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S.C. SUPREME COURT

STATE OF SOUTH CAROLINA
In the Supreme Court

APPEAL FROM THE PUBLIC SERVICE COMMISSION

Appellate Case No. 2018-001107

Daufuskie Island Utility Company, Inc.,

Appellant,

v.

South Carolina Office of Regulatory Staff,
Haig Point Club and Community Association, Inc.,
Melrose Property Owner's Association, Inc.,
Bloody Point Property Owner's Association, and
Beach Field Properties, LLC,

Respondents.

RECORD ON APPEAL
VOLUME VI of VII
(R. pp. 2466 to 2931)

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ASSOCIATION, INC., MELROSE
PROPERTY OWNER'S
ASSOCIATION, INC., and
BLOODY POINT PROPERTY
OWNER'S ASSOCIATION

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Order No. 2015-586, Granting Request for Public Hearing, 8/12/2015 0004

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[1] A certified Transcript of Hearing with Exhibits from the original October 28, 2015, hearing in this matter was filed as Rehearing Exhibit 2. A Table of Contents for the October 28, 2015, Hearing Transcript appears at R. pp. 1309-1312.

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Oklahoma Corporation Commission
Docket No. 001345
Presented testimony and prepared the rate filing on behalf of Southern Union Gas Company's 1992 rate request.

Pennsylvania Public Utility Commission
Docket No. 2013-2386293
Assisted the University of Pennsylvania with the analysis of Veolia Energy Philadelphia Inc.'s 2013 steam rate case.

Docket No. 2009-2111011
Assisted the University of Pennsylvania with the analysis of Trigen-Philadelphia Energy Corp's 2009 steam rate case.

Federal Energy Regulatory Commission
Docket No. RP09-791-000
Assist municipal customers of MoGas analyze issues in FERC 2009 gas transportation rate case.

City of Austin

- Presented testimony and prepared filing as well as conducted settlement negotiations associated with Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1987 rate request on behalf of the City of Austin.

City of El Paso Public Service Board

- Presented testimony and prepared filing as well as participated in the settlement negotiations of Southern Union's 1993 rate request.
- Presented testimony and prepared filing on behalf of Southern Union Gas Company 1991 rate request.
- Presented testimony and prepared the filing on behalf of Southern Union Gas Company 1990 request.

City of Port Arthur

- Presented testimony and prepared filing on behalf of Southern Union Gas Company's 1991 rate request.

City of Port Arthur-cont.

- Participated in Southern Union Gas Company's 1990 rate request.

City of Monahans

- Presented testimony and prepared filing on behalf of Southern Unions Gas Company's 1992 rate request.
- Assisted in the analysis of Southern Union Gas Company's 1989 rate request on the behalf of the City of Monahans.

City of Borger

- Prepared testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.
- Participated in Southern Union Gas Company's 1989 rate request on the behalf of the City of Borger.

City of Galveston

- Presented testimony and prepared the filing on behalf of Southern Union Gas Company's 1992 rate request.

Other Gas Related Engagements

Mitchell County Utility
Assist with divestiture of gas utility assets

Hughes Natural Gas
Ongoing assistance with GRIP filings

Markwest Energy Partners
Ongoing transportation rates and regulatory consulting

Consolidated Asset Management Services (CAMS)
Ongoing assistance regarding RRC Transmission pipeline issues

City of Alexandria, Louisiana
Financial review, allocated cost of service and rate study for the gas system.

City of George West, Texas
Gas utility rate study

Other Gas Related Engagements-cont.

Alamo Transmission
Assisted with initial tariff development and related cost of service

Dynamic Energy Concepts Incorporated
Assisted with the review of gas contracts, tariffs, analyzed usage data and assessed procurement practices for a number of US Veteran Hospitals across the country.

Schedule A-1

HAIG POINT UTILITY COMPANY, INC.

Balance Sheet (Water and Sewer)

Assets	**6/30/2004**
Accounts Receivable	87,320
Allowance for Doubtful Accounts	(27,612)
Construction in Progress	1,116,695
Plant in Service	4,339,598
Accumulated Depreciation	(240,082)
Total Assets	$5,275,919

Liabilities & Equity	
Accounts Payable	$405
Advances from Associated Co.	1,046,898
Accrued Taxes	14,969
Contributed in Aid of Construction	464,000
Accum. Amortization of CIAC	(82,740)
Common Stock	2,000
Paid in Capital	4,635,782
Retained Earnings	(805,395)
Total Liabilities & Equity	$5,275,919

Haig Point Utility Company, Inc.
Trial Balance
Year Ended June 30, 2004

	General Ledger					Adjustments		Transfers From (To) Wastewater Company	Adjusted 6/30/04	
	6/30/03	12/31/03	6 mos ended 12/31/03	6/30/04	Total Year Ended 6/30/04					
Balance Sheet Per Schedule A-1										
Accounts receivable				47,603	47,603			39,717	87,320	
Allowance for doubtful accounts				(27,612)	(27,612)				(27,612)	
Construction in progress				184,256	184,256	932,439	(1)		1,116,695	
Property, plant & equipment					0	4,339,598	(2)		4,339,598	
Accumulated depreciation					0	(240,082)	(6)		(240,082)	
Total assets				**204,247**		**5,031,955**		**39,717**	**5,275,919**	
Advances due to parent company				1,008,181	1,008,181			38,717	1,046,898	
Accounts payable				405	405				405	
Accrued income taxes payable				56	56	0	(4)		56	
Contributions in Aid of Construction						464,000	(7)		464,000	
Accum Amortization CIAC						(82,740)	(7)		(82,740)	
Common stock				1,000	1,000			1,000	2,000	
Paid in capital						4,635,782	(8)		4,635,782	
Retained earnings				(805,395)	(805,395)	14,913	(8)		(790,482)	
Total liabilities & equity				**204,247**		**5,031,955**		**39,717**	**5,275,919**	
Income (expense):										
Per Schedule C-1 (W)										
Water & sewer revenues	37,306	113,194	75,888	36,356	112,244	33,788	(3)	(47,608)	98,424	
Water & sewer availability	87,120	86,040	(1,080)	83,215	82,135			(41,067)	41,068	139,492
Salary benefit charges		(19,028)	(19,028)	(1,027)	(20,055)				(20,055)	
Repairs and supplies	(12,514)	(25,776)	(13,262)	(34,728)	(47,990)				(47,990)	
Office supplies			0	(99)	(99)				(99)	
Professional fees	(58)	(58)	0	(12,988)	(12,988)				(12,988)	
Consulting fees	(4,630)	(12,780)	(8,150)	(1,860)	(10,010)				(10,010)	(22,998)
Telephone	(318)	(655)	(337)	(1,922)	(2,259)				(2,259)	
Office equipment rentals			0	(490)	(490)				(490)	
Bad debt (income)		(37,781)	(37,781)	10,169	(27,612)			10,738	(16,874)	
Heat, light & power	(6,120)	(16,096)	(9,976)	(9,443)	(19,419)				(19,419)	
Other operating expense	(75)	(7,660)	(7,585)	(1,624)	(9,209)				(9,209)	
Other income	2,239	2,766	527	209	736	(736)	(9)		0	
Miscellaneous expense	(92)	(1,582)	(1,490)	(1,536)	(3,026)	3,026	(9)		0	
Interest expense			0	(4,270)	(4,270)	4,270	(9)		0	
State franchise income			0	868	868	(868)	(9)		0	
Real estate tax	(11)	(11)	0		0				0	
Wastewater treatment plant charge	(62,541)	(115,828)	(53,287)	(48,407)	(101,694)	101,694	(5)		0	
Depreciation expense				0	0	(12,846)	(6)		(12,846)	
Pre-tax income	**40,306**	**(35,255)**	**(75,561)**	**12,423**	**(63,138)**	**128,328**			**(12,747)**	
Federal income tax expense		309	309	(162)	147				147	
State income tax expense				24	24				24	
Net income	**40,306**	**(34,946)**	**(75,252)**	**12,285**	**(62,967)**	**128,328**			**(12,576)**	

(1) Costs for third water well and elevated water storage tank - $1,116,695 per T&H schedule
(2) To tie to Thomas & Hutton property schedule ($1,711,549 water and $2,628,049 sewer)
(3) To adjust for actual water billings for the fiscal year
(4) To record federal and state income tax
(5) Retained earnings adjustment for item prior to 6/30/03
(6) Depreciation calculation on plant and equipment
(7) To record CIAC and amortization of CIAC - See Work Paper 6
(8) To record plant and equipment and other adjustments to paid in capital
(9) To remove non-operating items

Federal income tax at 35% of pretax income, state tax at 4.066% of pretax income

AUDIT REQUEST # 20

ORS AUDIT REQUEST FORM

DATE: February 28, 2012

TO: John Guastella

FROM: Christina Stutz

UTILITY: Daufuskie Island Utility Company, Inc. – Docket No. 2011-229-WS

AUDIT PURPOSE: Follow Ups – 1) Land and 2) Regulatory Commission Expense

REQUEST THE FOLLOWING ITEMS BE PROVIDED BY: February 29, 2012

Item Description:

A. In regards to AR #9 and the email follow-up sent 2/23/12, please answer the following:

1. Does DIUC have (clear) title or a title to the former Haig Pt/Melrose land and property?
2. How were the $159,384 and $309,117 values for the land determined?

B. In regards to AR #5 and the email follow-up sent 2/23/12, please provide the following invoice that was not included in the original response:

SCDHEC	667	PJ	2/1/2011	1,623.50

A.

1. Please see PDF file named, "DIUC-ORS Attachment #20.A1."

2. Please see PDF file named, "DIUC-ORS Attachment #20.A2." Because there was no original cost information with respect to land upon acquisition of Haig Point Utility from International Paper, the original cost of land was estimated in the context of an appraisal of market value as of December 31, 2007 performed by Guastella by trending back to 1986 our estimate of current market value based on $100,000 per acre at 3% per year. Attached is the appraisal, and refer to pages 3 and 4 for our discussion regarding land.

B. Please see PDF file named, "DIUC-ORS Attachment #20.B." This is the invoice for the same permit fee for 2011. The $1,623.50 payment made on 2/1/2011 was payment #3 out of 4 for this same fee for 2010 which totaled $6,494.00. We have requested a copy of this invoice from SC DHEC.

TO: Christina Stutz **DATE:** March 2, 2012

THE REQUESTED RECORD OR DOCUMENTATION:

1) ☒ **HAS BEEN PROVIDED TODAY;**
2) ☐ **CANNOT BE PROVIDED BY THE REQUESTED DATE, BUT WILL BE MADE AVAILABLE BY** _____;
3) ☐ **ITEM(S)** _____ **IS (ARE) PROPRIETARY AND CONFIDENTIAL BUSINESS INFORMATION;**
4) ☐ **THE ITEM WILL NOT BE PROVIDED. (SEE ATTACHED MEMORANDUM).**

C. Trenholm Walker, Attorney 3-2-12

SIGNATURE & TITLE OF RESPONDENT

20.A1

STATE OF SOUTH CAROLINA)
) GENERAL WARRANTY DEED
COUNTY OF BEAUFORT)

KNOW ALL MEN BY THESE PRESENTS, that International Paper Realty Corporation of South Carolina, the "Grantor", in the State aforesaid, for and in consideration of Ten and NO/100 Dollars ($10.00) and NO/A other good and valuable consideration to them in hand paid at and before the sealing of these presents, by the Grantee hereinbelow in the State aforesaid, (the receipt whereof is hereby acknowledged) has granted, bargained, sold and released, and by these Presents does grant, bargain, sell and release, unto Haig Point Utility Company, Inc., its successors and assigns (the "Grantee") the following described property (the "Premises"):

FILED IN DEED BOOK 449 PAGE 938
FILED AT 10:29:00 ON 05/27/86

ALL that piece, parcel or lot of land situate, lying and being on Daufuskie Island, Beaufort County, South Carolina containing 5.858 acres, more or less, and more particularly shown on a plat by Gifford, Nielsen & Williams entitled "Plat of a 1040.238 Acre Tract Known as Haig Point Plantation and a 5.858 Tract, Owned by Robinson & Craver, P. A., Trustee, Located on Daufuskie Island, South Carolina." Said plat being recorded October 24, 1984 in Plat Book 32 at Page 151 in the RMC Office for Beaufort County, S.C., reference to which is hereby made for a more full and complete description.

Being a portion of the property conveyed to International Paper Realty Corporation of South Carolina by deed of Plantation Land Company, Inc. dated October 23, 1984 and recorded October 24, 1984 in Deed Book 406 at Page 64 in the RMC Office for Beaufort County, S.C.

GRANTEE'S ADDRESS: P. O. BOX 7319,
Hilton Head, SC 29938

BEAUFORT COUNTY TAX MAP REFERENCE

Dist	Map	Subdiv	Parcel	Block
500	25		14	

1A.02

STATE OF SOUTH CAROLINA)
) PROBATE
COUNTY OF BEAUFORT)

PERSONALLY appeared before me Robert Hess who made oath that (s)he saw the within named International Paper Realty Corporation of South Carolina, by A. Michael Ross, its President and by Patricia J. Higgins, its Secretary, sign, the within written Deed, and the said Corporation by said officers, seal said Deed and as its act and deed, deliver the same and that (s)he with Neil C. Gillespie, Jr. witnessed the execution thereof.

WITNESS

SWORN to before me this
14th day of May, 1986

(L.S.)
Notary Public for South Carolina

My Commission Expires: 10/26/88

RECORDED THIS 14th DAY
OF June, 1986
IN BOOK 1 PAGE 321
FEE $ _____
Mary Alice Hamilton
REGISTER, BEAUFORT COUNTY, S.C.

Robinson, Grover, Hood & Hartzog
FILED IN DEED BOOK 449 PAGE 932
FILED AT 10:39:00 ON 05/27/86 168418
BOOK NUMBER 449 PAGES 930- 932
FILING FEE 4.00
STATE STAMPS .00
COUNTY STAMPS .00
TOTAL FEES 4.00
REGISTER OF MESNE CONVEYANCE
BEAUFORT COUNTY, SC

STATE OF SOUTH CAROLINA)
COUNTY OF BEAUFORT) PROBATE

PERSONALLY appeared before me Robert Hays who made oath that (s)he saw the within named International Paper Realty Corporation of South Carolina, by R. Michael Rose, its President and by Patricia J. Riggins, its Secretary, sign, the within written Deed, and the said Corporation by said officers, seal said Deed and as its act and deed, deliver the same and that (s)he with Nat C. Stevens, Jr. witnessed the execution thereof.

WITNESS

SWORN to before me this
11th day of May, 1986

Notary Public for South Carolina (L.S.)

My Commission Expires: 4/30/93

RECORDED THIS 4th DAY OF June 1986
IN BOOK 321
PAGE
Mary Jane Brantley
REGISTER OF MESNE CONVEYANCE
BEAUFORT COUNTY, S.C.

Robinson, Cowan, Wells Hastie

FILED IN DEED BOOK 449 PAGE 932
FILED AT 10:39:08 ON 05/27/86 188418
BOOK NUMBER 449 PAGES 930- 932
FILING FEE 4.00
STATE STAMPS .00
COUNTY STAMPS .00
TOTAL FEES 4.00
REGISTER OF MESNE CONVEYANCE
BEAUFORT COUNTY, SC

3 items
BJH
495
7757
$450

Prepared by:

RETTIG, JORDAN & GRIFFIN, P.A.
Shelter Cove Executive Park, Suite 400
23-B Shelter Cove Lane
Post Office Drawer 3
Hilton Head Island, SC 29938
(843) 785-2171

RECORDED
2001 Jan -4 03:24 PM
Sharon G. Burris
BEAUFORT COUNTY AUDITOR

COUNTY Beaufort County Elevated Tank Site
BK 01402 PG 2190
FILE NUM 2001019868
RECORDING FEES 10.00
RECORDED BY Q WILSON
RECORDED 04/05/2001 10:37:40 AM

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

SPECIAL WARRANTY DEED
AND
BILL OF SALE

THIS SPECIAL WARRANTY DEED is made effective this 1st day of January, 2001, by and between **HAIG POINT, INC.**, a Delaware corporation with an address of Post Office Box 7319, Hilton Head Island, South Carolina 29938 ("Grantor") and **HAIG POINT UTILITY COMPANY, INC.**, a South Carolina corporation with an address of P.O. Box 7319, Hilton Head Island, South Carolina 29938 ("Grantee").

WHEREAS, Haig Point, Inc., is the owner and developer of the community known as Haig Point on Daufuskie Island, South Carolina; and

WHEREAS, the Grantee is a corporation organized and existing under the laws of the State of South Carolina as a utility company, for the purpose of constructing and maintaining water and sewer facilities for persons and businesses in Haig Point on Daufuskie Island, South Carolina; and

WHEREAS, Grantor desires to convey to Grantee certain real property which is more particularly described below.

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, that Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00) and no other valuable consideration to it paid by the Grantee, the receipt and legal sufficiency of which is hereby acknowledged, has granted, bargained, sold and released and by these presents does grant, bargain, sell and release unto the Grantee, its successors and assigns forever, the following real and personal property, subject to, however, the conditions, limitations, and reservations of easements and rights set forth herein:

REAL PROPERTY

ALL those certain pieces, parcels or tracts of land situated, lying and being in Haig Point, Daufuskie Island, Beaufort County, South Carolina, shown as **"Elevated Tank Site"** having and containing 0.337 acres, more or less, as depicted on that certain Plat entitled "9.691 Acre Tract known as Equestrian Center, being a portion of Haig Point, Daufuskie Island, South Carolina,"

{246122.2} 13732-00101

which plat was prepared by Thomas & Hutton Engineering Co., Boyce L. Young, S.C.P.L.S. #11079, dated May 14, 1999 and recorded in Plat Book 70 at Page 29 in the Office of the Register of Deeds for Beaufort County, South Carolina. For a more accurate description of the distances, courses, metes and bounds of the Property, reference to said plats of record is hereby made.

SUBJECT TO, however, the following conditions, limitations, and reservations of easements and rights:

1. Grantor expressly reserves a non-exclusive access, ingress and egress easement to, over, and through the Property along with the right to utilize and grant to others entry to, over, and through the Property for vehicular and pedestrian access to and from any and all of the remainder of Haig Point so long as Grantor, or its successors or assigns, continues to own any real property within the boundaries of the Haig Point planned unit development as defined in the master plan on record with the Beaufort County Zoning and Planning Department.

2. Grantee is restricted from passing any rule or regulation which would diminish the easement rights reserved herein unto Grantor or any previous easement rights vested with Grantor.

3. Grantor makes no warranties to title to that portion of the Property which is deemed marshland or wetlands, as defined by Federal or State law, or which lies below the mean high water mark of Calibogue Sound.

4. Grantor makes no warranties to interests created by or limitations on the Property use imposed by the Federal Coastal Zone Management Act or other Federal law or regulation, or by South Carolina Code Sections 48-39-10 et. seq., as amended, or any regulations promulgated pursuant to said State or Federal laws.

5. Grantor makes no warranties to zoning laws and regulations of Beaufort County, South Carolina and/or any regulatory agency of the State of South Carolina affecting the Property.

Beaufort County Tax Map Reference: 800-25 -45

The Property conveyed herein is a portion of the property conveyed to Grantor herein by deed dated October 23, 1984 and recorded October 24, 1984 in the Office of the Register of Deeds for Beaufort County, South Carolina in Deed Book 406 at Page 64.

BILL OF SALE FOR PERSONAL PROPERTY AND FIXTURES

This conveyance shall constitute a bill of sale and conveys title to all personal property and improvements located on the Property conveyed herein to the Grantee, including, but not limited to all pipes, valves, fittings and appurtenances to the water supply system and utility infrastructure and other improvements and systems located on the real property conveyed herein (collectively the "Improvements"), if any. The Improvements are conveyed to the Grantee "WHERE IS, AS IS" and without recourse. The Grantor disclaims and makes no representations or warranties, express or implied, in fact or law, with respect to the Improvements including, without limitation, representations or warranties of merchantability, or fitness

for ordinary or any particular purpose.

TOGETHER WITH all and singular the rights, members hereditaments and appurtenances to the said premises belonging or in anywise incident or appertaining.

TO HAVE AND TO HOLD, all and singular the said premises before mentioned unto the said Grantee, its successors and assigns, forever, subject to, however, the conditions, limitations, and reservations of easement and rights set forth above.

AND the Grantor does hereby bind itself and its successors to warrant and forever defend all and singular the said premises unto Grantee, its successors and assigns, against itself and its successors and any person lawfully claiming or to claim the same or any part thereof, by, through or under it, but against none other.

IN WITNESS WHEREOF, Haig Point, Inc., a Delaware corporation, has caused these presents to be executed by their duly authorized officers this 1st day of April, 2001.

SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:

GRANTOR:
HAIG POINT, INC., a Delaware corporation

By: _____
Its: Pres. Ct

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

ACKNOWLEDGMENT

I, the undersigned Notary Public, do hereby certify that Haig Point, Inc., by Leonard H. Rennie, its Treas. Ct, appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this 1st day of April, 2001.

_____ (SEAL)
Notary Public for: SC
My Commission Expires: 11-25-10

4 Lots
BJH
4/19

Prepared by:

BETHEA, JORDAN & GRIFFIN, P.A.
Shelter Cove Executive Park, Suite 400
23-B Shelter Cove Lane
Post Office Drawer 3
Hilton Head Island, SC 29938
(843) 785-2171

COUNTY Beaufort County
BK 01381 PG 1768
FILE NUM 2001006717
RECORDING FEES 10.00
RECORDED BY W BOLLES
RECORDED 02/06/2001 11:24:02 AM

RECORDED
2001 Mar 29 04:22 PM
Sharon O. Burris
BEAUFORT COUNTY AUDITOR

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

SPECIAL WARRANTY DEED
AND
BILL OF SALE

THIS SPECIAL WARRANTY DEED is made effective this 15th day of February 2001, by and between **HAIG POINT, INC.**, a Delaware corporation with an address of Post Office Box 7319, Hilton Head Island, South Carolina 29938 ("Grantor") and **HAIG POINT UTILITY COMPANY, INC.**, a South Carolina corporation with an address of P.O. Box 7319, Hilton Head Island, South Carolina 29938 ("Grantee").

WHEREAS, the Grantee is a corporation organized and existing under the laws of the State of South Carolina as a utility company, for the purpose of constructing and maintaining water and sewer facilities for persons and businesses in Haig Point on Daufuskie Island, South Carolina; and

WHEREAS, Haig Point, Inc., is the owner and developer of the community known as Haig Point Plantation on Daufuskie Island, South Carolina; and

WHEREAS, Grantor desires to convey to Grantee certain improved real property which is more particularly described below.

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, that Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00) and no other valuable consideration to it paid by the Grantee, the receipt and legal sufficiency of which is hereby acknowledged, has granted, bargained, sold and released and by these presents does grant, bargain, sell and release unto the Grantee, its successors and assigns forever, the following real and personal property, subject to, however, the conditions, limitations, and reservations of easements and rights set forth herein:

REAL PROPERTY

ALL those certain pieces, parcels or tracts of land situated, lying and being in Haig Point, Daufuskie Island, Beaufort County, South Carolina, shown as **"Well Site #1"** having and containing 1.588 acres, more or less, as depicted on that certain Plat entitled "A Boundary Plat of Well Site #1 & Open Space 3.734 Acres, Daufuskie Island, South Carolina", which plat was prepared by Thomas & Hutton Engineering Co., Boyce L. Young, S.C.P.L.S. #11079, said plat being dated July 28, 1999

[2056603] 13722-0010

and recorded in Plat Book 74 at Page 30 in the Office of the Register of Deeds for Beaufort County, South Carolina and "Well Site #2" having and containing 1.040 acres, more or less, as depicted on that certain Plat entitled "A Boundary Plat of Well Site #2 1.040 Acres, Daufuskie Island, South Carolina," which plat was prepared by Thomas & Hutton Engineering Co., dated July 28, 1999, last revised August 3, 1999 S.C.P.L.S. #11079, said plat being dated July 28, 1999 and recorded in Plat Book 74 at Page 25 in the Office of the Register of Deeds for Beaufort County, South Carolina (Well Site #1 and Well Site #2 collectively hereinafter referred to as the "Property"). For a more accurate description of the distances, courses, metes and bounds of the Property, reference to said plats of record is hereby made.

SUBJECT TO, however, the following conditions, limitations, and reservations of easements and rights:

1. Grantor expressly reserves a non-exclusive access, ingress and egress easement to, over, and through the Property along with the right to utilize and grant to others entry to, over, and through the Property for vehicular and pedestrian access to and from any and all of the remainder of Haig Point so long as Grantor, or its successors or assigns, continues to own any real property within the boundaries of the Haig Point planned unit development as defined in the master plan on record with the Beaufort County Zoning and Planning Department.

2. Grantor expressly reserves a perpetual, alienable, appurtenant easement to, over and through the Property for the construction, relocation and maintenance of potable water and sanitary sewer infrastructure, such easement rights to include the right to temporarily remove landscaping and improvements on the Property to provide reasonable access to potable water and sanitary sewer infrastructure. Following the exercise of its easement rights hereunder, Grantor shall reasonably restore the Property to its previous condition at Grantor's expense. This reservation of easement is freely alienable and may be conveyed without recourse to a private or public utility company by Grantor.

3. Grantor expressly reserves a perpetual, alienable, appurtenant easement to, over and through the Property for the construction, relocation and maintenance of deep water wells together with all structures, appliances and appendages necessary or convenient in connection therewith, together with all rights and privileges incident to the use and enjoyment thereof, including the right to withdraw water therefrom for use in the sole discretion of the Grantor, its successors and assigns, such easement rights to include the right to temporarily remove landscaping and improvements on the Property to provide reasonable access to the deep well infrastructure. Following the exercise of its easement rights hereunder, Grantor shall reasonably restore the Property to its previous condition at Grantor's expense. This reservation of easement is freely alienable and may be conveyed without recourse to a private or public utility company by Grantor.

4. Grantee is restricted from passing any rule or regulation which would diminish the easement rights reserved herein unto Grantor or any previous easement rights vested with Grantor.

5. Grantor makes no warranties to title to that portion of the Property which is deemed marshland or wetlands, as defined by Federal or State law, or which lies below the mean high water mark of Calibogue Sound.

6. Grantor makes no warranties to interests created by or limitations on the Property use imposed by the Federal Coastal Zone Management Act or other Federal law or regulation, or by South Carolina Code Sections 48-39-10 et. seq., as amended, or any regulations promulgated pursuant to said State or Federal laws.

7. Grantor makes no warranties to zoning laws and regulations of Beaufort County, South Carolina and/or any regulatory agency of the State of South Carolina affecting the Property.

Beaufort County Tax Map Reference: 800-22 - 1

The Property conveyed herein is a portion of the property conveyed to Grantor herein by deed dated October 23, 1984 and recorded October 24, 1984 in the Office of the Register of Deeds for Beaufort County, South Carolina in Deed Book 406 at Page 64.

The within deed was prepared by the law firm of Bethea, Jordan & Griffin, P.A., Post Office Drawer 3, Hilton Head Island, SC 29938.

BILL OF SALE FOR PERSONAL PROPERTY AND FIXTURES

This conveyance shall constitute a bill of sale and conveys title to all personal property and improvements located on the Property conveyed herein to the Grantee, including, but not limited to all pipes, valves, fittings and appurtenances to the water supply system and utility infrastructure and other improvements and systems located on the real property conveyed herein (collectively the "Improvements"). The Improvements are conveyed to the Grantee "WHERE IS, AS IS" and without recourse. The Grantor disclaims and makes no representations or warranties, express or implied, in fact or law, with respect to the Improvements including, without limitation, representations or warranties of merchantability, or fitness for ordinary or any particular purpose. The Grantor disclaims any warranties regarding the condition, design, date of completion, construction, accuracy or completeness of the Improvements conveyed herein.

TOGETHER WITH all and singular the rights, members hereditaments and appurtenances to the said premises belonging or in anywise incident or appertaining.

TO HAVE AND TO HOLD, all and singular the said premises before mentioned unto the said Grantee, its successors and assigns, forever, subject to, however, the conditions, limitations, and reservations of easement and rights set forth above.

AND the Grantor does hereby bind itself and its successors to warrant and forever defend all and singular the said premises unto Grantee, it successors and assigns, against itself and its successors and any person lawfully claiming or to claim the same or any part thereof, by, through or under it, but against none other.

IN WITNESS WHEREOF, Haig Point, Inc., a Delaware corporation, has caused these presents to be executed by their duly authorized officers this 1ST day of February, 2001. BK BK 01481 PAGE 1771

SIGNED, SEALED AND DELIVERED IN THE PRESENCE OF:

GRANTOR:
HAIG POINT, INC., a Delaware corporation

By: _____
Its: President

STATE OF New Jersey)
)
COUNTY OF Bergen)

ACKNOWLEDGMENT

I, the undersigned Notary Public, do hereby certify that Haig Point, Inc., by L. H. Ronnie Jr. its President, appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this 1ST day of FEBRUARY, 2001.

_____ (SEAL)
Notary Public for:
My Commission Expires: October 5, 2006

JOHANNA CURRY
Notary Public, State of New Jersey
My Commission Expires October 5, 2006

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

LIMITED WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS, THAT

SOUTHEAST HOLDING COMPANY, LTD. and HILTON HEAD PLANTATION UTILITIES, INC.

in the State aforesaid, for and in consideration of the sum of Ten and No/100 Dollars ($10.00) and other valuable consideration to them in hand paid at and before the sealing of these presents, by THE MELROSE UTILITY COMPANY, INC., a South Carolina corporation, whose address is Post Office Box 6779, Hilton Head Island, South Carolina 29938, the receipt whereof is hereby acknowledged, have granted, bargained, sold and released, and by these Presents do grant, bargain, sell and release, unto the said THE MELROSE UTILITY COMPANY, INC., its successors and assigns, that property more fully described in EXHIBIT "A" attached hereto and made a part of this Deed of Conveyance.

This conveyance is made by the Grantor and accepted by the Grantee subject to the Permitted Title Exceptions set forth in Exhibit "B" attached hereto and made a part hereof.

This being a portion of the same property conveyed by Deed dated December 9, 1971, recorded in the records of the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 193 at Page 1626, by Fred C. Hack and Frederick C. Hack, Jr., as Trustees to Hilton Head Development Corp., which thereafter became Hilton Head Plantation Company, Inc., and has now become Southeast Holding Company, Ltd. doing business as Hilton Head Plantation Company.

TOGETHER with all and singular the Rights, Members, Hereditaments and Appurtenances to the said Premises belonging, or in anywise incident or appertaining.

TO HAVE AND TO HOLD, all and singular the said premises before mentioned unto the said THE MELROSE UTILITY COMPANY, INC., its successors and assigns forever.

And the said SOUTHEAST HOLDING COMPANY, LTD. and HILTON HEAD PLANTATION UTILITIES, INC. do hereby bind themselves and their successors and assigns, to warrant and forever defend all and singular the said premises unto the said THE MELROSE UTILITY COMPANY, INC., its successors and assigns, against themselves and their successors and any persons claiming under or through them, subject, however, to the Permitted Title Exceptions set forth in Exhibit "B" attached hereto and made a part hereof.

IN WITNESS WHEREOF, SOUTHEAST HOLDING COMPANY, LTD. and HILTON HEAD PLANTATION UTILITIES, INC. have caused these presents to be executed in their names by their appropriate officers and their corporate seals to be hereto affixed this 25th day of November in the year of our Lord one thousand nine hundred and eight-five, and in the two hundred and tenth year of the Sovereignty and Independence of the United States of America.

FILED IN DEED BOOK 475 PAGE 1499
FILED AT 11:26:00 A.M. 11 26 85

BEAUFORT COUNTY TAX MAP REFERENCE

Dist	Map	Submap	Parcel	Block

WITNESSES:

SOUTHEAST HOLDING COMPANY, LTD.

Gordon S. Colman

By: _____
Howard A. Davis
Vice President

_____ Attest: _____
Paul A. Graf
Assistant Secretary

HILTON HEAD PLANTATION UTILITIES, INC.

Gordon S. Colman

By: _____
Howard A. Davis
President

_____ Attest: _____
Paul A. Graf
Assistant Secretary

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PERSONALLY appeared before me Gordon S. Colman who, on oath, says that s/he saw the within-named SOUTHEAST HOLDING COMPANY, LTD., by its appropriate officers, sign, seal, attest and, as its act and deed, deliver the within-written Limited Warranty Deed, and that s/he with _____ witnessed the execution thereof.

Gordon S. Colman

SWORN to before me this
25th day of November, 1985.

_____
Notary Public for South Carolina
My Commission Expires: 1-5-1991

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FILED AT 1:09:00 PM 11 26 85

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PERSONALLY appeared before me Gordon S. Colman who, on oath, says that s/he saw the within-named HILTON HEAD PLANTATION UTILITIES, INC., by its appropriate officers, sign, seal, attest and, as its act and deed, deliver the within-written Limited Warranty Deed, and that s/he with Barbara Anderson witnessed the execution thereof.

Gordon S. Colman

SWORN to before me this
25th day of November, 1985.

Notary Public for South Carolina
My Commission Expires: 1-5-1991

FILED IN DEED BOOK 435 PAGE 1931
FILED AT 110600 ON 11/26/85

EXHIBIT "A"

TO LIMITED WARRANTY DEED

DESCRIPTIONS OF LAND
AND
VARIOUS PROPERTY RIGHTS

ALL those parcels of land in Hilton Head Plantation, on Hilton Head Island, Beaufort County, South Carolina, having and containing .566 acre, more or less, as shown on a plat entitled "A Plat Showing Lands of Southeast Holding Company, Ltd. and Skull Creek Holding Corp." dated August 26, 1985 and prepared by Thomas & Hutton Engineering Company, certified to by William G. Foster, R.L.S.(S.C.) No. 2753, which plat is recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Plat Book 33 at Page 119. Said parcels of land consist of those areas identified as follows:

PUMP STATION SITES	.209 ac.
COMM. SERVICE AREA	.357 ac.

For a more detailed description as to courses and distances, metes and bounds of the above-described parcels of land, reference is had to the above-mentioned plat.

ALSO

PARCEL 1 (Water Tower Site)

ALL that certain piece, parcel or tract of land located in Hilton Head Plantation being a part of AREA N-P, R-U and containing 2.943 acres, more or less, and being more particularly described as follows: The Point of Beginning is a concrete monument located at South Carolina State Plain Coordinates N 147,345.988, E 2,079,894.368. Proceeding from said Point of Beginning S30°31'09"E for 316.962 feet to a point; thence S60°22'46"E for 187.749 feet to a point; thence S74°46'51"E for 357.606 feet to a point; thence N36°08'16"E for 360.457 feet to a point; thence N36°08'16"E for 461.239 feet to a point; thence S77°02'39"E 53.018 feet to a point; thence S53°35'58"E for 234.846 feet to a point; thence S36°24'01"W for 160 feet to a point; thence N53°35'58"W for 40 feet to a point; thence S36°24'01"W for 90 feet to a point; thence N53°35'59"W for 199.87 feet to a point; thence S36°08'16"W for 619.12 feet to a point; thence N74°46'51"W for 393 feet to a point; thence N60°22'46"W for 203.459 feet to a point; thence N30°31'09"W for 327.051 feet to a point; thence N58°38'40"E for 40 feet to a point which marks the Point of Beginning.

The above-described property consists of a 40' access road to and the site of the existing elevated water storage tower and well site in Hilton Head Plantation.

ALSO

PARCEL 2 (Access Road to Sewage Treatment Plant)

ALL that certain piece, parcel or tract of land located in Hilton Head Plantation being a part of AREA N-P, R-U and containing 0.356 acres, more or less, and being more particularly described as follows: The Point of Commencement is located at South Carolina State Plain Coordinates N 149,804.487, E 2,082,827.601 and proceeding from said Point of Commencement S09°06'39"W for 90.79 feet to a concrete monument which marks the Point of Beginning; thence S67°43'54"W for 141.52 feet to a point; thence S30°13'54"W for 46.65 feet to a point; thence S11°46'06"E for 85.95 feet to a point; thence S01°13'54"W for 161.43 feet to a

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FILED AT 11:36:00 AM 12/26/85

[redacted]

point; thence S06°43'54"W for 60.31 feet to a point; thence N66°16'06"W for 31.37 feet to a point; thence N06°43'54"W for 49.69 feet to a point; thence N01°13'54"E for 156.57 feet to a point; thence N11°46'06"W for 94.05 feet to a point; thence N30°13'54"E for 68.35 feet to a point; thence N67°43'54"E for 170.01 feet to a point; thence S09°06'39"W for 35.41 feet to a point which marks the Point of Beginning.

The above-described parcel consists of 0.356 acres of roadway leading from Royal James Drive into the existing sewage treatment plant in Hilton Head Plantation.

ALSO

PARCEL 3 (Sewage Treatment Plant)

ALL that certain piece, parcel or tract of land located in Hilton Head Plantation being a part of AREA N-P, R-U and containing 11.316 acres, more or less, and being more particularly described as follows: The Point of Commencement is located at State Plain Coordinates N 149,804.487, E 2,082,827.601 and proceeding from said Point of Commencement S09°06'39"W for 163.26 feet to a concrete monument; thence proceeding in a southerly direction along a curve having a radius of 976.20 feet, a central angle of 12°03'57", a chord bearing S03°04'40"W and a chord distance of 205.20 feet to a concrete monument; thence S02°57'18"E for 112.61 feet to a concrete monument; thence proceeding in a southerly direction along a curve having a radius of 592.69 feet, a central angle of 06°25'37", a chord bearing of S00°15'30"W and a chord distance of 66.45 feet to a concrete monument which marks the Point of Beginning; thence S15°25'24"W for 501.115 feet to a point; thence S48°29'33"W for 172.540 feet to a point; thence S46°59'16"W for 330.442 feet to a point; thence N73°21'53"W for 108.890 feet to a point; thence N43°26'42"W for 519.940 feet to a point; thence N61°14'25"E for 243.640 feet to a point; thence N45°52'23"E for 502.053 feet to a point; thence S76°15'00"E for 111 feet to a point; thence N50°25'38"E for 54.41 feet to a point; thence N78°54'42"E for 39 feet to a point; thence S43°02'45"E for 129.63 feet to a point; thence N43°30'56"E for 28.65 feet to a point; thence S66°16'06"E for 178.20 feet to a concrete monument which marks the Point of Beginning.

The above-described parcel consists of 11.316 acres comprising the Hilton Head Plantation waste water treatment plant.

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FILED AT 110600 ON 11-2a-9[illegible]

EXHIBIT B

PERMITTED TITLE EXCEPTIONS

1. AMENDED AND RESTATED DECLARATION OF COVENANTS AND RESTRICTIONS OF THE HILTON HEAD PLANTATION PROPERTY OWNERS' ASSOCIATION AND HILTON HEAD PLANTATION COMPANY, INC. dated March 28, 1983, recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 367 at Page 656 on April 19, 1983, as amended in Deed Book 388 at Page 26 and Deed Book 393 at Page 1421, and as may be further amended from time to time.

2. That certain NON-EXCLUSIVE EASEMENT AND CONVEYANCE OF RIGHTS from Hilton Head Plantation Company, Inc. to Skull Creek Center and The Citizens and Southern National Bank, Savannah, Georgia, granting certain easement rights for ingress and egress to the OLD PORT PUB SITE which Easement was executed February 6, 1976, and recorded February 10, 1976, in the Office of the Clerk of Court, South Carolina in Deed Book 234 at Page 996.

3. NON-EXCLUSIVE PARKING EASEMENT AND PURCHASE OPTION between Hilton Head Plantation Company, Inc. and The Skull Creek Center dated May 6, 1974, together with that certain Modification of Parking Easement and Purchase Option dated January 9, 1976, together with that certain Assignment of Non-Exclusive Parking Easement and Purchase Option dated January 9, 1976, all of which are recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 234 beginning at Page 999.

4. That certain GRANT OF NON-EXCLUSIVE EASEMENT from Southeast Holding Company, Ltd. to The Hilton Head Historical Society recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 397 at Page 1695.

5. That certain GRANT OF NON-EXCLUSIVE EASEMENT from Skull Creek Holding Corp. to Southeast Holding Company, Ltd. recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 397 at Page 1690.

6. That certain NON-EXCLUSIVE EASEMENT AGREEMENT from Southeast Holding Company, Ltd. to Elmer A. Zarney and Betty H. Zarney recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 397 at Page 1702.

7. That certain GRANT OF NON-EXCLUSIVE EASEMENT from Southeast Holding Company, Ltd. to Skull Creek Holding Corp. which is recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 430 at Page 1779.

8. That certain EASEMENT from Hilton Head Plantation Company, Inc. to Central Electric Power Co-Operative, Inc. consisting of certain right-of-way containing 1.34 acres as shown in Plat Book 26 at Page 29, which said Easement was executed May 6, 1977 and recorded in the Office of the Clerk of Court for Beaufort County, South Carolina on June 15, 1977, in Deed Book 249 at Page 721.

9. That certain EASEMENT from Hilton Head Plantation Company, Inc. to Central Electric Power Co-Operative, Inc. conveying certain rights-of-way as shown in Plat Book 23 at Page 183 which said Easement was executed November 3, 1975, and recorded on November 13, 1975, in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 232 at Page 1353.

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FILED AT 11:36:00 ON 11/25/85

10. That certain RECIPROCAL USE AGREEMENT between Hilton Head Plantation Company, Inc. and Sea Pines Plantation Company executed October 29, 1975, and recorded December 1, 1975, at 2:30 p.m. in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 232 at Page 2013.

11. That certain EASEMENT from Hilton Head Plantation Company, Inc. to Plantation Cablevision, Inc. conveying a non-exclusive easement along all roadways, utility easements and rights-of-way, which Easement was executed November 28, 1978 and recorded December 4, 1978 at 2:30 p.m., in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 273 at Page 1891.

12. That certain DECLARATION, RIGHTS, RESTRICTIONS, AFFIRMATIVE OBLIGATIONS, CONDITIONS, ETC. WHICH CONSTITUTE COVENANTS RUNNING WITH THE LAND OF HILTON HEAD PLANTATION COMPANY, INC. known as Class "A" Covenants dated February 15, 1973, and recorded July 11, 1973, in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 211 at Page 1470, as amended in Deed Book 223 at Page 2054, Deed Book 224 at Page 1012, and Deed Book 376 at Page 1437.

13. That certain DECLARATION OF RIGHTS, RESTRICTIONS, AFFIRMATIVE OBLIGATIONS, CONDITIONS, ETC. WHICH CONSTITUTE COVENANTS RUNNING WITH THE LAND OF HILTON HEAD PLANTATION COMPANY, INC. known as Class "B" Covenants dated December 6, 1974, and recorded in the Office of the Clerk of Court for Beaufort County, South Carolina on January 6, 1975, in Deed Book 225 at Page 2003.

14. That certain PERPETUAL EASEMENT from Olin T. MacIntosh, Jr. and Fred C. Hack, as Trustees, to the Central Electric Power Co-Operative, Inc. and the Palmetto Electric Co-Operative, Inc., over and to certain portions of a 7,297.04 acre tract, said Easement being recorded in the Office of the Clerk of Court for Beaufort County, and Town of Hilton Head Island, South Carolina, in Deed Book 179 at Page 63.

15. That certain EASEMENT APPURTENANT from Skull Creek Holding Corp. in favor of Skull Creek Village-West, a South Carolina Limited Partnership, dated September 15, 1983 and recorded on January 20, 1984 in the Office of the Clerk of Court for Beaufort County, South Carolina, in Deed Book 386 at Page 1279.

16. That certain EASEMENT APPURTENANT from Hilton Head Plantation Company, Inc. in favor of Skull Creek Village-West, a South Carolina Limited Partnership, dated September 15, 1983, recorded on January 20, 1984 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 386 at Page 1283.

17. That certain GRANT OF EASEMENT from The Delta Group, a South Carolina General Partnership, in favor of Village North Horizontal Property Regime, recorded on June 24, 1983 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 372 at Page 36.

18. That certain TEMPORARY GRANT OF EASEMENT from Skull Creek Holding Corp. in favor of Skull Creek Village-West, a South Carolina Limited Partnership, dated September 15, 1983 recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 386 at Page 1274 on January 20, 1984, re-recorded on February 6, 1984 in said Clerk's Office in Deed Book 387 at Page 1371.

19. That certain EASEMENT thirty feet (30') in width from U.S. Highway 278 to the property of Central Electric Co-Operative

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FILED AT 11:26 AM

containing 2.878 acres, which Easement is recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 170 at Page 20.

20. That certain DECLARATION AND RESTRICTIONS for The Rookery recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 267 at Page 370, and that Covenant, Declaration and Restrictions for The Rookery Owners' Association recorded in said Office in Deed Book 267 at Page 357.

21. That certain unrecorded EASEMENT from Hilton Head Plantation Company, Inc. to the Beaufort County School District which is dated October 26, 1982.

22. That certain unrecorded LEASE AGREEMENT between Seabrook Stables, Inc., as lessee, and Hilton Head Plantation Company, Inc., as lessor, dated May 17, 1978, pertaining to that area commonly known as Seabrook Stables including the barn and associated pasture and paddock area, together with the amendment thereto and the renewal thereof for a renewal term ending May 14, 1989.

23. Those certain COVENANTS, DECLARATIONS AND RESTRICTIONS FOR THE OYSTER REEF COVE ASSOCIATION dated August 8, 1985 and recorded August 20, 1985 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 427 at Page 1650.

24. The claims of third parties relating to those areas known as Elliot and Talbot Cemeteries and Fort Mitchell (sometimes referred to as Fort Gilmore) including right of access for ingress and egress thereto.

25. That certain Quiet Title action entitled "Southeast Holding Company, Ltd. and Carolina Summit Properties, Inc. vs. Mary M. Woodward, et al." identified as Case Number 84-CP-07-1483 in the Court of Common Pleas for Beaufort County, South Carolina, subject to the provisions of Section 408 of the Agreement for Purchase and Sale.

26. That certain unrecorded GROUND LEASE AGREEMENT between Hilton Head Plantation Company, Inc., as Landlord, and Hilton Head Plantation Utilities, Inc. as Tenant, dated January 1, 1983 (relating to approximately 43 acres of effluent spray area) which has a term extending to December 31, 1986.

27. Beaufort County real property taxes for the year 1985 (a lien but not yet due and payable) and taxes for subsequent years and any other taxes or special assessments which are not shown as an existing lien by the public records.

28. Rights and claims of tenants in possession.

29. Encroachments, overlaps, boundary line disputes and any other matters which would be disclosed by an accurate survey and inspection of the premises.

30. Easements or claims of easements not shown by the public records.

RECORDED THIS 4th DAY
OF December 19 85
AT 4 PAGE 194
Mary Anne Brant SC
AUDITOR, BEAUFORT COUNTY, S. C.

-3-

Hughes & Watters

FILED IN OFFICE BOOK 427 PAGE 1501
FILED AT 113600 ON 11 26 85 90826
BOOK NUMBER 427 PAGES 1499- 1501
FILING FEE 3.00
STATE STAMPS .00
COUNTY STAMPS .00

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

Quit-Claim Deed

TO ALL WHOM THESE PRESENTS MAY COME:

SOUTHEAST HOLDING COMPANY, LTD. and HILTON HEAD PLANTATION UTILITIES, INC. SEND GREETING:

NOW, KNOW ALL MEN BY THESE PRESENTS, That the said SOUTHEAST HOLDING COMPANY, LTD. and HILTON HEAD PLANTATION UTILITIES, INC., in consideration of the premises and also in consideration of the sum of ONE and No/100 DOLLAR ($1.00) and the consideration associated with a companion deed from the within Grantors to the within Grantee to it in hand paid at and before the sealing and delivery of these presents by THE MELROSE UTILITY COMPANY, INC., a South Carolina corporation, whose address is c/o Post Office Box 6779, Hilton Head Island, South Carolina 29938, the receipt whereof is hereby acknowledged, have remised, released and forever quit-claimed, and by these presents do remise, release and forever quit-claim unto the said THE MELROSE UTILITY COMPANY, INC., its successors and assigns forever, all of its right, title and interest, whatever the same may be, in and to all the real property described on EXHIBIT "A" and those certain Intangibles described on EXHIBIT "B" which are attached hereto and made a part hereof.

The property or property rights described herein, if any, are a portion of the same property conveyed by Deed dated December 9, 1971, recorded in the records of the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 193 at Page 1626, by Fred C. Hack and Frederick C. Hack, Jr., as Trustees to Hilton Head Development Corp., which thereafter became Hilton Head Plantation Company, Inc., and has now become Southeast Holding Company, Ltd. doing business as Hilton Head Plantation Company.

TOGETHER with all and singular the rights, members, hereditaments and appurtenance to the said premises belonging or in anywise incident or appertaining:

TO HAVE AND TO HOLD all and singular the said premises before mentioned unto the said THE MELROSE UTILITY COMPANY, INC., its successors and assigns forever, so that neither the said SOUTHEAST HOLDING COMPANY, LTD. nor HILTON HEAD PLANTATION UTILITIES, INC. nor their successors or any other person or persons claiming under them, shall at any time hereafter, by any way or means, have, claim or demand any right or title to the aforesaid premises or appurtenances, or any part or parcel thereof, forever.

Witness hand and seal of the appropriate officers of the Grantors herein this 25th day of November in the year of our Lord one thousand nine hundred eight-five and in the two hundred and tenth year of the Sovereignty and Independence of the United States of America.

WITNESSES:

Gordon S. Coleman

Edward M. Hyla

SOUTHEAST HOLDING COMPANY, LTD.

By: _____
Howard A. Davis
Vice President

Attest: Paul A. Graf
Paul A. Graf
Assistant Secretary

BEAUFORT COUNTY TAX MAP REFERENCE

Area	Map	Submap	Parcel	Block

FILED IN DEED B.O. 479 PAGE 150
FILED AT 113600 ON 11 26 85

[redacted]

WITNESSES:

HILTON HEAD PLANTATION UTILITIES, INC.

Gordon S. Colman

By: _____
Howard A. Davis
President

Edward M. Hughes

Attest: Paul A. Graf
Paul A. Graf
Assistant Secretary

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PERSONALLY appeared before me Gordon S. Colman who, on oath, says that s/he saw the within-named SOUTHEAST HOLDING COMPANY, LTD., by its appropriate officers, sign, seal, attest and, as its act and deed, deliver the within-written Quit-Claim Deed, and that s/he with EDWARD M. HUGHES witnessed the execution thereof.

Gordon S. Colman

SWORN to before me this
25th day of November, 1985

Edward M. Hughes
Notary Public for South Carolina
My Commission Expires: 1/7/95

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

PERSONALLY appeared before me Gordon S. Colman who, on oath, says that s/he saw the within-named HILTON HEAD PLANTATION UTILITIES, INC., by its appropriate officers, sign, seal, attest and, as its act and deed, deliver the within-written Quit-Claim Deed, and that s/he with EDWARD M. HUGHES witnessed the execution thereof.

Gordon S. Colman

SWORN to before me this
25th day of November, 1985.

Edward M. Hughes
Notary Public for South Carolina
My Commission Expires: 1/7/95

FILED IN DEED BOOK ATT PAGE 1588
FILED AT 11:06:00 ON 11-26-85

EXHIBIT "A"

TO QUIT CLAIM DEED

DESCRIPTIONS OF LAND
AND
VARIOUS PROPERTY RIGHTS

That certain GRANT OF EASEMENT from Hilton Head Plantation Company, Inc. to Hilton Head Plantation Utilities, Inc. granting a non-exclusive easement for water and sewer lines over certain roadways within Hilton Head Plantation which easement was recorded on December 24, 1982 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 360 at Page 374.

ALSO

That certain GRANT OF EASEMENT from Hilton Head Center of S.C., Inc. to Hilton Head Plantation Utilities, Inc. granting a non-exclusive easement for installation and maintenance of water lines in the vicinity of Pine Court Apartments which deed was recorded on March 25, 1982 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 344 at Page 180.

ALSO

ALL that certain piece, parcel or tract of land consisting of 0.15 acres on which is located a pump station as more particularly shown on the plat recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Plat Book 28 at Page 44. Said 0.15 acre parcel is a portion of the property conveyed from Palmetto Dunes Resort, Inc. to Hilton Head Plantation Utilities, Inc. by deed recorded in the Office of the Clerk of Court for Beaufort County, South Carolina on October 9, 1979 in Deed Book 289 at Page 2050.

ALSO

That certain GRANT OF EASEMENTS from Palmetto Dunes Resort, Inc. to Hilton Head Plantation Utilities, Inc. for water and sewer lines in the vicinity of the Hilton Head Hospital which Grant of Easements was recorded on October 9, 1979 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 289 at Page 2055.

ALSO

That certain GRANT OF EASEMENT from Island Investment Corporation to Hilton Head Plantation Utilities, Inc. conveying certain water and sewer line easements in the vicinity of Hilton Head Hospital which Grant of Easement was recorded on October 9, 1979 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 289 at Page 2059.

FILED IN DEED BOOK 427 PAGE 250
FILED AT 113608 ON 11 26 85

ALSO

That certain GRANT OF EASEMENT from the Hilton Head Hospital and Island Investment Corporation to Hilton Head Plantation Utilities, Inc. conveying certain water and sewer easements in the vicinity of Hilton Head Hospital which Grant of Easement was recorded on October 9, 1979 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 289 at Page 2062.

ALSO

That certain GRANT OF EASEMENT from Little Bear Island, Inc. to Hilton Head Plantation Utilities, Inc. conveying certain water and sewer easements on Little Bear Island Subdivision which Grant of Easement was recorded on March 30, 1981 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 319 at Page 81.

ALSO

That certain GRANT OF EASEMENT from Plantation Villa Company, Inc., Dolphin Head Company, Inc. and Dolphin Point Club Homeowners' Association to Hilton Head Plantation Utilities, Inc. conveying certain water and sewer easements in the vicinity of Dolphin Point Club which Grant of Easement was recorded on January 11, 1983 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 361 at Page 733.

ALSO

That certain unrecorded GROUND LEASE AGREEMENT between Hilton Head Plantation Company, Inc., as Landlord, and Hilton Head Plantation Utilities, Inc., as Tenant, dated January 1, 1983 (relating to approximately 43 acres of effluent spray area) which has a term extending to December 31, 1986.

ALSO

The following easements and other property rights:

1. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those right-of-ways, together with such rights of others as set forth in that certain deed from Hilton Head Plantation Company, Inc. to the Property Owners' Association as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 297 at Page 1134.

2. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those right-of-ways, together with such rights of others as set forth in that certain deed from Hilton Head Plantation Company, Inc. to the Property Owners' Association as recorded in the

FILED IN DEED BOOK 435 PAGE 1513
FILED AT 12:25:00 P.M. ON 05

Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 298 at Page 1710.

3. The reservation of easements over Seabrook Farms for the purpose of installation, operation and maintenance of treated effluent lines together with certain spray rights, all as set forth in that certain deed from Hilton Head Plantation Company, Inc. to the Hilton Head Plantation Property Owners' Association, Inc. recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 294 at Page 537.

4. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those right-of-ways, together with such rights of others as set forth in that certain deed from Hilton Head Plantation Company, Inc. to the Property Owners' Association as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 360 at Page 384.

5. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those open spaces, together with such rights of others as set forth in that certain deed from Hilton Head Plantation Company, Inc. to the Property Owners' Association as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 360 at Page 397.

6. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those right-of-ways, together with such rights of others as set forth in that certain deed from Hilton Head Plantation Company, Inc. to the Property Owners' Association as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 385 at Page 220.

7. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those open spaces, together with such rights of others as set forth in that certain deed from Hilton Head Plantation Company, Inc. to the Property Owners' Association as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 385 at Page 211.

8. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those right-of-ways, together with such rights of others as set forth in that certain deed from Southeast Holding Company, Ltd. to the Hilton Head Plantation Property Owners' Association, Inc. as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 431 at Page 1542.

FILED IN DEED BOOK [illegible] PAGE [illegible]
FILED AT [illegible] ON [illegible] OF 95

9. The reservation of rights to easements for the installation of utilities, etc. over, along and under for those open spaces, together with such rights of others as set forth in that certain deed from Southeast Holding Company, Ltd. to the Hilton Head Plantation Property Owners' Association, Inc. as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 431 at Page 1534.

10. Those certain rights and easements on, under, over and/or applicable to the lands comprising the Dolphin Head Golf Course as more particularly set forth within that certain deed from Southeast Holding Company, Ltd. to Dolphin Head Golf Club which deed is dated November 8, 1983 and recorded December 21, 1983 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 384 at Page 895.

11. Those certain rights and easements on, under, over and/or applicable to the lands comprising the Bear Creek Golf Course as more particularly set forth within that certain deed from Hilton Head Plantation Company, Inc. to Bear Creek Golf Club which deed is dated January 12, 1982 and recorded October 27, 1982 in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 356 at Page 889.

12. The reservation of rights to easements for the installation of utilities, etc. and for the maintenance of drainage ways, over, along and under that certain Open Space subject to the rights of others, as set forth in that certain deed from Skull Creek Holding Corp. to Hilton Head Plantation Property Owners' Association, Inc. as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 432 at Page 1856.

13. That certain GRANT OF EASEMENT from Erling D. Speer and Fernwood Homeowners' Association, Inc. to Hilton Head Plantation Utilities, Inc. covering certain utility easements within "Fernwood" which GRANT OF EASEMENT is recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 431 at Page 1132.

14. That certain BILL OF SALE from Erling D. Speer and Fernwood Homeowners' Association, Inc. to Hilton Head Plantation Utilities, Inc. pertaining to the water and sewer systems within "Fernwood" which BILL OF SALE is recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 431 at Page 1130.

15. That certain reservation of rights for easements over and across portions of "SPRING LAKE (9.023 ac.)" for the purpose of constructing and maintaining cart bridges and cart paths over and across portions of the island lying within Spring

FILED IN DEED BOOK 425 PAGE 1512
FILED AT 4:06:00 P.M. 12 JAN 84

Lake as set forth in that certain deed from Southeast Holding Company, Ltd. to Hilton Head Property Owners' Association, Inc., as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 333 at Page 347.

16. That certain reservation of rights to utility, bike path, bike bridge, leisure trail and similar easements as set forth in that certain deed from Hilton Head Plantation Company, Inc. to Hilton Head Plantation Property Owners' Association, Inc. as recorded in the Office of the Clerk of Court for Beaufort County, South Carolina in Deed Book 333 at Page 347 on September 24, 1981.

FILED IN DEED BOOK 435 PAGE 181
FILED AT 10:00:00 AM 11-25-85

EXHIBIT "B"

TO QUIT CLAIM DEED

SCHEDULE OF INTANGIBLES

1. All South Carolina Public Service Commission approvals and permits relating to water and sewer service matters.

2. All South Carolina Department of Health and Environmental Control approvals and permits.

RECORDED THIS 1st DAY OF December 19 85
IN BOOK R PAGE 194
FEES, $ ---
Mary Ann Green ISB
AUDITOR, BEAUFORT COUNTY, S. C.

Hughes & Mettee
FILED IN DEED BOOK 435 PAGE 1514
FILED AT 11:06:08 ON 11/26/85 90827
BOOK NUMBER 435 PAGES 1507- 1514
FILING FEE 8.00
STATE STAMPS .00
COUNTY STAMPS .00
TOTAL FEES 8.00
HENRY JACKSON
CLERK OF COURT BFT CNTY, SC

[redacted]

STATE OF SOUTH CAROLINA)
) LIMITED WARRANTY DEED
COUNTY OF BEAUFORT)

KNOW ALL MEN BY THESE PRESENTS, THAT BLOODY POINT ASSET CORP., a South Carolina corporation, in the State aforesaid, for and in consideration of the sum of TEN And NO/100 ($10.00) DOLLARS, to it in hand paid at and before the sealing of these presents by MELROSE UTILITY COMPANY, INC., P. O. Box 21307, Hilton Head Island, SC 29925, in the State aforesaid, the receipt of which is hereby acknowledged, has granted, bargained, sold and released and, by these Presents does grant, bargain, sell and release unto the said MELROSE UTILITY COMPANY, INC., its Successors and Assigns, forever, the following described property, to-wit:

ALL that certain piece, parcel or tract of land situate, lying and being on Daufuskie Island, Beaufort County, South Carolina, containing 0.92 acres, more or less, and being more particularly shown and described as the PARCEL "G" on a plat of BLOODY POINT GOLF COURSE & FACILITIES prepared by Boyce L. Young, SC RLS #11079, dated May 16, 1990, and revised March 27, 1997. For a more detailed description as to courses, metes and bounds, reference may be made to said plat.

This being a portion of the same property conveyed to Grantor herein by Deed from Bloody Point Group Limited Partnership, dated February 28, 1994, and recorded April 14, 1994, in the RMC Office for Beaufort County, South Carolina, in OR Book 697 at Page 1314.

TOGETHER with all and singular, the Rights, Members, Hereditaments and Appurtenances to the said Premises belonging, or in anywise incident or appertaining.

R 800-027-00A-0046-0000

STATE COUNTY TAX MAP REFERENCE

Dist	Map	Sub-no	Parcel	Block
800	27	A	8a	

TO HAVE AND TO HOLD, all and singular, the said Premises before mentioned unto the said MELROSE UTILITY COMPANY, INC., its Successors and Assigns, forever.

AND Grantor does hereby bind itself, its Successors and Assigns, Executors and Administrators, to warrant and forever defend, all and singular, the said Premises unto the said MELROSE UTILITY COMPANY, INC., its Successors and Assigns, only against itself and its Successors and Assigns lawfully claiming or to claim the same any part thereof, by, through or under it.

IN WITNESS WHEREOF, BLOODY POINT ASSET CORP. has caused these presents to be executed in its name this 9th day of June in the year of Our Lord One Thousand Nine Hundred Ninety-seven and in the Two Hundred Twenty-first year of the Sovereignty and Independence of the United States of America.

SIGNED, SEALED AND DELIVERED
IN THE PRESENCE OF

BLOODY POINT ASSET CORP., a South Carolina corporation

By: _____
Its: Vice President

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

ACKNOWLEDGEMENT

I, the undersigned Notary Public for the State of South Carolina, do hereby certify that James A. Nichols, Vice President of BLOODY POINT ASSET CORP., a South Carolina corporation, personally appeared before me this day and, in the presence of the two witnesses above named, acknowledged the due execution of the foregoing instrument.

Witness my hand and seal this 9th day of June, 1997

Notary Public for South Carolina
My Commission expires: 12/14/2004

This Deed was prepared in the Law Offices of Hughes Law Firm, P.C., P. O. Box 23526, Hilton Head Island, SC 29925, by Edward M. Hughes, Esquire.

731 Hughes

FILED
[illegible] A. SULLIVAN-RHC
[illegible] COUNTY, S.C.

97 JUN 16 PM 12:34

BK 951 PG 1025
FOLDER#

1028

RECORDED THIS 10th DAY
OF July 1997
IN BOOK AD PAGE 501

Sharon P. Burris Dep
FOR REGISTER [illegible]

HAIG POINT - DAUFUSKIE ISLAND

ATTACHMENT 1

DEVELOPMENT SCHEDULE

		COMMERCIAL		MULTI-FAMILY		SINGLE FAMILY		ACTIVE CUSTOMERS		AVAILABLE CUSTOMERS
YEAR	PHASE	TOTAL DEVELOPED	TOTAL OCCUPIED	ANNUAL UNITS DEVELOPED	CUMULATIVE UNITS SOLD	ANNUAL LOTS DEVELOPED	CUMULATIVE LOTS SOLD	ANNUAL CONNECTIONS	CUMULATIVE CONNECTIONS	(UNCONNECTED) PROPERTY OWNERS
1	I	2	2	36	2	150	75	2	2	77
2	II	11	13	27	28	80	164	57	59	146
3	II	-	13	51	68	80	232	80	139	174
4	II	2	15	47	112	80	300	80	219	208
5	II	-	15	47	200	80	368	80	299	284
6	III	1	16	47	243	48	436	80	379	316
7	III	-	16	47	290	-	504	80	459	351
8	III	-	16	47	338	-	518	80	539	333
9	III	-	16	47	386	-	518	80	619	501
10-12	III	-	16	47	443	-	518	358	977	0
	TOTALS	16	16	443	443	518	518	977	977	

Year 3-6 Based on an 85% Develop-sale ratio e.g. 80 Developed 68 Sold = 85%

Connections based upon 1.54 housing starts per week - years 2-9.

HAIG POINT - DAUFUSKIE ISLAND

ATTACHMENT 2

RAW CONSTRUCTION COST ESTIMATES

YEAR	UNITS/LOTS DEVELOPED PER YEAR	WATER DISTRIBUTION	WATER SUPPLY/TANK	TOTAL WATER	SEWAGE COLLECTION	SEWAGE TREATMENT	TOTAL SEWERAGE	TOTAL ANNUAL INVESTMENT	ACTIVE CUSTOMERS (W/S TAPS)	LOTS SOLD CUSTOMERS AVAILABLE FOR TAPS
1	188	$419,240	$400,000	$819,240	$702,180	$489,180	$1,191,660	$2,000,000	2	77
2	118	263,140	-	263,140	440,730	-	440,730	700,000	59	146
3	131	292,130	400,000	692,130	489,285	155,400	644,685	1,350,000	139	174
4	129	287,670	-	287,670	481,815	-	481,815	800,000	219	208
5	127	283,210	-	283,210	474,345	93,600	567,945	850,000	299	284
6	96	214,080	-	214,080	358,560	-	358,560	600,000	379	316
7	47	104,810	-	104,810	175,545	-	175,545	280,000	459	351
8	47	104,810	-	104,810	175,545	-	175,545	280,000	539	333
9	47	104,810	-	104,810	175,545	-	175,545	280,000	619	301
10-12	47	104,810	-	104,810	175,545	-	175,545	280,000	977	0
10 YEAR TOTALS:	977	$2,179,000	$800,000	$2,980,000	$3,649,000	$738,000	$4,387,000	$7,400,000		

CAPITAL COSTS PER LOT/CUSTOMER

W. Dist. $\frac{\$2,179,000}{977}$ = $2,230/Lot

W. Supply $\frac{\$800,000}{977}$ = $ 819/Lot

S. Collec. $\frac{\$3,649,000}{977}$ = $3,735/Lot

S. Trt. $\frac{\$738,000}{977}$ = $ 755/Lot

$7,539/Lot

HAIG POINT - DAUFUSKIE ISLAND

ATTACHMENT 3A

OPERATING COSTS - WATER/SEWER SYSTEMS

I. FIXED COSTS:

		Water	Sewer**	Total
1.	Licensed Operator	$ 5,000	$ 9,000	$14,000
2.	Superintendent	3,500	7,500	11,000
3.	Management	2,500	4,500	7,000
4.	Accounting/Clerical	2,500	1,500	4,000
5.	Insurance	2,600	3,000	5,600
6.	Taxes & Licenses	400	800	1,200
7.	Miscellaneous	800	800	1,600
	1986 FIXED COSTS:	$17,300	$27,100	$44,400

II. OPERATING COSTS

Year	Total # of Conn.	MG Annual Flow* Water	Sewer	Annual Costs 1,000/Gal. Water @ 29¢[a] & Sewer @ 74¢[b],**		Combined Ann. Costs	Fixed Costs	Inflation Multiplier	Total Annual Costs
1	2	5.44	4.35	$ 1,578	$ 4,026	$ 5,604	$44,400	1	$ 50,004
2	59	13.09	10.47	$ 3,796	$ 7,748	$11,544	$44,400	1.1	$ 61,538
3	139	23.50	18.80	$ 6,815	$13,912	$20,727	$44,400	1.2	$ 78,152
4	219	33.60	27.10	$ 9,744	$20,054	$29,798	$44,400	1.3	$ 96,457
5	299	43.60	34.90	$12,644	$25,826	$38,470	$44,400	1.4	$116,018
6	379	54.90	43.90	$15,921	$32,490	$48,411	$44,400	1.5	$139,217
7	459	64.80	51.80	$18,792	$38,332	$57,124	$44,400	1.6	$162,438
8	539	74.90	59.90	$21,721	$44,326	$66,047	$44,400	1.7	$187,760
9	619	84.90	67.90	$24,621	$50,246	$74,867	$44,400	1.8	$214,681
10-12	977	130.30	104.20	$93,612	$191,031	$284,643	$133,200	2.0	$835,686

a AWWA Water Rates Manual M1, p. 31

b WPCF Financing and Charges 1973, p. 59 X 2.1 Infl.

* Commercial Customers' usage based on 80% capacity use.

** Approximately 60% of WWTP O & M included in O & M costs.

ATTACHMENT 3B

HAIG POINT - DAUFUSKIE ISLAND
DESIGN BASIS FOR WATER USAGE

TABLE 1: WASTEWATER FLOW CALCULATIONS

A	Single Family = 3.0 Per CAP x 100 gpd = 300 gpd/DU
B_1	Multi-Family = 2.25 Per CAP x 100 gpd = 225 gpd/DU
B_2	Multi-Family = 3.0 Per CAP x 100 gpd = 300 gpd/DU
C	Clubhouse, Tennis Cabana, Cart Barn = 7,500 gpd
D	Beach Club, Village Square = 3,700 gpd
E	Lighthouse, Community Service = 3,500 gpd
F	Inn = 80 x 100 x 85%/Occup. Rate = 6,800 gpd
G	Golf, Mntce, Equestrian Ctr. = 1,000 gpd

TABLE 2: POTABLE WATER FLOW CALCULATIONS

A	Single Family = 3.0 Per CAP x 125 gpd = 375 gpd
B_1	Multi-Family = 2.5 Per CAP x 125 gpd = 313 gpd
B_2	Multi-Family = 3.0 Per CAP x 125 gpd = 375 gpd
C	Clubhouse, Tennis Cabana, Cart Barn = 7,500 gpd
D	Beach Club, Village Square = 3,700 gpd
E	Lighthouse, Community Service = 3,500 gpd
F	Inn = 80 Rms. x 125 gpd x 85% = 8,500 gpd
G	Golf, Mntce., Equestrian Ctr. = 1,000 gpd

ATTACHMENT 4_A

HAIG POINT - DAUFUSKIE ISLAND

WATER AND SEWER

INVESTMENT CATEGORY

	INVESTMENT CATEGORY	DATE ACQUIRED	ANNUAL RATE DEPRECIATION	ORIGINAL COST	DEPRECIATION PROVISION
I.	WATER				
1.	Buildings	Various	4%	$ 90,000	$ 3,600
2.	Tanks	Various	2%	$ 400,000	$ 8,000
3.	Wells	Various	2%	$ 350,000	$ 7,000
4.	Mains	Various	Various (3.5% Avg)	$1,582,000	$ 55,370
5.	Services	Various	Various (4%)	$ 158,000	$ 6,300
6.	Hydrants	Various	Various (4%)	$ 317,000	$ 9,510
7.	Miscellaneous Equipment	Various	Various (10%)	$ 83,000	$ 8,300
	SUB-TOTAL, WATER			$2,980,000	$ 98,080
II.	SEWER				
8.	Structures/Improvements	Various	4%	$ 30,000	$ 1,200
9.	Collecting System Equipment	Various	Various (4% Avg)	$2,371,700	$ 95,000
10.	Receiving Stations	Various	Various (3.3% Avg)	$ 210,000	$ 6,900
11.	Power Pumping Equipment	Various	Various (3.3% Avg	$ 320,000	$ 10,600
12.	Force Mains	Various	Various (3.3% Avg)	$ 644,500	$ 21,270
13.	Treatment Plant & Equipment	Various	2%	$ 738,000	$ 14,750
14.	Miscellaneous Equipment	Various	10%	$ 72,800	$ 7,300
	SUB-TOTAL, SEWER			$4,387,000	$157,020
	TOTAL, WATER & SEWER			$7,367,000	$255,100
	CUMULATIVE DEPRECIATION (4_B) @ 3.5% Depreciation Avg.			($ 943,952)	
	12 YEAR RESIDUAL VALUE, INCLUDING REPAID ADVANCES			$1,637,656	

ATTACHMENT 4b

HAIG POINT - DAUFUSKIE ISLAND

DEPRECIATION SCHEDULE

1. YEAR	1	2	3	4	5	6	7	8	9	10-12
2. Gross Plant - End of Year	2,000,000	2,700,000	4,050,000	4,850,000	5,700,000	6,300,000	6,580,000	6,860,000	7,140,000	7,400,000
3. Less: Non-Depreciable Land	0	0	0	0	0	0	0	0	0	0
4. Less: Advances	2,000,000	2,700,000	4,050,000	4,850,000	5,700,000	6,300,000	6,580,000	6,860,000	7,140,000	7,400,000
5. Repaid Advances*	393,104	1,020,080	1,546,688	2,113,952	2,874,608	3,431,920	4,004,160	4,262,912	4,501,760	4,785,392
6. Net Depreciable Plant	393,104	1,020,080	1,546,688	2,113,952	2,874,608	3,431,920	4,004,160	4,262,912	4,501,760	4,785,392
7. Depreciation Base	196,552	823,528	1,350,136	1,917,400	2,678,056	3,235,368	3,807,608	4,066,360	4,305,208	4,589,840
8. Depreciation @ 3.5%	6,879	28,823	47,255	67,109	93,732	113,238	133,266	142,323	150,682	160,644
9. Cumulative Depreciation	6,879	35,702	82,958	150,067	243,799	357,037	490,303	632,626	783,308	943,952
10. Advances Not Repaid	1,606,896	1,679,920	2,503,312	2,736,048	2,825,392	2,868,080	2,575,840	2,597,088	2,638,240	2,614,608

* Repaid Advances = $4,976/Lot for Sewer-Water = 66% W/S Capital Cost/($7,539/Lot)

ATTACHMENT 5

HAIG POINT - DAUPHUSKIE ISLAND

10 YEAR PRO FORMA

	CUMULATIVE CUSTOMERS:	Water	Sewer	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TEST YEAR YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10-12
I.													
A.	Residential	X	X	-	46	126	204	284	363	443	523	603	977
B.	Commercial (Inn/Club)	X	X	2	2	2	2	2	2	2	2	2	2
C.	Commercial (Other)	X	X	-	11	11	13	13	14	14	14	14	14
II.	RESIDENTIAL RATES:												
A.	Resid. Tap In Fees	X	X		$ 46,000	$ 80,000	$ 78,000	$ 80,000	$ 79,000	$ 80,000	$ 80,000	$ 80,000	$374,000
B.	Base Mo. Charge $15 to 7,500 gal.	X	X		$ 16,560	$ 45,360	$ 73,440	$102,240	$130,680	$159,480	$188,280	$217,080	$954,720
C.	Over 7,500 gal. 1.20/1000 gal.	X	X		$ 654	$ 2,268	$ 3,672	$ 5,112	$ 6,534	$ 7,974	$ 9,414	$ 10,854	$ 52,758
D.	Irrigation Meters (Same as Water)	X			$ 980	$ 4,536	$ 7,344	$ 10,224	$ 13,068	$ 15,948	$ 18,828	$ 21,708	$105,516
III.	COMMERCIAL RATES:												
A.	Tap Fees per Inn Rm 500(W/S)	X	X	$ 40,500									
B.	Up to 1-1/2" Wtr. Meter $500	X	X		$ 11,000		$ 2,000		$ 1,000				
C.	2" & Larger Meter $1,500	X	X	$ 3,000									
D.	Base Monthly Charge $42 to 7,500 gal.	X	X	$ 504	$ 6,552	$ 6,552	$ 7,560	$ 7,560	$ 8,064	$ 8,064	$ 8,064	$ 8,064	$ 24,192
E.	Over 7,500 gal. $1.20/ 1,000 gal.	X	X	$ 328	$ 450	$ 1,450	$ 1,450	$ 1,450	$ 1,612	$ 1,612	$ 1,612	$ 1,612	$ 4,836
IV.	ANNUAL OPERATING REVENUES:			$ 44,332	$ 78,920	$140,166	$173,466	$206,586	$239,958	$273,078	$306,198	$339,318	$1,516,022
V.	OPERATING EXPENSES:												
A.	Operating Expenses			$ 50,004	$ 61,538	$ 78,152	$ 96,457	$116,018	$139,217	$162,438	$187,760	$214,681	$835,686
B.	Repair/Replacement Fund			0	$ 6,364	$ 8,240	$ 10,269	$ 12,540	$ 12,540	$ 12,540	$ 12,540	$ 12,540	$ 37,620
C.	Debt Service (Variable)*			0	$ 0	$ 48,204	$ 58,000	$ 69,000	$ 72,000	$ 81,900	$ 81,900	$ 84,829	$500,000
VI.	ANNUAL EXPENSES:			$ 50,004	$ 67,902	$134,596	$164,726	$197,558	$223,757	$256,878	$282,200	$312,050	$1,373,306
VII.	NET OPERATING INCOME:			$ (5,672)	$ 11,018	$ 5,570	$ 8,740	$ 9,028	$ 16,201	$ 16,200	$ 23,998	$ 27,268	$ 142,716

*1st year payment schedule of $900,000 loan @ 12%, variable payment

ATTACHMENT 6

HAIG POINT - DAUFUSKIE ISLAND

PROJECTED CASH STATEMENT

A.	Before Financing:										
1.	YEAR	1	2	3	4	5	6	7	8	9	10-12
2.	Net Operating Income	(5,672)	11,018	5,570	8,740	9,028	16,201	16,200	23,998	27,268	142,710
3.	Depreciation @ 3.5%	6,879	28,823	47,255	67,109	93,732	113,238	113,266	142,323	150,682	160,644
4.	Less - Repaid Advances	393,104	626,976	526,608	567,264	760,656	557,312	572,240	258,752	238,848	283,632
5.	Balance Before Financing	-391,897	-587,135	-473,583	-491,415	-657,896	-427,873	-422,774	-92,431	-60,898	19,722
B.	Proceeds From Financing:										
6.	Notes Issued, Bonds*	366,423	548,972	900,000*	459,473	615,132	400,061	395,294	101,674	56,939	-
7.	Stock Sold	64,663	96,877	78,141	81,083	108,553	70,599	69,758	86,423	10,148	-
8.	Net Cash Flow	39,190	58,714	504,558	49,142	65,789	42,787	42,277	9,243	6,090	19,722
9.	Cumulative Cash Flow	39,190	97,904	602,462	651,603	717,393	760,180	802,457	811,700	817,790	837,512

* $ 900,000 loan @ 12%, Variable Payment, 25 Years.

Audit Exhibit SGS-11

Haig Point Utility Company, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended June 30, 2004
Combined - Present Customers

Description	Per Company Books	Accounting & Pro Forma Adjustments		As Adjusted	Effect of Proposed Increase		After Proposed Increase
	$	$		$	$		$
Operating Revenues:							
Water Service Revenues	98,423	0	(A)	98,423	65,074	(N)	163,497
Sewer Service Revenues	47,697	0	(A)	47,697	101,618	(N)	149,315
Availability Revenues - W & S	82,136	(82,136)	(A)	0	0		0
Total Operating Revenues	228,256	(82,136)		146,120	166,692		312,812
Operating Expenses:							
Operating & Maintenance Expenses	185,387	(13,722)	(B)	171,665	0		171,665
Administrative & General Expenses	73,454	(29,003)	(C)	44,451	3,334	(O)	47,785
Depreciation & Amortization Expenses	30,296	(17,414)	(D)	12,882	0		12,882
Taxes Other Than Income	0	1,827	(E)	1,827	1,396	(P)	3,223
Income Taxes	(14,775)	14,775	(F)	0	8,962	(Q)	8,962
Total Operating Expenses	274,362	(43,537)		230,825	13,692		244,517
Total Operating Income	(46,106)	(38,599)		(84,705)	153,000		68,295
Customer Growth	0	0		0	5,689		5,689
Net Income for Return	(46,106)	(38,599)		(84,705)	158,689		73,984
Original Cost Rate Base:							
Gross Plant in Service	4,359,264	(2,277,603)	(G)	2,081,661	0		2,081,661
Accumulated Depreciation	(240,082)	11,700	(H)	(228,382)	0		(228,382)
Net Plant in Service	4,119,182	(2,265,903)		1,853,279	0		1,853,279
Construction Work In Progress	1,116,695	(1,116,695)	(I)	0	0		0
Contributions in Aid of Construction	(464,000)	(1,095,480)	(J)	(1,559,480)	0		(1,559,480)
Accumulated Amortization of CIAC	82,740	581,600	(K)	664,340	0		664,340
Cash Working Capital	46,097	(2,874)	(L)	43.223	0		43,223
Unamortized Balances	0	0	(M)	0	0		0
Total Rate Base	4,900,714	(3,899,352)		1,001,362	0		1,001,362
Return on Rate Base	-0.94%			-8.46%			7.39%
Interest Expense	0			37,551			37,551
Operating Margin	-20.20%			-83.67%			11.65%

Haig Point Utility Company, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended June 30, 2004
Water - Present Customers

Description	Per Company Books	Accounting & Pro Forma Adjustments		As Adjusted	Proposed Increase		After Proposed Increase
	$	$		$	$		$
Operating Revenues:							
Water Service Revenues	98,423	0	(A)	98,423	65,074	(N)	163,497
Availability Revenues	41,068	(41,068)	(A)	0	0		0
Total Operating Revenues	139,491	(41,068)		98,423	65,074		163,497
Operating Expenses:							
Operating & Maintenance Expenses	87,464	26,631	(B)	114,095	0		114,095
Administrative & General	51,929	(23,357)	(C)	28,572	1,301	(O)	29,873
Depreciation & Amortization Expenses	12,846	(7,178)	(D)	5,668	0		5,668
Taxes Other Than Income	0	838	(E)	838	545	(P)	1,383
Income Taxes	(14,799)	14,799	(F)	0	0	(Q)	0
Total Operating Expenses	137,440	11,733		149,173	1,846		151,019
Total Operating Income	2,051	(52,801)		(50,750)	63,228		12,478
Customer Growth	0	0		0	1,039		1,039
Net Income for Return	2,051	(52,801)		(50,750)	64,267		13,517
Original Cost Rate Base:							
Gross Plant in Service	1,731,215	(562,207)	(G)	1,169,008	0		1,169,008
Accumulated Depreciation	(106,504)	12,824	(H)	(93,680)	0		(93,680)
Net Plant in Service	1,624,711	(549,383)		1,075,328	0		1,075,328
Construction Work In Progress	1,116,695	(1,116,695)	(I)	0	0		0
Contributions in Aid of Construction	(353,000)	(547,740)	(J)	(900,740)	0		(900,740)
Accumulated Amort. of CIAC	63,150	404,800	(K)	467,950	0		467,950
Cash Working Capital	46,097	(17,564)	(L)	28,533	0		28,533
Unamortized Balances	0	0	(M)	0	0		0
Total Rate Base	2,497,653	(1,826,582)		671,071	0		671,071
Return on Rate Base	0.08%			-7.56%			2.01%
Interest Expense	0			25,165			25,165
Operating Margin	1.47%			-77.13%			-7.12%

Haig Point Utility Company, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended June 30, 2004
Sewer - Present Customers

Description	Per Company Books	Accounting & Pro Forma Adjustments		As Adjusted	Proposed Increase		After Proposed Increase
	$	$		$	$		$
Operating Revenues:							
	47,697	0	(A)	47,697	101,618	(N)	149,315
Availability Revenues	41,068	(41,068)	(A)	0	0		0
Total Operating Revenues	88,765	(41,068)		47,697	101,618		149,315
Operating Expenses:							
Operating & Maintenance Expenses	97,923	(40,353)	(B)	57,570	0		57,570
Administrative & General	21,525	(5,646)	(C)	15,879	2,032	(O)	17,911
Depreciation & Amortization Expenses	17,450	(10,236)	(D)	7,214	0		7,214
Taxes Other Than Income	0	989	(E)	989	851	(P)	1,840
Income Taxes	24	(24)	(F)	0	8,962	(Q)	8,962
Total Operating Expenses	136,922	(55,270)		81,652	11,845		93,497
Total Operating Income	(48,157)	14,202		(33,955)	89,773		55,818
Customer Growth	0	0		0	4,650		4,650
Net Income for Return	(48,157)	14,202		(33,955)	94,423		60,468
Original Cost Rate Base:							
Gross Plant in Service	2,628,049	(1,715,397)	(G)	912,652	0		912,652
Accumulated Depreciation	(133,578)	(1,124)	(H)	(134,702)	0		(134,702)
Net Plant in Service	2,494,471	(1,716,521)		777,950	0		777,950
Construction Work In Progress	0	0	(I)	0	0		0
Contributions in Aid of Construction	(111,000)	(547,740)	(J)	(658,740)	0		(658,740)
Accumulated Amortization of CIAC	19,590	176,800	(K)	196,390	0		196,390
Cash Working Capital	0	14,690	(L)	14,690	0		14,690
Unamortized Balances	0	0	(M)	0	0		0
Total Rate Base	2,403,061	(2,072,771)		330,290	0		330,290
Return on Rate Base	-2.00%			-10.28%			18.31%
Interest Expense	0			12,386			12,386
Operating Margin	-54.25%			-97.16%			32.20%

Haig Point Utility Company, Inc
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2004

Present Customers

Description	Combined $	Water $	Sewer $
(A) Operating Revenues			
As Adjusted			
1 HPUC proposes to adjust for complete system number of customers at present rates			
Per ORS	0	0	0
Per HPUC	298,931	180,376	118,555
2 HPUC proposes to remove Availability Billing for the complete system ORS proposes to remove Availability Fees and reclass as Contributions in Aid of Construction			
Per ORS	(82,136)	(41,068)	(41,068)
Per HPUC	(82,136)	(41,068)	(41,068)
(B) Operating and Maintenance			
3 ORS proposes to adjust salary expense to reflect the 60/40 split between HPUC and Melrose Utility Company and to adjust for benefits expense which should have been allocated to Melrose Utility Company			
Per ORS	(14,248)	29,097	(43,345)
Per HPUC	0	0	0
4 ORS proposes to adjust operating and maintenance expenses to reflect 60/40 split with Melrose Utility Company, Inc			
Per ORS	4,307	0	4,307
Per HPUC	0	0	0
5 HPUC proposes to increase the level of wages for the current 2 employees to reflect the wages of 6 employees at test period costs at complete system ORS reflects this expense as used for the present customer basis			
Per ORS	0	0	0
Per HPUC	155,449	40,110	115,339
6 HPUC proposes to increase the level of repair and maintenance costs for plant facilities by the percentage of plant additions ORS reflects this expense as used for the present customer basis			
Per ORS	0	0	0
Per HPUC	30,955	30,955	0
7 HPUC proposes to increase the level of operating supply costs for increased system demand ORS reflects this expense as used on a present customer basis			
Per ORS	0	0	0
Per HPUC	152	152	0
8 HPUC proposes to increase the level of office equipment rental for increased number of customers ORS reflects this expense as used for the present customer basis			
Per ORS	0	0	0
Per HPUC	1,349	1,349	0

Haig Point Utility Company, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2004

Present Customers

	Description	Combined $	Water $	Sewer $
9	HPUC proposes to increase the level of Power Costs for increased system demand ORS reflects this expense as used for the present customer basis			
	Per ORS	0	0	0
	Per HPUC	49,692	29,826	19,866
10	ORS proposes to remove expenses associated with installing taps. These costs are considered capital expenditures and are included in plant in service			
	Per ORS	(3,781)	(2,466)	(1,315)
	Per HPUC	0	0	0
	Total Operating and Maintenance	(13,722)	26,631	(40,353)
	(C) General and Administrative			
11	HPUC proposes to adjust Bad Debt Expense to reflect 2 0% of complete system revenue under present rates ORS proposes to adjust bad debt expense to reflect 2 0% of revenue for current customers under current rates			
	Per ORS	(24,690)	(14,906)	(9,784)
	Per HPUC	(18,711)	(11,298)	(7,413)
12	ORS and HPUC propose to reflect the amortization of rate case expenses ORS proposes a 5-year amortization of actual year to date expenses and HPUC proposes a 4-year amortization of estimated expenses			
	Per ORS	8,277	4,138	4,138
	Per HPUC	20,000	10,000	10,000
13	ORS proposes to remove nonallowable legal expenses from the test year			
	Per ORS	(12,590)	(12,590)	0
	Per HPUC	0	0	0
	Total General and Administrative	(29,003)	(23,357)	(5,646)
	(D) Depreciation and Amortization Expense			
14	HPUC proposes to reflect the annual depreciation for complete system plant in service ORS proposes depreciation expense for the test year ORS applies the customer utilization factor to allocate depreciation expense to current customers Depreciation Expense was reduced by the Amortization of CIAC			
	Per ORS	(17,414)	(7,178)	(10,236)
	Per HPUC	85,001	44,113	40,888
	(E) Taxes Other Than Income			
15	HPUC proposes to reflect the revenue taxes of 1 12528% on pro forma revenue under present rates ORS proposes to reflect revenue taxes on present rates using the latest gross receipts factor of 0 83772%			
	Per ORS	1,224	825	400
	Per HPUC	5,008	3,137	1,871

Haig Point Utility Company, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2004

Present Customers

Description	Combined $	Water $	Sewer $
16 HPUC proposes to reflect property taxes at 1 0% of pro forma plant costs ORS proposes to adjust for actual property taxes assessed on real property for HPUC			
Per ORS	603	14	589
Per HPUC	54,759	28,479	26,280
17 HPUC propose to reflect payroll taxes for the proposed new employees ORS reflects this expense as used on a present customer basis			
Per ORS	0	0	0
Per HPUC	17,838	4,603	13,235
Total Taxes Other Than Income	**1,827**	**838**	**989**
(F) Income Taxes			
18 HPUC and ORS propose to adjust for state and federal income taxes for as adjusted operations. See computation of Income Taxes Schedule in Audit Exhibit SGS-11			
Per ORS	**14,775**	**14,799**	**(24)**
Per HPUC	(89,699)	(11,127)	(78,572)
(G) Plant in Service			
19 ORS and HPUC propose to increase plant in service for the new groundwater well, elevated water storage tank, truck and wastewater treatment improvements			
Per ORS	1,167,853	1,124,203	43,650
Per HPUC	1,116,695	1,116,695	0
20 ORS proposes to remove plant in service based on most recent system utilization factors of 40 94% for water and 34 16% for sewer See Depreciation Schedule in Audit Exhibit SGS-11.			
Per ORS	(3,445,456)	(1,686,410)	(1,759,047)
Per HPUC	0	0	0
Total Plant in Service	**(2,277,603)**	**(562,207)**	**(1,715,397)**
(H) Accumulated Depreciation			
21 HPUC proposes to adjust accumulated depreciation for the complete system depreciation expense ORS proposes to adjust accumulated depreciation expense for usage percentage based on the number of customers through the test year			
Per ORS	**11,700**	**12,824**	**(1,124)**
Per HPUC	(1,530,898)	(774,129)	(756,769)
(I) Construction Work in Progress			
22 ORS and HPUC propose to remove from Construction Work In Progress costs associated with the new groundwater well and elevated water storage tank since these projects are essentially completed			
Per ORS	(1,116,695)	(1,116,695)	0
Per HPUC	(1,116,695)	(1,116,695)	0

Haig Point Utility Company, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2004

Present Customers

Description	Combined $	Water $	Sewer $
(J) Contributions in Aid of Construction -CIAC			
23 HPUC proposes to increase Contributions in Aid of Construction to reflect the Complete System ORS proposes to reduce rate base by cumulative test year availability fees which are considered CIAC			
Per ORS	(1,095,480)	(547,740)	(547,740)
Per HPUC	(1,251,000)	(982,000)	(269,000)
(K) Amortization of Contributions in Aid of Construction			
24 HPUC propose to increase the amortization of Contributions in Aid of Construction to reflect the complete system ORS proposes to increase the amortization for cumulative availability fees			
Per ORS	581,600	404,800	176,800
Per HPUC	410,240	319,120	91,120
(L) Cash Working Capital			
25 HPUC and ORS propose to adjust Cash Working Capital for as adjusted expenses using the working capital ratio of 1/5 of operating and maintenance expenses See Attached Exhibit for Cash Working Capital Adjustment			
Per ORS	(2,874)	(17,564)	14,690
Per HPUC	708	708	0
(M) Unamortized Balances			
26 HPUC proposes to include unamortized balances in rate base ORS proposes only to include the expense portion and not the unamortized balances, creating a sharing of the expenses between the ratepayer and HPUC			
Per ORS	0	0	0
Per HPUC	45,000	22,500	22,500
(N) Operating Revenues - Proposed Increase			
27 HPUC proposes to increase operating revenues for the complete system number of customers at proposed rates ORS proposes to increase operating revenues for present customers at proposed rates			
Per ORS	166,692	65,074	101,618
Per HPUC	546,633	176,946	369,687
(O) Bad Debt Expenses - Proposed Revenue			
28 HPUC proposes to adjust bad debt expense for the proposed revenue for a complete system ORS proposes to adjust for proposed revenue based on current customers			
Per ORS	3,334	1,301	2,032
Per HPUC	10,936	3,541	7,395

Haig Point Utility Company, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2004

Present Customers

Description	Combined $	Water $	Sewer $
(P) Taxes Other Than Income - Proposed Increase			
29 HPUC proposes to adjust gross receipts taxes for the proposed revenue based on a complete system ORS proposes to adjust taxes for the proposed increase for present customers			
Per ORS	**1,396**	**545**	**851**
Per HPUC	6,151	1,991	4,160
(Q) Income Taxes - Proposed Increase			
30 HPUC proposes to reflect state and federal income taxes for the proposed revenue for a complete system ORS proposes to reflect income taxes for the proposed revenue for present customers			
Per ORS	**8,962**	**0**	**8,962**
Per HPUC	150,266	42,217	108,049

Haig Point Utility Company, Inc.
Depreciation Expense Adjustment
Test Year Ended June 30, 2004

	Combined	Water	Sewer
	$	$	$
Water & Sewer Mains	3,425,672	1,377,855	2,047,817
Wells, Supply Main & Appert	353,360	353,360	0
Well #3 - Completed in 2005	377,749	377,749	0
Elevated Storage Tank-Completed in 2005	738,946	738,946	0
Tap Expenses	3,780	2,465	1,315
Outfall Main	66,704	0	66,704
Total	4,966,211	2,850,375	2,115,836
Depreciation (50 years)	2.00%	2.00%	2.00%
	99,325	**57,008**	**42,317**
Total Wastewater Treatment Plant	555,864	0	555,864
LESS: Fully Depreciated Assets	0		0
Depreciation (32 years)	3.125%	3.125%	3.125%
	17,371	**0**	**17,371**
Vehicles	5,043	5,043	0
LESS: Fully Depreciated Assets	0	0	0
Depreciation (6 years)	16.66%	16.66%	16.66%
	840	**840**	**0**
Total Depreciation Expense - ORS	**117,536**	**57,848**	**59,688**
Capacity Adj. - Based on Customer Growth		40.94%	34.16%
Total Adjusted Depreciation Expense	44,072	23,683	20,389
Amortization of Contributions in Aid of Construction (CIAC)			
Gross CIAC-Per Book Tap Fees & Availability Fees to End of Test Year	(1,559,480)	(900,740)	(658,740)
Amortization Period (50 years)	2.000%	2.000%	2.000%
CIAC Amortization	**(31,190)**	**(18,015)**	**(13,175)**
Net Depreciation Expense	12,882	5,668	7,214
Less: Depreciation Expense- Per Books	30,296	12,846	17,450
Depreciation Expense Adjustment - ORS	(17,414)	(7,178)	(10,236)
Plant Capacity Adjustment			
Plant In Service			
Water	4,966,211	2,850,375	2,115,836
Wastewater Treatment Plant	555,864	0	555,864
Vehicle	5,043	5,043	0
Total Plant	5,527,118	2,855,418	2,671,700
Capacity Adj - Based on Customer Growth		40.94%	34.16%
Less: Current Plant based on Customer Growth	2,081,661	1,169,008	912,653
Reduce Plant for Capacity	**(3,445,457)**	**(1,686,410)**	**(1,759,047)**

Haig Point Utility Company, Inc.
Computation of Income Taxes
For the Test Year Ended June 30, 2004

	As Adjusted		
	Combined Operations	**Water Operations**	**Sewer Operations**
Operating Revenue As Adjusted	146,120	98,423	47,697
Operating Expenses As Adjusted	230,825	149,173	81,652
Net Operating Income Before Taxes	(84,705)	(50,750)	(33,955)
Less: Annualized Interest Expense	37,551	25,165	12,386
Taxable Income - State	(122,256)	(75,915)	(46,341)
State Income Taxes @ 5%	0	0	0
Taxable Income - Federal	0	0	0
Federal Income Taxes - 1st 50,000 @ 15%	0	0	0
Next $25,000 @25%	0	0	0
Next $25,000 @34%	0	0	0
Total State and Federal Income Taxes	0	0	0
Less: Income Taxes Per Book	(14,775)	(14,799)	24
Adjustment	14,775	14,799	(24)

	After Proposed Increase		
	Combined Operations	**Water Operations**	**Sewer Operations**
Operating Revenue After Proposed Increase	312,812	163,497	149,315
Operating Expenses After Proposed Increase	235,555	151,020	84,535
Net Operating Income Before Taxes	77,257	12,477	64,780
Less: Annualized Interest Expense	37,551	25,165	12,386
Taxable Income - State	39,706	(12,688)	52,394
State Income Taxes @ 5%	2,620	0	2,620
Taxable Income - Federal	37,086	(12,688)	49,774
Federal Income Taxes - 1st 50,000 @ 15%	6,342	0	6,342
Next $25,000 @25%	0	0	0
Next $25,000 @34%	0	0	0
$100,000 - $335,000 @ 39%	0	0	0
Over $335,000 @ 34%	0	0	0
Total State and Federal Income Taxes	8,962	0	8,962
Less: Income Taxes As Adjusted	0	0	0
Adjustment	8,962	0	8,962

Combined Federal Income Taxes allocated between water and sewer based on percentage of Federal Taxable Income.

