUC requires rates be set to cover actual cost of service = customer protections

## Utility Base Rates set pursuant to N.C. Gen. Stat. § 62-133

- Rates must be **just and reasonable**
- Rates must be based on the **cost of service** **VS....**
- Utility spending must be **necessary and prudent**
- No cost recovery until investments are **used and useful**

Proportion of Utilities with 2023 Cost Recovery  $\geq 1$ , Including Depreciation (n = 329 utilities)



# Infrastructure Needs

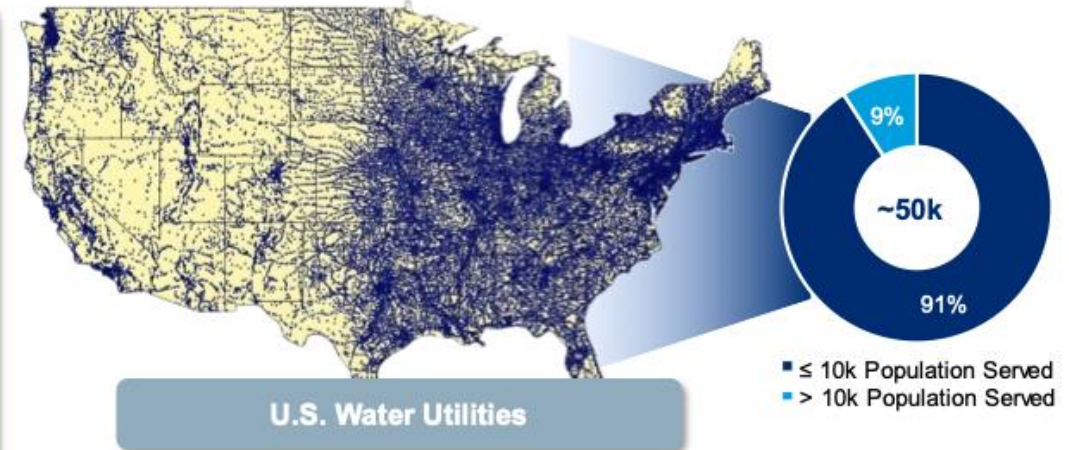
According to the EPA, over the next 20 years:

- **\$1.255T** is needed for Water/WW infrastructure nationally
- **\$41.1B** for North Carolina

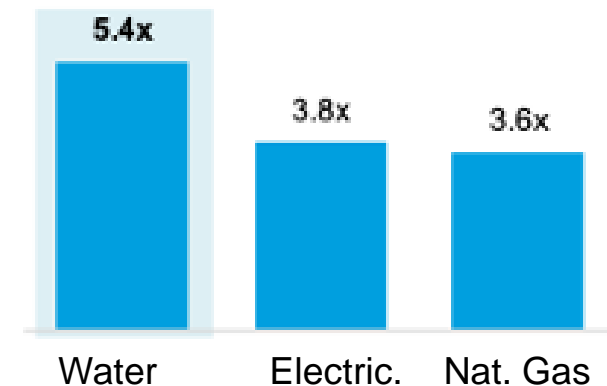
According to the AWWA, over the next 5 years,

- PFAS Treatment will need to be installed at over 7,000 entry points nationally, which will cost between \$37.1 and \$48.3 billion.
- Annual O&M costs are estimated to be \$2.7 to \$3.5 billion, about twice the EPA's estimate as part of the final rulemaking.

Fragmented Industry



## Net PP&E / Revenues



Significant Investment Need with High Capital Intensity

# CWSNC Hurricane Impacts

## Helene Weather Impacts

- Severe flooding due to heavy rainfall from storm, and already saturated ground from previous storm
- Significant wind damage to power poles and lines
- Significant slides and microburst activity

## System Impact

- 18 systems out of 76 of our Western North Carolina systems damaged
- 43 Boil Water Notices Issued
- 14 Systems operated on backup power for extended period
- 4 Sanitary Service Overflows