Audit Exhibit SGS-11

Haig Point Utility Company, Inc.
Customer Growth Computation
Test Year Ended June 30, 2004

Combined Operations:			(1)	(2)	(3)
Description			**As Adjusted**	**Effect of Proposed Increase**	**After Increase**
			$	$	$
Water Customer Growth			(4,227)	5,267	1,039
Sewer Customer Growth			(2,828)	7,478	4,650
Combined Customer Growth			(7,055)	12,745	5,689
Number of Customers:					
Beginning	396	**Formula:**			
Ending	468	Ending - Average	=	36	= 8.33%
Average	432	Average		432	
Water Operations:					
Net Operating Income			(50,750)	63,228	12,478
Growth Factor			8.33%	8.33%	8.33%
Customer Growth			(4,227)	5,267	1,039
Number of Customers:					
Beginning	198	**Formula:**			
Ending	234	Ending - Average	=	18	= 8.33%
Average	216	Average		216	
Sewer Operations:					
Net Operating Income			(33,955)	89,773	55,818
Growth Factor			8.33%	8.33%	8.33%
Customer Growth			(2,828)	7,478	4,650
Number of Customers:					
Beginning	198	**Formula:**			
Ending	234	Ending - Average	=	18	= 8.33%
Average	216	Average		216	

Note: Combined Customer Growth equals Water plus Sewer Customer Growth

Haig Point Utility Company, Inc.
Cash Working Capital Allowance
For the Test Year Ended June 30, 2004

	Combined Operations	Water Operations	Sewer Operations
Operating and Maintenance - As Adjusted	171,665	114,095	57,570
General and Administrative - As Adjusted	44,451	28,572	15,879
Total Expenses for Computation	216,116	142,667	73,449
Allowable Rate (1/5 of O & M)	20.00%	20.00%	20.00%
Computed Cash Working Capital - As Adjusted	43,223	28,533	14,690
Cash Working Capital - Per Company	46,097	46,097	0
Cash Working Capital Adjustment - ORS	(2,874)	(17,564)	14,690
Cash Working Capital Adjustment - HPUC	708	708	0

Haig Point Utility Company, Inc.
Return On Common Equity
Capital Structure at June 30, 2004

Water

Description	Capital Structure	Ratio	As Adjusted Rate Base	As Adjusted Embedded Cost/Return	As Adjusted Overall Cost/Return	As Adjusted Income For Return	After Proposed Increase Rate Base	After Proposed Increase Embedded Cost/Return	After Proposed Increase Overall Cost/Return	After Proposed Increase Income For Return
	$	%	$	%	%	$	$	%	%	$
Long-Term Debt	1,923,650	50.00%	335,536	7.50%	3.75%	25,165	335,536	7.50%	3.75%	25,165
Common Equity	1,923,650	50.00%	335,536	-22.62%	-11.31%	(75,915)	335,535	-3.47%	-1.73%	(11,648)
Totals	3,847,300	100.00%	671,071		-7.56%	(50,750)	671,071		2.02%	13,517

Sewer

Description	Capital Structure	Ratio	As Adjusted Rate Base	As Adjusted Embedded Cost/Return	As Adjusted Overall Cost/Return	As Adjusted Income For Return	After Proposed Increase Rate Base	After Proposed Increase Embedded Cost/Return	After Proposed Increase Overall Cost/Return	After Proposed Increase Income For Return
	$	%	$	%	%	$	$	%	%	$
Long-Term Debt	1,923,650	50.00%	165,145	7.50%	3.75%	12,386	165,145	7.50%	3.75%	12,386
Common Equity	1,923,650	50.00%	165,145	-28.06%	-14.03%	(46,341)	165,145	29.12%	14.56%	48,082
Totals	3,847,300	100.00%	330,290		-10.28%	(33,955)	330,290		18.31%	60,468

Combined

Description	Capital Structure	Ratio	As Adjusted Rate Base	As Adjusted Embedded Cost/Return	As Adjusted Overall Cost/Return	As Adjusted Income For Return	After Proposed Increase Rate Base	After Proposed Increase Embedded Cost/Return	After Proposed Increase Overall Cost/Return	After Proposed Increase Income For Return
	$	%	$	%	%	$	$	%	%	$
Long-Term Debt	1,923,650	50.00%	500,681	7.50%	3.75%	37,551	500,681	7.50%	3.75%	37,551
Common Equity	1,923,650	50.00%	500,681	-24.42%	-12.21%	(122,256)	500,681	7.28%	3.64%	36,433
Totals	3,847,300	100.00%	1,001,362		-8.46%	(84,705)	1,001,362		7.39%	73,984

Audit Exhibit SGS-11

PUBLIC
~~CONFIDENTIAL~~ EXHIBIT CEL-R6

BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Inc.
For Adjustment of Rates and Charges

DIUC Supplemental Response to Intervenors' Second Interrogatories and Third Requests for Production

TO: ADAMS & REESE, LLP, ATTORNEYS FOR INTERVENORS HAIG POINT CLUB & COMMUNITY ASSOCIATION, INC., MELROSE PROPERTY OWNER'S ASSOCIATION, INC., and BLOODY POINT PROPERTY OWNER'S ASSOCIATION

DAUFUSKIE ISLAND UTILITY COMPANY ("DIUC") HEREBY RESPONDS TO INTERVENORS' SECOND INTERROGATORIES AS FOLLOWS.

5. Please identify the purchase price paid for HPUC by CK Materials, LLC, along with the purchaser's and seller's closing statements for the transaction.

Response:

The referenced transaction is not relevant to the pending Application. DIUC objects to this Interrogatory on the grounds that it is unduly burdensome and seeks information that is not relevant to this matter; the Interrogatory is not reasonably calculated to lead to the discovery of any relevant or admissible evidence.

Subject to these objections and as a courtesy to the Intervenors, DIUC states that the acquisition of Haig Point Utility Company by CK Materials, LLC was approved by the PSC in accordance with a settlement agreement to which the Intervenors were a party. As a PSC action, the information is also available to Intervenors as a matter of public record. Furthermore, CK Materials is no longer affiliated with DIUC.

EXHIBIT A

I:\DOCS\CAS\New CAS files\Karabinchak\Schedule I Closing Costs Estimated.doc

SCHEDULE I - CLOSING COSTS

PURCHASE PRICE: **$1,750,000.00**

COSTS:

Loan Commitment Fee	$ 13,000.00
Lenders Attorney Fees and Costs	10,000.00
Funded Debt Service Installment	50,000.00
Consultant Fee to Guastella Associates, Inc.	50,000.00
Attorney Fees/Costs to N&S	144,565.00
Bond Premiums	14,000.00
Insurance Premiums (Balance POC)	5,900.00
Working Capital Reserve	21,195.43
Title Search and Updates – Title Co.	2,195.00
Title Ins. Binder/Policy C&H Title	2,375.00
Parcel 7B Taxes To Beaufort County	1,056.12
Miscellaneous Costs	395.00
Appraisal Review Fee to Ellison Consulting	705.00
TOTAL	$315,386.55

$ 315,386.55

$2,065,386.55

LESS:

Proceeds Acquisition Loan from CoastalStates	$1,300,000.00	
CSB Commitment Fee Paid	3,000.00	
Earnest Money Deposit	87,500.00	1,390,500.00

Funds from Purchaser to Close **$ 674,886.55**

PLUS:

Prepaid Fees TO Guastella	$ 4,213.45	
Prepaid Fees to N&S	5,000.00	
Earnest Money Deposit to Karabinchak	87,500.00	
Commitment Fee Prepayment	3,000.00	
Workman's Comp	5,900.00	105,613.45

TOTAL PROJECT ACQUISITION COST **$ 780,500.00**

Contribution From each Member, as follows:

Karabinchak	$260,166.75 (Less $105,613.45)
Hutt	$260,166.75
Lee	$130,083.25
Shimanowitz	$130,083.25
	$780,500.00

Karabinchak's contribution to be reduced by $105,613.45 representing Karabinchak Prepaid Contribution:

BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Inc. for Adjustment of Rates and Charges

VERIFICATION

I, John F. Guastella, President of Guastella Associates, LLC, General Manager of Daufuskie Island Utility Company, Inc., hereby affirm that the foregoing **DIUC Supplemental Response to Intervenors' Second Interrogatories and Third Requests for Production** are true and accurate to the best of my knowledge based on my understanding of the questions.

John F. Guastella
Fl. Dr. Lic # 6234-466-40-221.0 ex. 2018

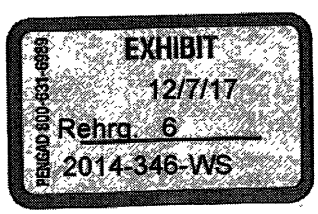
SWORN to before me this
5 day of October, 2015.

Notary Public for _____
My Commission Expires: _____

Notary Public State of Florida
Janet B Devine
My Commission FF 918066
Expires 09/14/2018

Daufuskie Island Utility Company
Water and Wastewater Systems
Comparative Balance Sheets

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Water					
Assets					
Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Acquistion Adjustments	$ -	$ -	$ -	$ -	$ -
Total Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Utilization Adjustment			$ -	$ -	$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
Construction Work in Progress	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
Cash	$ 34,576	$ -	$ 34,576	$ -	$ 34,576
Accounts Receivable	$ 202,206	$ -	$ 202,206	$ -	$ 202,206
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co.	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 502,686	$ -	$ 502,686	$ -	$ 502,686
Deferred Depreciation Expense	$ -	$ -	$ -	$ 42,153	$ 42,153
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 4,291,288**	**$ (31,259)**	**$ 4,260,029**	**$ (806,011)**	**$ 3,454,018**
Liabilities and Equity					
Common Stock	$ 1,000	$ -	$ 1,000	$ -	$ 1,000
Premium on Capital Stock	$ 664,021	$ -	$ 664,021	$ -	$ 664,021
Paid in Capital	$ 1,765,964	$ -	$ 1,765,964	$ (1,757,399)	$ 8,565
Retained Earnings	$ (18,326)	$ (46,001)	$ (64,327)	$ -	$ (64,327)
Subtotal Equity	$ 2,412,659	$ (46,001)	$ 2,366,658	$ (1,757,399)	$ 609,259
Notes and Accts Payable	$ 1,307,975	$ -	$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,225	$ -	$ 100,225	$ -	$ 100,225
Advances from Associated Co.	$ (25,615)	$ -	$ (25,615)	$ -	$ (25,615)
Accrued Taxes	$ 157	$ -	$ 157	$ -	$ 157
Deferred Credits	$ 72,195	$ -	$ 72,195	$ -	$ 72,195
Misc Accrued Liabilities	$ 16,771	$ -	$ 16,771	$ -	$ 16,771
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 458,500	$ 19,250	$ 477,750	$ 1,757,399	$ 2,235,149
Less: Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ (806,011)	$ (862,099)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ 951,388	$ 1,373,050
Subtotal Liabilities	$ 1,878,628	$ 14,742	$ 1,893,370	$ 951,388	$ 2,844,758
Total Liabilities and Equity	**$ 4,291,287**	**$ (31,259)**	**$ 4,260,028**	**$ (806,011)**	**$ 3,454,017**
Total Adjustments					



Daufuskie Island Utility Company
Water and Wastewater Systems
Comparative Balance Sheets

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Wastewater					
Assets					
Utility Plant	$ 4,077,571	$ 111,733	$ 4,189,304	$ -	$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,430,015)	$ (1,778,473)
Utilization Adjustment			$ -	$ -	$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,430,015)	$ 2,410,831
Construction Work in Progress	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,430,015)	$ 2,410,831
Cash	$ 34,576	$ -	$ 34,576	$ -	$ 34,576
Accounts Receivable	$ 198,409	$ -	$ 198,409	$ -	$ 198,409
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co.	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 502,686	$ -	$ 502,686	$ -	$ 502,686
Deferred Depreciation Expense	$ -	$ -	$ -	$ 130,164	$ 130,164
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 4,633,896**	**$ (57,379)**	**$ 4,576,517**	**$ (1,299,851)**	**$ 3,276,666**
Liabilities and Equity					
Common Stock	$ 1,000	$ -	$ 1,000	$ -	$ 1,000
Premium on Capital Stock	$ 664,021	$ -	$ 664,021	$ -	$ 664,021
Paid in Capital	$ 2,459,067	$ -	$ 2,459,067	$ (2,656,660)	$ (197,593)
Retained Earnings	$ (178,173)	$ (67,464)	$ (245,637)	$ -	$ (245,637)
Subtotal Equity	$ 2,945,915	$ (67,464)	$ 2,878,451	$ (2,656,660)	$ 221,791
Notes and Accts Payable	$ 1,307,975	$ -	$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,255	$ -	$ 100,255	$ -	$ 100,255
Advances from Associated Co.	$ (25,615)	$ -	$ (25,615)	$ -	$ (25,615)
Accrued Taxes	$ 8,065	$ -	$ 8,065	$ -	$ 8,065
Deferred Credits	$ 72,195	$ -	$ 72,195	$ -	$ 72,195
Misc Accrued Liabilities	$ 41,001	$ -	$ 41,001	$ -	$ 41,001
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 201,795	$ 11,750	$ 213,545	$ 2,656,660	$ 2,870,205
Less: Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ (1,299,851)	$ (1,319,205)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ 1,356,809	$ 1,551,000
Subtotal Liabilities	$ 1,687,982	$ 10,085	$ 1,698,067	$ 1,356,809	$ 3,054,876
Total Liabilities and Equity	**$ 4,633,897**	**$ (57,379)**	**$ 4,576,518**	**$ (1,299,851)**	**$ 3,276,667**
Total Adjustments					

Daufuskie Island Utility Company
Water and Wastewater Systems
Comparative Balance Sheets

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Combined Water & Wastewater					
Assets					
Utility Plant	$ 7,982,830	$ 156,431	$ 8,139,261	$ -	$ 8,139,261
Accumulated Depreciation	$ (787,638)	$ 9,784	$ (777,854)	$ (2,278,179)	$ (3,056,033)
Utilization Adjustment	$ -	$ -	$ -	$ -	$ -
Net Utility Plant	$ 7,195,192	$ 166,215	$ 7,361,407	$ (2,278,179)	$ 5,083,228
Construction Work in Progress	$ 254,853	$ (254,853)	$ -	$ -	$ -
Net Plant	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (2,278,179)	$ 5,083,228
Cash	$ 69,152	$ -	$ 69,152	$ -	$ 69,152
Accounts Receivable	$ 400,615	$ -	$ 400,615	$ -	$ 400,615
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co.	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 1,005,372	$ -	$ 1,005,372	$ -	$ 1,005,372
Deferred Depreciation Expense	$ -	$ -	$ -	$ 172,317	$ 172,317
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 8,925,184**	**$ (88,638)**	**$ 8,836,546**	**$ (2,105,862)**	**$ 6,730,684**
Liabilities and Equity					
Common Stock	$ 2,000	$ -	$ 2,000	$ -	$ 2,000
Premium on Capital Stock	$ 1,328,042	$ -	$ 1,328,042	$ -	$ 1,328,042
Paid in Capital	$ 4,225,031	$ -	$ 4,225,031	$ (4,414,059)	$ (189,028)
Retained Earnings	$ (196,499)	$ (113,465)	$ (309,964)	$ -	$ (309,964)
Subtotal Equity	$ 5,358,574	$ (113,465)	$ 5,245,109	$ (4,414,059)	$ 831,050
Notes and Accts Payable	$ 2,615,950	$ -	$ 2,615,950	$ -	$ 2,615,950
Accounts Payable	$ 200,480	$ -	$ 200,480	$ -	$ 200,480
Advances from Associated Co.	$ (51,230)	$ -	$ (51,230)	$ -	$ (51,230)
Accrued Taxes	$ 8,222	$ -	$ 8,222	$ -	$ 8,222
Deferred Credits	$ 144,390	$ -	$ 144,390	$ -	$ 144,390
Misc Accrued Liabilities	$ 57,772	$ -	$ 57,772	$ -	$ 57,772
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 660,295	$ 31,000	$ 691,295	$ 4,414,059	$ 5,105,354
Less: Accum Amort of CIAC	$ (69,269)	$ (6,173)	$ (75,442)	$ (2,105,862)	$ (2,181,304)
Net CIAC	$ 591,026	$ 24,827	$ 615,853	$ 2,308,197	$ 2,924,050
Subtotal Liabilities	$ 3,566,610	$ 24,827	$ 3,591,437	$ 2,308,197	$ 5,899,634
Total Liabilities and Equity	**$ 8,925,184**	**$ (88,638)**	**$ 8,836,546**	**$ (2,105,862)**	**$ 6,730,684**
Total Adjustments					

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Water					
Plant in Service	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
CWIP	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
CIAC	$ 458,500	$ 19,250	$ 477,750	$ 1,757,399	$ 2,235,149
Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ (806,011)	$ (862,099)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ 951,388	$ 1,373,050
NET PLANT	$ 3,144,900	$ (46,001)	$ 3,098,899	$ (1,799,552)	$ 1,299,347
Working Capital (1/5 O&M)	$ -	$ -	$ -	$ 80,291	$ 80,291
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 3,144,900	$ (46,001)	$ 3,098,899	$ (1,719,261)	$ 1,379,638
Wastewater					
Plant in Service	$ 4,077,571	$ 111,733	$ 4,189,304	$ -	$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,430,015)	$ (1,778,473)
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,430,015)	$ 2,410,831
CWIP	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,430,015)	$ 2,410,831
CIAC	$ 201,795	$ 11,750	$ 213,545	$ 2,656,660	$ 2,870,205
Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ (1,299,851)	$ (1,319,205)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ 1,356,809	$ 1,551,000
NET PLANT	$ 3,714,119	$ (67,464)	$ 3,646,655	$ (2,786,824)	$ 859,831
Working Capital (1/5 O&M)	$ 75,842	$ -	$ 75,842	$ (10,367)	$ 65,475
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 3,789,961	$ (67,464)	$ 3,722,497	$ (2,797,191)	$ 925,306
Combined					
Plant in Service	$ 7,982,830	$ 156,431	$ 8,139,261	$ -	$ 8,139,261
Accumulated Depreciation	$ (787,638)	$ 9,784	$ (777,854)	$ (2,278,179)	$ (3,056,033)
Net Utility Plant	$ 7,195,192	$ 166,215	$ 7,361,407	$ (2,278,179)	$ 5,083,228
CWIP	$ 254,853	$ (254,853)	$ -	$ -	$ -
Net Plant	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (2,278,179)	$ 5,083,228
CIAC	$ 660,295	$ 31,000	$ 691,295	$ 4,414,059	$ 5,105,354
Accum Amort of CIAC	$ (69,269)	$ (6,173)	$ (75,442)	$ (2,105,862)	$ (2,181,304)
Net CIAC	$ 591,026	$ 24,827	$ 615,853	$ 2,308,197	$ 2,924,050
NET PLANT	$ 6,859,019	$ (113,465)	$ 6,745,554	$ (4,586,376)	$ 2,159,178
Working Capital (1/5 O&M)	$ 75,842	$ -	$ 75,842	$ 69,924	$ 145,766
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 6,934,861	$ (113,465)	$ 6,821,396	$ (4,516,452)	$ 2,304,944

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return

	DIUC Proposed (SCH. A-3)	Adjustment	2014 Year End	Ratio	Cost Rate	Weighted Cost	Return	Adjustment	Adjusted 2014 Year-End	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 3,750,000	$ (1,134,050)	$ 2,615,950					$ -	$ 2,615,950				
Short-Term Debt	$ -		$ -					$ -	$ -				
Subtotal Debt	**$ 3,750,000**		**$ 2,615,950**	**32.80%**	**5.29%**	**1.74%**	**$ 138,384**		**$ 2,615,950**	**73.47%**	**5.29%**	**3.89%**	**$ 138,383.76**
Equity	$ 5,358,574		$ 5,358,574	67.20%	**9.31%**	**6.26%**	$ 498,883	$ (4,414,059)	$ 944,515	26.53%	**9.31%**	2.47%	$ 87,934 35
Total Capital	**$ 9,108,574**		**$ 7,974,524**	**100.00%**		**7.99%**	**$ 637,267**		**$ 3,560,465**	**100.00%**		**6.36%**	**$ 226,318.10**

Per SC PSC Order No. 2015-846			
Debt	46%	5.29%	2.43%
Equity	54%	9.31%	5.03%
Composite ROR			**7.46%**

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Combined Water & Wastewater										
Operating Revenue										
Residential	$ 307,239	(1a)	ORS	$ 4,913	$ 312,152	$ -	$ 312,152			
Commercial	$ 151,057	(1b)	ORS	$ (4,780)	$ 146,277	$ -	$ 146,277			
Irrigation	$ 98,309	(1c)	ORS	$ 883	$ 99,192	$ -	$ 99,192			
Availability Billing	$ 489,665	(2)	ORS	$ (3,905)	$ 485,760	$ -	$ 485,760			
Misc Other Revenue	$ 30,193	(3)	ORS	$ 4	$ 30,197	$ -	$ 30,197			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -			$ -	$ -	$ -	$ -			
Total Revenue	**$ 1,076,463**			**$ (2,885)**	**$ 1,073,578**	**$ -**	**$ 1,073,578**	**$ 219,993**	**$ 1,293,571**	**20.5%**
Operating Expenses										
Wages	$ 156,602	(2)	ORS	$ 19,988	$ 176,590	$ -	$ 176,590		$ 176,590	
Benefits	$ 8,980	(3)	ORS	$ (2,780)	$ 6,200	$ -	$ 6,200		$ 6,200	
Director's Fees	$ 16,500			$ -	$ 16,500	$ -	$ 16,500		$ 16,500	
Sludge Disposal	$ -			$ -	$ -	$ -	$ -		$ -	
Power	$ 115,437	*(5)*	*LML*	*$ 16,440*	$ 131,877	$ -	$ 131,877		$ 131,877	
Chemicals	$ 9,019	(6)	ORS	$ -	$ 9,019	$ -	$ 9,019		$ 9,019	
Supplies & Maintenance	$ 27,136	(7)	ORS	$ (21)	$ 27,115	$ -	$ 27,115		$ 27,115	
Outside Services - Mgmt	$ 157,650	(8)	ORS	$ (25,439)	$ 132,211	$ -	$ 132,211		$ 132,211	
Outside Services - Engineering	$ 10,137	(9)	ORS	$ -	$ 10,137	$ -	$ 10,137		$ 10,137	
Outside Services - Accounting	$ 2,761			$ -	$ 2,761	$ -	$ 2,761		$ 2,761	
Outside Services - Legal	$ 23,178			$ -	$ 23,178	$ -	$ 23,178		$ 23,178	
Outside Services - Testing	$ 92,288			$ -	$ 92,288	$ -	$ 92,288		$ 92,288	
Outside Services - Other	$ 38,621			$ -	$ 38,621	$ -	$ 38,621		$ 38,621	
Other Operating Expenses	$ 2			$ -	$ 2	$ -	$ 2		$ 2	
Transportation	$ 2,450	(10)	ORS	$ -	$ 2,450	$ -	$ 2,450		$ 2,450	
Bad Debt	$ 105,667	*(11)*	*LML*	*$ (90,736)*	$ 14,931	$ -	$ 14,931	$ 7,900	$ 22,831	
Insurance	$ 30,205	(12)	ORS	$ 8,706	$ 38,911	$ -	$ 38,911		$ 38,911	
Regulatory Commission Expense	$ 15,745	(13)	ORS	$ (109)	$ 15,636	$ -	$ 15,636		$ 15,636	
Other A&G Expense	$ 36,436			$ -	$ 36,436	$ -	$ 36,436		$ 36,436	
Nonallowable Expense	$ -		ORS	$ (46,033)	$ (46,033)	$ -	$ (46,033)		$ (46,033)	
Total O&M Expense	**$ 848,814**			**$ (119,984)**	**$ 728,830**	**$ -**	**$ 728,830**	**$ 7,900**	**$ 736,731**	
Depreciation	$ 73,072	*(14)*	*LML*	*$ 8,279*	$ 81,351	$ -	$ 81,351	$ -	$ 81,351	
Amortization	$ 92,421	*(15)*	*LML*	*$ 93,532*	$ 185,953	$ -	$ 185,953		$ 185,953	
Revenue Taxes	$ 6,048	(16)	ORS	$ 3,148	$ 9,196	$ -	$ 9,196	$ 10,544	$ 19,740	
Property Taxes	$ 4,209	*(17)*	*LML*	*$ 59,213*	$ 63,422	$ -	$ 63,422		$ 63,422	
Payroll Taxes	$ 13,183	(18)	ORS	$ 30	$ 13,213	$ -	$ 13,213		$ 13,213	
State and Federal Income Taxes	$ -			$ -	$ -	$ -	$ -	$ 21,210	$ 21,210	
Subtotal Other Expenses	**$ 188,933**			**$ 164,202**	**$ 353,135**	**$ -**	**$ 353,135**		**$ 384,889**	
Total Operating Expenses	**$ 1,037,747**			**$ 44,219**	**$ 1,081,966**	**$ -**	**$ 1,081,966**	**$ 7,900**	**$ 1,121,619**	
Net Operating Income	**$ 38,716**			**$ (47,104)**	**$ (8,388)**		**$ (8,388)**	**$ 180,339**	**$ 171,951**	
Add. Customer Growth	$ -		ORS	$ 63.00	$ 63.00			$ 63		
Net Income (Loss) for Return	$ 38,716			$ (47,040.58)	$ (8,324.58)		$ (8,388)	$ 180,402	$ 171,951	$ -
Rate Base	$ 6,934,861		*LML/CEL*	$ (4,629,917)	$ 2,304,944		$ 2,304,944		**$ 2,304,944**	
Rate of Return	0.56%				-0.36%		-0.36%		**7.46%**	
Interest Expense	*$ 138,384*				*$ 138,384*		*$ 138,384*		$ 138,384	
Operating Income after taxes	$ (99,668)				$ (146,771)		$ (148,771)		$ 33,567	
Operating Income Margin	-9.3%				-13.7%		-13.7%		2.6%	
Bad Debt rate							1.39%		1.39%	
Revenue Tax Rate							0.8566%		0.856574%	
State Income Tax Rate									5%	
Federal Income Tax									34%	
Desired Rate of Return									**7.46%**	
Calculated Return									$ 171,967	
Less. Interest Expense									$ 138,384	
Equity Return Desired - After Tax									$ 33,583	
Equity Return Grossed up for State and Federal Tax, bad debt expense, and revenue tax									**$ 54,794**	
Other Revenue Requirements										
Interest Expense									$ 138,384	
Payroll Taxes									$ 13,213	
Property Taxes									$ 63,422	
Revenue Taxes									$ 9,196	
Amortization									$ 185,953	
Depreciation									$ 81,351	
Operating Expenses									$ 728,830	
Operating Expenses									$ 1,220,349	
Gross Revenue Requirement (Equity Return plus Operating Expenses)							0.00856574	0.00631	$ 1,238,777	
									$ 1,293,571	

1	Total	1.0000
2	Less: Uncollectible	(0.0139)
3	Less: Rev Tax	(0.0086)
4	Less:	0.0000
5	Line 1 - Line 2 - Line 3 - Line 4	0.9775
6	State Income Tax - Line 5 X 5.00%	0.0489
7	Line 5 - Line 6	0.9287
8	Federal Income Tax - Line 7 X 34%	0.3157
9	Net - Line 7 - Line 8	0.6129
10	Gross-Up Factor - 1/Line 9	**1.6316**

Daufuskie Island Utility Company
Water and Wastewater Systems
Expense Adjustments to Company Proposed Expenses

L-1 Power Cost

Test Year Power Cost - Combined Systems $ 115,437

Month	Expenses	Adjustments	Revised Expenses
Jul-14	$ 10,143	$ -	$ 10,143
Aug-14	$ 13,944	$ -	$ 13,944
Sep-14	$ 13,784	$ -	$ 13,784
Oct-14	$ 11,445	$ -	$ 11,445
Oct-14	$ 2,125	$ (2,125)	$ -
Nov-14	$ 9,264	$ -	$ 9,264
Nov-14	$ 8,684	$ -	$ 8,684
Jan-15	$ 9,665	$ -	$ 9,665
Total	**$ 79,053**		**$ 76,928**

Months		7
Avg Per Month		$ 10,990
Annual Months		12
Annualized		$ 131,877
Adjustment to Test Yr Amount		$ 16,440
Company Adjustment		$ -
Difference - Adjustment		$ 16,440
Water System	50%	$ 8,220
Sewer System	50%	$ 8,220

L-2 Operating Expenses [Reserved]

a. **Bad Debt Expense**

	Combined	Water	Sewer
Rate Revenue	$557,620	$311,665	$245,955
Bad Debt Rate		0.500%	0.500%
Bad Debt Expense	$2,788	$1,558	$1,230
Availability Revenue	$485,760	$211,078	$274,682
Bad Debt Rate		2.500%	2.500%
Bad Debt Expense	$12,144	$5,277	$6,867
Total	$14,932	$6,835	$8,097
DIUC Per Books		$52,834	$52,834
Adjustment	($90,736)	($45,999)	($44,737)

L-3 Depreciation Expense

Depreciation Adjustments Provided by Mr. Loy per His Proposed Plant Adjustments

ADJUST DEPRECIATION EXPENSE AND CIAC AMORTIZATION TO REFLECT NARUC STRAIGHT-LINE

Description	Requested	Straight-Line	Adjustment
Water Plant			
Depreciation Expense	46,446	79,778	33,332
Amortization of CIAC	(4,508)	(38,739)	(34,231)
Total	41,938	41,039	(899)
Sewer Plant			
Depreciation Expense	54,993	91,615	36,622
Amortization of CIAC	(1,665)	(53,725)	(52,060)
Total	53,328	37,889	(15,438)

a. Water Depreciable Plant

1 Full depreciation from elimination of UF Factors

Non-UF Adjusted Depreciation	$ 79,778		
Amortization of CIAC	$ (38,739)		
Net	$ 41,039		
Less: DIUC Test Year Depreciation Expense	$ (41,938)		
Depreciation Adjustment		$ (899)	

2 Amortization of Deferred Depreciation Expense

Deferred Deprecation Expense		$42,153	
Amortization Period		7	
Amortized Deferred Depreciation Expense		$6,022	

3 Total Depreciation Adjustment $ 5,123

b. Sewer Depreciable Plant

1 Full depreciation from elimination of UF Factors

Non-UF Adjusted Depreciation	91,615		
Amortization of CIAC	(53,725)		
Net	37,889		
Less: DIUC Test Year Depreciation Expense	($53,328)		
Depreciation Adjustment		(15,439)	

2 Amortization of Deferred Depreciation Expense

Deferred Deprecation Expense	$130,164		
Amortization Period	7		
Amortized Deferred Depreciation Expense		$18,595	

3 Total Depreciation Adjustment 3,156

L-4 Amortization Expense

a. Property Tax Amortization

Adjusted Back Property Tax as of 12/31/14

2011 Adjusted Tax				
2012 Adjusted Tax				
2013 Adjusted Tax				
Subtotal Adjusted Tax	*$164,894*			
DIUC Proposed Back Taxes				
Difference	*$164,894*			
Amortization Period	*8*			
Amortization Per Year		*$20,612*		
Water		*50%*	*$10,306*	
Sewer		*50%*	*$10,306*	

b. Rate Case Amortization Expense

Unamortized Rate Case Expense from prior case	*$289,600*			
Current Rate Case Expense	*$75,000*			
Subtotal Rate Case Expense		*$364,600*		
Amortization Period		*5*		
		$72,920		
Water System		*50%*	*$36,460*	
Sewer System		*50%*	*$36,460*	

c. Amortization Water *$46,766*

d. Amortization Sewer *$46,766*

e. Total Amortization ***$93,532***

L-5 Property Taxes

a. Adjusted Property Taxes

Annual Personal Property Tax $59,213

Water	48%	$28,318.41	
Sewer	52%	$30,894.77	
Total			**$59,213**

Daufuskie Island Utility Company
Water and Wastewater Systems
Balance Sheet - Water

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Assets					
Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Utilization Adjustment			$ -		$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
Construction Work in Progress	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
Cash	$ 34,576		$ 34,576		$ 34,576
Accounts Receivable	$ 202,206		$ 202,206		$ 202,206
Provision for uncollectibles	$ -		$ -		$ -
Receivables from Associated Co.	$ -		$ -		$ -
Deferred Expenses	$ 502,686		$ 502,686		$ 502,686
Deferred Depreciation Expense			$ -	$ 42,153	$ 42,153
Accumulated Deferred Income Tax	$ -		$ -		$ -
Total Assets	**$ 4,291,288**	**$ (31,259)**	**$ 4,260,029**	**$ (806,011)**	**$ 3,454,018**
Liabilities and Equity					
Common Stock	$ 1,000		$ 1,000		$ 1,000
Premium on Capital Stock	$ 664,021		$ 664,021		$ 664,021
Paid in Capital	$ 1,765,964		$ 1,765,964	$ (1,757,399)	$ 8,565
Retained Earnings	$ (18,326)	$ (46,001)	$ (64,327)	$ -	$ (64,327)
Subtotal Equity	$ 2,412,659	$ (46,001)	$ 2,366,658	$ (1,757,399)	$ 609,259
Notes and Accts Payable	$ 1,307,975		$ 1,307,975		$ 1,307,975
Accounts Payable	$ 100,225		$ 100,225		$ 100,225
Advances from Associated Co.	$ (25,615)		$ (25,615)		$ (25,615)
Accrued Taxes	$ 157		$ 157		$ 157
Deferred Credits	$ 72,195		$ 72,195		$ 72,195
Misc Accrued Liabilities	$ 16,771		$ 16,771		$ 16,771
Misd Operating Reserves	$ -		$ -		$ -
CIAC	$ 458,500	$ 19,250	$ 477,750	$ 1,757,399	$ 2,235,149
Less: Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ (806,011)	$ (862,099)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ 951,388	$ 1,373,050
Subtotal Liabilities	$ 1,878,628	$ 14,742	$ 1,893,370	$ 951,388	$ 2,844,758
Total Liabilities and Equity	**$ 4,291,287**	**$ (31,259)**	**$ 4,260,028**	**$ (806,011)**	**$ 3,454,017**

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base - Water

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Plant in Service	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Utilization Adjustment		$ -	$ -	$ -	$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
CWIP	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	**$ 3,551,820**	**$ (31,259)**	**$ 3,520,561**	**$ (848,164)**	**$ 2,672,397**
CIAC	$ 458,500	$ 19,250	$ 477,750	$ 1,757,399	$ 2,235,149
Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ (806,011)	$ (862,099)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ 951,388	$ 1,373,050
NET PLANT	**$ 3,144,900**	**$ (46,001)**	**$ 3,098,899**	**$ (1,799,552)**	**$ 1,299,347**
Working Capital (1/5 O&M)	$ -		$ -	$ 80,291	$ 80,291
Unamortized Balances	$ -		$ -		$ -
Net Rate Base	**$ 3,144,900**	**$ (46,001)**	**$ 3,098,899**	**$ (1,719,261)**	**$ 1,379,638**

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return - Water

		Ratio	Cost Rate	Weighted Cost	Return	Adjustments	Revised Pro Forma	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 1,307,975					$ -	$ 1,307,975				
Short-Term Debt	$ -					0	$ -				
Subtotal Debt	**$ 1,307,975**	**35.15%**	**5.29%**	**1.86%**	**$ 69,192**	**$ -**	**$ 1,307,975**	**66.62%**	**5.29%**	**3.52%**	**$ 69,192**
			2.42%	0.00%	$ -						$ -
Equity	$ 2,412,659	64.85%	**9.31%**	6.04%	$ 224,619	$ (1,757,399)	$ 655,260	33.38%	9.31%	3.11%	$ 61,005
Total Capital	**$ 3,720,634**	**100.00%**		**7.90%**	**$ 293,810**	**$ (1,757,399)**	**$ 1,963,235**	**100.00%**		**6.63%**	**$ 130,197**

Per SC PSC Order No. 2015-846				
Debt	46%	5.29%	2.43%	
Equity	54%	9.31%	5.03%	
Composite ROR			**7.46%**	

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement - Water

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Operating Revenue										
Residential	$ 139,071	(1a)	ORS	$ 491	$ 139,562	$ -	$ 139,562			
Commercial	$ 72,479	(1b)	ORS	$ 432	$ 72,911	$ -	$ 72,911			
Irrigation	$ 98,309	(1c)	ORS	$ 883	$ 99,192	$ -	$ 99,192			
Availability Billing	$ 213,004	(2)	ORS	$ (1,926)	$ 211,078	$ -	$ 211,078			
Misc Other Revenue	$ 20,444	(3)	ORS	$ (715)	$ 19,729	$ -	$ 19,729			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -				$ -	$ -	$ -			
Total Revenue	**$ 543,307**			**$ (835)**	**$ 542,472**	**$ -**	**$ 542,472**	**$ 169,694**	**$ 712,166**	**31.3%**
Operating Expenses										
Wages	$ 78,301	(2)	ORS	$ 9,994	$ 88,295		$ 88,295		$ 88,295	
Benefits	$ 4,490	(3)	ORS	$ (1,390)	$ 3,100		$ 3,100		$ 3,100	
Director's Fees	$ 8,250			$ -	$ 8,250		$ 8,250		$ 8,250	
Sludge Disposal	$ -			$ -	$ -		$ -		$ -	
Power	$ 57,581	*(5)*	*LML*	*$ 8,220*	$ 65,801	$ -	$ 65,801		$ 65,801	
Chemicals	$ 4,510	(6)	ORS	$ -	$ 4,510	$ -	$ 4,510		$ 4,510	
Supplies & Maintenance	$ 13,849	(7)	ORS	$ (21)	$ 13,828	$ -	$ 13,828		$ 13,828	
Outside Services - Mgmt	$ 78,825	(8)	ORS	$ (12,720)	$ 66,105		$ 66,105		$ 66,105	
Outside Services - Engineering	$ 425	(9)	ORS	$ -	$ 425		$ 425		$ 425	
Outside Services - Accounting	$ 1,381			$ -	$ 1,381		$ 1,381		$ 1,381	
Outside Services - Legal	$ 11,589			$ -	$ 11,589		$ 11,589		$ 11,589	
Outside Services - Testing	$ 81,578			$ -	$ 81,578		$ 81,578		$ 81,578	
Outside Services - Other	$ 31,026			$ -	$ 31,026		$ 31,026		$ 31,026	
Other Operating Expenses	$ (3)			$ -	$ (3)		$ (3)		$ (3)	
Transportation	$ 1,225	(10)	ORS	$ -	$ 1,225		$ 1,225		$ 1,225	
Bad Dept	$ 52,834	*(11)*	*LML*	*$ (45,999)*	$ 6,835	$ -	$ 6,835	$ 4,110 7	$ 10,946	
Insurance	$ 18,197	(12)	ORS	$ 1,258	$ 19,455		$ 19,455		$ 19,455	
Regulatory Commission Expense	$ 10,861	(13)	ORS	$ 2,645	$ 13,506		$ 13,506		$ 13,506	
Other A&G Expense	$ 14,683			$ -	$ 14,683		$ 14,683		$ 14,683	
Nonallowable Expense	$ -		ORS	$ (30,136)	$ (30,136)		$ (30,136)		$ (30,136)	
Total O&M Expense	**$ 469,602**			**$ (68,149)**	**$ 401,453**	**$ -**	**$ 401,453**		**$ 405,564**	
Depreciation	$ 36,921	*(14)*	*LML*	*$ 5,123*	$ 42,044	$ -	$ 42,044	$ -	$ 42,044	
Amortization	$ 46,210	*(15)*	*LML*	*$ 46,766*	$ 92,976	$ -	$ 92,976		$ 92,976	
Revenue Taxes	$ 3,052	(16)	ORS	$ 1,595	$ 4,647	$ -	$ 4,647	$ 5,673	$ 10,320	
Property Taxes	$ 2,105	*(17)*	*LML*	*$ 28,318*	$ 30,423	$ -	$ 30,423		$ 30,423	
Payroll Taxes	$ 6,591	(18)	ORS	$ 15	$ 6,606		$ 6,606		$ 6,606	
State and Federal Income Taxes	$ -	(19)		$ -	$ -		$ -	$ 21,309	$ 21,309	
Subtotal Other Expenses	**$ 94,879**			**$ 81,817**	**$ 176,696**	**$ -**	**$ 176,696**	**$ 26,982**	**$ 203,678**	
Total Operating Expenses	**$ 564,481**			**$ 13,669**	**$ 578,150**	**$ -**	**$ 578,150**	**$ 26,982**	**$ 609,242**	
Net Operating Income	$ (21,174)			$ (14,504)	$ (35,678)	$ -	$ (35,678)	$ 138,601 19	$ 102,924	
Add: Customer Growth	$ -			$ -	$ -		$ -			
Net Income (Loss) for Return	$ (21,174)			$ (14,504)	$ (35,678)	$ -	$ (35,678)	$ 138,601 19	$ *102,923.58*	
Rate Base	$ 3,144,900		*LML/CEL*	$ (1,765,262)	$ 1,379,638	$ -	$ 1,379,638	$ -	**$ 1,379,638**	
Rate of Return	-0 67%				-2.59%		-2.59%		7 46%	
Interest Expense	$ 88,763			$ (45,819)	$ 42,944		$ 42,944		$ 69,192	
Operating Income after taxes	$ (109,937)								$ 33,732	
Operating Income Margin	-20 2%								4 7%	
Bad Debt rate									1 39%	
Revenue Tax									0 86%	
State Income Tax									5%	
Federal Income Tax									34%	
Desired Rate of Return									**7.46%**	
Calculated Return									$ 102,932	
Less Interest Expense									$ 69,192	
Equity Return									**$ 33,740**	
Equity Return Grossed up for Federal Tax									**$ 55,049**	
Other Revenue Requirements										
Interest Expense									$ 69,192	
Payroll Taxes									$ 6,606	
Property Taxes									$ 30,423	
Revenue Taxes									$ 4,647	
Amortization									$ 92,976	
Depreciation									$ 42,044	
Operating Expenses									**$ 401,453**	
Operating Expenses									$ 647,341	
							0 00856574	0.00631	$ 657,117	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									**$ 712,166**	

1	Total	1.0000
2	Less: Uncollectible	(0.0139)
3	Less: Rev Tax	(0.0086)
4	Less:	0.0000
5	Line 1 - Line 2 - Line 3 - Line 4	0.9775
6	State Income Tax - Line 5 X 5 00%	0.0489
7	Line 5 - Line 6	0.9287
8	Federal Income Tax - Line 7 X 34%	0.3157
9	Net - Line 7 - Line 8	0.6129
10	Gross-Up Factor - 1/Line 9	**1.6316**

Daufuskie Island Utility Company
Water and Wastewater Systems
Balance Sheet - Wastewater

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Assets					
Utility Plant	$ 4,077,571	$ 111,733	$ 4,189,304	$ -	$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,430,015)	$ (1,778,473)
Utilization Adjustment			$ -		$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,430,015)	$ 2,410,831
Construction Work in Progress	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,430,015)	$ 2,410,831
Cash	$ 34,576		$ 34,576		$ 34,576
Accounts Receivable	$ 198,409		$ 198,409		$ 198,409
Provision for uncollectibles	$ -		$ -		$ -
Receivables from Associated Co	$ -		$ -		$ -
Deferred Expenses	$ 502,686		$ 502,686		$ 502,686
Deferred Depreciation Expense	$ -		$ -	$ 130,164	$ 130,164
Accumulated Deferred Income Tax	$ -		$ -		$ -
Total Assets	**$ 4,633,896**	**$ (57,379)**	**$ 4,576,517**	**$ (1,299,851)**	**$ 3,276,666**
Liabilities and Equity					
Common Stock	$ 1,000		$ 1,000		$ 1,000
Premium on Capital Stock	$ 664,021		$ 664,021		$ 664,021
Paid in Capital	$ 2,459,067		$ 2,459,067	$ (2,656,660)	$ (197,593)
Retained Earnings	$ (178,173)	$ (67,464)	$ (245,637)		$ (245,637)
Subtotal Equity	$ 2,945,915	$ (67,464)	$ 2,878,451	$ (2,656,660)	$ 221,791
Notes and Accts Payable	$ 1,307,975		$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,255		$ 100,255		$ 100,255
Advances from Associated Co.	$ (25,615)		$ (25,615)		$ (25,615)
Accrued Taxes	$ 8,065		$ 8,065		$ 8,065
Deferred Credits	$ 72,195		$ 72,195		$ 72,195
Misc Accrued Liabilities	$ 41,001		$ 41,001		$ 41,001
Misd Operating Reserves	$ -		$ -		$ -
CIAC	$ 201,795	$ 11,750	$ 213,545	$ 2,656,660	$ 2,870,205
Less: Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ (1,299,851)	$ (1,319,205)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ 1,356,809	$ 1,551,000
Subtotal Liabilities	$ 1,687,982	$ 10,085	$ 1,698,067	$ 1,356,809	$ 3,054,876
Total Liabilities and Equity	**$ 4,633,897**	**$ (57,379)**	**$ 4,576,518**	**$ (1,299,851)**	**$ 3,276,667**

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base - Wastewater

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Plant in Service	$ 4,077,571	$ 111,733	$ 4,189,304	$ -	$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,430,015)	$ (1,778,473)
Utilization Adjustment		$ -	$ -	$ -	$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,430,015)	$ 2,410,831
CWIP	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	**$ 3,898,225**	**$ (57,379)**	**$ 3,840,846**	**$ (1,430,015)**	**$ 2,410,831**
CIAC	$ 201,795	$ 11,750	$ 213,545	$ 2,656,660	$ 2,870,205
Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ (1,299,851)	$ (1,319,205)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ 1,356,809	$ 1,551,000
NET PLANT	$ 3,714,119	$ (67,464)	$ 3,646,655	$ (2,786,824)	$ 859,831
Working Capital (1/15 O&M)	$ 75,842		$ 75,842	$ (10,367)	$ 65,475
Unamortized Balances	$ -		$ -		$ -
Net Rate Base	**$ 3,789,961**	**$ (67,464)**	**$ 3,722,497**	**$ (2,797,191)**	**$ 925,306**

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return - Wastewater

		Ratio	Cost Rate	Weighted Cost	Return	Adjustments	Revised Pro Forma	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 1,307,975										
Short-Term Debt	$ -										
Subtotal Debt	**$ 1,307,975**	**30.75%**	**5.29%**	**1.63%**	**$ 69,192**	**$ -**	**$ 1,307,975**	**81.89%**	**5.29%**	**4.33%**	**$ 69,192**
			2.42%	0.00%							$ -
Equity	$ 2,945,915	69.25%	9.31%	6.45%	$ 274,265	$ (2,656,660)	$ 289,255	18.11%	9.31%	1.69%	**$ 26,930**
Total Capital	**$ 4,253,890**	**100.00%**		**8.07%**	**$ 343,457**		**$ 1,597,230**	**100.00%**		**6.02%**	**$ 96,122**

Per SC PSC Order No. 2015-846			
Debt	46%	5.29%	2.43%
Equity	54%	9.31%	5.03%
Composite ROR			**7.46%**

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement - Wastewater

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Operating Revenue										
Residential	$ 168,168	(1a)	ORS	$ 4,422.00	$ 172,590	$ -	$ 172,590			
Commercial	$ 78,577	(1b)	ORS	$ (5,212.00)	$ 73,365	$ -	$ 73,365			
Irrigation	$ -	(1c)	ORS	$ -	$ -	$ -	$ -			
Availability Billing	$ 276,661	(2)	ORS	$ (1,979.00)	$ 274,682	$ -	$ 274,682			
Misc Other Revenue	$ 9,749	(3)	ORS	$ 719.00	$ 10,468	$ -	$ 10,468			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -			$ -	$ -	$ -	$ -			
Total Revenue	**$ 533,155**			**$ (2,050)**	**$ 531,105**	**$ -**	**$ 531,105**	**$ 50,298**	**$ 581,403**	**9.5%**
Operating Expenses										
Wages	$ 78,301	(2)	ORS	$ 9,994	$ 88,295		$ 88,295		$ 88,295	
Benefits	$ 4,490	(3)	ORS	$ (1,390)	$ 3,100		$ 3,100		$ 3,100	
Director's Fees	$ 8,250			$ -	$ 8,250		$ 8,250		$ 8,250	
Sludge Disposal	$ -			$ -	$ -		$ -		$ -	
Power	$ 57,856	*(5)*	*LML*	*$ 8,220*	$ 66,076	$ -	$ 66,076		$ 66,076	
Chemicals	$ 4,510	(6)	ORS	$ -	$ 4,510	$ -	$ 4,510		$ 4,510	
Supplies & Maintenance	$ 13,288	(7)	ORS	$ -	$ 13,288	$ -	$ 13,288		$ 13,288	
Outside Services - Mgmt	$ 78,825	(8)	ORS	$ (12,719)	$ 66,106		$ 66,106		$ 66,106	
Outside Services - Engineering	$ 9,712	(9)	ORS	$ -	$ 9,712		$ 9,712		$ 9,712	
Outside Services - Accounting	$ 1,381			$ -	$ 1,381		$ 1,381		$ 1,381	
Outside Services - Legal	$ 11,589			$ -	$ 11,589		$ 11,589		$ 11,589	
Outside Services - Testing	$ 10,711			$ -	$ 10,711		$ 10,711		$ 10,711	
Outside Services - Other	$ 7,596			$ -	$ 7,596		$ 7,596		$ 7,596	
Other Operating Expenses	$ (2)			$ -	$ (2)		$ (2)		$ (2)	
Transportation	$ 1,225	(10)	ORS	$ -	$ 1,225		$ 1,225		$ 1,225	
Bad Debt	$ 52,834	*(11)*		*$ (44,737)*	$ 8,097	$ -	$ 8,097	$ 3,707 6	$ 11,804	
Insurance	$ 12,008	(12)	ORS	$ 7,448	$ 19,456		$ 19,456		$ 19,456	
Regulatory Commission Expense	$ 4,884	(13)	ORS	$ (2,754)	$ 2,130		$ 2,130		$ 2,130	
Other A&G Expense	$ 21,753			$ -	$ 21,753		$ 21,753		$ 21,753	
Nonallowable Expense	$ -		ORS	$ (15,897)	$ (15,897)		$ (15,897)		$ (15,897)	
Total O&M Expense	**$ 379,211**			**$ (51,835)**	**$ 327,376**	**$ -**	**$ 327,376**	**$ 3,708**	**$ 331,084**	
Depreciation	$ 36,151	*(14)*	*LML*	*$ 3,156*	$ 39,307	$ -	$ 39,307	$ -	$ 39,307	
Amortization	$ 46,210	*(15)*	*LML*	*$ 46,766*	$ 92,976	$ -	$ 92,976		$ 92,976	
Revenue Taxes	$ 2,996	(16)	ORS	$ 1,553	$ 4,549	$ -	$ 4,549	$ 4,951	$ 9,500	
Property Taxes	$ 2,105	*(17)*	*LML*	*$ 30,895*	$ 33,000	$ -	$ 33,000		$ 33,000	
Payroll Taxes	$ 6,591	(18)	ORS	$ 15	$ 6,606		$ 6,606		$ 6,606	
State and Federal Income Taxes	$ 1			$ -	$ 1		$ 1	$ (99)	$ (98)	
Subtotal Other Expenses	**$ 94,054**			**$ 82,385**	**$ 176,439**	**$ -**	**$ 176,439**		**$ 181,291**	
Total Operating Expenses	**$ 473,265**			**$ 30,550**	**$ 503,815**	**$ -**	**$ 503,815**	**$ 3,708**	**$ 512,374**	
Net Operating Income	$ 59,890			$ (32,600)	$ 27,290	$ -	$ 27,290	$ 41,738 56	$ 69,029	
Add Customer Growth	$ -			$ 63	$ 63		$ 63			
Net Income (Loss) for Return	$ 59,890			$ (32,537)	$ 27,353	$ -	$ 27,353	$ 41,738 56	*$ 69,028 59*	
Rate Base	$ 3,789,961		*LML/CEL*	$ (2,864,655)	$ 925,306	$ -	$ 925,306		**$ 925,306**	
Rate of Return	1.58%				2.96%				7.46%	
Interest Expense	$ 88,763			$ (10,495)	$ 78,268		$ 78,268		$ 69,192	
Operating Income after taxes	$ (28,873)								$ (163)	
Operating Income Margin	-5.4%								0.0%	
Bad Debt rate									1.39%	
Revenue Tax									0.86%	
State Income Tax									5%	
Federal Income Tax									34%	
Desired Rate of Return									**7.46%**	
Calculated Return									$ 69,035	
Less Interest Expense									$ 69,192	
Equity Return									**$ (157)**	
Equity Return Grossed up for Federal Tax									**$ (256)**	
Other Revenue Requirements										
Interest Expense									$ 69,192	
Payroll Taxes									$ 6,606	
Property Taxes									$ 33,000	
Revenue Taxes									$ 4,549	
Amortization									$ 92,976	
Depreciation									$ 39,307	
Operating Expenses									**$ 327,376**	
Operating Expenses									$ 573,006	
							0.00856574	0 00631	$ 581,658	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									**$ 581,403**	

1	Total	1.0000
2	Less: Uncollectible	(0.0139)
3	Less: Rev Tax	(0.0086)
4	Less:	0.0000
5	Line 1 - Line 2 - Line 3 - Line 4	0.9775
6	State Income Tax - Line 5 X 5 00%	0.0489
7	Line 5 - Line 6	0.9287
8	Federal Income Tax - Line 7 X 34%	0 3157
9	Net - Line 7 - Line 8	0.6129
10	Gross-Up Factor - 1/Line 9	**1.6316**

Daufuskie Island Utility Company
Water and Wastewater Systems
Property Tax Adjustment

	2011	2012	2013	2014
Estimated Property Taxes With CIAC				
Net Plant	$4,703,358	$4,552,231	$4,526,446	$5,165,934
Net CIAC	($3,076,679)	($3,016,352)	($2,957,207)	($2,899,223)
Taxable Base	$1,626,679	$1,535,879	$1,569,239	$2,266,711
Assessment Ratio	10.5%	10.5%	10.5%	10.5%
Milliage Rate	0.197540	0.200850	0.240033	0.248790
Tax Due	$33,740	$32,391	$39,550	$59,213
Total Back Taxes			$164,894	
Total Annual Tax				$59,213

Daufuskie Island Utility Company
Water and Wastewater Systems
Comparative Balance Sheets

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Water					
Assets					
Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ (1,895,645)	$ 2,054,312
Acquistion Adjustments	$ -	$ -	$ -	$ -	$ -
Total Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ (1,895,645)	$ 2,054,312
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (195,179)	$ (624,575)
Utilization Adjustment			$ -	$ -	$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (2,090,824)	$ 1,429,737
Construction Work in Progress	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (2,090,824)	$ 1,429,737
Plant Held for Future Use (Not Rate Base				$ 1,865,646	$ 1,865,646
Net Plant after Plant Held for Fut Use	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (225,178)	$ 3,295,383
Cash	$ 34,576	$ -	$ 34,576	$ -	$ 34,576
Accounts Receivable	$ 202,206	$ -	$ 202,206	$ -	$ 202,206
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co.	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 502,686	$ -	$ 502,686	$ -	$ 502,686
Deferred Depreciation Expense	$ -	$ -	$ -	$ 225,178	$ 225,178
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 4,291,288**	**$ (31,259)**	**$ 4,260,029**	**$ -**	**$ 4,260,029**
Liabilities and Equity					
Common Stock	$ 1,000	$ -	$ 1,000	$ -	$ 1,000
Premium on Capital Stock	$ 664,021	$ -	$ 664,021	$ -	$ 664,021
Paid in Capital	$ 1,765,964	$ -	$ 1,765,964	$ -	$ 1,765,964
Retained Earnings	$ (18,326)	$ (46,001)	$ (64,327)	$ -	$ (64,327)
Subtotal Equity	$ 2,412,659	$ (46,001)	$ 2,366,658	$ -	$ 2,366,658
Notes and Accts Payable	$ 1,307,975	$ -	$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,225	$ -	$ 100,225	$ -	$ 100,225
Advances from Associated Co.	$ (25,615)	$ -	$ (25,615)	$ -	$ (25,615)
Accrued Taxes	$ 157	$ -	$ 157	$ -	$ 157
Deferred Credits	$ 72,195	$ -	$ 72,195	$ -	$ 72,195
Misc Accrued Liabilities	$ 16,771	$ -	$ 16,771	$ -	$ 16,771
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 458,500	$ 19,250	$ 477,750	$ -	$ 477,750
Less: Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ -	$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
Subtotal Liabilities	$ 1,878,628	$ 14,742	$ 1,893,370	$ -	$ 1,893,370
Total Liabilities and Equity	**$ 4,291,287**	**$ (31,259)**	**$ 4,260,028**	**$ -**	**$ 4,260,028**
Total Adjustments					

Daufuskie Island Utility Company
Water and Wastewater Systems
Comparative Balance Sheets

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Wastewater					
Assets					
Utility Plant	$ 4,077,571	$ 111,733	$ 4,189,304	$ (2,210,445)	$ 1,978,859
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (306,394)	$ (654,852)
Utilization Adjustment			$ -	$ -	$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (2,516,839)	$ 1,324,007
Construction Work in Progress	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (2,516,839)	$ 1,324,007
Plant Held for Future Use (Not Rate Base)				$ 2,210,445	$ 2,210,445
Net Plant after Plant Held for Fut Use	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (306,394)	$ 3,534,452
Cash	$ 34,576	$ -	$ 34,576	$ -	$ 34,576
Accounts Receivable	$ 198,409	$ -	$ 198,409	$ -	$ 198,409
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 502,686	$ -	$ 502,686	$ -	$ 502,686
Deferred Depreciation Expense	$ -	$ -	$ -	$ 306,395	$ 306,395
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 4,633,896**	**$ (57,379)**	**$ 4,576,517**	**$ 1**	**$ 4,576,518**
Liabilities and Equity					
Common Stock	$ 1,000	$ -	$ 1,000	$ -	$ 1,000
Premium on Capital Stock	$ 664,021	$ -	$ 664,021	$ -	$ 664,021
Paid in Capital	$ 2,459,067	$ -	$ 2,459,067	$ -	$ 2,459,067
Retained Earnings	$ (178,173)	$ (67,464)	$ (245,637)	$ -	$ (245,637)
Subtotal Equity	$ 2,945,915	$ (67,464)	$ 2,878,451	$ -	$ 2,878,451
Notes and Accts Payable	$ 1,307,975	$ -	$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,255	$ -	$ 100,255	$ -	$ 100,255
Advances from Associated Co.	$ (25,615)	$ -	$ (25,615)	$ -	$ (25,615)
Accrued Taxes	$ 8,065	$ -	$ 8,065	$ -	$ 8,065
Deferred Credits	$ 72,195	$ -	$ 72,195	$ -	$ 72,195
Misc Accrued Liabilities	$ 41,001	$ -	$ 41,001	$ -	$ 41,001
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 201,795	$ 11,750	$ 213,545	$ -	$ 213,545
Less: Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ -	$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
Subtotal Liabilities	$ 1,687,982	$ 10,085	$ 1,698,067	$ -	$ 1,698,067
Total Liabilities and Equity	**$ 4,633,897**	**$ (57,379)**	**$ 4,576,518**	**$ -**	**$ 4,576,518**
Total Adjustments					

Daufuskie Island Utility Company
Water and Wastewater Systems
Comparative Balance Sheets

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Combined Water & Wastewater					
Assets					
Utility Plant	$ 7,982,830	$ 156,431	$ 8,139,261	$ (4,106,090)	$ 4,033,171
Accumulated Depreciation	$ (787,638)	$ 9,784	$ (777,854)	$ (501,573)	$ (1,279,427)
Utilization Adjustment	$ -	$ -	$ -	$ -	$ -
Net Utility Plant	$ 7,195,192	$ 166,215	$ 7,361,407	$ (4,607,663)	$ 2,753,744
Construction Work in Progress	$ 254,853	$ (254,853)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (4,607,663)	$ 2,753,744
Plant Held for Future Use (Not Rate Based)	$ -	$ -	$ -	$ 4,076,091	$ 4,076,091
Net Plant After Plant Held for Fut Use	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (531,572)	$ 6,829,835
Cash	$ 69,152	$ -	$ 69,152	$ -	$ 69,152
Accounts Receivable	$ 400,615	$ -	$ 400,615	$ -	$ 400,615
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 1,005,372	$ -	$ 1,005,372	$ -	$ 1,005,372
Deferred Depreciation Expense	$ -	$ -	$ -	$ 531,573	$ 531,573
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 8,925,184**	**$ (88,638)**	**$ 8,836,546**	**$ 1**	**$ 8,836,547**
Liabilities and Equity					
Common Stock	$ 2,000	$ -	$ 2,000	$ -	$ 2,000
Premium on Capital Stock	$ 1,328,042	$ -	$ 1,328,042	$ -	$ 1,328,042
Paid in Capital	$ 4,225,031	$ -	$ 4,225,031	$ -	$ 4,225,031
Retained Earnings	$ (196,499)	$ (113,465)	$ (309,964)	$ -	$ (309,964)
Subtotal Equity	$ 5,358,574	$ (113,465)	$ 5,245,109	$ -	$ 5,245,109
Notes and Accts Payable	$ 2,615,950	$ -	$ 2,615,950	$ -	$ 2,615,950
Accounts Payable	$ 200,480	$ -	$ 200,480	$ -	$ 200,480
Advances from Associated Co.	$ (51,230)	$ -	$ (51,230)	$ -	$ (51,230)
Accrued Taxes	$ 8,222	$ -	$ 8,222	$ -	$ 8,222
Deferred Credits	$ 144,390	$ -	$ 144,390	$ -	$ 144,390
Misc Accrued Liabilities	$ 57,772	$ -	$ 57,772	$ -	$ 57,772
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 660,295	$ 31,000	$ 691,295	$ -	$ 691,295
Less: Accum Amort of CIAC	$ (69,269)	$ (6,173)	$ (75,442)	$ -	$ (75,442)
Net CIAC	$ 591,026	$ 24,827	$ 615,853	$ -	$ 615,853
Subtotal Liabilities	$ 3,566,610	$ 24,827	$ 3,591,437	$ -	$ 3,591,437
Total Liabilities and Equity	**$ 8,925,184**	**$ (88,638)**	**$ 8,836,546**	**$ -**	**$ 8,836,546**
Total Adjustments					

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Water					
Plant in Service	$ 3,905,259	$ 44,698	$ 3,949,957	$ (1,895,645)	$ 2,054,312
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (195,179)	$ (624,575)
Utilization Adjustment (W-2)				$ -	$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (2,090,824)	$ 1,429,737
CWIP	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (2,090,824)	$ 1,429,737
CIAC	$ 458,500	$ 19,250	$ 477,750	$ -	$ 477,750
Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ -	$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
NET PLANT	$ 3,144,900	$ (46,001)	$ 3,098,899	$ (2,090,824)	$ 1,008,075
Working Capital (1/5 O&M)	$ -	$ -	$ -	$ 80,291	$ 80,291
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 3,144,900	$ (46,001)	$ 3,098,899	$ (2,010,533)	$ 1,088,366
Wastewater					
Plant in Service	$ 4,077,571	$ 111,733	$ 4,189,304	$ (2,210,445)	$ 1,978,859
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (306,394)	$ (654,852)
Utilization Adjustment (S-2)				$ -	$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (2,516,839)	$ 1,324,007
CWIP	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (2,516,839)	$ 1,324,007
CIAC	$ 201,795	$ 11,750	$ 213,545	$ -	$ 213,545
Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ -	$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
NET PLANT	$ 3,714,119	$ (67,464)	$ 3,646,655	$ (2,516,839)	$ 1,129,816
Working Capital (1/5 O&M)	$ 75,842	$ -	$ 75,842	$ (10,367)	$ 65,475
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 3,789,961	$ (67,464)	$ 3,722,497	$ (2,527,206)	$ 1,195,291
Combined					
Plant in Service	$ 7,982,830	$ 156,431	$ 8,139,261	$ (4,106,090)	$ 4,033,171
Accumulated Depreciation	$ (787,638)	$ 9,784	$ (777,854)	$ (501,573)	$ (1,279,427)
Utilization Adjustment	$ -	$ -	$ -	$ -	$ -
Net Utility Plant	$ 7,195,192	$ 166,215	$ 7,361,407	$ (4,607,663)	$ 2,753,744
CWIP	$ 254,853	$ (254,853)	$ -	$ -	$ -
Net Plant	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (4,607,663)	$ 2,753,744
CIAC	$ 660,295	$ 31,000	$ 691,295	$ -	$ 691,295
Accum Amort of CIAC	$ (69,269)	$ (6,173)	$ (75,442)	$ -	$ (75,442)
Net CIAC	$ 591,026	$ 24,827	$ 615,853	$ -	$ 615,853
NET PLANT	$ 6,859,019	$ (113,465)	$ 6,745,554	$ (4,607,663)	$ 2,137,891
Working Capital (1/5 O&M)	$ 75,842	$ -	$ 75,842	$ 69,924	$ 145,766
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 6,934,861	$ (113,465)	$ 6,821,396	$ (4,537,739)	$ 2,283,657

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return

	DIUC Proposed (SCH. A-3)	Adjustment	2014 Year-End	Ratio	Cost Rate	Weighted Cost	Return	Adjustment	Adjusted 2014 Year-End	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 3,750,000	$ (1,134,050)	$ 2,615,950					$ -	$ 2,615,950				
Short-Term Debt	$ -		$ -					$ -	$ -				
Subtotal Debt	**$ 3,750,000**		**$ 2,615,950**	**32.80%**	**5.29%**	**1.74%**	**$ 138,384**		**$ 2,615,950**	**32.80%**	**5.29%**	**1.74%**	**$ 138,383.76**
Equity	$ 5,358,574		$ 5,358,574	67.20%	**9.31%**	**6.26%**	$ 498,883	$ -	$ 5,358,574	67.20%	**9.31%**	6.26%	$ 498,883.24
Total Capital	**$ 9,108,574**		**$ 7,974,524**	**100.00%**		**7.99%**	**$ 637,267**		**$ 7,974,524**	**100.00%**		**7.99%**	**$ 637,266.99**

Per SC PSC Order No. 2015-846			
Debt	46%	5.29%	2.43%
Equity	54%	9.31%	5.03%
Composite ROR			**7.46%**

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Combined Water & Wastewater										
Operating Revenue										
Residential	$ 307,239	(1a)	ORS	$ 4,913	$ 312,152	$ -	$ 312,152			
Commercial	$ 151,057	(1b)	ORS	$ (4,780)	$ 146,277	$ -	$ 146,277			
Irrigation	$ 98,309	(1c)	ORS	$ 883	$ 99,192	$ -	$ 99,192			
Availability Billing	$ 489,665	(2)	ORS	$ (3,905)	$ 485,760	$ -	$ 485,760			
Misc Other Revenue	$ 30,193	(3)	ORS	$ 4	$ 30,197	$ -	$ 30,197			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -			$ -	$ -	$ -	$ -			
Total Revenue	**$ 1,076,463**			**$ (2,885)**	**$ 1,073,578**	**$ -**	**$ 1,073,578**	**$ 269,499**	**$ 1,343,077**	**25.1%**
Operating Expenses										
Wages	$ 156,602	(2)	ORS	$ 19,988	$ 176,590	$ -	$ 176,590		$ 176,590	
Benefits	$ 8,980	(3)	ORS	$ (2,780)	$ 6,200	$ -	$ 6,200		$ 6,200	
Director's Fees	$ 16,500			$ -	$ 16,500	$ -	$ 16,500		$ 16,500	
Sludge Disposal	$ -			$ -	$ -	$ -	$ -		$ -	
Power	$ 115,437	*(5)*	*LML*	*$ 16,440*	$ 131,877	$ -	$ 131,877		$ 131,877	
Chemicals	$ 9,019	(6)	ORS	$ -	$ 9,019	$ -	$ 9,019		$ 9,019	
Supplies & Maintenance	$ 27,136	(7)	ORS	$ (21)	$ 27,115	$ -	$ 27,115		$ 27,115	
Outside Services - Mgmt	$ 157,650	(8)	ORS	$ (25,439)	$ 132,211	$ -	$ 132,211		$ 132,211	
Outside Services - Engineering	$ 10,137	(9)	ORS	$ -	$ 10,137	$ -	$ 10,137		$ 10,137	
Outside Services - Accounting	$ 2,761			$ -	$ 2,761	$ -	$ 2,761		$ 2,761	
Outside Services - Legal	$ 23,178			$ -	$ 23,178	$ -	$ 23,178		$ 23,178	
Outside Services - Testing	$ 92,288			$ -	$ 92,288	$ -	$ 92,288		$ 92,288	
Outside Services - Other	$ 38,621			$ -	$ 38,621	$ -	$ 38,621		$ 38,621	
Other Operating Expenses	$ 2			$ -	$ 2	$ -	$ 2		$ 2	
Transportation	$ 2,450	(10)	ORS	$ -	$ 2,450	$ -	$ 2,450		$ 2,450	
Bad Debt	$ 105,667	*(11)*	*LML*	*$ (90,736)*	$ 14,931	$ -	$ 14,931	$ 8,226	$ 23,157	
Insurance	$ 30,205	(12)	ORS	$ 8,706	$ 38,911	$ -	$ 38,911		$ 38,911	
Regulatory Commission Expense	$ 15,745	(13)	ORS	$ (109)	$ 15,636	$ -	$ 15,636		$ 15,636	
Other A&G Expense	$ 36,436			$ -	$ 36,436	$ -	$ 36,436		$ 36,436	
Nonallowable Expense	$ -		ORS	$ (46,033)	$ (46,033)	$ -	$ (46,033)		$ (46,033)	
Total O&M Expense	**$ 848,814**			**$ (119,984)**	**$ 728,830**	**$ -**	**$ 728,830**	**$ 8,226**	**$ 737,057**	
Depreciation	$ 73,072	*(14)*	*LML*	*$ 59,602*	$ 132,674	$ -	$ 132,674	$ -	$ 132,674	
Amortization	$ 92,421	*(15)*	*LML*	*$ 93,532*	$ 185,953	$ -	$ 185,953		$ 185,953	
Revenue Taxes	$ 6,048	(16)	ORS	$ 3,148	$ 9,196	$ -	$ 9,196	$ 10,987	$ 20,183	
Property Taxes	$ 4,209	*(17)*	*LML*	*$ 59,213*	$ 63,422	$ -	$ 63,422		$ 63,422	
Payroll Taxes	$ 13,183	(18)	ORS	$ 30	$ 13,213	$ -	$ 13,213		$ 13,213	
State and Federal Income Taxes	$ -			$ -	$ -	$ -	$ -	$ 20,207	$ 20,207	
Subtotal Other Expenses	**$ 188,933**			**$ 215,524**	**$ 404,457**	**$ -**	**$ 404,457**		**$ 435,651**	
Total Operating Expenses	**$ 1,037,747**			**$ 95,541**	**$ 1,133,288**	**$ -**	**$ 1,133,288**	**$ 8,226**	**$ 1,172,708**	
Net Operating Income	**$ 38,716**			**$ (98,426)**	**$ (59,710)**		**$ (59,710)**	**$ 230,079**	**$ 170,369**	
Add. Customer Growth	$ -		ORS	$ 63 00	$ 63 00			$ 63		
Net Income (Loss) for Return	$ 38,716			$ (98,362 86)	$ (59,646 86)		$ (59,710)	$ 230,142	$ 170,369	$ -
Rate Base	$ 6,934,861		*LML/CEL*	$ (4,651,204)	$ 2,283,657		$ 2,283,657		**$ 2,283,657**	
Rate of Return	0 56%				-2 61%		-2 61%		**7.46%**	
Interest Expense	*$ 138,384*				*$ 138,384*		*$ 138,384*		$ 138,384	
Operating Income after taxes	$ (99,668)				$ (198,094)		$ (198,094)		$ 31,985	
Operating Income Margin	-9 3%				-18 5%		-18.5%		2 4%	
Bad Debt rate							1 39%		1 39%	
Revenue Tax Rate							0 8568%		0 856574%	
State Income Tax Rate									5%	
Federal Income Tax									34%	
Desired Rate of Return									**7.46%**	
Calculated Return									$ 170,379	
Less Interest Expense									$ 138,384	
Equity Return Desired - After Tax									$ 31,995	
Equity Return Grossed up for State and Federal Tax, bad debt expense, and revenue tax									**$ 52,202**	
Other Revenue Requirements										
Interest Expense									$ 138,384	
Payroll Taxes									$ 13,213	
Property Taxes									$ 63,422	
Revenue Taxes									$ 9,196	
Amortization									$ 185,953	
Depreciation									$ 132,674	
Operating Expenses									$ 728,830	
Operating Expenses									$ 1,271,672	
							0 00856574	0 00631	$ 1,290,874	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									**$ 1,343,077**	

1	Total	1.0000
2	Less. Uncollectible	(0.0139)
3	Less: Rev Tax	(0.0086)
4	Less:	0.0000
5	Line 1 - Line 2 - Line 3 - Line 4	0.9775
6	State Income Tax - Line 5 X 5.00%	0.0489
7	Line 5 - Line 6	0.9287
8	Federal Income Tax - Line 7 X 34%	0.3157
9	Net - Line 7 - Line 8	0.6129
10	Gross-Up Factor - 1/Line 9	**1.6316**

Daufuskie Island Utility Company
Water and Wastewater Systems
Expense Adjustments to Company Proposed Expenses

I-1 Power Cost

Test Year Power Cost - Combined Systems $ 115,437

Month	Expenses	Adjustments	Revised Expenses
Jul-14	$ 10,143	$ -	$ 10,143
Aug-14	$ 13,944	$ -	$ 13,944
Sep-14	$ 13,784	$ -	$ 13,784
Oct-14	$ 11,445	$ -	$ 11,445
Oct-14	$ 2,125	$ (2,125)	$ -
Nov-14	$ 9,264	$ -	$ 9,264
Nov-14	$ 8,684	$ -	$ 8,684
Jan-15	$ 9,665	$ -	$ 9,665
Total	**$ 79,053**		**$ 76,928**

Months		7
Avg Per Month	$	10,990
Annual Months		12
Annualized	$	131,877
Adjustment to Test Yr Amount	$	16,440
Company Adjustment	$	-
Difference - Adjustment	$	16,440
Water System	50%	$ 8,220
Sewer System	50%	$ 8,220

I-2 Operating Expenses [Reserved]

a. **Bad Debt Expense**

	Combined	Water	Sewer
Rate Revenue	$557,620	$311,665	$245,955
Bad Debt Rate		0.500%	0.500%
Bad Debt Expense	$2,788	$1,558	$1,230
Availability Revenue	$485,760	$211,078	$274,682
Bad Debt Rate		2.500%	2.500%
Bad Debt Expense	$12,144	$5,277	$6,867
Total	$14,932	$6,835	$8,097
DIUC Per Books		$52,834	$52,834
Adjustment	($90,736)	($45,999)	($44,737)

I-3 Depreciation Expense

Depreciation Adjustments Provided by Mr. Loy per His Proposed Plant Adjustments

ADJUST DEPRECIATION EXPENSE AND CIAC AMORTIZATION TO REFLECT NARUC STRAIGHT-LINE

Description	Requested	Straight-Line	Adjustment
Water Plant			
Depreciation Expense	46,446	79,778	33,332
Amortization of CIAC	(4,508)	(38,739)	(34,231)
Total	41,938	41,039	(899)
Sewer Plant			
Depreciation Expense	54,993	91,615	36,622
Amortization of CIAC	(1,665)	(53,725)	(52,060)
Total	53,328	37,889	(15,438)

a. Water Depreciable Plant

1 Full depreciation from elimination of UF Factors				
Non-UF Adjusted Depreciation	$ 79,778			
Amortization of CIAC	$ (38,739)			
Net	$ 41,039			
Less: DIUC Test Year Depreciation Expense	$ (41,938)			
Depreciation Adjustment		$ (899)		
2 Amortization of Deferred Depreciation Expense				
Deferred Depreciation Expense		$225,178		
Amortization Period		7		
Amortized Deferred Depreciation Expense		$32,168		
3 Total Depreciation Adjustment			$	31,269

b. Sewer Depreciable Plant

1 Full depreciation from elimination of UF Factors				
Non-UF Adjusted Depreciation	91,615			
Amortization of CIAC	(53,725)			
Net	37,889			
Less: DIUC Test Year Depreciation Expense	($53,328)			
Depreciation Adjustment		(15,439)		
2 Amortization of Deferred Depreciation Expense				
Deferred Depreciation Expense	$306,395			
Amortization Period	7			
Amortized Deferred Depreciation Expense		$43,771		
3 Total Depreciation Adjustment				28,332

L-4 Amortization Expense

a.	**Property Tax Amortization**					
	Adjusted Back Property Tax as of 12/31/14					
	2011 Adjusted Tax					
	2012 Adjusted Tax					
	2013 Adjusted Tax					
	Subtotal Adjusted Tax	*$164,894*				
	DIUC Proposed Back Taxes					
	Difference	*$164,894*				
	Amortization Period	*8*				
	Amortization Per Year		*$20,612*			
		Water		*50%*	*$10,306*	
		Sewer		*50%*	*$10,306*	
b.	Rate Case Amortization Expense					
	Unamortized Rate Case Expense from prior case	*$289,600*				
	Current Rate Case Expense	*$75,000*				
	Subtotal Rate Case Expense		*$364,600*			
	Amortization Period		*5*			
			$72,920			
	Water System			*50%*	*$36,460*	
	Sewer System			*50%*	*$36,460*	
c.	**Amortization Water**				*$46,766*	
d.	**Amortization Sewer**				*$46,766*	
e.	**Total Amortization**					***$93,532***

L-5 Property Taxes

a.	**Adjusted Property Taxes**				
	Annual Personal Property Tax		$59,213		
		Water	48%	$28,318.41	
		Sewer	52%	$30,894.77	
		Total			**$59,213**

Daufuskie Island Utility Company
Water and Wastewater Systems
Balance Sheet - Water

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Assets					
Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ (1,895,645)	$ 2,054,312
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (195,179)	$ (624,575)
Utilization Adjustment			$ -		$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (2,090,824)	$ 1,429,737
Construction Work in Progress	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant (for Rate Base)	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (2,090,824)	$ 1,429,737
Plant held for future use (not Rate Base)				$ 1,865,646	$ 1,865,646
Net Plant after plant held for fur use	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (225,178)	$ 3,295,383
Cash	$ 34,576		$ 34,576		$ 34,576
Accounts Receivable	$ 202,206		$ 202,206		$ 202,206
Provision for uncollectibles	$ -		$ -		$ -
Receivables from Associated Co.	$ -		$ -		$ -
Deferred Expenses	$ 502,686		$ 502,686		$ 502,686
Deferred Depreciation Expense			$ -	$ 225,178	$ 225,178
Accumulated Deferred Income Tax	$ -		$ -		$ -
Total Assets	**$ 4,291,288**	**$ (31,259)**	**$ 4,260,029**	**$ -**	**$ 4,260,029**
Liabilities and Equity					
Common Stock	$ 1,000		$ 1,000		$ 1,000
Premium on Capital Stock	$ 664,021		$ 664,021		$ 664,021
Paid in Capital	$ 1,765,964		$ 1,765,964		$ 1,765,964
Retained Earnings	$ (18,326)	$ (46,001)	$ (64,327)	$ -	$ (64,327)
Subtotal Equity	$ 2,412,659	$ (46,001)	$ 2,366,658	$ -	$ 2,366,658
Notes and Accts Payable	$ 1,307,975		$ 1,307,975		$ 1,307,975
Accounts Payable	$ 100,225		$ 100,225		$ 100,225
Advances from Associated Co.	$ (25,615)		$ (25,615)		$ (25,615)
Accrued Taxes	$ 157		$ 157		$ 157
Deferred Credits	$ 72,195		$ 72,195		$ 72,195
Misc Accrued Liabilities	$ 16,771		$ 16,771		$ 16,771
Misd Operating Reserves	$ -		$ -		$ -
CIAC	$ 458,500	$ 19,250	$ 477,750		$ 477,750
Less Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)		$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
Subtotal Liabilities	$ 1,878,628	$ 14,742	$ 1,893,370	$ -	$ 1,893,370
Total Liabilities and Equity	**$ 4,291,287**	**$ (31,259)**	**$ 4,260,028**	**$ -**	**$ 4,260,028**

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base - Water

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Plant in Service	$ 3,905,259	$ 44,698	$ 3,949,957	$ (1,895,645)	$ 2,054,312
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (195,179)	$ (624,575)
Utilization Adjustment		$ -	$ -		$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (2,090,824)	$ 1,429,737
CWIP	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	**$ 3,551,820**	**$ (31,259)**	**$ 3,520,561**	**$ (2,090,824)**	**$ 1,429,737**
CIAC	$ 458,500	$ 19,250	$ 477,750	$ -	$ 477,750
Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ -	$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
NET PLANT	**$ 3,144,900**	**$ (46,001)**	**$ 3,098,899**	**$ (2,090,824)**	**$ 1,008,075**
Working Capital (1/5 O&M)	$ -		$ -	$ 80,291	$ 80,291
Unamortized Balances	$ -		$ -		$ -
Net Rate Base	**$ 3,144,900**	**$ (46,001)**	**$ 3,098,899**	**$ (2,010,533)**	**$ 1,088,366**

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return - Water

		Ratio	Cost Rate	Weighted Cost	Return	Adjustments	Revised Pro Forma	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 1,307,975					$ -	$ 1,307,975				
Short-Term Debt	$ -					0	$ -				
Subtotal Debt	**$ 1,307,975**	**35.15%**	**5.29%**	**1.86%**	**$ 69,192**	**$ -**	**$ 1,307,975**	**35.15%**	**5.29%**	**1.86%**	**$ 69,192**
			2.42%	0.00%	$ -						$ -
Equity	$ 2,412,659	64.85%	**9.31%**	6.04%	$ 224,619	$ -	$ 2,412,659	64.85%	9.31%	6.04%	$ 224,619
Total Capital	**$ 3,720,634**	**100.00%**		**7.90%**	**$ 293,810**	**$ -**	**$ 3,720,634**	**100.00%**		**7.90%**	**$ 293,810**

Per SC PSC Order No. 2015-846				
Debt	46%	5.29%	2.43%	
Equity	54%	9.31%	5.03%	
Composite ROR			**7.46%**	

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement - Water

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Operating Revenue										
Residential	$ 139,071	(1a)	ORS	$ 491	$ 139,562	$ -	$ 139,562			
Commercial	$ 72,479	(1b)	ORS	$ 432	$ 72,911	$ -	$ 72,911			
Irrigation	$ 98,309	(1c)	ORS	$ 883	$ 99,192	$ -	$ 99,192			
Availability Billing	$ 213,004	(2)	ORS	$ (1,926)	$ 211,078	$ -	$ 211,078			
Misc Other Revenue	$ 20,444	(3)	ORS	$ (715)	$ 19,729	$ -	$ 19,729			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -				$ -	$ -	$ -			
Total Revenue	**$ 543,307**			**$ (835)**	**$ 542,472**	**$ -**	**$ 542,472**	**$ 160,779**	**$ 703,251**	**29.6%**
Operating Expenses										
Wages	$ 78,301	(2)	ORS	$ 9,994	$ 88,295		$ 88,295		$ 88,295	
Benefits	$ 4,490	(3)	ORS	$ (1,390)	$ 3,100		$ 3,100		$ 3,100	
Director's Fees	$ 8,250			$ -	$ 8,250		$ 8,250		$ 8,250	
Sludge Disposal	$ -			$ -	$ -		$ -		$ -	
Power	$ 57,581	*(5)*	*LML*	*$ 8,220*	$ 65,801	$ -	$ 65,801		$ 65,801	
Chemicals	$ 4,510	(6)	ORS	$ -	$ 4,510	$ -	$ 4,510		$ 4,510	
Supplies & Maintenance	$ 13,849	(7)	ORS	$ (21)	$ 13,828	$ -	$ 13,828		$ 13,828	
Outside Services - Mgmt	$ 78,825	(8)	ORS	$ (12,720)	$ 66,105		$ 66,105		$ 66,105	
Outside Services - Engineering	$ 425	(9)	ORS	$ -	$ 425		$ 425		$ 425	
Outside Services - Accounting	$ 1,381			$ -	$ 1,381		$ 1,381		$ 1,381	
Outside Services - Legal	$ 11,589			$ -	$ 11,589		$ 11,589		$ 11,589	
Outside Services - Testing	$ 81,578			$ -	$ 81,578		$ 81,578		$ 81,578	
Outside Services - Other	$ 31,026			$ -	$ 31,026		$ 31,026		$ 31,026	
Other Operating Expenses	$ (3)			$ -	$ (3)		$ (3)		$ (3)	
Transportation	$ 1,225	(10)	ORS	$ -	$ 1,225		$ 1,225		$ 1,225	
Bad Dept	$ 52,834	*(11)*	*LML*	*$ (45,999)*	$ 6,835	$ -	$ 6,835	$ 4,276 7	$ 11,112	
Insurance	$ 18,197	(12)	ORS	$ 1 258	$ 19,455		$ 19,455		$ 19,455	
Regulatory Commission Expense	$ 10,861	(13)	ORS	$ 2 645	$ 13,506		$ 13,506		$ 13,506	
Other A&G Expense	$ 14,683			$ -	$ 14,683		$ 14,683		$ 14,683	
Nonallowable Expense	$ -		ORS	$ (30,136)	$ (30,136)		$ (30,136)		$ (30,136)	
Total O&M Expense	**$ 469,602**			**$ (68,149)**	**$ 401,453**	**$ -**	**$ 401,453**		**$ 405,730**	
Depreciation	$ 36,921	*(14)*	*LML*	*$ 31,269*	$ 68,190	$ -	$ 68,190	$ -	$ 68,190	
Amortization	$ 46,210	*(15)*	*LML*	*$ 46,766*	$ 92,976	$ -	$ 92,976		$ 92,976	
Revenue Taxes	$ 3,052	(16)	ORS	$ 1,595	$ 4,647	$ -	$ 4,647	$ 5,899	$ 10,546	
Property Taxes	$ 2,105	*(17)*	*LML*	*$ 28,318*	$ 30,423	$ -	$ 30,423		$ 30,423	
Payroll Taxes	$ 6,591	(18)	ORS	$ 15	$ 6,606		$ 6,606		$ 6,606	
State and Federal Income Taxes	$ -	(19)		$ -	$ -		$ -	$ 7,584	$ 7,584	
Subtotal Other Expenses	**$ 94,879**			**$ 107,964**	**$ 202,843**	**$ -**	**$ 202,843**	**$ 13,483**	**$ 216,326**	
Total Operating Expenses	**$ 564,481**			**$ 39,815**	**$ 604,296**	**$ -**	**$ 604,296**	**$ 13,483**	**$ 622,056**	
Net Operating Income	$ (21,174)			$ (40,650)	$ (61,824)	$ -	$ (61,824)	$ 143,019 28	$ 81,195	
Add. Customer Growth	$ -			$ -	$ -		$ -			
Net Income (Loss) for Return	$ (21,174)			$ (40,650)	$ (61,824)	$ -	$ (61,824)	$ 143,019 28	*$ 81,195.24*	
Rate Base	$ 3,144,900		*LML/CEL*	$ (2,056,534)	$ 1,088,366	$ -	$ 1,088,366	$ -	**$ 1,088,366**	
Rate of Return	-0 67%				-5 68%		-5.68%		7 46%	
Interest Expense	$ 88,763			$ (45,819)	$ 42,944		$ 42,944		$ 69,192	
Operating Income after taxes	$ (109,937)								$ 12,003	
Operating Income Margin	-20 2%								1 7%	
Bad Debt rate									1 39%	
Revenue Tax									0 86%	
State Income Tax									5%	
Federal Income Tax									34%	
Desired Rate of Return									**7.46%**	
Calculated Return									$ 81,201	
Less Interest Expense									$ 69,192	
Equity Return									**$ 12,009**	
Equity Return Grossed up for Federal Tax									**$ 19,593**	
Other Revenue Requirements										
Interest Expense									$ 69,192	
Payroll Taxes									$ 6,606	
Property Taxes									$ 30,423	
Revenue Taxes									$ 4,647	
Amortization									$ 92,976	
Depreciation									$ 68,190	
Operating Expenses									**$ 401,453**	
Operating Expenses									$ 673,488	
							0 00856574	0.00831	$ 683,858	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									**$ 703,251**	

1	Total	1.0000
2	Less: Uncollectible	(0.0139)
3	Less: Rev Tax	(0.0086)
4	Less:	0.0000
5	Line 1 - Line 2 - Line 3 - Line 4	0.9775
6	State Income Tax - Line 5 X 5 00%	0.0489
7	Line 5 - Line 6	0.9287
8	Federal Income Tax - Line 7 X 34%	0.3157
9	Net - Line 7 - Line 8	0.6129
10	Gross-Up Factor - 1/Line 9	**1.6316**

Daufuskie Island Utility Company
Water and Wastewater Systems
Balance Sheet - Wastewater

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Assets					
Utility Plant	$ 4,077,571	$ 111,733	$ 4,189,304	$ (2,210,445)	$ 1,978,859
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (306,394)	$ (654,852)
Utilization Adjustment			$ -		$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (2,516,839)	$ 1,324,007
Construction Work in Progress	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (2,516,839)	$ 1,324,007
Plant Held for Future Use (Not Rate Base)				$ 2,210,445	$ 2,210,445
Net Plant after plant held for Fut Use	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (306,394)	$ 3,534,452
Cash	$ 34,576		$ 34,576		$ 34,576
Accounts Receivable	$ 198,409		$ 198,409		$ 198,409
Provision for uncollectibles	$ -		$ -		$ -
Receivables from Associated Co.	$ -		$ -		$ -
Deferred Expenses	$ 502,686		$ 502,686		$ 502,686
Deferred Depreciation Expense	$ -		$ -	$ 306,395	$ 306,395
Accumulated Deferred Income Tax	$ -		$ -		$ -
Total Assets	**$ 4,633,896**	**$ (57,379)**	**$ 4,576,517**	**$ 1**	**$ 4,576,518**
Liabilities and Equity					
Common Stock	$ 1,000		$ 1,000		$ 1,000
Premium on Capital Stock	$ 664,021		$ 664,021		$ 664,021
Paid in Capital	$ 2,459,067		$ 2,459,067		$ 2,459,067
Retained Earnings	$ (178,173)	$ (67,464)	$ (245,637)		$ (245,637)
Subtotal Equity	$ 2,945,915	$ (67,464)	$ 2,878,451	$ -	$ 2,878,451
Notes and Accts Payable	$ 1,307,975		$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,255		$ 100,255		$ 100,255
Advances from Associated Co.	$ (25,615)		$ (25,615)		$ (25,615)
Accrued Taxes	$ 8,065		$ 8,065		$ 8,065
Deferred Credits	$ 72,195		$ 72,195		$ 72,195
Misc Accrued Liabilities	$ 41,001		$ 41,001		$ 41,001
Misd Operating Reserves	$ -		$ -		$ -
CIAC	$ 201,795	$ 11,750	$ 213,545		$ 213,545
Less: Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)		$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
Subtotal Liabilities	$ 1,687,982	$ 10,085	$ 1,698,067	$ -	$ 1,698,067
Total Liabilities and Equity	**$ 4,633,897**	**$ (57,379)**	**$ 4,576,518**	**$ -**	**$ 4,576,518**

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base - Wastewater

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Plant in Service	$ 4,077,571	$ 111,733	$ 4,189,304	$ (2,210,445)	$ 1,978,859
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (306,394)	$ (654,852)
Utilization Adjustment		$ -	$ -		$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (2,516,839)	$ 1,324,007
CWIP	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	**$ 3,898,225**	**$ (57,379)**	**$ 3,840,846**	**$ (2,516,839)**	**$ 1,324,007**
CIAC	$ 201,795	$ 11,750	$ 213,545	$ -	$ 213,545
Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ -	$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
NET PLANT	$ 3,714,119	$ (67,464)	$ 3,646,655	$ (2,516,839)	$ 1,129,816
Working Capital (1/5 O&M)	$ 75,842		$ 75,842	$ (10,367)	$ 65,475
Unamortized Balances	$ -		$ -		$ -
Net Rate Base	**$ 3,789,961**	**$ (67,464)**	**$ 3,722,497**	**$ (2,527,206)**	**$ 1,195,291**

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return - Wastewater

		Ratio	Cost Rate	Weighted Cost	Return	Adjustments	Revised Pro Forma	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 1,307,975										
Short-Term Debt	$ -										
Subtotal Debt	**$ 1,307,975**	**30.75%**	**5.29%**	**1.63%**	**$ 69,192**	**$ -**	**$ 1,307,975**	**30.75%**	**5.29%**	**1.63%**	**$ 69,192**
			2.42%	0.00%							$ -
Equity	$ 2,945,915	69.25%	9.31%	6.45%	$ 274,265	$ -	$ 2,945,915	69.25%	9.31%	6.45%	**$ 274,265**
Total Capital	**$ 4,253,890**	**100.00%**		**8.07%**	**$ 343,457**		**$ 4,253,890**	**100.00%**		**8.07%**	**$ 343,457**

Per SC PSC Order No. 2015-846			
Debt	46%	5.29%	2.43%
Equity	54%	9.31%	5.03%
Composite ROR			**7.46%**

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement - Wastewater

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Operating Revenue										
Residential	$ 168,168	(1a)	ORS	$ 4,422 00	$ 172,590	$ -	$ 172,590			
Commercial	$ 78,577	(1b)	ORS	$ (5,212 00)	$ 73,365	$ -	$ 73,365			
Irrigation	$ -	(1c)	ORS	$ -	$ -	$ -	$ -			
Availability Billing	$ 276,661	(2)	ORS	$ (1,979 00)	$ 274,682	$ -	$ 274,682			
Misc Other Revenue	$ 9,749	(3)	ORS	$ 719 00	$ 10,468	$ -	$ 10,468			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -			$ -	$ -	$ -	$ -			
Total Revenue	**$ 533,155**			**$ (2,050)**	**$ 531,105**	**$ -**	**$ 531,105**	**$ 108,719**	**$ 639,824**	**20.5%**
Operating Expenses										
Wages	$ 78,301	(2)	ORS	$ 9,994	$ 88,295		$ 88,295		$ 88,295	
Benefits	$ 4,490	(3)	ORS	$ (1,390)	$ 3,100		$ 3,100		$ 3,100	
Director's Fees	$ 8,250			$ -	$ 8,250		$ 8,250		$ 8,250	
Sludge Disposal	$ -			$ -	$ -		$ -		$ -	
Power	$ 57,856	*(5)*	*LML*	*$ 8,220*	$ 66,076	$ -	$ 66,076		$ 66,076	
Chemicals	$ 4,510	(6)	ORS	$ -	$ 4,510	$ -	$ 4,510		$ 4,510	
Supplies & Maintenance	$ 13,288	(7)	ORS	$ -	$ 13,288	$ -	$ 13,288		$ 13,288	
Outside Services - Mgmt	$ 78,825	(8)	ORS	$ (12,719)	$ 66,106		$ 66,106		$ 66,106	
Outside Services - Engineering	$ 9,712	(9)	ORS	$ -	$ 9,712		$ 9,712		$ 9,712	
Outside Services - Accounting	$ 1,381			$ -	$ 1,381		$ 1,381		$ 1,381	
Outside Services - Legal	$ 11,589			$ -	$ 11,589		$ 11,589		$ 11,589	
Outside Services - Testing	$ 10,711			$ -	$ 10,711		$ 10,711		$ 10,711	
Outside Services - Other	$ 7,596			$ -	$ 7,596		$ 7,596		$ 7,596	
Other Operating Expenses	$ (2)			$ -	$ (2)		$ (2)		$ (2)	
Transportation	$ 1,225	(10)	ORS	$ -	$ 1,225		$ 1,225		$ 1,225	
Bad Debt	$ 52,834	*(11)*		*$ (44,737)*	$ 8,097	$ -	$ 8,097	$ 3,867 5	$ 11,964	
Insurance	$ 12,008	(12)	ORS	$ 7,448	$ 19,456		$ 19,456		$ 19,456	
Regulatory Commission Expense	$ 4,884	(13)	ORS	$ (2,754)	$ 2,130		$ 2,130		$ 2,130	
Other A&G Expense	$ 21,753			$ -	$ 21,753		$ 21,753		$ 21,753	
Nonallowable Expense	$ -		ORS	$ (15,897)	$ (15,897)		$ (15,897)		$ (15,897)	
Total O&M Expense	**$ 379,211**			**$ (51,835)**	**$ 327,376**	**$ -**	**$ 327,376**	**$ 3,867**	**$ 331,243**	
Depreciation	$ 36,151	*(14)*	*LML*	*$ 28,332*	$ 64,483	$ -	$ 64,483	$ -	$ 64,483	
Amortization	$ 46,210	*(15)*	*LML*	*$ 46,766*	$ 92,976	$ -	$ 92,976		$ 92,976	
Revenue Taxes	$ 2,996	(16)	ORS	$ 1,553	$ 4,549	$ -	$ 4,549	$ 5 168	$ 9,717	
Property Taxes	$ 2,105	*(17)*	*LML*	*$ 30,895*	$ 33,000	$ -	$ 33,000		$ 33,000	
Payroll Taxes	$ 6,591	(18)	ORS	$ 15	$ 6,606		$ 6,606		$ 6,606	
State and Federal Income Taxes	$ 1			$ -	$ 1		$ 1	$ 12,623	$ 12,624	
Subtotal Other Expenses	**$ 94,054**			**$ 107,561**	**$ 201,615**	**$ -**	**$ 201,615**		**$ 219,406**	
Total Operating Expenses	**$ 473,265**			**$ 55,726**	**$ 528,991**	**$ -**	**$ 528,991**	**$ 3,867**	**$ 550,649**	
Net Operating Income	$ 59,890			$ (57,776)	$ 2,114	$ -	$ 2,114	$ 87,060.24	$ 89,174	
Add. Customer Growth	$ -			$ 63	$ 63		$ 63			
Net Income (Loss) for Return	$ 59,890			$ (57,713)	$ 2,177	$ -	$ 2,177	$ 87,060 24	*$ 89,174 42*	
Rate Base	$ 3,789,961		*LML/CEL*	$ (2,594,670)	$ 1,195,291	$ -	$ 1,195,291		**$ 1,195,291**	
Rate of Return	1.58%				0 18%				7 46%	
Interest Expense	$ 88,763			$ (10,495)	$ 78,268		$ 78,268		$ 69,192	
Operating Income after taxes	$ (28,873)								$ 19,983	
Operating Income Margin	-5.4%								3.1%	
Bad Debt rate									1.39%	
Revenue Tax									0.86%	
State Income Tax									5%	
Federal Income Tax									34%	
Desired Rate of Return									**7.46%**	
Calculated Return									$ 89,178	
Less Interest Expense									$ 69,192	
Equity Return									**$ 19,986**	
Equity Return Grossed up for Federal Tax									**$ 32,609**	
Other Revenue Requirements										
Interest Expense									$ 69,192	
Payroll Taxes									$ 6,606	
Property Taxes									$ 33,000	
Revenue Taxes									$ 4,549	
Amortization									$ 92,976	
Depreciation									$ 64,483	
Operating Expenses									**$ 327,376**	
Operating Expenses									$ 598,182	
							0.00856574	0 00631	$ 607,214	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									**$ 639,824**	

1	Total	1.0000
2	Less: Uncollectible	(0.0139)
3	Less: Rev Tax	(0.0086)
4	Less:	0.0000
5	Line 1 - Line 2 - Line 3 - Line 4	0.9775
6	State Income Tax - Line 5 X 5.00%	0.0489
7	Line 5 - Line 6	0.9287
8	Federal Income Tax - Line 7 X 34%	0.3157
9	Net - Line 7 - Line 8	0.6129
10	Gross-Up Factor - 1/Line 9	**1.6316**

Daufuskie Island Utility Company
Water and Wastewater Systems
Property Tax Adjustment

	2011	2012	2013	2014
Estimated Property Taxes With CIAC				
Net Plant	$4,703,358	$4,552,231	$4,526,446	$5,165,934
Net CIAC	($3,076,679)	($3,016,352)	($2,957,207)	($2,899,223)
Taxable Base	$1,626,679	$1,535,879	$1,569,239	$2,266,711
Assessment Ratio	10.5%	10.5%	10.5%	10.5%
Milliage Rate	0.197540	0.200850	0.240033	0.248790
Tax Due	$33,740	$32,391	$39,550	$59,213
Total Back Taxes			$164,894	
Total Annual Tax				$59,213

Attachment A

Exhibit LML-R5

Impact of Commisson's Order
Accepting ORS/POA Settlement

			PSC Revenue Allowance
REVENUES			
	Operating Revenues-Water		$821,375
	Operating Revenues-Sewer		$715,000
Total Revenues			$1,536,375
OPERATING EXPENSES			
	O&M Expenses		$906,611
	Rate Case Expense		$47,800
	Depreciation	b	$93,089
	Payroll Tax		$13,212
	Property Tax		$258,227
	Other Taxes		$13,520
	Income Taxes		$22,904
Total Operating Deductions			$1,355,363
Net Operating Income		a	$181,012
Interest Expense			$142,510
NET INCOME			$38,502
DEBT SERVICE			
	$2.75 Milllion Term Loan		$265,974
	$500,000 Line-of-Credit		$12,150
		c	$278,124
	CASH FLOW		
		a+b-c	($4,023)
	SunTrust Bank - Loan Requirements		
			$2.75M Note
	Debt Service Coverage:		
	Net Income + Deprec + Amort + Interest		$274,101
	Principal & Interest		$265,974
	Coverage Ratio	> 1.0	1.03
	Passed Test		**YES**
	EBITDA Ratio:		
	NOI + IT + Deprec + Amort		$297,005
	Total Debt		$2,750,000
	Ratio		9.26
	Passed Test		**Not Required**

Attachment A

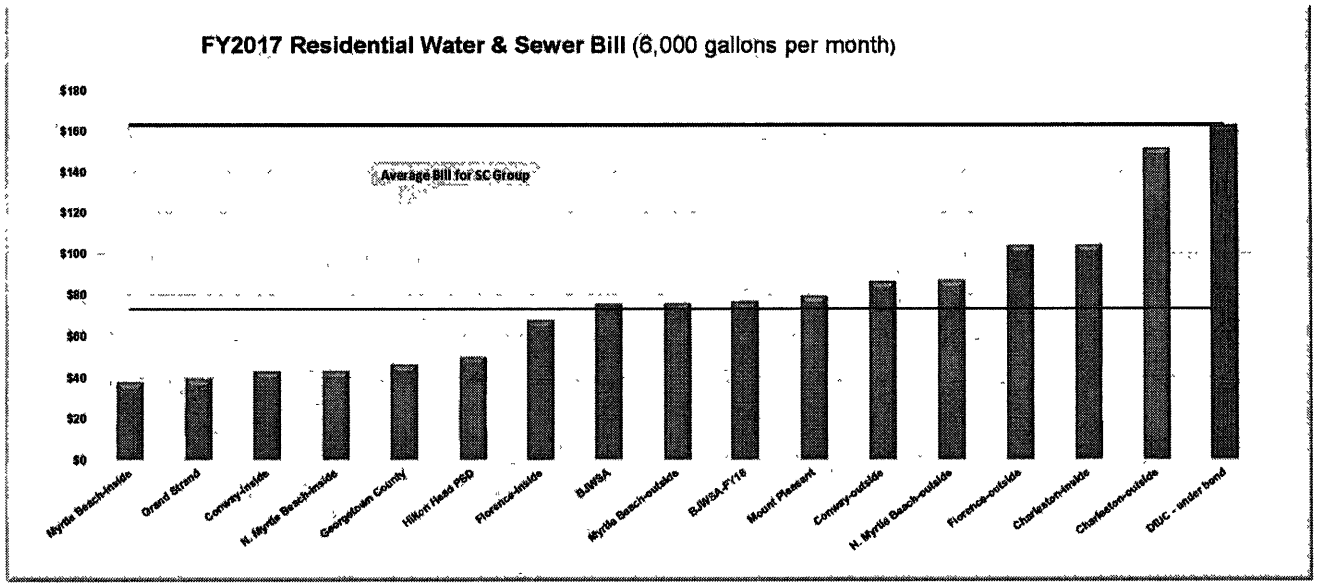
Exhibit LML-R6

Impact of Commisson's Order
Accepting ORS/POA Settlement

			PSC Revenue Allowance		LML Proposed Revenue Requirements
REVENUES					
Operating Revenues-Water			$821,375		$712,166
Operating Revenues-Sewer			$715,000		$581,403
Total Revenues			$1,536,375		$1,293,569
OPERATING EXPENSES					
O&M Expenses			$906,611		$736,731
Rate Case Expense/Amortization			$47,800		$185,953
Depreciation		b	$93,089		$81,351
Payroll Tax			$13,212		$13,213
Property Tax			$258,227		$63,422
Other Taxes			$13,520		$19,740
Income Taxes			$22,904		$21,210
Total Operating Deductions			$1,355,363		$1,121,619
Net Operating Income		a	$181,012		$171,949
Interest Expense			$142,510		$138,384
NET INCOME			$38,502		$33,565
DEBT SERVICE					
$2.75 Milllion Term Loan			$265,974		*$265,974*
$500,000 Line-of-Credit			$12,150		*$12,150*
		c	$278,124		*$278,124*
CASH FLOW					
Net Income + Depreciation - Debt Service		a+b-c	($4,023)		($24,824)
Amortization of Property Taxes				From C-5	$20,612
Amortization of Rate Case Expense				From C-5	$57,920
Amortization of Deferred Depreciation Expense				From C-5	$18,595
Net Cash Flow					$72,303
SunTrust Bank - Loan Requirements					
			$2.75M Note		
Debt Service Coverage:					
Net Income + Deprec + Amort + Interest			$274,101		$439,253
Principal & Interest			$265,974		*$265,974*
Coverage Ratio	> 1.50		1.03		1.65
Passed Test			**NO**		**YES**
EBITDA Ratio:					
NOI + IT + Deprec + Amort			$297,005		$371,637
Total Debt			$2,750,000		*$2,750,000*
Ratio	< 6.00		9.26		7.40
Passed Test			**NO**		**Not Required**

Grand Strand Water and Sewer Authority
Water and Sewer Rate Survey of Coastal Utilities
(For 6,000 Average Residential Consumption)

City	Serviced Area	FY2008 Total Water & Sewer Bill (6,000 Gal)	FY2009 Total Water & Sewer Bill (6,000 Gal)	FY2010 Total Water & Sewer Bill (6,000 Gal)	FY2011 Total Water & Sewer Bill (6,000 Gal)	FY2012 Total Water & Sewer Bill (6,000 Gal)	FY2013 Total Water & Sewer Bill (6,000 Gal)	FY2014 Total Water & Sewer Bill (6,000 Gal)	FY2015 Total Water & Sewer Bill (6,000 Gal)	FY2016 Total Water & Sewer Bill (6,000 Gal)	FY2017 Total Water & Sewer Bill (6,000 Gal)	Average	DIUC
Myrtle Beach-inside	Inside City	$ 29.40	$ 30.73	$ 30.73	$ 30.73	$ 32.34	$ 33.81	$ 35.35	$ 36.01	$ 36.99	$ 38.12	$ 72.99	$ 163.23
Grand Strand	All Areas Served	$ 34.30	$ 34.30	$ 35.30	$ 35.30	$ 36.70	$ 36.70	$ 38.42	$ 38.42	$ 39.64	$ 39.64	$ 72.99	$ 163.23
Conway-inside	Inside City	$ 39.37	$ 39.37	$ 39.37	$ 43.26	$ 43.26	$ 43.26	$ 43.26	$ 43.26	$ 43.26	$ 43.26	$ 72.99	$ 163.23
N. Myrtle Beach-inside	Inside City	$ 39.31	$ 39.31	$ 39.31	$ 41.31	$ 41.96	$ 41.96	$ 42.76	$ 42.86	$ 43.30	$ 43.54	$ 72.99	$ 163.23
Georgetown County	All Areas Served	$ 39.68	$ 39.68	$ 39.68	$ 41.76	$ 41.76	$ 42.87	$ 44.87	$ 44.87	$ 45.37	$ 46.62	$ 72.99	$ 163.23
Hilton Head PSD	Residential	$ 41.15	$ 41.15	$ 41.75	$ 44.75	$ 44.75	$ 46.75	$ 46.75	$ 48.75	$ 48.75	$ 50.40	$ 72.99	$ 163.23
Florence-inside	Inside City	$ 50.08	$ 53.05	$ 56.23	$ 57.98	$ 59.49	$ 61.11	$ 62.73	$ 64.35	$ 66.02	$ 67.75	$ 72.99	$ 163.23
BJWSA	Residential	$ 61.72	$ 65.52	$ 65.52	$ 65.52	$ 69.06	$ 69.06	$ 69.06	$ 73.36	$ 74.74	$ 75.54	$ 72.99	$ 163.23
Myrtle Beach-outside	Outside City	$ 58.80	$ 61.46	$ 61.46	$ 61.46	$ 64.68	$ 67.62	$ 70.70	$ 72.02	$ 73.98	$ 76.24	$ 72.99	$ 163.23
BJWSA-FY18											$ 76.54	$ 72.99	$ 163.23
Mount Pleasant	Residential	$ 49.94	$ 51.09	$ 55.66	$ 55.66	$ 58.46	$ 61.41	$ 66.12	$ 71.82	$ 75.82	$ 79.60	$ 72.99	$ 163.23
Conway-outside	Outside City	$ 78.75	$ 78.75	$ 78.75	$ 86.52	$ 86.52	$ 86.52	$ 86.52	$ 86.52	$ 86.52	$ 86.52	$ 72.99	$ 163.23
N. Myrtle Beach-outside	Outside City	$ 78.62	$ 78.62	$ 78.62	$ 82.62	$ 83.92	$ 83.92	$ 85.52	$ 85.76	$ 86.60	$ 87.08	$ 72.99	$ 163.23
Florence-outside	Outside City	$ 72.93	$ 79.50	$ 86.65	$ 89.12	$ 91.41	$ 93.96	$ 96.45	$ 98.94	$ 101.51	$ 104.20	$ 72.99	$ 163.23
Charleston-inside	Inside	$ 74.00	$ 76.95	$ 80.45	$ 83.64	$ 87.89	$ 91.92	$ 96.67	$ 101.46	$ 104.32	$ 104.32	$ 72.99	$ 163.23
Charleston-outside	Outside	$ 109.46	$ 115.92	$ 119.19	$ 123.28	$ 129.66	$ 136.04	$ 144.63	$ 147.77	$ 151.84	$ 151.84	$ 72.99	$ 163.23
DIUC - under bond											$ 163.23	$ 72.99	$ 163.23
Difference vs. Average											$ 90.24	$ 72.99	
Percent Difference vs. Average											124%		



Grand Strand Water and Sewer Authority
Water and Sewer Rate Survey of Coastal Utilities
(For 6,000 Average Residential Consumption)

City	Serviced Area	FY2008 Water Only Bill (6,000 Gal)	FY2008 Sewer Only Bill (6,000 Gal)	FY2008 Total Water & Sewer Bill (6,000 Gal)	FY2009 Water Only Bill (6,000 Gal)	FY2009 Sewer Only Bill (6,000 Gal)	FY2009 Total Water & Sewer Bill (6,000 Gal)	FY2010 Water Only Bill (6,000 Gal)	FY2010 Sewer Only Bill (6,000 Gal)	FY2010 Total Water & Sewer Bill (6,000 Gal)	FY2011 Water Only Bill (6,000 Gal)	FY2011 Sewer Only Bill (6,000 Gal)	FY2011 Total Water & Sewer Bill (6,000 Gal)	FY2012 Water Only Bill (6,000 Gal)	FY2012 Sewer Only Bill (6,000 Gal)	FY2012 Total Water & Sewer Bill (6,000 Gal)
Grand Strand Water & Sewer	All Areas Served	$ 16.80	$ 19.40	$ 34.30	$ 16.80	$ 19.40	$ 34.30	$ 17.30	$ 19.90	$ 35.30	$ 17.30	$ 19.90	$ 35.30	$ 17.85	$ 20.75	$ 36.70
Myrtle Beach - inside city	Inside City	$ 12.95	$ 16.45	$ 29.40	$ 12.95	$ 17.78	$ 30.73	$ 12.95	$ 17.78	$ 30.73	$ 12.95	$ 17.78	$ 30.73	$ 12.95	$ 19.39	$ 32.34
Myrtle Beach - outside city	Outside City	$ 25.90	$ 32.90	$ 58.80	$ 25.90	$ 35.56	$ 61.46	$ 25.90	$ 35.56	$ 61.46	$ 25.90	$ 35.56	$ 61.46	$ 25.90	$ 38.78	$ 64.68
North Myrtle Beach - inside city	Inside City	$ 20.94	$ 18.37	$ 39.31	$ 20.94	$ 18.37	$ 39.31	$ 20.94	$ 18.37	$ 39.31	$ 21.89	$ 19.42	$ 41.31	$ 22.19	$ 19.77	$ 41.96
North Myrtle Beach - outside city	Outside City	$ 41.88	$ 36.74	$ 78.62	$ 41.88	$ 36.74	$ 78.62	$ 41.88	$ 36.74	$ 78.62	$ 43.78	$ 38.84	$ 82.62	$ 44.38	$ 39.54	$ 83.92
Georgetown County	All Areas Served	$ 20.38	$ 24.54	$ 39.68	$ 20.38	$ 24.54	$ 39.68	$ 20.38	$ 24.54	$ 39.68	$ 20.94	$ 25.51	$ 41.76	$ 20.94	$ 25.51	$ 41.76
Beaufort Jasper Water & Sewer	Residential	$ 24.92	$ 36.80	$ 61.72	$ 25.92	$ 39.60	$ 65.52	$ 25.92	$ 39.60	$ 65.52	$ 25.92	$ 39.60	$ 65.52	$ 26.76	$ 42.30	$ 69.06
	Commercial	$ 24.92	$ 36.80	$ 61.72	$ 25.92	$ 39.60	$ 65.52	$ 25.92	$ 39.60	$ 65.52	$ 25.92	$ 39.60	$ 65.52	$ 26.76	$ 42.30	$ 69.06
Mount Pleasant	Residential	$ 21.05	$ 28.89	$ 49.94	$ 21.47	$ 29.62	$ 51.09	$ 23.38	$ 32.28	$ 55.66	$ 23.38	$ 32.28	$ 55.66	$ 24.54	$ 33.92	$ 58.46
	Commercial	$ 21.05	$ 32.79	$ 53.84	$ 21.47	$ 33.64	$ 55.11	$ 23.38	$ 36.66	$ 60.04	$ 23.38	$ 36.66	$ 60.04	$ 24.54	$ 38.48	$ 63.02
Charleston - inside city	Inside	$ 17.72	$ 56.28	$ 74.00	$ 18.51	$ 60.44	$ 78.95	$ 19.01	$ 61.44	$ 80.45	$ 19.84	$ 63.80	$ 83.64	$ 20.85	$ 67.04	$ 87.89
Charleston - outside city	Outside	$ 31.06	$ 78.42	$ 109.48	$ 32.26	$ 83.66	$ 115.92	$ 33.53	$ 85.66	$ 119.19	$ 35.21	$ 88.02	$ 123.23	$ 36.80	$ 92.86	$ 129.66
Conway - inside city	Inside City	$ 18.42	$ 20.95	$ 39.37	$ 18.42	$ 20.95	$ 39.37	$ 18.42	$ 20.95	$ 39.37	$ 20.24	$ 23.02	$ 43.26	$ 20.24	$ 23.02	$ 43.26
Conway - outside city	Outside City	$ 36.85	$ 41.90	$ 78.75	$ 36.85	$ 41.90	$ 78.75	$ 36.85	$ 41.90	$ 78.75	$ 40.48	$ 46.04	$ 86.52	$ 40.48	$ 46.04	$ 86.52
Florence - inside city	Inside City	$ 20.40	$ 29.68	$ 50.08	$ 21.61	$ 31.44	$ 53.05	$ 22.91	$ 33.32	$ 56.23	$ 22.50	$ 35.48	$ 57.98	$ 22.99	$ 36.50	$ 59.49
Florence - outside city	Outside City	$ 29.49	$ 43.44	$ 72.93	$ 32.17	$ 47.33	$ 79.50	$ 35.04	$ 51.61	$ 86.65	$ 34.20	$ 54.92	$ 89.12	$ 34.93	$ 56.48	$ 91.41
Hilton Head PSD#1	Residential	$ 17.75	$ 23.40	$ 41.15	$ 17.75	$ 23.40	$ 41.15	$ 17.75	$ 24.00	$ 41.75	$ 18.75	$ 26.00	$ 44.75	$ 18.75	$ 26.00	$ 44.75
	Commercial	$ 24.25	$ 21.00	$ 45.25	$ 24.25	$ 21.00	$ 45.25	$ 24.25	$ 21.60	$ 45.85	$ 25.25	$ 26.00	$ 51.25	$ 25.25	$ 26.00	$ 51.25
City of Columbia	Residential - Inside City															
	Commercial - Inside City															
	Residential - Outside City															
	Commercial - Outside City															
DIUC - under bond																

City	Serviced Area	FY2013 Water Only Bill (6,000 Gal)	FY2013 Sewer Only Bill (6,000 Gal)	FY2013 Total Water & Sewer Bill (6,000 Gal)	FY2014 Water Only Bill (6,000 Gal)	FY2014 Sewer Only Bill (6,000 Gal)	FY2014 Total Water & Sewer Bill (6,000 Gal)	FY2015 Water Only Bill (6,000 Gal)	FY2015 Sewer Only Bill (6,000 Gal)	FY2015 Total Water & Sewer Bill (6,000 Gal)	FY2016 Water Only Bill (6,000 Gal)	FY2016 Sewer Only Bill (6,000 Gal)	FY2016 Total Water & Sewer Bill (6,000 Gal)	FY2017 Water Only Bill (6,000 Gal)	FY2017 Sewer Only Bill (6,000 Gal)	FY2017 Total Water & Sewer Bill (6,000 Gal)
Grand Strand Water & Sewer	All Areas Served	$ 17.85	$ 20.75	$ 36.70	$ 18.34	$ 21.98	$ 38.42	$ 18.34	$ 21.98	$ 38.42	$ 18.90	$ 22.54	$ 39.84	$ 18.90	$ 22.54	$ 39.84
Myrtle Beach - inside city	Inside City	$ 12.95	$ 20.86	$ 33.81	$ 12.95	$ 22.40	$ 35.35	$ 13.19	$ 22.82	$ 36.01	$ 13.39	$ 23.60	$ 36.99	$ 13.89	$ 24.23	$ 38.12
Myrtle Beach - outside city	Outside City	$ 25.90	$ 41.72	$ 67.62	$ 25.90	$ 44.80	$ 70.70	$ 26.38	$ 45.64	$ 72.02	$ 26.78	$ 47.20	$ 73.98	$ 27.78	$ 48.46	$ 76.24
North Myrtle Beach - inside city	Inside City	$ 22.19	$ 19.77	$ 41.96	$ 22.49	$ 20.27	$ 42.76	$ 22.49	$ 20.39	$ 42.88	$ 22.67	$ 20.63	$ 43.30	$ 22.67	$ 20.87	$ 43.54
North Myrtle Beach - outside city	Outside City	$ 44.38	$ 39.54	$ 83.92	$ 44.98	$ 40.54	$ 85.52	$ 44.98	$ 40.78	$ 85.76	$ 45.34	$ 41.26	$ 86.60	$ 46.34	$ 41.74	$ 87.08
Georgetown County	All Areas Served	$ 20.47	$ 27.06	$ 42.87	$ 22.08	$ 28.06	$ 44.87	$ 22.08	$ 28.06	$ 44.87	$ 22.33	$ 28.31	$ 45.37	$ 22.69	$ 29.20	$ 46.62
Beaufort Jasper Water & Sewer	Residential	$ 26.76	$ 42.30	$ 69.06	$ 26.76	$ 42.30	$ 69.06	$ 27.76	$ 45.60	$ 73.36	$ 28.06	$ 46.68	$ 74.74	$ 28.46	$ 47.08	$ 75.54
	Commercial	$ 26.76	$ 42.30	$ 69.06	$ 26.76	$ 42.30	$ 69.06	$ 29.76	$ 45.60	$ 75.36	$ 30.06	$ 46.68	$ 76.74	$ 32.46	$ 49.68	$ 82.14
Mount Pleasant	Residential	$ 25.77	$ 35.64	$ 61.41	$ 27.75	$ 38.37	$ 66.12	$ 30.42	$ 41.40	$ 71.82	$ 32.42	$ 43.40	$ 75.82	$ 34.10	$ 45.50	$ 79.60
	Commercial	$ 25.77	$ 40.44	$ 66.21	$ 27.75	$ 43.53	$ 71.28	$ 30.42	$ 46.56	$ 76.98	$ 32.42	$ 48.56	$ 80.98	$ 34.10	$ 50.96	$ 85.06
Charleston - inside city	Inside	$ 21.58	$ 70.34	$ 91.92	$ 22.46	$ 76.21	$ 98.67	$ 23.27	$ 78.19	$ 101.46	$ 24.15	$ 80.17	$ 104.32	$ 24.15	$ 80.17	$ 104.32
Charleston - outside city	Outside	$ 38.34	$ 97.70	$ 136.04	$ 39.57	$ 105.06	$ 144.63	$ 40.80	$ 106.97	$ 147.77	$ 42.03	$ 109.81	$ 151.84	$ 42.03	$ 109.81	$ 151.84
Conway - inside city	Inside City	$ 20.24	$ 23.02	$ 43.26	$ 20.24	$ 23.02	$ 43.26	$ 20.24	$ 23.02	$ 43.26	$ 20.24	$ 23.02	$ 43.26	$ 20.24	$ 23.02	$ 43.26
Conway - outside city	Outside City	$ 40.48	$ 46.04	$ 86.52	$ 40.48	$ 46.04	$ 86.52	$ 40.48	$ 46.04	$ 86.52	$ 40.48	$ 46.04	$ 86.52	$ 40.48	$ 46.04	$ 86.52
Florence - inside city	Inside City	$ 23.48	$ 37.63	$ 61.11	$ 23.97	$ 38.76	$ 62.73	$ 24.46	$ 39.89	$ 64.35	$ 24.95	$ 41.07	$ 66.02	$ 25.44	$ 42.31	$ 67.75
Florence - outside city	Outside City	$ 35.72	$ 58.24	$ 93.96	$ 36.45	$ 60.00	$ 96.45	$ 37.24	$ 61.70	$ 98.94	$ 37.97	$ 63.54	$ 101.51	$ 38.70	$ 65.50	$ 104.20
Hilton Head PSD#1	Residential	$ 19.75	$ 27.00	$ 46.75	$ 19.75	$ 27.00	$ 46.75	$ 20.75	$ 28.00	$ 48.75	$ 20.75	$ 28.00	$ 48.75	$ 22.40	$ 28.00	$ 50.40
	Commercial	$ 26.25	$ 27.00	$ 53.25	$ 26.25	$ 27.00	$ 53.25	$ 27.25	$ 28.00	$ 55.25	$ 27.25	$ 28.00	$ 55.25	$ 29.14	$ 29.00	$ 58.14
City of Columbia	Residential - Inside City										$ 18.45	$ 34.04	$ 52.49	$ 18.45	$ 34.04	$ 52.49
	Commercial - Inside City										$ 17.65	$ 34.04	$ 51.69	$ 17.65	$ 34.04	$ 51.69
	Residential - Outside City										$ 31.37	$ 57.86	$ 89.23	$ 31.37	$ 57.86	$ 89.23
	Commercial - Outside City										$ 30.37	$ 57.86	$ 88.23	$ 30.37	$ 57.86	$ 88.23
DIUC - under bond														**$ 76.23**	**$ 87.01**	**$ 163.23**

ROA 2564

Exhibit LML-R7
2 of 2

EXHIBIT
12/7/17
Rehrg. 7
2014-346-WS
FENSAD 800-631-6989

Daufuskie Island Utility Company
Water and Wastewater Systems
Comparative Balance Sheets

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Water					
Assets					
Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Acquistion Adjustments	$ -	$ -	$ -	$ -	$ -
Total Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Utilization Adjustment			$ -	$ -	$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
Construction Work in Progress	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
Plant Held for Future Use (Not Rate Base				$ -	$ -
Net Plant after Plant Held for Fut Use	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
Cash	$ 34,576	$ -	$ 34,576	$ -	$ 34,576
Accounts Receivable	$ 202,206	$ -	$ 202,206	$ -	$ 202,206
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co.	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 502,686	$ -	$ 502,686	$ -	$ 502,686
Deferred Depreciation Expense	$ -	$ -	$ -	$ 848,164	$ 848,164
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 4,291,288**	**$ (31,259)**	**$ 4,260,029**	**$ -**	**$ 4,260,029**
Liabilities and Equity					
Common Stock	$ 1,000	$ -	$ 1,000	$ -	$ 1,000
Premium on Capital Stock	$ 664,021	$ -	$ 664,021	$ -	$ 664,021
Paid in Capital	$ 1,765,964	$ -	$ 1,765,964	$ 1	$ 1,765,965
Retained Earnings	$ (18,326)	$ (46,001)	$ (64,327)	$ -	$ (64,327)
Subtotal Equity	$ 2,412,659	$ (46,001)	$ 2,366,658	$ 1	$ 2,366,659
Notes and Accts Payable	$ 1,307,975	$ -	$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,225	$ -	$ 100,225	$ -	$ 100,225
Advances from Associated Co.	$ (25,615)	$ -	$ (25,615)	$ -	$ (25,615)
Accrued Taxes	$ 157	$ -	$ 157	$ -	$ 157
Deferred Credits	$ 72,195	$ -	$ 72,195	$ -	$ 72,195
Misc Accrued Liabilities	$ 16,771	$ -	$ 16,771	$ -	$ 16,771
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 458,500	$ 19,250	$ 477,750	$ -	$ 477,750
Less: Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ -	$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
Subtotal Liabilities	$ 1,878,628	$ 14,742	$ 1,893,370	$ -	$ 1,893,370
Total Liabilities and Equity	**$ 4,291,287**	**$ (31,259)**	**$ 4,260,028**	**$ 1**	**$ 4,260,029**
Total Adjustments					

Wastewater					
Assets					
Utility Plant	$ 4,077,571	$ 111,733	$ 4,189,304	$ -	$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,429,925)	$ (1,778,383)
Utilization Adjustment			$ -	$ -	$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,429,925)	$ 2,410,921
Construction Work in Progress	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,429,925)	$ 2,410,921
Plant Held for Future Use (Not Rate Base)				$ -	$ -
Net Plant after Plant Held for Fut Use	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,429,925)	$ 2,410,921
Cash	$ 34,576	$ -	$ 34,576	$ -	$ 34,576
Accounts Receivable	$ 198,409	$ -	$ 198,409	$ -	$ 198,409
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co.	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 502,686	$ -	$ 502,686	$ -	$ 502,686

Deferred Depreciation Expense	$ -	$ -	$ -	$ 1,429,925	$ 1,429,925
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 4,633,896**	**$ (57,379)**	**$ 4,576,517**	**$ -**	**$ 4,576,517**
Liabilities and Equity					
Common Stock	$ 1,000	$ -	$ 1,000	$ -	$ 1,000
Premium on Capital Stock	$ 664,021	$ -	$ 664,021	$ -	$ 664,021
Paid in Capital	$ 2,459,067	$ -	$ 2,459,067	$ (1)	$ 2,459,066
Retained Earnings	$ (178,173)	$ (67,464)	$ (245,637)	$ -	$ (245,637)
Subtotal Equity	$ 2,945,915	$ (67,464)	$ 2,878,451	$ (1)	$ 2,878,450
Notes and Accts Payable	$ 1,307,975	$ -	$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,255	$ -	$ 100,255	$ -	$ 100,255
Advances from Associated Co.	$ (25,615)	$ -	$ (25,615)	$ -	$ (25,615)
Accrued Taxes	$ 8,065	$ -	$ 8,065	$ -	$ 8,065
Deferred Credits	$ 72,195	$ -	$ 72,195	$ -	$ 72,195
Misc Accrued Liabilities	$ 41,001	$ -	$ 41,001	$ -	$ 41,001
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 201,795	$ 11,750	$ 213,545	$ -	$ 213,545
Less: Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ -	$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
Subtotal Liabilities	$ 1,687,982	$ 10,085	$ 1,698,067	$ -	$ 1,698,067
Total Liabilities and Equity	**$ 4,633,897**	**$ (57,379)**	**$ 4,576,518**	**$ (1)**	**$ 4,576,517**
Total Adjustments					

Combined Water & Wastewater					
Assets					
Utility Plant	$ 7,982,830	$ 156,431	$ 8,139,261	$ -	$ 8,139,261
Accumulated Depreciation	$ (787,638)	$ 9,784	$ (777,854)	$ (2,278,089)	$ (3,055,943)
Utilization Adjustment	$ -	$ -	$ -	$ -	$ -
Net Utility Plant	$ 7,195,192	$ 166,215	$ 7,361,407	$ (2,278,089)	$ 5,083,318
Construction Work in Progress	$ 254,853	$ (254,853)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (2,278,089)	$ 5,083,318
Plant Held for Future Use (Not Rate Based)	$ -	$ -	$ -	$ -	$ -
Net Plant After Plant Held for Fut Use	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (2,278,089)	$ 5,083,318
Cash	$ 69,152	$ -	$ 69,152	$ -	$ 69,152
Accounts Receivable	$ 400,615	$ -	$ 400,615	$ -	$ 400,615
Provision for uncollectibles	$ -	$ -	$ -	$ -	$ -
Receivables from Associated Co.	$ -	$ -	$ -	$ -	$ -
Deferred Expenses	$ 1,005,372	$ -	$ 1,005,372	$ -	$ 1,005,372
Deferred Depreciation Expense	$ -	$ -	$ -	$ 2,278,089	$ 2,278,089
Accumulated Deferred Income Tax	$ -	$ -	$ -	$ -	$ -
Total Assets	**$ 8,925,184**	**$ (88,638)**	**$ 8,836,546**	**$ -**	**$ 8,836,546**
Liabilities and Equity					
Common Stock	$ 2,000	$ -	$ 2,000	$ -	$ 2,000
Premium on Capital Stock	$ 1,328,042	$ -	$ 1,328,042	$ -	$ 1,328,042
Paid in Capital	$ 4,225,031	$ -	$ 4,225,031	$ -	$ 4,225,031
Retained Earnings	$ (196,499)	$ (113,465)	$ (309,964)	$ -	$ (309,964)
Subtotal Equity	$ 5,358,574	$ (113,465)	$ 5,245,109	$ -	$ 5,245,109
Notes and Accts Payable	$ 2,615,950	$ -	$ 2,615,950	$ -	$ 2,615,950
Accounts Payable	$ 200,480	$ -	$ 200,480	$ -	$ 200,480
Advances from Associated Co.	$ (51,230)	$ -	$ (51,230)	$ -	$ (51,230)
Accrued Taxes	$ 8,222	$ -	$ 8,222	$ -	$ 8,222
Deferred Credits	$ 144,390	$ -	$ 144,390	$ -	$ 144,390
Misc Accrued Liabilities	$ 57,772	$ -	$ 57,772	$ -	$ 57,772
Misd Operating Reserves	$ -	$ -	$ -	$ -	$ -
CIAC	$ 660,295	$ 31,000	$ 691,295	$ -	$ 691,295
Less: Accum Amort of CIAC	$ (69,269)	$ (6,173)	$ (75,442)	$ -	$ (75,442)
Net CIAC	$ 591,026	$ 24,827	$ 615,853	$ -	$ 615,853
Subtotal Liabilities	$ 3,566,610	$ 24,827	$ 3,591,437	$ -	$ 3,591,437
Total Liabilities and Equity	**$ 8,925,184**	**$ (88,638)**	**$ 8,836,546**	**$ -**	**$ 8,836,546**
Total Adjustments					

Exhibit LML-R8
Schedule C-2

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Water					
Plant in Service	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Utilization Adjustment (W-2)				$ -	$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
CWIP	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
CIAC	$ 458,500	$ 19,250	$ 477,750	$ -	$ 477,750
Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ -	$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
NET PLANT	$ 3,144,900	$ (46,001)	$ 3,098,899	$ (848,164)	$ 2,250,735
Working Capital (1/5 O&M)	$ -	$ -	$ -	$ 80,291	$ 80,291
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 3,144,900	$ (46,001)	$ 3,098,899	$ (767,873)	$ 2,331,026
Wastewater					
Plant in Service	$ 4,077,571	$ 111,733	$ 4,189,304	$ -	$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,429,925)	$ (1,778,383)
Utilization Adjustment (S-2)				$ -	$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,429,925)	$ 2,410,921
CWIP	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,429,925)	$ 2,410,921
CIAC	$ 201,795	$ 11,750	$ 213,545	$ -	$ 213,545
Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ -	$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
NET PLANT	$ 3,714,119	$ (67,464)	$ 3,646,655	$ (1,429,925)	$ 2,216,730
Working Capital (1/5 O&M)	$ 75,842	$ -	$ 75,842	$ (10,367)	$ 65,475
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 3,789,961	$ (67,464)	$ 3,722,497	$ (1,440,292)	$ 2,282,205
Combined					
Plant in Service	$ 7,982,830	$ 156,431	$ 8,139,261	$ -	$ 8,139,261
Accumulated Depreciation	$ (787,638)	$ 9,784	$ (777,854)	$ (2,278,089)	$ (3,055,943)
Utilization Adjustment	$ -	$ -	$ -	$ -	$ -
Net Utility Plant	$ 7,195,192	$ 166,215	$ 7,361,407	$ (2,278,089)	$ 5,083,318
CWIP	$ 254,853	$ (254,853)	$ -	$ -	$ -
Net Plant	$ 7,450,045	$ (88,638)	$ 7,361,407	$ (2,278,089)	$ 5,083,318
CIAC	$ 660,295	$ 31,000	$ 691,295	$ -	$ 691,295
Accum Amort of CIAC	$ (69,269)	$ (6,173)	$ (75,442)	$ -	$ (75,442)
Net CIAC	$ 591,026	$ 24,827	$ 615,853	$ -	$ 615,853
NET PLANT	$ 6,859,019	$ (113,465)	$ 6,745,554	$ (2,278,089)	$ 4,467,465
Working Capital (1/5 O&M)	$ 75,842	$ -	$ 75,842	$ 69,924	$ 145,766
Unamortized Balances	$ -	$ -	$ -	$ -	$ -
Net Rate Base	$ 6,934,861	$ (113,465)	$ 6,821,396	$ (2,208,165)	$ 4,613,231

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return

	DIUC Proposed (SCH. A-3)	Adjustment	2014 Year-End	Ratio	Cost Rate	Weighted Cost	Return	Adjustment	Adjusted 2014 Year-End	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 3,750,000	$ (1,134,050)	$ 2,615,950					$ -	$ 2,615,950				
Short-Term Debt	$ -		$ -					$ -	$ -				
Subtotal Debt	**$ 3,750,000**		**$ 2,615,950**	**32.80%**	**5.29%**	**1.74%**	**$ 138,384**		**$ 2,615,950**	**32.80%**	**5.29%**	**1.74%**	**$ 138,383.76**
Equity	$ 5,358,574		$ 5,358,574	67.20%	**9.31%**	**6.26%**	$ 498,883	$ -	$ 5,358,574	67.20%	**9.31%**	6.26%	$ 498,883.24
Total Capital	**$ 9,108,574**		**$ 7,974,524**	**100.00%**		**7.99%**	**$ 637,267**		**$ 7,974,524**	**100.00%**		**7.99%**	**$ 637,266.99**

Per SC PSC Order No. 2015-846				
Debt	46%	5.29%	2.43%	
Equity	54%	9.31%	5.03%	
Composite ROR			**7.46%**	

(Please note: addition/correction noted below reflects testimony given during 12/7/17 hearing in this matter.)

Exhibit LML-R8
Schedule C-4

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adj.	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Change in Revenue Requirement
Combined Water & Wastewater										
Operating Revenue										
Residential	$ 307,239	(1a)	ORS	$ 4,913	$ 312,152	$ -	$ 312,152			
Commercial	$ 151,057	(1b)	ORS	$ (4,780)	$ 146,277	$ -	$ 146,277			
Irrigation	$ 98,309	(1c)	ORS	$ 883	$ 99,192	$ -	$ 99,192			
Availability Billing	$ 469,665	(2)	ORS	$ (3,905)	$ 465,760	$ -	$ 465,760			
Misc Other Revenue	$ 30,193	(3)	ORS	$ 4	$ 30,197	$ -	$ 30,197			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -			$ -	$ -	$ -	$ -			
Total Revenue	**$ 1,076,463**			**$ (2,885)**	**$ 1,073,578**	**$ -**	**$ 1,073,578**	**$ 657,331**	**$ 1,730,909**	61.2%
Operating Expenses										
Wages	$ 156,602	(2)	ORS	$ 19,988	$ 176,590	$ -	$ 176,590		$ 176,590	
Benefits	$ 8,980	(3)	ORS	$ (2,780)	$ 6,200	$ -	$ 6,200		$ 6,200	
Director's Fees	$ 16,500			$ -	$ 16,500	$ -	$ 16,500		$ 16,500	
Sludge Disposal	$ -			$ -	$ -	$ -	$ -		$ -	
Power	$ 115,437	*(5)*	*LML*	$ *16,440*	$ 131,877	$ -	$ 131,877		$ 131,877	
Chemicals	$ 9,019	(6)	ORS	$ -	$ 9,019	$ -	$ 9,019		$ 9,019	
Supplies & Maintenance	$ 27,136	(7)	ORS	$ (21)	$ 27,115	$ -	$ 27,115		$ 27,115	
Outside Services - Mgmt	$ 157,650	(8)	ORS	$ (25,439)	$ 132,211	$ -	$ 132,211		$ 132,211	
Outside Services - Engineering	$ 10,137	(9)	ORS	$ -	$ 10,137	$ -	$ 10,137		$ 10,137	
Outside Services - Accounting	$ 2,761			$ -	$ 2,761	$ -	$ 2,761		$ 2,761	
Outside Services - Legal	$ 23,178			$ -	$ 23,178	$ -	$ 23,178		$ 23,178	
Outside Services - Testing	$ 92,288			$ -	$ 92,288	$ -	$ 92,288		$ 92,288	
Outside Services - Other	$ 38,621			$ -	$ 38,621	$ -	$ 38,621		$ 38,621	
Other Operating Expenses	$ 2			$ -	$ 2	$ -	$ 2		$ 2	
Transportation	$ 2,450	(10)	ORS	$ -	$ 2,450	$ -	$ 2,450		$ 2,450	
Bad Debt	$ 105,667	*(11)*	*LML*	$ *(90,736)*	$ 14,931	$ -	$ 14,931	$ 8,878	$ 23,810	
Insurance	$ 30,205	(12)	ORS	$ 8,706	$ 38,911	$ -	$ 38,911		$ 38,911	
Regulatory Commission Expense	$ 15,745	(13)	ORS	$ (109)	$ 15,636	$ -	$ 15,636		$ 15,636	
Other A&G Expense	$ 36,436			$ -	$ 36,436	$ -	$ 36,436		$ 36,436	
Nonallowable Expense	$ -		ORS	$ (46,033)	$ (46,033)	$ -	$ (46,033)		$ (46,033)	
Total O&M Expense	**$ 848,814**			**$ (119,984)**	**$ 728,830**	**$ -**	**$ 728,830**	**$ 8,878**	**$ 737,709**	
Depreciation	$ 73,072	*(14)*	*LML*	$ *104,436*	$ 177,508	$ -	$ 177,508	$ -	$ 177,508	
Amortization	$ 92,421	*(15)*	*LML*	$ *117,973*	$ 210,394	$ -	$ 210,394		$ 210,394	
Revenue Taxes	$ 6,048	(16)	ORS	$ 3,148	$ 9,196	$ -	$ 9,196	$ 11,874	$ 21,070	
Property Taxes	$ 4,209	*(17)*	*LML*	$ *92,645*	$ 96,854	$ -	$ 96,854		$ 96,854	
Payroll Taxes	$ 13,183	(18)	ORS	$ 30	$ 13,213	$ -	$ 13,213		$ 13,213	
State and Federal Income Taxes	$ -			$ -	$ -	$ -	$ -	$ 129,976	$ 129,976	
Subtotal Other Expenses	**$ 188,933**			**$ 318,232**	**$ 507,165**	**$ -**	**$ 507,165**		**$ 649,015**	
Total Operating Expenses	**$ 1,037,747**			**$ 198,249**	**$ 1,235,996**	**$ -**	**$ 1,235,996**	**$ 8,878**	**$ 1,386,724**	
Net Operating Income	**$ 38,716**			**$ (201,134)**	**$ (162,418)**		**$ (162,418)**	**$ 506,602**	**$ 344,185**	
Add Customer Growth	$ -		ORS	$ 63.00	$ 63.00			$ 63		
Net Income (Loss) for Return	$ 38,716			$ (201,070.54)	$ (162,354.54)		$ (162,418)	$ 506,665	$ 344,185	
Rate Base	$ 6,934,861		*LML/CEL*	$ (2,321,630)	$ 4,613,231		$ 4,613,231		**$ 4,613,231**	
Rate of Return	0.56%				-3.52%		-3.52%		**7.46%**	
Interest Expense	$ *138,384*				$ *138,384*		$ *138,384*		$ 138,384	
Operating Income after taxes	$ (99,668)				$ (300,801)		$ (300,801)		$ 205,801	
Operating Income Margin	-9.3%				-28.0%		-28.0%		11.9%	
Bad Debt rate							1.39%		1.39%	
Revenue Tax Rate							0.8566%		0.856574%	
State Income Tax Rate									5%	
Federal Income Tax									34%	
Desired Rate of Return									**7.46%**	
Calculated Return									$ 344,184	
Less Interest Expense									$ 138,384	
Equity Return Desired - After Tax									$ 205,800	
Equity Return Grossed up for State and Federal Tax, bad debt expense, and revenue tax									**$ 335,776**	
Other Revenue Requirements										
Interest Expense									$ 138,384	
Payroll Taxes									$ 13,213	
Property Taxes									$ 96,854	
Revenue Taxes									$ 9,196	
Amortization									$ 210,394	
Depreciation									$ 177,508	
Operating Expenses									$ 728,830	
Operating Expenses									$ 1,374,379	
							0.00856574	0.00631	$ 1,395,133	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									**$ 1,730,909**	

1	Total	1.0000
2	Less:Uncollectible	(0.0139)
3	Less: Rev Tax	(0.0086)
4	Less	0.0000
5	Line 1-Line 2-Line 3-Line 4	0.9775
6	State Income Tax -Line 5 X 5.00%	0.0489
7	Line 5 - Line 6	0.9287
8	Federal Income Tax - Line 7 X 34%	0.3157
9	Net - Line 7 - Line 8	0.6129
10	Gross-Up Factor - 1/Line 9	1.6316

Daufuskie Island Utility Company
Water and Wastewater Systems
Expense Adjustments to Company Proposed Expenses

L-1 Power Cost

Test Year Power Cost - Combined Systems $ 115,437

Month	Expenses	Adjustments	Revised Expenses
Jul-14	$ 10,143	$ -	$ 10,143
Aug-14	$ 13,944	$ -	$ 13,944
Sep-14	$ 13,784	$ -	$ 13,784
Oct-14	$ 11,445	$ -	$ 11,445
Oct-14	$ 2,125	$ (2,125)	$ -
Nov-14	$ 9,264	$ -	$ 9,264
Nov-14	$ 8,684	$ -	$ 8,684
Jan-15	$ 9,665	$ -	$ 9,665
Total	**$ 79,053**		**$ 76,928**

Months		7
Avg Per Month		$ 10,990
Annual Months		12
Annualized		#######
Adjustment to Test Yr Amount		$ 16,440
Company Adjustment		$ -
Difference - Adjustment		$ 16,440
Water System	50%	$ 8,220
Sewer System	50%	$ 8,220

L-2 Operating Expenses [Reserved]

a. **Bad Debt Expense**

	Combined	Water	Sewer
Rate Revenue	$557,620	$311,665	$245,955
Bad Debt Rate		0.500%	0.500%
Bad Debt Expense	$2,788	$1,558	$1,230
Availability Revenue	$485,760	$211,078	$274,682
Bad Debt Rate		2.500%	2.500%
Bad Debt Expense	$12,144	$5,277	$6,867
Total	$14,932	$6,835	$8,097
DIUC Per Books		$52,834	$52,834
Adjustment	($90,736)	($45,999)	($44,737)

L-3 Depreciation Expense

Depreciation Adjustments Provided by Mr. Loy per His Proposed Plant Adjustments

a. **Water Depreciable Plant**

1 **Full depreciation from elimination of UF Factors**

Non-UF Adjusted Depreciation	$ 86,325
Amortization of CIAC	$(10,265)
Net	$ 76,060
Less: DIUC Test Year Depreciation Expense	$(36,921)

Depreciation Adjustment	$ 39,139

b. Sewer Depreciable Plant

1 Full depreciation from elimination of UF Factors

Non-UF Adjusted Depreciation	106,142	
Amortization of CIAC	(4,694)	
Net	101,448	
Less: DIUC Test Year Depreciation Expense	($36,151)	
Depreciation Adjustment		65,297

L-4 Amortization Expense

a. Property Tax Amortization

Adjusted Back Property Tax as of 12/31/14

2011 Adjusted Tax	*$85,134*			
2012 Adjusted Tax	*$83,474*			
2013 Adjusted Tax	*$99,171*			
2014 Adjusted Tax	*$92,645*			
Subtotal Adjusted Tax	*$360,424*			
Amortization Period	*8*			
Amortization Per Year		*$45,053.03*		
Water		*50%*	*$22,527*	
Sewer		*50%*	*$22,527*	

b. Rate Case Amortization Expense

Unamortized Rate Case Expense	*$289,600*			
Current Rate Case Expense	*$75,000*			
Subtotal Rate Case Expense		*$364,600*		
Amortization Period		*5*		
		$72,920		
Water System		*50%*	*$36,460*	
Sewer System		*50%*	*$36,460*	

c.	**Amortization Water**		*$58,987*	
d.	**Amortization Sewer**		*$58,987*	
e.	**Total Amortization**			***$117,973***

L-5 Property Taxes

a. Adjusted Property Taxes

Annual Personal Property Tax $92,645

Water	53%	$48,705	
Sewer	47%	$43,940	
Total			**$92,645**

Exhibit LML-8
Schedule W-1

Daufuskie Island Utility Company
Water and Wastewater Systems
Balance Sheet - Water

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Assets					
Utility Plant	$ 3,905,259	$ 44,698	$ 3,949,957		$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Utilization Adjustment			$ -		$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
Construction Work in Progress	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant (for Rate Base)	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
Plant held for future use (not Rate Base)					$ -
Net Plant after plant held for fur use	$ 3,551,820	$ (31,259)	$ 3,520,561	$ (848,164)	$ 2,672,397
Cash	$ 34,576		$ 34,576		$ 34,576
Accounts Receivable	$ 202,206		$ 202,206		$ 202,206
Provision for uncollectibles	$ -		$ -		$ -
Receivables from Associated Co.	$ -		$ -		$ -
Deferred Expenses	$ 502,686		$ 502,686		$ 502,686
Deferred Depreciation Expense			$ -	$ 848,164	$ 848,164
Accumulated Deferred Income Tax	$ -		$ -		$ -
Total Assets	**$ 4,291,288**	**$ (31,259)**	**$ 4,260,029**	**$ -**	**$ 4,260,029**
Liabilities and Equity					
Common Stock	$ 1,000		$ 1,000		$ 1,000
Premium on Capital Stock	$ 664,021		$ 664,021		$ 664,021
Paid in Capital	$ 1,765,964		$ 1,765,964	$ 1	$ 1,765,965
Retained Earnings	$ (18,326)	$ (46,001)	$ (64,327)		$ (64,327)
Subtotal Equity	$ 2,412,659	$ (46,001)	$ 2,366,658	$ 1	$ 2,366,659
Notes and Accts Payable	$ 1,307,975		$ 1,307,975		$ 1,307,975
Accounts Payable	$ 100,225		$ 100,225		$ 100,225
Advances from Associated Co.	$ (25,615)		$ (25,615)		$ (25,615)
Accrued Taxes	$ 157		$ 157		$ 157
Deferred Credits	$ 72,195		$ 72,195		$ 72,195
Misc Accrued Liabilities	$ 16,771		$ 16,771		$ 16,771
Misd Operating Reserves	$ -		$ -		$ -
CIAC	$ 458,500	$ 19,250	$ 477,750		$ 477,750
Less: Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)		$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
Subtotal Liabilities	$ 1,878,628	$ 14,742	$ 1,893,370	$ -	$ 1,893,370
Total Liabilities and Equity	**$ 4,291,287**	**$ (31,259)**	**$ 4,260,028**	**$ 1**	**$ 4,260,029**

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base - Water

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Plant in Service	$ 3,905,259	$ 44,698	$ 3,949,957	$ -	$ 3,949,957
Accumulated Depreciation	$ (382,950)	$ (46,446)	$ (429,396)	$ (848,164)	$ (1,277,560)
Utilization Adjustment		$ -	$ -		$ -
Net Utility Plant	$ 3,522,309	$ (1,748)	$ 3,520,561	$ (848,164)	$ 2,672,397
CWIP	$ 29,511	$ (29,511)	$ -	$ -	$ -
Net Plant	**$ 3,551,820**	**$ (31,259)**	**$ 3,520,561**	**$ (848,164)**	**$ 2,672,397**
CIAC	$ 458,500	$ 19,250	$ 477,750	$ -	$ 477,750
Accum Amort of CIAC	$ (51,580)	$ (4,508)	$ (56,088)	$ -	$ (56,088)
Net CIAC	$ 406,920	$ 14,742	$ 421,662	$ -	$ 421,662
NET PLANT	**$ 3,144,900**	**$ (46,001)**	**$ 3,098,899**	**$ (848,164)**	**$ 2,250,735**
Working Capital (1/5 O&M)	$ -		$ -	$ 80,291	$ 80,291
Unamortized Balances	$ -		$ -		$ -
Net Rate Base	**$ 3,144,900**	**$ (46,001)**	**$ 3,098,899**	**$ (767,873)**	**$ 2,331,026**

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return - Water

		Ratio	Cost Rate	Weighted Cost	Return	Adjustments		Revised Pro Forma	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 1,307,975					$ -	$	1,307,975				
Short-Term Debt	$ -					0	$	-				
Subtotal Debt	**$ 1,307,975**	**35.15%**	**5.29%**	**1.86%**	**$ 69,192**	**$ -**	**$**	**1,307,975**	**35.15%**	**5.29%**	**1.86%**	**$ 69,192**
			2.42%	0.00%	$ -							$ -
Equity	$ 2,412,659	64.85%	**9.31%**	6.04%	$ 224,619	$ 1	$	2,412,660	64.85%	9.31%	6.04%	$ 224,619
Total Capital	**$ 3,720,634**	**100.00%**		**7.90%**	**$ 293,810**	**$ 1**	**$**	**3,720,635**	**100.00%**		**7.90%**	**$ 293,811**

Per SC PSC Order No. 2015-846				
Debt	46%	5.29%	2.43%	
Equity	54%	9.31%	5.03%	
Composite ROR			**7.46%**	

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement - Water

	2014 Year-End	Adj No	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Operating Revenue										
Residential	$ 139,071	(1a)	ORS	$ 491	$ 139,562	$ -	$ 139,562			
Commercial	$ 72,479	(1b)	ORS	$ 432	$ 72,911	$ -	$ 72,911			
Irrigation	$ 98,309	(1c)	ORS	$ 883	$ 99,192	$ -	$ 99,192			
Availability Billing	$ 213,004	(2)	ORS	$ (1,926)	$ 211,078	$ -	$ 211,078			
Misc Other Revenue	$ 20,444	(3)	ORS	$ (715)	$ 19,729	$ -	$ 19,729			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -			$ -	$ -	$ -	$ -			
Total Revenue	**$ 543,307**			**$ (835)**	**$ 542,472**	**$ -**	**$ 542,472**	**$ 353,134**	**$ 895,606**	65 1%
Operating Expenses										
Wages	$ 78,301	(2)	ORS	$ 9,994	$ 88,295		$ 88,295		$ 88,295	
Benefits	$ 4,490	(3)	ORS	$ 11,390	$ 3,100		$ 3,100		$ 3,100	
Director's Fees	$ 8,250			$ -	$ 8,250		$ 8,250		$ 8,250	
Sludge Disposal	$ -			$ -	$ -		$ -		$ -	
Power	$ 57,581	(5)	LML	$ 8,220	$ 65,801	$ -	$ 65,801		$ 65,801	
Chemicals	$ 4,510	(6)	ORS	$ -	$ 4,510	$ -	$ 4,510		$ 4,510	
Supplies & Maintenance	$ 13,849	(7)	ORS	$ (21)	$ 13,828	$ -	$ 13,828		$ 13,828	
Outside Services - Mgmt	$ 78,825	(8)	ORS	$ (12,720)	$ 66,105		$ 66,105		$ 66,105	
Outside Services - Engineering	$ 425	(9)	ORS	$ -	$ 425		$ 425		$ 425	
Outside Services - Accounting	$ 1,381			$ -	$ 1,381		$ 1,381		$ 1,381	
Outside Services - Legal	$ 11,689			$ -	$ 11,689		$ 11,689		$ 11,689	
Outside Services - Testing	$ 81,578			$ -	$ 81,578		$ 81,578		$ 81,578	
Outside Services - Other	$ 31,026			$ -	$ 31,026		$ 31,026		$ 31,026	
Other Operating Expenses	$ (3)			$ -	$ (3)		$ (3)		$ (3)	
Transportation	$ 1,225	(10)	ORS	$ -	$ 1,225		$ 1,225		$ 1,225	
Bad Debt	$ 52,934	(11)	LML	$ (43,996)	$ 8,938	$ -	$ 8,938	$ 4,438 7	$ 13,369	
Insurance	$ 18,197	(12)	ORS	$ 1,258	$ 19,455		$ 19,455		$ 19,455	
Regulatory Commission Expense	$ 10,861	(13)	ORS	$ 2,645	$ 13,506		$ 13,506		$ 13,506	
Other A&G Expense	$ 14,883			$ -	$ 14,883		$ 14,883		$ 14,883	
Nonallowable Expense	$ -		ORS	$ (30,136)	$ (30,136)		$ (30,136)		$ (30,136)	
Total O&M Expense	**$ 469,602**			**$ (68,149)**	**$ 401,453**	**$ -**	**$ 401,453**		**$ 405,897**	
							$ -			
Depreciation	$ 38,921	(14)	LML	$ 39,139	$ 78,060	$ -	$ 78,060	$ -	$ 78,060	
Amortization	$ 46,210	(15)	LML	$ 58,987	$ 105,197	$ -	$ 105,197		$ 105,197	
Revenue Taxes	$ 3,052	(16)	ORS	$ 1,595	$ 4,647	$ -	$ 4,647	$ 6,248	$ 10,895	
Property Taxes	$ 2,105	(17)	LML	$ 48,705	$ 50,810	$ -	$ 50,810		$ 50,810	
Payroll Taxes	$ 6,591	(18)	ORS	$ 15	$ 6,606		$ 6,606		$ 6,606	
State and Federal Income Taxes	$ -	(19)		$ -	$ -		$ -	$ 66,136	$ 66 136	
Subtotal Other Expenses	**$ 94,879**			**$ 148,441**	**$ 243,320**	**$ -**	**$ 243,320**	**$ 72,387**	**$ 315,706**	
Total Operating Expenses	**$ 564,481**			**$ 80,292**	**$ 644,773**	**$ -**	**$ 644,773**	**$ 72,387**	**$ 721,604**	
Net Operating Income	$ (21,174)			$ (81,127)	$ (102,301)	$ -	$ (102,301)	$ 276,213 33	$ 173,912	
Add Customer Growth	$ -			$ -	$ -		$ -			
Net Income (Loss) for Return	$ (21 174)			$ (81,127)	$ (102,301)	$ -	$ (102,301)	$ 276,213 33	$ 173,912 10	
Rate Base	$ 3,144 900		LML/CEL	$ (813,874)	$ 2 331 026	$ -	$ 2 331 026	$ -	**$ 2,331,026**	
Rate of Return	0 67%				-4 39%		-4.39%		7 46%	
Interest Expense	$ 88 753			$ (45,819)	$ 42,944		$ 42,944		$ 69 192	
Operating Income after taxes	$ (109 937)								$ 104 720	
Operating Income Margin	-20 2%								11 7%	
Bad Debt rate									1 35%	
Revenue Tax									0 86%	
State Income Tax									5%	
Federal Income Tax									34%	
Desired Rate of Return									7 46%	
Calculated Return									$ 173 913	
Less Interest Expense									$ 69,192	
Equity Return									**$ 104,721**	
Equity Return Grossed up for Federal Tax									**$ 170,859**	
Other Revenue Requirements										
Interest Expense									$ 69,192	
Payroll Taxes									$ 6,606	
Property Taxes									$ 50,810	
Revenue Taxes									$ 4,647	
Amortization									$ 105 197	
Depreciation									$ 78 060	
Operating Expenses									**$ 401,453**	
Operating Expenses									$ 713,965	
							0.00856574	0 00631	$ 724 746	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									**$ 895,606**	

1	Total	1 0000
2	LessUncollectible	(0.0139)
3	Less Rev Tax	(0 0086)
4	Less	0.0000
5	Line 1-Line 2-Line 3-Line 4	0.9775
6	State Income Tax -Line 5 X 5.00%	0 0489
7	Line 5 - Line 6	0 9287
8	Federal Income Tax - Line 7 X 34%	0 3157
9	Net - Line 7 - Line 8	0.6129
10	Gross Up Factor - 1/Line 9	1.6315

Exhibit LML-R8
Schedule S-1

Daufuskie Island Utility Company
Water and Wastewater Systems
Balance Sheet - Wastewater

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Assets					
Utility Plant	$ 4,077,571	$ 111,733	$ 4,189,304		$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,429,925)	$ (1,778,383)
Utilization Adjustment			$ -		$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,429,925)	$ 2,410,921
Construction Work in Progress	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant (For Rate Base)	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,429,925)	$ 2,410,921
Plant Held for Future Use (Not Rate Base)					$ -
Net Plant after plant held for Fut Use	$ 3,898,225	$ (57,379)	$ 3,840,846	$ (1,429,925)	$ 2,410,921
Cash	$ 34,576		$ 34,576		$ 34,576
Accounts Receivable	$ 198,409		$ 198,409		$ 198,409
Provision for uncollectibles	$ -		$ -		$ -
Receivables from Associated Co.	$ -		$ -		$ -
Deferred Expenses	$ 502,686		$ 502,686		$ 502,686
Deferred Depreciation Expense	$ -		$ -	$ 1,429,925	$ 1,429,925
Accumulated Deferred Income Tax	$ -		$ -		$ -
Total Assets	**$ 4,633,896**	**$ (57,379)**	**$ 4,576,517**	**$ -**	**$ 4,576,517**
Liabilities and Equity					
Common Stock	$ 1,000		$ 1,000		$ 1,000
Premium on Capital Stock	$ 664,021		$ 664,021		$ 664,021
Paid in Capital	$ 2,459,067		$ 2,459,067	$ (1)	$ 2,459,066
Retained Earnings	$ (178,173)	$ (67,464)	$ (245,637)		$ (245,637)
Subtotal Equity	$ 2,945,915	$ (67,464)	$ 2,878,451	$ (1)	$ 2,878,450
Notes and Accts Payable	$ 1,307,975		$ 1,307,975	$ -	$ 1,307,975
Accounts Payable	$ 100,255		$ 100,255		$ 100,255
Advances from Associated Co.	$ (25,615)		$ (25,615)		$ (25,615)
Accrued Taxes	$ 8,065		$ 8,065		$ 8,065
Deferred Credits	$ 72,195		$ 72,195		$ 72,195
Misc Accrued Liabilities	$ 41,001		$ 41,001		$ 41,001
Misd Operating Reserves	$ -		$ -		$ -
CIAC	$ 201,795	$ 11,750	$ 213,545		$ 213,545
Less: Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)		$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
Subtotal Liabilities	$ 1,687,982	$ 10,085	$ 1,698,067	$ -	$ 1,698,067
Total Liabilities and Equity	**$ 4,633,897**	**$ (57,379)**	**$ 4,576,518**	**$ (1)**	**$ 4,576,517**

Daufuskie Island Utility Company
Water and Wastewater Systems
Determination of Rate Base - Wastewater

	2014	Pro Forma Adjustments	Pro Forma	Proposed Adjustments	Revised 2014
Plant in Service	$ 4,077,571	$ 111,733	$ 4,189,304	$ -	$ 4,189,304
Accumulated Depreciation	$ (404,688)	$ 56,230	$ (348,458)	$ (1,429,925)	$ (1,778,383)
Utilization Adjustment		$ -	$ -		$ -
Net Utility Plant	$ 3,672,883	$ 167,963	$ 3,840,846	$ (1,429,925)	$ 2,410,921
CWIP	$ 225,342	$ (225,342)	$ -	$ -	$ -
Net Plant	**$ 3,898,225**	**$ (57,379)**	**$ 3,840,846**	**$ (1,429,925)**	**$ 2,410,921**
CIAC	$ 201,795	$ 11,750	$ 213,545	$ -	$ 213,545
Accum Amort of CIAC	$ (17,689)	$ (1,665)	$ (19,354)	$ -	$ (19,354)
Net CIAC	$ 184,106	$ 10,085	$ 194,191	$ -	$ 194,191
NET PLANT	$ 3,714,119	$ (67,464)	$ 3,646,655	$ (1,429,925)	$ 2,216,730
Working Capital (1/5 O&M)	$ 75,842		$ 75,842	$ (10,367)	$ 65,475
Unamortized Balances	$ -		$ -		$ -
Net Rate Base	**$ 3,789,961**	**$ (67,464)**	**$ 3,722,497**	**$ (1,440,292)**	**$ 2,282,205**

Daufuskie Island Utility Company
Water and Wastewater Systems
Capital Structure and Rate of Return - Wastewater

		Ratio	Cost Rate	Weighted Cost	Return	Adjustments		Revised Pro Forma	Ratio	Cost Rate	Weighted Cost	Return
Long-Term Debt	$ 1,307,975											
Short-Term Debt	$ -											
Subtotal Debt	**$ 1,307,975**	**30.75%**	**5.29%**	**1.63%**	**$ 69,192**	**$ -**	**$**	**1,307,975**	**30.75%**	**5.29%**	**1.63%**	**$ 69,192**
			2.42%	0.00%								$ -
Equity	$ 2,945,915	69.25%	9.31%	6.45%	$ 274,265	$ (1)	$	2,945,914	69.25%	9.31%	6.45%	$ 274,265
Total Capital	**$ 4,253,890**	**100.00%**		**8.07%**	**$ 343,457**		**$**	**4,253,889**	**100.00%**		**8.07%**	**$ 343,456**

Per SC PSC Order No. 2015-846				
Debt	46%	5.29%	2.43%	
Equity	54%	9.31%	5.03%	
Composite ROR			**7.46%**	

Daufuskie Island Utility Company
Water and Wastewater Systems
Revenue Requirements - Return on Rate Base Approach
Income Statement - Wastewater

	2014 Year-End	Adj Ref	Origin of Adj	Adjustment	Pro Forma Present Rates	Adjustment	Pro Forma Present Rates	Revised Revenue Adjustment	Pro Forma Proposed Rates	Proposed Revenue Increase
Operating Revenue										
Residential	$ 168,168	(1a)	ORS	$ 4,422.00	$ 172,590	$ -	$ 172,590			
Commercial	$ 78,577	(1b)	ORS	$ (5,212.00)	$ 73,365	$ -	$ 73,365			
Irrigation	$ -	(1c)	ORS	$ -	$ -	$ -	$ -			
Availability Billing	$ 276,661	(2)	ORS	$ (1,979.00)	$ 274,682	$ -	$ 274,682			
Misc. Other Revenue	$ 9,749	(3)	ORS	$ 719.00	$ 10,468	$ -	$ 10,468			
Interdepartmental Sales	$ -			$ -	$ -	$ -	$ -			
Billing Adjustments	$ -			$ -	$ -	$ -	$ -			
Total Revenue	$ 533,155			$ (2,050)	$ 531,105	$ -	$ 531,105	$ 304,196	$ 835,301	57.3%
Operating Expenses										
Wages	$ 78,301	(2)	ORS	$ 9,994	$ 88,295		$ 88,295		$ 88,295	
Benefits	$ 4,490	(3)	ORS	$ (1,390)	$ 3,100		$ 3,100		$ 3,100	
Director's Fees	$ 8,250			$ -	$ 8,250		$ 8,250		$ 8,250	
Sludge Disposal	$ -			$ -	$ -		$ -		$ -	
Power	$ 57,856	(5)	LML	$ 8,220	$ 66,076	$ -	$ 66,076		$ 66,076	
Chemicals	$ 4,510	(6)	ORS	$ -	$ 4,510	$ -	$ 4,510		$ 4,510	
Supplies & Maintenance	$ 13,288	(7)	ORS	$ -	$ 13,288	$ -	$ 13,288		$ 13,288	
Outside Services - Mgmt	$ 78,825	(8)	ORS	$ (12,719)	$ 66,106		$ 66,106		$ 66,106	
Outside Services - Engineering	$ 9,712	(9)	ORS	$ -	$ 9,712		$ 9,712		$ 9,712	
Outside Services - Accounting	$ 1,381			$ -	$ 1,381		$ 1,381		$ 1,381	
Outside Services - Legal	$ 11,589			$ -	$ 11,589		$ 11,589		$ 11,589	
Outside Services - Testing	$ 10,711			$ -	$ 10,711		$ 10,711		$ 10,711	
Outside Services - Other	$ 7,596			$ -	$ 7,596		$ 7,596		$ 7,596	
Other Operating Expenses	$ (2)			$ -	$ (2)		$ (2)		$ (2)	
Transportation	$ 1,225	(10)	ORS	$ -	$ 1,225		$ 1,225		$ 1,225	
Bad Debt	$ 52,834	(11)		$ (44,737)	$ 8,097	$ -	$ 8,097	$ 4,262 7	$ 12,359	
Insurance	$ 12,008	(12)	ORS	$ 7,448	$ 19,456		$ 19,456		$ 19,456	
Regulatory Commission Expense	$ 4,884	(13)	ORS	$ (2,754)	$ 2,130		$ 2,130		$ 2,130	
Other A&G Expense	$ 21,753			$ -	$ 21,753		$ 21,753		$ 21,753	
Nonallowable Expense	$ -		ORS	$ (15,897)	$ (15,897)		$ (15,897)		$ (15,897)	
Total O&M Expense	$ 379,211			$ (51,835)	$ 327,376	$ -	$ 327,376	$ 4,263	$ 331,639	
Depreciation	$ 36,151	(14)	LML	$ 65,297	$ 101,448	$ -	$ 101,448	$ -	$ 101,448	
Amortization	$ 46,210	(15)	LML	$ 58,987	$ 105,197	$ -	$ 105,197		$ 105,197	
Revenue Taxes	$ 2,996	(16)	ORS	$ 1,553	$ 4,549	$ -	$ 4,549	$ 5,706	$ 10,255	
Property Taxes	$ 2,105	(17)	LML	$ 43,940	$ 46,045	$ -	$ 46,045		$ 46,045	
Payroll Taxes	$ 6,591	(18)	ORS	$ 15	$ 6,606		$ 6,606		$ 6,606	
State and Federal Income Taxes	$ 1			$ -	$ 1		$ 1	$ 63,838	$ 63,839	
Subtotal Other Expenses	$ 94,054			$ 169,791	$ 263,845	$ -	$ 263,845		$ 333,389	
Total Operating Expenses	$ 473,265			$ 117,956	$ 591,221	$ -	$ 591,221	$ 4,263	$ 665,027	
Net Operating Income	$ 59,890			$ (120,006)	$ (60,116)	$ -	$ (60,116)	$ 230,390 08	$ 170,274	
Add. Customer Growth	$ -			$ 63	$ 63		$ 63			
Net Income (Loss) for Return	$ 59,890			$ (119,943)	$ (60,053)	$ -	$ (60,053)	$ 230,390 08	$ 170,273.78	
Rate Base	$ 3,789,961		LML/CEL	$ (1,507,756)	$ 2,282,205	$ -	$ 2,282,205		$ 2,282,205	
Rate of Return	1 58%				-2 63%				7.46%	
Interest Expense	$ 88,763			$ (10,495)	$ 78,268		$ 78,268		$ 69,192	
Operating Income after taxes	$ (28,873)								$ 101,082	
Operating Income Margin	-5 4%								12.1%	
Bad Debt rate									1 39%	
Revenue Tax									0.86%	
State Income Tax									5%	
Federal Income Tax									34%	
Desired Rate of Return									7.46%	
Calculated Return									$ 170,271	
Less Interest Expense									$ 69,192	
Equity Return									$ 101,079	
Equity Return Grossed up for Federal Tax									$ 164,917	
Other Revenue Requirements										
Interest Expense									$ 69,192	
Payroll Taxes									$ 6,606	
Property Taxes									$ 46,045	
Revenue Taxes									$ 4,549	
Amortization									$ 105,197	
Depreciation									$ 101,448	
Operating Expenses									$ 327,376	
Operating Expenses									$ 660,412	
							0.00855574	0 00631	$ 670,385	
Gross Revenue Requirement (Equity Return plus Operating Expenses)									$ 835,301	

1	Total	1 0000
2	Less Uncollectible	(0 0139)
3	Less. Rev Tax	(0 0086)
4	Less:	0.0000
5	Line 1-Line 2-Line 3-Line 4	0.9775
6	State Income Tax -Line 5 X 5.00%	0.0489
7	Line 5 - Line 6	0 9287
8	Federal Income Tax - Line 7 X 34%	0 3157
9	Net - Line 7 - Line 8	0 6129
10	Gross-Up Factor - 1/Line 9	1.6316

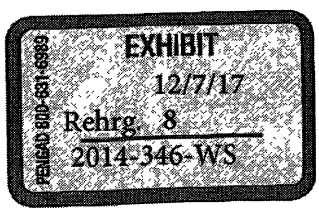
Daufuskie Island Utility Company
Water and Wastewater Systems
Property Tax Adjustment

ATED PROPERTY TAXES WITH CIAC

		2011	2012	2013	2014
1	Net Plant	$4,703,358	$4,552,231	$4,526,446	$5,083,228
2	Net CIAC	($598,876)	($594,082)	($591,637)	($616,618)
3	Taxable Base	$4,104,482	$3,958,149	$3,934,809	$4,466,610
4	Assessment Ratio	10.5%	10 5%	10.5%	10.5%
5	Milliage Rate	0.197540	0.200850	0.240033	0.197540
6	Tax Due	$85,134	$83,474	$99,171	$92,645
7	Total Back Taxes			$360,424	
8	Requested 2014				$92,645