**No funding available from Federal or state resources for our impacted systems.**



# Aqua NC PFAS Impact

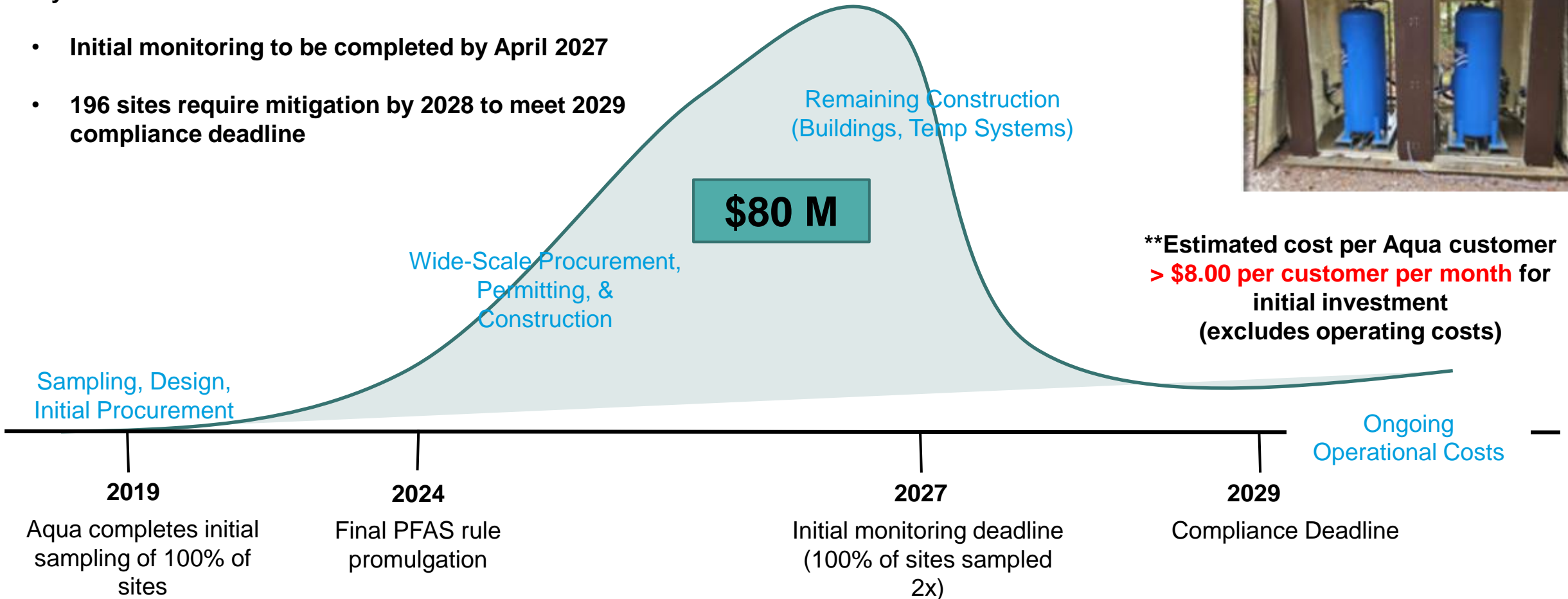


PFAS Guard



PFAS Final Rule Requirements effective April 10, 2024;  
5 year timeline

- Initial monitoring to be completed by April 2027
- 196 sites require mitigation by 2028 to meet 2029 compliance deadline





# Challenges - Regulated Utility Customers are Taxpayers Too

## Funding (grants and low interest):

- Billions of \$'s allocated to NC
- Water - Limited funding is available to regulated utilities
- Sewer - Not available to regulated utilities

## Affordability (LIHWAP)

### **Distressed systems** in NC are increasing- there is a NEED for consolidation

- Many owners lack financial resources and knowledge how to operate systems
- Professionally operated and regulated utilities are the solution to address these issues

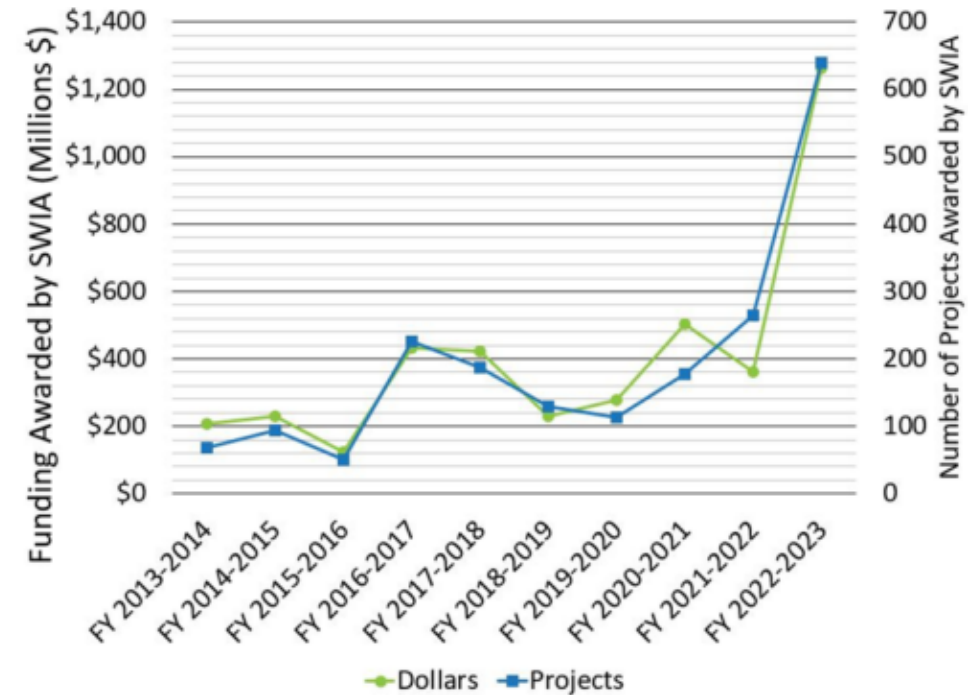


Figure 2.1. Funding Trends from FY 2013-2014 through FY 2022-2023



# Thank You



**Shannon Becker**  
President,  
Aqua North Carolina, Inc.



**Donald Denton**  
President, Carolina Water Service Inc.,  
of North Carolina