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Operating Experience, Rate Base, and Rates of Return
For the Test Year Ended December 31, 2014
Combined Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments		(3) After Accounting & Pro Forma Adjustments	(4) DIUC Rehearing Proposed Increase		(5) After Proposed Increase
	$	$		$	$		$
OPERATING REVENUE							
Residential revenue	307,239	4,913	1a	312,152	383,382	18a	695,534
Commercial Revenue	151,056	(4,780)	1b	146,276	139,081	18b	285,357
Irrigation Revenue	98,309	883	1c	99,192	108,369	18c	207,561
Availability Billing	489,665	(3,905)	2	485,760	518,553	19	1,004,313
Misc. Other Revenue	30,193	4	3	30,197	32,914	20	63,111
TOTAL OPERATING REVENUE	1,076,462	(2,885)		1,073,577	1,182,299		2,255,876
OPERATION AND MAINTENANCE EXPENSES							
Operation and Maintenance Expenses	848,818	(31,228)	4	817,590	116,056	21	933,646
TOTAL OPERATION AND MAINTENANCE EXPENSES	848,818	(31,228)		817,590	116,056		933,646
Depreciation and Amortization Expense	73,072	9,488	5	82,560	0		82,560
Amortization of Rate Case Expenses	92,420	27,912	6	120,332	0		120,332
Taxes Other than Income Tax Expense	23,440	191,271	7	214,711	10,128	22	224,839
Income Tax Expense	0	0	8	0	280,390	23	280,390
TOTAL OPERATING EXPENSES	1,037,750	197,443		1,235,193	406,574		1,641,767
NET OPERATING INCOME	38,712	(200,328)		(161,616)	775,725		614,109
Add: Customer Growth	0	0	9	0	2,137	24	2,137
NET INCOME (LOSS) FOR RETURN	38,712	(200,328)		(161,616)	777,862		616,246
ORIGINAL COST RATE BASE:							
Gross Plant in Service	7,964,379	(699,361)	10	7,265,018	0		7,265,018
Accumulated Depreciation	(790,024)	(180,067)	11	(970,091)	0		(970,091)
Construction Work In Progress (CWIP)	254,853	(254,853)	12	0	0		0
Contributions in Aid of Construction	(660,295)	0	13	(660,295)	0		(660,295)
Accumulated Amortization of CIAC	69,269	213	14	69,482	0		69,482
Net Plant	6,838,182	(1,134,068)		5,704,114	0		5,704,114
Working Capital	75,842	87,676	15	163,518	0		163,518
Unamortized Balances	0	0	16	0	0		0
TOTAL RATE BASE	6,914,024	(1,046,392)		5,867,632	0		5,867,632
RETURN ON RATE BASE	0.56%			-2.75%			10.50%
OPERATING MARGIN	-12.90%			-28.35%			20.99%
INTEREST EXPENSE	177,526	(34,743)	17	142,783	0		142,783



Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Operating Experience, Rate Base, and Rates of Return
For the Test Year Ended December 31, 2014
Water Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments		(3) After Accounting & Pro Forma Adjustments	(4) DIUC Rehearing Proposed Increase		(5) After Proposed Increase
	$	$		$	$		$
OPERATING REVENUE							
Water Residential	139,071	491	1a	139,562	173,488	18a	313,050
Water Commercial	72,479	432	1b	72,911	58,633	18b	131,544
Water Irrigation	98,309	883	1c	99,192	108,369	18c	207,561
Availability Billing	213,004	(1,926)	2	211,078	227,804	19	438,882
Misc. Other Revenue	20,444	(715)	3	19,729	22,159	20	41,888
TOTAL OPERATING REVENUE	543,307	(835)		542,472	590,453		1,132,925
WATER OPERATION AND MAINTENANCE EXPENSES							
Operation and Maintenance Expense	469,605	(23,034)	4	446,571	58,409	21	504,980
TOTAL OPERATING AND MAINTENANCE EXPENSES	469,605	(23,034)		446,571	58,409		504,980
Depreciation and Amortization Expense	36,921	5,107	5	42,028	0		42,028
Amortization of Rate Case Expenses	46,210	13,956	6	60,166	0		60,166
Taxes Other than Income Tax Expense	11,748	91,473	7	103,221	5,058	22	108,279
Income Tax Expense	0	0	8	0	131,653	23	131,653
TOTAL OPERATING EXPENSES	564,484	87,502		651,986	195,120		847,106
NET OPERATING INCOME	(21,177)	(88,337)		(109,514)	395,333		285,819
Add: Customer Growth	0	0	9	0	529	24	529
NET INCOME (LOSS) FOR RETURN	(21,177)	(88,337)		(109,514)	395,862		286,348
ORIGINAL COST RATE BASE:							
Gross Plant in Service	3,899,032	(427,689)	10	3,471,343	0		3,471,343
Accumulated Depreciation	(382,950)	(119,596)	11	(502,546)	0		(502,546)
Construction Work In Progress (CWIP)	29,511	(29,511)	12	0	0		0
Contributions in Aid of Construction	(458,500)	0	13	(458,500)	0		(458,500)
Accumulated Amortization of CIAC	51,580	39	14	51,619	0		51,619
Net Plant	3,138,673	(576,757)		2,561,916	0		2,561,916
Working Capital	0	89,314	15	89,314	0		89,314
Unamortized Balances	0	0	16	0	0		0
TOTAL RATE BASE	3,138,673	(487,443)		2,651,230	0		2,651,230
RETURN ON RATE BASE	-0.67%			-4.13%			10.80%
OPERATING MARGIN	-20.24%			-32.08%			19.58%
INTEREST EXPENSE	88,763	(24,248)	17	64,515	0		64,515

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Operating Experience, Rate Base, and Rates of Return
For the Test Year Ended December 31, 2014
Sewer Operations

Description	(1) Application Per Books $	(2) Accounting & Pro Forma Adjustments $		(3) After Accounting & Pro Forma Adjustments $	(4) DIUC Rehearing Proposed Increase $		(5) After Proposed Increase $
OPERATING REVENUE							
Sewer Residential	168,168	4,422	1a	172,590	209,894	18a	382,484
Sewer Commercial	78,577	(5,212)	1b	73,365	80,448	18b	153,813
Sewer Irrigation	0	0	1c	0	0	18c	0
Availability Billing	276,661	(1,979)	2	274,682	290,749	19	565,431
Misc. Other Revenue	9,749	719	3	10,468	10,755	20	21,223
TOTAL OPERATING REVENUE	533,155	(2,050)		531,105	591,846		1,122,951
SEWER OPERATION AND MAINTENANCE EXPENSES							
Operation and Maintenance Expense	379,213	(8,194)	4	371,019	57,647	21	428,666
TOTAL OPERATING AND MAINTENANCE EXPENSES	379,213	(8,194)		371,019	57,647		428,666
Depreciation and Amortization Expense	36,151	4,381	5	40,532	0		40,532
Amortization of Rate Case Expenses	46,210	13,956	6	60,166	0		60,166
Taxes Other than Income Tax Expense	11,692	99,798	7	111,490	5,070	22	116,560
Income Tax Expense	0	0	8	0	148,737	23	148,737
TOTAL OPERATING EXPENSES	473,266	109,941		583,207	211,454		794,661
NET OPERATING INCOME	59,889	(111,991)		(52,102)	380,392		328,290
Add: Customer Growth	0	0	9	0	1,608	24	1,608
NET INCOME (LOSS) FOR RETURN	59,889	(111,991)		(52,102)	382,000		329,898
ORIGINAL COST RATE BASE:							
Gross Plant in Service	4,065,347	(271,672)	10	3,793,675	0		3,793,675
Accumulated Depreciation	(407,074)	(60,471)	11	(467,545)	0		(467,545)
Construction Work In Progress (CWIP)	225,342	(225,342)	12	0	0		0
Contributions in Aid of Construction	(201,795)	0	13	(201,795)	0		(201,795)
Accumulated Amortization of CIAC	17,689	174	14	17,863	0		17,863
Net Plant	3,699,509	(557,311)		3,142,198	0		3,142,198
Working Capital	75,842	(1,638)	15	74,204	0		74,204
Unamortized Balances	0	0	16	0	0		0
TOTAL RATE BASE	3,775,351	(558,949)		3,216,402	0		3,216,402
RETURN ON RATE BASE	1.59%			-1.62%			10.26%
OPERATING MARGIN	-5.42%			-24.55%			22.41%
INTEREST EXPENSE	88,763	(10,495)	17	78,268	0		78,268

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
Accounting and Pro forma Adjustments						
(1) Service Revenues						
Residential	(1a)	1a	ORS and the Company propose to adjust residential revenue to reflect the pro forma number of customers at present rates.			
			Per ORS	4,913	491	4,422
			Per DIUC	4,913	491	4,422
Commercial	(1c)	1b	ORS and the Company propose to adjust commercial revenue to reflect the pro forma number of customers at present rates.			
			Per ORS	(4,780)	432	(5,212)
			Per DIUC	(4,780)	432	(5,212)
Irrigation	(1e)	1c	ORS and the Company propose to adjust irrigation revenue to reflect the pro forma demand at present rates.			
			Per ORS	883	883	0
			Per DIUC	883	883	0
(1) Total Service Revenues				1,016	1,806	(790)
(2) Availability Billing Revenue						
Availability Billing	(1g)	2	ORS and the Company propose to adjust availability revenue to reflect the pro forma number of customers at present rates.			
			Per ORS	(3,905)	(1,926)	(1,979)
			Per DIUC	(3,905)	(1,926)	(1,979)
(2) Total Availability Billing Revenue				(3,905)	(1,926)	(1,979)
(3) Miscellaneous Other Revenue						
Miscellaneous Other Revenue	(1g, 1i)	3	ORS and the Company propose to adjust miscellaneous revenues to reflect the pro forma number of customers at present rates.			
			Per ORS	4	(715)	719
			Per DIUC	4	(715)	719
(3) Total Miscellaneous Other Revenue				4	(715)	719

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(4) **Operation & Maintenance Expenses**						
Wages	(2)	4a	ORS and the Company propose to annualize salary expense.			
			Per ORS	19,988	9,994	9,994
			Per DIUC	19,988	9,994	9,994
Benefits	(3)	4b	ORS and the Company propose to annualize employee benefits.			
			Per ORS	(2,780)	(1,390)	(1,390)
			Per DIUC	(2,780)	(1,390)	(1,390)
Officer & Director Fees	(4)	4e	ORS and the Company do not propose to adjust Directors' Fees to reflect annual Officer's fees of $12,000 and Directors' fees of $4,500. These fees were already included in the per book amounts.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Power	(5)	4d	ORS and the Company propose to adjust for the most recent 12 months of power expenses.			
			Per ORS	14,744	7,372	7,372
			Per DIUC	14,744	7,372	7,372
Chemicals	(6)	4e	ORS and the Company do not propose to adjust for increased demand.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Supplies & Maintenance	(7)	4f	ORS and the Company propose to adjust supplies and maintenance for undocumented expense. ORS and the Company do not propose to adjust for an increase in customers in this adjustment.			
			Per ORS	(21)	(21)	0
			Per DIUC	(21)	(21)	0
Outside Services - Mgmt.	(8)	4g	ORS proposes to adjust outside management services to reflect the PSC approved amount in Docket No. 2011-229-WS.			
			Per ORS	(25,439)	(12,720)	(12,719)
			Per DIUC	13,714	6,857	6,857

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
Outside Services - Engineering	(9)	4h	ORS and the Company do not propose to adjust outside services-engineering to reflect a 4-year average cost.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Transportation	(10)	4i	ORS and the Company do not propose to adjust transportation cost for an increase in employees.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Bad Debt	(11)	4j	ORS proposes to adjust bad debt expense to reflect test period revenue write-off percentages applied to ORS pro forma revenue under present rates. ORS adjustment amount agrees to Audit Exhibit ICG-4.			
			Per ORS	(284)	(36)	(248)
			Per DIUC	2,681	1,446	1,235
Insurance	(12)	4k	ORS and the Company propose to adjust insurance to reflect the most recent actual bills.			
			Per ORS	8,706	1,258	7,448
			Per DIUC	8,706	1,258	7,448
Regulatory Expense (DHEC)	(13)	4l	ORS and the Company propose to adjust regulatory expense to reflect the most recent DHEC drinking water bills and land permits.			
			Per ORS	(109)	2,645	(2,754)
			Per DIUC	(109)	2,645	(2,754)
Nonallowable Expense		4m	ORS and the Company propose to remove nonallowable expenses for ratemaking purposes. Additionally, test year Rate Case expenses were removed and amortized in adjustment 6a.			
			Per ORS	(46,033)	(30,136)	(15,897)
			Per DIUC	(46,033)	(30,136)	(15,897)
(4) **Total Operation & Maintenance Expenses**				(31,228)	(23,034)	(8,194)

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

	Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(5)	**Depreciation Expense and Amortization of Contributions In Aid of Construction ("CIAC")**						
		(14)	5a	To adjust annual depreciation for pro forma plant in service. See Revised Rehearing Audit Exhibit DFS-5.			
	Depreciation Expense						
				Per ORS	9,394	5,134	4,260
				Per DIUC	28,367	9,525	18,842
	Amortization of CIAC	(14)	5b	To adjust for amortization of CIAC. See Revised Rehearing Audit Exhibit DFS-5.			
				Per ORS	94	(27)	121
				Per DIUC	(5,899)	(4,326)	(1,573)
(5)	**Total Depreciation Expense and Amortization of CIAC**				9,488	5,107	4,381
(6)	**Amortization Expense**						
	Rate Case Amortization Expense	(15)	6a	To adjust for the 5-year amortization of rate case expenses and include unamortized rate case expenses from the previous rate case.			
				Per ORS	(37,944)	(18,972)	(18,972)
				Per DIUC	192,576	96,288	96,288
	Property Tax Amortization Expense	(15)	6b	ORS and the Company propose to adjust for property tax amortization over 8 years.			
				Per ORS	65,856	32,928	32,928
				Per DIUC	65,856	32,928	32,928
(6)	**Total Amortization Expense**				27,912	13,956	13,956
(7)	**Taxes Other Than Income Tax Expense**						
	Revenue Taxes	(16)	7a	ORS and the Company propose to reflect gross receipts on ORS's pro forma revenue under present rates.			
				Per ORS	3,148	1,595	1,553
				Per DIUC	3,148	1,595	1,553
	Property Taxes	(17)	7b	ORS and the Company propose to adjust property taxes to reflect actual tax bills for property owned by DIUC.			
				Per ORS	188,093	89,863	98,230
				Per DIUC	188,093	89,863	98,230

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

	Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
	Payroll Taxes	(18)	7c	ORS and the Company propose to adjust payroll taxes to reflect pro forma wages.			
				Per ORS	30	15	15
				Per DIUC	30	15	15
(7)	**Total Taxes Other Than Income Tax Expense**				191,271	91,473	99,798
(8)	**Income Tax Expense**						
	Income Taxes - State and Federal	(19)	8	ORS and the Company do not propose to adjust for State and Federal Income Taxes after accounting and pro forma adjustments. See Revised Rehearing Audit Exhibit DFS-6.			
				Per ORS	0	0	0
				Per DIUC	0	0	0
(8)	**Total Income Tax Expense**				0	0	0
(9)	**Customer Growth**		9	ORS and the Company do not propose to adjust for customer growth after the accounting and pro forma adjustments.			
				Per ORS	0	0	0
				Per DIUC	0	0	0
(9)	**Total Customer Growth**				0	0	0
	Rate Base (RB)						
(10)	**Plant in Service**						
	Plant in Service	RB1	10	To include the elevated water storage tank and well located on the elevated tank site and reflect all other adjustments to plant in service as included on Audit Exhibit ICG-5. See Revised Rehearing Audit Exhibit DFS-5.			
				Per ORS	(699,361)	(427,689)	(271,672)
				Per DIUC	174,882	50,925	123,957
(10)	**Total Plant in Service**				(699,361)	(427,689)	(271,672)

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(11) **Accumulated Depreciation**						
Accumulated Depreciation	RB2	11	To adjust accumulated depreciation to include the elevated water storage tank and well located on the elevated tank site and reflect all other adjustments to plant in service as included on Audit Exhibit ICG-5.			
			Per ORS	(180,067)	(119,596)	(60,471)
			Per DIUC	12,170	(46,446)	58,616
(11) **Total Accumulated Depreciation**				(180,067)	(119,596)	(60,471)
(12) **Construction Work in Progress (CWIP)**						
Construction Work in Progress(CWIP)	RB3	12	ORS and the Company propose to adjust CWIP to move completed projects to plant in service.			
			Per ORS	(254,853)	(29,511)	(225,342)
			Per DIUC	(254,853)	(29,511)	(225,342)
(12) **Total CWIP**				(254,853)	(29,511)	(225,342)
(13) **CIAC**						
Contributions in Aid of Construction (CIAC)	RB4	13	ORS and the Company do not propose to adjust CIAC for customer growth.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
(13) **Total CIAC**				0	0	0
(14) **Accumulated Amortization of CIAC**						
Accumulated Amortization of CIAC	RB5	14	To include amortization expense in accumulated CIAC.			
			Per ORS	213	39	174
			Per DIUC	6,073	4,326	1,747
(14) **Total Accumulated Amortization of CIAC**				213	39	174

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(15) Cash Working Capital						
Cash Working Capital (1/5 O&M)	RB6	15	To adjust cash working capital after ORS accounting and pro forma adjustments. See Revised Rehearing Audit Exhibit DFS-7.			
			Per ORS	87,676	89,314	(1,638)
			Per DIUC	198,787	106,878	91,909
(15) Total Cash Working Capital				87,676	89,314	(1,638)
(16) Unamortized Balances						
Unamortized Balances	RB7	16	ORS and the Company do not propose to include the unamortized balance of rate case expense in rate base.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
(16) Total Unamortized Balances				0	0	0
(17) Interest Expense						
Interest Expense		17	To adjust the interest expense on long-term debt for accounting and pro forma adjustments.			
			Per ORS	(34,743)	(24,248)	(10,495)
			Per DIUC	38,009	10,885	27,124
(17) Total Interest Expense				(34,743)	(24,248)	(10,495)
DIUC Rehearing Proposed Increase						
(18) Service Revenues						
Residential	(1b)	18a	To adjust residential revenue to reflect the pro forma number of customers at DIUC proposed rehearing rates.			
			Per ORS	383,382	173,488	209,894
			Per DIUC	383,382	173,488	209,894
Commercial	(1d)	18b	To adjust commercial revenue to reflect the pro forma number of customers at DIUC proposed rehearing rates.			
			Per ORS	139,081	58,633	80,448
			Per DIUC	139,081	58,633	80,448

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

	Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
	Irrigation	(1f)	18c	To adjust irrigation revenue to reflect the pro forma number of customers at DIUC proposed rehearing rates.			
				Per ORS	108,369	108,369	0
				Per DIUC	108,369	108,369	0
(18)	**Total Service Revenues**				630,832	340,490	290,342
(19)	**Availability Billing Revenue**						
	Availability Billing	(1f, 1h)	19	To adjust availability revenue to reflect the pro forma number of customers at DIUC proposed rehearing rates.			
				Per ORS	518,553	227,804	290,749
				Per DIUC	518,553	227,804	290,749
(19)	**Total Availability Billing Revenue**				518,553	227,804	290,749
(20)	**Miscellaneous Other Revenue**						
	Miscellaneous Other Revenue	(1h, 1j)	20	To adjust miscellaneous revenues to reflect pro forma number of customers at DIUC proposed rehearing rates.			
				Per ORS	32,914	22,159	10,755
				Per DIUC	32,914	22,159	10,755
(20)	**Total Miscellaneous Other Revenue**				32,914	22,159	10,755
(21)	**Operating Expenses**						
	Bad Debt	(20)	21	To adjust bad debt expense for DIUC proposed rehearing proposed revenues using the methodology and percentages to calculate the adjustment on Audit Exhibit ICG-4.			
				Per ORS	116,056	58,409	57,647
				Per DIUC	134,233	66,765	67,468
(21)	**Total Operating Expenses**				116,056	58,409	57,647
(22)	**Taxes Other than Income Taxes**						
	Revenue Taxes	(21)	22	To adjust gross receipts to reflect DIUC rehearing proposed revenue.			
				Per ORS	10,128	5,058	5,070
				Per DIUC	11,557	5,722	5,835
(22)	**Total Taxes Other than Income Taxes**				10,128	5,058	5,070

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(23) Income Tax Expense						
State and Federal Income Taxes	(22)	23	To adjust State and Federal income taxes for the DIUC rehearing proposed increase. See Revised Rehearing Audit Exhibit DFS-6.			
			Per ORS	280,390	131,653	148,737
			Per DIUC	201,667	93,236	108,431
(23) Total Income Tax Expense				280,390	131,653	148,737
(24) Customer Growth		24	To adjust for customer growth for the DIUC rehearing proposed increase. ORS used the growth factors of 0.18519% for water and 0.48985% for sewer as was done on Audit Exhibit ICG-4.			
			Per ORS	2,137	529	1,608
			Per DIUC	0	0	0
(24) Total Customer Growth				2,137	529	1,608

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Computation of Depreciation and Amortization Expense
For the Test Year Ended December 31, 2014

Depreciation Expense Adjustment

Description	Plant Balance 12/31/14	ORS Adjustment	Water Total	Service life	Dep. Rate	Utilization Factor	2014 Depr. Expense	Less: Per Books	ORS Adjustment
Organizational Costs	$ 73,597	$ (73,597)	$ -						
Land & Land Rights	$ 56,702	$ (56,702)	$ -						
General Plant			$ 17,547	6	16.67%	100.00%	$ 2,925		
General Plant			$ 597	15	6.67%	100.00%	$ 40		
General Plant			$ 5,143	16	6.25%	100.00%	$ 321		
General Plant			$ 22,175	40	2.50%	100.00%	$ 554		
Total General Plant	$ 59,599	$ (14,137)	$ 45,462						
Other Intangible Plant	$ 404	$ -	$ 404	10	10.00%	100.00%	$ 40		
Meters	$ 8,786	$ 1,718	$ 10,504	20	5.00%	45.28%	$ 238		
Pumping	$ 61,307	$ (24,605)	$ 36,702	20	5.00%	45.28%	$ 831		
Reservoirs & Standpipes	$ 907,325	$ (9,246)	$ 898,079	37	2.70%	45.28%	$ 10,980		
Storage	$ 81,907	$ (75,907)	$ 6,000	37	2.70%	45.28%	$ 73		
Treatment			$ 4,816	30	3.33%	45.28%	$ 73		
Treatment			$ 234,776	32	3.13%	45.28%	$ 3,327		
Total Treatment	$ 321,643	$ (82,051)	$ 239,592						
Water & Sewer Mains	$ 1,509,687	$ (91,176)	$ 1,418,511	45	2.22%	45.28%	$ 14,259		
Wells	$ 794,864	$ -	$ 794,864	30	3.33%	45.28%	$ 11,985		
Well Site	$ 23,211	$ (1,986)	$ 21,225	18	5.56%	45.28%	$ 534		
Total	$ 3,899,032	$ (427,689)	$ 3,471,343				$ 46,180	41,046	5,134

Description	Plant Balance 12/31/14	ORS Adjustment	Wastewater Total	Service life	Dep. Rate	Utilization Factor	2014 Depr. Expense	Less: Per Books	ORS Adjustment
Organizational Costs	$ 73,597	$ (73,597)	$ -						
Land & Land Rights	$ 63,710	$ (63,710)	$ -						
General Plant			$ 17,547	6	16.67%	100.00%	$ 2,925		
General Plant			$ 597	15	6.67%	100.00%	$ 40		
General Plant			$ 4,780	16	6.25%	100.00%	$ 299		
General Plant			$ 4,592	18	5.56%	100.00%	$ 255		
General Plant			$ 22,175	40	2.50%	100.00%	$ 554		
Total General Plant	$ 54,868	$ (5,177)	$ 49,691						
Other Intangible Plant	$ 204	$ -	$ 204	10	10.00%	100.00%	$ 20		
Power Generation Equipment	$ 4,632	$ 4,514	$ 9,146	20	5.00%	33.88%	$ 155		
Pumping			$ 85,323	18	5.56%	33.88%	$ 1,607		
Pumping			$ 53,027	25	4.00%	33.88%	$ 719		
Total Pumping	$ 158,189	$ (19,839)	$ 138,350						
T&D Equipment			$ 29,163	15	6.67%	33.88%	$ 659		
T&D Equipment			$ 4,114	18	5.56%	33.88%	$ 77		
T&D Equipment			$ 380,128	32	3.13%	33.88%	$ 4,031		
Total T&D Equipment	$ 417,412	$ (4,007)	$ 413,405						
Treatment			$ 3,600	15	6.67%	33.88%	$ 81		
Treatment			$ 91,380	18	5.56%	33.88%	$ 1,721		
Treatment			$ 121,491	32	3.13%	33.88%	$ 1,288		
Total Treatment	$ 289,565	$ (73,094)	$ 216,471						
Water & Sewer Mains	$ 2,118,279	$ (36,762)	$ 2,081,517	45	2.22%	33.88%	$ 15,656		
Outfall Main	$ 66,704	$ -	$ 66,704	30	3.33%	33.88%	$ 753		
WW Treatment Plant	$ 818,187	$ -	$ 818,187	32	3.13%	33.88%	$ 8,676		
Total	$ 4,065,347	$ (271,672)	$ 3,793,675				$ 39,516	35,256	4,260
Total Water/Wastewater	$ 7,964,379	$ (699,361)	$ 7,265,018				$ 85,696	$ 76,302	$ 9,394

Amortization of CIAC

Description	Per Books	Adjustment	W/WW Total	Service life	Dep. Rate	Utilization Factor	2014 Amort. Expense	Less: Per Books	ORS Adjustment
Water - CIAC @12/31/2014	$ (458,500)	$ -	$ (458,500)	50	2.00%	45.28%	(4,152)	(4,125)	(27)
Wastewater - CIAC @ 12/31/2014	$ (201,795)	$ -	$ (201,795)	50	2.00%	33.88%	(1,367)	(1,488)	121
Total Water/Wastewater CIAC	$ (660,295)	$ -	$ (660,295)				$ (5,519)	$ (5,613)	$ 94

- Reservoirs & Standpipes water total per Audit Exhibit ICG-5 was $34,700. Water total of $898,079 above with inclusion of elevated storage tank of $863,379.
- Wells water total per Audit Exhibit ICG-5 was $732,908. Water total of $794,864 above with inclusion of elevated tank site well of $61,956.

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Computation of Income Taxes
For the Test Year Ended December 31, 2014

After Accounting & Pro Forma Adjustments

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	1,073,577	542,472	531,105
Operating Expenses	1,235,193	651,986	583,207
Net Operating Income Before Taxes	(161,616)	(109,514)	(52,102)
Less: Annualized Interest Expense	142,783	64,515	78,268
Taxable Income - State	(304,399)	(174,029)	(130,370)
State Taxable Income	5%	5%	5%
State Income Taxes (Note)	(15,220)	(8,701)	(6,519)
Less: State Income Taxes Per Book	0	0	0
Adjustment to State Income Taxes	**0**	**0**	**0**
Taxable Income - Federal (Note)	(289,179)	(165,327)	(123,852)
Federal Income Tax @ 34%	(98,321)	(56,211)	(42,110)
Less: Federal Income Taxes Per Book	0	0	0
Adjustment to Federal Income Taxes	**0**	**0**	**0**
Total Adjustment to Income Taxes (Note)	**0**	**0**	**0**

After DIUC Rehearing Proposed Increase

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	2,255,876	1,132,925	1,122,951
Operating Expenses	1,361,377	715,453	645,924
Net Operating Income Before Taxes	894,499	417,472	477,027
Less: Annualized Interest Expense	142,783	64,515	78,268
Taxable Income - State	751,716	352,957	398,759
State Taxable Income	5%	5%	5%
State Income Taxes	37,586	17,648	19,938
Less: State Income Taxes Per Book	0	0	0
Adjustment to State Income Taxes	**37,586**	**17,648**	**19,938**
Taxable Income - Federal	714,130	335,309	378,821
Federal Income Tax @ 34%	242,804	114,005	128,799
Less: Federal Income Taxes Per Book	0	0	0
Adjustment to Federal Income Taxes	**242,804**	**114,005**	**128,799**
Total Adjustment to Income Taxes	**280,390**	**131,653**	**148,737**

Note: Taxable income is based on the calculation of net operating income before taxes less annualized interest expense. Since this amount is negative after accounting and pro forma adjustments, there are no income taxes as shown on Revised Rehearing Audit Exhibits DFS-1, DFS-2 and DFS-3, Column 3.

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Cash Working Capital Allowance
For the Test Year Ended December 31, 2014

After Accounting & Pro Forma Adjustments

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Total Expenses for Computation	817,590	446,571	371,019
Allowable Rate (1/5 O&M)	20.00%	20.00%	20.00%
Computed Cash Working Capital	163,518	89,314	74,204
Cash Working Capital - Application Per Books	75,842	0	75,842
Cash Working Capital Adjustment - ORS Accounting & Pro Forma Adjustment	87,676	89,314	(1,638)

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Return on Equity
For the Test Year Ended December 31, 2014

Combined Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1) Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	After Accounting and Pro forma Adjustments Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	After DIUC Rehearing Proposed Increase Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	$ 2,750,000	46.0%	$ 3,180,451	5.29%	2.43%	$ 168,246	$ 2,699,111	5.29%	2.43%	$ 142,783	$ 2,699,111	5.29%	2.43%	$ 142,783
Common Equity	5,358,573	54.0%	3,733,573	-3.47%	-1.87%	(129,534)	3,168,521	-9.61%	-5.19%	(304,399)	3,168,521	14.94%	8.07%	473,463
Totals	$ 8,108,573	100.00%	$ 6,914,024		0.56%	$ 38,712	$ 5,867,632		-2.76%	$ (161,616)	$ 5,867,632		10.50%	$ 616,246

Water Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1) Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	After Accounting and Pro forma Adjustments Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	After DIUC Rehearing Proposed Increase Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	$ 2,750,000	46.0%	$ 1,443,790	5.29%	2.43%	$ 76,376	$ 1,219,566	5.29%	2.43%	$ 64,515	$ 1,219,566	5.29%	2.43%	$ 64,515
Common Equity	5,358,573	54.0%	1,694,883	-5.76%	-3.10%	(97,553)	1,431,664	-12.16%	-6.56%	(174,029)	1,431,664	15.49%	8.37%	221,833
Totals	$ 8,108,573	100.00%	$ 3,138,673		-0.67%	$ (21,177)	$ 2,651,230		-4.13%	$ (109,514)	$ 2,651,230		10.80%	$ 286,348

Sewer Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1) Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	After Accounting and Pro forma Adjustments Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	After DIUC Rehearing Proposed Increase Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	$ 2,750,000	46.0%	$ 1,736,661	5.29%	2.43%	$ 91,869	$ 1,479,545	5.29%	2.43%	$ 78,268	$ 1,479,545	5.29%	2.43%	$ 78,268
Common Equity	5,358,573	54.0%	2,038,690	-1.57%	-0.84%	(31,980)	1,736,857	-7.51%	-4.05%	(130,370)	1,736,857	14.49%	7.82%	251,630
Totals	$ 8,108,573	100.00%	$ 3,775,351		1.59%	$ 59,889	$ 3,216,402		-1.62%	$ (52,102)	$ 3,216,402		10.25%	$ 329,898

Note 1: The interest expense calculations reflect ORS's capital structure ratios and cost of debt applied to the Company's per book numbers.

Please note: Corrections noted herein reflect testimony given during the 12/7/17 hearing in this matter.

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Operating Experience, Rate Base, and Rates of Return
For the Test Year Ended December 31, 2014
Combined Operations

Description	(1) Application Per Books		(2) Accounting & Pro Forma Adjustments		(3) After Accounting & Pro Forma Adjustments	(4) 9.28% ROE Rehearing Increase		(5) After Proposed Increase
	$		$		$	$		$
OPERATING REVENUE								
Residential revenue	307,239	1a	4,913	1a	312,152	202,178	18a	514,330
Commercial Revenue	151,056	1b	(4,780)	1b	146,276	94,859	18b	241,135
Irrigation Revenue	98,309	1c	883	1c	99,192	101,988	18c	201,180
Availability Billing	489,665	2	(3,905)	2	485,760	447,866	19	933,626
Misc. Other Revenue	30,193	3	4	3	30,197	16,426	20	46,623
TOTAL OPERATING REVENUE	1,076,462		(2,885)		1,073,577	863,317		1,936,894
OPERATION AND MAINTENANCE EXPENSES								
Operation and Maintenance Expenses	848,818	4	(31,228)	4	817,590	84,744	21	902,334
TOTAL OPERATION AND MAINTENANCE EXPENSES	848,818		(31,228)		817,590	84,744		902,334
Depreciation and Amortization Expense	73,072	5	9,488	5	82,560	0		82,560
Amortization of Rate Case Expenses	92,420	6	27,912	6	120,332	0		120,332
Taxes Other than Income Tax Expense	23,440	7	191,271	7	214,711	7,395	22	222,106
Income Tax Expense	0	8	0	8	0	174,109	23	174,109
TOTAL OPERATING EXPENSES	1,037,750		197,443		1,235,193	266,248		1,501,440
NET OPERATING INCOME	38,712		(200,328)		(161,616)	597,069		435,454
Add: Customer Growth	0	9	0	9	0	1,498	24	1,498
NET INCOME (LOSS) FOR RETURN	38,712		(200,328)		(161,616)	598,567		436,952
ORIGINAL COST RATE BASE:								
Gross Plant in Service	7,964,379		(699,361)	10	7,265,018	0		7,265,018
Accumulated Depreciation	(790,024)		(180,067)	11	(970,091)	0		(970,091)
Construction Work In Progress (CWIP)	254,853		(254,853)	12	0	0		0
Contributions in Aid of Construction	(660,295)		0	13	(660,295)	0		(660,295)
Accumulated Amortization of CIAC	69,269		213	14	69,482	0		69,482
Net Plant	6,838,182		(1,134,068)		5,704,114	0		5,704,114
Working Capital	75,842		87,676	15	163,518	0		163,518
Unamortized Balances	0		0	16	0	0		0
TOTAL RATE BASE	6,914,024		(1,046,392)		5,867,632	0		5,867,632
RETURN ON RATE BASE	0.56%				-2.75%			7.45%
OPERATING MARGIN	-12.90%				-28.35%			15.19%
INTEREST EXPENSE	177,526		(34,743)	17	142,783	0		142,783

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Operating Experience, Rate Base, and Rates of Return
For the Test Year Ended December 31, 2014
Water Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments		(3) After Accounting & Pro Forma Adjustments	(4) 9.28% ROE Rehearing Increase		(5) After Proposed Increase
	$	$		$	$		$
OPERATING REVENUE							
Water Residential	139,071	491	1a	139,562	101,608	18a	241,170
Water Commercial	72,479	432	1b	72,911	46,939	18b	119,850
Water Irrigation	98,309	883	1c	99,192	101,988	18c	201,180
Availability Billing	213,004	(1,926)	2	211,078	193,989	19	405,067
Misc. Other Revenue	20,444	(715)	3	19,729	7,793	20	27,522
TOTAL OPERATING REVENUE	543,307	(835)		542,472	452,317		994,789
WATER OPERATION AND MAINTENANCE EXPENSES							
Operation and Maintenance Expense	469,605	(23,034)	4	446,571	44,852	21	491,423
TOTAL OPERATING AND MAINTENANCE EXPENSES	469,605	(23,034)		446,571	44,852		491,423
Depreciation and Amortization Expense	36,921	5,107	5	42,028	0		42,028
Amortization of Rate Case Expenses	46,210	13,956	6	60,166	0		60,166
Taxes Other than Income Tax Expense	11,748	91,473	7	103,221	3,874	22	107,095
Income Tax Expense	0	0	8	0	85,627	23	85,627
TOTAL OPERATING EXPENSES	564,484	87,502		651,986	134,353		786,338
NET OPERATING INCOME	(21,177)	(88,337)		(109,514)	317,964		208,451
Add: Customer Growth	0	0	9	0	386	24	386
NET INCOME (LOSS) FOR RETURN	(21,177)	(88,337)		(109,514)	318,350		208,837
ORIGINAL COST RATE BASE:							
Gross Plant in Service	3,899,032	(427,689)	10	3,471,343	0		3,471,343
Accumulated Depreciation	(382,950)	(119,596)	11	(502,546)	0		(502,546)
Construction Work In Progress (CWIP)	29,511	(29,511)	12	0	0		0
Contributions in Aid of Construction	(458,500)	0	13	(458,500)	0		(458,500)
Accumulated Amortization of CIAC	51,580	39	14	51,619	0		51,619
Net Plant	3,138,673	(576,757)		2,561,916	0		2,561,916
Working Capital	0	89,314	15	89,314	0		89,314
Unamortized Balances	0	0	16	0	0		0
TOTAL RATE BASE	3,138,673	(487,443)		2,651,230	0		2,651,230
RETURN ON RATE BASE	-0.67%			-4.13%			7.88%
OPERATING MARGIN	-20.24%			-32.08%			14.51%
INTEREST EXPENSE	88,763	(24,248)	17	64,515	0		64,515

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Operating Experience, Rate Base, and Rates of Return
For the Test Year Ended December 31, 2014
Sewer Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments		(3) After Accounting & Pro Forma Adjustments	(4) 9.28% ROE Rehearing Increase		(5) After Proposed Increase
	$	$		$	$		$
OPERATING REVENUE							
Sewer Residential	168,168	4,422	1a	172,590	100,570	18a	273,160
Sewer Commercial	78,577	(5,212)	1b	73,365	47,920	18b	121,285
Sewer Irrigation	0	0	1c	0	0	18c	0
Availability Billing	276,661	(1,979)	2	274,682	253,877	19	528,559
Misc. Other Revenue	9,749	719	3	10,468	8,633	20	19,101
TOTAL OPERATING REVENUE	533,155	(2,050)		531,105	411,000		942,105
SEWER OPERATION AND MAINTENANCE EXPENSES							
Operation and Maintenance Expense	379,213	(8,194)	4	371,019	39,892	21	410,911
TOTAL OPERATING AND MAINTENANCE EXPENSES	379,213	(8,194)		371,019	39,892		410,911
Depreciation and Amortization Expense	36,151	4,381	5	40,532	0		40,532
Amortization of Rate Case Expenses	46,210	13,956	6	60,166	0		60,166
Taxes Other than Income Tax Expense	11,692	99,798	7	111,490	3,521	22	115,011
Income Tax Expense	0	0	8	0	88,482	23	88,482
TOTAL OPERATING EXPENSES	473,266	109,941		583,207	131,895		715,102
NET OPERATING INCOME	59,889	(111,991)		(52,102)	279,105		227,003
Add: Customer Growth	0	0	9	0	1,112	24	1,112
NET INCOME (LOSS) FOR RETURN	59,889	(111,991)		(52,102)	280,217		228,115
ORIGINAL COST RATE BASE:							
Gross Plant in Service	4,065,347	(271,672)	10	3,793,675	0		3,793,675
Accumulated Depreciation	(407,074)	(60,471)	11	(467,545)	0		(467,545)
Construction Work In Progress (CWIP)	225,342	(225,342)	12	0	0		0
Contributions in Aid of Construction	(201,795)	0	13	(201,795)	0		(201,795)
Accumulated Amortization of CIAC	17,689	174	14	17,863	0		17,863
Net Plant	3,699,509	(557,311)		3,142,198	0		3,142,198
Working Capital	75,842	(1,638)	15	74,204	0		74,204
Unamortized Balances	0	0	16	0	0		0
TOTAL RATE BASE	3,775,351	(558,949)		3,216,402	0		3,216,402
RETURN ON RATE BASE	1.59%			-1.62%			7.09%
OPERATING MARGIN	-5.42%			-24.55%			15.91%
INTEREST EXPENSE	88,763	(10,495)	17	78,268	0		78,268

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
Accounting and Pro forma Adjustments						
(1) Service Revenues						
Residential	(1a)	1a	ORS and the Company propose to adjust residential revenue to reflect the pro forma number of customers at present rates.			
			Per ORS	4,913	491	4,422
			Per DIUC	4,913	491	4,422
Commercial	(1c)	1b	ORS and the Company propose to adjust commercial revenue to reflect the pro forma number of customers at present rates.			
			Per ORS	(4,780)	432	(5,212)
			Per DIUC	(4,780)	432	(5,212)
Irrigation	(1e)	1c	ORS and the Company propose to adjust irrigation revenue to reflect the pro forma demand at present rates.			
			Per ORS	883	883	0
			Per DIUC	883	883	0
(1) Total Service Revenues				1,016	1,806	(790)
(2) Availability Billing Revenue						
Availability Billing	(1g)	2	ORS and the Company propose to adjust availability revenue to reflect the pro forma number of customers at present rates.			
			Per ORS	(3,905)	(1,926)	(1,979)
			Per DIUC	(3,905)	(1,926)	(1,979)
(2) Total Availability Billing Revenue				(3,905)	(1,926)	(1,979)
(3) Miscellaneous Other Revenue						
Miscellaneous Other Revenue	(1g, 1i)	3	ORS and the Company propose to adjust miscellaneous revenues to reflect the pro forma number of customers at present rates.			
			Per ORS	4	(715)	719
			Per DIUC	4	(715)	719
(3) Total Miscellaneous Other Revenue				4	(715)	719

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(4) Operation & Maintenance Expenses						
Wages	(2)	4a	ORS and the Company propose to annualize salary expense.			
			Per ORS	19,988	9,994	9,994
			Per DIUC	19,988	9,994	9,994
Benefits	(3)	4b	ORS and the Company propose to annualize employee benefits.			
			Per ORS	(2,780)	(1,390)	(1,390)
			Per DIUC	(2,780)	(1,390)	(1,390)
Officer & Director Fees	(4)	4c	ORS and the Company do not propose to adjust Directors' Fees to reflect annual Officer's fees of $12,000 and Directors' fees of $4,500. These fees were already included in the per book amounts.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Power	(5)	4d	ORS and the Company propose to adjust for the most recent 12 months of power expenses.			
			Per ORS	14,744	7,372	7,372
			Per DIUC	14,744	7,372	7,372
Chemicals	(6)	4e	ORS and the Company do not propose to adjust for increased demand.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Supplies & Maintenance	(7)	4f	ORS and the Company propose to adjust supplies and maintenance for undocumented expense. ORS and the Company do not propose to adjust for an increase in customers in this adjustment.			
			Per ORS	(21)	(21)	0
			Per DIUC	(21)	(21)	0
Outside Services - Mgmt.	(8)	4g	ORS proposes to adjust outside management services to reflect the PSC approved amount in Docket No. 2011-229-WS.			
			Per ORS	(25,439)	(12,720)	(12,719)
			Per DIUC	13,714	6,857	6,857

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
Outside Services - Engineering	(9)	4h	ORS and the Company do not propose to adjust outside services-engineering to reflect a 4-year average cost.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Transportation	(10)	4i	ORS and the Company do not propose to adjust transportation cost for an increase in employees.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
Bad Debt	(11)	4j	ORS proposes to adjust bad debt expense to reflect test period revenue write-off percentages applied to ORS pro forma revenue under present rates. ORS adjustment amount agrees to Audit Exhibit ICG-4.			
			Per ORS	(284)	(36)	(248)
			Per DIUC	2,681	1,446	1,235
Insurance	(12)	4k	ORS and the Company propose to adjust insurance to reflect the most recent actual bills.			
			Per ORS	8,706	1,258	7,448
			Per DIUC	8,706	1,258	7,448
Regulatory Expense (DHEC)	(13)	4l	ORS and the Company propose to adjust regulatory expense to reflect the most recent DHEC drinking water bills and land permits.			
			Per ORS	(109)	2,645	(2,754)
			Per DIUC	(109)	2,645	(2,754)
Nonallowable Expense		4m	ORS and the Company propose to remove nonallowable expenses for ratemaking purposes. Additionally, test year rate case expenses were removed and amortized in adjustment 6a.			
			Per ORS	(46,033)	(30,136)	(15,897)
			Per DIUC	(46,033)	(30,136)	(15,897)
(4) Total Operation & Maintenance Expenses				(31,228)	(23,034)	(8,194)

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

	Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(5)	**Depreciation Expense and Amortization of Contributions In Aid of Construction ("CIAC")**						
	Depreciation Expense	(14)	5a	To adjust annual depreciation for pro forma plant in service. See ~~Rehearing Audit Exhibit DFS-5~~. Rev. Rehrg. Audit Exh. -9. pg. 13			
				Per ORS	9,394	5,134	4,260
				Per DIUC	28,367	9,525	18,842
	Amortization of CIAC	(14)	5b	To adjust for amortization of CIAC. See Rehearing Audit Exhibit DFS-5. Rev. Rehrg. Audit Exh. -9, pg. 13			
				Per ORS	94	(27)	121
				Per DIUC	(5,899)	(4,326)	(1,573)
(5)	**Total Depreciation Expense and Amortization of CIAC**				9,488	5,107	4,381
(6)	**Amortization Expense**						
	Rate Case Amortization Expense	(15)	6a	To adjust for the 5-year amortization of rate case expenses and include unamortized rate case expenses from the previous rate case.			
				Per ORS	(37,944)	(18,972)	(18,972)
				Per DIUC	192,576	96,288	96,288
	Property Tax Amortization Expense	(15)	6b	ORS and the Company propose to adjust for property tax amortization over 8 years.			
				Per ORS	65,856	32,928	32,928
				Per DIUC	65,856	32,928	32,928
(6)	**Total Amortization Expense**				27,912	13,956	13,956
(7)	**Taxes Other Than Income Tax Expense**						
	Revenue Taxes	(16)	7a	ORS and the Company propose to reflect gross receipts on ORS's pro forma revenue under present rates.			
				Per ORS	3,148	1,595	1,553
				Per DIUC	3,148	1,595	1,553
	Property Taxes	(17)	7b	ORS and the Company propose to adjust property taxes to reflect actual tax bills for property owned by DIUC.			
				Per ORS	188,093	89,863	98,230
				Per DIUC	188,093	89,863	98,230

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

	Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
	Payroll Taxes	(18)	7c	ORS and the Company propose to adjust payroll taxes to reflect pro forma wages.			
				Per ORS	30	15	15
				Per DIUC	30	15	15
(7)	**Total Taxes Other Than Income Tax Expense**				191,271	91,473	99,798
(8)	**Income Tax Expense**						
	Income Taxes - State and Federal	(19)	8	ORS and the Company do not propose to adjust for State and Federal Income Taxes after accounting and pro forma adjustments. See ~~Rehearing Audit Exhibit DFS-6~~. Rev. Rehrg. Audit Exh. -9, pg. 14			
				Per ORS	0	0	0
				Per DIUC	0	0	0
(8)	**Total Income Tax Expense**				0	0	0
(9)	**Customer Growth**		9	ORS and the Company do not propose to adjust for customer growth after the accounting and pro forma adjustments.			
				Per ORS	0	0	0
				Per DIUC	0	0	0
(9)	**Total Customer Growth**				0	0	0
	Rate Base (RB)						
(10)	**Plant in Service**						
	Plant in Service	RB1	10	To include the elevated water storage tank and well located on the elevated tank site and reflect all other adjustments to plant in service as included on Audit Exhibit ICG-5. See ~~Rehearing Audit Exhibit DFS-5~~. Rev. Rehrg. Audit Exh. -9, pg. 13			
				Per ORS	(699,361)	(427,689)	(271,672)
				Per DIUC	174,882	50,925	123,957
(10)	**Total Plant in Service**				(699,361)	(427,689)	(271,672)

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

	Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(11)	**Accumulated Depreciation**						
	Accumulated Depreciation	RB2	11	To adjust accumulated depreciation to include the elevated water storage tank and well located on the elevated tank site and reflect all other adjustments to plant in service as included on Audit Exhibit ICG-5.			
				Per ORS	(180,067)	(119,596)	(60,471)
				Per DIUC	12,170	(46,446)	58,616
(11)	**Total Accumulated Depreciation**				(180,067)	(119,596)	(60,471)
(12)	**Construction Work in Progress (CWIP)**						
	Construction Work in Progress(CWIP)	RB3	12	ORS and the Company propose to adjust CWIP to move completed projects to plant in service.			
				Per ORS	(254,853)	(29,511)	(225,342)
				Per DIUC	(254,853)	(29,511)	(225,342)
(12)	**Total CWIP**				(254,853)	(29,511)	(225,342)
(13)	**CIAC**						
	Contributions in Aid of Construction (CIAC)	RB4	13	ORS and the Company do not propose to adjust CIAC for customer growth.			
				Per ORS	0	0	0
				Per DIUC	0	0	0
(13)	**Total CIAC**				0	0	0
(14)	**Accumulated Amortization of CIAC**						
	Accumulated Amortization of CIAC	RB5	14	To include amortization expense in accumulated CIAC.			
				Per ORS	213	39	174
				Per DIUC	6,073	4,326	1,747
(14)	**Total Accumulated Amortization of CIAC**				213	39	174

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(15) Cash Working Capital						
Cash Working Capital (1/5 O&M)	RB6	15	To adjust cash working capital after ORS accounting and pro forma adjustments. See ~~Rehearing Audit Exhibit DFS-7~~. Rev. Rehrg. Audit Exh. -9, pg. 15			
			Per ORS	87,676	89,314	(1,638)
			Per DIUC	198,787	106,878	91,909
(15) Total Cash Working Capital				87,676	89,314	(1,638)
(16) Unamortized Balances						
Unamortized Balances	RB7	16	ORS and the Company do not propose to include the unamortized balance of rate case expense in rate base.			
			Per ORS	0	0	0
			Per DIUC	0	0	0
(16) Total Unamortized Balances				0	0	0
(17) Interest Expense						
Interest Expense		17	To adjust the interest expense on long-term debt for accounting and pro forma adjustments.			
			Per ORS	(34,743)	(24,248)	(10,495)
			Per DIUC	38,009	10,885	27,124
(17) Total Interest Expense				(34,743)	(24,248)	(10,495)
DIUC Rehearing Proposed Increase						
(18) Service Revenues						
Residential	(1b)	18a	To adjust residential revenue to reflect the pro forma number of customers and calculate a 9.28% return on equity.			
			Per ORS	202,178	101,608	100,570
			Per DIUC	383,382	173,488	209,894
Commercial	(1d)	18b	To adjust commercial revenue to reflect the pro forma number of customers and calculate a 9.28% return on equity.			
			Per ORS	94,859	46,939	47,920
			Per DIUC	139,081	58,633	80,448

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

	Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
	Irrigation	(1f)	18c	To adjust irrigation revenue to reflect the pro forma number of customers and calculate a 9.28% return on equity.			
				Per ORS	101,988	101,988	0
				Per DIUC	108,369	108,369	0
(18)	**Total Service Revenues**				399,025	250,535	148,490
(19)	**Availability Billing Revenue**						
	Availability Billing	(1f, 1h)	19	To adjust availability revenue to reflect the pro forma number of customers and calculate a 9.28% return on equity.			
				Per ORS	447,866	193,989	253,877
				Per DIUC	518,553	227,804	290,749
(19)	**Total Availability Billing Revenue**				447,866	193,989	253,877
(20)	**Miscellaneous Other Revenue**						
	Miscellaneous Other Revenue	(1h, 1j)	20	To adjust miscellaneous revenues to reflect the pro forma number of customers and calculate a 9.28% return on equity.			
				Per ORS	16,426	7,793	8,633
				Per DIUC	32,914	22,159	10,755
(20)	**Total Miscellaneous Other Revenue**				16,426	7,793	8,633
(21)	**Operating Expenses**						
	Bad Debt	(20)	21	To adjust bad debt expense for the revenue necessary to calculate a 9.28% return on equity and using the methodology and percentages to calculate the adjustment on Audit Exhibit ICG-4.			
				Per ORS	84,744	44,852	39,892
				Per DIUC	134,233	66,765	67,468
(21)	**Total Operating Expenses**				84,744	44,852	39,892
(22)	**Taxes Other than Income Taxes**						
	Revenue Taxes	(21)	22	To adjust gross receipts to reflect the revenue necessary to calculate a 9.28% return on equity.			
				Per ORS	7,395	3,874	3,521
				Per DIUC	11,557	5,722	5,835
(22)	**Total Taxes Other than Income Taxes**				7,395	3,874	3,521

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2014

Description	DIUC Adj.	ORS Adj.		$ Combined Operations	$ Water Operations	$ Sewer Operations
(23) Income Tax Expense						
State and Federal Income Taxes	(22)	23	To adjust State and Federal income taxes for the revenue necessary to calculate a 9.28% return on equity. See ~~Rehearing Audit Exhibit DFS-6~~ Rev. Rehrg. Audit Exh. -9, pg. 14			
			Per ORS	174,109	85,627	88,482
			Per DIUC	201,667	93,236	108,431
(23) Total Income Tax Expense				174,109	85,627	88,482
(24) Customer Growth		24	To adjust for customer growth for the revenue necessary to calculate a 9.28% return on equity. ORS used the growth factors of 0.18519% for water and 0.48985% for sewer as was done on Audit Exhibit ICG-4.			
			Per ORS	1,498	386	1,112
			Per DIUC	0	0	0
(24) Total Customer Growth				1,498	386	1,112

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Computation of Depreciation and Amortization Expense
For the Test Year Ended December 31, 2014

Depreciation Expense Adjustment

Description	Plant Balance 12/31/14	ORS Adjustment	Water Total	Service life	Dep. Rate	Utilization Factor	2014 Depr. Expense	Less: Per Books	ORS Adjustment
Organizational Costs	$ 73,597	$ (73,597)	$ -						
Land & Land Rights	$ 56,702	$ (56,702)	$ -						
General Plant			$ 17,547	6	16.67%	100.00%	$ 2,925		
General Plant			$ 597	15	6.67%	100.00%	$ 40		
General Plant			$ 5,143	16	6.25%	100.00%	$ 321		
General Plant			$ 22,175	40	2.50%	100.00%	$ 554		
Total General Plant	$ 59,599	$ (14,137)	$ 45,462						
Other Intangible Plant	$ 404	$ -	$ 404	10	10.00%	100.00%	$ 40		
Meters	$ 8,786	$ 1,718	$ 10,504	20	5.00%	45.28%	$ 238		
Pumping	$ 61,307	$ (24,605)	$ 36,702	20	5.00%	45.28%	$ 831		
Reservoirs & Standpipes	$ 907,325	$ (9,246)	$ 898,079	37	2.70%	45.28%	$ 10,980		
Storage	$ 81,907	$ (75,907)	$ 6,000	37	2.70%	45.28%	$ 73		
Treatment			$ 4,816	30	3.33%	45.28%	$ 73		
Treatment			$ 234,776	32	3.13%	45.28%	$ 3,327		
Total Treatment	$ 321,643	$ (82,051)	$ 239,592						
Water & Sewer Mains	$ 1,509,687	$ (91,176)	$ 1,418,511	45	2.22%	45.28%	$ 14,259		
Wells	$ 794,864	$ -	$ 794,864	30	3.33%	45.28%	$ 11,985		
Well Site	$ 23,211	$ (1,986)	$ 21,225	18	5.56%	45.28%	$ 534		
Total	$ 3,899,032	$ (427,689)	$ 3,471,343				$ 46,180	41,046	5,134

Description	Plant Balance 12/31/14	ORS Adjustment	Wastewater Total	Service life	Dep. Rate	Utilization Factor	2014 Depr. Expense	Less: Per Books	ORS Adjustment
Organizational Costs	$ 73,597	$ (73,597)	$ -						
Land & Land Rights	$ 63,710	$ (63,710)	$ -						
General Plant			$ 17,547	6	16.67%	100.00%	$ 2,925		
General Plant			$ 597	15	6.67%	100.00%	$ 40		
General Plant			$ 4,780	16	6.25%	100.00%	$ 299		
General Plant			$ 4,592	18	5.56%	100.00%	$ 255		
General Plant			$ 22,175	40	2.50%	100.00%	$ 554		
Total General Plant	$ 54,868	$ (5,177)	$ 49,691						
Other Intangible Plant	$ 204	$ -	$ 204	10	10.00%	100.00%	$ 20		
Power Generation Equipment	$ 4,632	$ 4,514	$ 9,146	20	5.00%	33.88%	$ 155		
Pumping			$ 85,323	18	5.56%	33.88%	$ 1,607		
Pumping			$ 53,027	25	4.00%	33.88%	$ 719		
Total Pumping	$ 158,189	$ (19,839)	$ 138,350						
T&D Equipment			$ 29,163	15	6.67%	33.88%	$ 659		
T&D Equipment			$ 4,114	18	5.56%	33.88%	$ 77		
T&D Equipment			$ 380,128	32	3.13%	33.88%	$ 4,031		
Total T&D Equipment	$ 417,412	$ (4,007)	$ 413,405						
Treatment			$ 3,600	15	6.67%	33.88%	$ 81		
Treatment			$ 91,380	18	5.56%	33.88%	$ 1,721		
Treatment			$ 121,491	32	3.13%	33.88%	$ 1,288		
Total Treatment	$ 289,565	$ (73,094)	$ 216,471						
Water & Sewer Mains	$ 2,118,279	$ (36,762)	$ 2,081,517	45	2.22%	33.88%	$ 15,656		
Outfall Main	$ 66,704	$ -	$ 66,704	30	3.33%	33.88%	$ 753		
WW Treatment Plant	$ 818,187	$ -	$ 818,187	32	3.13%	33.88%	$ 8,676		
Total	$ 4,065,347	$ (271,672)	$ 3,793,675				$ 39,516	35,256	4,260
this amount is negative after accou	$ 7,964,379	$ (699,361)	$ 7,265,018				$ 85,696	$ 76,302	$ 9,394

Exhibit DFS-9, pages 1-3, Column 3.

Amortization of CIAC

Description	Per Books	Adjustment	W/WW Total	Service life	Dep. Rate	Utilization Factor	2014 Amort. Expense	Less: Per Books	ORS Adjustment
Water - CIAC @12/31/2014	$ (458,500)	$ -	$ (458,500)	50	2.00%	45.28%	(4,152)	(4,125)	(27)
Wastewater - CIAC @ 12/31/2014	$ (201,795)	$ -	$ (201,795)	50	2.00%	33.88%	(1,367)	(1,488)	121
Total Water/Wastewater CIAC	$ (660,295)	$ -	$ (660,295)				$ (5,519)	$ (5,613)	$ 94

- Reservoirs & Standpipes water total per Audit Exhibit ICG-5 was $34,700. Water total of $898,079 above with inclusion of elevated storage tank of $863,379.
- Wells water total per Audit Exhibit ICG-5 was $732,908. Water total of $794,864 above with inclusion of elevated tank site well of $61,956.

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Computation of Income Taxes
For the Test Year Ended December 31, 2014

After Accounting & Pro Forma Adjustments

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	1,073,577	542,472	531,105
Operating Expenses	1,235,193	651,986	583,207
Net Operating Income Before Taxes	(161,616)	(109,514)	(52,102)
Less: Annualized Interest Expense	142,783	64,515	78,268
Taxable Income - State	(304,399)	(174,029)	(130,370)
State Taxable Income	5%	5%	5%
State Income Taxes (Note)	(15,220)	(8,701)	(6,519)
Less: State Income Taxes Per Book	0	0	0
Adjustment to State Income Taxes	**0**	**0**	**0**
Taxable Income - Federal (Note)	(289,179)	(165,327)	(123,852)
Federal Income Tax @ 34%	(98,321)	(56,211)	(42,110)
Less: Federal Income Taxes Per Book	0	0	0
Adjustment to Federal Income Taxes	**0**	**0**	**0**
Total Adjustment to Income Taxes (Note)	**0**	**0**	**0**

After 9.28% Return on Equity Rehearing Increase

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	1,936,894	994,789	942,105
Operating Expenses	1,327,332	700,712	626,620
Net Operating Income Before Taxes	609,562	294,077	315,485
Less: Annualized Interest Expense	142,783	64,515	78,268
Taxable Income - State	466,779	229,562	237,217
State Taxable Income	5%	5%	5%
State Income Taxes	23,339	11,478	11,861
Less: State Income Taxes Per Book	0	0	0
Adjustment to State Income Taxes	**23,339**	**11,478**	**11,861**
Taxable Income - Federal	443,440	218,084	225,356
Federal Income Tax @ 34%	150,770	74,149	76,621
Less: Federal Income Taxes Per Book	0	0	0
Adjustment to Federal Income Taxes	**150,770**	**74,149**	**76,621**
Total Adjustment to Income Taxes	**174,109**	**85,627**	**88,482**

Note: Taxable income is based on the calculation of net operating income before taxes less annualized interest expense. Since this amount is negative after accounting and pro forma adjustments, there are no income taxes as shown on Revised Rehearing Audit Exhibit DFS-9, pages 1-3, Column 3.

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Cash Working Capital Allowance
For the Test Year Ended December 31, 2014

After Accounting & Pro Forma Adjustments

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Total Expenses for Computation	817,590	446,571	371,019
Allowable Rate (1/5 O&M)	20.00%	20.00%	20.00%
Computed Cash Working Capital	163,518	89,314	74,204
Cash Working Capital - Application Per Books	75,842	0	75,842
Cash Working Capital Adjustment - ORS Accounting & Pro Forma Adjustment	**87,676**	**89,314**	**(1,638)**

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Return on Equity
For the Test Year Ended December 31, 2014

Combined Operations

			Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After 9.28% Return on Equity Rehearing Increase			
Description	Capital Structure	Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	$ 2,750,000	46.0%	$ 3,180,451	5.29%	2.43%	$ 168,246	$ 2,699,111	5.29%	2.43%	$ 142,783	$ 2,699,111	5.29%	2.43%	$ 142,783
Common Equity	5,358,573	54.0%	3,733,573	-3.47%	-1.87%	(129,534)	3,168,521	-9.61%	-5.19%	(304,399)	3,168,521	9.28%	5.01%	294,169
Totals	$ 8,108,573	100.00%	$ 6,914,024		0.56%	$ 38,712	$ 5,867,632		-2.76%	$ (161,616)	$ 5,867,632		7.44%	$ 436,952

Water Operations

			Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After 9.28% Return on Equity Rehearing Increase			
Description	Capital Structure	Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	$ 2,750,000	46.0%	$ 1,443,790	5.29%	2.43%	$ 76,376	$ 1,219,566	5.29%	2.43%	$ 64,515	$ 1,219,566	5.29%	2.43%	$ 64,515
Common Equity	5,358,573	54.0%	1,694,883	-5.76%	-3.10%	(97,553)	1,431,664	-12.16%	-6.56%	(174,029)	1,431,664	10.08%	5.44%	144,322
Totals	$ 8,108,573	100.00%	$ 3,138,673		-0.67%	$ (21,177)	$ 2,651,230		-4.13%	$ (109,514)	$ 2,651,230		7.87%	$ 208,837

Sewer Operations

			Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After 9.28% Return on Equity Rehearing Increase			
Description	Capital Structure	Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
Long-Term Debt	$ 2,750,000	46.0%	$ 1,736,661	5.29%	2.43%	$ 91,869	$ 1,479,545	5.29%	2.43%	$ 78,268	$ 1,479,545	5.29%	2.43%	$ 78,268
Common Equity	5,358,573	54.0%	2,038,690	-1.57%	-0.84%	(31,980)	1,736,857	-7.51%	-4.05%	(130,370)	1,736,857	8.63%	4.66%	149,847
Totals	$ 8,108,573	100.00%	$ 3,775,351		1.59%	$ 59,889	$ 3,216,402		-1.62%	$ (52,102)	$ 3,216,402		7.09%	$ 228,115

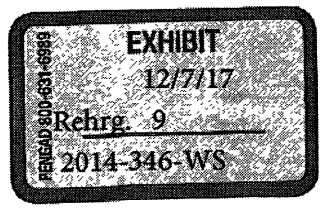
Note 1: The interest expense calculations reflect ORS's capital structure ratios and cost of debt applied to the Company's per book numbers.

Daufuskie Island Utility Company, Inc.

Docket No. 2014-346-WS

Rehearing Exhibit DMH-1

REHEARING EXHIBIT DMH-1 REDACTED



STATE OF SOUTH CAROLINA
In the Supreme Court

APPEAL FROM THE PUBLIC SERVICE COMMISSION

Appellate Case No. 2016-000652

Daufuskie Island Utility Company, Inc.,

Appellant,

v.

South Carolina Office of Regulatory Staff,
Haig Point Club and Community Association, Inc.,
Melrose Property Owner's Association, Inc.,
Bloody Point Property Owner's Association, and
Beach Field Properties, LLC,

Respondents.

MOTION FOR COSTS

Pursuant to Rule 222 of the South Carolina Appellate Court Rules, the Appellant, Daufuskie Island Utility Company, Inc., hereby moves this honorable Court for an order granting attorney's fees and costs against Respondents as set forth in the attached Form 17, Itemized Statement of Costs.

OFFICE OF REGULATORY STAFF
RECEIVED
AUG 28 2017
LEGAL DEPARTMENT

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1

Daufuskie Island Utility Company, Inc.
Charleston, South Carolina

August ___, 2017

STATE OF SOUTH CAROLINA
In the Supreme Court

APPEAL FROM THE PUBLIC SERVICE COMMISSION

Appellate Case No. 2016-000652

Daufuskie Island Utility Company, Inc.,

Appellant,

v.

South Carolina Office of Regulatory Staff,
Haig Point Club and Community Association, Inc.,
Melrose Property Owner's Association, Inc.,
Bloody Point Property Owner's Association, and
Beach Field Properties, LLC,

Respondents.

ITEMIZED STATEMENT OF COSTS

The Supreme Court is requested to tax the following costs against the Respondents:

TAXABLE COSTS	PAGES	RATE	REQUESTE	ALLOWED
Filing Fee Paid Under Rule 203(d), SCACR			$ 100.00	
Cost of Court Reporter's Transcript			$ 1,318.50	
Cost for printing and binding for the Record on Appeal under Rule 209	31,563	.12 per page (with covers)	$ 3,905.65	
Cost for printing and binding Final Brief and Final Reply Brief	82	4.05	$ 332.22	
Attorney's Fee Provided by Rule 222(b), SCACR			$ 1,000.00	
Bond Premiums per S.C. Code Ann. § 58-5-240(D) *			$ 53,726.00	
TOTAL			$ 60,382.37	

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I, Thomas P. Gressette, Jr., do swear that the foregoing costs are correct and were necessarily incurred in this action. A copy of this statement was mailed to opposing counsel.

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Attorneys for Appellant
Daufuskie Island Utility Company, Inc.

Subscribed and sworn to before me this
24 day of August, 2017.
A. Trenholm Walker
Notary Public for South Carolina
My Commission Expires: 12/3/20

* Copies of the Commission Orders related to the Bonds are attached as Exhibit A (Order 2016-156, Order 2017-402, and 2017-402(A)).

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2014-346-WS - ORDER NO. 2016-156

MARCH 1, 2016

IN RE:	Application of Daufuskie Island Utility Company, Incorporated for Approval of an Increase for Water and Sewer Rates, Terms and Conditions	))))	ORDER APPROVING APPEALS BOND

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina ("Commission") on the Petition for Approval of Bond Pursuant to S.C. Code Ann. Section 58-5-240 ("the Petition") filed by Daufuskie Island Utility Company, Inc. ("Daufuskie Island", "the Company" or "the utility"). Having examined the utility's Petition and supporting materials, as well as the filings submitted by the other parties, and having determined that the surety selected by the utility and that a proposed amount of the bond to be discussed *infra* are in accordance with the requirements of the applicable statute, the Commission is required to approve the bond.. Under South Carolina law, the utility may, notwithstanding this Commission's order partially rejecting its petition for rate relief, implement the proposed rate increases during the pendency of its appeal if it posts sufficient bond in accordance with S.C. Code Ann. § 58-5-240(D). Pursuant to this subsection, if our order denying in part the proposed rate relief is upheld on appeal, the utility will be required to refund the additional funds collected during the pendency of appeal with interest accrued at the rate of twelve percent per annum.

SUMMARY OF THE UNDERLYING RATE CASE

On June 11, 2015, Daufuskie Island filed an Application seeking approval of a new schedule of rates and charges for water and sewer services. The Application sought an increase in annual service revenues of $1,182,301 for combined operations. The Commission held an evening public hearing on September 15, 2015, and an evidentiary hearing on October 28, 2015. A joint proposed order was filed by the Haig Point Club and Community Association, Inc., Melrose Property Owner's Association, Inc., Bloody Point Property Owner's Association (collectively, the POAs) and the Office of Regulatory Staff ("ORS"). The utility also filed a proposed order. On December 8, 2015, in Order No. 2015-846, the Commission approved additional operating revenues of $462,798. Daufuskie Island filed a Petition for Reconsideration and/or Rehearing with this Commission. Various parties filed responses to this Petition. On January 13, 2016, this Commission entered a Directive denying the utility's Petition. On February 25, 2016, this Commission issued Order No. 2016-50, which implemented the terms of the January 13, 2016 Directive.

TERMS AND CONDITIONS OF THE PROPOSED BOND

Daufuskie Island requests that the Commission approve a bond pursuant to S.C. Code Ann. Section 58-5-240(D) in the amount of $700,000, pending any subsequent appeal. According to the utility, the $700,000 figure represents the additional annual revenue which Daufuskie Island would be entitled to earn if the Commission had approved the Application in full. Daufuskie Island submits that, based upon the additional amount of revenues which would be generated had the Commission approved the requested

increase, a surety bond in the amount proposed is sufficient.

Subsequent to the filing of the utility's Petition, other parties in the case filed responses, proposing varying amounts for the bond. The Property Owners Associations of Haig Point, Melrose, and Bloody Point jointly assert that a bond in the amount of two years collections, plus 12% interest amounting to $1,568,000 constitutes a more reasonable amount for the bond. The ORS proposes one and one-half years' worth of collections and interest, for a total bond amount of $1,218,141.27. The utility filed replies to both parties' submissions, noting, *inter alia*, that the increase under bond to proposed utility rates would not begin until the second quarter of 2016, i.e. April 1, 2016, with bills mailed after July 1, 2016. Daufuskie Island noted that it would take until May 2017 for customers to have paid a full year of the Company-requested increased revenue.

Daufuskie Island later modified its Petition somewhat to propose that the ORS calculation for one year of collections plus interest should be used for the bond figure. Although the utility states that ORS calculated this amount to be $731,346, the actual ORS calculation for a year's collection plus interest was $787,867. In addition, the Company noted that if the Commission wanted to place additional conditions on the bond, that it would consent to either increase the bond prior to the July 1, 2017 billing, or otherwise reduce rates to the level approved by the Commission's original rate order of December 8, 2015, also to be done prior to the July 1, 2017 billings.

THE APPLICABLE STATUTE

In Section 1 of Act No. 138 of 1983, the South Carolina General Assembly substantially rewrote Section 58-5-240 of the South Carolina Code. The amendment to

Section 58-5-240 provided in part that if the Commission rejects a utility's application for rate relief, the utility may nevertheless choose to impose a rate increase while the utility seeks reconsideration by the Commission of the matter and/or appeal of the Commission's denial of rate relief before the Supreme Court of South Carolina, so long as the utility provides an appropriate surety bond in an amount sufficient to ensure repayment of any overcollection, with interest to be assessed at twelve percent per annum. The Commission is without discretion to prohibit the utility from imposing its proposed rates under an appropriate bond. The statute, as amended by the General Assembly in 1983, allows the utility to impose its proposed rates under bond as a matter of right where the utility demonstrates that the surety and the bond are sufficient to ensure that the ratepayers will be reimbursed with interest for overcharges in the event the utility's appeal is ultimately unsuccessful.

ORDER

Based on the information presented to us, the proposed surety and the bond in the amount of $787,867, effective July 1, 2016, for a period of one year are appropriate and are approved. With the additional condition approved by us, *infra*, we believe that the public is being properly protected while this matter is on appeal.

As an additional condition of the bond, the Company shall file a status report on or before May 1, 2017, to advise this Commission as to the status of the Company's appeal of this Commission's Orders. If the utility expects the appeals process to extend beyond July 1, 2017 at the time of the status report, the utility shall also file a proposal as to how it believes the bonding period should be extended. Daufuskie Island shall serve the status

report, and, if necessary, the proposal for bond continuation on the parties, who will have until May 15, 2017, to file comments with this Commission on the status report and/or proposal for bond continuation.

Should the original rates proposed by the Company be deemed excessive by the Court, then refunds plus interest must be made to the Company's customers in a manner consistent with the provisions of S.C. Code Ann. Section 58-5-240, and in a manner approved by this Commission. If the Company's appeal is unsuccessful, it shall submit a plan for refunds to the Commission, with copies to the parties within ten (10) days of receipt of the Court Order notifying them of loss of the appeal. The other parties shall then have ten (10) days from receipt of the Company's proposed methodology to comment.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Nikiya Hall, Chairman

ATTEST:

Swain E. Whitfield, Vice Chairman

(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2014-346-WS - ORDER NO. 2017-402

JUNE 28, 2017

IN RE:	Application of Daufuskie Island Utility Company, Inc. for Approval of an Increase for Water and Sewer Rates, Terms and Conditions	))))	ORDER APPROVING JOINT REQUEST FOR BOND DURING APPEAL

This matter comes before the Public Service Commission of South Carolina ("Commission") on the "Joint Request As To Appeals Bond" ("Joint Request") of Daufuskie Island Utility Company, Inc. and a majority of the Docket's intervenors for a renewed performance bond while an appeal of its last rate case is pending before the South Carolina Supreme Court.[1] The current bond covering the appeal period was approved by Commission Order No. 2016-156 (March 1, 2016). As the Joint Request states, the utility secured this appeal bond, permitted by S.C. Code Ann. § 58-5-240(D), to charge the rates it would otherwise be entitled to collect if the Commission had not partially denied its last application for a rate increase.

Under Order No. 2016-156, the appeal bond expires on June 30, 2017, and to meet the terms of that Order, the utility and intervenors have agreed to the following proposal:

[1] The Docket's intervenors consenting to the Joint Request are Beach Field Properties, LLC, Bloody Point Property Owner's Association, Haig Point Club and Community Association, Inc., and Melrose Property Owner's Association, Inc. According to the Joint Request, these entities and Daufuskie Island Utility Company shared the proposal with the Office of Regulatory Staff, an automatic party of record pursuant to S.C. Code Ann. § 58-4-10(B).

1. If the Supreme Court does not issue a decision in the pending appeal on or before June 28, 2017, the utility shall:

   a. Renew the existing bond to continue in effect for an additional period of six months to expire on January 1, 2018, in order to continue coverage for the period July 1, 2016 to June 30, 2017;

   b. Obtain an additional surety bond in the amount of $415,728.00 to be in effect for a period of six months beginning on July 1, 2017 and expiring on January 1, 2018. The Additional Bond amount includes:

      (1) $21,794.00, representing 6 months' additional interest at 12% annually on the additional revenue the utility collected between July 1, 2016 and June 30, 2017 by virtue of implementing the Requested Rates; plus

      (2) $393,934.00, representing the difference between six months of billings (to be collected during the period beginning July 1, 2017 and ending on January 1, 2018) at the utility's requested rates and the Commission approved rates currently on appeal, plus 12% annual interest pursuant to S.C. Code Ann. § 58-5-240(D).

2. On or before June 30, 2017, the utility shall file with the Commission and serve on the parties copies of the renewed/extended existing bond and the additional bond.

3. If the Supreme Court does not issue a decision in the pending appeal on or before November 1, 2017, the utility shall then file a status report on or before November 15, 2017, to advise this Commission as to the status of the Company's appeal of the Commission's Orders. Consistent with Order 2016-156, the utility shall include its proposal for extending the existing bond and the additional bond (or otherwise providing appropriate coverage on January 1, 2018 and beyond).

IT IS THEREFORE ORDERED:

After reviewing this matter, we find that the Joint Request for the appeal bond is in the public interest and therefore approved.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Swain E. Whitfield, Chairman

ATTEST:

Comer H. Randall, Vice Chairman

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2014-346-WS - ORDER NO. 2017-402(A)

JUNE 30, 2017

IN RE: Application of Daufuskie Island Utility Company, Inc. for Approval of an Increase for Water and Sewer Rates, Terms and Conditions	))))	AMENDED ORDER APPROVING JOINT REQUEST FOR BOND DURING APPEAL

This Order is amended to correct footnote 1 which lists the intervenors in the above captioned docket that are signatories consenting to Daufuskie Island Utility Company, Inc.'s request for an appeals bond as explained below. Footnote 1 of the original order mistakenly listed intervenor Beach Field Properties, LLC as one of the consenting signatories. According to counsel for Beach Field Properties, it is not a party to the appeal currently pending before the South Carolina Supreme Court and did not participate or consent in the matter of the appeals bond. Beach Field Properties' counsel further states that it takes no position regarding the appeals bond. Accordingly, Beach Field Properties, LLC has been removed from the list in footnote 1. The following Order is otherwise the same in content as Order No. 2017-402, issued on June 28, 2017.

This matter comes before the Public Service Commission of South Carolina ("Commission") on the "Joint Request As To Appeals Bond" ("Joint Request") of Daufuskie Island Utility Company, Inc. and a majority of the Docket's intervenors for a renewed performance bond while an appeal of its last rate case is pending before the South

Carolina Supreme Court.[1] The current bond covering the appeal period was approved by Commission Order No. 2016-156 (March 1, 2016). As the Joint Request states, the utility secured this appeal bond, permitted by S.C. Code Ann. § 58-5-240(D), to charge the rates it would otherwise be entitled to collect if the Commission had not partially denied its last application for a rate increase.

Under Order No. 2016-156, the appeal bond expires on June 30, 2017, and to meet the terms of that Order, the utility and intervenors have agreed to the following proposal:

1. If the Supreme Court does not issue a decision in the pending appeal on or before June 28, 2017, the utility shall:

    a. Renew the existing bond to continue in effect for an additional period of six months to expire on January 1, 2018, in order to continue coverage for the period July 1, 2016 to June 30, 2017;

    b. Obtain an additional surety bond in the amount of $415,728.00 to be in effect for a period of six months beginning on July 1, 2017 and expiring on January 1, 2018. The Additional Bond amount includes:

        (1) $21,794.00, representing 6 months' additional interest at 12% annually on the additional revenue the utility collected between July 1, 2016 and June 30, 2017 by virtue of implementing the Requested Rates; plus

        (2) $393,934.00, representing the difference between six months of billings (to be collected during the period beginning July 1, 2017 and ending on January 1, 2018) at the utility's requested rates and the

[1] The Docket's intervenors consenting to the Joint Request are Bloody Point Property Owner's Association, Haig Point Club and Community Association, Inc., and Melrose Property Owner's Association, Inc. According to the Joint Request, these entities and Daufuskie Island Utility Company shared the proposal with the Office of Regulatory Staff, an automatic party of record pursuant to S.C. Code Ann. § 58-4-10(B).

Commission approved rates currently on appeal, plus 12% annual interest pursuant to S.C. Code Ann. § 58-5-240(D).

2. On or before June 30, 2017, the utility shall file with the Commission and serve on the parties copies of the renewed/extended existing bond and the additional bond.

3. If the Supreme Court does not issue a decision in the pending appeal on or before November 1, 2017, the utility shall then file a status report on or before November 15, 2017, to advise this Commission as to the status of the Company's appeal of the Commission's Orders. Consistent with Order 2016-156, the utility shall include its proposal for extending the existing bond and the additional bond (or otherwise providing appropriate coverage on January 1, 2018 and beyond).

IT IS THEREFORE ORDERED:

After reviewing this matter, we find that the Joint Request for the appeal bond is in the public interest and therefore approved.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Swain E. Whitfield, Chairman

ATTEST:

Comer H. Randall, Vice Chairman

IN THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM BEAUFORT COUNTY
Court of Common Pleas
Honorable J. Ernest Kinard, Jr., Circuit Court Judge
Case No. 2013-CP-07-02255

Appellate Case No. 2014-001587

Mamdouh Sabry Abdelrahman, Appellant,

vs.

Daufuskie Island Utility Company, Inc., Respondent.

PROOF OF SERVICE

The undersigned hereby certifies that on this 24 day of August 2017, in Charleston, South Carolina, a copy of APPELLANT'S MOTION FOR COSTS was served on counsel of record, by placing same in the United States Mail, first class postage prepaid as follows:

Shannon Bowyer Hudson
Andrew M. Bateman
SOUTH CAROLINA OFFICE OF REGULATORY STAFF
1401 Main Street, Suite 900
Columbia, SC 29201
T: (803)737-8440
ATTORNEYS FOR OFFICE OF REGULATORY STAFF

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ADAMS & REESE, LLP
1501 Main Street, 5th Floor
Columbia, SC 29201
T: (803)254-4190
ATTORNEYS FOR HAIG POINT CLUB and COMMUNITY ASSOCIATION, INC., MELROSE PROPERTY OWNER'S ASSOCIATION, INC., and BLOODY POINT PROPERTY OWNER'S ASSOCIATION

Nancy Jane Dennis

5

The Supreme Court of South Carolina

Daufuskie Island Utility Company, Inc., Appellant,

v.

South Carolina Office of Regulatory Staff, Haig Point Club and Community Association, Inc., Melrose Property Owner's Association, Inc., and Bloody Point Property Owner's Association, Respondents.

Appellate Case No. 2016-000652

ORDER

Pursuant to Rule 222 of the South Carolina Appellate Court Rules, the motion for costs filed by Daufuskie Island Utility Company, Inc. is granted in part in the amount of $6,656.37 against South Carolina Office of Regulatory Staff, Haig Point Club and Community Association, Inc., Bloody Point Property Owner's Association, and Beach Field Properties, LLC. The $56,726.00 amount for bond premiums obtained pursuant to Section 58-5-240(D) is denied. The lower court or tribunal is directed to add this award of costs to the remittitur.

_____ C.J.
FOR THE COURT

Justice George C. James, Jr., not participating

Columbia, South Carolina
November 15, 2017

cc:
Thomas P. Gressette, Jr., Esquire
Shannon Bowyer Hudson, Esquire
Andrew McClendon Bateman, Esquire

John Julius Pringle, Jr., Esquire
Jocelyn Boyd, Esquire
Fred David Butler, Esquire
George Trenholm Walker, Esquire
Lyndey Ritz Zwingelberg, Esquire
Public Service Commission of South Carolina

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
Rate Case Reduction Detail for Legal Expenses

REHEARING EXHIBIT DMH-3

Invoice Number	Vendor Name	Date of Activity	Hourly Rate	Hours Worked	Total Cost	Person Worked	Work Description Summary
79338	Pratt-Thomas Walker	2/1/2016	$350.00	0.5	$175.00	GTW	Loan
79338	Pratt-Thomas Walker	2/12/2016	$275.00	0.2	$55.00	TPG	Financing
79338	Pratt-Thomas Walker	2/26/2016	$350.00	0.2	$70.00	GTW	Availability Fees - Customer Complaint
79338	Pratt-Thomas Walker	2/26/2016	$350.00	0.1	$35.00	GTW	Availability Fees - Customer Complaint
79338	Pratt-Thomas Walker	2/29/2016	$350.00	0.4	$140.00	GTW	Availability Fees - Customer Complaint
79338	Pratt-Thomas Walker	2/29/2016	$350.00	0.5	$175.00	GTW	Water/Sewer line damage
79338	Pratt-Thomas Walker	2/29/2016	$275.00	0.5	$137.50	TPG	Water/Sewer line damage
79338	Pratt-Thomas Walker	2/29/2016	$350.00	0.1	$35.00	GTW	Availability Fees - Customer Complaint
79338	Pratt-Thomas Walker	2/29/2016	$350.00	0.4	$140.00	GTW	Availability Fees - Customer Complaint
79338	Pratt-Thomas Walker	2/29/2016	$350.00	0.2	$70.00	GTW	Availability Fees - Customer Complaint
79338	Pratt-Thomas Walker	2/29/2016	$350.00	0.4	$140.00	GTW	Availability Fees - Customer Complaint
81037	Pratt-Thomas Walker	8/22/2016	$350.00	0.1	$35.00	GTW	Elevated Tank Property
81037	Pratt-Thomas Walker	8/22/2016	$275.00	0.5	$137.50	TPG	Elevated Tank Property
232	Walker Gressette Freeman Linton, LLC	3/6/2017	$350.00	0.1	$35.00	GTW	County Tax
444	Walker Gressette Freeman Linton, LLC	5/31/2017	$300.00	0.3	$90.00	TPG	Elevated Tank Property
				TOTAL	**$1,470.00**		

DIUC-ORS 1.9 Attachment A – GA Management Agreement

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT ("Agreement") is made this 18th day of June, 2015, between Guastella Associates, LLC, a Florida limited liability company ("GA"), and Daufuskie Island Utility Company, Inc. ("Company" or "DIUC"), a Florida corporation, the Company's parent corporation, Daufuskie Island Utility Holding Company, LLC a South Carolina limited liability company ("Parent") and the Parent's individual stockholders, together with the Company's, Parent's and Stockholders' heirs, assigns and successors (collectively, the Company, Parent and Stockholders are referred to hereafter as "Clients"). Clients and GA are collectively the "Parties".

BACKGROUND

A. GA provides rate, valuation and management services to water and wastewater utilities.

B. The Clients will retain GA to provide general rate and valuation services independent, separate and apart from this Agreement.

C. In early 2010, GA (formerly G2 Utility Management LLC) began managing the Melrose Utility Company, Inc. ("MUC") by providing the same services as set forth in the agreement between the Clients and GA for the management of DIUC, and at similar fees. On March 1, 2010 MUC was merged with DIUC at the approval of the South Carolina Public Service Commission.

D. The Clients wish to enter into this Agreement with GA, to provide management services to the Company that assist in the long-term success of the Company. The Parent and Stockholders are joining into this Agreement and are agreeing to be jointly and severally responsible with the Company to pay the Compensation specified in Article III of this Agreement in order to induce GA to enter into this Agreement and to agree to provide the services specified below to the Company, which will provide a material benefit to Parent and the Stockholders. GA would not otherwise enter into this Agreement without the inclusion of Parent and Stockholders.

NOW THEREFORE, in consideration of the promises and covenants herein the Parties agree as follows:

ARTICLE I. COMPANY'S GOALS

GA's management of the Company shall be guided by the following Company goals:

1. Provide safe and adequate water and wastewater service to customers on a continuous basis, and respond to customer inquiries quickly, accurately and courteously.
2. Comply with all environmental and economic regulatory requirements, and maintain operational records as required by the South Carolina Department of Health and Environmental Control ("DHEC") that are necessary to monitor the physical operation of

the Company on an ongoing basis as well as to plan for future additions and replacements.

3. Establish and maintain excellent relations with customers, community associations and regulators, including the DHEC, the South Carolina Public Service Commission ("PSC") and the Office of Regulatory Staff ("ORS").
4. Maintain financial books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts prescribed by the PSC in order to accurately record the cost of providing service and reflect the financial condition of the Company, and to justify the need, as appropriate, for general rate changes as well as support for special fees and charges.
5. Operate the Company efficiently and manage its assets in order to minimize the rates charged to the customers but also to achieve a reasonable profit for the stockholders so that the Company will be able to maintain financial viability and attract capital.
6. If appropriate and in the best interests of the customers and Company, plan for the expansion of the Company to new real estate developments or areas beyond the existing committed service area. Determine the fees and charges payable to the Company for infrastructure costs related to the expansion and for the "carrying costs" incurred by the Company for reserved capacity that is not in use. Any expansion will not jeopardize the ability to serve present and future customers in the existing service area with respect to water supply, service and cost.
7. All management decisions as to record keeping, rate setting and expansion will seek to include steps to maintain the Company's market value so that it will ultimately be postured for the potential sale and conversion of the expanded system into a municipal regional system, if appropriate in the future.

ARTICLE II. SCOPE OF SERVICES

GA will advise and report to the Company's president, and the president will be responsible to delegate to GA the authority to act on behalf of the Company in certain matters as identified by the president in order to allow GA to provide the services mentioned below. Only the president has the authority on behalf of the Company to direct GA and GA shall have the right to rely upon direction from the president as having full authority to act on behalf of the Company without the need to confirm such authority with the Company's board of directors, the Stockholders, the Parent or any other third parties. GA will provide the following services on behalf of and in the name of the Company:

1. Supervise the day to day operation and maintenance of the Company's system, including supervision of operating employees, vendors and contractors.
2. Maintain books and records, including accounting, financial and operation records, in accordance with the uniform system of accounts prescribed by the PSC and required by the DHEC.
3. Perform all billing, accounting and collecting (other than commencing litigation), including the preparation of customer account records and billing analyses as necessary for rate filing requirements.

4. Prepare financial and operating reports to regulatory agencies, including annual reports to the PSC and monthly operating reports to DHEC. Prepare annual budgets and financial reports to stockholders, as well as periodic (quarterly) financial and operating reports.
5. Provide information and assistance to outside tax accountants, consultants, engineers and attorneys as required in the normal course of business.
6. Obtain short and long term financing, as available and necessary, for operations and capital improvements and prepare the necessary documentation for lenders.
7. Employ and supervise all employees, vendors, contractors and outside professionals as appropriate to operate, maintain and expand the Company's system, to direct and supervise all plant expansion, capital improvements and replacements, and to carry out all other services required of GA under this Agreement.
8. Implement existing contracts with developers and customers, and negotiate and implement new contracts and applications for service.
9. Revise and maintain general tariff provisions as to rates and terms of service, in compliance with changes approved by the PSC.
10. Be responsible for and carry out all other business incidental to the ordinary course of business management and operation of the Company.

The above scope of services does not include, among other things, the preparation and filing of general rate increases, any economic and environmental regulatory investigations and proceedings for special or unusual issues, appraisals, valuations or other matters that are not routine in the day-to-day management or that would typically require the services of outside consultants. The Company will employ GA for such work under separate agreement and with the prior approval of the president of the Company. The Parent/Stockholder(s) shall also enter into a separate agreement with GA with respect to any contracts between the Parent/Stockholder(s) and third parties that seek extension of service outside of the Company's existing committed service area for the determination by GA of fees to be paid by the third parties that would allow for the recovery of the carrying costs that have been and will be absorbed by the Company's Parent/Stockholder(s) for the creation and growth of the utility.

ARTICLE III. COMPENSATION FOR MANAGEMENT SERVICES

The Clients shall be jointly and severally liable to pay GA the following forms of compensation ("Compensation") in the amounts specified below:

1. **Management Fee**. The Clients shall pay GA a Management Fee in the amount of $13,596.85 per month, payable in advance on the 1st day of each month, plus all of GA's out-of-pocket traveling expenses (including without limitation, transportation, room and board) and mileage reimbursement at the then current rate. The Management Fee shall increase annually beginning on January 1 of each year this Agreement is in effect by (a) 3.5% plus (b) for customer growth based on a formula that takes 25% of the existing Management Fee per existing equivalent residential connection (ERC) and applies that amount to the ERC's added in the immediately preceding year. For example, on January 1, 2016, the Management Fee would become $14,344.68 per month ($10,971 x 1.035 + $271.94 (.25 x $10,971/250

existing ERC x 20 ERC's added in 2011)). The number of ERC's used in this example is hypothetical only for the purposes of the example.

2. **Finance Fee**. The Clients recognize that GA's labor in connection with any long term funding is not covered by GA's standard Management Fee and the Clients, accordingly, agree to compensate GA for GA's efforts and labor in connection with or in any way related to long term funding at the greater of (i) 2% of the principal amount of any loan(s) which GA handles or processes; or (ii) GA's usual hourly rates for the actual time spent handling any facet of long term funding including without limitation communications with prospective lenders and the Clients; reviewing or negotiating loan terms or documents; communications with third parties regarding loan terms or documents; coordination of the execution of any loan documents and the closing of any loan transaction(s); and any other work related to long term funding. The Finance Fee shall be paid at the closing of any such loan.

3. **Capital Fee**. The Clients shall pay GA a Capital Fee for the procurement, contract preparation, administration and inspection of all capital improvements and additions, which Capital Fee shall be (a) 10% of the construction cost for projects to extend service outside the existing committed service area, and (b) 10% for the first $50,000 of construction costs and 8% for amounts in excess of $50,000 of construction costs for all other projects. GA shall bill the Capital Fee from time to time as construction costs are incurred and paid, and the Clients shall pay the Capital Fee no less than monthly as construction costs are being incurred.

4. **Incentive Fee**. The Clients shall pay GA an Incentive Fee, which shall be billed annually on or before March 15th of each year for the preceding year, and shall be paid within fifteen days after the bill has been sent to the Clients. The Incentive Fee shall be (a) 20% of the Total Net Utility Operating Income of the utility; and (b) in the event of the sale of the Company, in an amount equal to a percentage of the amount that the sale price or condemnation award exceeds the current adjusted purchase price in the amount of $2,065,387.00 ("Adjusted Purchase Price"), to be paid at the closing of a sale or the payment of a condemnation award. The Adjusted Purchase Price reflects the current purchase price and related costs incurred by the Parent to acquire the utility. The Incentive Fee upon the sale of the Company shall be (a) 8% of the first $3,000,000 that the sale price or condemnation award exceeds the Adjusted Purchase Price, plus (b) 12% of the next $5,000,000 that the future sale price or condemnation award exceeds the Adjusted Purchase Price, and (c) 15% of all amounts in excess of $8,000,000 over the Adjusted Purchase Price.

For the purposes of the above paragraph, Total Net Utility Operating Income is calculated as shown on Schedule 300 of the Company's annual report to the PSC, Form PSC/ORS (Rev. 12/2005), and reflected on line 26 of that form, which is attached hereto as Appendix A; and the "sale of the Company" means any transaction or series of transactions the purposes of which results directly or indirectly in (a) the sale or condemnation of (i) all or substantially all of the assets of the Company, (ii) any business or division of the Company, (iii) the capital securities or equivalents of the Company, in excess of 50%, or (iv) ownership rights in the Company sufficient to directly or

indirectly have the power to direct or cause the direction of the management and policies of the Company; (b) otherwise causing the Company to become a subsidiary of a company; or (c) a merger or consolidation or any other combination of the Company with another company, or any other governmental, quasi-governmental or other entity.

The Compensation includes all of GA's profit and overhead, and GA shall not bill any charges for office rent, equipment, furniture, computers and supplies owned and used by GA. The Company, however, shall continue to pay, at its sole cost and expense, its own employees, other contractors, repairs, maintenance, supplies, power, chemicals, taxes, regulatory assessment fees and all other operating expenses. The Company shall also maintain insurance that is sufficient to cover GA with respect to general and professional liability in such amount and under such terms that are acceptable to GA. GA has calculated and designed its Compensation for the above services at a cost that is generally in the range of allowable fees for rate setting purposes. The Parties intend that the Management Fee will be covered by general rates for services without subsidization by the Stockholders. However, the Clients understand and agree that GA's Management Fee is not contingent on the fees being allowed in general rates for services because the rates are subject to, among other things, Stockholder policy, unanticipated PSC decisions, regulatory lag or unusual events that would impact costs and timely cost recovery; and the Clients, in any case, shall still owe and pay GA's Management Fee. The Compensation to be paid does not include the physical operation of the systems that is performed by the Company's own employees and contractors, for which the Company shall continue to be separately and solely responsible.

ARTICLE IV. TERM

This Agreement shall be effective as of June 18, 2015 and shall continue for the remainder of the current calendar year and for three full calendar years beyond the current calendar year, until December 31, 2018 ("Initial Term"). After the Initial Term, this Agreement shall be automatically renewed on December 31 of every subsequent three-year period for successive three-year terms as long as at least one of John F. Guastella, Michael J. Guastella, and Gary C. White remain employed with or directly or indirectly has an ownership interest in GA. If at least one of John F. Guastella, Michael J. Guastella, and Gary C. White does not remain employed with or directly or indirectly has an ownership interest in GA, this Agreement shall be renewed on December 31 of every subsequent three-year period for successive three-year terms unless the Clients deliver a written notice of nonrenewal to GA no later than ninety (90) days before the end of the then existing term.

ARTICLE V. TERMINATION

The Clients may terminate this Agreement for cause if GA, after being notified in writing by the Clients of any failure by GA to perform its duties under this Agreement, fails to correct any failure of performance within thirty (30) days of receiving the Clients' notice, or if such cure shall take longer than 30 days, fails to implement such cure within the 30 day period and to diligently pursue such cure until completed. GA may terminate this Agreement for cause if the Clients, after being notified in writing by GA of any failure by the Clients to perform their duties under this Agreement, fail to correct any failure of performance within thirty (30) days of receiving GA's

notice, or if such cure shall take longer than 30 days, fail to implement such cure within the 30 day period and to diligently pursue such cure until completed. Either GA or the Clients may terminate this Agreement without notice if the other party, through any of its officers, directors, employees or shareholders, undertakes any illegal actions such that any of the Parties' officers, directors, employees or shareholders are convicted of a felony or misdemeanor involving a crime of moral turpitude. GA may terminate this Agreement without cause by giving the Company sixty (60) days advance written notice of GA's election to terminate the Agreement. In the event of termination of the Agreement by the Clients for cause or because of any illegal actions by GA's officers, directors, employees or shareholders or by GA without cause, the Clients shall pay GA any unpaid Compensation on a prorated basis up to and including the date of termination. In the event of termination of the Agreement by GA for cause or because of the illegal actions by the Stockholders or any of the Client's officers, directors, employees or shareholders, the Clients shall pay GA any unpaid Compensation up to the end of the then existing term. Additionally, the Clients recognize that GA's management of the Company will posture the Company for a sale at the Company's highest market value and the Clients, accordingly, shall pay GA the Incentive Fee specified in Article III, Paragraph 4(b), if any event entitling GA to the Incentive Fee occurs within fifteen (15) years of the termination or other expiration of the Agreement.

ARTICLE VI. MISCELLANEOUS

A. Assignment. The Clients shall not assign this Agreement without GA's express written consent. GA may not assign this Agreement without the Company's express written consent, except that GA shall be permitted to assign this Agreement to another entity in which at least one of John F. Guastella, Michael J. Guastella, or Gary C. White is employed by or directly or indirectly has an ownership in the assignee.

B. Choice of Law. This Agreement shall be governed by, and construed under, the laws of Florida without regard to the principles of conflict of law. Venue for any legal action under this Agreement shall be in the courts of the State of Florida in Palm Beach County, Florida.

C. Construction of Agreement. The Parties acknowledge that they have read this Agreement and have had the opportunity to be advised by legal counsel of their choice. This Agreement shall not be construed against any party because the party or its attorneys prepared the document. Typewritten or handwritten provisions inserted in this Agreement that are initialed by the Parties shall control over all printed provisions of this Agreement in conflict therewith.

D. Counterparts/Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Agreement. A signature received by facsimile shall be deemed an original.

E. Entire Agreement. This Agreement constitutes the entire agreement between the Parties and cannot be waived or amended except by a written instrument executed by all Parties. None of the Parties have relied upon any information, representation, warranty or statement, whether oral or written, express or implied, made by anyone that is not expressly stated in this Agreement. Neither

this Agreement nor any notice thereof shall be recorded in any public records.

F. Further Documents: The Parties agree to execute all documentation reasonably requested to give full force and effect to this Agreement.

G. Headings. The headings and titles of the Agreement provisions are for the convenience of the Parties only, and are not determinative of the contents of any paragraph. All paragraphs are to be interpreted by reviewing the entire contents of the paragraph.

H. No Waiver. No waiver of any provision of this Agreement shall be effective against any party unless it is in writing and signed by the party waiving such provision. A written waiver shall only be effective as to the specific instance for which it is obtained and shall not be deemed a continuing or future waiver.

I. Notices. All notices, requests, demands, instructions, consents and other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly given if and when (a) personally served, (b) sent by first class certified or registered mail, postage prepaid, return receipt requested, (c) transmitted by prepaid telegram, telex, or facsimile or by electronic mail, or (d) sent by a nationally recognized express courier service, postage or delivery charges prepaid to the parties at the addresses set forth above, or at such other address as either of them shall hereafter specify in writing or by facsimile transmission.

J. Persons Bound. This Agreement shall bind and inure to the benefit of the Parties, their heirs, successors and assigns. Whenever the context permits, singular shall include plural and one gender shall include all.

IN WITNESS WHEREOF, the Parties hereto have signed this agreement on the date specified below.

Guastella Associates, LLC, a Florida limited liability company

By: _____
John F. Guastella, Managing Member

Daufuskie Island Utility Company, Inc., a South Carolina corporation

By: _____
Terry R. Lee, its President

Confirmed and agreed to on behalf of Daufuskie Island Utility Holding Company, LLC, a South Carolina limited liability company, David Hutt, its Member, Ronald Shimanowitz, its Member and Terry R. Lee, its Managing Member

By: _____
Terry R. Lee, its Managing Member

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
ORS Analysis of Management Fees

REHEARING EXHIBIT DMH-5

Management Fee Comparison by Company						
Company	**Yearly**	**Monthly**	**Customers (Water)**	**Cost per Customer per Year**	**Cost per Customer per Month**	**Percent of Revenue**
Harbor Island Utility (Docket No. 2016-29-WS)	$35,000	$2,917	467	$74.95	$6.25	5.59%
Kiawah Island Utility (Docket No. 2016-222-WS)	$365,095	$30,425	4,273	$85.44	$7.12	4.64%
DIUC (Docket No. 2011-229-WS)*	$132,211	$11,018	436	$303.24	$25.27	12.49%
DIUC (Docket No. 2014-346-WS)*	$171,365	$14,280	462	$370.92	$30.91	8.90%

* This total does not include additional rate case expenses, incentive fee, capital fee, or financing fee.

EXHIBIT
12/7/17
Rehrg. 10
2014-346-WS

Daufuskie Island Utility Company, Inc
2014-346-WS
ORS Response to DIUC Discovery Question 3a

Attachment 1

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
1	7/10/2014	133	Guastella Associates, LLC	$ 1,612 50	1	Rate Filing - Work in progress on rate analysis. Review operations for capital and expenses to establish a normalized test period.	No start date listed; No specific dates and times listed for work for each employee, Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 7/10/14 appears incorrect, Rate for Principal 1 not consistent with rates used on other invoices (mathmatical error); No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
2	9/9/2014	139	Guastella Associates, LLC	$ 16,687 50	2	Consulting services in connection with the preparation of a rate application.	No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed; No beginning balance listed, No payments listed, Balance Due as 9/9/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case. expenses are accurate
3	10/14/2014	145	Guastella Associates, LLC	$ 5,130 00	3	Work in progress on rate analysis	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed, No payments listed; Balance Due as 10/14/14 appears incorrect, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
4	11/11/2014	151	Guastella Associates, LLC	$ 13,122 50	6	Work in progress on rate case.	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 11/11/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
5	12/9/2014	165	Guastella Associates, LLC	$ 14,600.00	7	Work in progress on rate case.	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed; No payments listed, Balance Due as 12/09/14 appears incorrect, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
6	1/5/2015	170	Guastella Associates, LLC	$ 19,932.50	8	Work in progress on rate analysis. Review draft schedules and calculations, and make revisions	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed, No payments listed; Balance Due as 01/05/15 appears incorrect, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
7	2/10/2015	179	Guastella Associates, LLC	$ 25,239.02	9	Work in progress on rate filing Revise rate analysis, negotiate reduction of property taxes, related discussions with attorney.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 02/10/15 appears incorrect; Work performed appears to include property tax negotiations; Travel Expenses for air fare and room and board are not supported by receipts and no employee name listed; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate

Daufuskie Island Utility Company, Inc
2014-346-WS
ORS Response to DIUC Discovery Question 3a

Attachment 1

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
8	3/6/2015	184	Guastella Associates, LLC	$ 15,692 50	11	Work in progress on rate case Review latest draft and address property tax issue	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 03/06/15 appears incorrect, Work performed appears to include property tax negotiations, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
9	4/8/2015	192	Guastella Associates, LLC	$ 4,792 50	12	Work on progress on rate case Review latest draft and address property tax issue	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 04/08/15 appears incorrect, Work performed appears to include property tax negotiations, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
10	5/20/2015	204	Guastella Associates, LLC	$ 17,992 50	13	Consulting services in connection with rate case Prepare report to the PSC, ORS and POAs on the capital improvements as required in the last rate case decision and order	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 05/20/15 appears incorrect, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
11	6/5/2015	209	Guastella Associates, LLC	$ 19,067 48	14	Consulting services in connection with rate case Prepare report to the PSC, ORS and POAs on the capital improvements as required in the last rate case decision and order, and work in progress to prepare rate petition	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 06/05/15 appears incorrect, No purpose listed for Material & Shipping costs, No receipts provided for Material & Shipping costs, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
12	7/1/2015	211	Guastella Associates, LLC	$ 53,810 00	15	Work in progress on rate application Complete rate analysis, notice and documents required for the rate application Prepared notices and newspaper publication Review and responds to ORS first set discovery requests Review first ORS-WWW request and audit requests and begin preparing responses Related correspondence and communcations with	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 07/01/15 appears incorrect, Employee position titles inconsisent with prior GA invoices, No detail or amount for "adj July 2014 billing", No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
13	8/10/2015	215	Guastella Associates, LLC	$ 67,860 00	21	Work in progress on rate application Review and respond to ORS discovery requests, Audit Requests, and WWW requests Related correspondence and communications with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 08/10/15 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
14	10/14/2015	223	Guastella Associates, LLC	$ 19,870 00	30	Work in progress on rate case Review intervenors IROG and production of documents Draft responses Review GW testimony Related correspondence and calls with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 10/14/15 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate

Daufuskie Island Utility Company, Inc
2014-346-WS
ORS Response to DIUC Discovery Question 3a

Attachment 1

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
15	11/9/2015	228	Guastella Associates, LLC	$ 82,695 34	36	Work in progress on rate case Review and respond to discovery, review and prepare motions, prepare cross-examination of opposing witnesses, prepare for and participate in hearings Attend inspections by ORS and Intervenors Related discussions, conference calls and correspondence with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 11/09/15 appears incorrect, Employee position titles inconsistent with prior GA invoices, No details provided for travel and UPS/express mail expenses, No receipts provided for travel and UPS/express mail expenses, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
16	12/11/2015	232	Guastella Associates, LLC	$ 37,812 50	37	Work in progress on rate case Prepare proposed order Related discussions, conference calls and correspondence with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 12/11/15 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
17	1/6/2016	236	Guastella Associates, LLC	$ 17,412 50	42	Work in progress on rate case Revise and finish proposed order Prepare income statement under the PSC's Order demonstrating its confiscatory rates decision Related conference calls and correspondence with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 01/06/16 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
18	2/4/2016	242	Guastella Associates, LLC	$ 14,652 50	46	Work in progress on rate case Review answer by ORS to proposed order, and prepare drafts, edits and final response to ORS Review PSC decision Prepare drafts, edits and final bond proposal to implement DIUC's requested rates Prepare compromise position options Related conference calls and correspondence with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 02/04/16 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
19	3/12/2016	247	Guastella Associates, LLC	$ 3,772 50	47	Work in progress on rate case Review PSC decision on bond Prepare notices and original rate increase Related conference calls and corresponence with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 03/12/16 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
20	4/6/2016	253	Guastella Associates, LLC	$ -	52	No charges this month	

Daufuskie Island Utility Company, Inc
2014-346-WS
ORS Response to DIUC Discovery Question 3a

Attachment 1

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
21	5/16/2016	259	Guastella Associates, LLC	$ 5,562 50	56	Work in progress on rate case appeal Prepare outline and discussion of appeal issues	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 05/16/16 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
22	6/21/2016	263	Guastella Associates, LLC	$ 8,522 50	58	Work in progress on rate case appeal Review and edit attorney's draft appeal, related discussions and review final appeal	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 06/21/16 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
23	7/8/2016	269	Guastella Associates, LLC	$ 5,617 50	62	Work in progress on rate case appeal Review and edit additional revisions to appeal and conference calls with attorneys Negotiate and prepare financial information for bond agents and respond to data requests, and related	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 07/08/16 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
24	8/12/2016	274	Guastella Associates, LLC	$ 2,537 50	66	Work in progress on rate case appeal Review reply briefs of ORS and POAs, and related discussions and correspondence with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 08/12/16 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
25	9/6/2016	277	Guastella Associates, LLC	$ 15,357 50	68	Work in progress on rate case appeal Prepare drafts of reply to ORS and POA replies to appeal, and related discussions and correspondence with attorneys	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 09/06/16 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
26	11/18/2016	288	Guastella Associates, LLC	$ 1,307 50	74	Work in progress on rate case, final edit of briefs and documents for submission to the Court.	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 11/18/16 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
27	1/9/2017	292	Guastella Associates, LLC	$ 22,117 50	79	Prepare issues for oral argument before Judicial Supreme Court, attend and/or review oral argument, prepare report Related correspondence and discussions with attorney	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 01/09/17 appears incorrect, Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate

Daufuskie Island Utility Company, Inc
2014-346-WS
ORS Response to DIUC Discovery Question 3a

Attachment 1

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
28	7/17/2017	327	Guastella Associates, LLC	$ 7,825 00	86	Prepared financial statements, calculations of amounts and request to PSC for renewed bond, related discussions and work with surety agent, bank for LOC, and attorney	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 07/17/17 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
29	8/18/2017	333	Guastella Associates, LLC	$ 2,325 00	89	Work in progress on rate case Review Supreme Court decision and prepare preliminary calculations of impact on rates, related correspondence and discussions with attorney	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 08/18/17 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
30	9/15/2017	335	Guastella Associates, LLC	$ 9,700 00	92	Work in progress on rate case Prepare schedules of the impact of the Court's decision on specific issues and overall, prepare settlement schedule and rate case expense schedules Related correspondence and discussions with attorneys on rates, rehearing Intervenor issue on bonds, motion for costs and potential settlement position	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 09/15/17 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
31	10/17/2017	337	Guastella Associates, LLC	$ 10,351 25	101	Work in progress on rate case Prepare settlement issues, prepare schedule of rate case expenses and compile invoices, review motion for Court costs and compile costs, review ORS settlement proposal and review its work papers and calculations, prepare settlement offers and options Related correspondence and multiple discussions with attorneys on rates, rehearing, and attorney's discussions with ORS and Intervenors	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 10/17/17 appears incorrect, Employee position titles inconsistent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
			Total	**$542,978.09**			

Haig Point Utility Company, Inc.
Trial Balance
Year Ended June 30, 2004

	General Ledger						Transfers From (To) Wastewater Company	Adjusted 6/30/04	
	6/30/03	12/31/03	6 mos ended 12/31/03	6/30/04	Total Year Ended 6/30/04	Adjustments			
Balance Sheet Per Schedule A-1									
Accounts receivable				47,603	47,603		39,717	87,320	
Allowance for doubtful accounts				(27,612)	(27,612)			(27,612)	
Construction in progress				184,256	184,256	932,439 (1)		1,116,695	
Property, plant & equipment					0	4,339,588 (2)		4,339,588	
Accumulated depreciation					0	(240,082) (6)		(240,082)	
Total assets				204,247		5,031,965	39,717	5,275,919	
Advances due to parent company				1,008,181	1,008,181		38,717	1,046,898	
Accounts payable				405	405			405	
Accrued income taxes payable				56	56	0 (4)		56	
Contributions in Aid of Construction						464,000 (7)		464,000	
Accum Amortization CIAC						(82,740) (7)		(82,740)	
Common stock				1,000	1,000		1,000	2,000	
Paid in capital						4,835,782 (8)		4,835,782	
Retained earnings				(805,395)	(805,395)	14,913 (8)		(790,482)	
Total liabilities & equity				204,247		5,031,955	39,717	5,275,919	
Income (expense):									
Per Schedule C-1 (W)									
Water & sewer revenues	37,306	113,194	75,888	36,356	112,244	33,788 (3)	(47,606)	98,424	
Water & sewer availability	87,120	86,040	(1,080)	83,215	82,135		(41,087)	41,088	139,402
Salary benefit charges		(19,028)	(19,028)	(1,027)	(20,055)			(20,055)	
Repairs and supplies	(12,514)	(25,776)	(13,262)	(34,728)	(47,990)			(47,990)	
Office supplies			0	(99)	(99)			(99)	
Professional fees	(56)	(56)	0	(12,988)	(12,988)			(12,988)	
Consulting fees	(4,630)	(12,760)	(8,150)	(1,880)	(10,010)			(10,010)	(22,998)
Telephone	(316)	(855)	(337)	(1,922)	(2,259)			(2,259)	
Office equipment rentals			0	(490)	(490)			(490)	
Bad debt (income)		(37,781)	(37,781)	10,169	(27,612)		10,738	(16,874)	
Heat, light & power	(6,120)	(16,096)	(9,976)	(9,443)	(19,419)			(19,419)	
Other operating expense	(75)	(7,660)	(7,585)	(1,624)	(9,209)			(9,209)	
Other income	2,239	2,766	527	209	736	(736) (9)		0	
Miscellaneous expense	(92)	(1,582)	(1,490)	(1,536)	(3,026)	3,026 (9)		0	
Interest expense			0	(4,270)	(4,270)	4,270 (9)		0	
State franchise income			0	868	868	(868) (9)		0	
Real estate tax	(11)	(11)	0		0			0	
Wastewater treatment plant charge	(62,541)	(115,828)	(53,287)	(48,407)	(101,694)	101,694 (5)		0	
Depreciation expense				0	0	(12,846) (6)		(12,846)	
Pre-tax income	40,306	(35,255)	(75,561)	12,423	(63,138)	128,328		(12,747)	
Federal income tax expense		309	309	(152)	147			147	
State income tax expense				24	24			24	
Net income	40,306	(34,946)	(75,252)	12,286	(62,967)	128,328		(12,576)	

(1) Costs for third water well and elevated water storage tank - $1,116,695 per T&H schedule
(2) To tie to Thomas & Hutton property schedule ($1,711,540 water and $2,628,048 sewer)
(3) To adjust for actual water billings for the fiscal year
(4) To record federal and state income tax
(5) Retained earnings adjustment for item prior to 6/30/03
(6) Depreciation calculation on plant and equipment
(7) To record CIAC and amortization of CIAC - See Work Paper 6
(8) To record plant and equipment and other adjustments to paid in capital
(9) To remove non-operating items

Federal income tax at 35% of pretax income, state tax at 4.066% of pretax income

Schedule A-1

HAIG POINT UTILITY COMPANY, INC.

Balance Sheet (Water and Sewer)

Assets	6/30/2004
Accounts Receivable	87,320
Allowance for Doubtful Accounts	(27,612)
Construction in Progress	1,116,695
Plant in Service	4,339,598
Accumulated Depreciation	(240,082)
Total Assets	$5,275,919

Liabilities & Equity	
Accounts Payable	$405
Advances from Associated Co.	1,046,898
Accrued Taxes	14,969
Contributed in Aid of Construction	464,000
Accum. Amortization of CIAC	(82,740)
Common Stock	2,000
Paid In Capital	4,635,782
Retained Earnings	(805,395)
Total Liabilities & Equity	$5,275,919

Schedule S-C.3

Daufuskie Island Utility Company, Inc.
Water and Wastewater Systems

Depreciation Expense - Sewer

	Pro Forma UPIS Balance	Depreciation Rate	Pro Forma Utilization	Pro Forma Depreciation Expense
Collection Mains	$ 2,118,279	2.198%	35.47%	$ 16,513
Flow Measuring Device	1,956	6.667%	35.47%	46
WW Pumping Plant	160,738	4.255%	35.47%	2,426
WW Treatment & Disposal Plant	150,264	2.484%	35.47%	1,324
T&D-Aeration Motors	31,832	14.286%	100.00%	4,547
Plant Sewers	818,187	2.484%	35.47%	7,210
Outfall Sewer Lines	66,704	2.000%	35.47%	473
Power Generation Equip	7,940	4.348%	35.47%	122
Other Intangible Plant	204	4.000%	100.00%	8
General Plant-Structures	663,201	2.725%	100.00%	18,071
Office Equipment	14,117	5.000%	100.00%	706
Transportation Equipmt	5,103	16.667%	100.00%	850
General Plant-Tools & Equip	13,472	20.000%	100.00%	2,694
CIAC - Tap Fees	(213,545)	2.198%	35.47%	(1,665)
CIAC - Other	-	2.000%	35.47%	-
	3,838,452			53,328
Depreciation Expense				$ 54,993
Amortization of CIAC				(1,665)
Net Depreciation				$ 53,328

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2011-229-WS - ORDER NO. 2012-515

JULY 10, 2012

IN RE:	Application of Daufuskie Island Utility Company, Inc. for Approval of Water and Sewer Rates, Terms and Conditions	))))	ORDER APPROVING AND ADOPTING SETTLEMENT AGREEMENT

The above-captioned matter is before the Public Service Commission of South Carolina ("Commission") on the proposed Settlement Agreement ("the Settlement Agreement") filed on June 25, 2012, by Haig Point Club and Community Association, Inc. ("HPCCA"), Bloody Point Property Owners Association, Inc. ("BPPOA"), Melrose Property Owners Association, Inc. ("MPOA"), and Daufuskie Island Utility Company, Inc. ("DIUC") (hereinafter collectively referred to as the "signatory agreeing Parties" or sometimes individually as a "Party"). As explained more fully below, the South Carolina Office of Regulatory Staff ("ORS") does not object to the Settlement Agreement and was identified as one of the signing "Parties to this Settlement Agreement." Intervenor Patrick M. Connolly, Esquire, did not submit prefiled testimony or appear at the hearing on May 30, 2012. The proposed settlement was stated into the record at the hearing on May 30, 2012, after partial introduction of the evidence.[1]

[1] After the hearing on May 30, 2012, the parties agreed to change the additional annual revenue permitted by their settlement from $291,448 to $291,485.

This matter was initiated on June 6, 2011, when DIUC filed a letter of intent with the Commission and on January 10, 2012, DIUC filed an Application for approval of an adjustment in its rates and charges for water and sewer services with the Commission pursuant to S.C. Code Ann. § 58-5-240 and 26 S.C. Code Ann. Regs. 103-712.4.A and 103.512.4.A.

By letter dated January 24, 2012, the Commission's Clerk's Office instructed DIUC to publish a prepared Notice of Filing, one time, in newspapers of general circulation in the area affected by DIUC's Application. The Notice of Filing described the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. The Commission also instructed DIUC to notify directly, by U.S. Mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing. On February 20, 2012, DIUC filed Affidavits of Publication demonstrating that the Notice of Filing had been duly published and provided a letter certifying that it had complied with the instructions of the Commission's Clerk's Office and mailed a copy of the Notice of Filing to all customers.

In response to a request for a local hearing, by Order No. 2012-196 (March 7, 2012), the Commission ordered a public night hearing.[2]

On March 13, 2012, DIUC revised its application. By letter dated March 20, 2012, the Commission's Clerk's Office instructed DIUC to publish a prepared

[2] The purpose of the night hearing was to provide a forum, at a convenient time and location, for customers of DIUC to present their comments regarding the service and rates of DIUC.

Public Notice of Night Hearing and Revised Notice of Filing, one time, in newspapers of general circulation in the area affected by DIUC's Revised Application. The Public Notice of Night Hearing and Revised Notice of Filing described the night hearing to be conducted on April 30, 2012, and the nature of the Revised Application and advised all interested persons desiring to participate in the amended schedule of the proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. The Commission also instructed DIUC to notify directly, by U.S. Mail, each customer affected by the Application by mailing each customer a copy of the Public Notice of Night Hearing and Revised Notice of Filing. On April 5, 2012, DIUC filed Affidavits of Publication demonstrating that the Public Notice of Night Hearing and Revised Notice of Filing had been duly published and provided a letter certifying that it had complied with the instructions of the Commission's Clerk's Office and mailed a copy of the Notice of Filing to all customers.

On April 30, 2012, the Commission held a night hearing at Haig Point Club and Community Association, 10 Haig Point Circle, Daufuskie Island, South Carolina to hear comments from members of the public.

The Commission, with Chairman Howard presiding, heard the expert witnesses testify on DIUC's Application beginning at 10:30 am on May 30, 2012, at the Commission Hearing Room located at 101 Executive Center Drive in Columbia, South Carolina. DIUC was represented by G. Trenholm Walker, Esquire. ORS was represented by Nanette S. Edwards, Esquire, and Courtney D. Edwards,

Esquire. Intervenors HPCCA, BPPOA, and MPOA were collectively represented by John F. Beach, Esquire. Intervenor Patrick M. Connolly, Esquire, did not appear at the merits hearing.

Negotiations between the signatory agreeing Parties in this proceeding, with ORS participating, resulted in a proposed settlement during the course of the merits hearing on May 30, 2012, and ultimately in the Settlement Agreement signed by the Parties on June 25, 2012. In the Settlement Agreement, the Applicant, the three property owner's groups and the Office of Regulatory Staff are collectively defined as the "Parties." The Settlement Agreement also identifies these same entities as "Parties to this Settlement Agreement." However, the first paragraph explains that the Settlement Agreement is "made . . . without objection from the South Carolina Office of Regulatory Staff ("ORS")." Further, the Settlement Agreement signature page "representing and binding" the ORS, states: "We do not object to and acknowledge the effect of this settlement."

The signatory agreeing Parties have all determined that their interests, as well as the public interest, are best served by settling the dispute in this matter under the terms and conditions in the Settlement Agreement and set forth below.

By signing the Settlement Agreement, the signatory agreeing Parties' counsel acknowledged their respective clients' consent to its terms. The Settlement Agreement provides that the signatory agreeing Parties all viewed the terms of the agreement to be fair and reasonable.

The Commission considered and evaluated the Settlement Agreement at its meeting on June 27, 2012. The Commission is fully familiar with this matter based on the evidence and arguments that were presented at the merits hearing on May 30, 2012, and determined that no additional testimony or other proof is necessary.

All signatory agreeing Parties have agreed in the Settlement Agreement that a resolution of this matter on the terms therein allows DIUC to continue to provide water and wastewater services to its customers, and would provide a fair and reasonable operating margin and return on equity to DIUC.

The rates for residential and commercial water, sewer, and irrigation, as well as the charges for availability fees, are specified in Settlement Agreement Exhibit 1, which is attached to and incorporated as a part of this Order as Order Attachment No. 1.

We find that the rates and charges agreed to by the signatory agreeing Parties and not objected to by ORS are fair and reasonable and will allow DIUC to continue to provide its customers with adequate water and wastewater service. We specify an allowable operating margin of 16.64% and find that a rate of return on equity of 8.81% is fair and reasonable under the circumstances based on the proof admitted into evidence at the hearing.

The signatory agreeing Parties all agreed, and this Commission finds, that an increase in rates and charges (including availability fees) for water and sewer rates, fees, and charges is necessary. DIUC (through its predecessors) has not obtained an increase in its rates and charges since 2005. Since that time, DIUC's costs of

providing service have increased so that it can no longer earn a fair return on its investment. Significant facilities operated by DIUC are in need of maintenance and repair.

The signatory agreeing Parties therefore agreed and stipulated to certain rates and charges, which we hereby approve, that are specified in Settlement Agreement Exhibit 1 and included in Order Attachment No. 1. We agree with the signatory agreeing Parties that the rates and charges contained in the Settlement Agreement are fair and reasonable, and will allow DIUC to continue to provide its customers with adequate water and wastewater services.

The Commission further finds that the additional conditions imposed under the Settlement Agreement with respect to annual reporting to the Commission and ORS on the intended loan are also fair, reasonable, and necessary.

The Commission finds the terms and conditions set forth in the Settlement Agreement and Exhibits thereto are fair and reasonable to the Parties and ORS as well as to the DIUC customers affected by the rates and fees approved by this Order.

After careful review and consideration of the Settlement Agreement, the evidence in the record in this proceeding, and the representations of counsel, the Commission concludes as a matter of law that (i) approval of the Settlement Agreement is in the public interest; (ii) the residential and commercial rates, fees, and charges (including availability fees) for both water and sewer agreed to by the signatory agreeing Parties and not objected to by ORS, and as set forth in Order

Attachment No. 1 attached hereto are reasonable and fair and should be put into effect after the notice required herein.

An examination of Settlement Agreement Exhibit 2, attached hereto as part of Order Attachment No. 1, reveals that, based on the operating revenues, income, and expenses agreed upon by the parties, the additional revenues produced by the new rates and charges will result in an operating margin for DIUC of 16.64% and return on equity of 8.81%. We find that the new rates and charges provide DIUC with the opportunity to earn a return on equity of 8.81% for this Company.

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement, including its attached Exhibits, is attached hereto as Order Attachment No. 1, is accepted into the record without objection, and is incorporated into and made part of this Order by reference. Further, we find the Settlement Agreement is in the public interest and constitutes a reasonable resolution of this proceeding, and we therefore approve the settlement in its entirety.

2. The statement of proposed rates, fees, and charges attached to the Settlement Agreement (Order Attachment No. 1) is entered into the record of this case without objection. We find that the proposed rates, fees, and charges are both fair and reasonable and will allow DIUC to continue to provide its customers with adequate water and wastewater services. We further find that the additional terms and conditions set forth in the Settlement Agreement, including its reporting requirements if DIUC should obtain a bank loan, are reasonable and fair.

3. The Company is to provide thirty (30) days' advance notice of the increase to customers of its water and wastewater services prior to the rates and schedules being put into effect for service rendered. The schedules shall be deemed to be filed with the Commission pursuant to S.C. Code Ann. § 58-5-240.

4. A return on equity of 8.81% based on the new rates, fees, and charges is approved for DIUC, as well as an operating margin of 16.64%

5. The Company shall continue to maintain current performance bonds in the amounts of $350,000 for water operations and $350,000 for wastewater operations pursuant to S.C. Code Ann. § 58-5-720.

6. The Company's books and records shall be maintained according to the National Association of Regulatory Utility Commissioners ("NARUC") Uniform System of Accounts. The Company is directed to make any necessary adjustments to its accounting system to conform to the NARUC Uniform System of Accounts.

7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

John E. Howard, Chairman

ATTEST:

David A. Wright, Vice Chairman

(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2011-229-WS

IN RE: Application of Daufuskie Island Utility, Company, Inc. for Approval of Water & Sewer Rates, Terms and Conditions	**SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and among, Haig Point Club and Community Association, Inc. ("HPCCA"), Bloody Point Property Owners Association, Inc. ("BPPOA"), Melrose Property Owner's Association, Inc. ("MPOA") (all three, collectively, the "POA Intervenors"), and Daufuskie Island Utility Company, Inc. ("DIUC") and without objection from the South Carolina Office of Regulatory Staff ("ORS") (hereinafter collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, on January 10, 2012, DIUC filed an Application for Approval of Water and Sewer Rates, Terms and Conditions ("Application") with the Public Service Commission of South Carolina ("Commission");

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, Intervenor Patrick M. Connolly, Esquire did not submit pre-filed testimony or appear at the hearing on May 30, 2012 and is not a signatory to this Settlement Agreement;

WHEREAS, the Parties commenced the merits hearing before the Commission on May 30, 2012, and during the course of the hearing engaged in discussions that resulted in a settlement of this proceeding after certain proof was admitted into the record;

WHEREAS, the Parties have each determined that their respective interests and the public interest would best be served by settling the above-captioned case and agreeing to a resolution of the various issues on the terms and conditions set forth below:

1. The Parties agree that an increase in water and sewer rates is necessary. DIUC (or its predecessor entities) has not applied for and received an increase in rates since 2005. The current rates do not enable DIUC to cover its costs of providing service and earn a fair return on its investment.
2. In the current proceeding, the Parties disputed the adjustment in rates, fees, and charges that would be necessary to provide DIUC a fair return on its investment as well as the rate of return and other matters.
3. The Parties agree and stipulate that DIUC shall be allowed to set rates and charges on a rate base of $5,000,000. This stipulated rate base shall not be binding in future proceedings, instead those proceedings will be determined based on the evidence presented in each docket and the applicable law.
4. The Parties agree and stipulate that DIUC shall be entitled to an adjustment in rates and charges sufficient to generate additional revenues for the test year of $291,485 based on the test year revenues after adjustments proposed by ORS in its pre-filed testimony and exhibits.

5. The Parties agree that this additional revenue would result in an operating margin of 16.64% and a return on equity of 8.81%.
6. The parties agree to the adjustment of the rates, fees, and charges to derive the additional revenue as set forth on the schedule of proposed rates, fees, and charges attached as Exhibit 1.
7. The Parties agree that the stipulated proposed rates, fees, and charges, and resulting additional revenues, allow DIUC the opportunity to earn a fair rate of return, as calculated on Exhibit 2. These stipulations shall not be binding in future proceedings, instead those proceedings will be determined based on the evidence presented in each docket and the applicable law.
8. DIUC agrees that it will not file an application for an increase in and/or adjustment to its rates and charges before July 1, 2014.
9. The Parties agree not to further litigate whether availability fees collected by DIUC or its predecessors that have been collected over the years were an approved rate or charge of the Commission.
10. DIUC intends to seek a loan from a financial institution. If DIUC obtains the loan, DIUC agrees to file a report annually (no later than the anniversary date of the loan) with ORS and the Commission (under this docket number), with copy mailed to the POA Intervenors at an address to be provided within 30 days of the Agreement, scheduling the use of the funds of the loan.
11. If the loan in the paragraph above is obtained, DIUC agrees to set up a capital reserve of no less than $700,000 for capital repairs and improvements and shall file a report annually (no later than the anniversary date of the loan) with ORS and the

Commission (under this docket number), with copy mailed to the POA Intervenors at an address to be provided within 30 days of the Agreement, scheduling the use of the funds of the capital reserve account.

12. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

13. The Parties agree that this Settlement Agreement does not constrain, inhibit or impair in any way the arguments or positions they may choose to assert in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

14. This Settlement Agreement shall be interpreted according to South Carolina law.

15. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

16. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than what has already been admitted and this Settlement Agreement with Settlement Agreement Exhibits hereto attached.

17. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

WE DO NOT OBJECT TO AND ACKNOWLEDGE THE EFFECT OF THIS SETTLEMENT:

Representing and binding the South Carolina Office of Regulatory Staff:

Nanette S. Edwards Date: June 25, 2012

Nanette S. Edwards, Esquire
South Carolina Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201
Phone: (803) 737-0575
Fax: (803) 737-0895
Email: nsedwar@regstaff.sc.gov

WE AGREE:

Representing and binding Haig Point Club and Community Association, Inc. ("HPCCA"), Melrose Property Owner's Association, Inc. ("MPOA"), and Bloody Point Property Owners Association, Inc. ("BPPOA"):

John F. Beach

Date: June 25, 2012

John F. Beach, Esq.
Ellis, Lawhorne & Sims, P.A.
1501 Main Street
Columbia, SC 29201
T: 803.343.1269
jbeach@ellislawhorne.com

WE AGREE:

Representing and binding Daufuskie Island Utility Company, Inc.

G. Trenholm Walker

Date: June 25, 2012

G. Trenholm Walker, Esq.
Pratt-Thomas Walker, P.A.
16 Charlotte Street
Charleston, SC 29403
T: 843.727.2208
F: 843.727.2231
Email: gtw@p-tw.com

SETTLEMENT AGREEMENT EXHIBIT 1

Daufuskie Island Utility Company, Inc.

Settlement Rates

			Haig Pt. Rates	Melrose Rates
I.	**Residential Rates**			
A.	Water:			
1)	Tapping Fees & 3/4" Meter Box		$500.00	$500.00
2)	Base Quarterly Charge		$62.09	$80.72
3)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	$2.76	$0.00
		Over 22,500 gallons	$2.76	$2.44
B.	Sewer:			
1)	Tapping Fees & Service Lateral		$500.00	$500.00
2)	Base Quarterly Charge		$110.38	$80.72
3)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	$1.32	$0.00
		Over 22,500 gallons	$1.32	$1.77
C.	Irrigation:			
1)	Tapping Fees & 3/4" Meter Box		$500.00	$500.00
2)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	$2.76	$1.66
		18,001 to 60,000 gallons	$3.09	$1.66
		Over 60,000 gallons	$3.50	$1.66
II.	**Commercial Rates**			
A.	Water:			
1)	Tapping Fees per Hotel or Inn Room		$250.00	$250.00
2)	Tapping Fees up to 1-1/2" Meter		$500.00	$500.00
3)	Tapping Fees 2" or 3" Meter		$1,500.00	$1,500.00
4)	Tapping Fees for 6" Meter		$3,500.00	$3,500.00
	Note: Larger meters on a case by case basis.			
5)	Base Quarterly Charge		$86.93	$136.60
6)	Consumption Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	$2.76	$0.00
		Over 22,500 gallons	$2.76	$2.44
B.	Sewer:			
1)	Tapping Fees per Hotel or Inn Room		$250.00	$250.00
2)	Tapping Fees 4" - 8" Sewer Pipe		$500.00	$500.00
2)	Base Quarterly Charge		$178.21	$136.60
3)	Volumetric Charge (per 1,000 gallons)	0 to 22,500 gallons per quarter	$1.32	$0.00
		Over 22,500 gallons	$1.32	$1.77
C.	Irrigation:			
1)	Tapping Fees & 3/4" Meter Box		$500.00	$500.00
2)	Consumption Charge (per 1,000 gallons)	0 to 18,000 gallons per quarter	$2.76	$1.66
		18,001 to 60,000 gallons	$3.09	$1.66
		Over 60,000 gallons	$3.50	$1.66

III. **Availability Rates (Quarterly)**

A.	Water:	$31.04	$76.36
B.	Sewer	$55.19	$85.08

IV. **Special Conditions**

A. Tapping Fees:

Remain as in original tariff.

B. Backflow Prevention:

Remain as in original tariff.

C. System Development Charge:

Remain as in original tariff.

SETTLEMENT AGREEMENT EXHIBIT 2

Daufuskie Island Utility Company, Inc.
Docket No. 2011-229-WS

Determination of Revenue Increases and Rates of Return and Operating Margin per Settlement Agreement

	Description	Taxes and Rates				Combined
	(a)	(b)	(c)	(d)	(e)	(f)
3	Revenue at Present Rates (Per ORS)					$714,996
4	Additional Service Availability Revenue (Per ORS)					$52,422
5	Subtotal Present Revenue					$767,418
6	SETTLEMENT AGREEMENT ADDITIONAL REVENUE					$291,485
7	Total Revenue - Proposed Rates per Settlement Agreement					$1,058,903
8	*(Percent Increase)*					*37.98%*
9	O&M Expense					$493,574
10	Bad Debts Adjustment				0.01339	$4,604.91
11	Depreciation					$56,177
12	Amortization					$15,000
13	Revenue Taxes	0.95100%				$10,070
14	Property Taxes					$172
15	Payroll Taxes					$9,128
16	Interest Expense					$195,000
17	Total Expenses and Deductions					$783,726
18	Net Income Before Taxes					$275,177
19	State Tax		5.0%			$13,759
20	Fed Taxable Income					$261,418
21	Fed Income Tax					$85,203
22	1st $50,000 @ 15%	50000		7500	15%	
23	Next $25,000 @ 25%	25000	75000	13750	25%	
24	Next $25,000 @ 34%	25000	100000	22250	34%	
25	Next $235,000 @ 39%	235000	335000	113900	39%	
26	Over $335,000 @ 34%				34%	
27	Composite Rate - average					32.6%
28	Net Income (after taxes) - Equity Return					$176,215
29	Common Equity					$2,000,000
30	Return on Equity					8.81%
31	Return on Rate Base					7.42%
32	Operating Margin					16.64%
	SETTLEMENT CAPITAL STRUCTURE					
33	Interest Rate					6.5%
34	Long-term Debt				60%	$3,000,000
35	*(debt portion)*					60%
36	Common Equity					$2,000,000
37	*(equity portion)*					40%
38	Total Rate Base					$5,000,000
39	*(total)*					

STATE OF SOUTH CAROLINA
In the Supreme Court

APPEAL FROM THE PUBLIC SERVICE COMMISSION

Appellate Case No. 2016-000652

Daufuskie Island Utility Company, Inc.,

Appellant,

v.

South Carolina Office of Regulatory Staff,
Haig Point Club and Community Association, Inc.,
Melrose Property Owner's Association, Inc.,
Bloody Point Property Owner's Association, and
Beach Field Properties, LLC,

Respondents.

BRIEF OF APPELLANT

Thomas P. Gressette, Jr.
G. Trenholm Walker
PRATT-THOMAS WALKER, P.A.
P.O. Drawer 22247
Charleston, SC 29413-2247
(843)727-2200

ATTORNEYS FOR APPELLANT
DAUFUSKIE ISLAND UTILITY COMPANY, INC.

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STATEMENT OF THE ISSUES ON APPEAL

1. WHEN CONSIDERING AN APPLICATION FOR WATER AND SEWER RATE INCREASES, CAN THE PUBLIC SERVICE COMMISSION ADMIT INTO EVIDENCE A PROPOSED SETTLEMENT AGREEMENT THAT INCLUDES ORS AND INTERVENORS BUT EXCLUDES THE APPLICANT AND THEN ENTER AN ORDER APPROVING THE SETTLEMENT AGREEMENT BINDING THE APPLICANT OVER ITS OBJECTIONS?

2. DID THE COMMISSION ERR IN REFUSING TO CONSIDER DIUC'S ENTIRE PETITION FOR RECONSIDERATION, INCLUDING THE INEVITABLE LOAN DEFAULT THAT DIUC WILL FACE IF THE INSUFFICIENT RATES ESTABLISHED BY ORDER 2015-846 ARE NOT MODIFIED?

3. SHOULD THIS COURT REVERSE OR MODIFY PUBLIC SERVICE COMMISSION ORDER 2015-846 BECAUSE ITS ADOPTION OF THE ADJUSTMENTS OF ORS AND ITS REJECTION OF DIUC'S ANALYSIS OF PROPERTY TAXES, MANAGEMENT FEES, RATE CASE EXPENSES, BAD DEBTS, AND RATE BASE ARE LEGALLY ERRONEOUS, NOT SUPPORTED BY SUBSTANTIAL EVIDENCE, AND PREJUDICE SUBSTANTIAL RIGHTS OF THE APPLICANT?

STATEMENT OF THE CASE

Daufuskie Island Utility Company, Inc., the sole provider of water and sewer service to a service area that encompasses Daufuskie Island, Beaufort County, South Carolina, ("DIUC") applied to the Public Service Commission (the "Commission" or "PSC") on June 9, 2015, for approval of a new schedule of rates and charges for water and sewer service ("the Application"). (R.p.1416) At the instruction of the Office of the Clerk of the Commission, DIUC published a Notice of Filing. (R.p.31) The Application reported that DIUC has not applied for rate relief since 2010 and that DIUC states the proposed rates are essential for the company to continue to provide its customers adequate water and sewer service. (R.p.1418)

On July 23, 2015, the Haig Point Club and Community Association, Inc., Melrose Property Owner's Association, Inc., and Bloody Point Property Owner's Association, (collectively "Intervenors") filed a Petition to Intervene. (R.p.1410) On July 27, 2015, a Petition to Intervene was filed by Beach Field Properties, LLC ("Beach Field"), an owner of property within the DIUC service area. (R.p.1408) Both petitions were granted. (R.pp.66-67)

A hearing on the Application was scheduled for October 28, 2015. Prior to the hearing DIUC, the Office of Regulatory Staff ("ORS"), and the Intervenors filed pre-filed testimony. Beach Field did not file any testimony. Subsequent to their intervention, the Intervenors requested a public night hearing to allow customers of DIUC to present any comments regarding the service and rates of DIUC. Pursuant to Order No. 2015-586, a public hearing was set and noticed by the Commission, and the Company provided an affidavit certifying that it had provided notice of the date, time and location of the local public hearing via publication in The Beaufort Gazette and The Island Packet. (R.pp.31-32) On September 15, 2015, the Commission held a night hearing beginning at 6:00 pm at the Haig Point Club Clubhouse, 130 Clubhouse Lane, Daufuskie Island, South Carolina. (R.p.32, FN#1)

On the afternoon of October 27, 2015, the day before the scheduled hearing before the Commission, the Intervenors filed a document captioned "Settlement Agreement." (R.pp.1350-1365) The only parties to the document submitted as a "Settlement Agreement" are ORS and the Intervenors. DIUC did not know about, did not consent to, and was not a party to the purported "Settlement Agreement." (R.p.1351 and p.314, lines 15-18). The Settlement Agreement included those parties' agreement on

adjustments to the application of DIUC, on the allowed rate of return and operating margin, and even on the matters that would be admitted into evidence.

On October 28, 2015, the Commission conducted its hearing on DIUC's Application for Approval of an Adjustment in Rates and Charges for Water and Sewer Services. Prior to any testimony, DIUC objected to the admission of the Settlement Agreement because, among other reasons, DIUC is not a party to the Settlement Agreement and therefore the purported settlement did not resolve or evidence resolution of any issue(s) presented by the Application. (R.p.314, line 15-p.316, line 16) The Commission overruled the objection. (R.p.48, lines 2-14) The hearing proceeded and testimony was presented by DIUC, ORS, and the Intervenors.

On November 25, 2015, DIUC submitted a Proposed Order Approving Rates and Charges. (R.pp.219-273) ORS and the Intervenors submitted a joint proposed order requesting the Commission approve the Settlement Agreement between ORS and the Intervenors. (R.pp.274-302)

On December 8, 2015, the Commission entered its decision, docketed as Order No. 2015-846, accepting the Settlement Agreement and making findings and conclusions implementing its terms as its ruling on DIUC's application. DIUC filed a timely Petition for Reconsideration and/or Rehearing on December 21, 2015. (R.pp.192-216) By Order No. 2016-50 dated February 25, 2016, the Commission denied the Petition for Reconsideration and/or Rehearing. (R.pp.6-27) On March 22, 2016, DIUC served its Notice of Appeal of Order No. 2015-846 and Order No. 2016-50. (R.pp.87-146)

STATEMENT OF FACTS

DIUC is classified as a Class B water and wastewater utility under the Uniform System of Accounts published by the National Association of Regulatory Utility Commissioners ("NARUC"). (R.p.31). The unique history and challenges facing this small water and sewer service provider as it struggles to provide safe and reliable service on an island accessible only by water are thoroughly described in the Report on Capital Improvements included with Hearing Exhibit 7. (R.pp.864-890)

The parties participated in exhaustive discovery before the hearing. DIUC was required to respond to in excess of 150 discovery requests (exclusive of multiple subparts), review the direct testimonies of nine witnesses, prepare rebuttal testimony and surrebuttal testimony, and prepare for the hearing on the Application. (R.p.218, lines 16-20). By providing thorough responses to this overwhelming amount of discovery, DIUC established an ample basis for the methodology and rates requested. During this period DIUC also reviewed and analyzed the testimony submitted by ORS and the Intervenors.

In its Application, DIUC utilized a historic test year – the twelve months ending December 31, 2014, with known and measurable adjustments for 2015 expectations. (R.p.37) ORS and the Intervenors also proposed the Commission use a historical test year ending December 31, 2014. (Id.)

DIUC requested that its rates be determined in accordance with the rate of return on rate base methodology and requested the Commission specify, as required by. S.C. Code Ann. § 58-5-240(H), an allowable operating margin. No party contested the use of the rate of return on rate base methodology. Given the size of DIUC's rate base, the

Commission found the rate of return on rate base methodology appropriate in this case. (R.p.61)

DIUC summarized the necessity of the requested rate increases as follows:

> ...the current rates do not enable the Company to cover its cost of providing service and earn a fair return on its investment. The Company has not applied for rate relief since 2010 and has not yet established unified rates under its current consolidated status. The test year revenues, under current rates, produced net operating losses of $21,174 for the water operations or a negative .65% return on its investment. The sewer operations experienced net operating income of $59,890 or a 1.59% return on its investment. As this application demonstrates, the pro forma rate year under the current rates, would produce even less income and result in a negative 5.27% return for water and a negative 2.81% return for sewer. The proposed rates developed in this application are essential for the Daufuskie Island Utility Company to continue to provide its customers with adequate water and wastewater service.

(R.p.1418)

The rates in effect at the time of the Application were those established in DIUC's prior rate proceeding, Docket No. 2011-229-WS. Specifically, via Commission Order No. 2012-515, the Commission approved a settlement inclusive of all the parties. As a compromise, DIUC agreed in that settlement to a negotiated revenue increase of $291,485; a $5 million rate base; an operating margin of 16.64%; and a Return on Equity of 8.81%. (R.p.31). At the time of the settlement of the prior rate proceeding, DIUC was in dire need of funds to pay overdue bills, construct certain capital improvements, and conduct repairs including the breach of its wastewater treatment lagoon.

On the afternoon of October 27, 2015, the day before the scheduled hearing on the Application, the Intervenors served and filed a document the purported "Settlement Agreement." (R.pp.1350-1365) The Cover Letter submitted by Counsel for the Intervenors reported the Settlement Agreement was "the result of a great deal of

communication and collaboration between the POAs and the ORS." (R.p.1350) As plainly evident by its terms, DIUC did not consent to and is not a party to the purported "Settlement Agreement." (R.p.1351)

On October 28, 2015, at the commencement of the hearing, counsel for the Intervenors informed the Commission that the Intervenors and ORS had filed with the Commission a "settlement agreement." (R.p.312, line 23-p.314, line 10) Pursuant to the purported "settlement agreement," ORS and the Intervenors agreed to stipulate to "all of the adjustments made by the ORS, with the exception that the ORS amended its bad debt allowance to utilize the allowance proposed by Daufuskie Island Utility Company, Inc. (the "Company") in its Application. No other changes were made by ORS in reaching the Settlement." (R.p.1350) In other words, the Intervenors abandoned the rate structure and analysis proposed in their prefiled testimony and agreed to the calculations proposed by ORS. (R.pp.1350-1365; R.p.41, line 12-p.42, line 10; and R.p.39)

DIUC objected to the purported "settlement agreement" asserting that the Commission should not consider it, take notice of it, or admit it into the record. (R.p.314, line 15-p.316, line 16) DIUC objected on the grounds that the "settlement agreement" endorsed an even lower revenue number than originally proposed by ORS; that any agreement between ORS and Intervenors was irrelevant to the Application since the Company did not know about, much less agree to, the terms of the purported settlement agreement; and that admission of this "settlement Agreement was prejudicial to the Company. (Id.) DIUC's counsel further explained that because DIUC was not a party to the agreement, the document did not resolve any issue(s) presented by DIUC's Application; the document merely reports that two parties to the proceeding have

negotiated among themselves and come to agree that they will oppose DIUC's Application in a unified manner. (Id.)

The Commission overruled DIUC's objection and accepted the Settlement Agreement into the record. (R.p.320, lines 2-14) The hearing proceeded and testimony was presented by DIUC, ORS, and the Intervenors.

At the hearing DIUC presented prefiled testimony with exhibits and the live testimony of John F. Guastella, President of Guastella Associates, LLC and Gary C. White, Vice President of Guastella Associates, LLC. (R.pp.391-568) Guastella Associates LLC ("GA") provides management, valuation and rate consulting services to water and wastewater utilities around the country, and has been the contract manager of DIUC (and its predecessors) since July 9, 2008.[1] DIUC also presented the prefiled testimony of The Honorable Maria Walls, Treasurer of Beaufort County, and prefiled testimony of Eric Johanson, Chief Operator of DIUC. (R.pp.345-390) These witnesses also testified in person.

In addition to testifying based upon his almost 50 years of experience as an expert on rate making for water and sewer utilities, Mr. Guastella testified about the specific facts and calculations included in the Application. (R.p.397) With regard to the issue of the looming default on the SunTrust loan, Mr. Guastella testified that if the adjustments proposed by ORS were imposed, the resulting rates "***will not give us enough money to pay our debt service on our existing loan. We will be in default because of all of these***

[1] The stock purchase of Haig Point Utility Company, Inc. (now DIUC) by CK Materials LLC on July 9, 2008, from Haig Point, Inc. (formerly International Paper Realty Corporation of South Carolina) was approved by the Commission. The stock of DIUC was transferred from CK Materials, LLC to Daufuskie Island Holding Company, LLC in 2013 when the Commission approved DIUC's financing with SunTrust Bank.

adjustments...." (R.p.458, lines 1-2) (emphasis added) Neither the Intervenors nor ORS chose to cross-examine Mr. Guastella as to the basis of his statements that the rates proposed by the Settlement Agreement would result in default on the terms of the SunTrust loan. (R.pp.170-171) (citing testimony from R.p.526, lines 2-4; R.p.527, lines 8-10; R.p.527, lines 12-19; R.p.528, line 23-p.529, line 7)

Mr. Guastella also testified as to each ORS adjustment incorporated into the Settlement Agreement that was ultimately adopted by the Commission. Of particular note to this appeal are the adjustments for property taxes, management fees, rate case expenses, bad debt, and rate base.

The Intervenors presented live, prefiled, and summary testimony of Charles Loy and Lynn M. Lanier, both of whom are principals with GDS Associates, Inc., a utility consulting and engineering firm with its principal offices in Marietta, Georgia. (R.pp.619-736)

The Intervenors also presented prefiled and summary testimony of the following DIUC customers: Doug Egly, Tony Simonelli, Paul Vogel, and Harry Jue, who also testified live. (R.pp.577-619 and pp.619-620)

Beach Field did not present any witnesses. When the Commission queried as to whether any members of the public wished to be heard, one witness, Mr. Reed Dulaney, addressed the Commission. (R.pp.330-344)

ORS presented prefiled and summary testimony of Ivana C. Gearheart, ORS Audit Manager; Willie J. Morgan, Deputy Director of the Water and Wastewater Division of ORS; and Dr. Douglas H. Carlisle, Economist at ORS. (R.pp.738-815)

Pursuant to motions by each party, all prefiled testimony was read into the record as if given orally. The hearing adjourned at 7:35pm. (R.p.817, lines 18-19)

On November 25, 2015, DIUC submitted a Proposed Order Approving Rates and Charges. (R.pp.219-273) ORS and the Intervenors submitted a joint proposed order requesting the Commission approve the Settlement Agreement between ORS and the Intervenors. (R.pp.274-302)

On December 8, 2015, the Commission entered its Order Approving Settlement Among Certain Parties and Ruling on Application for Adjustments and Rates. (R.pp.30-65) Making this determination, the Commission adopted every adjustment proposed by ORS in the testimony and the "Settlement Agreement," effectively rejecting all DIUC testimony, evidence and analysis. (Id.)

In an effort to explain the errors inherent in the Commission's Order Approving the Settlement Agreement and the calculations of ORS, on December 21, 2015, DIUC filed a Petition for Reconsideration and/or Rehearing. (R.pp.192-216) In its Petition for Reconsideration, DIUC addressed the adjustments for property taxes; management fees; rate case expenses; bad debts; and rate base, including evidentiary matters as well as the Commission's failure to include the values of DIUC's elevated storage tank and related facilities and other utility plant in service. (Id.) In summary, the Petition for Reconsideration explained that the Order's adjustments are without factual foundation and ignore measurable expenses and the rate of return and operating margins stated in the Order are entirely illusory. (R.p.192)

Highlighting the evidence in support of its Application, DIUC's Petition for Reconsideration cited testimony from DIUC regarding the impact of the Order's

approved rates upon DIUC; specifically, the Petition pointed out that the "approved rates do not provide DIUC sufficient income to pay debt service (principle and interest) on [its] existing Suntrust Bank loans and to pay necessary operating expenses." (R.p.192)

The Petition for Reconsideration also included a one-page summary of the income allowed by the Order alongside the expenses submitted by DIUC in support of the Application. (R.p.216, "Attachment A") ORS and Intervenors both objected to the inclusion of this exhibit, arguing that they did not have the opportunity to test the data contained in Attachment A to the Petition. (R.p.172) This position was unfounded because Attachment A merely presented the combined water and sewer revenues permitted by the Commission's Order adopting the Settlement Agreement and subtracts the actual cost of operations that DIUC will incur. (R.p.172 and p.216, "Attachment A") The actual operating expenses listed in the Attachment are the same as those reflected in DIUC's filings in the case, including the proposed Order submitted on November 25, 2015. (R.pp.1416-1484; R.pp.219-273; and R.pp.169-179)

In response to the Petition for Reconsideration's highlighting of the evidence regarding imminent default on DIUC's financing obligations, ORS and the Intervenors both filed responses asserting the Petition for Reconsideration's references to the pending default should be disregarded by the Commission. (R.pp.180-185 and R.pp.186-191) By Order No. 2016-50 dated February 25, 2016, the Commission denied DIUC's Petition for Reconsideration and/or Rehearing. (R.pp.6-27)

This Appeal followed.

DIUC now seeks this Court's review of the Commission's errors including, but not limited to, its consideration of and "approval" of the Settlement Agreement between

ORS and the Intervenors; the Commission's refusal to consider the imminent default of DIUC on its financing obligations which was fully presented to the Commission as part of DIUC's Application and was therefore properly included with the Petition for Reconsideration; and the Commission's adoption of the ORS and Intervenors' Settlement Agreement with its downward adjustments to property taxes, management fees, rate case expenses, bad debts, and rate base, none of which are not supported by the evidence in the record and constitute legal error.

STANDARD OF REVIEW

South Carolina appellate courts employ a deferential standard of review when reviewing a decision of the Public Service Commission, but affirm a Commission decision only when substantial evidence supports it. Porter v. S.C. Pub. Serv. Comm'n, 333 S.C. 12, 21, 507 S.E.2d 328, 332 (1998). The party challenging a Commission order "bears the burden of convincingly proving the decision is clearly erroneous, or arbitrary or capricious, or an abuse of discretion, in view of the substantial evidence on the whole record." Duke Power Co. v. PSC of S.C., 343 S.C. 554, 558, 541 S.E.2d 250, 252 (2001) citing Porter v. S.C. Pub. Serv. Comm'n, 333 S.C. 12, 507 S.E.2d 328 (1998) and S.C. Code Ann. § 1-23-380(A)(6) (Supp. 1999). "Substantial evidence is not a mere scintilla; rather, it is evidence which, considering the record as a whole, would allow reasonable minds to reach the same conclusion as the agency." Chisolm v. S.C.Dept. of DMV, 402 S.C. 593, 609, 741 S.E.2d 42, 51 (Ct. App. 2013) citing Friends of Earth v. Pub. Serv. Comm'n of S.C., 387 S.C. 360, 366, 692 S.E.2d 910, 913 (2010).

This Court "may affirm the decision of the agency or remand the case for further proceedings." S.C. Code Ann. § 1-23-380. The Court may also reverse or modify the

decision of the Commission "if substantial rights of the appellant have been prejudiced because the administrative findings, inferences, conclusions, or decisions" are:

(a) in violation of constitutional or statutory provisions;
(b) in excess of the statutory authority of the agency;
(c) made upon unlawful procedure;
(d) affected by other error of law;
(e) clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record; or
(f) arbitrary or capricious or characterized by abuse of discretion or clearly unwarranted exercise of discretion.

S.C. Code Ann. § 1-23-380.

Additionally, in order for an appellate court "to determine whether the findings are supported by the evidence and whether the law has been applied properly to those findings," the Commission "must make findings which are sufficiently detailed." Porter v. S.C. Pub. Serv. Comm'n, 333 S.C. 12, 21, 507 S.E.2d 328, 332 (1998). Those findings of fact "must be sufficiently detailed to enable the reviewing court to determine whether the findings are supported by the evidence and whether the law has been properly applied to those findings. Able Commc'ns. Inc. v. S.C. Pub. Serv. Comm'n, 290 S.C. 409, 411, 351 S.E.2d 151, 152 (1986).

ARGUMENT

I. THE PUBLIC SERVICE COMMISSION ERRED WHEN IT ADMITTED INTO EVIDENCE A PROPOSED SETTLEMENT AGREEMENT THAT INCLUDES ORS AND INTERVENORS BUT EXCLUDES THE APPLICANT AND THE COMMISSION ERRED WHEN IT ENTERED AN ORDER APPROVING THE SETTLEMENT AGREEMENT BINDING THE APPLICANT OVER ITS OBJECTIONS.

The Commission committed an error of law in receiving and adopting as its final decision the purported Settlement Agreement between two of the parties but not the Applicant. As previously stated, the Applicant timely objected to the admission of the

Settlement Agreement and set forth the several reasons why it was legal error for the Commission to receive and adopt it.

In presenting the Settlement Agreement counsel for the Intervenors stated:

> Yesterday afternoon, the POA Intervenors and the ORS filed a settlement agreement with the Commission. That settlement agreement includes a settlement document somewhat similar to the ones that the Commission has seen in the past, as well as several exhibits that describe the settlement entered into by the POA Intervenors and the ORS, in terms of a rate of return, or return on equity, and as well as the additional revenues to which at least my clients and the ORS have determined to be a reasonable settlement. And just to be clear, this is between my clients and the ORS. It does not include the Applicant ... .
>
> [...]
>
> [T]he adjustments – and this is described, to some extent, in the exhibits – and the numbers that are used, as well as the final number, are all the result of ORS' testimony in this case. And the exhibits [to the Settlement Agreement] reference that and discuss, you know, how those numbers were arrived at.

(R.p.312, line 23-p.313, line 1)

Counsel for the Applicant objected to the Commission considering or admitting the Settlement Agreement explaining:

> ... we do not believe it's appropriate for the Commission to consider [the Settlement Agreement], to take notice of it, or to incorporate it into the Record.
>
> The reason for that is that it is not a settlement. We, on behalf of Daufuskie Island Utility Corporation, have filed a rate application. ORS provided its input. There were a set of Intervenors. And now the Intervenors and ORS have reached an agreement as to what they purport to be a reasonable resolution of my client's Application. So, it's not a settlement, because if it were a settlement, we wouldn't all be here.

(R.p.314-line 21-p.315, line 7)

Further explaining the Applicant's position, counsel for DIUC stated:

> ... if there are issues remaining between the Applicant for the Commission to hear, it's not a settlement. If the Commission takes into account and incorporates into the Record the Settlement Agreement, our concern is this: that not only will it be unfair to our client because, essentially, it purports to assert that a number less than even what ORS originally proposed through its adjustments is the appropriate resolution of this matter, it attempts to bootstrap the two parties' positions together and support them in front of the Commission.

(R.p.315, lines 8-19)

There were multiple reasons the Settlement Agreement should have been neither admitted nor adopted, and the Commission's decision to admit and adopt it as the Commission's final decision constitutes an error of law under S.C. Code § 1-23-380.

A. Admission of the Settlement Agreement was an error of law contrary to S. C. Code Ann. Regulation 103-846.

Evidentiary questions at a Commission hearing are governed by South Carolina Code of Regulations 103-846, which states "irrelevant, immaterial or unduly repetitious evidence shall be excluded. The rules of evidence as applied in civil cases in the Court of Common Pleas shall be followed." S.C. Code Ann. Regs. 103-846.

The Settlement Agreement proposed at the hearing was both irrelevant and immaterial to the Commission's decision on the Application of DIUC. Quite simply, an agreement between ORS and petitioning Intervenors that is, as explained by Intervenors' counsel, an agreement only between ORS and the Intervenors, to the exclusion of the Applicant, is as a matter of law irrelevant and immaterial because it does not involve the Applicant. The purported Settlement Agreement was not probative evidence of any fact at issue. It was a collusive agreement between ORS and the Intervenors in an effort to unduly influence the Commission.

A hearing on an Application for Rate Increase is to assist the Commission in determining a fair rate of return "based exclusively on reliable, probative, and substantial evidence on the whole record" then "documented fully in its findings of fact." S.C. Code Ann. § 58-5-240. When, as in this case, ORS and a set of three intervening parties have privately met and determined that they agree to the withdrawal of the Intervenors' position and promised each other to collectively support the ORS position, that collusive agreement is not probative of any fact at issue; it is not relevant to the facts to be determined. The only purpose of submitting the purported Settlement Agreement between ORS and the intervening parties is to try to influence the Commission on the merits with a non-evidentiary document that the agreed-to position is reasonable and would not result in an appeal by the parties to it, all to the prejudice of the Applicant. ORS and the Intervenors sought through the Settlement Agreement to usurp the fact finding of the Commission and suggest to the Commission that it need not do its job of sorting through and weighing the evidence to arrive at its final decision on the merits. It is no different from a defendant in a personal injury case seeking to enter into evidence before the fact finder a settlement agreement between plaintiff and another party, which this Court has determined to be reversible error. See Powers v. Temple, 250 S.C. 149, 156 S.E.2d 759 (1967) (Reversible error for trial court to have allowed jury to consider covenant not to sue between plaintiff and other party).

As a matter of law, a collusive contract on the merits of the proceedings between ORS and intervening parties to the exclusion of the Applicant, is unfairly prejudicial to the Applicant because it purports to demonstrate some validity by virtue of the parties' agreement to it; there is no other reason for the agreement to be offered by ORS and the

Intervenors. The prejudice is clearly demonstrated by the settling Intervenors' inability to articulate whether the purported Settlement Agreement was, in fact, a settlement or if it was not. Specifically, counsel for the Intervenors in responding to DIUC's objection to testimony, stated:

> ... the amounts and whatever we did with ORS is not binding in terms of what we are doing with the Applicant.
>
> We are still presenting a case as Intervenors, as parties of record – as you can see by the cross examination that took place – that is something wholly separate from what is going on with the – what's happening and what we agreed to in the Settlement Agreement. It doesn't bind – in the same way it doesn't bind DIUC, it doesn't bind us vis-à-vis DIUC in this case [...] I think it's pretty clear that this case has not been settled today, you know, by the seven hours that we've been here discussing it.

(R.p.576, line 14-p.577, line 6)

In other words none of the issues were settled. The self-described settling parties proceeded to present their witnesses and arguments the same as they would if there were no agreement between them.

There is only one case proceeding before the Commission in an Application for Rate Adjustment, such as this one. The positions between and any private agreements between ORS and the Intervenors are irrelevant, immaterial, confusing, and therefore unfairly prejudicial to the Applicant. If, as the Intervenors explained at the hearing, the Settlement Agreement is not in fact a settlement but is instead something "wholly separate from what's going on with" the Applicant, then it has no purpose in being considered by the Commission. Admission of the Settlement Agreement constitutes an error of law in violation of S. C. Code Ann. Reg. 103-846.

B. Admission of the Settlement Agreement was an error of law contrary to the South Carolina Rules of Evidence 401, 402, and 403.

The South Carolina Rules of Evidence are to be followed in hearings before the Commission. See S. C. Code Regs. 103-846(A). Further, the presiding officer at a Commission hearing "shall...control the reception of evidence so as to confine it to the issues in the hearing." S. C. Code Regs. 103-846(B). By allowing the admission of the "Settlement Agreement," the Commission received evidence in a matter contrary to the South Carolina Rules of Evidence and in violation of S. C. Code Regs. 103-846(B)'s directive that evidence before the Commission "shall be limited to evidence of issues in the hearing." The Settlement Agreement was not relevant evidence nor probative of any fact. It should not have been admitted, and even if it were relevant, the prejudice and confusion of the Settlement Agreement should have prevented its admission. See Rules 401, 402, and 403, SCRE.

Counsel for the Intervenors noted this issue of relevance when discussing this matter and stated "the Commission's charge in this case is to determine what is a reasonable rate or set of rates or a rate of return or you know what is the proper result in this case, taking into consideration all the factors in 58-5-240 and elsewhere." (R.p.317, lines 9-14) This is precisely the reason that an agreement between ORS and an intervening party should not be admitted. It has no relevance to the factors or considerations for the Commission.[2]

While the potential for prejudice in admitting such settlement agreements is significant, in the instant case the Commission's ultimate Order Approving Settlement Among Certain Parties and Ruling on Application for Adjustments in Rates is itself the

[2] S.C. Code Ann. § 58-5-210, et seq., S.C. Code Ann. Regs. 103-712.4 and 103-512.4.

best evidence of prejudice. After ORS and Intervenors privately agreed to support the ORS adjustments and presented their position via the "Settlement Agreement," the Commission accepted the settlement and entered every single adjustment requested by the Agreement without making sufficient factual findings based on the evidence to support each of those adjustments. (R.p.58)(stating "After reviewing the evidence in this case, we adopt and approve the Settlement and its exhibits.")

C. Admission of the Settlement Agreement was an error of law contrary to the South Carolina Rule of Evidence 408.

South Carolina Rule of Evidence 408 prohibits the admission of evidence regarding attempts "to compromise a claim which was disputed as to either validity or amount" and states that evidence of offers to resolve such claim are "not admissible to prove liability for or for ... the claim or its amount. Evidence of conduct ... made in compromise negotiations is likewise not admissible." South Carolina Rule of Evidence 408. By presenting the Settlement Agreement to the Commission and the Commission's review of the same, it is clear that DIUC did not agree with the mediated result supported by the Intervenors and ORS. As the outside party, the impression is that DIUC was either unreasonable or unwilling to participate in the "Settlement Agreement." Therefore, admission of the document runs afoul of Rule of Evidence 408 in that it asserts DIUC would not compromise inasmuch as two of the parties have agreed otherwise.

Particularly in this case, counsel for ORS was allowed to provide the Commission with what amounts to testimony regarding the process involved in the ORS and Intervenors Settlement Agreement that excludes the Applicant. Specifically, ORS counsel stated:

> ...when ORS approaches a rate case, as it does with anything, it looks to its statutory mandate and that is to represent the public interest. There's a three prong – three prongs to that definition: to protect all classes of customers, the using – and consuming public, make sure the utility can maintain its infrastructure, also to encourage economic development. We think the settlement ticks all those boxes, so, of course, we would want to present that to you. We are proud of the settlement.

(R.p.319, line 16-p.320, line 1)

Another wayward purpose in placing the Settlement Agreement before the Commission was to suggest that DIUC was unreasonable and not acting in the public's interest since it was not a party to it. The Settlement Agreement improperly and prejudicially suggested that DIUC was unreasonable because it did not agree with and would not "settle with" ORS and Intervenors on the same terms. The Commission's ruling should be reversed since it rests on its improper consideration of the actions of ORS and Intervenors in settlement negotiations as well as the inactions of the Applicant regarding settlement negotiations, all of which should be excluded under South Carolina Rule of Evidence 408.

D. The Commission erred in allowing ORS and Intervenors to present testimony after submission of the Settlement Agreement.

Once the Commission accepted the purported Settlement Agreement in the record as a binding agreement, the Commission committed reversible error in allowing the Intervenors to proceed to present testimony contrary to their position in the "Settlement Agreement." As explained by DIUC counsel at the hearing, there was no need for testimony from the Intervenors. (R.p.574, line 2-p.575, line 20) DIUC counsel explained, "It's no longer relevant, since they've agreed to all the adjustments of ORS, except for the bad debt adjustment." (R.p.575, lines 18-20)

In response, counsel for the Intervenors stated:

> The settlement is not something that the Commission is deciding an up – or – down on right now, at all, and we've not asked you to do that, because if we would have done that, we would have asked to have been excluding what's going on with the Applicant, and we're not taking that approach, at all. [...] Even the testimony in the settlement is largely what's involved in the ORS testimony, and the amounts and whatever we did with ORS is not binding in terms of what we're doing with the Applicant.

(R.p.576, lines 3-16)

ORS and the Intervenors cannot have it both ways; ORS cannot represent to the Court that it is proud it reached a binding settlement with the Intervenors and that is why the Commission should consider it, while the Intervenors are allowed to argue that it is not binding on the Intervenors thereby permitting the Intervenors to continue to present their testimony in an attempt to defeat the Application. This is, of course, the issue – whether there was, or there was not, a "settlement." Interestingly, counsel for the Intervenors in addressing the issue of testimony asserts "I think it's pretty clear that this case has not been settled today, you know, by the seven hours that we've been here discussing here." (R.p.577, lines 3-6) ORS then represented to the Commission, "I agree with everything Mr. Pringle said." (R.p.577, line 10-11)

The "settling parties" cannot have it both ways. Either they have settled a dispute and it should be admissible to the Court or they have not.

In overruling DIUC's objection to the presentation of testimony by the Intervenors, Commissioner Hall stated "Mr. Walker, your motion is denied. I don't see how the Intervenors or ORS could present their case-in-chief without presenting their witnesses." (R.p.577, lines 12-15) This is precisely the issue; if these parties have in fact "settled" then they have no case-in-chief to present. By admitting the Settlement Agreement then also allowing testimony, the Commission erred.

E. The Commission violated its own Settlement Policies and Procedures in admitting and approving the Settlement Agreement.

According to the "Public Service Commission of South Carolina Settlement Policies and Procedures, Revised 6/13/2005," the Commission has prescribed the procedures necessary for consideration of settlement agreements so that the Commission can "carry out its statutory duty of assuring cases brought before it are resolved in a manner consistent with the public interest." (R.p.1485)

The purpose of the Settlement Policies and Procedures is to explain the "procedures [that] will be followed by the Commission in evaluating the settlements and stipulations presented by parties appearing before the PSC." (R.p.1485) With regard to those procedures, under Section V. entitled "Settlement Procedures," the Commission states "when *all* parties to a proceeding reach agreement with regard to *all* issues in the form of a settlement signed by *all* parties or their representative the following procedures shall be followed... ." (Id.) As has been explained repeatedly herein, the Settlement Agreement admitted in this matter by the Commission did *not* involve *all* parties and as such was not a settlement.[3] Therefore, when the Order Approving Settlement Among Certain Parties and Ruling on Application for Adjustments in Rates states that the agreement between ORS and the Intervenors "would be classified as a 'settlement' under the Commission's settlement policy, even though neither DIUC nor Beach Field Properties, LLC were parties to the agreement," it is erroneous as a matter of law and

[3] To the extent that ORS and the Intervenors purport in their agreement to stipulate to certain findings, this agreement is not a binding stipulation in this proceeding as to the Commission or the Company as a matter of law. A binding stipulation requires the written concurrence of all the parties to the proceedings. See Rule 39(a), SCRCP (a binding stipulation is one that is entered by all the parties and entered on the record). Here, DIUC was not a party to the purported agreement and stipulation.

erroneous as a violation of the Commission's own Settlement Policies. (R.p.33, FN#2) The Commission's Settlement Policies do not envision, because it should not, a "settlement" that involves only limited participants within the action. Particularly, the Commission's Settlement Policies do not anticipate a settlement to include a private agreement by ORS and Intervenors that seeks to resolve an application for water and sewer rates without the participation of the Applicant. A reading of the Commission's Settlement Policies and Procedures makes this abundantly clear. (R.pp.1484-1485) As such, the Commission's acceptance of, consideration of, and ultimate approval of the Settlement Agreement constitutes a violation of its own Settlement Policies and therefore the decision must be reversed.

The Commission's decision to admit the Settlement Agreement and then to allow testimony from the purportedly settled parties violated S.C. Code Regs. § 103-846; S.C. Rules of Evidence 401, 402, 403, and 408; the Commission's own Settlement Policies and Procedures. As a result, the Commission entered an Order that does not provide sufficient revenue for DIUC thereby depriving it of substantial rights which, pursuant to S.C. Code § 1-23-380, requires the Order be reversed. Additionally, by wholly adopting the Settlement Agreement despite its disastrous impact on DIUC's revenue, Order 2015-846 is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record. Finally, the acceptance of the Settlement Agreement despite the fact it did not comply with the requirements of the Commission's Settlement Procedures and Policies was an additional error of law and unlawful procedural decision, both of which required remand of this matter pursuant to S.C. Code § 1-23-380.

II. THE COMMISSION ERRED IN REFUSING TO CONSIDER THE ENTIRE PETITION FOR RECONSIDERATION, INCLUDING THE INEVITABLE LOAN DEFAULT THAT DIUC WILL FACE IF THE INSUFFICIENT RATES ESTABLISHED BY ORDER 2015-846 ARE NOT MODIFIED.

After entry of the Commission's December 8, 2015, Order Approving Settlement Among Certain Parties and Ruling on Application for Adjustments in Rates, DIUC filed a Petition for Reconsideration and/or Rehearing pointing out that "DIUC will default on its obligations and its ability to provide services will be threatened" if the rates allowed by the Order are not altered. (R.p.192)

To illustrate the errors inherent in the Commission's Order adopting the Settlement Agreement between ORS and the Intervenors, DIUC pointed out in its Petition for Reconsideration that during the hearing on behalf of DIUC, Mr. Guastella testified specifically about this inevitable default as follows:

> [T]he proposed settlement between ORS and the property owners of $462,000 will give this utility no return on equity – none, and it will not give us money to pay our debt service on our existing loan. We will be in default because of all of these adjustments and failure to include what are real costs of providing service in terms of capital and our real cost of providing service in terms of operating the utility.

(R.p.194)(citing R.p.462, lines 12-21)

The Petition also attached a schedule "demonstrating the impact of the Commission's Order on DIUC's operations" and illustrating the allowed income that will result from the Commission's Order. (R.p.194)(citing R.p.216, "Attachment A") The schedule attached as Attachment A to the Petition demonstrated that the revenue allowance allowed by the Commission's Order will result in a negative cash flow, i.e. the utility will actually lose money under the Commission's Order. (R.p.216) The impact of the Order on DIUC operations demonstrated by Attachment A is not new information

that requires testing or analysis; Attachment A simply shows the $1,536,375 of combined water and sewer revenues allowed by the Order and then subtracts the actual costs of operations previously provided by DIUC to the parties. The Petition then explains how the rates in the Order will result in DIUC's default under the Suntrust loan.

In denying the Petition for Reconsideration, the Commission ruled that the information in the record regarding the SunTrust loan was insufficient to allow it to consider the mechanism of and inevitability of default. (R.p.26) However, as discussed below and as pointed out in the Petition for Reconsideration and the DIUC Return to Opposition to the Petition for Reconsideration, there were more than ample references to the SunTrust loan, the impact of ORS's proposed rates upon the Utility's ability to pay its loans, and the inevitable default that would result from the ORS adjustments. The Commission's failure to consider and heed these facts demonstrates Order 2015-846 is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record. Also, pursuant to S.C. Code § 1-23-380, this procedural decision to ignore the complete Petition and Attachment A constitutes an error of law.

At the hearing DIUC's manager, John Guastella, testified specifically about the impact on DIUC if the Commission were to adopt the ORS-Intervenors "Settlement Agreement." He stated:

> [T]he proposed settlement between ORS and the property owners of $462,000 will give this utility no return on equity. None.
>
> **And it will not give us enough money to pay our debt service on our existing loan.**
>
> **We will be in default because of all of these adjustments** and failure to include what are real costs of providing service in terms of capital and our real cost of providing service in terms of operating the utility.

(R.p.458, lines 12-21, emphasis added) As Mr. Guastella explained, because the Settlement Agreement (and therefore the Order adopting it) does not incorporate the actual costs of providing services, the rates will not generate sufficient income for DIUC to meet its debt service obligations. One of those debt service obligations is the SunTrust loan.

Mr. Guastella further testified about the loan:

> ... Daufuskie Island Utility has an obligation to SunTrust Bank. And with our rate increase, we're going to be in shape to continue to serve the customers without the danger.... \But the rate increase of the proposed settlement, that $462,000, we're not going to be able to make debt service payments, stockholders get no return on equity at all. (R.p.528, line 23-p.529, Line 7)
>
> The bank is looking at our operations now, and they are seeing us with a shortfall in meeting their coverage requirements. (R.p.526, lines 2-4)
>
> [If the Settlement Agreement is adopted,] ... we are then not going to get the rate of return that ORS told you in that proposed settlement between those two parties. **We're not going to have any return on equity, and we're not going to be able to make our debt service payments of principal and interest.** It would put us right into bankruptcy. We need to have a real decision based on our real costs. (R.p.527, line 12-19) (emphasis added)

ORS and the Intervenors both had the opportunity to cross examine Mr. Guastella as to the basis of these statements, the precise "coverage requirements" at issue, and his testimony for DIUC that under the rate increases in the proposed Settlement Agreement DIUC would surely default on the terms of the SunTrust loan.

ORS simply did not want to explore this issue at the hearing or otherwise, as demonstrated by its Responses to DIUC'S Interrogatories served upon ORS immediately after ORS produced its proposed adjustments. Interrogatory 13 specifically asked ORS:

Interrogatory 13
If the PSC were to accept Dr. Carlisle's recommended rate of return as well as the combined adjustments of other ORS witnesses in this case, has ORS analyzed:

a. Whether DIUC would be able to meet the requirements of the existing SunTrust loan that was approved by the PSC? If so, please produce those analyses and all related source documents.

b. Whether DIUC will be able to attract capital to refinance the short term line of credit and make further capital improvements that are necessary to provide adequate service to DIUC's customers? If so, please produce those analyses and all related source documents.

ORS Response: No for all of the above.

(R.pp.969-970) ORS never analyzed the impact of its adjustments on DIUC's financing and when the Petition for Reconsideration made that impact clear, ORS and Intervenors were left only to argue somehow the issue had not been raised – when, in fact, it had clearly been the subject of discovery and extensive testimony at the hearing.

The failure by ORS and Intervenors to ask a single question about the specifics of the default does not mean the issue of default is not part of the record. To the contrary, because DIUC's position as to inevitable default went unchallenged by ORS or Intervenors, that conclusion is the only evidence in the record as to this point.

In denying DIUC's Petition for Reconsideration, the Commission erroneously asserted that the issue of default was not raised during the proceeding, which is absolutely incorrect. (R.pp.12-13) This ruling ignores the totality of the record which clearly demonstrates that the issue was raised at multiple times during the proceedings and that all parties were aware of DIU's position regarding the loan. The entire Petition for Reconsideration, including Attachment A, should have been considered by the Commission.

III. THE COMMISSION ERRED IN ITS FINDINGS, INFERENCES, CONCLUSIONS, AND DECISIONS IN ORDERS 2015-846 AND 2016-50 WHICH REJECTED THE APPLICANT'S ANALYSIS OF PROPERTY TAXES, MANAGEMENT FEES, RATE CASE EXPENSES, PLANT IN SERVICE, AND BAD DEBTS. S. C. CODE ANN. § 1-23-380 REQUIRES THIS COURT TO REVERSE THE ORDER.

In Order 2015-846, the Commission refused DIUC's analysis of its own books, records, and expenditures then adopted the Settlement Agreement and its reduced values for Property Taxes, Management Fees, Rate Case Expenses, Bad Debt, and Rate Base. Each of these adjustments is discussed below to demonstrate how the Order's findings, inferences, conclusions, and decisions on each of these adjustments warrants reversal or modification by this Court pursuant to S.C. Code § 1-23-380.

A. The reliable, probative, and substantial evidence on the whole record demonstrates the actual, known and measurable amounts for DIUC's Utility Property Taxes is $258,227.40.

Soon after August 15, 2012, the effective date of its last rate case, DIUC received a "Utility Property Tax" bill from Beaufort County for the years 2010, 2011, and 2012 at a combined total of some $363,000, with 2012 at $132,398. (R.p.350, lines 2-22 and R.p.484, lines 18-22) DIUC had previously received property tax bills annually for individual parcels, totaling about $10,000 for each year, but neither DIUC nor its predecessors had ever been assessed or received a Utility Property tax bill of such magnitude. (Id. and R.p.368, line 20-p.369, line 9) In fact, this was the first time that SCDOR had ever assessed and Beaufort County had ever billed DIUC for a Utility Property Tax. (Id.) For this reason, Beaufort County billed DIUC for taxes in arrears even though the DIUC had not been billed in those prior tax years.

The Honorable Maria Walls, Beaufort County Treasurer, explained the Utility Property Tax had never been assessed to DIUC or its predecessors and therefore DIUC

had never been billed for the tax. (R.p.484, lines 18-22 and R.p.350, lines 2-22) At some point, it apparently came to the attention of the SCDOR that it had not assessed DIUC for Utility Property taxes, as it does for other utilities, and SCDOR sent its assessment to Beaufort County for the first time in mid-2012 for the years 2010, 2011, and 2012; Beaufort County then simply applied its tax rate and sent the bills to DIUC. (Id.)

On behalf of DIUC, Mr. Guastella met with Ms. Walls and explained the impact of this surprising new tax bill; Guastella testified he explained the rate setting process, DIUC's cash flow problem, and the tremendous impact that this recently imposed tax liability would have on the Company's customers. (R.pp.885-886 and R.p.359 lines 5-8) As a result, on February 18, 2015, DIUC and Beaufort County entered into a Settlement Agreement that allows DIUC to pay $651,423.27 in past taxes for tax-years 2012, 2013, 2014 and 2015 over an eight year period without penalty or interest at a monthly payment of $6,784.04. (R.pp.835-840) The Agreement also allowed for a possible revision to reduce the total past amount due in the event DIUC could convince the SCDOR to reduce its assessment to reflect the value of the rate base allowed in DIUC's last rate case, instead of its book value (cost less depreciation). The Utility Property taxes for 2010 and 2011 were forgiven in this one-time special arrangement. (R.p.352, lines 5-16 and R.p.484, lines 18-22)

Working next with SCDOR, the Company submitted revised documentation enabling the reduction of the Utility Property Tax assessment amount to reflect the last allowed rate base and agreed basis, which was set pursuant to a settlement agreement in that case. (R.pp.835-840) On April 28, 2015, DIUC and Beaufort County entered into a Settlement Agreement Addendum, reducing the past due Utility Property taxes by

$124,423.88 (from $651,423.27 to $526,843.39). (R.p.51 and R.pp.839-840) DIUC's monthly payment was reduced from $6,784.04 to its current payment of $5,487.95. (Id.)

The property tax expense requested by DIUC has two components: (1) rates sufficient to recover the monthly payments of $5,487.95 for eight years pursuant to DIUC's Settlement Agreement and Addendum with Beaufort County Treasurer for past due 2012-2015 taxes; and (2) rates sufficient to address DIUC's ongoing annual accrual of $192,372 for the 2016 Utility Property taxes. (R.p.439, line 10-p.440, line 5 and R.p.440, line 24-p.442, line 16)

In denying DIUC's request for rates sufficient to address these tax obligations, the Commission agreed with ORS that it was appropriate to only allow recovery of 2012, 2013, and 2014 taxes and denied "property taxes for 2015 since ORS utilizes a historical test year."[4] (R.pp.51-53). Even though "the Commission acknowledges that the 2015 property taxes appear to be set pursuant to the Settlement," it goes on to find:

> [W]e do not believe the 2015 amounts should be covered by ratepayers. The 2015 tax bill is not due until 2016 and this Commission notes that the Company's settlement agreement with Beaufort County has already been amended once, and could be amended in the future.

(R.p.52)

First, the Commission cannot lawfully refuse to allow recovery of taxes due and payable. See Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 107 n.8, 708 S.E.2d 755, 761 (2011) citing Bluefield Waterworks & Improvement Co. v. Public Service Comm'n of W. Va., 262 U.S. 679, 690, 43 S. Ct. 675, 67 L. Ed. 1176 (1923) (explaining that where the rates charged by a public utility company "are not sufficient to

[4] The Order also relies upon ORS's flawed analysis of DIUC's ownership of certain real property and utility property. This issue is addressed in Section III. D.

yield a reasonable return on the value of the property used at the time it is being used to render the service . . . their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment"). As such, the ruling is a clear error of law and contrary to the evidence. Likewise, the disallowance based upon a reference to previous modification of the Settlement Agreement with Beaufort County is also contrary to the evidence.

ORS recommended and the Order "declined to allow property taxes for 2015 since ORS utilizes a historical test year." (R.p.52) The Order's reduced property tax allowance denies DIUC the ability to recover actual expenses. (R.p.484, line 5-p.485, lines 2-5) Such a result is contrary to established law.

Even when the Commission considers a utility's proposed rate increase based upon occurrences within a test year, the Commission may also consider adjustments for any known and measurable out of test year changes in expenses, revenues, and investments, and the Commission will also consider adjustments for any unusual situations which occurred in the test year. See Parker v. South Carolina Public Service Commission, 280 S.C. 310, 313 S.E.2d 290 (1984) (citing City of Pittsburgh v. Pennsylvania Public Utility Commission, 187 PA Super. 341, 144 A.2d 648 (1958); Southern Bell v Public Service Commission, 270 S.C. 590, 244 S.E.2d 278 (1978)). Additionally, the Order actually notes that Utility and Beaufort County have already agreed to the 2015 taxes and DIUC has a legal obligation to pay that amount. (R.p.51)(stating "The settlement agreement allowed DIUC to pay Beaufort County monthly payments of $5,487.95 to cover property taxes totaling $526,843.39 for 2012, 2013, 2014, and 2015.")

At the hearing, Treasurer Walls testified, "This [negotiation for installment payments] is not a practice that we will continue." (R.p.367, lines 18-23) Regarding the 2016 taxes due in January 2017, Ms. Walls further testified that, "Beaufort County cannot offer DIUC an installment payment option for these upcoming taxes, I am concerned that if DIUC is not able to collect sufficient revenues in 2016 for the taxes due in January 2017." (R.p.357, lines 2-5) Therefore, the Order's reference to potential modification of DIUC's agreement with Beaufort County is not only hypothetical, it is contrary to the record.

The Utility Property tax amount at the 2014 level proposed by ORS and accepted by the Commission does not reflect the known and measurable amount that DIUC will clearly have to pay under the new rates. In order to cover the 2016 Utility Property taxes, DIUC must collect sufficient revenue during 2016 under rates high enough to provide for payment of these taxes due in January 2017. Recognizing this fact, Maria Walls testified about her concerns:

> Q. Do you have any concerns about DIUC's ability to pay its upcoming taxes?
>
> A. Yes. In working with DIUC I have come to understand that DIUC's rates are set by the Public Service Commission. If the rates are not sufficient to allow DIUC to collect enough money prior to January 15th of a given year to pay the tax bill due on that date, then DIUC will not be able to pay its taxes. Of particular concern to me is the payment that will be due January 15, 2017, and whether DIUC will be allowed to charge rates sufficient to collect the funds necessary to make that payment in 2017.
>
> Q. What will happen if DIUC does not pay the taxes due on January 15, 2017?
>
> A. If DIUC misses a payment on January 15th of 2017 (or any subsequent year), a 3% penalty on the total taxes due would be assessed. If the taxes are not paid by February 1st, an additional

> 7% penalty is assessed. If the taxes are still not paid by March 15th an additional 5% penalty is assessed. So, in total DIUC would incur a 15% delinquency penalty by not paying the taxes on time. Since Beaufort County cannot offer DIUC an installment payment option for these upcoming taxes, I am concerned that if DIUC is not able to collect sufficient revenues in 2016 for the taxes due in January 2017 then DIUC will begin a cycle of incurring 15% penalty every year. Plus, if DIUC's taxes are not timely paid then DIUC will suffer the other ramifications of nonpayment of taxes.

(R.p.356, line 10-p.357, line 5)

ORS proposed and the Order adopted an annual amortization of $30,612 related to the 8 year amortization of past taxes, which only allows payment of $244,899 for the 2012 and 2013 portion of the total of $526,843.39 due per the Settlement Agreement Addendum. (R.pp.52-53) Or, stated differently, the ORS adjustment excludes $281,944 of currently owed taxes, even though the Company is contractually bound to make those payments. The $65,856 annual payment is a known cost under the Beaufort County Settlement Agreement that reflects significant cost savings to DIUC and its customers from the total amount of past-due taxes the County originally billed DIUC. The Utility must be allowed revenue sufficient to pay its taxes.

Accordingly, the Order's approved allowance of $30,612 is less than the actual annual payments of $65,856 that DIUC is required to make under the Amended Settlement Agreement with Beaufort County; and the Order's approved annual level of $140,880 based on 2014 taxes is less than the $192,302 that must be paid in January 2017 and accrued during 2016 for 2016 Utility Property Taxes. Ignoring the reality of taxes results in an Order that is unsupported by law, evidence, and fact. In this case, the Order also guarantees DIUC will owe additional penalties and interest which will ultimately have to be borne by the rate payers. Such an order cannot be sustained.

This Court should modify Order 2015-846 to include DIUC's actual, known and measurable legal obligation of $258,227.40 for Annual Property Tax Expense.

B. The Commission erred as a matter of law ruling that Guastella Associates is an affiliate of DIUC. As such, the management fees incurred are presumed to be reasonable and the reliable, probative, and substantial evidence on the whole record demonstrates the requested management fees of $174,364 are appropriate.

1. The Commission erred in finding the Commission previously approved an amount for Guastella Associates' management fees.

The Order found that DIUC is entitled to $132,211 for GA's management expenses, which is significantly less than the $174,364 actually being incurred and requested by DIUC. (R.pp.53 and 55) In making this determination, the Commission erroneously relied upon ORS's request that "GA's management fees be limited to the previously Commission-approved amount of $132,211 a year." (R.p.53)

However, the management fee of $132,211 was not a "Commission-approved" management fee in the previous case, as asserted by ORS. DIUC's last rate case, Docket No. 2011-229-WS, Order No. 2012-515, was settled by agreement of DIUC, ORS and the Intervenors (the same Intervenors in this case). (R.pp.68-86) Neither the settlement agreement in that case nor the Commission's approval of it mentions the management fees or the amount of $132,211. (Id.) The Commission erred by relying on the previous amount as the entire basis for adoption of the ORS position.

Pursuant to S.C. Code 1-23-380, the Commission's arbitrary and unsupported conclusion requires reversal and entry of the requested amount of $174,364 for management fees.

2. Even if it was factually accurate that $132,211 for DIUC's management fees were approved by the Commission in conjunction with a previous rate determination, the Order's reliance solely upon a prior rate decision is an error of law.

The adjustments adopted in the Order regarding management fees due GA under its management agreement are not based on a complete or accurate analysis of the record. The Order fails to address the issues of whether performance under GA's management agreement was beneficial to DIUC's customers and whether GA's fees were reasonable. As such, the Order fails to demonstrate a reliable, probative basis for accepting the adjustment proposed by ORS. See Porter v. S.C. PSC, 333 S.C. 12, 21, 507 S.E.2d 328, 332 (1998) (When ruling, "the PSC must fully document its findings of fact and base its decision on reliable, probative, and substantial evidence on the whole record.").

As previously stated, in making this determination the Commission erroneously relied upon ORS's request that "GA's management fees be limited to the previously ***Commission-approved*** amount of $132,211 a year." (R.p.53) (emphasis added) However, even if the fees were incorporated into a previous PSC Order, the Commission cannot reach back into a previous case for the lone support of a ruling in a later case. As the Supreme Court has explained, figures from past test year(s) are only probative, if at all, as a starting point for analysis by the Commission. The discussion below explains the rule.

> Utility argues, however, that the PSC used Utility's recent rate increase as part of its justification for denying the current rate application. To the extent the PSC did so, this was error. Cf. Heater of Seabrook II, 332 S.C. at 29, 503 S.E.2d at 743 (finding it was "inappropriate" for the PSC to rely in a 1997 order on its reasoning in a 1992 order granting an increase to the same company because "this order . . . was based on evidence, and a prior test year, completely different from [the utility's] financial condition at the time of the current application."). The PSC must not use the simple fact of a recent rate increase as a reason to deny a utility's rate application. ***An***

> ***application for a rate increase must stand or fall on its own merits.*** A recent rate increase provides only a starting point for determining whether a utility's rate base or expenses have increased, such that additional revenues are required.

Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 115, 708 S.E.2d 755, 765 (2011) (emphasis added).

In violation of this principle of law, ORS's conclusion (*and its **only** reason*) that there were no increases in the management services provided by GA fails to provide any analysis of what services were provided at the time of the last rate case or in the present. There is no "starting point" from which the analysis proceed and therefore the conclusion fails. See Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 115, 708 S.E.2d 755, 765 (2011). Second, there was no proof that the services Guastella Associates provided were identical to those provided before the last rate case. Finally, Mr. Guastella provided proof of new projects and efforts in a report that described extensive services provided since the last rate case related to the repair, maintenance, and upgrade of the Utility, and its efforts to address new and unique issues that reduced property taxes and made improvements to the water and sewer systems that were praised by DHEC. (R.pp.871-874) The DIUC Report on Capital Improvements provides a detailed history of DIUC and its predecessor entities and it highlights the multitude of complex issues inherited by DIUC which has been dedicated to solving these problems while maintaining reliable and safe services. (Id. and R.pp.875-877)

Likewise, the record does not support the Commission's inference that GA's management fees are excessive; as such, the inference requires remand pursuant to S.C. Code § 1-23-380. DIUC actually provided unrefuted testimony to the contrary by demonstrating that on a comparable basis, and taking into account the costs and rates

proposed in this rate application, DIUC's cost of operations, including management fees, is less than four of eight municipal water and wastewater utilities in South Carolina, and far less than the average, even though DIUC's costs should be higher because it serves an island with no road access, has far fewer customers, and has to pay taxes that these municipal utilities escape. (R.p.941). Regarding the reasonable fees related to the capital improvements, Mr. Guastella testified that the GA capital fee structure under the management agreement is about half of such typical charges. (R.p.523, line 17-p.524, line 2) This testimony was not challenged or in any way disputed by ORS or Intervenors. The Commission erred in refusing to consider this reliable, probative, and substantial evidence, and instead allowed *nothing* for the undeniable work that has been performed in order to make improvements essential to provide adequate service to the customers and complying with environmental regulations. The requested management fees should be allowed.

3. The Commission erred in finding Guastella Associates is an affiliate of DIUC and in failing to apply the proper standard to analyze the Utility's actual costs for management fees. Because DIUC and Guastella Associates are not affiliated, DIUC's expenditures for management fees are presumed reasonable and incurred in good faith.

In defending its original Order, the Commission ruled on reconsideration that, "Clearly Daufuskie Island Utility Company, Inc. and its management company Guastella Associates, LLC are affiliates, as per the Agreement between the two dated June 18, 2015." (R.pp.17-18) Therefore, continued the Commission, "although expenses of a public utility are presumed to be reasonable when incurred in good faith, the presumption does not apply to affiliate payments." (Id.)

A utility in a ratemaking proceeding is "entitled to a presumption that its expenditures were reasonable and incurred in good faith." Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 109, 708 S.E.2d 755, 762 (2011). "This presumption does not shift the burden of *persuasion* but shifts the burden of *production* on to the Commission or other contesting party to demonstrate a tenable basis for raising the specter of imprudence." Id. (emphasis added) DIUC is entitled to this presumption with regard to the GA fees totaling $171,364, as submitted. The record contains nothing to suggest the GA-DIUC agreement is not proper.

Mr. Guastella testified at length about the management agreement and how it was negotiated:

> Our management fee was an arm's length negotiation ... when the CK Materials people were thinking about acquiring the utility from International Paper, they came to me and asked if I would help them with that acquisition. They came to me because International Paper recommended that I help them acquire the utility system. In order for me to do – once I helped them with the acquisition, I was asked whether or not I would then manage the utility, because they really didn't know how to do that. So I entered into an arm's length agreement with what was then the Haig Point Utility, which we had to change the name to Daufuskie Island Utility at the request of the homeowners and the owners of Haig Point Utility, and I worked up a management agreement that includes all the duties and functions that Guastella would perform on a day-to-day basis.

(R.p.442, line 18-p.443, line 13) There is nothing in the record to dispute this testimony or to provide even an arguably tenable basis for raising the specter of imprudence. See Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 109, 708 S.E.2d 755, 762 (2011). As such, DIUC is entitled to (and the Commission erred in failing to apply) the presumption that the GA fees totaling $171,364 as submitted expenses are reasonable and incurred in good faith as required by law.

4. Even if Guastella Associates were an affiliate of DIUC, which it is not, the record demonstrates the significant management efforts of Guastella Associates during the test year.

With regard to its request to reduce the amount recoverable for GA's management fees, ORS simply asserted:

> ORS proposes to adjust outside services for management fees to reflect the previously Commission approved amount of $132,211. During the review, ORS did not find that the management services provided by Guastella and Associates ("GA") increased and did not find the requested increase justifiable.

(R.p.765, line 1-4). The Order Approving Settlement then repeats "ORS testified that it found no apparent increases in the management services provided by GA and did not find the requested increase justified." (R.p.53)

ORS did not provide and the record does not include any narrative or quantitative analysis that justifies the downward adjustment to management fees actually incurred. First, there was no proof that the services supplied by GA in the years in question were identical. Second, the record on the whole establishes GA's increasing efforts. Specifically, DIUC provided proof of GA's new projects and efforts in its May 2015 Report of Capital Improvements. (R.pp.864-890) The Report includes information regarding the very unusual problems faced by the Company and how those problems were addressed by GA pursuant to its management agreement. (Id.) DIUC provided a comprehensive description of GA's services and accomplishments and the resulting significant benefits to the customers, as follows:

- GA directed the transition for the HPUC acquisition as well as the merger of MUC, improving records, billing and operations, despite the many problems that arose during this merger of books and records. (R.pp.866 and 872)

- GA managed the operations despite an immediate 25% annual shortfall of revenues because of MUC's failure to pay its share of the jointly owned wastewater treatment plant. (R.p.876)

- When the owners of MUC simply abandoned the utility operations and filed for bankruptcy, GA directed DIUC's effort to protect the MUC's customers from interruption of water and sewer service; DIUC was not compensated for this effort, despite DIUC's cash shortage. (R.p.486, lines 1-14)

- GA undertook an extensive effort over about a three year period trying to obtain financing, including about 15 months *after* the 2012 rate increase, without which it would have been nearly impossible to continue to provide adequate service. GA's expertise in preparing qualified appraisals and rate setting were critical in obtaining approval of financing. (R.p.492, lines 6-18)

- When there were insufficient funds to pay for temporary repairs to the failed wastewater lagoon liner, GA worked with the president of DIUC to use his contracting firm to make the emergency repairs (R.p.879)

- GA's expertise in appraisals, valuation and condemnations were beneficial in dealing with the condemnation of the land at the storage tank site, assisting DIUC in prevailing at summary judgment. (R.p.883)

- GA **saved DIUC and its customers over $350,000 in property taxes and another $100,000 in present value savings** related to the 8 year payment agreement. (R.p.485, lines 2-5 and R.p.445, lines 7-13) (emphasis added)

- GA's administration and supervision of the capital improvements **saved DIUC and its customers as much as $400,000 in construction costs,** as well as significant savings for the Fire Department for the construction of a helipad. (R.p.450, lines 12-20 and R.p.871) (emphasis added)

- Because cash flow is always first used to operate the water and sewer systems, **the owners of DIUC have never been paid a dividend** and **GA is owed thousands of dollars in accrued payments.** Mr. Guastella explained that the past due accounts payable to GA will eventually be paid by the owners and not the customers. (R.p.413, lines 14-25) (emphasis added)

With regard to quality of GA's services, the record establishes GA's high level of performance and includes DHEC's praise of GA's efforts in emails to Mr. Guastella, which state:

> We would like to thank Guastella Associates for your attention, cooperation and assistance ... . The upgrades you have made, and continue to make, will serve both the utility and its customers well. We wish you success in your proposed rate increase, as that will assist the utility in remaining viable and effective in its mission to serve its customers and protect South Carolina's environment. We look forward to continuing to work with you.

(R.pp.943-944)

Finally, comparing the amount requested for management fees demonstrates they are reasonable. Mr. Guastella provided a schedule comparing the costs per customer of DIUC with other municipal water and sewer utilities in South Carolina. (R.p.941) After adjusting for taxes and cost of capital in order to compare the cost of operations on an equal basis, *DIUC's cost per customer is lower than four of the eight utilities*, even though the cost per customer should be considerably higher because DIUC has a much lower number of customers. (Id.) Also, DIUC is on an island accessible only by boat, which drastically increases costs of doing business on the Island. (R.p.452, lines 15-17)

Again, the Commission' Order includes no mention of this evidence, let alone proper consideration of the same which is required by law.

The reliable, probative, and substantial evidence on the whole record demonstrates DIUC's expenses for management services totaling $171,364 were properly incurred, were earned, are reasonable in amount, and are recoverable. The Commission erred in adopting the unsubstantiated adjustment downward to $132,211 included in the Settlement Agreement. The ruling is contrary to the reliable, probative, and substantial

evidence on the whole record and should be modified to allow the requested and earned management fees of $171,364.

C. The reliable, probative, and substantial evidence on the whole record demonstrates DIUC should be allowed to recover its Rate Case Expenses of $191,200.

In adopting the unsupported request of ORS that DIUC be denied recovery of expenses associated with pursuing the instant rate case, the Commission erred again by refusing to allow presumptively reasonable expenses.

The Order states the following prior to adopting the referenced ORS recommendation:

> ORS proposed that rate case expenses total $97,500 and be amortized over five years. (Gearheart, Direct R. p. 494). The $97,500 consists of capped current rate case expenses in the amount of $75,000 for GA's preparation of the Application, developing rate models, calculating test year data, filing other rate case documents and legal expenses. ORS recommended $75,000 as a reasonable amount for rate case expenses in the last rate case. The remaining $22,500 is unamortized rate case expenses from the previous rate case. (Gearheart, Direct R. p. 495).

(R.p.54) However, Ms. Gearheart on behalf of ORS did not provide any analysis that establishes the basis for ORS's proposed $75,000 cap on rate case expenses, and no testimony that the work included in the Company's proposed expense was not performed or was unnecessary. (R.pp.756-771) This is insufficient to support the unexplained and arbitrary adjustment generally and in light of the presumed reasonableness of the expense.

As discussed previously herein, DIUC is entitled to a presumption that its expenditures were reasonable and incurred in good faith. See also Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 109, 708 S.E.2d 755, 762 (2011). There

was no evidence supporting any conclusion that these accurately reported rate case expenses were in any way improper.

Even without this presumption, in his rebuttal testimony Mr. Guastella outlined the extensive work involved in this rate case proceeding and explained that the amount of information and paperwork required of DIUC was equal to that required of large utilities in rate cases. (R.p.453, line 11-p.454, line 8 and R.p.490, lines 15-20) In other words, the time, expense, and effort necessary to pursue a rate application is not lessened because the utility has fewer customers of a smaller service area. This is particularly true in this case where ORS required DIUC to respond to a tremendous amount of discovery. (R.p.490, lines 16-20) Additionally, to defend the ultimate agreement by ORS and the Intervenors to simultaneously support denial of rates sufficient to operate the Utility, DIUC prepared extensive prefiled testimony, reviewed the direct testimonies of nine ORS and Intervenor witnesses, prepared rebuttal testimony and surrebuttal testimony, the prepared for the all-day hearing on the Application. (Id.)

As it did when adopting the management fee adjustment of ORS, the Commission erred in again relying on a previous order to justify without support the denial of DIUC's rate case expenses. See Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 708 S.E.2d 755 (2011). Mr. Guastella testified that in the last rate case the Company requested $181,200 but that DIUC's actual expense totaled $370,000; and in this case, the actual expenses are reported at $380,000, yet DIUC is only requested the Commission allow $191,200. (R.p.453, line 11-p.454, line 8) That means DIUC voluntarily proposed to bear approximately one-half of the rate case expenses and only included half of actual expenses incurred in the rate request.

The record further demonstrates that DIUC's requested rate case expense of $191,200 is similar in amount with the rate case expenses that the Commission allowed in another 2012 contested rate decision. Specifically, Order No. 2012-98 in PSC Docket No. 2011-317-WS, approved rate case expenses of $190,905. (R.p.208)(citing Order 2012-98)

There is simply no evidence to support allowing DIUC only $75,000 for rate case expenses in the current case. The past Order of the Commission allowing an almost dollar-for-dollar identical amount of $190,095 and the record as a whole support and justify the submitted rate case expenses of $191,200. This portion of the Order must be modified.

D. The reliable, probative, and substantial evidence on the whole record demonstrates the Elevated Water Tank is part of the DIUC Water Plant and should be included for calculation of DIUC's Plant In Service.

South Carolina has long allowed utilities to earn "a fair return on the value of its property used and useful in the service of its customers." De Pass v. Broad River Power Co., 173 S.C. 387, 389, 176 S.E. 325, 326 (1934). The reasoning is sound – when a utility invests in equipment and real property for use in providing service, the utility is allowed to charge rates sufficient to allow it to operate and maintain that plant in service. The more equipment and facilities that are part of plant in service, the higher the allowable rate.

South Carolina Code of Laws, Regulation 103-702.16, entitled "Water Plant," defines the plant in service for a water utility like DIUC to include "all facilities owned by the utility for the collection, production, purification, storage, transmission, metering, and distribution of potable water."

The Commission's Order does not allow DIUC to include all of the items the Application reported as comprising DIUC's water plant facilities that are used and useful to the Utility. (R.pp.47-50) The primary item of value excluded by the Order is DIUC's 125,000 gallon elevated storage tank and related facilities ("Elevated Storage Tank") which should have been included at a value of $1,303,083.97. (R.p.473, lines 16-19)

The history of the Elevated Tanks Site is unique, so a brief summary is in order.

The parcel of land upon which the Elevated Tank Site is located was involved in a tax sale to Mr. Mamdouh Sabry Abdelrahman ("Sabry"). (R.p.354, lines 12-16) As explained by the Honorable Maria Walls, Beaufort County Treasurer:

> The Tax Deed to Mr. Sabry did not include the elevated water tank, the well, the water pump, system pipes, or other DIUC property located on the Elevated Tanks Site. All of those items remain part of the DIUC water system infrastructure. That utility property remains part of the system owned and operated by DIUC.

(R.p.355, lines 1-9)

DIUC also put into evidence the Special Warranty Deed and Bill of Sale transferring the Elevated Tank Site to the Utility. (R.pp.892-894) Treasurer Walls also testified unequivocally that the storage tank and facilities were not sold to Mr. Sabry because the tax deed and tax sale procedure used was for the sale of residential property; the County was not authorized to utilize that procedure to sell utility infrastructure. Restating this conclusion, Ms. Walls testified, "what was conveyed [to Mr. Sabry] was based on the property we believed we were taxing at that time, which was a parcel of land." (R.p.348, lines 15-23) She further testified:

> The tax deed, which would have been generated by the Treasurer's Office and filed with the Registrar of Deeds, was as it was listed by the Assessor's Office, who was valuing that property at that time. It did not include the elevated tank itself. The only structure indicated on that site

was a utility shed, the contents of which would've been unknown at that time.

(Id.)

There was some further discussion at the hearing about an internet print-out that includes the code "UTLSHED" and whether that somehow identified the Elevated Tank as being taxed to Mr. Sabry. (R.p.375, lines 6-14) The Order Denying the Petition for Reconsideration also refers to this abbreviation but then clearly states "testimony showed that while Mr. Sabry is not paying taxes on the elevated storage tank, he is paying Beaufort County taxes on a building located on the same property the County describes as a "UTLSHED." (R.p.23) When asked if there was a building listed on the printout Treasurer Walls said "A residential shed or small utility, yes." (R.p.375, line 8) That residential shed, as noted on the residential tax record and consistent with Treasurer Walls' testimony, is **not** an elevated water tank or water system infrastructure.

ORS also admits in its Answer to the Petition for Reconsideration that Mr. Sabry is not paying taxes on the elevated storage tank. (R.p.189) The record demonstrates that Mr. Sabry is paying residential taxes on a structure described as "Residential Shed – Small Util" with a value of $3,800 as of 2014. (R.p.375, line 8) The record does not support ORS's suggestion that the small residential utility shed on the property to the side of DIUC's Elevated Storage Tank and related facilities raises an uncertainty about DIUC's ownership of the Elevated Storage Tank. It is undisputed that DIUC is paying property taxes on the Elevated Storage Tank, that the tank is used and useful, and that county's assessment for all the real property owned by Sabry does not include it. DIUC is entitled to include the $1,303,083.97 value of the Elevated Tank Site in its plant in service.

The record also shows that DIUC has other rights to the Elevated Tank Site that justify inclusion of the same in tis rate base. At the hearing, DIUC put into evidence the perpetual easement that allows DIUC to construct, operate and replace utility facilities. (R.pp.932-940) Pursuant to the Assignment of Rights, filed at Beaufort County Register of Deeds, Book 2298, Page 2080, Haig Point, Inc. assigned to Haig Point Utility Company, Inc. its rights pursuant to the covenants previously quoted. Pursuant to Order of the Public Service Commission dated March 6, 2009, Haig Point Utility Company, Inc. was approved to and did change its name to Daufuskie Island Utility Company, Inc. See S.C. Pub. Serv. Comm'n Order 2009-154. According to The Haig Point General Covenants, Article 3, §18, DIUC holds the following:

> **Certain Easements** The company reserves unto itself, its successors and assigns, a perpetual, alienable and releasable easement and right on, over, and under the ground of the Property to erect, maintain, and use...drainage ways, sewers, wells, pumping stations, tanks, water mains, and other suitable equipment for the conveyance and use of...sewer, water, drainage or other public conveniences or utilities on...the property as may be reasonably required ....

(R.pp.914-915). As the rightful owner of the easements identified in Section 18 of the Haig Point General Covenants, DIUC's facilities are lawfully located on the Property. Also, contrary to the footnote in the Order, the easement is perpetual and DIUC does not have to re-record perpetual easements every time a parcel of land is sold; the rights granted under the perpetual easement have and will remain in effect. (Id.)

There should be no uncertainty about ownership of DIUC's facilities. The storage tank and related utility facilities were not sold to Mr. Sabry. Further, late-filed Exhibit 6 indicates that the Beaufort County Assessor is valuing the property as residential property without reference to the tank and facilities on the property. See (R.p.844)(stating "In

fact, we have valued this property for several years, and the parcel is currently valued at $24,200 as of our 2013 [residential] Revaluation."); (see also R.pp.841-845) Clearly DIUC's storage facilities (some $1.3 million) are not included in that value. Moreover, Ms. Walls testified that DIUC's utility facilities at the site are being taxed as Utility Property of DIUC, and Mr. Guastella also testified that they are being assessed and taxed as Utility Property.

The reliable, probative, and substantial evidence on the whole record demonstrates the Elevated Water Tank is part of the DIUC Water Plant and its value of $1,303,083.97 should be included for calculation of DIUC's plant in service.

E. The Commission erred in adopting the reductions to Plant In Service proposed by the Settlement Agreement.

The Commission Order adopted the Settlement Agreement which recommended an adjustment to the value of the Elevated Storage Tank and related utility facilities on the land that was sold in a tax sale, because of what the Order describes as "reducing plant-in-service values for property tax purposes and uncertainty regarding what DIUC owns as a result of the delinquent tax sale." (R.p.49) However, the proposed ORS adjustment did not include a specific amount and it was not calculated based upon an analysis of the value of the Elevated Tank Site at the filed amount of $1,303,083.97; thus, as a result, the Commission's adoption of the total downward adjustment of $1,624,696 was likewise not specific or supported by facts in the record. This Court must modify the Order's $1,624,696 reduction in value for plant in service. Or, stated differently, the Order's allowance for DIUC's plant in service should be increased to include $1,303,083.97 for the Elevated Tank Site as well as increased by $321,612.03 to reverse the additional downward adjustment improperly applied in the Order.

Every utility, even small ones like DIUC, are by law entitled to "a fair return on the value of its property used and useful in the service of its customers; and, as is its duty, the rate-making body named by the Legislature for that purpose fixes such rates . . . as will insure such a return... ." De Pass v. Broad River Power Co., 173 S.C. 387, 389, 176 S.E. 325, 326 (1934). The Order's adjustment to plant in service substantially prejudices DIUC by denying it a lawful return and the Order's basis for the adjustment in plant in service lacks a sufficient foundation in fact. S.C. Code Ann. § 1-23-380 requires this Court reverse the Order's adjustment to plant in service. Additionally, the Commission's inferences and reliance upon certain documents constitute clear error, as explained below.

1. It was error for the Commission to rely upon DIUC's Revised Water Annual Reports for 2012 and 2013 to reduce DIUC's Plant In Service for ratemaking purposes.

The only actual evidence provided to support the Settlement Agreement's $1,624,696 reduction in value for plant in service were DIUC's Revised Water Annual Reports for 2012 and 2013. In those Revised Reports, DIUC explained to the DOR that in order to resolve challenges to its previous rate case DIUC agreed to a settlement that utilized a rate base of $5,000,000 for calculation of rates. To reflect that percentage reduction, DIUC reduced all entries on the Report to reflect a percentage change. (R.p.1346) (FN stating clearly that the revised filing was merely "Adjusted to reflect the rate base allowed in Docket No. 2011-229-WS."); (see also R.pp.1348 and p.1349 with FN included therein)

The Commission then concluded in error that "While DIUC may not have adjusted its utility plant-in-service by the exact value of the elevated storage tank, in at least two tax years DIUC has reduced its total utility plant-in-service by a value very

similar to (and actually exceeding) that of the elevated storage tank." (R.p.50) So, the Commission did not have and did not require ORS or the Intervenors to provide any evidence to support the reduction. By the Order's clear language, the Commission issued applied the adjustment without any specific grounds to support it.

However, the evidence demonstrates that DIUC did not revise its annual reports to DOR by lowering property values and eliminating the value of the Elevated Storage Tank. DIUC's amended returns reflected a prorated adjustment to **all** primary plant accounts to reflect the $5,000,000 rate base that was part of the settlement in the last rate case. (R.pp.1346-1349 at FN therein, supra) In turn, DOR lowered its total assessed value and DIUC's customers benefited by a reduction of the annual property taxes. DIUC's original cost of utility plant in service and net investment were not revised for book or rate setting purposes.

> **2. There is nothing in the record provided by ORS or the Intervenors to identify the specific plant items or their costs represented by the adjustments for "capital improvements" or "non-allowable plant" or "adjustments from previous cases" or "retirements". As such, the Commission erred in adopting them into its Order.**

ORS presented testimony of ORS Audit Manager Ivana Gearheart who stated ORS proposed its adjustment reducing the DIUC plant in service "to reflect capital improvements, non-allowable plant, adjustments from the previous case not made by DIUC and retirements through July 31, 2015" and to account for "undocumented expenses." (R.p.768, lines 16-18 and R.p.1315 at line labeled "Adjustment 10") However, there is nothing in the record provided by ORS or the Intervenors to identify the specific plant items or their costs represented by the adjustments for "capital

improvements" or "non-allowable plant" or "adjustments from previous cases" or "retirements".

Even without factual support, the Order adopted these adjustments from the Settlement Agreement stating that "ORS Audit Exhibit ICG-5 (Hearing Exhibit 18) shows the specific items composing the $1,624,696." (R.p.46) However, that statement is simply incorrect. While Audit Exhibit ICG-5 does include a column entitled "ORS Adjustment," that column lists the amounts reflected for primary plant accounts, not items of plant. (R.p.1320) The adjustments in that column, by plant account, cannot be identified with specific items of plant, cannot be correlated to the specific cost of the items being adjusted, and there is no way to identify ORS's stated reasons for the adjustments. (Id.)

For example, it cannot be determined from Audit Exhibit ICG-5 what items of plant were adjusted for "non-allowable plant" or what costs were adjusted for "non-allowable plant." Moreover, merely stating that an item of plant is non-allowable is not justification as to why it is not allowable and it is not sufficient evidence to support the Order. Audit Exhibit ICG-5 also fails to identify the adjustment being made to the elevated storage tank, well and facilities, or the amount of the adjustment. (R.p.1320) The Commission erred in relying on the exhibit for this adjustment. Because the exhibit is not reliable or probative, S.C. Code Ann. § 58-5-240(H) and S.C. Code Ann. § 1-23-380 require remand or modification of the Order by this Court.

With respect to "undocumented expenses" Mr. Guastella explained in rebuttal that an absence of some invoices should not constitute a lack of documentation for rate setting purposes, and that DIUC provided ORS with ample documentation, including itemized

assets by primary plant account, description, original costs as booked, year of installation and in service dates. (R.p.422, lines 16-p.424, line 25) Mr. Guastella also testified that it is consistent with the NARUC Uniform System of Accounts to estimate the cost of utility plant in the absence of documentation. (R.p.475, line 17-p.476, line 8) ORS witness Ms. Gearheart testified she was not familiar with the NARUC provisions that address inclusion of estimated costs in the absence of documentation. (R.p.802, line 13-p.803, line 3) However, Intervenors' witness Charles Loy testified that "The NARUC USoA requires an 'estimate' of plant values when there is no supporting documentation available." (R.p.385, lines 22-24) ORS should have estimated the reasonableness of the costs recorded and booked rather than excluding an unspecified amount for alleged "undocumented expenses," which implies some inappropriate action by DIUC.

With respect to adjustments from the previous case, ORS did not identify any of the specific items or their cost. As testified by Ms. Gearheart, "Those adjustments were simply carried over from the last rate case, and we do not retest or retry anything that was approved in the last rate case." (R.p.798, lines 9-14) The Order also includes reference to a "carryforward amount" of $4,615,755 from the previous rate case but that specific number is not in the record for this proceeding. Again, the Commission cannot rely on a previous order as justification for this type of analysis in a current case. See Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 708 S.E.2d 755 (2011). Furthermore, DIUC's previous rate case was settled by agreement that specifically stated, "This stipulated rate base shall not be binding in future proceedings; instead, those proceedings will be determined based on the evidence presented in each docket and the applicable law." (R.p.796, line 18-p.797, line 13 and Order 2012-515 at R.p.68) This

intermingling of matters within and outside the record along with using calculations specifically excluded by the last case's settlement must be addressed by the Court.

The $1,624,696 reduction in value for plant in service is not supported by the reliable, probative, and substantial evidence on the whole record. As such, the Order should be modified to include an additional $1,624,696 for plant in service.

F. The Commission erred in adopting the Settlement Agreement proposal for Bad Debts.

The Order also accepts the Settlement Agreement's recommendation for bad debts. The Order reverses ORS's original adjustment up to $108,349 of bad debts and, instead, allows only the $30,852[5] DIUC included in its Application. In response to the Application, ORS first proposed the Commission increase DIUC's bad debt allowance to $108,349; this was one of twenty adjustments accepted by DIUC as reflected in Mr. Guastella's rebuttal testimony. (R.p.199, line 1-p.200, line 2) ORS maintained its position until the day before the evidentiary hearing when the Settlement Agreement was first disclosed to DIUC. The Order's acceptance of the Settlement Agreement and its bad debt expense methodology is contrary to the record, as testified by Mr. Guastella:

> Q. One of the adjustments proposed by ORS, and included within that list, I believe, is number 14. Is that bad debt?
>
> A. Yes.
>
> Q. Can you explain why the utility was willing to accept that adjustment?
>
> A Yes. Our bad-debt expense per books, which went to 2014, was over $100,000. When we prepared our filing, we took a conservative approach and allowed only $30-$40,000, I believe. When I saw ORS's testimony, they used a percentage applied to revenues, and they came up

[5] The total of $16,090 stated in the Order is incorrect. DIUC's adjustment was $16,090 but the total *pro forma* amount was $30,852.

> with $100,000, which was consistent with our 2014 level. I then looked at our latest 12 months of revenues, compared to a previous similar period of 12 months of revenue, and I found that our bad debts' expense were still up over the $100,000. So I accept their adjustments. It favors the company, but it's the reality of what we've been facing. Our bad debts were at a level of $100,000, before we filed the case and subsequent to filing the case, and ORS's adjustment was reasonable and I accepted it.

(R.p.408, line 15-p.409, line 10)

No ORS witness provided any cost justification for the change in ORS's position as to the bad debt other than a capitulation to the request of the Intervenors. The two matters in the record as to the proper level of bad debts are ORS's original position of $108,349 and DIUC's testimony that the actual bad debts expenses for the test year and the most current 12 month period is over $100,000. (Id.) The Commission's decision to disallow almost $70,000 of the actual bad debt expense suffered by DIUC is not supported by the reliable, probative, and substantial evidence on the whole record demonstrates There is no proof that $30,852 is realistic or anywhere close to the actual amount. The Order should be modified to reflect ORS's original position of $108,349 and DIUC's testimony that the actual bad debts expenses for the test year and the most current 12 month period is over $100,000.

CONCLUSION

In the proceedings below, the Commission blindly adopted an improperly presented and admitted Settlement Agreement then entered an Order Approving Settlement that fails, in violation of S.C. Code Ann. § 58-5-240(H), to rely exclusively on reliable, probative, and substantial evidence on the whole record. Pursuant to S.C. Code § 1-23-380, this Court should reverse and vacate Orders 2015-846 and 2016-50 then remand this matter for determination of rates in accordance with the Applicant's requests

herein regarding property taxes, management fees, rate case expenses, plant in service, and bad debts.

Respectfully submitted,

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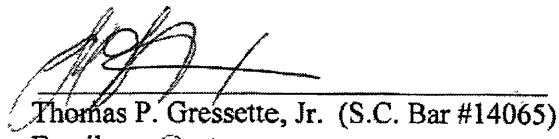
Certificate of Counsel

The undersigned certifies that this Final Brief complies with Rule 211(b), SCACR.



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S.C. SUPREME COURT

THE STATE OF SOUTH CAROLINA
In The Supreme Court

APPEAL FROM
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

Docket No. 2014-346-WS
Appellate Case No. 2016-000652

Daufuskie Island Utility Company, Inc., ... Appellant,

v.

South Carolina Office of Regulatory Staff,
Haig Point Club and Community Association, Inc.,
Melrose Property Owner's Association, Inc.,
Bloody Point Property Owner's Association, and
Beach Field Properties, LLC, ... Respondents,

FINAL BRIEF OF RESPONDENT SOUTH CAROLINA OFFICE OF REGULATORY STAFF

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October 20, 2016

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COUNTERSTATEMENT OF ISSUES PRESENTED

I. **WERE THE COMMISSION'S DECISIONS TO REDUCE THE AMOUNTS OF DIUC'S REQUESTED MANAGEMENT EXPENSES, RATE CASE EXPENSES, RATE BASE, PROPERTY TAXES, AND BAD DEBT EXPENSES SUPPORTED BY SUBSTANTIAL EVIDENCE ON THE WHOLE RECORD?**

II. **WAS THE COMMISSION CORRECT IN GRANTING 39.1% OF DIUC'S REQUESTED REVENUE INCREASE AND IN APPROVING THE SETTLEMENT AGREEMENT?**

III. **WAS THE COMMISSION CORRECT IN REFUSING TO CONSIDER LOAN SPECIFICS AND DOCUMENTS THAT WERE NOT RAISED DURING THE HEARING OR ADMITTED INTO EVIDENCE?**

STATEMENT OF THE CASE

This is an appeal of Public Service Commission of South Carolina ("Commission") Order Nos. 2015-846 and 2016-50 issued on December 8, 2015 and February 25, 2016, respectively, in Docket No. 2014-346-WS. In this case, Daufuskie Island Utility Company, Inc. ("DIUC"), a water and sewer company regulated by the Commission, filed an Application on June 9, 2015, with the Commission requesting a 108.9% revenue increase via a new schedule of rates and charges for water and sewer service to be collected by increasing the rates paid by its water and sewer customers. (Application and Application Schedule A-4.) (R. pp. 1416-1483 and 1439.) The 108.9% revenue increase equaled $1,182,301 in additional revenue, consisting of water revenue increases of $590,454 and sewer revenue increases of $591,847. (Application Schedule W-C and Schedule S-C.) (R. pp. 1445 and 1463.) After the Application was filed, the Commission was required to issue an Order "approving or disapproving the changes in full or in part within six months." S.C. Code Ann. Section 58-5-240(C) (2015).

ORS is automatically a party to all matters before the Commission pursuant to S.C. Code Ann. § 58-4-10(B) (2015). Petitions to Intervene were granted to Haig Point Club and Community Association, Inc. ("HPCCA"); Melrose Property Owner's Association, Inc. ("MPOA"); Bloody Point Property Owner's Association ("BPPOA") and Beach Field Properties, LLC ("Beach Field"). HPCCA, MPOA, BPPOA are collectively referred to as the Property Owners Associations ("POAs").

The Commission held a night hearing on September 15, 2015, at 6:00 pm on Daufuskie Island to provide residents an opportunity to testify about DIUC's application without having to travel to Columbia, South Carolina for the hearing scheduled for October 28, 2015.

Written testimony is required to be filed with the Commission and served on all parties on or before dates established by the Commission. S.C. Code Ann. § 58-3-140(D) (2015); 10 S.C. Code Ann. Regs. 103-845.C (2012). Pursuant to Commission Order No. 2015-57-H, DIUC filed its written direct testimony on September 18, 2015, and all other parties filed their written direct testimonies on October 2, 2015, with the exception of Beach Field which did not file testimony. DIUC filed written rebuttal testimony on October 9, 2015, and ORS and the POAs filed written surrebuttal testimony on October 16, 2015.

On October 27, 2015, the ORS and POAs (collectively the "Settling Parties") filed a Settlement Agreement with the Commission and served it on the parties. The Settlement Agreement was offered into evidence at the outset of the hearing on October 28, 2015. (Hearing Exhibit 3) (R. pp. 820-833.) Upon presentation of the Settlement Agreement, DIUC objected and asserted it was error for the Commission to accept the Settlement Agreement into the record. (Tr. p. 42 – p. 44, ll. 16) (R. p. 314-316, line 16.) The objection was overruled. (Tr. p. 48, ll. 2-14) (R. p. 320, lines 2-14.) Beach Field did not object to the Settlement Agreement.[1] After the Settlement Agreement was entered into the record, the Commission proceeded to hear testimony from the witnesses.

In the Settlement Agreement, the POAs agreed with all ORS adjustments recommended in ORS's pre-filed testimony, except for the adjustment for bad debt expenses. (Hearing Exhibit 3; Tr. p. 302, ll. 20-24; p. 304, ll. 11-14; Order Nos. 2015-846 p. 28-30 and No. 2016-50 p. 22) (R. pp. 820-833; p. 574, lines 20-24; p. 576, lines 11-14; pp. 57-59; and p. 27.) The Settling Parties agreed to adopt the methodology for calculating the bad debt expenses from DIUC's Application. Id. The Settlement Agreement resolved all issues among the Settling Parties and its terms reflected

[1] By letter dated July 12, 2016 to this Court, Beach Field stated that it does not have a position regarding the issues on appeal and does not intend to participate as a party Respondent.

acceptance of recommendations from pre-filed testimony along with the methodology for bad debt expenses from DIUC's application. (Hearing Exhibit 3) (R. p. 820-833.)

In Commission Order No. 2015-846, the Commission granted DIUC a 9.28% return on equity ("ROE") and a 16.18% operating margin which produced a revenue increase equaling $462,798 for the combined water and sewer operations. (Order No. 2015-846 p. 32-33) (R. pp. 61-62.) The granted revenue was 39.1% of the revenue requested by DIUC. (Order No. 2015-846 p. 29) (R. p. 58.) Commission Order No. 2015-846 also approved the Settlement Agreement. Id. The Commission's Order Nos. 2015-846 and 2016-50 (in response to DIUC's Petition for Reconsideration) included evidence and findings which concurred with the recommendations contained in pre-filed testimony and DIUC's Application. (R. pp. 30-65 and 6-27.)

DIUC contends the Commission committed errors related to the Settlement Agreement and in denying DIUC's requested revenue. DIUC filed a Notice of Appeal with this Court on March 22, 2016 after its Petition for Reconsideration was denied by the Commission in Order No. 2016-50 on February 25, 2016. The ORS and POAs support the Commission Orders.

STATEMENT OF FACTS

On June 9, 2015, DIUC filed an Application with the Commission pursuant to S.C. Code Ann. Section 58-5-240 and 10 S.C. Code Ann. Regs. 103-512.4.A and 103.712.4.A seeking approval of a new schedule of rates and charges for water and sewer service that DIUC provides to its customers within its authorized service area, Daufuskie Island, in Beaufort County, South Carolina. DIUC provides water supply/distribution services to 680 active residential and commercial service units and wastewater collection/treatment services to 493 active residential and commercial service units. (Tr. p. 507, ll. 9-12) (R. p. 779, lines 9-12.) In the Application, DIUC requested an increase in revenues of 108.9% for combined operations equaling the amount

of $1,182,301, consisting of water revenue increases of $590,454 and sewer revenue increases of $591,847. (Application Schedules A-4, W-C and S-C.) (R. pp. 1439, 1445, and 1463.) DIUC's requested revenue increase utilized an ROE of 10.5% based on the rate of return on rate base methodology and a 2014 historical test year ("test year"). (Application "Overview and Justification" and Schedule A-3.) (R. pp. 1418 and 1438.) In the Application, DIUC also requested to establish uniform rates between the Haig Point and Melrose communities. (Application "Overview and Justification.") (R. p. 1418.)

Before the instant case, DIUC's most recent rate case was in Commission Docket No. 2011-229-WS. (R. pp. 68-86.) In that case, Commission Order No. 2012-515 approved a settlement entered into by the POAs and DIUC that was not objected to by ORS whereby DIUC received a revenue increase of $291,485 based on a $5,000,000 rate base; an operating margin of 16.64%; and an ROE of 8.81%. (Order No. 2015-846 p. 2) (R. pp. 31, 75, and 77.) As part of that settlement, DIUC agreed not to seek another rate adjustment prior to July 1, 2014. (R. pp. 31 and 78.)

In this case, Petitions to Intervene were granted for the POAs and Beach Field who became the only other parties with DIUC and ORS. ORS is an automatic party in all matters before the Commission and its mandate is to "represent the public interest of South Carolina before the commission." S.C. Code Ann. § 58-4-10(B) (2015).

At the hearing before the Commission on October 28, 2015, and in support of its Application, DIUC presented the testimony of: John F. Guastella[2] (direct and rebuttal testimony), a member of the DIUC Board of Directors and President of Guastella Associates, LLC ("GA"), a

[2] Hearing Exhibit 7 consists of Guastella Direct Exhibits A and B. (R. pp. 846-891.) Hearing Exhibit 8 consists of Guastella Rebuttal Exhibits 1 through 5. (R. pp. 892-944.) Hearing Exhibit 9 is the GA Management Agreement. (R. pp. 945-953.) Hearing Exhibit 10 consists of the ORS and POAs responses to DIUC's discovery requests. (R. pp. 954-971.)

utility management, valuation and rate consulting firm headquartered in Boston, Massachusetts; Gary C. White (direct testimony), Vice President and Director of Accounting at GA; Eric Johanson (direct testimony), DIUC Chief Operator; and Maria Walls (rebuttal testimony), Beaufort County Treasurer. (Tr. p. 187, ll. 11-12; p. 188, ll. 1-2; p. 227, ll. 13-17; p. 123, ll. 11-14; p. 114, ll. 11-12; p. 81, ll. 15-18) (R. p. 459, lines 11-12; p. 460, lines 1-2; p. 499, lines 13-17; p. 395, lines 11-14; p. 386, lines 11-12; p. 353, lines 15-18.) Mr. Guastella and Mr. White testified as a panel about GA's management of DIUC and the finances of DIUC. Mr. Johanson's testimony addressed the operations of DIUC. Mr. Johanson was excused from the hearing without appearing before the Commission after his testimony was accepted into the record without objection from the other parties. Ms. Walls provided testimony on property taxes.

The POAs presented two panels of witnesses. The first panel consisted of Paul Vogel[3] (direct testimony), HPPCA resident; Doug Egly[4] (direct testimony), Chief Executive Officer of the Haig Point Association; and Tony Simonelli (direct testimony), real estate broker on Daufuskie Island. (Tr. p. 315, ll. 8-15; p. 327, ll. 3-5; p. 334, ll. 2-5) (R. p. 587, lines 8-15; p. 599, lines 3-5; p. 606, lines 2-5.) POA witnesses Vogel, Egly, and Simonelli presented testimony illustrating the points of view of their respective organizations, and each providing testimony opposing DIUC's request. The second panel consisted of Lynn M. Lanier[5] (direct testimony) and Charles Loy[6] (direct and surrebuttal testimony), principals of GDS Associates, Inc., a utility consulting and engineering firm with its principal offices in Marietta, Georgia; and Harry Jue[7] (direct testimony), water and sewer consultant with Hussey Gay Bell Engineering. (Tr. p. 417, ll. 2-5; p. 367, ll. 2-5;

[3] Hearing Exhibit 11 is Vogel Exhibit 1. (R. pp. 972-973.)
[4] Hearing Exhibit 12 is Egly Exhibit 1. (R. pp. 974-975.)
[5] Hearing Exhibit 14 consists of Lanier Exhibits 1 through 5. (R. pp. 979-1057.) Exhibit 3 was revised at the hearing.
[6] Hearing Exhibit 15 is Loy Surrebuttal Exhibit 1. (R. pp. 1058-1265.) Hearing Exhibit 16 is Loy Direct Appendix A. (R. pp. 1266-1278.)
[7] Hearing Exhibit 13 is Jue Exhibit 1. (R. pp. 976-978.)

p. 359, ll. 3-5) (R. p. 689, lines 2-5; p. 639, lines 2-5; p. 631, lines 3-5.) Mr. Lanier and/or GDS Associates, Inc. represents and performs utility rate services for almost all of the twenty electric cooperatives in South Carolina. (Tr. p. 420, ll. 5-6) (R. p. 692, lines 5-6.) POA witness Loy provided testimony regarding accounting and rate base issues. POA witness Lanier provided testimony on the overall Application and incorporated Mr. Loy's recommended adjustments. Beach Field did not pre-file or present testimony at the Commission hearing.

ORS presented testimony via one panel consisting of Dr. Douglas H. Carlisle[8] (direct testimony), ORS Economist; Ivana C. Gearheart[9] (direct testimony), ORS Audit Manager; and Willie J. Morgan[10] (direct and surrebuttal testimony), ORS Deputy Director for the Water and Wastewater Department. (Tr. p. 470, ll. 10-12; p. 488, ll. 12-14; p. 505, ll. 10-13) (R. p. 742, lines 10-12; p. 760, lines 12-14; p. 777, lines 10-13.) Dr. Carlisle has a Ph.D. in Government and International Relations from the University of Virginia and is a Certified Rate of Return Analyst. (Tr. p. 470, ll. 15-17, 23) (R. p. 742, lines 15-17, 23.) His testimony included an analysis and recommendation for an ROE of 9.31% based on the calculated average from the range 8.91% to 9.71%. (Tr. p. 471, ll. 7-9) (R. p. 743; lines 7-9.) To develop the ROE recommendation for DIUC, Dr. Carlisle evaluated the return requirements of investors on the common stock of two groups: publicly held water and sewerage service companies and a Comparable Earnings Model group. (Tr. p. 474, ll. 16-20) (R. p. 746; lines 16-20.) Dr. Carlisle then applied to the first group, two known and generally accepted methods for determining a recommended ROE, the Discounted Cash Flow Model and Capital Asset Pricing Methods. (Tr. p. 474, ll. 20-23) (R. p. 746, lines 20-23.)

[8] Hearing Exhibit 17 is Carlisle Direct Exhibits 1 through 10. (R. pp. 1279-1307.)
[9] Hearing Exhibit 18 is Gearheart Direct Exhibits 1 through 8. (R. pp. 1308-1323.)
[10] Hearing Exhibit 19 is Morgan Direct Exhibits 1 through 8. (R. pp. 1324-1344.) Hearing Exhibit 20 is Morgan Surrebuttal Exhibits 1 and 2. (R. pp. 1345-1349.)

ORS witness Gearheart has a Master's Degree in Business Administration with an emphasis in Accounting and her testimony detailed ORS's examination of the Application and DIUC's books and records as well as the subsequent accounting and pro forma adjustments recommended by ORS. (Tr. p. 488, ll. 15-17; p. 489, ll. 1-17) (R. p. 760, lines 15-17; p. 761, lines 1-17.) Ms. Gearheart testified that ORS's examination of DIUC's Application consisted of three steps. (Tr. p. 489, ll. 5-8) (R. p. 761, lines 5-8.) In step one, ORS verified that the operations and rate base numbers reported by DIUC in its Application were supported by DIUC's accounting books and records for the twelve months ended December 31, 2014, the test year chosen by DIUC. (Tr. p. 489, ll. 8-11) (R. p. 761, lines 8-11.) Second, ORS tested the underlying transactions in the books and records for the test year to ensure that the transactions were adequately supported, had a stated business purpose, were allowable for ratemaking purposes, and were properly recorded. (Tr. p. 489, ll. 11-14; *see also* p. 527, ll. 5 - p. 528, ll. 8 (regarding verifying transactions)) (R. p. 761, lines ll-14; *see also* p. 799, line 5–p. 800, line 8.) Third, ORS's examination consisted of adjusting, as necessary, the revenues, expenditures, and capital investments to normalize the Company's operations and rate base numbers, in accordance with generally accepted regulatory principles and prior Commission orders. (Tr. p. 489, ll. 14-17) (R. p. 761, lines 14-17.)

ORS witness Morgan is a licensed Professional Engineer registered in South Carolina with over twenty-nine years of combined regulatory compliance experience with DHEC and ORS providing assistance and oversight for water and wastewater facilities and services. (Tr. p. 505, ll. 17 - p. 506, ll. 5) (R. p. 777, lines 17–p. 778, line 5.) Mr. Morgan's direct testimony focused on DIUC's compliance with Commission rules and regulations, ORS's business office compliance review, inspections of DIUC's water and wastewater systems, test-year and proposed revenue, and performance bond requirements. (Tr. p. 506, ll. 6-12) (R. p. 778, lines 6-12.) Mr. Morgan's

surrebuttal testimony responded to DIUC's rebuttal testimony on the ownership of property identified as the Elevated Storage Tank Site. (Tr. pp. 515-517) (R. pp. 787-789.)

After ORS completed its examination, but before it filed testimony, ORS shared the results of its audit with DIUC. After sharing its audit results, ORS held an exit audit conference call with DIUC for DIUC to ask questions about ORS's adjustments. (Tr. p. 202, ll. 21-23) (R. p. 474, lines 21-23.) DIUC was also provided ORS's work papers about the plant items represented by the adjustments. Id.

Pursuant to its statutory duties, ORS initiated settlement discussions with the parties and shared revenue, operating margin, and ROE amounts resulting from its recommended adjustments. S.C. Code Ann. § 58-4-50(A)(9). The POAs and ORS entered into a Settlement Agreement, and while Beach Field declined to sign as a party to the Settlement Agreement, Beach Field did not object to it. The Settlement Agreement reflects agreement with all of ORS's adjustments set forth in ORS's pre-filed testimony, except for the bad debt expense adjustment. (Tr. p. 302, ll. 20-24; p. 304, ll. 11-14; Order Nos. 2015-846 p. 28-30 and 2016-50 p. 22) (R. p. 574, lines 20-24; p. 576, lines 11-14; pp. 57–59; and p. 27.) The Settlement Agreement calculated bad debt expense using the methodology proposed by DIUC in its Application. (Tr. p. 502, ll. 24 – p. 503, ll. 2) (R. p. 774, line 24–p. 775, line 2.) The ORS and POAs did not set forth any adjustments in the Settlement Agreement that were not already recommended in ORS's pre-filed testimony or DIUC's Application. Id. The Settlement Agreement revenue, ROE, and operating margin were calculated using ORS's adjustments and DIUC's methodology for bad debt expense. Based on those calculations, the Settlement Agreement set forth a $462,798 revenue increase, an ROE of 9.28%, and an operating margin of 16.18% for DIUC's combined operations. (Hearing Exhibit 3, Tr. p. 503, ll. 3-5) (R. pp. 820-833; p. 775, lines 3-5.) DIUC declined to settle the case; therefore, the

settlement document was not shared with DIUC prior to its filing with the Commission. The Settlement Agreement was filed with the Commission and served on the parties on October 27, 2015.

At the outset of the hearing on October 28, 2015, the Settlement Agreement was entered into the record. [11] (Tr. p. 48, ll. 2-14) (R. p. 320, lines 2-14.) DIUC's objection to it being introduced into the record was overruled. Id. On December 8, 2015, the Commission issued Order No. 2015-846 with evidentiary findings that matched the terms of the Settlement Agreement and concluded with approving the Settlement Agreement. (R. pp. 30-65.) On December 21, 2015, DIUC filed a Petition for Reconsideration and/or Rehearing which was denied by the Commission in Order No. 2016-50. (R. pp. 6-27.)

The contested matters in this case are related to the following:

- Whether DIUC owns certain plant assets; (Order Nos. 2015-846 p. 14-21 and 2016-50 p. 18-20) (R. pp. 43–50 and pp. 23-25.)
- The appropriate dollar amount on which to value DIUC's overall rate base (also called plant in service); Id.
- The relationship between Mr. Guastella as a board member of DIUC and his position as president of GA, DIUC's management company; (Tr. p. 187, ll. 11-12; p. 188, ll. 1-2; p. 227, ll. 13-17; Order No. 2016-50 pgs. 12-13) (R. p. 459, lines 11-12; p. 460, lines 1-2; p. 499, lines 13-17; pp. 17-22.)
- The Management Contract drafted by Mr. Guastella and executed between Mr. Guastella, on behalf of GA, and DIUC which requires DIUC to pay GA the

[11] The "Settlement Agreement" containing five exhibits was entered into the record as Hearing Exhibit 3. (R. p 820.)

following: (Tr. p. 171, ll. 3-19 and Hearing Exhibit 9.) (R. p. 443, lines 3-19; pp. 945-953.)

1. a management fee of $13,596.85 a month with an annual 3.5% increase and an additional increase for customer growth; (Tr. p. 228, ll. 3-13, 23-25; p. 229, ll. 1-14; Hearing Exhibit 9; Order Nos. 2015-846 p. 24 and 2016-50 p. 11) (R. p. 500, lines 3-13, 23-25 p. 501, lines 1-14; pp. 945-953; p. 53; p. 16.)
2. a finance fee of 2% of the principal amount of any loan or GA's actual total hourly rates for handling the loan, whichever is greater; (Tr. p. 229, ll. 15 - p. 231, ll. 18; Hearing Exhibit 9; Order Nos. 2016-50 p. 11 and 2015-846 p. 24) (R. p. 501, lines 15-p. 503, line 18; pp. 945-953; p. 16; p. 53.)
3. a capital fee of 10% for the first $50,000 of construction and 8% for construction costs over $50,000; (Tr. p. 232, ll. 19 - p. 234, ll. 10; Hearing Exhibit 9; and Order Nos. 2016-50 p. 11 and 2015-846 p. 24) (R. p. 504, line 19-p. 506, line 10; pp. 945-953; p. 16, p. 53.)
4. an incentive fee of 20% of the total net utility operating income; (Tr. p. 171, ll. 10-19, p. 293, ll. 18-25; Hearing Exhibit 9; and Order Nos. 2016-50 p. 11 and 2015-846 p. 24) (R. p. 443, lines 10-19; p. 565, lines 18-25; pp. 945-953, p. 16, p. 53.)
5. an incentive fee if DIUC is sold; and, (Tr. p. 235, ll. 14 - p. 236, ll. 17; Hearing Exhibit 9; and Order Nos. 2016-50 p. 11 and 2015-846 p. 24) (R. p. 507, line 14-p. 508, line 17; pp. 945-953; p. 16; p. 53.)

6. separate payments for: travel expenses; expenses for the preparation and filing of general rate increases for DIUC; and for work done on any formal proceedings that would require work that is not anticipated for day-to-day management or the other provisions of the agreement; (Tr. p. 242, ll. 1-12; Hearing Exhibit 9; and Order Nos. 2016-50 p. 11 and 2015-846 p. 24) (R. p. 514, lines 1-12; pp. 945-953; p. 16; p. 53.)

- The amount to be recovered annually from ratepayers for management expenses, rate case expenses and taxes; and, (Order Nos. 2015-846 p. 22-27 and 2016-50 p. 9-15) (R. pp. 51-56; pp. 14-20.)
- Whether the Commission's approval of the Settlement Agreement was in error and whether it will cause financial harm to DIUC. (Order Nos. 2015-846 p. 29-33 and 2016-50 p. 4-8) (R. p. 58-62; p.9-13.)

The ORS and POAs support the Commission's Orders.

STANDARD OF REVIEW

The standard of review applicable to decisions of the Commission is set forth in the South Carolina Administrative Procedures Act, S.C. Code Ann. § 1-23-310 *et seq.* (Supp. 2015), as interpreted in numerous decisions of South Carolina Appellate Courts. "This Court employs a deferential standard of review when reviewing a decision from the Commission and will affirm the Commission's decision if it is supported by substantial evidence." S.C. Energy Users Comm. v. S.C. Elec. & Gas, 410 S.C. 348, 353, 764 S.E.2d 913, 915 (2014) (citing S.C. Energy Users Comm. v. Pub. Serv. Comm'n of S.C., 388 S.C. 486, 490, 697 S.E.2d 587, 589-90 (2010)). "Substantial evidence is not a mere scintilla; rather, it is evidence which, considering the record as a whole, would allow reasonable minds to reach the same conclusion as the agency." Friends of

the Earth v. PSC of S.C., 387 S.C. 360, 366, 692 S.E.2d 910, 913 (2010). "The possibility of drawing two inconsistent conclusions from the evidence does not prevent the Commission's finding from being supported by substantial evidence." Sharpe v. Case Produce, Inc., 336 S.C. 154, 160, 519 S.E.2d 102, 105 (1999). In addition, "the Court may not substitute its judgment for the Commission's on questions about which there is room for a difference of intelligent opinion." Friends of the Earth v. PSC of S.C., 387 S.C. 360, 366, 692 S.E.2d 910, 913 (2010). Lastly, "The Commission is considered the expert designated by the legislature to make policy determinations regarding utility rates." S.C. Energy Users Comm. v. S.C. Elec. & Gas, 410 S.C. 348, 353, 764 S.E.2d 913, 915 (2014) (citing S.C. Energy Users Comm. v. Pub. Serv. Comm'n of S.C., 388 S.C. 486, 490, 697 S.E.2d 587, 590 (2010)). "Thus, [b]ecause the Commission's findings are presumptively correct, the party challenging the Commission's order bears the burden of convincingly proving the decision is clearly erroneous, or arbitrary or capricious, or an abuse of discretion, in view of the substantial evidence of the record as a whole." S.C. Energy Users Comm. v. S.C. Elec. & Gas, 410 S.C. 348, 354, 764 S.E.2d 913, 915-16 (2014) (citing S.C. Energy Users Comm. v. Pub. Serv. Comm'n of S.C., 388 S.C. 486, 491, 697 S.E.2d 587, 590 (2010)).

ARGUMENT

I. THE COMMISSION'S DECISIONS TO REDUCE DIUC'S REQUESTED MANAGEMENT EXPENSES, RATE CASE EXPENSES, RATE BASE, PROPERTY TAXES, AND BAD DEBT EXPENSES ARE SUPPORTED BY SUBSTANTIAL EVIDENCE ON THE WHOLE RECORD.

DIUC argues the Commission erred in Order Nos. 2015-846 and 2016-50 by rejecting DIUC's requested management fees, rate case expenses, plant in service and property taxes. (DIUC Initial Brief p. 27.) DIUC also challenges the Commission's acceptance of DIUC's bad debt expense methodology. (DIUC Initial Brief p. 52.) DIUC's argument is that the Commission

should at a minimum grant DIUC's Application as filed and ignore or give less weight to the evidence submitted by ORS and the POAs, except for ORS's bad debt expense adjustment. ORS respectfully submits that the Commission's decisions are supported by substantial evidence and asks the Court to affirm the Commission's Orders.

DIUC utilizes the case of Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 708 S.E.2d 755 (2011) in its Brief stating the Commission committed error. However, DIUC misapplies Utils. Servs. of S.C. Id. DIUC appears to read Utils. Servs. of S.C. as stating that a presumption of reasonableness for expenses is dispositive and that incurred expenses must be found reasonable no matter their amount and despite overwhelming evidence otherwise. (DIUC Initial Brief p. 42.) This is not correct. As stated by the Court in Utils. Servs. of S.C., "the PSC may determine that some portion of an expense actually incurred by a utility should not be passed on to consumers." Utils. Servs. of S.C. 392 S.C. at 105, 708 S.E.2d at 760. Here, the Commission did just that. In Utils. Servs. of S.C., the Court stated the following with respect to the presumption and burden to be applied to a utility's expenditures:

> Utility is correct that it was entitled to a presumption that its expenditures were reasonable and incurred in good faith, and therefore, a showing that its expenses had increased since its last rate case could satisfy its burden of proof. Nevertheless, the presumption in a utility's favor clearly does not foreclose scrutiny and a challenge. In those circumstances, the burden remains on the utility to demonstrate the reasonableness of its costs. It seems to us that Utility wants the presumption of reasonableness to be dispositive. In Hamm, 309 S.C. at 286-87, 422 S.E.2d at 112-13, we stated: Although the burden of proof of the reasonableness of all costs incurred which enter into a rate increase request rests with the utility, the utility's expenses are presumed to be reasonable and incurred in good faith. This presumption does not shift the burden of persuasion but shifts the burden of production on to the Commission or other contesting party to demonstrate a tenable basis for raising the specter of imprudence. This evidence may be provided . . . through the Commission's broad investigatory powers. The ultimate burden of

> showing every reasonable effort to minimize . . . costs remains on the utility.

Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 109-10, 708 S.E.2d 755, 762-63 (2011) (citing Hamm v. S.C. Pub. Serv. Comm'n, 309 S.C. 282, 286-287, 422 S.E.2d 110, 112-113 (1992)).

A presumption of reasonableness therefore only applies to utility expenses until they are challenged by the Commission or another party. Id. At that time, the burden remains with the utility to overcome the challenge. Id. Here, ORS and the POAs challenged DIUC's property taxes, management fees, rate case expenses, rate of return and plant in service. Through its direct testimony, ORS and the POAs demonstrated a tenable basis for "raising the specter of imprudence." Utils. Servs. of S.C., 392 S.C. at 110, 708 S.E.2d at 763. "If an investigation initiated by ORS or by the PSC yields evidence that overcomes the presumption of reasonableness, a utility must further substantiate its claimed expenditures." Id. In considering the evidence, the Commission did not find that DIUC overcame the challenges to the reasonableness of its expenses. "The evidence presented by ORS in the present case was competent and credible, and we reasonably accepted it on its own merits." (Order No. 2016-50 p. 22) (R. p. 27.)

DIUC also states that the Commission erroneously relied on DIUC's previous rate case in Docket No. 2011-229-WS to justify the denial of DIUC's expenses. (DIUC Initial Brief p. 33-34, 42-43, and 51-52.) This is incorrect and was addressed by the Commission in Order No. 2016-50 in response to DIUC's Petition for Reconsideration. The Commission stated:

> [T]his Commission did not "rely on" Order No. 2012-515 [in Docket No. 2011-229-WS] in approving ORS's adjustments, but rather used the adjustments approved by Order No. 2012-515 as a baseline for determination, and then relied on the evidence provided by ORS and the POAs to arrive at a final decision.
>
> While Utilities does stand for the proposition that it is erroneous to use a previous rate increase as justification for denying a rate

> increase, Utilities, 392 S.C. 115, 708 S.E.2d 765, that case also recognizes that "a previous rate increase may provide a baseline for the PSC to use in determining whether a utility has incurred additional expenses requiring additional revenue." Id. This Commission used the information from Docket No. 2011-229-WS as a baseline for consideration of DIUC's proposal, but used the evidence in this Docket to justify the decisions in Order No. 2015-846.
>
> In other words, a previous rate increase is typically a "starting point" in a new rate case. Accordingly, the only way for DIUC to attempt to justify an increase in expenses (or for the ORS or the POAs to attempt to rebut a proposed increase) is to "compar[e] the expense from the test year used in the previous rate case with those from the test year in this case...." Heater of Seabrook, Inc. v. Public Service Comm'n of S.C., 324 S.C. 56, 61, 478 S.E.2d 826, 828 (1996).[12]

(Order No. 2016-50 p. 16-17) (R. p. 21-22.)

The Commission's analysis is correct. It did not rely on a previous case as justification for its decisions as fact finder. ORS typically uses the previous case as its baseline or starting point for examining rate cases filed at the Commission. This process is recognized by Utils. Servs. of S.C. Utils. Servs. of S.C., 392 S.C. at 114, 708 S.E.2d at 765. As an example, ORS witness Gearheart testified that in order to calculate plant-in-service, ORS's "standard procedures are to roll forward the plant ORS calculated in the last rate case." (Tr. p. 524, ll. 15 - p. 525, ll. 1) (R. p. 796, line 15-p. 797, line 1.) Using the previous case as a baseline or starting point is intuitive, practical and allows consistency and continuity for ORS in carrying out its statutory duty to provide recommendations to the Commission with respect to proposed rates. S.C. Code Ann. § 58-4-50(A)(1) (2015).

ORS also uses the prior case as a benchmark for expenditures and makes recommendations based on its knowledge of the prior case. For the Commission to accept ORS's recommendations

[12] The Utilities case referenced by the Commission in Order No. 2016-50 is Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 708 S.E 2d 755 (2011). ORS refers to this case as Utils. Servs. of S.C.

where ORS's recommendation involves a prior case is not the same as the Commission *relying* on the previous case to justify its decision.

A. The Commission's decision to disallow a portion of DIUC's requested management expenses is supported by substantial evidence.

DIUC asserts that the Commission should have approved recovery of the $171,364 in management fees requested for GA and that the Commission erroneously relied on a prior rate case for its decision. (Application Schedule A-4. DIUC Initial Brief p. 34-37.) (R. p. 1439.) ORS disagrees. GA is the management company for DIUC. (Tr. p. 188, ll. 1-2) (R. p. 460, lines 1-2.) John Guastella is GA's president, also acts as the manager of DIUC, and serves on the DIUC Board of Directors. (Tr. P. 187, ll. 9-12, p. 188, ll. 1-2, p. 227, ll. 13-17 and Order No. 2016-50 p. 12-14) (R. p. 459, lines 9-12 p. 460, lines 1-2; p. 499, lines 13-17; p. 17-19.)

The Management Contract drafted by Mr. Guastella and executed between DIUC and Mr. Guastella, on behalf of GA, has an initial term through December 31, 2018 with automatic renewal provisions. (Hearing Exhibit 9; Tr. p. 171, ll. 3-19 (R. pp. 945-953; p. 443, lines 3-19.) The compensation GA receives from DIUC per the Management Contract is set forth in the Statement of Facts to this brief. GA is receiving a substantial financial benefit from its relationship with DIUC. ORS recommended that GA's management fees be limited to the previous Commission-approved amount of $132,211 a year because the GA management services had not increased and the requested amount was not justified. (Tr. p. 493, ll. 1-5 and Order Nos. 2016-50 p. 12 and 2015-846 p. 24) (R. p. 765, lines 1-5; p. 17; p. 53.) It is undisputed that under GA's tenure, DIUC property taxes went unpaid, causing a 2011 delinquent tax sale of DIUC property. (Tr. p. 75, ll. 11-15; p. 82, ll. 17-19; p. 271-272; p. 442, ll. 20 – p. 443, ll. 20; and Order Nos. 2015-846 p. 22 and No. 2016-50 p. 9) (R. p. 347, lines 11-15; p. 354, lines 17-19; p. 543-544; p. 714, line 20-p.

715, line 20; p. 51; p. 14.) Mr. Guastella testified that DIUC's South Carolina regulatory gross receipts payment was paid late. (Tr. p. 244, ll. 6-12 and Order No. 2015-846 p. 26) (R. p. 516, lines 6-12 and p. 55.) ORS was aware of these matters when it made its recommendation. ORS counsel presented ORS's position during opening statements for the hearing, "We believe the utility is paying a premium for the management services. We think management services have a value. We think the ratepayers should pay it. But ORS doesn't think the ratepayers should pay the premium." (Tr. p. 56, ll. 15-19) (R. p. 328, lines 15-19.) The POAs testified that GA was an absentee manager and opposed DIUC's management fees. (Tr. p. 319, ll. 5-17, p. 432, ll. 13-p. 433, ll. 6 and Order No. 2015-846 p. 26) (R. p. 591, lines 5-17; p. 704, line 13-p. 705, line 6; p. 55.)

Here, the ORS and the POAs presented evidence that challenged DIUC's management expenses. DIUC did not overcome that challenge, and the Commission accepted ORS's recommendation. In agreeing with ORS's adjustment, the Commission stated, "we agree that GA provides services to the ratepayers, but disagree that the services are at a level that warrant the amount set forth in the management services contract. We think it is appropriate for DIUC stockholders to have responsibility for the difference." (Order No. 2015-846 p. 26) (R. p. 55.)

In addition, the Commission correctly concluded that GA and DIUC are affiliates and applied case law holding that the presumption of reasonableness does not apply to payments made by a regulated entity to an affiliate. (Order No. 2016-50 p. 12-13) (R. pp. 17-18.) Utils Servs. of S.C., 392 S.C. at 110-111, 708 S.E.2d at 763. (citing Hilton Head Plantation Utilities, Inc. v. Public Service Comm'n of S.C., 312 S.C. 448, 449-51, 441 S.E.2d 321, 322-23 (1994). In showing that GA and DIUC are affiliates, the Commission utilized the definition of "affiliate" provided by Black's Law Dictionary Free Online Legal Dictionary 2nd Edition. It defines an "affiliate" as,

"Companies that have a shared resources, interests, or business dealings."[13] Here, all three criteria are met as Mr. Guastella is a board member of DIUC, a manager of DIUC, and the president of GA. (Tr. p. 187, ll. 9-12, p. 188, ll. 1-2, p. 227, ll. 13-17 and Order No. 2016-50 p. 12-14) (R. p. 459, lines 9-12; p. 460, lines 1-2; p. 499, lines 13-17; p. 17-19.) Even if GA and DIUC could be viewed as unaffiliated, DIUC failed to overcome its burden to demonstrate the reasonableness of its management expenses to the Commission once challenged by ORS and the POAs.

Last, ORS disputes DIUC's statement that the management fees of $132,211, recommended by ORS and adopted by the Commission, were not approved in DIUC's last rate case in Docket No. 2011-229-WS. [14] (DIUC Initial Brief p. 33.) The testimony filed in Docket No. 2011-229-WS by ORS audit witness Christina Stutz shows on page 6, and in her attached Audit Exhibit CAS-1, an adjustment to the requested outside management services to recommend the amount of $132,212[15]. The Commission's Order in that case, Order No. 2012-515, approved a settlement agreement entered into by DIUC and the POAs. (Order No. 2015-846 p. 2) (R. pp. 31 and 68-86.) ORS did not object to the settlement agreement. Id. Commission Order No. 2012-515 attached and incorporated the settlement agreement in that case as Order Attachment No. 1. (R. pp. 68-86.) On page 2, paragraph 4 the following is stated in Order Attachment No. 1/the settlement agreement:

> The Parties agree to and stipulate that DIUC shall be entitled to an adjustment in rates and charges sufficient to generate additional revenues for the test year of $291,485 based on the test year revenues *after adjustments proposed by ORS in its pre-filed testimony and exhibits*. (Emphasis added.) (R. p. 77.)

[13] http://thelawdictionary.org/affiliate/
[14] ORS includes this discussion about DIUC's management fees from the prior rate case because DIUC raises it in its Initial Brief.
[15] The amount in the 2011 Docket differs by $1.

The settlement agreement in the prior case specifically agreed to calculate the revenue based on ORS's adjustments. The Commission's approval of the settlement agreement in DIUC's last rate case approved ORS's adjustment for management fees. (*See also* Tr. p. 434, ll. 1-8 referencing the prior settlement agreement and ORS adjustments) (R. p. 706, lines 1-8.)

Also for clarity's sake, using the above discussion on the last rate case as an example, the utility may pay any amount which it desires for management expenses, or any expenses, even if it is above the Commission-approved amount. If the Commission approves an adjustment limiting expenses, it only applies to what the utility can recover from ratepayers. The difference may be made up by stockholders or other sources.

In conclusion, the Commission's adoption of ORS's recommendation for management expenses is based on substantial evidence in the whole record.

B. The Commission's decision to disallow a portion of DIUC's requested rate case expenses is supported by substantial evidence.

Rate case expenses are expenses incurred to prepare the rate case and generally include administrative fees in the case preparation, attorney fees, and expert witness fees. DIUC asserts that ORS did not provide any analysis for its rate case expenses recommendation and that the Commission's acceptance of ORS's recommendation was error. (DIUC Initial Brief p. 41.) ORS disagrees. "It is the duty and responsibility of the regulatory staff to when considered necessary by the Executive Director of the Office of Regulatory Staff and in the public interest, review, investigate, and *make appropriate recommendations* to the commission with respect to the rates charged or proposed to be charged by any public utility." (Emphasis added.) S.C. Code Ann. § 58-4-50(A)(1)(2015). ORS provided recommendations in this case. ORS recommended that DIUC's current rate case expenses be limited to $75,000 and amortized over five years. (Tr. p.

494, ll. 22 - p. 495, ll. 5 and Order Nos. 2015-846 p. 25-27 and 2016-50, p. 14-15) (R. p. 766; line 22-p. 767, line 5; pp. 54-56; pp. 19-20.) ORS also recommended that the unamortized rate case expense from DIUC's last rate case, $22,500, be included with the same amortization period totaling $97,500 in overall rate case expenses to be amortized over five years. Id. S.C. Code Ann. § 58-4-50(A)(1) requires nothing further than a recommendation. Inherent in ORS's recommendation is its expertise and experience as the sole regulatory agency in South Carolina with the duty of examining utilities along with its knowledge of the case. In this case, ORS was aware that GA's relationship with DIUC was not at arm's length and that GA's Management Contract allowed GA to be paid separately for its work related to the Application. (Tr. p. 242, ll. 1-12; Hearing Exhibit 9; Order Nos. 2015-846 p. 24 and 2016-50 p. 11-13) (R. p. 514; lines 1-12; pp. 945-953; p. 53, pp. 16-18.) ORS recommended rate case expenses which it deemed reasonable and in the public interest. S.C. Code Ann. §§ 58-4-10(B) and 58-4-50(A)(1) (2015).

DIUC confuses the role of ORS with the role of the Commission. ORS makes recommendations to the Commission. S.C. Code Ann. § 58-4-50(A)(1). The Commission is the fact finder and must base its decision on reliable, probative, and substantial evidence in the whole record, which it did here. DIUC requested $191,200 for current and unamortized rate case expenses to be recovered over four years with this amount to be updated for actual rate case expenses at the hearing. (Tr. p. 218, ll. 9-11, 20-21 and Order Nos. 2016-50 p. 14 and 2015-846 p. 25) (R. p. 490, lines 9-11; 20-21; p. 19; p. 25.) ORS witness Gearheart provided her recollection that the total invoices submitted by DIUC for rate case expenses were $471,000 and of that amount, $120,000 were from GA with the remainder being legal fees. (Tr. p. 542, ll. 3-7) (R. p. 814, lines 3-7.) Granting excessive or unlimited rate case expenses eliminates any need for a utility to be conscientious of such costs.

POA witness Lanier described the scenario before the Commission by stating, "while the Commission may have some obligation to provide the Company the "opportunity" to earn specified return, it is not obligated to assure that the Company earn such returns, by granting any and all claimed expenses." (Tr. p. 434, ll. 10-13; *see also* p. 454, ll. 22 – p. 455, ll. 7 for additional testimony from the POAs regarding expenses.) (R. p. 706, lines 10-13; *see also* p. 726, line 22-p. 727, line 7.) Further, POA witness Lanier testified:

> The ORS staff typically conducts an exhaustive audit of an applicant's claimed expenses and carefully evaluates proposed expense adjustments. I and my colleagues and our clients in this matter did not have the resources to conduct such extensive investigations of specific expenses. However, I expect that the ORS staff will recommend reductions in some of the Company's requested expenses and, in view of the Company's unusually high growth in expense, I would support any reductions in expenses proposed by the ORS staff.

(Tr. p. 434, ll. 20 - p. 435, ll. 4) (R. p. 706, line 20-p. 707, line 4.)

As the trier of fact, the Commission is empowered with the authority to disallow certain expenditures a utility seeks. Utils. Servs. of S.C. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 112, 708 S.E.2d 755, 763 (2011). Here, the Commission did so based on substantial evidence in the whole record and its finding that DIUC payments to GA for rate case expenses are affiliate payments. (Order No. 2016-50, p. 14-15) (R. p. 19-20.) The Commission did not rely upon a prior rate case for its decision, but rather adopted ORS's recommendation that $75,000 in rate case expenses is a reasonable amount to pass to ratepayers. (Order Nos. 2015-846, p. 25-27 and 2016-50, p. 14-15) (R. p. 54-56 and p. 19-20.) DIUC failed to overcome this challenge to the reasonableness of its rate case expenses or substantiate to the Commission's satisfaction the prudency of over $450,000 in such costs. The Commission Order is thus without error.

C. The Commission's decision to adopt ORS's recommended rate base is supported by substantial evidence.

DIUC asserts it was error for the Commission to adopt ORS's recommended rate base ("plant in service" or "rate base"), because ORS's recommendation does not identify the specific plant items or their costs represented by the adjustments. (DIUC Initial Brief p. 49.) ORS used the list of plant in service categories in DIUC's Application to show adjustments. (Hearing Exhibit 18, ORS Audit Exhibit ICG-5; Application Schedules W-B.2, W-B.3, W-C.3, S-B.2, S-B.3 and S-C.3.) (R. p. 1320; pp. 1442-1443; p. 1451; pp. 1460-1461; p. 1469.) ORS disagrees with DIUC's assertion that the Commission committed error in adopting ORS's rate base.

ORS's process for determining plant in service is to roll forward plant in service from the last case. (Tr. p. 524 through p. 526, ll. 14) (R. pp. 796-798, line 14.) ORS witness Gearheart testified adjustments "were simply carried over from the last rate case, and we do not retest or retry anything that was approved in the last rate case." (Tr. p. 526, ll. 9-14) (R. p. 798, lines 9-14.) Specifically, she testified that the biggest part of the adjustment in this case was adding back adjustments ORS made from the last case that DIUC did not reflect in its books. (Tr. p. 524 through p. 526, ll. 14) (R. pp. 796-798, line 14.)

ORS recommended that plant in service be reduced by $1,624,696. (Tr. p. 496, ll. 16-18; Hearing Exhibit 18, ORS Audit Exhibit ICG-5) (R. p. 768, lines 16-18; p. 1320.) This adjustment was net of additions and reductions to DIUC's rate base consisting of capital improvements, non-allowable plant, adjustments from the previous case not made by DIUC and retirements through July 31, 2015. (Tr. p. 496, ll. 16-18) (R. p. 768, lines 16-18.) Non-allowable plant includes plant that DIUC could not show it owned, such as the Elevated Storage Tank. (Tr. p. 529, ll. 14-20) (R. p. 801, lines 14-20.) For comparison, the POAs recommended that plant in service be reduced by $3,745,530. (Tr. p. 371, Table 1) (R. p. 643.)

Commission regulations list the required contents for water and sewer applications. 10 S.C. Code Ann. Regs. 103-512.4.A and 103-712.4.A (2012). For a sewer application, a "statement of total plant investment" is required and for a water application, "a statement of total plant investment by categories" is required. 10 S.C. Code Ann. Regs. 103-512.4.A.12 and 103-712.4.A.12 (2012). The regulations also require water and sewer applications to include a "depreciation schedule by categories of plant or average services lives." 10 S.C. Code Ann. Regs. 103-512.4.A.7 and 103-712.4.A.7 (2012). Based on the Commission's application requirements, it follows that any recommended plant adjustments would be made to the categories used by DIUC in its Application for its plant investment and depreciation schedule. This is what ORS did. (Hearing Exhibit 18, Audit Exhibit ICG-5; Application Schedules W-B.2, W-B.3, W-C.3, S-B.2, S-B.3, and S-C.3.) (R. p. 1320; pp. 1442-1443; p. 1451; pp. 1460-1461; p. 1469.)

The DIUC Application statement of plant investment listed general categories for both water and sewer. (Application Schedules W-B.2 and S-B.2.) (R. p. 1442 and 1460.) Those categories are in its depreciation schedule. (Application Schedules W-B.3, W-C.3, S-B.3, and S-C.3.) (R. p. 1443; p. 1451; p. 1461; p. 1469.) ORS's adjustments for plant in service correspond to those plant categories listed in DIUC's Application. (Hearing Exhibit 18, Audit Exhibit ICG-5) (R. p. 1320.) There is no error in the Commission agreeing to the use of the plant categories DIUC lists in its Application.

Further, in efforts to be collaborative, DIUC was informed of ORS's adjustments and given opportunities to provide support for its expenses to both ORS and the Commission. ORS held an exit audit conference call with DIUC for DIUC to ask questions about ORS's adjustments. (Tr. p. 202, ll. 21-23) (R. p. 474, lines 21-23.) DIUC was also provided ORS's work papers about ORS's adjustments and the plant items represented by the adjustments. (Tr. p. 202, ll. 21 – p. 203, ll. 3;

p. 151, ll. 1-3; p. 158, ll. 11-13, p. 202, ll. 21-p. 203, ll. 5) (R. p. 474, line 21-p. 475, line 3; p. 423, lines 1-3; p. 430, lines 11-13; p. 474, line 21-p.475, line 5.) ORS made itself available to DIUC on multiple occasions prior to filing ORS direct testimony in good faith efforts to share its audit status, provide details to DIUC, receive any information DIUC wished to provide, and answer questions. DIUC had the opportunity to present detailed evidence or testimony to rebut the challenges.

DIUC asserts the Commission relied upon prior Annual Reports to reduce the rate base and that doing so was in error. (DIUC Initial Brief p. 48.) While the Annual Reports were in the record, the Commission did not rely solely on the Annual Reports to justify its decision of accepting ORS's process and recommendation for determining rate base. [16] In its decision, the Commission held:

> The Commission cannot accept the rate base as proposed by DIUC, given the murky status of the equipment on the tax sale land. The ORS methodology is logical in its steps and sets forth sound methods for determining a proper rate base on which a return may be granted. Considering the number of rate cases and all that has occurred since International Paper owned the utility, the Commission declines to adopt the rate base proposed by the POAs.

(Order No. 2015-846 p. 18) (R. p. 47.)

ORS's process utilized the prior case's rate base as a starting point and then after examining the books and records, made adjustments to the list of plant assets from DIUC's Application. DIUC failed to present evidence to rebut the recommended plant in service adjustments made by

[16] The Commission stated the following on page 19 in Order No. 2016-50 about the Annual Reports: DIUC revised its Annual Reports to the Commission and ORS by lowering property values in apparent efforts to have its property taxes reduced. The values by which DIUC revised its Annual Reports appear to correspond to the value of the elevated storage tank and other property excluded for utility ratemaking purposes. ORS does not fault DIUC for revising its Annual Reports. Instead, it is ORS's position that DIUC cannot reap benefits of being the owner of the elevated storage tank for ratemaking purposes, but not the owner for property tax purposes. The Commission adopted this reasoning in Order No. 2015-846. See Walls Rebuttal, R. pp. 101-102; Morgan Direct, R. p. 511; Morgan Surrebuttal, R. pp. 515-517; R. p. 529 and Hearing Exhibit 20. (R. p. 24.)

ORS and therefore failed to carry its burden of proof. The Commission's adoption of ORS's recommendation for rate base is based on substantial evidence in the whole record. There was no error.

D. The Commission's decision to keep the Elevated Storage Tank out of rate base is supported by substantial evidence.

DIUC asserts that the Elevated Storage Tank should be included in its plant in service. (DIUC Initial Brief p. 43.) The Elevated Storage Tank is a 125,000 gallon elevated storage tank and well site located in Haig Point on Daufuskie Island. (Tr. p. 511, ll. 8-11) (R. p. 783, lines 8-11.) Pursuant to ORS's process for examining rate base discussed in the section above, ORS testified that the Elevated Storage tank was removed in the last rate case, and because ORS did not receive proof of ownership, the tank was not added back into plant in service. (Tr. p. 529, ll. 14-20) (R. p. 801, lines 14-20.)

The Commission's regulations define "water plant" as "all facilities *owned by the utility* for the collection, production, purification, storage, transmission, metering and distribution of potable water." (Emphasis added.) 10 S.C. Code Ann. Regs. 103-702.16 (2012). The regulation requires ownership. ORS counsel addressed the Elevated Storage Tank in her opening at the outset of the hearing:

> The utility will tell you it owns the water tower. It's not so clear. The Office of Regulatory Staff cannot determine whether the utility owns the water tower, or if the man who bought the property in the delinquent tax sale owns the water tower. Because the utility has not proven with certainty, and to ORS's satisfaction, that it owns the water tower, the Office of Regulatory Staff cannot, in good conscience, recommend that the ratepayers pay the company a return on a water tower that it may not own. It's that simple.
> (Tr. p. 56, ll. 3-14) (R. p. 328, lines 3-14.)

On pages 18 and 19 in Commission Order No. 2016-50, the Commission utilized passages from ORS's Answer to DIUC's Petition for Reconsideration to support its finding that the Elevated Storage Tank was properly removed from rate base. As reflected in that Order there is confusion over ownership of the Elevated Storage Tank. DIUC failed to provide convincing evidence of ownership of the Elevated Storage Tank, and the tank was therefore properly removed from rate base.

DIUC asserts it has a perpetual easement to the Elevated Storage Tank which allows its continued use; however, an easement does not equal ownership. (DIUC Initial Brief p. 46.) Access to and usage of a non-owned asset does not entitle a utility to have its ratepayers pay for the non-owned asset. The evidence supports the Commission's decision to not allow it in rate base. 10 S.C. Code Ann. Regs. 103-702.16. If at some future date DIUC can show it owns the Elevated Storage Tank and that it remains used and useful to the utility, then DIUC will be entitled in its next rate case to include the tank's value in plant in service and receive recovery through rates. (Tr. p. 529, ll. 14-23) (R. p. 801, lines 14-23.)

In conclusion, agreement on this issue with DIUC would establish precedent in South Carolina to permit utilities to sell their assets while simultaneously recovering the value of those assets through rates charged to their customers. It would also have the effect of expanding the definition in 10 S.C. Code Ann. Regs. 103-702.16 to include non-owned water plant. There is substantial evidence showing uncertainty over whether DIUC owns the Elevated Storage Tank and to support the Commission's decision.

E. <u>The Commission's decision to adopt ORS's recommended property tax expense is supported by substantial evidence.</u>

For property tax expense, ORS recommended inclusion of $171,492 annually to cover taxes using: 1) DIUC's per book amount, 2) the 2012 tax amounts, 3) the 2013 tax amounts, and 4) the 2014 test year amount. (Tr. p. 495, ll. 6-15; p. 496, ll. 1-4; p. 518. ll. 14 – p. 519, ll. 16) (R. p. 767, lines 6-15; p. 768, lines 1-4; p. 790 line 14-p.791, line 16.) DIUC requested $258,227.40 annually for property tax expenses. (DIUC Initial Brief p. 33.) It is undisputed that DIUC did not pay Beaufort County taxes for certain years. (Tr. p. 212 ll. 18-23) (R. p. 484, lines 18-23.) As a result, Beaufort County and DIUC entered into a Property Tax Settlement Agreement, amended once, for the payment of taxes for years 2012, 2013, 2014, and 2015. (Hearing Exhibit 5, Walls Exhibit A.) (R. pp. 835-840.) ORS recommended that DIUC receive $244,899 for the 2012 and 2013 taxes with that amount amortized over 8 years. (Tr. p. 495, ll. 6-15) (R. p. 767, lines 6-15.) With the 8-year amortization, DIUC would receive $30,612 annually for the 2012 and 2013 taxes. Id. In addition ORS recommended that DIUC receive $140,880 for the 2014 taxes with no amortization. (Tr. p. 496, ll. 1-4; p. 518. ll. 14 – p. 519, ll. 16 (R. p. 768, lines 1-4; p. 790, lines 14-p. 791, line 16.) The sum of ORS's recommendations equal $171,492 annually for taxes. Id. For comparison, the POAs recommended lower amounts. (Tr. p. 427, ll. 12-18) (R. p. 699, lines 12-18.)

ORS uses known and measurable amounts in calculating adjustments. (Tr. p. 473, ll. 3) (R. p. 745, line 3.) ORS recommended including the 2012 and 2013 taxes, because DIUC did not have an opportunity to request a rate increase to recover taxes for these years after agreeing to a moratorium through July 1, 2014 in the settlement in Docket No. 2011-229-WS. (Tr. p. 518. ll. 14 – p. 519, ll. 16) (R. p. 790, line 14-p. 791, line 16.) ORS included the 2014 taxes because 2014 was DIUC's test year. Id. ORS declined to support recovery of the 2015 taxes. Id. DIUC witness Beaufort County Assessor Maria Walls testified that annual tax notices are mailed in November

and are due the following January. (Tr. p. 84 ll. 2-9) (R. p. 356, lines 2-9.) Accordingly, the taxes billed November 1, 2015, would be due January 15, 2016. Id. Specifically, 2015 taxes were not recommended by ORS because 2014 was the test year chosen by the DIUC and DIUC had not been billed for the 2015 taxes. (Tr. p. 518. ll. 14 – p. 519, ll. 16) (R. p. 790, line 14-p. 791, line 16.)

DIUC maintains that the 2015 amount should have been included because the amount was set forth as a known amount in the Beaufort County Property Tax Settlement. (DIUC Initial Brief p. 29.) DIUC chose 2014 as its test year, and ORS declined to recommend amounts from a future test year even though the amount was part of a settlement agreement with Beaufort County. (Tr. p. 518. ll. 14 – p. 519, ll. 16) (R. p. 790, line 14-p. 791, line 16.) The Commission agreed and stated that delinquent taxes are not the fault of the customers while also acknowledging DIUC's settlement with Beaufort County had already been amended once and could be amended in the future. (Order Nos. 2015-846 p. 23 and 2016-50, p. 10; Hearing Exhibit 5, Walls Exhibit A) (R. p. 52; p. 15; pp. 835-840.)

With respect to the Annual Reports that DIUC states were wrongly relied upon by the Commission, those showed that DIUC does not pay taxes on all of its utility plant in service it claims to be part of its rate base in this docket and that DIUC reduced its plant in service by a value greater than the Elevated Storage Tank. (Order No. 2016-50, p. 10) (R. p. 15.) The Commission did not rely solely upon the Annual Reports for its decision, but used them to show the tax situation is still in "disarray." (Order Nos. 2015-846, p. 19-21 and 2016-50, p. 10) (R. pp. 48-50; p. 15.) The Commission's ruling for property taxes was based upon substantial evidence, and ORS respectfully requests that the Court affirm the Commission's decision.

F. There is no error in the Commission accepting DIUC's methodology for bad debt expenses that DIUC set forth in its Application

DIUC asserts the use of its own methodology is error. (DIUC Initial Brief p. 52.) Specifically, DIUC asserts it is error for the Commission to adopt the methodology set forth in DIUC's Application for calculating bad debt expense. Id. DIUC asserts the bad debt adjustment set forth in ORS's pre-filed direct testimony is appropriate, because ORS recommended more money for DIUC. (Tr. p. 136, ll. 19 - p. 137. ll. 10) (R. p. 408, line 19-p. 409, line 10.) Prior to the Settlement Agreement, ORS recommended $105,384 for bad debt expenses by applying 0.5% to the pro forma revenues. (Tr. p. 493, ll. 11-13) (R. p. 765, lines 11-13.) The POAs recommended $23,554 for bad debt expense. (Hearing Exhibit 14, Amended Lanier Exhibit 3, C-4) (R. p. 1002.)

In the Settlement Agreement, the methodology used by the Company in its Application was accepted by the ORS and POAs and the result was a lower number than the one put forth in ORS's direct testimony. (Tr. p. 57, ll. 3-8, p. 502, ll. 24 - p. 503, ll. 2, Hearing Exhibit 3, Settlement Agreement) (R. p. 329, lines 3-8; p. 774, line 24-p. 775, line 2; p. 820-833.) The Commission reasoned "this bad debt expense methodology is just and reasonable, particularly because it encourages DIUC to collect those debts it is owed." (Commission Order No. 2015-846, p. 27) (R. p. 56.) There is no error in the Commission agreeing to the same methodology utilized and proffered by the Company in its Application.

II. THE COMMISSION COMMITTED NO ERROR IN GRANTING 39.1% OF DIUC'S REQUESTED REVENUE INCREASE AND IN APPROVING THE SETTLEMENT AGREEMENT.

DIUC asserts the Commission committed errors in admitting the Settlement Agreement between the POAs and ORS. (DIUC Initial Brief p. 13-23.) ORS disagrees. The Commission could have reached the same ruling in this case if the Settlement Agreement had never existed,

because the Commission substantiated each of its findings from evidence in the record. The Commission agreed with ORS's recommendations from ORS's pre-filed testimony except for the bad debt expense.

Nevertheless, ORS addresses each of DIUC's assertions. DIUC states the Commission violated its own Settlement Policies and Procedures and that admission of the Settlement Agreement was:

- Irrelevant and immaterial;
- Evidence of collusion between ORS and the Intervenors in an effort to unduly influence the Commission;[17]
- A vessel to usurp the fact finding of the Commission, cause the Commission not to weigh the evidence, and to suggest that DIUC was unreasonable and not acting in the public's interest; and
- Prejudicial.

In addition and with respect to the Settlement Agreement, DIUC asserts the Commission violated S.C. Rules of Evidence 401, 402, 403 and 408; violated 10 S.C. Code Ann. Regs. 103-846 (2012); erred in admitting the Settlement Agreement into evidence; and erred in allowing testimony after the Settlement Agreement was entered into evidence. The Commission committed no errors with respect to the Settlement Agreement.

First, ORS has the statutory duty and responsibility "to serve as a facilitator or otherwise act directly or indirectly to resolve disputes and issues involving matters within the jurisdiction of the commission." S.C. Code Ann. § 58-4-50(A)(9 (2015). In S.C. Code Ann. § 58-4-50(A)(9) (2015), the General Assembly recognizes the benefit of resolving matters among parties on matters before the Commission. DIUC asserts there was error in admitting this Settlement Agreement because DIUC was not a signatory. However, the General Assembly did not require that

[17] ORS shared its work papers and the resulting revenue, ROE and operating margin from its adjustments with DIUC and the POAs. ORS communicates and shares information with parties in proceedings. There was nothing improper about ORS's conduct with the POAs.

resolutions on matters before the Commission have agreement among *all* parties or with the applicant. The General Assembly's endorsement of resolutions shows that settlement agreements are relevant to matters before the Commission.

Second, the Settlement Agreement at issue here contained terms based on ORS's recommendations in its pre-filed testimony and the bad debt expense methodology set forth in DIUC's Application. It contained relevant information already pre-filed with the Commission. It was not unfairly prejudicial, misleading or confusing. The Commission stated, "The evidence presented by ORS in the present case was competent and credible, and we reasonably accepted it on its own merits. The only adjustment accepted by us as part of the Settlement Agreement that was not an ORS adjustment was the Company's original bad debt adjustment." (Order No. 2016-50 p. 22) (R. p. 27.) In other words, the Commission could have reached its same findings without the Settlement Agreement. The revenue, ROE, and operating margin calculated and presented in the Settlement Agreement utilized ORS's adjustments and DIUC's methodology for bad debt expense. It was not error for the Commission to hear all testimony from the settling parties to fulfill its role as fact finder and in pursuit of its statutory duties. The Commission did not act contrary to or in violation of S.C. Rules of Evidence 401, 402, and 403 and 10 S.C. Code Ann. Regs. 103-846 (2012).

DIUC argues that the Settlement Agreement is prejudicial because it suggests "DIUC was unreasonable and not acting in the public's interest since it was not a party to it." (DIUC Initial Brief p. 19.) The mere introduction of a settlement in no way suggests unreasonableness on the part of a party. Conversely, the Commission was entitled to determine that the Settlement Agreement was unreasonable. The Settlement Agreement was also not evidence of conduct or statements made in compromise negotiations. Instead, the Settlement Agreement was the product

of negotiations. There was no violation of S.C. Rule of Evidence 408. Last, DIUC does not have a duty to act in the public's interest.

DIUC asserts that the Commission violated its own Settlement Policies and Procedures.[18] (R. p. 1484.) DIUC did not raise a violation of the Settlement Policies and Procedures prior to this appeal. Therefore, the allegation that the Commission violated its Settlement Policies and Procedures is not preserved for appeal. In addition, the Settlement Policies and Procedures are not included in DIUC's Designation of Matter. Nevertheless, among the five sections in the Settlement Policies and Procedures, DIUC focuses on Section V. (R. p. 1485.) However, Section V sets forth procedures for when *all* parties to a proceeding reach an agreement. Id. The Settlement Policies and Procedures contain the following statements from Sections I through IV which discuss settlements in general:

- "The Commission encourages the resolution of matters brought before it through the use of stipulations and settlements." (Section I.)
- "Settlements must be supported by probative evidence." (Section I.)
- "Proponents of a proposed settlement carry the burden of showing that the settlement is reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." (Section III.)
- "The Commission is not bound by settlements." (Section IV.)
- "[The Commission] will independently review any settlement proposed to it to determine whether the settlement is just, fair and reasonable, in the public interest, or otherwise in accordance with law or regulatory policy." (Section IV.)

[18] DIUC refers to Settlement Procedures revised 6/13/2005. The Settlement Procedures on the Commission's website state they were revised 6/13/2006. (R. p. 1484.)

(R. p. 1484.)

The above statements from the Commission's Settlement Policies and Procedures further support the Commission's decision to hear the testimony of ORS and the POAs after the Settlement Agreement was entered into evidence.

Section V of the Settlement Policies and Procedures begins, "When *all* parties to a proceeding reach agreement with regard to all issues in the form of a settlement signed by *all* parties or their representatives, the following procedures shall be followed: [remainder not replicated]." (Emphasis added.) (R. p. 1485.) Section V, which DIUC focuses on in its brief, does not apply to this case since the Settlement Agreement did not contain signatures from all parties. The Commission did not violate its Settlement Policies and Procedures with respect to the Settlement Agreement.

In conclusion, the Commission heard all testimony and considered the evidence and could have reached the very same conclusions in its Orders without the Settlement Agreement. There was no error in the Settlement Agreement's admission or approval.

III. THE COMMISSION COMMITTED NO ERROR IN REFUSING TO CONSIDER LOAN SPECIFICS THAT WERE NOT RAISED DURING THE HEARING.

DIUC asserts the Commission's Orders will cause "inevitable loan default." (DIUC Initial Brief p. 23.) The Commission correctly ruled that it cannot address these issues. "While Company witness Guastella made a bare assertion at the hearing, which is referenced in the Petition [for Reconsideration], regarding the effect of adoption of the rates approved in the Settlement Agreement, the specific issues and characterizations of the [loan] Covenants, DIUC's operation under the Covenants, and SunTrust's putative actions pursuant to the Covenants raised in the Petition [for Reconsideration] and discussed in [Petition for Reconsideration] Attachment A were

not raised during the hearing." (Order No. 2016-50 p. 5) (R. p. 10.) The referenced loan documents were not offered as evidence and are not in the record of this case. (Order No. 2016-50 p. 4) (R. p. 9.)

DIUC's assertion about default is unsupported by the record. Mr. Guastella's pre-filed direct testimony addressed the main reasons for DIUC's proposed revenue:

> The increase is primarily due to property taxes that went from less than $10,000 to nearly $270,000, including the amortization of previously unbilled taxes; an increase in rate base from the settlement amount in the last rate case of $5.0 to nearly $7.1 million; an increase operation and maintenance expenses of about $237,000; and the "fallout" impact on income taxes.

(Tr. p. 189, ll. 4-10) (R. p. 461, lines 4-10.)

Potential loan default is not discussed. If the loan conditions were so tenuous, it would follow that DIUC would have included the conditions in its justification for its rate increase.[19] DIUC did not.

The Commission noted on page 4 of Order No. 2016-50 that "there is very little testimony in the case about the present loan." The foundation in support of DIUC's argument is Mr. Guastella's testimony at the hearing where he stated:

> [T]he proposed settlement between ORS and the property owners of $462,000 will give this utility no return on equity. None. And it will not give us enough money to pay our debt service on our existing loan. We will be in default because of all of these adjustments and failure to include what are real costs of providing service in terms of capital and our real cost of providing service in terms of operating the utility.

(Tr. p. 186, ll. 12-21) (R. p. 458; lines 12-21.)

[19] The Application must contain cost justifications and a statement justifying DIUC's need for the new rates. S.C. Code Ann. § 58-5-240 (2015) and 10 S.C. Code Ann. Regs. 103-512.4.A.(1) and (9) and 103-712.4.A.(1) and (9) (2012).

This testimony was puffery. There was also testimony from Mr. Guastella that he had made a management decision to refinance the loan in the near future. (Tr. p. 183, ll. 3-5, p. 192, ll. 11-17, p. 193, ll. 1-4, *see also* p. 244-246 wherein Commissioner Fleming asks about the financing fee GA will earn as a result of the refinancing.) (R. p. 455; lines 3-5; p. 464, lines 11-17; p. 465, lines 1-4; *see also* p. 516-518.) If the loan was going to be refinanced, then the existing debt service would also change. The Commission opined that "even if the materials had been submitted into evidence, it is questionable if the outcome would have changed." (Order No. 2016-50 p. 21) (R. p. 26.)

DIUC testimony that the Settlement Agreement will allow for no return on equity is not supported in the record. ORS rate of return expert Dr. Carlisle testified to a recommended ROE of 9.31% based on the calculated average from the range 8.91% to 9.71% derived from his analyses. (Tr. p. 471, ll. 3-9) (R. p. 743, lines 3-9.) The Commission-approved Settlement Agreement included an ROE of 9.28%, which is within the range recommended by Dr. Carlisle and close to his specific recommendation. (Id.; and, Hearing Exhibit 3) (Id.; and R. p. 61 and pp. 820-833.)[20]

Further, ORS witness Morgan testified to ORS's statutory duty to protect the public interest. (Tr. p. 519, ll. 17-23) (R. p. 791, lines 17-23.) The definition of "public interest" which ORS is obligated to represent specifically includes the "preservation of the financial integrity of the state's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services." S.C. Code Ann. § 58-4-10(B)(3) (2015). ORS

[20] For comparison purposes, the POAs recommended in its pre-filed testimony an ROE in the range of 8.5% to 9%. (Tr. p. 441, ll. 8-18) (R. p. 713, lines 8-18.) The POAs calculated a revenue increase of $429,442 or 39.9% for the combined operations. Id.

witness Morgan confirmed in his testimony that ORS would not make a recommendation that would cause financial instability to any public utility. (Tr. p. 519, ll. 17-23) (R. p. 791, lines 17-23.) In addition, POA witness Lanier testified that he believed DIUC could improve its cash position by making changes in its operations and management practices. (Tr. p. 422, ll. 11-13) (R. p. 694, lines 11-13.) The GA Management Contract payments and rate case expenses suggest opportunities for lower costs.

In its Initial Brief, DIUC attempts to shift responsibility to ORS for not cross-examining DIUC about the loan terms, and states because of this, the "inevitable default" went unchallenged. Appellant's argument is without merit. First, the loan documents were not in evidence. Second, it is not ORS's responsibility to build the record for DIUC. The burden of proof rests with DIUC. There was substantial evidence in the record supporting an ROE in the range of 8.91% to 9.71% along with the revenue increase it produces. (Tr. p. 471, ll. 3-9) (R. p. 743, lines 3-9.) There was no evidence in the record supporting DIUC's assertion of a 0% ROE. Whether or not ORS chose to cross examine Mr. Guastella is irrelevant. The Commission's approval of the Settlement Agreement will not cause DIUC to default on its loan and the Commission was correct to exclude consideration of specific loan-related matters and documents not in evidence.

CONCLUSION

The Commission's Orders were based on reliable, probative, and substantial evidence on the whole record. ORS respectfully requests that the Court affirm Commission Order Nos. 2015-846 and 2016-50.

[SIGNATURE ON FOLLOWING PAGE]

Respectfully submitted,

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ATTORNEYS FOR RESPONDENT
SOUTH CAROLINA OFFICE OF
REGULATORY STAFF

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BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Inc.
For Adjustment of Rates and Charges

APPLICANT'S SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION TO OFFICE OF REGULATORY STAFF

TO: Andrew M. Bateman, Counsel, Office of Regulatory Staff

Daufuskie Island Utility Company ("DIUC") hereby requests the Office of Regulatory Staff ("ORS") respond to the following Second Set of Interrogatories and Requests for Production in accordance with S.C. Public Service Commission Rule 103-833. **Due to the expedited schedule in this matter, response are required no later than November 24, 2017.**

DEFINITIONS

1. AS USED HEREIN, "APPLICANT" AND "DIUC" SHALL MEAN DAUFUSKIE ISLAND UTILITY COMPANY, INC.

2. AS USED HEREIN, HAIG POINT CLUB AND COMMUNITY ASSOCIATION, INC. ("HPCCA") SHALL MEAN HPCCA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF HPCCA.

3. AS USED HEREIN, MELROSE PROPERTY OWNER'S ASSOCIATION, INC. ("MPOA") SHALL MEAN MPOA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF MPOA.

4. AS USED HEREIN, BLOODY POINT PROPERTY OWNER'S ASSOCIATION, INC. ("BPPOA") SHALL MEAN BPPOA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF BPPOA.

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5. AS USED HEREIN, BEACH FIELD PROPERTIES, LLC ("BEACH FIELD") SHALL MEAN BEACH FIELD WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF BEACH FIELD.

6. AS USED HEREIN, "INTERVENOR" AND "INTERVENORS" AND "POAS" SHALL MEAN INDIVIDUALLY AND COLLECTIVELY THE PARTIES WHO WERE GRANTED STATUS AS INTERVENORS BY PSC ORDERS 2015-584 AND 2015-585, NAMELY HPCCA, MPOA, BPPOA, AND BEACH FIELD.

7. AS USED HEREIN, "THIS PROCEEDING" AND "THIS MATTER" SHALL MEAN THE APPLICATION PROCEEDINGS CAPTIONED AS *IN RE: APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY, INC. FOR ADJUSTMENT OF RATES AND CHARGES, SOUTH CAROLINA PUBLIC SERVICE COMMISSION*, SC PSC DOCKET NO. 2014-346-WS.

8. PLEASE CONSTRUE "AND" AS WELL AS "OR" BOTH DISJUNCTIVELY OR CONJUNCTIVELY AS MAY BE NECESSARY TO BRING WITHIN THE SCOPE OF THESE INTERROGATORIES ANY INFORMATION WHICH MIGHT OTHERWISE BE CONSTRUED OUTSIDE THEIR SCOPE.

9. "DOCUMENT" SHALL MEAN ANY WRITTEN, PRINTED, TYPED, RECORDED, PHOTOGRAPHIC OR OTHER GRAPHIC MATTER OF ANY KIND OR NATURE, AND ALL MECHANICAL AND ELECTRICAL SOUND RECORDINGS AND ANY TRANSCRIPTS THEREOF, AND COMPUTER DATA FILES IN YOUR POSSESSION, CUSTODY, AND/OR CONTROL, OR KNOWN BY YOU TO EXIST; IT SHALL ALSO MEAN ALL COPIES OF DOCUMENTS BY WHATEVER MEANS MADE. IT INCLUDES WRITTEN CORRESPONDENCE AND ANY CORRESPONDENCE THAT CAN BE PRINTED FROM ITS CURRENT MEDIUM, WHETHER THAT IS FROM EMAIL, TEXT MESSAGING, AND/OR ANY OTHER MEANS OF STORED OR RETRIEVABLE COMMUNICATION.

10. "IDENTIFY" OR "IDENTITY" USED WITH REFERENCE TO AN INDIVIDUAL MEANS TO STATE HIS OR HER FULL NAME, PRESENT OR LAST KNOWN ADDRESS, PRESENT OR LAST KNOWN POSITION AND BUSINESS AFFILIATION, AND EMPLOYER, TITLE, AND POSITION AT THE TIME IN QUESTION.

11. "IDENTIFY" OR "IDENTITY" USED WITH REFERENCE TO A DOCUMENT OR WRITING MEANS TO STATE THE DATE, AUTHOR, TYPE OF DOCUMENT (E.G. LETTER, MEMORANDUM, TELEGRAM, CHART, NOTE APPLICATION, ETC.) OR OTHER MEANS OF IDENTIFICATION, AND ITS PRESENT LOCATION OR CUSTODIAN. IF ANY SUCH DOCUMENT IS NO LONGER IN YOUR POSSESSION OR SUBJECT TO YOUR CONTROL, STATE WHAT DISPOSITION WAS MADE OF IT.

12. "YOU" AND "YOURS" INCLUDE THE PARTY UPON WHOM THIS DISCOVERY IS DIRECTED, AND ANY OF ITS MEMBERS, INDIVIDUALLY, WHO HAVE KNOWLEDGE OR CONTROL OF INFORMATION REQUESTED IN THE DISCOVERY REQUESTS.

13. AS USED HEREIN, "ORS" SHALL MEAN THE OFFICE OF REGULATORY STAFF.

INTERROGATORIES AND REQUESTS FOR PRODUCTION

Regarding the Prefiled Rehearing Testimony of Dawn M. Hipp:

1. The witness testifies, "DIUC provided invoices and documentation to support only $53,726 in bond premium expenses."
    a. Did the witness include the $7,055.58 cost of the of the letter of credit required for the bonds? This cost is discussed in the Prefiled Rehearing Testimony of John Guastella (p.13) and evidenced by page 120 of Attachment to ORS 1-12.

2. The witness testifies on page 5 that "DIUC did not provide invoices to support approximately $88,999 related to requested rate case expenses. Please identify the category or type of expenses that are included in the excluded amount of $88,999.

3. The witness testifies that ORS recommends the Commission remove $542,978 of Guastella Associates, LLC ("GA") invoices ("the GA invoices") submitted for rate case expenses because "in general" the GA invoices:
    - Contain mathematical errors;
    - Do not contain sufficient detail to describe the work performed, the specific dates and hours of work, employee name, and business purpose;
    - Contain expenses such as air fare, lodging, and meals for which no detail was provided; and
    - Do not appear to be paid by DIUC.

    a. Please identify which the GA invoices ORS contends should be rejected for which reason(s).
    b. Does ORS contend that DIUC is not obligated to pay the GA invoices? If so, please identify each of GA invoices that ORS contends DIUC is not obligated to pay the reason(s) why ORS asserts DIUC is not obligated to pay the same.

4. Does ORS contend that Accounts Payable, which includes changes not yet paid, are not expenses for inclusion in ratemaking analysis?

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5. Did the witness apply any specific rule, policy, or other guideline in concluding the GA invoices were deficient? If so, please identify each such rule, policy, or other guideline and produce a copy of the same.

6. With regard to Exhibit DMH-5:
   a. Identify who prepared the exhibit;
   b. Produce all documents from which the data in the exhibit was obtained.

7. How did the witness obtain the data included in Exhibit DMH-5? If other persons assisted in obtaining the data or preparing the exhibit, please identify the person(s) and produce all documents related to the action(s) of the person(s). Pursuant to Instruction #9, this includes producing all associated correspondence and emails.

8. Did the witness or anyone at her direction do anything to verify:
   a. The data included in Exhibit DMH-5? If so, please identify those actions.
   b. The sources of the data included in Exhibit DMH-5? If so, please identify those actions.

9. The witness testifies on page 8 regarding Exhibit DMH-5 that "ORS's analysis as presented in Rehearing Exhibit DMH-5 indicates the dollar amount of management fees requested by DIUC are in excess of what other similarly situated investor-owned water and wastewater utilities pay for similar services." The Exhibit then references Harbor Island Utility and Kiawah Island Utility.
   a. Please define the term "similarly situated" as it is employed by the witness.
   b. Does ORS contend that Harbor Island Utility, Kiawah Island Utility, and Daufuskie Island Utility are "similarly situated" as that term is employed by the witness?
   c. If so, please identify each fact or characteristic and provide all documents containing the data used to identify each fact or characteristic upon which the witness relied for her determination that Daufuskie Island Utility, Kiawah Island Utility, and/or Harbor Island Utility are similarly situated."

10. The witness testifies on page 8 regarding Exhibit DMH-5 "ORS calculated that, on a monthly basis, a DIUC customer would pay over $30 per month for management services if the Commission approved DIUC's request. By comparison, Kiawah Island Utility, Inc. customers spend approximately $7 per month for management services."
    a. Please identify the person(s) at ORS who conducted the calculations and produce all documents used in the calculations Pursuant to Instruction #9, this includes producing all associated correspondence and emails.

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11. At any time (before or after preparing Exhibit DMH-5), did the witness or anyone at her direction determine whether Kiawah Island Utility or Harbor Island Utility have or have not in the past four years:
    a. Experienced any failure of water or sewer system(s)? If so, please identify the failure(s) by plant item and identify the scope of each failure.
    b. Undertaken any financing? If so, please identify the provider of financing and the terms of the financing.
    c. Been required to restructure or reorganize its corporate form or structure? If so, please identify the transactions and changes.

12. Did the witness or anyone at her direction identify facts or characteristics upon which it was determined that Daufuskie Island Utility, Kiawah Island Utility, and/or Harbor Island Utility are comparable? If so, please identify each fact or characteristic and provide all documents containing the data used to identify each fact or characteristic.

Regarding the Prefiled Rehearing Testimony of Daniel F. Sullivan:

13. The witness adopts "the testimony of Ivana Gearheart filed on October 2, 2015, taking into account the adjustments as set forth in South Carolina Supreme Court Opinion No. 27729."
    a. Does Mr. Sullivan also adopt the testimony of Ms. Gearheart provided at the hearing on October 28, 2015?
    b. Does ORS adopt the testimony of Ms. Gearheart provided at the hearing on October 28, 2015?

14. Please provide an Excel file with all working formulas that "rolls forward" ORS's accumulated depreciation and annual depreciation expense in support of those revenue requirement components, as reflected in Mr. Sullivan's Exhibits DFS-1 through DFS-9.

15. If not included in response to the request above, please provide an Xcel file with working formulas for the attached depreciation schedule previously provided by ORS to DIUC. See Plant in Service / Depreciation Schedule attached as Exhibit One.

16. Why is ORS's calculation of accumulated amortization of CIAC limited to the test year of 2014 while its revenue requirement includes the known and measurable changes through December 31, 2015?

17. Since the October 28, 2015, hearing in this matter, has ORS considered or analyzed any of the following regarding Guastella Associates ("GA"):
    a. Whether GA does or does not perform the services as set forth in its management agreement with DIUC?

b. Whether the management services performed by GA for DIUC are or are not necessary for the operation and management of DIUC?
c. Whether GA is or is not qualified to perform the management services?
d. Whether DIUC's customers have or have not benefitted from the management services provided by GA?

For each issue please indicate "yes" or "no." For any "yes" responses, please indicate ORS's conclusion and identify all documents considered or created during that analysis. Pursuant to Instruction #9, this includes producing all associated correspondence and emails.

18. Please produce all documents identified in response to the previous interrogatory.

By: */s/ Thomas P. Gressette, Jr.*

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ATTORNEYS FOR DAUFUSKIE
ISLAND UTILITY COMPANY, INC.

November 20, 2017
Charleston, South Carolina

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BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Inc.
For Adjustment of Rates and Charges

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day **APPLICANT'S SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION TO OFFICE OF REGULATORY STAFF** via electronic mail service as follows:

Andrew M. Bateman, Esq. (abateman@regstaff.sc.gov)
Jeff Nelson, Esq. (jnelson@regstaff.sc.gov)
South Carolina Office of Regulatory Staff

John J. Pringle, Jr., Esq. (jack.pringle@arlaw.com)
John F. Beach, Esq. (john.beach@arlaw.com)
Adams & Reese, LLP

By: */s/ Thomas P. Gressette, Jr.*
Thomas P. Gressette, Jr.

November 20, 2017
Charleston, South Carolina

ROA 2779 AND ROA 2780 ARE AN OVERSIZED EXHIBIT

AND WILL BE SUBMITTED TO THE COURT SEPARATLY

FROM THE RECORD ON APPEAL

BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Inc.
For Adjustment of Rates and Charges

APPLICANT'S SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION TO OFFICE OF REGULATORY STAFF

TO: Andrew M. Bateman, Counsel, Office of Regulatory Staff

Daufuskie Island Utility Company ("DIUC") hereby requests the Office of Regulatory Staff ("ORS") respond to the following Second Set of Interrogatories and Requests for Production in accordance with S.C. Public Service Commission Rule 103-833. **Due to the expedited schedule in this matter, response are required no later than November 24, 2017.**

DEFINITIONS

1. AS USED HEREIN, "APPLICANT" AND "DIUC" SHALL MEAN DAUFUSKIE ISLAND UTILITY COMPANY, INC.

2. AS USED HEREIN, HAIG POINT CLUB AND COMMUNITY ASSOCIATION, INC. ("HPCCA") SHALL MEAN HPCCA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF HPCCA.

3. AS USED HEREIN, MELROSE PROPERTY OWNER'S ASSOCIATION, INC. ("MPOA") SHALL MEAN MPOA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF MPOA.

4. AS USED HEREIN, BLOODY POINT PROPERTY OWNER'S ASSOCIATION, INC. ("BPPOA") SHALL MEAN BPPOA, WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF BPPOA.

5. AS USED HEREIN, BEACH FIELD PROPERTIES, LLC ("BEACH FIELD") SHALL MEAN BEACH FIELD WITH ITS EMPLOYEES, AGENTS, CONSULTANTS, EXPERTS, PARENTS, SUBSIDIARIES, AFFILIATES, AND PARTNER COMPANIES AND OTHER OPERATIONAL OR FUNCTIONAL UNITS AND ALL OFFICERS, DIRECTORS, EMPLOYEES, AGENTS AND REPRESENTATIVES OF THESE ENTITIES. IT ALSO INCLUDES ALL OTHER PERSONS ACTING ON BEHALF OF BEACH FIELD.

6. AS USED HEREIN, "INTERVENOR" AND "INTERVENORS" AND "POAS" SHALL MEAN INDIVIDUALLY AND COLLECTIVELY THE PARTIES WHO WERE GRANTED STATUS AS INTERVENORS BY PSC ORDERS 2015-584 AND 2015-585, NAMELY HPCCA, MPOA, BPPOA, AND BEACH FIELD.

7. AS USED HEREIN, "THIS PROCEEDING" AND "THIS MATTER" SHALL MEAN THE APPLICATION PROCEEDINGS CAPTIONED AS *IN RE: APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY, INC. FOR ADJUSTMENT OF RATES AND CHARGES, SOUTH CAROLINA PUBLIC SERVICE COMMISSION*, SC PSC DOCKET NO. 2014-346-WS.

8. PLEASE CONSTRUE "AND" AS WELL AS "OR" BOTH DISJUNCTIVELY OR CONJUNCTIVELY AS MAY BE NECESSARY TO BRING WITHIN THE SCOPE OF THESE INTERROGATORIES ANY INFORMATION WHICH MIGHT OTHERWISE BE CONSTRUED OUTSIDE THEIR SCOPE.

9. "DOCUMENT" SHALL MEAN ANY WRITTEN, PRINTED, TYPED, RECORDED, PHOTOGRAPHIC OR OTHER GRAPHIC MATTER OF ANY KIND OR NATURE, AND ALL MECHANICAL AND ELECTRICAL SOUND RECORDINGS AND ANY TRANSCRIPTS THEREOF, AND COMPUTER DATA FILES IN YOUR POSSESSION, CUSTODY, AND/OR CONTROL, OR KNOWN BY YOU TO EXIST; IT SHALL ALSO MEAN ALL COPIES OF DOCUMENTS BY WHATEVER MEANS MADE. IT INCLUDES WRITTEN CORRESPONDENCE AND ANY CORRESPONDENCE THAT CAN BE PRINTED FROM ITS CURRENT MEDIUM, WHETHER THAT IS FROM EMAIL, TEXT MESSAGING, AND/OR ANY OTHER MEANS OF STORED OR RETRIEVABLE COMMUNICATION.

10. "IDENTIFY" OR "IDENTITY" USED WITH REFERENCE TO AN INDIVIDUAL MEANS TO STATE HIS OR HER FULL NAME, PRESENT OR LAST KNOWN ADDRESS, PRESENT OR LAST KNOWN POSITION AND BUSINESS AFFILIATION, AND EMPLOYER, TITLE, AND POSITION AT THE TIME IN QUESTION.

11. "IDENTIFY" OR "IDENTITY" USED WITH REFERENCE TO A DOCUMENT OR WRITING MEANS TO STATE THE DATE, AUTHOR, TYPE OF DOCUMENT (E.G. LETTER, MEMORANDUM, TELEGRAM, CHART, NOTE APPLICATION, ETC.) OR OTHER MEANS OF IDENTIFICATION, AND ITS PRESENT LOCATION OR CUSTODIAN. IF ANY SUCH DOCUMENT IS NO LONGER IN YOUR POSSESSION OR SUBJECT TO YOUR CONTROL, STATE WHAT DISPOSITION WAS MADE OF IT.

12. "YOU" AND "YOURS" INCLUDE THE PARTY UPON WHOM THIS DISCOVERY IS DIRECTED, AND ANY OF ITS MEMBERS, INDIVIDUALLY, WHO HAVE KNOWLEDGE OR CONTROL OF INFORMATION REQUESTED IN THE DISCOVERY REQUESTS.

13. AS USED HEREIN, "ORS" SHALL MEAN THE OFFICE OF REGULATORY STAFF.

INTERROGATORIES AND REQUESTS FOR PRODUCTION

Regarding the Prefiled Rehearing Testimony of Dawn M. Hipp:

1. The witness testifies, "DIUC provided invoices and documentation to support only $53,726 in bond premium expenses."
    a. Did the witness include the $7,055.58 cost of the of the letter of credit required for the bonds? This cost is discussed in the Prefiled Rehearing Testimony of John Guastella (p.13) and evidenced by page 120 of Attachment to ORS 1-12.

ORS RESPONSE TO 1a:

ORS included a $7,055.58 expense for a letter of credit from SunTrust in the ORS calculation of rate case expense (Audit Adjustment 6a).

2. The witness testifies on page 5 that "DIUC did not provide invoices to support approximately $88,999 related to requested rate case expenses. Please identify the category or type of expenses that are included in the excluded amount of $88,999.

ORS RESPONSE TO 2:

Based on the rate case expense invoices and supporting documentation contained in Rehearing Exhibit DMH-1 and provided by DIUC in Attachment 1-12 in response to ORS discovery, ORS determined DIUC provided invoices and supporting documentation for review related to rate case expenses which total $705,210.23.

DIUC witness Guastella stated in pre-filed rehearing testimony (page 14) "DIUC requests that the total rate case expenses for legal and consulting in the amount of $794,210, plus the $60,782 of bond costs, be recovered and amortized over a 3 year period."

ORS did not review, verify or include approximately $88,999 of rate case expense requested by DIUC witness Guastella because the invoices and supporting documentation were not provided by DIUC to ORS for review and verification.

The calculation for the $88,999 amount is as follows:

DIUC witness Guastella request (page 14) for legal and consulting:	**$794,210.00**
Total of invoices and supporting documentation provided by DIUC:	**$705,210.23**
Difference between DUIC request and supporting documentation:	**$88,999.77**

3. The witness testifies that ORS recommends the Commission remove $542,978 of Guastella Associates, LLC ("GA") invoices ("the GA invoices") submitted for rate case expenses because "in general" the GA invoices:
    - Contain mathematical errors;
    - Do not contain sufficient detail to describe the work performed, the specific dates and hours of work, employee name, and business purpose;
    - Contain expenses such as air fare, lodging, and meals for which no detail was provided; and
    - Do not appear to be paid by DIUC.

    a. Please identify which the GA invoices ORS contends should be rejected for which reason(s).

    b. Does ORS contend that DIUC is not obligated to pay the GA invoices? If so, please identify each of GA invoices that ORS contends DIUC is not obligated to pay the reason(s) why ORS asserts DIUC is not obligated to pay the same.

ORS RESPONSE TO 3a:

See Attachment 1.

ORS RESPONSE TO 3b:

No.

4. Does ORS contend that Accounts Payable, which includes changes not yet paid, are not expenses for inclusion in ratemaking analysis?

ORS RESPONSE TO 4:

ORS verifies that invoices received by a utility are actually paid by the utility.

5. Did the witness apply any specific rule, policy, or other guideline in concluding the GA invoices were deficient? If so, please identify each such rule, policy, or other guideline and produce a copy of the same.

ORS RESPONSE TO 5:

ORS employs the NARUC Uniform System of Accounts requirement that a regulated utility shall keep its books and records to support its regulated operations in such a manner to "...permit a ready identification, analysis and verification of all facts

relevant thereto." (NARUC Uniform System of Accounts for Class A Wastewater Utilities, 1996, page 15). See Attachment 2.

ORS employs the audit principles outlined in the Rate Case and Audit Manual prepared by the NARUC Staff Subcommittee on Accounting and Finance (Summer 2003). The Rate Case and Audit Manual can be found here: https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwjOqLOOqNDXAhVM5iYKHUgfCZwQFggmMAA&url=http%3A%2F%2Fregulationbodyofknowledge.org%2Fwp-content%2Fuploads%2F2013%2F03%2FNARUC_Rate_Case_and.pdf&usg=AOvVaw12WNt2Wic2tpTRDdJD54r0

These audit principles include the concept of known and measurable which identifies there "...should be a reasonable ability to measure the item underlying the adjustment." (page 35). In addition, this resource also supports the ORS verification of invoices (page 41).

ORS evaluates the following to verify that invoices and supporting documentation:

1) **Are mathematically accurate**
2) **State a valid business purpose**
3) **Are incurred for the time period under review**
4) **Are properly recorded on the books and records of the company**
5) **Are paid by the company**

6. With regard to Exhibit DMH-5:
   a. Identify who prepared the exhibit;
   b. Produce all documents from which the data in the exhibit was obtained.

ORS RESPONSE TO 6a:

Dawn Hipp

ORS RESPONSE TO 6b:

See Attachment 3.

7. How did the witness obtain the data included in Exhibit DMH-5? If other persons assisted in obtaining the data or preparing the exhibit, please identify the person(s) and produce all documents related to the action(s) of the person(s). Pursuant to Instruction #9, this includes producing all associated correspondence and emails.

ORS RESPONSE TO 7:

See ORS Response to 6a and 6b.

8. Did the witness or anyone at her direction do anything to verify:
    a. The data included in Exhibit DMH-5? If so, please identify those actions.
    b. The sources of the data included in Exhibit DMH-5? If so, please identify those actions.

ORS RESPONSE TO 8a:

Yes. Dawn Hipp reviewed the calculations for accuracy.

ORS RESPONSE TO 8b:

Yes. Dawn Hipp reviewed the calculations for accuracy.

9. The witness testifies on page 8 regarding Exhibit DMH-5 that "ORS's analysis as presented in Rehearing Exhibit DMH-5 indicates the dollar amount of management fees requested by DIUC are in excess of what other similarly situated investor-owned water and wastewater utilities pay for similar services." The Exhibit then references Harbor Island Utility and Kiawah Island Utility.
    a. Please define the term "similarly situated" as it is employed by the witness.
    b. Does ORS contend that Harbor Island Utility, Kiawah Island Utility, and Daufuskie Island Utility are "similarly situated" as that term is employed by the witness?
    c. If so, please identify each fact or characteristic and provide all documents containing the data used to identify each fact or characteristic upon which the witness relied for her determination that Daufuskie Island Utility, Kiawah Island Utility, and/or Harbor Island Utility are similarly situated."

ORS RESPONSE TO 9a:

ORS considered the following characteristics to determine if an investor-owned water and wastewater utility is "similarly situated" to DIUC:

1) **Under the jurisdiction of the SC PSC**
2) **Provided water and wastewater service**
3) **Provided service in a SC coastal area and/or island**
4) **Obtained day-to-day maintenance, operations and customer billing services through a management agreement with a third-party entity.**

ORS RESPONSE TO 9b:

It is ORS's opinion that the investor-owned utilities are similarly situated based on the characteristics identified in ORS Response 9a.

ORS RESPONSE TO 9c:

ORS relied upon the testimony, exhibits, PSC Order and transcript in the following Dockets to support the conclusion the investor-owned utilities are similarly situated:
Harbor Island Utilities, Inc. Docket No. 2016-29-WS
https://dms.psc.sc.gov/Web/Dockets/Detail/115766

Kiawah Island Utilities, Inc. Docket No. 2016-222-WS
https://dms.psc.sc.gov/Web/Dockets/Detail/115959

Daufuskie Island Utility Company, Inc. Docket No. 2014-346-WS
https://dms.psc.sc.gov/Web/Dockets/Detail/115174

10. The witness testifies on page 8 regarding Exhibit DMH-5 "ORS calculated that, on a monthly basis, a DIUC customer would pay over $30 per month for management services if the Commission approved DIUC's request. By comparison, Kiawah Island Utility, Inc. customers spend approximately $7 per month for management services."
    a. Please identify the person(s) at ORS who conducted the calculations and produce all documents used in the calculations Pursuant to Instruction #9, this includes producing all associated correspondence and emails.

ORS RESPONSE TO 10a:

Dawn Hipp
See ORS Response to 6b Attachment 3.

11. At any time (before or after preparing Exhibit DMH-5), did the witness or anyone at her direction determine whether Kiawah Island Utility or Harbor Island Utility have or have not in the past four years:
    a. Experienced any failure of water or sewer system(s)? If so, please identify the failure(s) by plant item and identify the scope of each failure.
    b. Undertaken any financing? If so, please identify the provider of financing and the terms of the financing.
    c. Been required to restructure or reorganize its corporate form or structure? If so, please identify the transactions and changes.

ORS RESPONSE TO 11a – 11c:

No.

12. Did the witness or anyone at her direction identify facts or characteristics upon which it was determined that Daufuskie Island Utility, Kiawah Island Utility, and/or Harbor Island Utility are comparable? If so, please identify each fact or characteristic and provide all documents containing the data used to identify each fact or characteristic.

ORS RESPONSE TO 12:

See ORS Response to 9a – 9c.

Regarding the Prefiled Rehearing Testimony of Daniel F. Sullivan:

13. The witness adopts "the testimony of Ivana Gearheart filed on October 2, 2015, taking into account the adjustments as set forth in South Carolina Supreme Court Opinion No. 27729."
    a. Does Mr. Sullivan also adopt the testimony of Ms. Gearheart provided at the hearing on October 28, 2015?
    b. Does ORS adopt the testimony of Ms. Gearheart provided at the hearing on October 28, 2015?

ORS RESPONSE TO 13a:

No. Mr. Sullivan has adopted the pre-filed testimony of Ms. Gearheart with the exception of the adjustments modified due to the Supreme Court Opinion No. 27729.

ORS RESPONSE TO 13b:

No. Mr. Sullivan has adopted the pre-filed testimony of Ms. Gearheart with the exception of the adjustments modified due to the Supreme Court Opinion No. 27729.

14. Please provide an Excel file with all working formulas that "rolls forward" ORS's accumulated depreciation and annual depreciation expense in support of those revenue requirement components, as reflected in Mr. Sullivan's Exhibits DFS-1 through DFS-9.

ORS RESPONSE TO 14:

See Excel file titled "Plant-DE-AD as of 12-31-14 – DIUC"

15. If not included in response to the request above, please provide an Xcel file with working formulas for the attached depreciation schedule previously provided by ORS to DIUC. See Plant in Service / Depreciation Schedule attached as Exhibit One.

ORS RESPONSE TO 15:

See Excel file titled "Plant-DE-AD as of 12-31-14 – DIUC"

16. Why is ORS's calculation of accumulated amortization of CIAC limited to the test year of 2014 while its revenue requirement includes the known and measurable changes through December 31, 2015?

ORS RESPONSE TO 16:

The testimony of Ivana C. Gearheart was filed on October 2, 2015. Therefore, known and measurable changes were not included through December 31, 2015. Based on the testimony of Ivana C. Gearheart for Adjustment 5(a) and Adjustment 10, depreciation expense and plant in service were adjusted by "known and measurable plant in service as of July 31, 2015". Based on review of work papers and exhibits filed in this docket, it appears plant in service and depreciation expense were calculated as of December 31, 2014 and included no plant additions subsequent to December 31, 2014. Therefore, both plant in service and CIAC were adjusted as of December 31, 2014

17. Since the October 28, 2015, hearing in this matter, has ORS considered or analyzed any of the following regarding Guastella Associates ("GA"):
    a. Whether GA does or does not perform the services as set forth in its management agreement with DIUC?
    b. Whether the management services performed by GA for DIUC are or are not necessary for the operation and management of DIUC?
    c. Whether GA is or is not qualified to perform the management services?
    d. Whether DIUC's customers have or have not benefitted from the management services provided by GA?

    For each issue please indicate "yes" or "no." For any "yes" responses, please indicate ORS's conclusion and identify all documents considered or created during that analysis. Pursuant to Instruction #9, this includes producing all associated correspondence and emails.

ORS RESPONSE TO 17a – 17d:

No.

18. Please produce all documents identified in response to the previous interrogatory.

By: */s/ Thomas P. Gressette, Jr.*
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ATTORNEYS FOR DAUFUSKIE
ISLAND UTILITY COMPANY, INC.

November 20, 2017
Charleston, South Carolina

BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility Company, Inc.
For Adjustment of Rates and Charges

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day **APPLICANT'S SECOND SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION TO OFFICE OF REGULATORY STAFF** via electronic mail service as follows:

Andrew M. Bateman, Esq. (abateman@regstaff.sc.gov)
Jeff Nelson, Esq. (jnelson@regstaff.sc.gov)
South Carolina Office of Regulatory Staff

John J. Pringle, Jr., Esq. (jack.pringle@arlaw.com)
John F. Beach, Esq. (john.beach@arlaw.com)
Adams & Reese, LLP

By: */s/ Thomas P. Gressette, Jr.*
Thomas P. Gressette, Jr.

November 20, 2017
Charleston, South Carolina

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
1	7/10/2014	133	Guastella Associates, LLC	$ 1,612.50	1	Rate Filing - Work in progress on rate analysis. Review operations for capital and expenses to establish a normalized test period.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 7/10/14 appears incorrect; Rate for Principal 1 not consistent with rates used on other invoices (mathmatical error); No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
2	9/9/2014	139	Guastella Associates, LLC	$ 16,687.50	2	Consulting services in connection with the preparation of a rate application.	No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 9/9/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
3	10/14/2014	145	Guastella Associates, LLC	$ 5,130.00	3	Work in progress on rate analysis	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 10/14/14 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
4	11/11/2014	151	Guastella Associates, LLC	$ 13,122.50	6	Work in progress on rate case	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed, No payments listed; Balance Due as 11/11/14 appears incorrect, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
5	12/9/2014	165	Guastella Associates, LLC	$ 14,600.00	7	Work in progress on rate case.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed; Balance Due as 12/09/14 appears incorrect, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
6	1/5/2015	170	Guastella Associates, LLC	$ 19,932.50	8	Work in progress on rate analysis. Review draft schedules and calculations, and make revisions.	No start date listed: No specific dates and times listed for work for each employee; Employee/contractor name not listed, Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 01/05/15 appears incorrect; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
7	2/10/2015	179	Guastella Associates, LLC	$ 25,239 02	9	Work in progress on rate filing. Revise rate analysis; negotiate reduction of property taxes, related discussions with attorney	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed, Balance Due as 02/10/15 appears incorrect; Work performed appears to include property tax negotiations; Travel Expenses for air fare and room and board are not supported by receipts and no employee name listed; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
8	3/6/2015	184	Guastella Associates, LLC	$ 15,692.50	11	Work in progress on rate case Review latest draft and address property tax issue.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 03/06/15 appears incorrect; Work performed appears to include property tax negotiations; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
9	4/8/2015	192	Guastella Associates, LLC	$ 4,792 50	12	Work on progress on rate case Review latest draft and address property tax issue	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed, Balance Due as 04/08/15 appears incorrect; Work performed appears to include property tax negotiations; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
10	5/20/2015	204	Guastella Associates, LLC	$ 17,992 50	13	Consulting services in connection with rate case. Prepare report to the PSC, ORS and POAs on the capital improvements as required in the last rate case decision and order	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 05/20/15 appears incorrect, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
11	6/5/2015	209	Guastella Associates, LLC	$ 19,067 48	14	Consulting services in connection with rate case. Prepare report to the PSC, ORS and POAs on the capital improvements as required in the last rate case decision and order, and work in progress to prepare rate petition	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed; Balance Due as 06/05/15 appears incorrect, No purpose listed for Material & Shipping costs; No receipts provided for Material & Shipping costs; Employee position titles inconsisent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
12	7/1/2015	211	Guastella Associates, LLC	$ 53,810.00	15	Work in progress on rate application. Complete rate analysis, notice and documents required for the rate application. Prepared notices and newspaper publication Review and responds to ORS first set discovery requests. Review first ORS-WWW request and audit requests and begin preparing responses Related correspondence and communcations with	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed; No payments listed; Balance Due as 07/01/15 appears incorrect, Employee position titles inconsisent with prior GA invoices, No detail or amount for "adj July 2014 billing", No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
13	8/10/2015	215	Guastella Associates, LLC	$ 67,860.00	21	Work in progress on rate application. Review and respond to ORS discovery requests, Audit Requests, and WWW requests Related correspondence and communications with attorneys.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed, Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 08/10/15 appears incorrect; Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
14	10/14/2015	223	Guastella Associates, LLC	$ 19,870.00	30	Work in progress on rate case. Review intervenors IROG and production of documents. Draft responses. Review GW testimony. Related correspondence and calls with attorneys.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed; No payments listed; Balance Due as 10/14/15 appears incorrect; Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
15	11/9/2015	228	Guastella Associates, LLC	$ 82,695 34	36	Work in progress on rate case Review and respond to discovery, review and prepare motions, prepare cross-examination of opposing witnesses, prepare for and participate in hearings. Attend inspections by ORS and Intervenors. Related discussions, conference calls and correspondence with attorneys.	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 11/09/15 appears incorrect; Employee position titles inconsisent with prior GA invoices; No details provided for travel and UPS/express mail expenses; No receipts provided for travel and UPS/express mail expenses; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
16	12/11/2015	232	Guastella Associates, LLC	$ 37,812 50	37	Work in progress on rate case. Prepare proposed order. Related discussions, conference calls and correspondence with attorneys.	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed, Balance Due as 12/11/15 appears incorrect; Employee position titles inconsisent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
17	1/6/2016	236	Guastella Associates, LLC	$ 17,412.50	42	Work in progress on rate case. Revise and finish proposed order Prepare income statement under the PSC's Order demonstrating its confiscatory rates decision. Related conference calls and correspondence with attorneys.	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 01/06/16 appears incorrect; Employee position titles inconsisent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
18	2/4/2016	242	Guastella Associates, LLC	$ 14,652 50	46	Work in progress on rate case. Review answer by ORS to proposed order; and prepare drafts, edits and final response to ORS. Review PSC decision Prepare drafts, edits and final bond proposal to implement DIUC's requested rates. Prepare compromise position options Related conference calls and correspondence with attorneys	No start date listed; No specific dates and times listed for work for each employee, Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed; No payments listed, Balance Due as 02/04/16 appears incorrect; Employee position titles inconsisent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
19	3/12/2016	247	Guastella Associates, LLC	$ 3,772.50	47	Work in progress on rate case. Review PSC decision on bond. Prepare notices and original rate increase. Related conference calls and corresponence with attorneys.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed; No payments listed; Balance Due as 03/12/16 appears incorrect; Employee position titles inconsisent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
20	4/6/2016	253	Guastella Associates, LLC	$ -	52	No charges this month.	

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
21	5/16/2016	259	Guastella Associates, LLC	$ 5,562.50	56	Work in progress on rate case appeal. Prepare outline and discussion of appeal issues	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 05/16/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
22	6/21/2016	263	Guastella Associates, LLC	$ 8,522.50	58	Work in progress on rate case appeal. Review and edit attorney's draft appeal, related discussions and review final appeal.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 06/21/16 appears incorrect, Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
23	7/8/2016	269	Guastella Associates, LLC	$ 5,617.50	62	Work in progress on rate case appeal. Review and edit additional revisions to appeal and conference calls with attorneys Negotiate and prepare financial information for bond agents and respond to data requests, and related	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed, No payments listed, Balance Due as 07/08/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
24	8/12/2016	274	Guastella Associates, LLC	$ 2,537.50	66	Work in progress on rate case appeal Review reply briefs of ORS and POAs, and related discussions and correspondence with attorneys	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed; Balance Due as 08/12/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
25	9/6/2016	277	Guastella Associates, LLC	$ 15,357.50	68	Work in progress on rate case appeal Prepare drafts of reply to ORS and POA replies to appeal; and related discussions and correspondence with attorneys.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed; No payments listed; Balance Due as 09/06/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
26	11/18/2016	288	Guastella Associates, LLC	$ 1,307.50	74	Work in progress on rate case; final edit of briefs and documents for submission to the Court.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed, No beginning balance listed, No payments listed; Balance Due as 11/18/16 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
27	1/9/2017	292	Guastella Associates, LLC	$ 22,117.50	79	Prepare issues for oral argument before Judicial Supreme Court; attend and/or review oral argument; prepare report. Related correspondence and discussions with attorney.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed; Balance Due as 01/09/17 appears incorrect; Employee position titles inconsistent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate

#	Date	Invoice	Payee	Amount	Rehearing Exhibit DMH-1 Page #	DIUC Invoice Description	ORS Documentation Deficiency
28	7/17/2017	327	Guastella Associates, LLC	$ 7,825.00	86	Prepared financial statements, calculations of amounts and request to PSC for renewed bond, related discussions and work with surety agent, bank for LOC, and attorney.	No start date listed; No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed, Balance Due as 07/17/17 appears incorrect; Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
29	8/18/2017	333	Guastella Associates, LLC	$ 2,325.00	89	Work in progress on rate case. Review Supreme Court decision and prepare preliminary calculations of impact on rates, related correspondence and discussions with attorney.	No start date listed; No specific dates and times listed for work for each employee, Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed, No payments listed, Balance Due as 08/18/17 appears incorrect, Employee position titles inconsisent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
30	9/15/2017	335	Guastella Associates, LLC	$ 9,700 00	92	Work in progress on rate case Prepare schedules of the impact of the Court's decision on specific issues and overall, prepare settlement schedule and rate case expense schedules. Related correspondence and discussions with attorneys on rates, rehearing. Intervenor issue on bonds, motion for costs and potential settlement position.	No start date listed, No specific dates and times listed for work for each employee; Employee/contractor name not listed; Work description is not sufficiently detailed; No beginning balance listed; No payments listed; Balance Due as 09/15/17 appears incorrect, Employee position titles inconsisent with prior GA invoices; No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
31	10/17/2017	337	Guastella Associates, LLC	$ 10,351.25	101	Work in progress on rate case Prepare settlement issues; prepare schedule of rate case expenses and compile invoices; review motion for Court costs and compile costs; review ORS settlement proposal and review its work papers and calculations; prepare settlement offers and options. Related correspondence and multiple discussions with attorneys on rates, rehearing, and attorney's discussions with ORS and Intervenors.	No start date listed, No specific dates and times listed for work for each employee, Employee/contractor name not listed, Work description is not sufficiently detailed, No beginning balance listed; No payments listed, Balance Due as 10/17/17 appears incorrect; Employee position titles inconsisent with prior GA invoices, No Rate Agreement with GA provided by DIUC - ORS cannot verify if rates charged by GA to DIUC for rate case expenses are accurate
			Total	**$542,978.09**			

NARUC Chart of Accounts
Audit Dept. Set No. 3
(Please Do Not Remove From ORS Office)

UNIFORM SYSTEM OF ACCOUNTS FOR CLASS A WASTEWATER UTILITIES

1996

NATIONAL ASSOCIATION OF
REGULATORY UTILITY COMMISSIONERS

1101 Vermont Avenue NW
Washington, D.C. 20005
USA
Tel: (202) 898-2200
Fax: (202) 898-2213
www.naruc.org

$26.00

ACCOUNTING INSTRUCTIONS

1. General - Classification of Utilities

A. For the purpose of applying the system of accounts prescribed by the Commission, wastewater utilities are divided into three classes, as follows:

Class A - Utilities having annual wastewater operating revenues of $1,000,000 or more.

Class B - Utilities having annual wastewater operating revenues of $200,000 or more but less than $1,000,000.

Class C - Utilities having annual wastewater operating revenues of less than $200,000.

B. This system of accounts applies to Class A utilities. The system of accounts applicable to Class B and C utilities are issued separately.

C. The class to which any utility belongs shall originally be determined by the average of its annual wastewater operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the average annual wastewater operating revenues for the three immediately preceding years exceed the upper limit or are less than the lower limit, of the annual wastewater operating revenues of the classification previously applicable to the utility. For a utility with both water and wastewater operations, the classification shall be based on the operation with the highest annual revenues.

2. General - Records

A. Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of accounts so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.

B. The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, stock books, reports, correspondence, memoranda, etc., which may be useful in developing the history of, or facts regarding, any transaction.

C. No utility shall destroy any such books or records unless the destruction thereof is permitted by rules and regulations of the Commission.

Exhibit MPS-1

ORS BUSINESS OFFICE COMPLIANCE REVIEW: Water/Sewer Company

Utility: Harbor Island Utilities, Inc.
Inspector: Matthew Schellinger, Willie Morgan
Office: 12 Fairfield Road, Suite 1-B, Ladys Island, SC
Utility Type: Water/Sewer
Date: October 24, 2016
Company Representative: Bob Gross & Claudia McKeown

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R.103-510 and R. 103-710.	X		
2	Complaint records maintained in accordance with R.103-516 and R. 103-716.	X		Reviewed the complaint log in office as well as utilities response to complaints.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530 and R.103-730.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530 and R. 103-730.	X		
5	Deposits charged within the limits established by R.103-531 and R. 103-731.	X		
6	Timely and accurate bills being rendered to customers in accordance with R.103-532 and R.103-732.	X		Customer bills are issued immediately following the reading of their meter.
7	Bill forms in accordance with R.103-532 and R.103-732.	X		
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535 and 103-735.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C and 103-714-C.	X		

Exhibit MPS-1

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, and emergencies during non-office hours.	X		
15	Utility verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the utility has at present time.			Water – 468 Sewer – 448
17	Utility has a current performance bond on file with the Commission. Amount of bond:	X		$215,000 for water service and $145,000 for sewer service
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		

Exhibit MPS-1

ORS WATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected: October 24, 2016
Inspector Name: Matthew Schellinger and Willie Morgan
Docket Number: 2016-29-WS
Utility Name: Harbor Island Utilities, Inc.
Utility Representative: Robert Gross
Number of Customers: 450 residential, 9 irrigation, 8 commercial, 1 WWTF
System Type (distribution, well, etc): Storage and Distribution
Location of System: Harbor Island
Location of Utility Office: Ladys Island
Treatment Type: None
Permit #: 0750013
Last SC DHEC Compliance Rating: Needs Improvement
Frequency checked by Operator: Daily
Wastewater Provider: Harbor Island Utilities, Inc.

	System Components Inspected	Specific Type	#	PSI	Capacity	Compliance			Comments
						Yes	No	N/A	
1	Well Sites		0					N/A	
2	Pump Houses		0					N/A	1 service pump, 2 fire pumps
3	Storage Tank	Pressurized	0					N/A	
3a	Storage Tank	Non-Pressurized	1		350k	X			ground level
3b	Storage Tank	Overhead	0					N/A	
4	Chlorinator		0					N/A	
5	Other Chemicals in use		0					N/A	
6	Meters		468			X			
7	Hydrants		36			X			
8	Electrical Wiring acceptable					X			
9	Piping acceptable					X			
10	System free of leaks					X			
11	Access road adequate					X			
12	Ability for service area to expand					X			

Additional Comments: Company has new backup generator available on site.

Exhibit MPS-1

ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	October 24, 2016
Inspector Name:	Matthew Schellinger and Willie Morgan
Docket Number:	2016-29-WS
Utility Name:	Harbor Island Utilities, Inc.
Utility Representative:	Robert Gross
Number of Customers:	442 residential, 6 commercial
System Type (collection, force main, lagoon, etc):	Collection, force main, treatment in tanks
Location of System:	Harbor Island
Location of Utility Office:	Ladys Island
Treatment Type:	Tertiary Treatment
Permit #:	ND0088013
Last SC DHEC Compliance Rating:	Non-Compliance
Frequency checked by WWTF Operator:	Daily
Drinking Water Provider:	Harbor Island Utilities, Inc.

	System Components Inspected	Compliance			Comments
		Yes	No	N/A	
1	Chlorinator	X			
2	Other chemicals in use			N/A	
3	Aerators present			N/A	2 Blowers used instead of aerators
4	Plant fenced and locked	X			
5	Warning Signs Visible	X			
6	Fence in good condition	X			
7	Dikes in good condition			N/A	
8	Odor non-existent or limited	X			
9	Grass mowed	X			
10	Duckweed/Algae acceptable	X			
11	Grease build-up acceptable	X			
12	Plant free of debris	X			
13	Effluent Color acceptable	X			Discharge to holding pond on Fripp Island
14	Lift Stations present	X			8 lift stations
15	Failure Warning System adequate	X			
16	Electric Wiring adequate	X			
17	System free of leaks	X			
18	System free of overflows	X			
19	Access road adequate	X			
20	Ability for service area to expand	X			

Additional Comments: Effluent discharged to Fripp Island golf course through Fripp Island Public Service District. Company has backup generator on site and available for use.

Harbor Island Utilities, Inc.
Docket No. 2016-29-WS
Revenue Impact Analysis

Calculated HIU Test Year Revenue Overview

	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues	
	Revenue Overview for Period January 1 to December 31, 2015 Rates approved by PSC						
WATER	**Water Service**						
	3/4" Residential Water			391	$17.24	$80,890	
	3/4" Multiple Residence			58	$17.24	$11,999	
	1" Residential Water			1	$21.00	$252	
	Residential Usage	20,703,080	$4.62			$95,648	[1]
	3/4" Commercial Water			5	$24.00	$1,440	
	1" Commercial Water			2	$27.00	$648	
	1 1/2" Commercial Water			1	$33.00	$396	
	Commercial Usage	2,734,320	$4.62			$12,633	[2]
	3/4" Irrigation			4	$17.24	$828	
	1" Irrigation			3	$21.00	$756	
	1 1/2" Irrigation			2	$26.50	$636	
	Irrigation Usage	637,650	$4.62			$2,946	
	Hydrant Usage Charge	0	$4.17	2	$65.00	$130	
	General						
	Set-Up Fee for New Customers			29	$12.50	$363	[3]
	Delinquent Accounts			3	$5.00	$15	[3]
	Late Fees (1.5%)					$329	[3]
	Returned Check Fee			2	$12.50	$25	[3]
	Water Service Total	***24,075,050***				***$209,934***	
SEWER	**Sewer Service**						
	Residential Sewer			442	$37.18	$197,203	
	Commercial Sewer (Up to 10,500 gallons)			6	$37.18	$2,677	
	General						
	Set-Up Fee for New Customers			29	$12.50	$363	[3]
	Delinquent Accounts			3	$5.00	$15	[3]
	Late Fees (1.5%)					$329	[3]
	Returned Check Fee			2	$12.50	$25	[3]
	Sewer Service Total					***$200,612***	
	Water and Sewer Service Total	***24,075,050***				***$410,546***	

Calculation Assumptions:

Note: Consumption and Units reflected as reported during test year. Growth factor not included for comparison purposes.

[1] Residential Usage includes 3/4", 1", Water Used During Construction, and Closeout - Final Bills

[2] Commercial Usage includes 3/4", 1", 1 1/2", and Treatment Plant Water Usage

[3] Setup Fees ($25), Delinquent Accounts ($10), Late Fees (Test Year), and Returned Check Fees ($25) split 50/50 between Water and Sewer Service

Harbor Island Utilities, Inc.
Docket No. 2016-29-WS
Revenue Impact Analysis

Exhibit MPS-2

Calculated HIU Revenue - Proposed Increase

	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues	Increase Amount	% Increase	
	Revenue Overview for Period January 1 to December 31, 2015 @ Proposed Rates								
WATER	Water Service								
	3/4" Residential Water			391	$35.61	$167,082	$86,192	106.55%	
	3/4" Multiple Residence			58	$27.09	$18,855	$6,856	57.14%	
	1" Residential Water			1	$39.37	$472	$220	87.30%	
	Residential Usage	20,703,080	$7.17			$148,441	$52,793	55.20%	[1]
	3/4" Commercial Water			5	$42.37	$2,542	$1,102	76.53%	
	1" Commercial Water			2	$45.37	$1,089	$441	68.06%	
	1 1/2" Commercial Water			1	$51.37	$616	$220	55.56%	
	Commercial Usage	2,734,320	$7.17			$19,605	$6,972	55.19%	[2]
	3/4" Irrigation			4	$35.61	$1,709	$881	106.40%	
	1" Irrigation			3	$39.37	$1,417	$661	87.43%	
	1 1/2" Irrigation			2	$44.87	$1,077	$441	69.34%	
	Irrigation Usage	637,650	$7.17			$4,572	$1,626	55.19%	
	Hydrant Usage Charge	0	$7.17	2	$65.00	$130	$0	0.00%	
	General								
	Set-Up Fee for New Customers			29	$12.50	$363	$0	0.00%	[3]
	Delinquent Accounts			3	$7.50	$23	$8	53.33%	[3]
	Late Fees (1.5%)					$329	$0	0.00%	[3]
	Returned Check Fee			2	$15.00	$30	$5	20.00%	[3]
	Water Service Total	*24,075,050*				*$368,352*	*$158,418*	75.46%	
SEWER	Sewer Service								
	Residential Sewer			442	$62.42	$331,076	$133,873	67.89%	
	Commercial Sewer (Up to 10,500 gallons)			6	$62.42	$4,494	$1,817	67.87%	
	General								
	Set-Up Fee for New Customers			29	$12.50	$363	$0	0.00%	[3]
	Delinquent Accounts			3	$7.50	$23	$8	53.33%	[3]
	Late Fees (1.5%)					$329	$0	0.00%	[3]
	Returned Check Fee			2	$15.00	$30	$5	20.00%	[3]
	Sewer Service Total					*$336,315*	*$135,703*	67.64%	
	Water and Sewer Service Total	*24,075,050*				*$704,667*	*$294,121*	71.64%	

Calculation Assumptions:

Note: Consumption and Units reflected as reported during test year. Growth factor not included for comparison purposes.

[1] Residential Usage includes 3/4", 1", Water Used During Construction, and Closeout - Final Bills

[2] Commercial Usage includes 3/4", 1", 1 1/2", and Treatment Plant Water Usage

[3] Setup Fees ($25), Delinquent Accounts ($10), Late Fees (Test Year), and Returned Check Fees ($25) split 50/50 between Water and Sewer Service

Page 2 of 2

Daufuskie Island Utility Company, Inc.
Docket No. 2014-346-WS
ORS Answer to DIUC Discovery Question 6b

ATTACHMENT 3

Harbor Island Utility, Inc.
Docket No. 2016-29-WS
Customer Growth Analysis

Exhibit MPS-3

Date	Water Customers	Sewer Customers	Total Customers
1/1/2015	466	449	915
12/31/2015	470	451	921
Average	468	450	918

Growth Factor for Water

Date	# of Customers	
12/31/2015	470	
Average	468	
Growth Factor	0.0042735	0.42735%

Growth Factor for Wastewater

Date	# of Customers	
12/31/2015	451	
Average	450	
Growth Factor	0.0022222	0.22222%

Growth Factor for Combined Operations

Date	# of Customers	
12/31/2015	921	
Average	918	
Growth Factor	0.0032680	0.32680%

Harbor Island Utilities, Inc. **Exhibit MPS-4**
Docket No. 2016-29-WS
Rates Overview

SCHEDULE OF CURRENT AND PROPOSED RATES AND CHARGES

Water

1. Charges

WATER		
	CURRENT RATE	PROPOSED NEW RATE
Residential ¾" meter (base)	$17.24/month	$35.61/month
Multiple Residence Meters (base)	$17.24/month	$27.09/month
Residential 1" meter (base)	$21.00/month	$39.37/month
Residential 1½"meter (base)	$26.50/month	$44.87/month
Usage	$4.62/1,000 gallons	$7.17/1,000 gallons
Commercial ¾" meter (base)	$24.00/month	$42.37/month
Commercial 1" meter (base)	$27.00/month	$45.37/month
Commercial 1½" meter (base)	$33.00/month	$51.37/month
Usage	$4.62/1,000 gallons	$7.17/1,000 gallons
Irrigation ¾" meter (base)	$17.24/month	$35.61/month
Irrigation 1" meter (base)	$21.00/month	$39.37/month
Irrigation 1½" meter (base)	$26.50/month	$44.87/month
Usage	$4.62/1,000 gallons	$7.17/1,000 gallons
FIRE HYDRANT USAGE		
Meter Usage Charge	$65.00	$65.00
Water Deposit	$75.00	$75.00
Usage	$4.17/1,000 gallons	$7.17/1,000 gallons

2. Nonrecurring Charges
   A. Existing Water Tap-In Fee

Residential Meter	
3/4" water meter	$ 1,200.00
1" water meter	$ 1,600.00
1 1/2" water meter	$ 1,800.00
2" water meter	$ 2,700.00
Multiple Residence Meter	
1"-2" meter	$1,200 /unit
Greater than 2" meter	$ 600.00

   B. Proposed Water Tap-In Fee (New Connections Only)
   Actual cost of installing a water tap at the property.

Harbor Island Utilities, Inc. **Exhibit MPS-4**
Docket No. 2016-29-WS
Rates Overview

3. Administrative and Legal Fees

A. Administrative Set-up Fee:
Current:
New Customers Only $25.00
A one-time fee to defray the cost of initiating service.

B. Delinquent Notification Fee:
Current:
A fee of ten dollars ($10.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-735.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

Proposed:
A fee of fifteen dollars ($15.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-735.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

C. Returned Check Charge (NSF): Company may charge an NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

D. Late Penalty Charge: Company may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

E. Reconnection Charges: Customers who ask to be reconnected within nine months of disconnection shall be charged the monthly charge for the service period they were disconnected. The reconnection fee also shall be due prior to reconnection if water or sewer service has been disconnected at the request of the customer. In the case where a customer's water service has been disconnected for any reason as set forth in Commission Rule R. 103-732.5 a reconnection fee in the amount of $40.00 shall be due at the time the customer requests reconnection of service.

4. Billing Cycle: Recurring charges will be billed every month in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Wholesale Water Increases Pass Through
Company may pass through increases in wholesale water rates from Beaufort-Jasper Water & Sewer Authority to customers after giving them at least 30 days' notice and also providing notice and proof of the increase to the Public Service Commission of South Carolina.

Harbor Island Utilities, Inc. **Exhibit MPS-4**
Docket No. 2016-29-WS
Rates Overview

Sewer

1. Charges

SEWER		
	CURRENT RATE	PROPOSED NEW RATE
Residential	$37.18/month	$62.42/month
Commercial	$37.18 for 10,500 gallons plus $1.50/1,000 excess usage	$62.42 for 10,500 gallons plus $1.50/1,000 excess usage

2. Flat Rate:

Commercial customers should be charged a sewer rate in proportion to residential rates using the contributory loading schedule for wastewater load allocation. With a residential load allocation of 300 gpd, commercial rates should be:

Customer Type	Load Allocation	Factor
Residential	300 gpd	1.0
Country Clubs	50 gpd/member	1.0
Restaurants	30 gpd/seat	0.1 x number of seats
Retail	200 gpd/1,000 ft^2	0.67 x no, 1,000 ft^2
Office	25 gpd/employee	0.083 x no. employees

3. Nonrecurring Charges

A. Sewer Tap-In Fee

Residential	$ 500.00
Commercial	$ 850.00

Sewer Tap (New Connections Only)
Actual cost of installing a sewer tap at the property.

B. Capacity Fees

If sewer service does not exist at a property and service for that property has not been reserved in the sewer system, the Utility may charge a Sewer Capacity Fee in addition to the Sewer Tap Fee. That Sewer Capacity Fee will be the same as the Sewer Capacity Fee charged by BJWSA. That rate currently is:
One sewer Residential Equivalent Unit (REU) = 300 gallons per day (GPD)
Wastewater Capacity Fee: $9.20/GPD
Fee for one sewer REU: $2,760 ($9.20 X 300 GPD)

4. Administrative and Legal Fees

A. Administrative Set-up Fee:
Current:
New Customers Only $25.00
A one-time fee to defray the cost of initiating service.

Harbor Island Utilities, Inc. **Exhibit MPS-4**
Docket No. 2016-29-WS
Rates Overview

B. Delinquent Notification Fee:

Current:

A fee of ten dollars ($10.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

Proposed:

A fee of fifteen dollars ($15.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

C. Returned Check Charge (NSF): Company may charge an NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

D. Late Penalty Charge: Company may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

E. Reconnection Charges: Customers who ask to be reconnected within nine months of disconnection shall be charged the monthly charge for the service period they were disconnected. The reconnection fee also shall be due prior to reconnection if water or sewer service has been disconnected at the request of the customer. In the case where a customer's sewer service has been disconnected for any reason as set forth in Commission Rule R. 103-532.4 a reconnection fee in the amount of $500.00 shall be due at the time the customer requests reconnection of service. Where an elder valve or equivalent device has been previously installed, a reconnection fee of $40.00 shall be charged.

5. Billing Cycle: Recurring charges will be billed every month in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

Harbor Island Utility, Inc.
Docket No. 2016-29-WS
Performance Bond Requirement

Exhibit MPS-5

	Water		
Bond Value Components	**Per Revised Application**	**After Proposed Accounting & Pro Forma Adjustments**	**After Proposed Increase**
Administrative	$44,615	$44,427	$44,427
Operation & Mainteance	$82,202	$85,875	$85,875
Cost of Water	$82,249	$83,590	$83,590
Rate Case Expenses	$0	$1,259	$1,259
Taxes Other Than Income	$1,918	$1,763	$3,093
State & Federal Income Tax	$0	$0	$49,445
Interest Expense	$11,703	$4,104	$4,104
Bond Value Requirement	$222,687	$221,018	$271,793
	Wastewater		
Bond Value Components	**Per Revised Application**	**After Proposed Accounting & Pro**	**After Proposed Increase**
Administrative	$22,795	$23,629	$23,629
Operation & Mainteance	$188,350	$209,105	$209,105
Cost of Water	$0	$0	$0
Rate Case Expenses	$0	$1,260	$1,260
Taxes Other Than Income	$1,918	$1,685	$2,825
State & Federal Income Tax	$0	$0	$23,919
Interest Expense	$11,703	$7,664	$7,664
Bond Value Requirement	$224,766	$243,343	$268,402
	Combined Operations		
Bond Value Components	**Per Revised Application**	**After Proposed Accounting & Pro**	**After Proposed Increase**
Administrative	$67,410	$68,056	$68,056
Operation & Mainteance	$270,552	$294,980	$294,980
Cost of Water	$82,249	$83,590	$83,590
Rate Case Expenses	$0	$2,519	$2,519
Taxes Other Than Income	$3,836	$3,448	$5,918
State & Federal Income Tax	$0	$0	$73,364
Interest Expense	$23,406	$11,768	$11,768
Bond Value Requirement	$447,453	$464,361	$540,195

Current Performance Bond Structure (1)	Bond Value	Expiration Date
Personal financial Statement (Robert Gross)	$360,000	2/16/2017
Total Financial Assurance	$360,000	

(1) Personal Financial Statement secures performance bond of $215,000 for water operations and $145,000 for wastewater operations

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY & EXHIBITS

OF

DANIEL F. SULLIVAN

FEBRUARY 28, 2017

DOCKET NO. 2016-222-WS

Application of Kiawah Island Utility, Incorporated for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service

DIRECT TESTIMONY AND EXHIBITS

OF

DANIEL F. SULLIVAN

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2016-222-WS

IN RE: APPLICATION OF KIAWAH ISLAND UTILITY, INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES AND MODIFICATIONS TO CERTAIN TERMS AND CONDITIONS FOR THE PROVISION OF WATER AND SEWER SERVICE

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Daniel F. Sullivan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") as the Deputy Director of the Audit Department.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree in Business Administration with a major in Accounting from the University of South Carolina in December 1998. From February 1999 to February 2005, I was employed as an auditor with the South Carolina Auditor's Office. In that capacity, I performed audits and reviews of cost reports filed by institutional providers of Medicaid services for the South Carolina Department of Health and Human Services. The primary purpose of these audits and reviews was to establish the applicable reimbursement rates to be paid to Medicaid providers for services rendered

to qualified Medicaid patients. In February 2005, I began my employment with ORS and since then have been involved in cases dealing with the regulation of telecommunication, gas, electric, water and wastewater companies.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to set forth the findings and recommendations resulting from ORS's examination of the application of Kiawah Island Utility, Inc. ("KIU", "Company" or "Applicant"). The application was filed on November 11, 2016.

Q. PLEASE DESCRIBE THE PROCEDURES USED TO PERFORM THE EXAMINATION OF THE COMPANY'S APPLICATION.

A. ORS's examination of the Company's application for adjustment of rates consisted of three major steps. First, ORS verified that the operating experience and rate base reported by the utility in its application were supported by the Company's accounting books and records for the test year. Secondly, ORS tested the underlying transactions in the books and records for the same period to ensure that the transactions were adequately supported, had a stated business purpose, were allowable for ratemaking purposes and were properly recorded. Lastly, our examination consisted of adjusting, as necessary, the revenues, expenditures and capital investments to normalize the Company's operating experience and rate base, in accordance with generally accepted regulatory principles and prior Commission orders.

Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR TESTIMONY.

A. I have attached the following exhibits to my testimony relating to the Application of Kiawah Island Utility, Inc.:

- Audit Exhibit DFS-1: Operating Experience and Operating Margin for Combined Operations
- Audit Exhibit DFS-2: Operating Experience and Operating Margin for Water Operations
- Audit Exhibit DFS-3: Operating Experience and Operating Margin for Sewer Operations
- Audit Exhibit DFS-4: Explanation of Accounting and Pro forma Adjustments
- Audit Exhibit DFS-5: Computation of Depreciation Expense
- Audit Exhibit DFS-6: Computation of Income Taxes

These exhibits were either prepared by me or were prepared under my direction and supervision in compliance with recognized accounting and regulatory procedures for water and wastewater utility rate cases. These exhibits show various aspects of KIU's operations and financial position.

Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT DFS-1 FOR COMBINED OPERATIONS AND ELABORATE ON THE CALCULATIONS.

Audit Exhibit DFS-1 shows KIU's Operating Experience and Operating Margin for water and wastewater operations for the test year ended December 31, 2015. The exhibit's format is designed to reflect the application per books and ORS's proposed accounting and pro forma adjustments necessary to normalize the results of KIU's test year operations for the proposed increase.

Column (1) shows the application per books reported by KIU for the test year ended December 31, 2015. ORS verified total operating revenues of $6,822,242, total operating expenses of $5,857,092 and net income for return of $806,624 to the Company's books and records. Total per book operating margin of 11.82% was calculated by dividing net income for return by total operating revenues.

Column (2) shows ORS's proposed accounting and pro forma adjustments designed to normalize the application per books. A description of each adjustment is contained in Audit Exhibit DFS-4.

Column (3) shows ORS's calculation of a normalized test year for KIU by adding columns (1) and (2). After the accounting and pro forma adjustments, net income for return of $541,538 was computed using total operating revenues of $6,874,009, less total operating expenses of $6,091,620 and less interest expense of $240,851. The resulting operating margin of 7.88% was calculated by dividing net income for return by total operating revenues.

Column (4) shows Applicant's proposed increase recalculated by ORS and the calculation of utility regulatory assessment fees, taxes and customer growth associated with the proposed increase. A description of each adjustment is contained in Audit Exhibit DFS-4.

Column (5) shows effect of the Applicant's proposed increase by adding columns (3) and (4). Net income for return of $1,646,116 was computed using total operating revenues of $8,624,458 less total operating expenses of $6,753,752, adding customer growth of $16,261, and subtracting interest expense of $240,851. The resulting operating margin of 19.09% was calculated by dividing net income for return by total operating revenues.

Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT DFS-2 FOR WATER OPERATIONS AND AUDIT EXHIBIT DFS-3 FOR SEWER OPERATIONS.

A. Audit Exhibit DFS-2 shows KIU's Operating Experience and Operating Margin for water operations for the test year ended December 31, 2015. Audit Exhibit DFS-3 shows KIU's Operating Experience and Operating Margin for sewer operations for the test year ended December 31, 2015. The format of these exhibits is designed to reflect the application per books and ORS's proposed accounting and pro forma adjustments necessary to normalize the results of KIU's test year water and sewer operations for the proposed increase.

Q. PLEASE EXPLAIN THE ADJUSTMENTS IN AUDIT EXHIBIT DFS-4.

A. For comparative purposes, ORS and the Applicant's adjustments are both presented in Audit Exhibit DFS-4. The amounts stated in the following adjustments reflect combined operations.

Adjustment 1 – Utility Operating Revenues – The ORS Utility Rates Department proposes to normalize water and sewer revenues for the test year. Details of the total utility operating revenues adjustment of $51,767, water revenue adjustments totaling $48,464 and the sewer revenue adjustments totaling $3,303 are set forth in the direct testimony of ORS witness Michael Seaman-Huynh.

Adjustment 2 – Operating Expenses – ORS's total operating expenses adjustment is $61,409. This adjustment is comprised of the following operating expense adjustments:

Adjustment 2A – Salaries and Benefits – ORS and KIU propose to annualize salaries and benefits. ORS did not receive any support for KIU's adjustment of $75,027 included in its application. ORS proposes to annualize the latest available salary and benefit

information as of December 2016 as a known and measurable out of test year adjustment. ORS's adjustment was calculated using actual pay stubs, health insurance invoices and bonus criteria. ORS computed annualized salaries of $705,785 and benefits of $123,305, for total salaries and benefits of $829,090. Per book salaries and benefits were $725,068, resulting in an ORS adjustment of $104,022.

Adjustment 2B – Purchased Water Costs – ORS and KIU propose to adjust purchased water costs for the current rates charged by St. John's Water Company. ORS used the St. John's current rate which went into effect in February 2016 multiplied by the gallons purchased by KIU during the test year, plus the monthly maintenance fee, to calculate pro forma purchased water expense of $2,627,315. Using the current rate for purchased water results in a known and measurable out of test year adjustment. Per books purchased water expense was $2,501,356 resulting in an ORS adjustment of $125,959.

Adjustment 2C – Tap-In Expenses - ORS and KIU propose to remove tap-in expenses of ($144,750) from operating expenses because an identical amount of tap-in revenue was removed from utility operating revenues as part of ORS adjustment #1.

Adjustment 2D – Remove Capitalized Repairs & Maintenance Items – ORS and KIU propose to remove costs for items that were expensed in the test year but should have been capitalized. ORS's total adjustment of ($255,971) to operating expenses for items that should have been capitalized was provided by the ORS Utility Rates Department. These items were included in Exhibit DFS-5 for the calculation of depreciation expense.

Adjustment 2E – Additional Repairs & Maintenance – KIU proposed to adjust for additional known and measurable repairs and maintenance in the amount of $50,000. ORS does not propose to adjust for additional repairs and maintenance because expenses have

not been incurred and additional future repairs and maintenance increases are not known and measurable.

Adjustment 2F – Management Fees – ORS and KIU propose to adjust for an increase in management fees. KIU's parent company, Southwest Water Company ("SWWC"), allocates corporate overhead to its subsidiaries using a 3-factor allocation methodology that consists of gross plant, total operating expenses, and payroll. Adjustments to the 3-factor allocation methodology for calculation of the KIU management fee are discussed more fully in the testimony of ORS witness Michael Seaman-Hunyh.

ORS also performed a detailed review of the corporate overhead cost pool and removed certain costs such as expenditures related to prior periods and nonallowable expenses (including parties, gift cards, flowers, fines & penalties) that were not necessary for providing water and/or sewer service to customers. ORS also removed SWWC corporate bonuses because the criteria for those bonuses were related to the performance of SWWC and not related to the performance of KIU.

Lastly, ORS removed information technology costs that had originally been directly allocated to other subsidiaries or initially capitalized by SWWC. At the end of the test year, SWWC posted a reversing journal entry to include these costs in the cost pool for allocation. The original recording of these costs was correct, and ORS' adjustment cancels SWWC's reversing journal entry, resulting in these costs being directly allocated to the utility they benefitted or capitalized rather than included as part of the SWWC cost pool. ORS's calculation of KIU's allocation of management fees was $365,095, less $99,999 recorded per books, for an ORS adjustment of $265,096.

Adjustment 2G – Nonallowables – ORS proposes to remove expenses of ($32,947) that are not necessary for providing water and/or sewer service to customers and are not allowable for ratemaking purposes. These expenses include items such as due diligence costs related to the sale of the KIU system, charitable contributions and other miscellaneous expenses not adequately documented.

Adjustment 3 – Depreciation Expense – ORS and KIU propose to annualize depreciation expense to adjust for plant additions since the test year and capitalized repairs, maintenance, engineering and consulting items. Depreciation expense associated with the ORS allowable and verified cost of $9,048,994 for the second water main is included as part of this adjustment and is calculated using an estimated service life of 50 years as proposed by the Company. Details of the ORS depreciation expense adjustment are shown in Audit Exhibit DFS-5. ORS's total depreciation expense amounted to $591,194, less the per book amount of $413,283, for a total adjustment of $177,911.

Adjustment 4 – Amortization Expense - Other – ORS does not propose to include amortization of loan expense determined to be flotation costs in Docket No. 2011-317-WS. ORS proposes an adjustment of ($9,037) to remove the per book amortization of loan expense.

Adjustment 5 – Amortization of Regulatory Asset – ORS & KIU propose an adjustment of ($17,185) to remove the per book amortization of regulatory asset. Removal of this asset was approved in Docket No. 2011-317-WS.

Adjustment 6 – Amortization of Rate Case Expenses – ORS and KIU propose to amortize current rate case expenses. KIU's adjustment amortized an estimated $90,000 of rate case expenses over a 3 year period for an adjustment of $30,000 per year. ORS verified total

rate case expenses of $138,083 and used an amortization period of 5 years resulting in an adjustment of $27,616 per year. ORS determined a 5 year amortization period for rate case expense is appropriate since rates were last approved for KIU in 2012 in Docket No. 2011-317-WS.

Adjustment 7 – Utility Regulatory Assessment Fees – ORS's total utility regulatory assessment fees adjustment is $37,103. This adjustment is comprised of the following utility regulatory assessment fees adjustments:

Adjustment 7A – Gross Receipts Taxes – ORS & KIU propose to increase gross receipts taxes by $36,114 to reclassify gross receipts payments that were erroneously recorded by KIU as property taxes.

Adjustment 7B – Gross Receipts Taxes – ORS & KIU propose to adjust gross receipts taxes for the accounting and pro forma adjustments made to operating revenues. To compute this adjustment, a PSC/ORS factor of .005397516 was applied to the revenues in ORS adjustment #1. ORS proposes to increase gross receipts taxes by $989.

Adjustment 8 – Property Taxes – ORS's total property tax adjustment is $283,554. This adjustment is comprised of the following property tax adjustments:

Adjustment 8A – Property Taxes – ORS & KIU propose to decrease property taxes by ($36,114) to reclassify gross receipts payments that were erroneously recorded by KIU as property taxes.

Adjustment 8B – Property Taxes – ORS & KIU propose to increase property taxes by $130,108 for a 2014 property tax refund recorded during the 2015 test year. The property tax refund was issued to KIU due to an error while completing the 2014 proposed property tax assessment form.

Adjustment 8C – Property Taxes – ORS proposes to decrease property taxes by ($762) for taxes associated with vehicles no longer owned by KIU. These vehicles were sold by KIU and not replaced. Therefore, the taxes associated with these vehicles should be removed from per books property tax expense.

Adjustment 8D – Property Taxes – ORS and KIU propose to increase property taxes for the increases in plant-in-service due to the second water main, pro forma plant additions and capitalized repairs and maintenance. KIU allocated their calculated increase between water and sewer using 59.07% and 40.93%, respectively. ORS calculated pro forma property taxes of $467,189, as compared to adjusted per book property taxes of $276,867, for an adjustment of $190,322. ORS included pro forma plant additions through January 31, 2017 and allocated the property tax increase between water and sewer operations using the actual increase in water and sewer plant in service.

Adjustment 9 – Payroll Taxes - ORS & KIU propose to adjust for payroll taxes associated with the adjusted test year salaries. The payroll taxes include FICA, state, and federal unemployment taxes. ORS applied an effective payroll tax rate of 7.69% to pro forma salaries of $705,785 to calculate pro forma payroll taxes of $54,275. Per book payroll taxes were $50,495 resulting in an ORS proposed increase to payroll taxes of $3,780.

Adjustment 10 – Other Taxes and Licenses - ORS & KIU propose to adjust for increases in corporate license fees due to increases in pro forma revenue and pro forma property value. The South Carolina Department of Revenue ("SCDOR") factor of .003 was used to compute the increase in license fees due to the increase in pro forma revenues. A factor of .001 was used to compute the increase in license fees due to the pro forma plant additions. KIU allocated both increases between water and sewer using 59.07% and 40.93%,

respectively. ORS allocated the increases in license fees to water and sewer operations based on the actual increases in pro forma revenues of $51,767 and pro forma plant additions of $9,343,848 for water and sewer operations. ORS proposes to increase other taxes and licenses by $9,499.

Adjustment 11 – Federal Income Taxes - ORS and KIU propose to adjust federal income taxes after accounting and pro forma adjustments. ORS and KIU used a 34% rate, based on their 2015 federal income tax form, for calculation of federal income taxes. ORS proposes to decrease federal income taxes by ($182,456). Details of ORS's computation of federal income taxes are shown in DFS-6.

Adjustment 12 – State Income Taxes - ORS and KIU propose to adjust state income taxes after accounting and pro forma adjustments. ORS and KIU used a 5% rate for state income taxes. ORS proposes to decrease state income taxes by ($28,191). Details of ORS's computation of state income taxes are shown in DFS-6.

Adjustment 13 – Deferred Federal Income Taxes – ORS and KIU propose to remove deferred tax expense of ($129,475).

Adjustment 14 – Interest on Debt – ORS and KIU propose to adjust interest expense. KIU calculated its interest expense adjustment by multiplying its outstanding loan balances as of December 31, 2016 by each loan's corresponding interest rate. KIU allocated their adjustment between water and sewer operations using 59.07% and 40.93%, respectively. ORS proposes to synchronize interest expense with the long-term debt associated with KIU's net capital investment. ORS calculated a capital structure ratio of 50.69% long-term debt to 49.31% equity and a weighted average cost of debt of 2.60%. ORS proposes to allocate interest expense between water and sewer operations using the pro forma rate

bases of $14,541,079 for water and $3,733,706 for sewer operations. ORS computed allowable interest expense of $240,851, less the per book amount of $158,526, for an adjustment of $82,325.

Adjustment 15 – Utility Operating Revenues – As calculated by the ORS Utility Rates Department, KIU's proposed increase would produce total additional revenues of $1,750,449, comprised of $1,329,651 for water operations and $420,798 for sewer operations. Details of these adjustments are shown in direct testimony of ORS witness Michael Seaman-Huynh.

Adjustment 16 – Gross Receipts Taxes – ORS & KIU propose to adjust gross receipts taxes for the proposed increase. The current PSC/ORS factor of .005397516 was used to compute this adjustment. ORS proposes to increase gross receipts taxes by $9,448.

Adjustment 17 – Other Taxes and Licenses - ORS & KIU propose to adjust corporate license fees due to the proposed increase. The SCDOR factor of .003 was used to compute the adjustment. ORS proposes to increase other taxes and licenses by $5,251.

Adjustment 18 – Federal Income Taxes - ORS and KIU propose to adjust federal income taxes for the proposed increase. ORS and KIU used a 34% rate for federal income taxes, based on their 2015 federal income tax form, for calculation of federal income taxes. ORS proposes to increase federal income taxes by $560,646. Details of ORS's computation of federal income taxes are shown in DFS-6.

Adjustment 19 – State Income Taxes - ORS and KIU propose to adjust state income taxes for the proposed increase. ORS and KIU used a 5% rate for state income taxes. ORS proposes to increase state income taxes by $86,787. Details of ORS's computation of state income taxes are shown in DFS-6.

Adjustment 20 – Customer Growth – ORS proposes to adjust customer growth for total operating income after the proposed increase. The ORS Utility Rates Department computed growth factors of 1.0217% for water and .5356% for sewer. These factors were applied to the total operating income of $1,283,921 for water and $586,785 for sewer for a total customer growth adjustment of $16,261.

Q. PLEASE DESCRIBE THE REMAINING AUDIT EXHIBITS.

A. Audit Exhibit DFS-5 shows the Computation of Depreciation Expense. Audit Exhibit DFS-6 shows the Computation of Income Taxes.

Q. DURING THE EXAMINATION WAS ORS ABLE TO VERIFY THE AMOUNTS SHOWN ON THE APPLICATION FOR CONSTRUCTION OF THE SECOND WATER LINE?

A. No. ORS was only able to verify the invoices provided by KIU for construction of the second water line as of January 31, 2017. The second water line is in service and is used and useful but not all of the invoices have been provided to KIU by the contractors who constructed the second water line. Therefore, ORS only included the verified and allowable costs of $9,048,994 for the second water line in determining the depreciation expense, property tax increase, and interest expense adjustments.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Audit Exhibit DFS-1

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Operating Experience & Operating Margin
For the Test Year Ended December 31, 2015
Combined Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments	(3) After Accounting & Pro Forma Adjustments	(4) Proposed Increase	(5) After Proposed Increase
	$	$	$	$	$
Operating Revenues:					
Utility Operating Revenues	6,822,242	51,767 (1)	6,874,009	1,750,449 (15)	8,624,458
Total Operating Revenues	6,822,242	51,767	6,874,009	1,750,449	8,624,458
Operating Expenses:					
Operating Expenses	4,406,341	61,409 (2)	4,467,750	0	4,467,750
Depreciation	413,283	177,911 (3)	591,194	0	591,194
Amortization of Water Rights - Impact Fees	47,847	0	47,847	0	47,847
Amortization Expense - Loan Cost	9,037	(9,037) (4)	0	0	0
Amortization of Regulatory Asset	17,185	(17,185) (5)	0	0	0
Amortization of Rate Case Expenses	0	27,616 (6)	27,616	0	27,616
Utility Regulatory Assessment Fees	0	37,103 (7)	37,103	9,448 (16)	46,551
Property Taxes	183,635	283,554 (8)	467,189	0	467,189
Payroll Taxes	50,496	3,780 (9)	54,276	0	54,276
Other Taxes and Licenses	66,986	9,499 (10)	76,485	5,251 (17)	81,736
Federal Income Taxes	461,431	(182,456) (11)	278,975	560,646 (18)	839,621
State Income Taxes	71,376	(28,191) (12)	43,185	86,787 (19)	129,972
Deferred Federal Income Taxes	129,475	(129,475) (13)	0	0	0
Total Operating Expenses	5,857,092	234,528	6,091,620	662,132	6,753,752
Total Operating Income	965,150	(182,761)	782,389	1,088,317	1,870,706
Less: Interest Expense	158,526	82,325 (14)	240,851	0	240,851
Add: Customer Growth	0	0	0	16,261 (20)	16,261
Net Income for Return	806,624	(265,086)	541,538	1,104,578	1,646,116
Operating Margin	11.82%		7.88%		19.09%

Audit Exhibit DFS-2

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Operating Experience & Operating Margin
For the Test Year Ended December 31, 2015
Water Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments	(3) After Accounting & Pro Forma Adjustments	(4) Proposed Increase	(5) After Proposed Increase
	$	$	$	$	$
Operating Revenues:					
Utility Operating Revenues	5,169,619	48,464 (1)	5,218,083	1,329,651 (15)	6,547,734
Total Operating Revenues	5,169,619	48,464	5,218,083	1,329,651	6,547,734
Operating Expenses:					
Operating Expenses	3,672,435	8,067 (2)	3,680,502	0	3,680,502
Depreciation	212,120	181,691 (3)	393,811	0	393,811
Amortization of Water Rights - Impact Fees	47,847	0	47,847	0	47,847
Amortization Expense - Loan Cost	9,037	(9,037) (4)	0	0	0
Amortization of Regulatory Asset	17,185	(17,185) (5)	0	0	0
Amortization of Rate Case Expenses	0	16,313 (6)	16,313	0	16,313
Utility Regulatory Assessment Fees	0	28,165 (7)	28,165	7,177 (16)	35,342
Property Taxes	108,465	246,670 (8)	355,135	0	355,135
Payroll Taxes	29,825	2,233 (9)	32,058	0	32,058
Other Taxes and Licenses	39,565	9,460 (10)	49,025	3,989 (17)	53,014
Federal Income Taxes	295,129	(158,311) (11)	136,818	425,870 (18)	562,688
State Income Taxes	45,652	(24,473) (12)	21,179	65,924 (19)	87,103
Deferred Federal Income Taxes	82,812	(82,812) (13)	0	0	0
Total Operating Expenses	4,560,072	200,781	4,760,853	502,960	5,263,813
Total Operating Income	609,547	(152,317)	457,230	826,691	1,283,921
Less: Interest Expense	93,634	98,009 (14)	191,643	0	191,643
Add: Customer Growth	0	0	0	13,118 (20)	13,118
Net Income for Return	515,913	(250,326)	265,587	839,809	1,105,396
Operating Margin	9.98%		5.09%		16.88%

Audit Exhibit DFS-3

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Operating Experience & Operating Margin
For the Test Year Ended December 31, 2015
Sewer Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments	(3) After Accounting & Pro Forma Adjustments	(4) Proposed Increase	(5) After Proposed Increase
	$	$	$	$	$
Operating Revenues:					
Utility Operating Revenues	1,652,623	3,303 (1)	1,655,926	420,798 (15)	2,076,724
Total Operating Revenues	1,652,623	3,303	1,655,926	420,798	2,076,724
Operating Expenses:					
Operating Expenses	733,906	53,342 (2)	787,248	0	787,248
Depreciation	201,163	(3,780) (3)	197,383	0	197,383
Amortization of Water Rights - Impact Fees	0	0	0	0	0
Amortization Expense - Loan Cost	0	0 (4)	0	0	0
Amortization of Regulatory Asset	0	0 (5)	0	0	0
Amortization of Rate Case Expenses	0	11,303 (6)	11,303	0	11,303
Utility Regulatory Assessment Fees	0	8,938 (7)	8,938	2,271 (16)	11,209
Property Taxes	75,170	36,884 (8)	112,054	0	112,054
Payroll Taxes	20,671	1,547 (9)	22,218	0	22,218
Other Taxes and Licenses	27,421	39 (10)	27,460	1,262 (17)	28,722
Federal Income Taxes	166,302	(24,145) (11)	142,157	134,776 (18)	276,933
State Income Taxes	25,724	(3,718) (12)	22,006	20,863 (19)	42,869
Deferred Federal Income Taxes	46,663	(46,663) (13)	0	0	0
Total Operating Expenses	1,297,020	33,747	1,330,767	159,172	1,489,939
Total Operating Income	355,603	(30,444)	325,159	261,626	586,785
Less: Interest Expense	64,892	(15,684) (14)	49,208	0	49,208
Add: Customer Growth	0	0	0	3,143 (20)	3,143
Net Income for Return	290,711	(14,760)	275,951	264,769	540,720
Operating Margin	17.59%		16.66%		26.04%

Audit Exhibit DFS-4
Page 1 of 7

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2015

KIU Adj. #	ORS Adj. #		Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Accounting and Pro forma Adjustments						
	(1)		**Utility Operating Revenues**			
(1)		A	To adjust revenues to reflect the present rates as calculated by the ORS Utility Rates Department.			
			Per ORS	196,517	137,714	58,803
			Per KIU	184,737	127,557	57,180
(2)		B	To remove tap-in revenue.			
			Per ORS	(144,750)	(89,250)	(55,500)
			Per KIU	(144,750)	(89,250)	(55,500)
	(1)		**Total Utility Operating Revenues Adjustment**			
			Per ORS	51,767	48,464	3,303
			Per KIU	39,987	38,307	1,680
	(2)		**Operating Expenses**			
(3)		(A)	To annualize test year salaries and benefits based on the most recent payroll information. Allocated between water and sewer - 59.07% and 40.93%.			
			Per ORS	104,022	61,446	42,576
			Per KIU	75,027	44,351	30,676
(4)		(B)	To adjust purchased water costs to reflect the current rate charged by St. John's Water Company.			
			Per ORS	125,959	125,959	0
			Per KIU	126,458	126,458	0
(5)		(C)	To remove tap-in expenses.			
			Per ORS	(144,750)	(89,250)	(55,500)
			Per KIU	(144,750)	(89,250)	(55,500)

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2015

KIU Adj. #	ORS Adj. #		Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(6)		(D)	To adjust expenses for repairs and maintenance that should be capitalized.			
			Per ORS	(255,971)	(227,218)	(28,753)
			Per KIU	(170,898)	(170,898)	0
(7)		(E)	To adjust expenses for additional known and measurable repairs and maintenance.			
			Per ORS	0	0	0
			Per KIU	50,000	50,000	0
(8)		(F)	To adjust for SWWC management fees allocated to KIU based on a 3-factor overhead allocation methodology. Allocated between water and sewer - 59.07% and 40.93%.			
			Per ORS	265,096	156,592	108,504
			Per KIU	350,512	207,047	143,465
		(G)	To adjust for nonallowable expenses recorded during the test year. Allocated between water and sewer - 59.07% and 40.93%.			
			Per ORS	(32,947)	(19,462)	(13,485)
			Per KIU	0	0	0
	(2)		**Total Operating Expenses Adjustment**			
			Total Per ORS	61,409	8,067	53,342
			Total Per KIU	286,349	167,708	118,641
(9)	(3)		**Depreciation Expense Adjustment**			
			To increase depreciation expense for asset additions, including second water main depreciated over 50 years, and capitalized repairs and maintenance.			
			Per ORS	177,911	181,691	(3,780)
			Per KIU	210,277	208,311	1,966

Klawah Island Utility, Inc.
Docket No. 2016-222-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2015

KIU Adj. #	ORS Adj. #	Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(9)	(4)	**Amortization Expense - Loan Cost**			
		ORS proposes to remove amortization of loan expense.			
		Per ORS	(9,037)	(9,037)	0
		Per KIU	0	0	0
(10)	(5)	**Amortization of Regulatory Asset**			
		To remove amortization of Regulatory Asset.			
		Per ORS	(17,185)	(17,185)	0
		Per KIU	(17,185)	(17,185)	0
(11)	(6)	**Amortization of Rate Case Expenses**			
		To adjust for amortization of current rate case expenses. Total rate case expenses of $138,083 amortized over 5 years. Allocated between water and sewer - 59.07% and 40.93%.			
		Per ORS	27,616	16,313	11,303
		Per KIU	30,000	17,721	12,279
	(7)	**Utility Regulatory Assessment Fees**			
(12)	(A)	To reclass test year PSC/ORS fees recorded in property tax. Allocated between water and sewer - 59.07% and 40.93%.			
		Per ORS	36,114	21,333	14,781
		Per KIU	36,114	21,333	14,781
(13)	(B)	To adjust gross receipts taxes after the accounting and pro forma adjustments using a factor of .005397516.			
		Per ORS	989	6,832	(5,843)
		Per KIU	216	207	9
	(7)	**Total Utility Regulatory Assessment Fees**			
		Total Per ORS	37,103	28,165	8,938
		Total Per KIU	36,330	21,540	14,790

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2015

KIU Adj. #	ORS Adj. #		Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
	(8)		**Property Taxes**			
(14)		(A)	To reclass test year PSC/ORS fees recorded in property tax. Allocated between water and sewer - 59.07% and 40.93%.			
			Per ORS	(36,114)	(21,333)	(14,781)
			Per KIU	(36,114)	(21,333)	(14,781)
(15)		(B)	To adjust property tax expense for prior year refund received during the test year. Allocated between water and sewer - 59.07% and 40.93%.			
			Per ORS	130,108	76,855	53,253
			Per KIU	130,108	76,855	53,253
		(C)	To decrease property tax for taxes associated with vehicles no longer owned by KIU. Allocated between water and sewer - 59.07% and 40.93%.			
			Per ORS	(762)	(450)	(312)
			Per KIU	0	0	0
(16)		(D)	To increase property tax for second water main and capitalized repairs and maintenance.			
			Per ORS	190,322	191,598	(1,276)
			Per KIU	225,795	133,377	92,418
	(8)		**Total Property Tax Adjustment**			
			Total Per ORS	283,554	246,670	36,884
			Total Per KIU	319,789	188,899	130,890
(17)	(9)		**Payroll Tax**			
			To increase payroll tax for payroll increase. Allocated between water and sewer - 59.07% and 40.93%.			
			Per ORS	3,780	2,233	1,547
			Per KIU	3,115	1,840	1,275

Audit Exhibit DFS-4
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Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2015

KIU Adj. #	ORS Adj. #	Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(18)	(10)	**Other Taxes and Licenses**			
		To increase corporate license fee due to increase in proforma revenue (.003) and also increase in property value (.001) for second water main and capitalized repairs and maintenance.			
		Per ORS	9,499	9,460	39
		Per KIU	10,113	5,974	4,139
(19)	(11)	**Federal Income Taxes**			
		To adjust federal income taxes on proforma income at 34%.			
		Per ORS	(182,456)	(158,311)	(24,145)
		Per KIU	(352,212)	(227,124)	(125,088)
(19)	(12)	**State Income Taxes**			
		To adjust state income taxes on proforma income at 5%.			
		Per ORS	(28,191)	(24,473)	(3,718)
		Per KIU	(54,469)	(35,125)	(19,344)
(20)	(13)	**Deferred Federal Income Taxes**			
		To remove deferred tax expense.			
		Per ORS	(129,475)	(82,812)	(46,663)
		Per KIU	(129,475)	(82,812)	(46,663)
(21)	(14)	**Interest Expense**			
		To increase interest on construction debt based on SWWC corporate capital structure, current variable rates from PNC, corporate blended rate and water and sewer operations respective rate bases.			
		Per ORS	82,325	98,009	(15,684)
		Per KIU	291,963	172,463	119,500

Audit Exhibit DFS-4
Page 6 of 7

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2015

KIU Adj. #	ORS Adj. #	Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Proposed Increase					
(22)	(15)	**Total Utility Operating Revenues Adjustment**			
		To adjust revenues to reflect the rates proposed by KIU. This adjustment is calculated by the ORS Utility Rates Department.			
		Per ORS	1,750,449	1,329,651	420,798
		Per KIU	1,745,704	1,324,986	420,718
(23)	(16)	**Total Utility Regulatory Assessment Fees**			
		To increase gross receipts associated with the company's proposed increase using a factor of .005397516.			
		Per ORS	9,448	7,177	2,271
		Per KIU	9,423	7,152	2,271
(24)	(17)	**Other Taxes and Licenses**			
		To increase corporate license fee associated with the company's proposed increase.			
		Per ORS	5,251	3,989	1,262
		Per KIU	5,237	3,975	1,262
(25)	(18)	**Federal Income Taxes**			
		To adjust federal income taxes on proforma income at 34%.			
		Per ORS	560,646	425,870	134,776
		Per KIU	559,128	424,377	134,751
(25)	(19)	**State Income Taxes**			
		To adjust state income taxes on proforma income at 5%.			
		Per ORS	86,787	65,924	20,863
		Per KIU	86,552	65,693	20,859

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2015

KIU Adj. #	ORS Adj. #	Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(20)		**Customer Growth Adjustment**			
		To adjust for customer growth based on the total operating income after the proposed increase. The customer growth factors are 1.0217% for water and .5356% for sewer.			
		Per ORS	16,261	13,118	3,143
		Per KIU	15,301	12,484	2,817

Audit Exhibit DFS-5

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Computation of Depreciation Expense
For the Test Year Ended December 31, 2015

	Combined Operations	Water Operations	Sewer Operations
	$	$	$
Plant in Service			
Land and Land Rights	5,268,252	3,468,252	1,800,000
Structures & Improvements	14,898,566	11,768,835	3,129,731
Wells	161,457	161,457	0
Pumping Equipment	1,065,892	1,024,955	40,937
Power Pumping Equipment	110,270	0	110,270
Aquifer Storage & Recovery (ASR) Equipment	1,240,637	1,240,637	0
Mains	6,249,996	2,288,830	3,961,166
Fire Hydrants	270,846	270,846	0
Meters	110,358	110,358	0
Chemical Treatment Plant & Equipment	49,056	0	49,056
Miscellaneous Equipment	519,376	464,699	54,677
General Office Equipment	175,487	89,260	86,227
Vehicles	217,264	104,982	112,282
Intangible Plant	703,328	333,447	369,881
Impact Fees (Water Rights)	1,921,989	1,921,989	0
ORS Plant-in-Service After Acctg. & Pro Forma Adjs.	32,962,774	23,248,547	9,714,227
Depreciation Expense			
Land and Land Rights	0	0	0
Structures & Improvements	336,111	252,506	83,605
Wells	5,131	5,131	0
Pumping Equipment	27,868	25,824	2,044
Power Pumping Equipment	227	0	227
Aquifer Storage & Recovery (ASR) Equipment	24,816	24,816	0
Mains	135,495	48,765	86,730
Fire Hydrants	6,019	6,019	0
Meters	2,486	2,486	0
Chemical Treatment Plant & Equipment	2,351	0	2,351
Miscellaneous Equipment	13,253	9,362	3,891
General Office Equipment	0	0	0
Vehicles	16,822	8,411	8,411
Intangible Plant	20,615	10,491	10,124
ORS Depreciation Expense - After Acctg. & Pro Forma Adjs.	591,194	393,811	197,383
Depreciation Expense - Per Books	413,283	212,120	201,163
ORS Depreciation Expense Acctg. & Pro Forma Adjustment #3	177,911	181,691	(3,780)
Accumulated Depreciation			
Land and Land Rights	0	0	0
Structures & Improvements	(3,819,356)	(2,035,903)	(1,783,453)
Wells	(23,034)	(23,034)	0
Pumping Equipment	(629,206)	(610,994)	(18,212)
Power Pumping Equipment	(107,546)	0	(107,546)
Aquifer Storage & Recovery (ASR) Equipment	(390,021)	(390,021)	0
Mains	(3,626,056)	(1,351,941)	(2,274,115)
Fire Hydrants	(152,560)	(152,560)	0
Meters	(78,168)	(78,168)	0
Chemical Treatment Plant & Equipment	(35,966)	0	(35,966)
Miscellaneous Equipment	(428,394)	(383,449)	(44,945)
General Office Equipment	(175,487)	(89,260)	(86,227)
Vehicles	(178,194)	(85,447)	(92,747)
Intangible Plant	(466,973)	(211,105)	(255,868)
Impact Fees (Water Rights)	(1,552,043)	(1,552,043)	0
ORS Accumulated Depreciation - After Acctg. & Pro Forma Adjs.	(11,663,004)	(6,963,925)	(4,699,079)

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Audit Exhibit DFS-6

Kiawah Island Utility, Inc.
Docket No. 2016-222-WS
Computation of Income Taxes
For the Test Year Ended December 31, 2015

After Accounting & Pro Forma Adjustments

	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	6,874,009	5,218,083	1,655,926
Operating Expenses	5,769,460	4,602,856	1,166,604
Net Operating Income Before Taxes	1,104,549	615,227	489,322
Less: Annualized Interest Expense	240,851	191,643	49,208
Taxable Income - State	863,698	423,584	440,114
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	43,185	21,179	22,006
Less: State Income Taxes Per Books	71,376	45,652	25,724
State Income Tax Adjustment - Accounting and Pro Forma Adjustment #12	**(28,191)**	**(24,473)**	**(3,718)**
Taxable Income - Federal (Taxable Income - State less State Income Taxes)	820,513	402,405	418,108
Federal Income Taxes %	34.0%	34.0%	34.0%
Federal Income Taxes	278,975	136,818	142,157
Less: Federal Income Taxes Per Books	461,431	295,129	166,302
Federal Income Tax Adjustment - Accounting and Pro Forma Adjustment #11	**(182,456)**	**(158,311)**	**(24,145)**

After Proposed Increase

	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	8,624,458	6,547,734	2,076,724
Operating Expenses	5,784,159	4,614,022	1,170,137
Net Operating Income Before Taxes	2,840,299	1,933,712	906,587
Less: Annualized Interest Expense	240,851	191,643	49,208
Taxable Income - State	2,599,448	1,742,069	857,379
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	129,972	87,103	42,869
Less: State Income Taxes After Accounting & Pro Forma Adjustments	43,185	21,179	22,006
State Income Tax Adjustment - Proposed Increase Adjustment #19	**86,787**	**65,924**	**20,863**
Taxable Income - Federal (Taxable Income - State less State Income Taxes)	2,469,476	1,654,966	814,510
Federal Income Taxes %	34.0%	34.0%	34.0%
Federal Income Taxes	839,621	562,688	276,933
Less: Federal Income Taxes After Accounting & Pro Forma Adjustments	278,975	136,818	142,157
Federal Income Tax Adjustment - Proposed Increase Adjustment #18	**560,646**	**425,870**	**134,776**

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November 11, 2016

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101 Executive Center Drive
Columbia, SC 29210

RE: Application of Kiawah Island Utility, Inc. for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service
Docket No. 2016-222-WS

Dear Ms. Boyd:

Enclosed please find for filing the Application with Exhibits in connection with the above-referenced matter. By copy of this correspondence, I am also notifying the Office of Regulatory Staff.

If you have any questions, or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.

Scott Elliott

SE/lbk
Enclosures
cc: Jeffrey M. Nelson, Esquire (w/encl.)
Shannon Bowyer Hudson, Esquire
Florence P. Belser, Esquire

BEFORE

THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2016-222-WS

IN RE: Application of Kiawah Island Utility, Inc. Inc. for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service	)))))	**APPLICATION**

Kiawah Island Utility, Inc. ("Applicant" or "Company") would respectfully show unto, and request of, the South Carolina Public Service Commission ("Commission") as follows:

BACKGROUND

1. The Applicant is a corporation in good standing organized under the laws of the State of South Carolina.

2. The Applicant is a public utility, as defined by S.C. Code Ann. §58-5-10(4), providing water and sewer service to the public for compensation in certain areas of South Carolina, specifically Kiawah Island.

3. The Applicant provides service pursuant to the rates approved by the Commission in Order 2012-98 in Docket No. 2011-317-WS.

4. All communications or inquiries regarding this Applicant should be directed as set forth below:

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REQUEST FOR RATE RELIEF AND APPROVAL OF RATE SCHEDULE MODIFICATIONS

5. Pursuant to S.C. Code Ann. §58-5-240 and 26 S.C. Code Ann. Regulations RR. 103-712.4.A and 103-512.4.A, Applicant requests that the Commission approve the monthly water and sewer service charges set forth in the rate schedules attached hereto and incorporated herein by this reference as Exhibit "A". The Company also requests approval of any and all fees and charges contained in these schedules.

6. Pursuant to 26 S.C. Code Ann. Regulations R. 103-703 and R. 103-503, the Applicant proposes to modify certain non-recurring charges to include creation of a service fee for non-routine and non-emergency calls, creation of a charge for restoration of service after discontinuance of service for the purpose of not receiving monthly statements, and increases in its charges to restore service after disconnection, delinquent notification fee, and return check fee (as set forth in Exhibit "A").

SUPPORTING DOCUMENTATION

7. The Applicant proposes a test year of January 1, 2015 to December 31, 2015 and has prepared certain financial statements relating to that time period in support of the Application, which statements are attached hereto and incorporated herein by this reference as Exhibit "B". These financial statements include the following:

a) Balance sheet (Schedule A)

b) Current and pro forma income and expense statements (Schedule B)

c) Schedule of billed revenue at current and proposed rates, effect of proposed rates and water and sewer assumption analysis (Schedule C)

d) Schedule of fixed assets and depreciation (Schedule D)

e) Schedule of present and projected customers. (Schedule E)

f) Water and sewer proposed revenues (Schedule F)

g) Schedule of proposed rates (Schedule G)

8. Attached hereto and incorporated herein by this reference as Exhibit "C" is the most recent approval letter from the South Carolina Department of Health and Environmental Control ("DHEC").

9. Attached hereto and incorporated herein by this reference as Exhibit "D" is the Company's current customer bill form.

10. Attached hereto and incorporated herein by this reference as Exhibit "E" is evidence of the Company's most recent Gross Receipts Tax filing.

11. The Company's Annual Report for the last period is on file with this Commission.

12. There is on file with this Commission a performance bond given to satisfy the requirements of S.C. Code Ann. § 58-5-720.

13. A map depicting Applicant's current service area is on file with the Commission.

14. The financial statements, the other documents submitted herewith, and the references to documents on file with the Commission are offered to comply with Commission Rules R. 103-512.4 and R. 103-712.4 and to provide information useful to the Commission in considering the reasonableness of the proposed rate schedule.

NEED AND JUSTIFICATION FOR RATE RELIEF

15. Applicant submits that rate relief is justified because rate relief was last granted on February 8, 2012, based on a 2010 test year. It has been over 4 years since rates were increased, and the increase was based on company financial information that is now more than six years old. The proposed rate increase is necessary for the company to provide reasonable and adequate service to its customers, cover its expenses, be permitted an opportunity to earn a reasonable return on its investment, and attract capital for future improvements. Among other things, the Applicant has made a substantial investment in the planning and construction of a second water supply line to St. John's Water Company to provide redundancy in its water supply, to equalize the current capacity of its water supply and to ensure reliability of service for its customers on Kiawah Island. The rates proposed are also necessary to allow the Applicant to comply with the standards and regulations set by DHEC and other environmental regulatory authorities. The proposed rates will preserve the financial integrity of Applicant, promote continued investment in and maintenance of its

facilities, and thereby permit Applicant to continue providing reliable and high-quality water and sewer services.

REQUEST FOR OPERATING MARGIN TREATMENT

16. Applicant requests the Commission continue to set its rates according to the operating margin method in this proceeding.

WHEREFORE, having fully set forth its Application, Kiawah Island Utility, Inc. prays that the Commission approve the rates proposed and grant to Applicant such other and further relief as the Commission may deem just and proper.

Respectfully submitted,

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Attorneys for Kiawah Island Utility, Inc.

Columbia, South Carolina

November 11, 2016

EXHIBIT A

Tariff

EXHIBIT "A"

EXHIBIT "A"

KIAWAH ISLAND UTILITY, INC.

SCHEDULE OF **PROPOSED** RATES AND CHARGES

RATE SCHEDULE NO. 1 RESIDENTIAL SERVICE

AVAILABILITY- Available within the Company's service area.

APPLICABILITY-Applicable to any residential customer for any purpose.

Water Service Charges

		Current	Proposed
A.	Base Facilities Charge		
	5/8" meter	$ 29.92	$ 37.57 /mo.
	3/4" meter	$ 44.89	$ 56.37 /mo.
	1" meter	$ 74.81	$ 93.94 /mo.
	1.5" meter	$ 149.62	$ 187.88 /mo.
	2" meter	$ 239.40	$ 300.61 /mo.
	3" meter	$ 523.68	$ 657.58 /mo.
	4" meter	$1,502.90	$1,887.19 /mo.

Base Facilities Charge for water service with meters larger than 4" shall be:
Maximum recommended meter capacity (gpm) x $37.57 per mo.
20 gpm

B.	Consumption Charge All up to 11,000 gal/mo.	$ 3.53/1000 gal.	$ 4.43/1000 gal.
C.	Excess Consumption Charge #1 All over 11,000 gal/mo. and up to 50,000 gal/mo.	$ 3.98/1000 gal.	$ 5.00/1000 gal.
D.	Excess Consumption Charge #1 All over 50,000 gal/mo.	$ 4.25/1000 gal.	$ 5.34/1000 gal.

Sewer Service Charges

A.	Base Facilities Charge 5/8" water meter	$ 22.86	$ 28.71 /mo.

EXHIBIT "A"

3/4" water meter	$ 34.29	$ 43.06 /mo.
1" water meter	$ 57.15	$ 71.76 /mo.
1.5" water meter	$ 114.29	$ 143.51 /mo.
2" water meter	$ 182.87	$ 229.63 /mo.
3" water meter	$ 400.03	$ 502.32 /mo.
4" water meter	$1,236.78	$1,553.02 /mo.

Base Facilities Charge for sewer service where water service is through meters larger than 4" shall be:

$$\frac{\text{Maximum recommended meter capacity (gpm) x \$28.71 per mo.}}{\text{20 gpm}}$$

B. Consumption Charge based on Water Usage

All up to 11,000 gal/mo.	$ 0.60/1000 gal.	$ 0.75/1000 gal.

Tap-in Fees

Water Tap-in Fee	$500.00	$ 500.00
Sewer Tap-in Fee	$500.00	$ 500.00

The tap-in fee provides for installation of the normal size residential meter of 5/8" by ¾".

Where the customer requests a larger meter, the Company will apply the tap-in schedule for larger meters as listed in the Commercial Service Schedule No. 2.

RATE SCHEDULE NO. 2 COMMERCIAL SERVICE

AVAILABILITY- Available within the Company's service area.

APPLICABILITY- Applicable to any commercial or master metered residential customer for any purpose except hotel or motel use (see Rate Schedule No. 3).

Water Service Charges

	Current	Proposed
A. Base Facilities Charge		
5/8" meter	$ 29.92	$ 37.57 /mo.
3/4" meter	$ 44.89	$ 56.37 /mo.
1" meter	$ 74.81	$ 93.94 /mo.
1.5" meter	$ 149.62	$ 187.88 /mo.
2" meter	$ 239.40	$ 300.61 /mo.
3" meter	$ 523.68	$ 657.58 /mo.
4" meter	$1,502.90	$1,887.19 /mo.

EXHIBIT "A"

Base Facilities Charge for water service with meters larger than 4" shall be:

Maximum recommended meter capacity (gpm) x $37.57 per mo.
20 gpm

B.	Consumption Charge	$ 4.25/1000 gal. For all consumption	$ 5.34/1000 gal. for all consumption

Sewer Service Charges

A.	Base Facilities Charge		
	5/8" water meter	$ 22.86	$ 28.71 /mo.
	3/4" water meter	$ 34.29	$ 43.06 /mo.
	1" water meter	$ 57.15	$ 71.76 /mo.
	1.5" water meter	$ 114.29	$ 143.51 /mo.
	2" water meter	$ 182.87	$ 229.63 /mo.
	3" water meter	$ 400.03	$ 502.32 /mo.
	4" water meter	$1,236.78	$1,553.02 /mo.

Base Facilities Charge for sewer service where water service is through meters larger than 4" shall be:

Maximum recommended meter capacity (gpm) x $28.71 per mo.
20 gpm

B.	Consumption Charge based on Water Usage	$ 2.34/1000 gal. for all consumption	$ 2.94/1000 gal. for all consumption

Tap-in Fees

	Water Tap-in Fees	Sewer Tap-in Fees
5/8" meter	$ 500.00	$ 500.00
3/4" meter	$ 750.00	$ 750.00
1" meter	$ 1,250.00	$ 1,250.00
1.5" meter	$ 2,500.00	$ 2,500.00
2" meter	$ 4,000.00	$ 4,000.00
3" meter	$ 8,750.00	$ 8,750.00

Water tap-in fee and sewer tap-in fee for water and sewer service where water meter is larger than 3" shall be:

Maximum recommended meter capacity (gpm) x $500.00
20 gpm

EXHIBIT "A"

RATE SCHEDULE NO. 3 HOTEL AND MOTEL SERVICE

AVAILABILITY- Available within the Company's service area.

APPLICABILITY- Applicable to all hotel and motel customers for any purpose.

Water Service Charges

Base Facilities Charge	$ 12.02/mo./room	$ 15.09/mo./room
All Consumption	$ 4.25/1000 gal.	$ 5.34/1000 gal.

Sewer Service Charges

Base Facilities Charge	$ 9.14/mo./room	$ 11.48/mo./room
All Consumption	$ 2.34/1000 gal.	$ 2.94/1000 gal.

Tap-in Fees

Water Tap-in Fee	$220.00	$ 220.00/room
Sewer Tap-in Fee	$220.00	$ 220.00/room

RATE SCHEDULE NO. 4 IRRIGATION SERVICE

AVAILABILITY- Available within the Company's service area. The Company reserves the right to limit or reduce the irrigation service available when, in its sole judgement, its water system conditions require such restrictions.

APPLICABILITY- Applicable only to customers who anticipate substantial potable water use which will not be returned to the Company's wastewater treatment system such as irrigation. Such water consumption shall be metered separately from any water use supplied under other rate schedules.

Water Service Charges

A.	Base Facilities Charge		
	5/8" meter	$ 29.92	$ 37.57 /mo.
	3/4" meter	$ 44.89	$ 56.37 /mo.
	1" meter	$ 74.81	$ 93.94 /mo.
	1.5" meter	$ 149.62	$ 187.88 /mo.
	2" meter	$ 239.40	$ 300.61 /mo.
	3" meter	$ 523.68	$ 657.58 /mo.
	4" meter	$1,502.90	$1,887.19 /mo.

EXHIBIT "A"

Base Facilities Charge for water service with meters larger than 4" shall be:

Maximum recommended meter capacity (gpm) x $37.57 per mo.
20 gpm

B.	Consumption Charge All up to 50,000 gal/mo.	$ 3.98/1000 gal.	$ 5.00/1000 gal.
C.	Excess Consumption Charge All over 50,000 gal/mo.	$ 4.25/1000 gal.	$ 5.34/1000 gal.

Tap-in Fees

5/8" meter	$ 500.00	$ 500.00
3/4" meter	$ 750.00	$ 750.00
1" meter	$1,250.00	$ 1,250.00
1.5" meter	$2,500.00	$ 2,500.00
2" meter	$4,000.00	$ 4,000.00
3" meter	$8,750.00	$ 8,750.00

Water tap-in fee where water meter is larger than 3" shall be:

Maximum recommended meter capacity (gpm) x $500.00
20 gpm

RATE SCHEDULE NO. 5 FIRE HYDRANT SERVICE

AVAILABILITY- Available within the Company's service area.

APPLICABILITY- Applicable to fire hydrants connected to Company's water mains.

Water Service Charges

Fire hydrant payable semiannually in advance for fire fighting service.

$ 117.75/hydrant $ 147.86/hydrant

When temporary water service from a hydrant is requested by a contractor or others, a meter will be installed and the charge will be:

$8.00 for each day of use, PLUS $5.82/1000 gals for ALL water used, PLUS a $50.00 security deposit.

EXHIBIT "A"

RATE SCHEDULE NO. 6 GOLF COURSE IRRIGATION

AVAILABILITY- Available within the Company's service area.

APPLICABILITY- Applicable for golf course irrigation where the customer agrees to take as a minimum quantity the treated effluent from the wastewater treatment plant.

Water Service Charges

A.	Effluent water will be billed at a rate of:		
	Base Facilities Charge per Golf Course	$3,795.53/mo.	$4,766.05/mo.
	Consumption	$ 0.17/1000 gal.	$ 0.21/1000 gal.
B.	Deep well water will be billed at a rate of:		
	Base Facilities Charge Per Golf Course	$ 929.79/mo.	$1,167.54/mo.
	Consumption	$ 0.24/1000 gal.	$ 0.30/1000 gal.
C.	Potable water will be billed at a rate of:		
	Base Facilities Charge per Golf Course	$ 711.51/mo.	$ 893.44/mo.
	Consumption	$ 4.25/1000 gal.	$ 5.34/1000 gal.

RATE SCHEDULE NO. 7 FIRE LINE SERVICE

AVAILABILITY- Available within the Company's service area.

APPLICABILITY- Applicable for private fire lines.

Water Service Charges

Base Facilities Charge		
2" Line	$ 7.08/mo.	$ 8.89/mo.
3" Line	$ 12.92/mo.	$ 16.22/mo.
4" Line	$ 22.40/mo.	$ 28.13/mo.
6" Line	$ 44.80/mo.	$ 56.26/mo.

Tap-in Fees

2" Line	$ 4,000.00	$ 4,000.00
3" Line	$ 8,750.00	$ 8,750.00
4" Line	$25,000.00	$25,000.00

EXHIBIT "A"

Water tap-in fee where the service is larger than 4" shall be based on the tap-in fee schedule as listed in the Commercial Service Schedule No. 2.

CHARGES FOR SERVICE DISCONTINUANCE, RECONNECTION AND OTHER MISCELLANEOUD SERVICE CHARGES

1. When a customer requests discontinuance of service for the purpose of not receiving a monthly statement, the Company shall charge the equivalent of three months of basic facilities charges for both water and sewer service and require payment of such charges when for any reason service is restored to that particular customer.

2. Reimbursement of costs to make repairs to services or meters caused by others will be charged at actual cost as allowed per PSC Regulations 103-726 and R 103.733.5.

3. Whenever service is disconnected for violation of rules and regulations, nonpayment of bills or fraudulent use of service, the Company will charge a $70.00 fee to restore service.

4. A service fee of $25.00 shall be charged by the Company for non-routine, non-emergency service performed for the customer on the customer's side of the meter.

5. Delinquent Notification Fee - A fee of $20.00 shall be charged each customer to whom the Company mails a notice of discontinuance of service as required by the Commission rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notice to the customer creating the cost.

6. Customer Initiation Fee - A one-time fee of $25.00 will be charged to each new account to defray costs of initiating service.

7. Return Check Fee When a check is returned from the bank for Non-Sufficient Funds, a fee equal to the maximum amount permitted by S.C. Code Ann. Section 34-11-70 will be charged.

8. Safe Drinking Water Fee If the South Carolina Department of Health and Environmental Control charges the Company an assessment based on customer units served by the Company, the Company may bill its customers for the applicable unit cost of that assessment. The charge shall be identified on a separate billed item, identified as the SDW fee and included in the total of the service billing.

EXHIBIT "A"

PURCHASED WATER ADJUSTMENT

Kiawah Island Utility, Inc. ("Company") purchases its potable water from the St. John's Water Company ("St. John's"), which in turn purchases the water from the Commissioners of Public Works of the City of Charleston ("CPW"). Whenever CPW increases the price of water sold to St. John's, the increase in price is passed through to the Company pursuant to the water purchase agreement between the Company and St. John's.

The water purchase agreement also provides, as part of the purchased water price, a pro-rata share of St. John's annual operation and maintenance costs to be charged to the Company. Therefore, the Company's revenue requirement for purchased water is made up of the water unit price per thousand gallons and the operation and maintenance costs charged by St. John's.

Accordingly, whenever there is a price adjustment for the purchase of potable water to Kiawah Island Utility, Inc. by the St. John's Water Company, the following billing adjustment shall be made by the Company to its customer rates:

1. Billing Adjustment

In the event that St. John's adjusts (whether an increase or decrease) the unit price per 1,000 gallons and/or the operation and maintenance charges related to the purchase of potable water, the following billing adjustment practice would apply:

(a) If the unit price is adjusted the cost change per 1,000 gallons would be passed through to the customers as an adjustment in like amount to the consumption charge on their water bill.

Example: The unit price of purchased water is increased by two cents per 1,000 gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

(b) If the pro-rata operation and maintenance charge is adjusted the cost change per 1,000 gallons (based on the most recent 12 months of potable water billed) would be passed through to the customers as an adjustment to the consumption charge on their water bill.

Example: The annual operation and maintenance charge is increased by $18,000 and the most recent 12 months of potable water billed is 900,000 thousand gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

2. Notification

Any special billing adjustment shall not be billed until the following conditions are met:

(a) The Company shall furnish the South Carolina Public Service Commission

EXHIBIT "A"

satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.

(b) The Company shall furnish thirty (30) days prior written notice to the customers affected by the Purchased Water Adjustment advising them of the basis for the billing adjustment and its effective date.

EXHIBIT B

Schedules A through G

SCHEDULE A

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Line No.	NARUC ACCOUNT NUMBER AND TITLE	FINANCIAL STATEMENTS 12/31/2015
1	**UTILITY PLANT**	
2	101 Utility Plant in Service	21,819,576
3	103 Property Held for Future Use	17,368,022
4	104 Utility Plant Purchased or Sold	1,921,989
5	105 Construction Work in Progress	1,398,740
6	**Total Utility Plant**	42,508,327
7	**ACCUMULATED DEPRECIATION**	
8	108 Utility Plant in Service	9,203,194
9	108.A Donated and Other Non Rate Setting Assets	6,770,695
10	**Total Accumulated Depreciation**	15,973,889
11	**ACCUMULATED AMORTIZATION**	
12	101.1 Utility Plant in Service	1,456,356
13	108.A Donated and Other Non Rate Setting Assets	-
14	**Total Accumulated Amortization**	1,456,356
15	**UTILITY PLANT ADJUSTMENTS**	
16	114 Utility Plant Acquisition	6,167,376
17	115 Accumulated Amortization of Utility Plant Acquisition	-
18	**Total Utility Plant Adjustments**	6,167,376
19	**TOTAL NET UTILITY PLANT**	31,245,458
20		
21	**OTHER PROPERTY AND INVESTMENTS**	
22	**OTHER PROPERTY**	
23	121 Non-Utility Property	-
24	122 Accumulated Depreciation and Amortization of Non-Utility Property	-
25	**Total Other Property**	-
26	**INVESTMENTS**	
27	123 Utility Investments	-
28	**Total Investments**	-
29	**TOTAL OTHER PROPERTY AND INVESTMENTS**	-
30		
31	**CURRENT AND ACCRUED ASSETS**	
32	131.1 Cash on Hand	1,000
33	131.2 Cash in Bank	4,857,936
34	132 Special Deposits (Interest and/or Dividends)	-
35	141 Customer Accounts Receivable	228,131
36	143 Accumulated Provision for Uncollectible Accounts-Credit	(3,500)
37	151 Plant Material and Supplies	-
38	162 Prepayments	272,527
39	172 Rents Receivable	-
40	173 Accrued Utility Revenue	250,952
41	174 Miscellaneous Current and Accrued Assets	300
42	**TOTAL CURRENT AND ACCRUED ASSETS**	5,607,346
43		
44	**DEFERRED DEBITS**	
45	181 Unamortized Debt Discount and Expense	65,322
46	186 Miscellaneous Deferred Debits	-
1	186.2 Other Deferred Debits	2,240,449

2	186.3 Regulatory Assets	206,212
3	190.1 Accumulated Deferred Federal Income Taxes	13,992
4	190.2 Accumulated Deferred State Income Taxes	-
5	TOTAL DEFERRED DEBITS	2,525,975
6	TOTAL ASSETS AND OTHER DEBITS	39,378,778

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Line No.	NARUC ACCOUNT NUMBER AND TITLE		FINANCIAL STATEMENTS 12/31/2015
1		**EQUITY CAPITAL**	
2	201	Common Stock Issued	1,000,000
3	204	Preferred Stock Issued	-
4	211	Other Paid-In Capital	12,709,904
5	215	Unappropriated Retained Earnings	2,905,156
6	218	Proprietary Capital (for proprietorships & partnerships only)	-
7		**TOTAL EQUITY CAPITAL**	**16,615,061**
8		**LONG-TERM DEBT**	
9	224	Other Long-Term Debt	8,001,225
10		**TOTAL LONG-TERM DEBT**	**8,001,225**
11		**CURRENT AND ACCRUED LIABILITIES**	
12	231	Accounts Payable	199,740
13	232	Notes Payable	-
14	235	Customer Deposits-Billing	-
15	236	Accrued Taxes	53,212
16	237	Accrued Interest	-
17	241	Miscellaneous Current and Accrued Liabilities	42,241
18		**TOTAL CURRENT AND ACCRUED LIABILITIES**	**295,193**
19		**DEFERRED CREDITS**	
20	252	Advances for Construction	-
21	253	Other Deferred Credits, Regulatory Liabilities	-
22	255	Accumulated Deferred Investment Tax Credits, Utility Operations	-
23		**TOTAL DEFERRED CREDITS**	**-**
24		**OPERATING RESERVES**	
25	265	Miscellaneous Operating Reserve	-
26		**TOTAL OPERATING RESERVES**	**-**
27		**CONTRIBUTIONS IN AID OF CONTRUCTION (CIAC)**	
28	271	Contributions in Aid of Construction	17,368,022
29	272	Accumulated Amortization of CIAC	(6,770,695)
30		**TOTAL NET CIAC**	**10,597,327**
31		**ACCUMULATED DEFERRED INCOME TAXES**	
32	281	Accelerated Amortization	-
33	282	Accelerated Depreciation	3,869,972
34	283	Other	-
35		**TOTAL ACCUMULATED DEFERRED INCOME TAXES**	**3,869,972**
36		**TOTAL EQUITY CAPITAL AND LIABILITIES**	**39,378,778**

SCHEDULE B

11/11/2015 9:12 AM

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Proforma

	NARUC ACCOUNT NUMBER AND TITLE	COMBINED PER BOOKS	PROFORMA ADJUSTMENTS	AJE	PROFORMA PRESENT	PROFORMA INCOME TAXES	PROPOSED INCREASE	AJE	BALANCE BEFORE TAXES	INCOME TAXES	RATE CASE BALANCE	
1	UTILITY OPERATING INCOME											
2	400 Total Utility Operating Revenues	6,855,343	39,987	1-2	6,843,229	-	1,745,704	22	8,607,933	-	8,607,933	To Equal a return of 15.25%
3	UTILITY OPERATING EXPENSES											
4	401 Operating Expenses	4,606,341	286,349	3-8	4,692,690	-	-		4,692,690	-	4,692,690	
5	403 Depreciation Expense	413,283	210,277	9	623,560	-	-		623,560	-	623,560	
6	406 Amortization of Utility Plant Acquisition Adjustments	47,847	-		47,847	-	-		47,847	-	47,847	
7												
8	407.3 Amortization of Other Utility Plant	9,037	-		9,037		-		9,037	-	9,037	
9	407.4 Amortization of Regulatory Assets	17,185	(17,185)	10	-	-	-		-	-	-	
10	Amortization of Rate Case Expense	-	30,000	11	30,000	-	-		30,000	-	30,000	
11												
12	408.10 Utility Regulatory Assessment Fees	-	36,330	12,13	36,330	-	9,422	23	45,752	-	45,752	
13	408.11 Property Taxes	183,635	319,790	14-16	503,425	-	-		503,425	-	503,425	
14	408.12 Payroll Taxes	50,496	3,115	17	53,611	-	-		53,611	-	53,611	
15	408.13 Other Taxes and Licenses	66,986	10,113	18	77,099	-	5,237	24	82,336	-	82,336	
16	409.10 Federal Income Taxes, Utility Operating Income	461,431	(352,211)	19	109,220	(109,220)	-	25	-	668,347	668,347	
17	409.11 State Income Taxes, Utility Operating Income	71,376	(54,469)	19	16,907	(16,907)	-	25	-	103,459	103,459	
18	410.10 Deferred Federal Income Taxes	129,475	(129,475)	20	-	-			-	-	-	
19	410.11 Deferred State Income Taxes	-	-		-	-			-	-	-	
20	Total Utility Operating Expenses	5,957,092	242,633		6,199,725	(126,127)	14,660		6,088,358	771,806	6,860,064	
21	TOTAL NET UTILITY OPERATING INCOME (LOSS)	905,180	(202,647)		643,505	126,127	1,731,045		2,519,675	(771,806)	1,747,868	28.3053%
22	INTEREST EXPENSE											
23	427.1 Interest on Debt to Associated Companies	-	-		-	-	-		-	-	-	
24	427.3 Interest on Long-Term Debt	158,526	291,963	21	450,489	-	-		450,489	-	450,489	
25	427.5 Interest - Other	-	-		-	-	-		-	-	-	
26	TOTAL INTEREST EXPENSE	158,526	291,963		450,489	-	-		450,489	-	450,489	
27	NET INCOME (LOSS)	806,654	(594,610)		212,914	126,127	1,731,045		2,069,186	(771,806)	1,297,379	15.0719%
28												
29	Customer Growth Net Income	-	-		-	-	-	26	-	-	15,301	
30	NET INCOME (LOSS) AFTER GROWTH	806,654	(594,610)		212,914	126,127	1,731,045		2,069,186	(771,806)	1,312,680	15.250%
31												
32	OPERATING MARGIN	11.82%			3.09%				34.04%		15.25%	

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Water
Income Statement

	NARUC ACCOUNT NUMBER AND TITLE		PER BOOKS	PROFORMA ADJUSTMENTS	AJE	PRO-FORMA PRESENT	AJE	PROPOSED INCREASE	RATE CASE BALANCE
1		UTILITY OPERATING INCOME							
2	400	Total Utility Operating Revenues	5,169,619	38,307	1-2	5,207,926	22	1,324,986	6,532,912
3		UTILITY OPERATING EXPENSES							
4	401	Operating Expenses	3,672,435	167,708	3-8	3,840,143		-	3,840,143
5	403	Depreciation Expenses	212,120	208,313	9	420,433			420,433
6	406	Amortization of Utility Plant Acquisition Adjustments - Water Rights	47,847	-		47,847		-	47,847
7	407	Amortization Expense - Other	9,037	-		9,037		-	9,037
8	407.4	Amortization of Regulatory Asset	17,185	(17,185)	10	-		-	-
9		Amortization of Rate Case Expenses	-	17,721	11	17,721			17,721
10	408.10	Utility Regulatory Assessment Fees	-	21,539	12-13	21,539	23	7,152	28,691
11	408.11	Property Taxes	108,465	188,900	14-16	297,365			297,365
12	408.12	Payroll Taxes	29,825	1,840	17	31,665		-	31,665
13	408.13	Other Taxes and Licenses	39,565	5,974	18	45,539	24	3,975	49,514
14	409.10	Federal Income Taxes, Utility Operating Income	295,129	(227,124)	19	68,005	25	424,377	492,381
15	409.11	State Income Taxes, Utility Operating Income	45,652	(35,125)	19	10,527	25	65,693	76,220
16	410.10	Deferred Federal Income Taxes	82,812	(82,812)	20	-		-	-
17		Total Utility Operating Expenses	4,560,072	249,748		4,809,820		501,196	5,311,016
18		TOTAL NET UTILITY OPERATING INCOME (LOSS)	609,547	(211,442)		398,105		823,790	1,221,895
19		INTEREST EXPENSE							
20	427.1	Interest on Debt to Associated Companies	-	-		-		-	-
21	427.3	Interest on Long-Term Debt	93,634	172,463	21	266,097			266,097
22	427.5	Interest - Other	-	-		-		-	-
23		TOTAL INTEREST EXPENSE	93,634	172,463		266,097		-	266,097
24		NET INCOME (LOSS)	515,913	(383,904)		132,009		823,790	955,799
25									
26		Customer Growth Net Income					26		12,484
27		NET INCOME (LOSS)	515,913	(383,904)		132,009		823,790	968,283
28									
29		OPERATING MARGIN	9.98%			2.53%			14.82%

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Sewer
Income Statement

	NARUC ACCOUNT NUMBER AND TITLE		PER BOOKS	PROFORMA ADJUSTMENTS	AJE	PRO-FORMA PRESENT	AJE	PROPOSED INCREASE	RATE CASE BALANCE
1		UTILITY OPERATING INCOME							
2	400	Total Utility Operating Revenues	1,652,623	1,680	1-2	1,654,303	22	420,718	2,075,021
3		UTILITY OPERATING EXPENSES							
4	401	Operating Expenses	733,906	118,641	3-8	852,547		-	852,547
5	403	Depreciation Expenses	201,163	1,966	9	203,129		-	203,129
6	406	Amortization of Utility Plant Acquisition Adjustments	-	-		-		-	-
7	407	Amortization of Rate Case Expenses	-	12,279	11	12,279		-	12,279
8		Utility Regulatory Assessment Fees	-	14,791	12-13	14,791	23	2,271	17,061
9	408.11	Property Taxes	75,170	130,890	14-16	206,060		-	206,060
10	408.12	Payroll Taxes	20,671	1,275	17	21,946		-	21,946
11	408.13	Other Taxes and Licenses	27,421	4,139	18	31,560	24	1,262	32,822
12	409.10	Federal Income Taxes, Utility Operating Income	166,302	(125,088)	19	41,214	25	134,751	175,965
13	409.11	State Income Taxes, Utility Operating Income	25,724	(19,344)	19	6,380	25	20,859	27,239
14	410.10	Deferred Federal Income Taxes	46,663	(46,663)	20	-		-	-
15		Total Utility Operating Expenses	1,297,020	92,886		1,389,906		159,143	1,549,049
16		TOTAL NET UTILITY OPERATING INCOME/(LOSS)	355,603	(91,206)		264,397		261,575	525,972
17		INTEREST EXPENSE							
18	427.1	Interest on Debt to Associated Companies	-	-		-		-	-
19	427.3	Interest on Long-Term Debt	64,892	119,500	21	184,392			184,392
20	427.5	Interest - Other	-	-		-		-	-
21		TOTAL INTEREST EXPENSE	64,892	119,500		184,392		-	184,392
22		NET INCOME (LOSS)	290,711	(210,707)		80,004		261,575	341,579
23									
24		Customer Growth Net Income					26		2,817
25		NET INCOME (LOSS)	290,711	(210,707)		80,004		261,575	344,396
		OPERATING MARGIN	17.59%			4.84%			16.60%

KIAWAH ISLAND UTILITIES ADJUSTING JOURNAL ENTRIES		COMBINED	WATER	SEWER
PROFORMA ADJUSTING ENTRIES				
OPERATING REVENUE				
1) To adjust revenue per # of customers at year end at rates effective 2/1/16.				
Residential			82,067	11,882
Commercial			6,529	44,378
Hotel			522	920
Well			-	
Private Fire			(5,225)	
Fire Hydrant			(417)	
Irrigation			44,080	
		184,737	127,552	57,180
2) To remove tap-in revenue from Operating Revenue				
Other Revenues		(144,750)	(89,250)	(55,500)
TOTAL OPERATING REVENUE ADJUSTMENTS		39,987	38,307	1,680
OPERATING EXPENSES				
OPERATION & MAINTENANCE EXPENSES				
3) To increase payroll related expenses to reflect known and measureable increases in effect for 2016 to wages and benefits. Allocated between water and sewer - 59.07% and 40.93%				
Salaries & Wages		40,498	23,932	16,546
Employee Benefits		34,158	20,180	13,978
Workers Comp		370	219	151
		75,027	44,331	30,676
4) To increase purchased water to reflect increased costs passed through from supplier.				
Calculations				
Test year purchased gallons	865,404,900			
Rate per 1,000 gallon (New rate effective 2/1/16)	2.861			
O&M Charges (New monthly expense effective 1/1/16)	151,891			
Total Proforma Purchased Water	2,627,874			
Test year purchased water	2,501,356			
Adjustment	126,458	126,458	126,458	-
5) To remove tap-in expenses from Operation & Maintenance expenses				
Materials & Supplies		(144,750)	(89,250)	(55,500)
6) To adjust expenses to reflect R&M to be capitalized				
Materials & Supplies		(170,898)	(170,898)	-
7) To adjust expenses to reflect additional known and measurable R&M				
Materials & Supplies		80,000	80,000	-
8) To adjust management fees to reflect 3-factor overhead allocation in use or pending in other state filings. Allocated between water and sewer - 59.07% and 40.93%				

KIAWAH ISLAND UTILITIES ADJUSTING JOURNAL ENTRIES	COMBINED	WATER	SEWER
Management Fee	350,512	207,047	143,465
TOTAL O & M ADJUSTMENTS	286,349	167,708	118,641

KIAWAH ISLAND UTILITIES ADJUSTING JOURNAL ENTRIES		COMBINED	WATER	SEWER
DEPRECIATION				
9) To increase depreciation for assets added, including 2nd water main, depreciated over 50 years and also repairs & maintenance capitalized				
Depreciation - Water		210,277	208,321	1,956
AMORTIZATION				
10) To remove amortization of Regulatory asset				
Amortization of Regulatory Asset		(17,185)	(17,185)	-
11) To add amortization of current rate case expense - Estimated $90,000 over 3 years Allocated between water and sewer - 59.07% and 40.93%				
Amortization of Rate Case Expenses		30,000	17,721	12,279
GROSS RECEIPTS TAX				
12) To reclass test year PSC/ORS fees recorded in property tax Allocated between water and sewer - 59.07% and 40.93%				
Utility Regulatory Assessment Fees		36,114	21,333	14,781
13) To increase PSC Gross Receipts Tax based on Proforma revenue increase.				
Calculation				
Receipts Increase	39,987			
Rate	0.005397516			
	216			
Utility Regulatory Assessment Fees		216	207	9
TOTAL GROSS RECEIPTS TAX ADJUSTMENT		36,330	21,539	14,791
PROPERTY TAX				
14) To reclass test year PSC/ORS fees recorded in property tax Allocated between water and sewer - 59.07% and 40.93%				
Property taxes		(36,114)	(21,333)	(14,781)
15) To adjust property tax expense for prior year refund received in test year Allocated between water and sewer - 59.07% and 40.93%				
Property taxes		130,109	76,855	53,253
16) To increase property tax for 2nd water main and also capitalized O&M Allocated between water and sewer - 59.07% and 40.93%				
Calculation				
2016 PT-139 property dep. Value	12,590,804			
Capitalized O&M	170,898			
2nd water line cost	9,822,000			
Total	22,583,702			
SC Assessment Ratio	10.5%			
Assessed Value	2,371,289			
Estimated Millage	212.3			
Property Tax	503,425			
Property tax per books	(277,629)			
Adjustment	225,796	225,796	133,377	92,418

KIAWAH ISLAND UTILITIES ADJUSTING JOURNAL ENTRIES	COMBINED	WATER	SEWER
TOTAL PROPERTY TAX ADJUSTMENT	319,790	188,900	130,890

KIAWAH ISLAND UTILITIES ADJUSTING JOURNAL ENTRIES		COMBINED	WATER	SEWER	
PAYROLL TAX					
17) To increase payroll tax for payroll increase Allocated between water and sewer - 59.07% and 40.93%					
Payroll tax		3,115	1,840	1,275	
OTHER TAXES AND LICENSES					
18) To increase corporate license fee due to increase in proforma revenue and also increase in property value. Allocated between water and sewer - 59.07% and 40.93%					
Calculation					
FMV Property increase	9,992,898				
Rate	0.001				
	9,993				
Gross receipts increase	39,987				
Rate	0.003				
	120				
Other Taxes and Licenses		10,113	5,974	4,139	
FEDERAL AND STATE INCOME TAXES					
19) To adjust federal and state income taxes on proforma income - at 35% US and 5% SC					
Federal Income Taxes		(352,211)	(227,124)	(125,088)	
State Income Taxes		(54,469)	(35,125)	(19,344)	
20) To remove deferred tax expense					
Deferred Tax expense		(129,475)	(82,812)	(46,663)	
INTEREST					
21) To increase interest on construction debt based on current variable rates from PNC and corporate blended rate. Allocated between water and sewer - 59.07% and 40.93%					
Interest expense		291,963	172,463	119,500	
PROPOSED ADJUSTING ENTRIES					
22) To increase operating revenue at proposed rates.					
Operating Revenue - Water					
Residential			771,669	309,781	Residential
Commercial			92,181	53,022	Commercial
Hotel			22,806	14,530	Hotel
Well			11,889	43,385	Effluent
Private Fire			941		
Fire Hydrant			14,633		
Irrigation			410,868		
		1,745,704	1,324,986	420,718	
23) To increase Gross Receipts Tax for proposed revenue increase.					
Calculation					
Receipts increase	1,745,704				
Rate	0.005397516				

KIAWAH ISLAND UTILITIES ADJUSTING JOURNAL ENTRIES		COMBINED	WATER	SEWER
	9,422			
Utility Regulatory Assessment Fees		9,422	7,152	2,271

KIAWAH ISLAND UTILITIES ADJUSTING JOURNAL ENTRIES		COMBINED	WATER	SEWER
24) To increase corporate license fee due to increase in proforma revenue				
Calculation				
Gross receipts increase	1,745,704			
Rate	0.003			
	5,237			
Other Taxes and Licenses		5,237	3,975	1,262
25) To calculate federal and state income taxes on proposed income - at 34% US and 5% SC				
Federal Income Taxes		559,127	424,377	134,751
State Income Taxes		86,552	65,693	20,859
26) To apply growth factors to Net Utility Operating Income Water growth factor is 1.0217%, Sewer growth factor is .5356%				
Customer Growth Net Income		15,301	12,484	2,817

SCHEDULE C

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015.

Water Revenue

Line No.		OPERATING REVENUE				NOTES	REVENUE AT CURRENT	INCREASED RATE	REVENUE AT INCREASED RATE
		# at end of 2015	Annualized	Rate	Total				
1									
2	RESIDENTIAL								
3	5/8" Meter	2908	34,896	29.92	1,044,088		1,044,088	37.57	1,311,062
4	3/4" Meter	325	3,900	44.89	175,071		175,071	56.37	219,837
5	1" Meter	257	3,084	74.81	230,714		230,714	93.94	289,708
6	1 1/2" Meter	9	108	149.62	16,159		16,159	187.88	20,291
7	2" Meter	6	72	239.40	17,237		17,237	300.61	21,644
8	3" Meter	0	-	523.68	-		-	657.58	-
9	4" Meter	0	-	1,502.90	-		-	1,887.19	-
10	Consumption up to 11,000 gals/mo		207,519	3.53	732,542		732,542	4.43	919,853
11	Consumption 11,000 - 50,000 gals/mo		165,474	3.98	658,587		658,587	5.00	826,987
12	Consumption > 50,000 gals/mo		33,758	4.25	143,472		143,472	5.34	180,157
13	TOTAL - RESIDENTIAL	3505			3,017,869		3,017,869	-	3,789,538
14									
16									
16	COMMERCIAL								-
17	5/8" Meter	44	528	29.92	15,798		15,798	37.57	19,837
18	3/4" Meter	13	156	44.89	7,003		7,003	56.37	8,793
19	1" Meter	12	144	74.81	10,773		10,773	93.94	13,527
20	1 1/2" Meter	11	132	149.62	19,750		19,750	187.88	24,800
21	2" Meter	12	144	239.40	34,474		34,474	300.61	43,288
22	3" Meter	3	36	523.68	18,852		18,852	657.58	23,673
23	4" Meter	1	12	1,502.90	18,035		18,035	1,887.19	22,646
24	Consumption		55,487	4.25	235,820		235,820	5.34	296,119
25	TOTAL - COMMERCIAL	96			360,504		360,504		452,685
26									
27									
28	HOTELS								
29	Per Room	255	3,060	12.02	36,781		36,781	15.09	46,186
30	Consumption		12,332	4.25	52,411		52,411	5.34	65,812
31	TOTAL - HOTEL	255			89,192		89,192		111,999
32									
33									

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Water
Revenue

Line No.		OPERATING REVENUE # at end of 2015	Annualized	Rate	Total	NOTES	REVENUE AT CURRENT	INCREASED RATE	REVENUE AT INCREASED RATE
34	IRRIGATION								
35	5/8" Meter	162	1,944	29.92	58,164		58,164	37.57	73,037
36	3/4" Meter	81	972	44.89	43,633		43,633	56.37	54,790
37	1" Meter	91	1,092	74 81	81,693		81,693	93.94	102,581
38	1 1/2" Meter	21	252	149.62	37,704		37,704	187.88	47,345
39	2" Meter	28	336	239.40	80,438		80,438	300.61	101,006
40	3" Meter	5	60	523.68	31,421		31,421	657.58	39,455
41	4" Meter		-	1,502.90	-		-	1,887.19	-
42	Consumption Up to 50,000 gals/mo		92,583	3.98	368,480		368,480	5.00	462,701
43	Consumption > 50,000 gals/mo		157,588	4.25	669,749		669,749	5.34	841,004
44	TOTAL - IRRIGATION	388			1,371,283		1,371,283		1,721,920
45									
46									
47	GOLF - POTABLE								
48	Potable Water	4	48	711.51	34,152		34,152	893.44	42,885
49	Consumption - Potable		47,388	4.25	201,399		201,399	5.34	252,897
50	TOTAL - GOLF POTABLE	4			235,551		235,551		295,782
51									
52	TOTAL - IRRIGATION				1,606,834		1,606,834		2,017,702
53									
54	GOLF - WELL								
55	Deep Well Water	3	36	929.79	33,472		33,472	1,167.54	42,031
56	Consumption - Well		54,258	0.24	13,022		13,022	0.30	16,352
57	TOTAL - GOLF - WELL	3			46,494		46,494		58,383
58									
59	FIRE LINE								
60	2" Line	13	156	7.08	1,104		1,104	8.89	1,387
61	3" Line	1	12	12.92	155		155	16.22	195
62	4" Line	7	84	22.40	1,882		1,882	28.13	2,363
63	6" Line	1	12	44.80	538		538	56.26	675
64	TOTAL - FIRE LINE	22			3,679		3,679		4,619
65									
66	FIRE HYDRANT SERVICE								
67	Fire Hydrants		486	117.75	57,227		57,227	147.86	71,859
68	TOTAL - FIRE HYDRANT				57,227		57,227		71,859
69			-		-		-	-	-
70	TOTAL				5,181,799		5,181,799		6,506,785
71									

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Sewer Revenue

Line No.		OPERATING REVENUE # at end of 2015	Annualized	Rate	Total	NOTES	REVENUE AT CURRENT	INCREASED RATE	REVENUE AT INCREASED RATE
1									
3	RESIDENTIAL								
4	5/8" Meter	2,865	34,380	22.86	785,927		785,927	28.71	986,888
5	3/4" Meter	290	3,480	34.29	119,329		119,329	43.06	149,842
6	1" Meter	235	2,820	57.15	161,163		161,163	71.76	202,372
7	1 1/2" Meter	7	84	114.29	9,600		9,600	143.51	12,055
8	2" Meter	5	60	182.87	10,972		10,972	229.63	13,778
9	3" Meter	-	-	400.03	-		-	502.32	-
10	4" Meter	-	-	1,236 78	-		-	1,553.02	-
11	Consumption up to 11,000 gals/mo		207,519	0.60	124,511		124,511	0.75	156,349
12	TOTAL - RESIDENTIAL	3,402			1,211,503		1,211,503	-	1,521,284
13									
14									
15	COMMERCIAL								
16	5/8" Meter	26	312	22.86	7,132		7,132	28.71	8,956
17	3/4" Meter	8	96	34.29	3,292		3,292	43.06	4,134
18	1" Meter	6	72	57.15	4,115		4,115	71.76	5,167
19	1 1/2" Meter	7	84	114.29	9,600		9,600	143.51	12,055
20	2" Meter	11	132	182.87	24,139		24,139	229.63	30,311
21	3" Meter	3	36	400.03	14,401		14,401	502.32	18,083
22	4" Meter	1	12	1,236.78	14,841		14,841	1,553.02	18,636
23	Consumption		55,487	2.34	129,840		129,840	2.94	163,040
24	TOTAL - COMMERCIAL	62			207,360		207,360		260,382
25									
26									
27	HOTELS								
28	Per Room	255	3,060	9.14	27,968		27,968	11.48	35,120
29	Consumption		12,332	2.34	28,857		28,857	2.94	36,236
30	TOTAL - HOTEL	255			56,825		56,825		71,356
31									
32									
33	GOLF COURSE IRRIGATION								
34	Effluent Water	3	36	3,795.53	136,639		136,639	4,766.05	171,578
35	Consumption		194,302	0.17	33,031		33,031	0.21	41,477
36	TOTAL - GOLD COURSE IRRIGATION	3			169,670		169,670		213,055
37									
38	TOTAL				1,645,358.84		1,645,359		2,066,077
39									
40									

SCHEDULE D

KIAWAH ISLAND UTILITY
PROPERTY, PLANT & EQUIPMENT **WATER**

NARUC	Description	Cost Basis	2015 Expense	2015 Accum Deprec	2015 Book Value	2016 Expense	2016 Book Value
303.20	Land & Land Rights	3,468,252.00			3,468,252.00		3,468,252.00
		3,468,252.00			3,468,252.00		3,468,252.00
302.10	Water Rights	1,921,988.57	47,846.70	1,456,349.69	465,638.88	47,846.70	417,792.17
		1,921,988.57	47,846.70	1,456,349.69	465,638.88	47,846.70	417,792.17
304.20	Structures & Improvements	2,717,773.41	75,574.17	1,711,824.42	1,005,948.99	71,474.21	934,474.79
307.20	Wells & Springs	46,756.50	1,928.61	12,306.60	34,449.90	1,928.61	32,521.29
311.20	Pumping Equipment	1,011,350.76	31,052.87	563,679.86	447,670.90	31,052.87	416,618.04
330.40	Distribution Reservoirs & Standpipes	1,239,938.89	24,798.78	340,286.99	899,651.90	24,798.78	874,853.12
331.40	Mains	2,231,482.04	47,133.01	1,253,856.79	977,625.25	47,133.01	930,677.57
334.40	Meters	100,537.00	2,010.74	72,840.27	27,696.73	2,010.74	25,685.99
335.40	Hydrants	229,333.00	5,096.29	140,291.98	89,041.02	5,096.29	83,944.73
339.10	Intangible - Other Equipment	333,446.67	9,271.75	190,122.41	143,324.26	10,491.05	132,833.21
339.40	Miscellaneous Equipment	430,594.54	8,674.73	364,541.59	66,052.95	8,151.83	57,901.12
340.50	Office Furniture & Equipment	89,259.96	1,959.92	87,947.20	1,312.76	1,312.76	0.00
341.50	Transportation Equipment	168,626.18	6,620.10	122,143.36	46,482.82	11,995.10	34,487.72
		8,599,098.95	212,120.96	4,859,841.47	3,739,257.48	215,445.24	3,503,997.57
	TOTAL WATER UTILITY PLANT IN SERVIC	13,989,339.52	259,967.67	6,316,191.16	7,673,148.36	263,291.95	7,390,041.75

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Water
Depreciation

Line No.		Description	Cost	2015 Depreciation	Depreciation Rate - Composite	2016 Depreciation	Depreciation Rate - Composite	Accumulated Depreciation	Net Book Value
1									
4	304.2	Structures & Improvements	2,717,773	73,574	2.63%	71,474	2.63%		
5	307.2	Wells & Springs	46,757	1,929	4.12%	1,929	4.12%		
6	311.2	Pumping Equipment	1,011,351	31,053	3.07%	31,053	3.07%		
9	330.4	Distribution Resevoirs & Standpipes	1,239,939	24,799	2.00%	24,799	2.00%		
10	331.4	Mains	2,231,482	47,133	2.11%	47,133	2.11%		
11	334.4	Meters	100,537	2,011	2.00%	2,011	2.00%		
12	335.4	Hydrants	229,333	5,096	2.22%	5,096	2.22%		
13	339.1	Intangible - Other Equipment	333,447	9,272	2.78%	10,491	3.15%		
14	339.4	Miscellaneous Equipment	430,595	8,675	2.01%	8,152	1.89%		
15	340.5	Office Furniture & Equipment	89,260	1,960	2.20%	1,313	1.47%		
16	341.5	Transportation Equipment	168,626	6,620	3.93%	11,995	7.11%		
17									
18									
19	Subtotal		8,599,100	212,122		215,446			
20									
21									
22		R&M expenditures to be capitalized	170,898		5.00%	8,545			
23									
24	Assets to be added in 2016								
25	331.4	2nd Main Pipeline	9,822,104		2.00%	196,442			
26									
27									
28		Depreciation expense in 2015		212,122					
29		Depreciation expense in 2016				215,446			
30		Depreciation - to be added				8,545			
31		Depreciation - to be added				196,442			
32		Total Proposed Depreciation				420,433			

KIAWAH ISLAND UTILITY
PROPERTY, PLANT & EQUIPMENT **SEWER**

NARUC	Description	Cost Basis	2015 Expense	2015 Accum Deprec	2015 Book Value	2016 Expense	2016 Book Value
353.6	Land and Land Rights	1,826,175.00			1,826,175.00		1,826,175.00
		1,826,175.00			1,826,175.00		1,826,175.00
354.4	Structures & Improvements	3,125,047.31	84,959.91	1,616,023.70	1,509,023.61	83,414.03	1,425,609.58
354.3	Pumping Equipment	7,510.95	169.00	6,309.11	1,201.84	169.00	1,032.84
354.3	Power Pumping	110,270.26	3,379.02	104,853.09	5,417.17	2,465.08	2,952.09
360.2	Mains	3,961,165.74	87,087.23	2,100,476.53	1,860,689.21	87,087.24	1,773,601.97
355.4	Chemical Treatment Plant & Equip	41,398.06	3,512.82	29,264.98	12,133.08	2,513.81	9,619.27
389.4	Other Equipment	48,624.68	4,570.40	36,464.20	12,160.48	4,047.52	8,112.96
390.7	Office Equipment	86,227.24	1,959.92	84,914.49	1,312.76	1,312.76	0.00
391.7	Vehicles	175,926.15	6,620.10	129,443.34	46,482.81	11,995.10	34,487.71
389.1	Intangible Plant	369,881.22	8,905.16	235,618.68	134,262.54	10,124.45	124,138.09
		7,926,051.61	201,163.56	4,343,368.13	3,582,683.48	203,128.99	3,379,554.50
	TOTAL SEWER UTILITY PLANT IN SER	9,752,226.61	201,163.56	4,343,368.13	5,408,858.48	203,128.99	5,205,729.50

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Sewer
Depreciation

Line No.		Description	Cost	2015 Depreciation	Depreciation Rate - Composite	2016 Depreciation	Depreciation Rate - Composite	Accumulated Depreciation	Net Book Value
1								-	
2	304.2	Structures & Improvements	3,125,047	84,960	2.72%	83,414	2.67%		
3	354.3	Pumping Equipment	7,511	169	2.25%	169	2.25%		
4	354.3	Power Pumping	110,270	3,379	3.06%	2,465	2.24%		
5	360.2	Mains	3,961,166	87,087	2.20%	87,087	2.20%		
6	355.4	Chemical Treatment Plant & Equip	41,398	3,513	8.49%	2,514	6.07%		
7	389.4	Other Equipment	48,625	4,570	9.40%	4,048	8.32%		
8	390.7	Office Furniture & Equipment	86,227	1,960	2.27%	1,313	1.52%		
9	391.7	Transportation Equipment	175,926	6,620	3.76%	11,995	6.82%		
10	339.4	Intangible - Other Equipment	369,881	8,905	2.41%	10,124	2.74%		
11									
12									
13	Subtotal		7,926,051	201,163		203,129			
14									
15									
16									
17		Depreciation expense in 2015		201,163					
18		Depreciation expense in 2016				203,129			
19		Total Proposed Depreciation				203,129			

SCHEDULE E

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Growth Rate

	# of Customers 12/31/2014	12/31/2015	Average	Growth Rate
Water	3,972	4,054	4,013	1.0217%
Sewer	3,343	3,379	3,361	0.5356%

	Net Utility Operating Income	Growth Rate Factor	Income after Growth Factor
Water	1,221,895	1.0217%	12,484
Sewer	525,972	0.5356%	2,817
Total	1,747,867		15,301

SCHEDULE F

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Water
Operating Revenue

Line No.			PER BOOKS	ACCOUNTING & PROFORMA ADJUSTMENTS	AJE	PROFORMA PRESENT	PROPOSED RATE INCREASE	AJE	RATE CASE BALANCE
1		WATER SALES REVENUE							
2	461	Measured Water Revenue							
3	461.1	Residential	2,935,802	82,067	1	3,017,869	771,669	22	3,789,538
4	461.2	Commercial	353,975	6,529	1	360,504	92,181	22	452,685
5		Hotel	88,670	522	1	89,192	22,806	22	111,999
6		Well	46,494	-	1	46,494	11,889	22	58,383
7	462	Fire Protection Revenue	-	-		-	-		-
8	462.1	Public Fire Protection	62,451	(5,225)	1	57,227	14,633	22	71,859
9	462.2	Private Fire Protection	4,096	(417)	1	3,679	941	22	4,619
10	465	Sales to Irrigation Customers	1,562,754	44,080	1	1,606,834	410,868	22	2,017,702
11									
12		TOTAL WATER SALES REVENUE	5,054,242	127,557		5,181,799	1,324,986		6,506,785
13									
14		OTHER WATER REVENUES							
15	530	Miscellaneous Service Revenues	26,127	-		26,127	-		26,127
16	536	Other Water Revenues - TAP-INS	89,250	(89,250)	2	-	-		-
17		TOTAL OTHER WATER REVENUES	115,377	(89,250)		26,127	-		26,127
18									
19	400	WATER OPERATING REVENUES	5,169,619	38,307		5,207,926	1,324,986		6,532,912
20									
21									

Proposed increase in water rates 25 57%

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015

Sewer
Operating Revenue

Line No.			PER BOOKS	ACCOUNTING & PROFORMA ADJUSTMENTS	AJE	PROFORMA PRESENT	PROPOSED RATE INCREASE	AJE	RATE CASE BALANCE
1		WASTEWATER SALES REVENUE							
2	522	Measured Revenues - General Customers							
3	522.1	Residential	1,199,621	11,882	1	1,211,503	309,781	22	1,521,284
4	522.2	Commercial	162,982	44,378	1	207,360	53,022	22	260,382
5	522.3	Industrial	-	-		-	-		-
6	522.4	Public Authorities	-	-		-	-		-
7	522.5	Multiple Family Dwelling Revenues	-	-		-	-		-
8		Total Measured Revenues	1,362,603	56,260		1,418,863	362,803		1,781,666
9	524	Revenues from Other Systems - HOTEL	55,905	920	1	56,825	14,530	22	71,356
10		TOTAL WASTEWATER SALES REVENUE	1,418,508	57,180		1,475,688	377,334		1,853,022
11									
12		OTHER WASTEWATER REVENUES							
13	530	Guaranteed Revenues	-	-		-	-		
14	536	Other Wastewater Revenues - Misc & Tap-Ins	64,444	(55,500)	2	8,944	-		8,944
15		TOTAL OTHER WASTEWATER REVENUES	64,444	(55,500)		8,944	-		8,944
16									
17	544	Reuse Revenues from Other Systems - GOLF EFFLUENT	169,671	(1)		169,670	43,384.73		213,055
18									
19		-							
20	400	SEWER OPERATING REVENUE	1,652,623	1,680		1,654,303	420,718		2,075,021
21									

Proposed increase in sewer rates **25.57%**

SCHEDULE G

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015 **Rates - Current and Proposed**

	Current Rate	Proposed Rate	Increase
RESIDENTIAL			
WATER SERVICE			
5/8" Meter	29.92	37.57	25.57%
3/4" Meter	44.89	56.37	25.57%
1" Meter	74.81	93.94	25.57%
1 1/2" Meter	149.62	187.88	25.57%
2" Meter	239.40	300.61	25.57%
3" Meter	523.68	657.58	25.57%
4" Meter	1,502.90	1,887.19	25.57%
Consumption up to 11,000 gals/mo	3.53	4.43	25.57%
Consumption 11,000 - 50,000 gals/mo	3.98	5.00	25.57%
Consumption > 50,000 gals/mo	4.25	5.34	25.57%
SEWER SERVICE			
5/8" Meter	22.86	28.71	25.57%
3/4" Meter	34.29	43.06	25.57%
1" Meter	57.15	71.76	25.57%
1 1/2" Meter	114.29	143.51	25.57%
2" Meter	182.87	229.63	25.57%
3" Meter	400.03	502.32	25.57%
4" Meter	1,236.78	1,553.02	25.57%
Consumption up to 11,000 gals/mo	0.60	0.75	25.57%
COMMERCIAL			
WATER SERVICE			
5/8" Meter	29.92	37.57	25.57%
3/4" Meter	44.89	56.37	25.57%
1" Meter	74.81	93.94	25.57%
1 1/2" Meter	149.62	187.88	25.57%
2" Meter	239.40	300.61	25.57%
3" Meter	523.68	657.58	25.57%
4" Meter	1,502.90	1,887.19	25.57%
Consumption	4.25	5.34	25.57%
SEWER SERVICE			
5/8" Meter	22.86	28.71	25.57%
3/4" Meter	34.29	43.06	25.57%
1" Meter	57.15	71.76	25.57%
1 1/2" Meter	114.29	143.51	25.57%
2" Meter	182.87	229.63	25.57%
3" Meter	400.03	502.32	25.57%
4" Meter	1,236.78	1,553.02	25.57%
Consumption	2.34	2.94	25.57%
HOTELS			
WATER SERVICE			
Per Room	12.02	15.09	25.57%
Consumption	4.25	5.34	25.57%
SEWER SERVICE			
Per Room	9.14	11.48	25.57%
Consumption	2.34	2.94	25.57%

Kiawah Island Utilities, Inc.
For the Year Ended December 31, 2015 **Rates - Current and Proposed**

IRRIGATION					
WATER SERVICE					
5/8" Meter	29.92		37.57		25.57%
3/4" Meter	44.89		56.37		25.57%
1" Meter	74.81		93.94		25.57%
1 1/2" Meter	149.62		187.88		25.57%
2" Meter	239.40		300.61		25.57%
3" Meter	523.68		657.58		25.57%
4" Meter	1,502.90		1,887.19		25.57%
Consumption Up to 50,000 gals/mo	3.98		5.00		25.57%
Consumption > 50,000 gals/mo.	4.25		5.34		25.57%
GOLF COURSE IRRIGATION					
GOLF - POTABLE					
Potable Water	711.51		893.44		25.57%
Consumption - Potable	4.25		5.34		25.57%
GOLF - WELL					
Deep Well Water	929.79		1,167.54		25.57%
Consumption - Well	0.24		0.30		25.57%
GOLF - EFFLUENT					
Effluent	3,795.53		4,766.05		25.57%
Consumption - Effluent	0.17		0.21		25.57%
FIRE LINE					
2" Line	7.08		8.89		25.57%
3" Line	12.92		16.22		25.57%
4" Line	22.40		28.13		25.57%
6" Line	44.80		56.26		25.57%
FIRE HYDRANT SERVICE					
Fire Hydrants	117.75		147.86		25.57%

EXHIBIT C

DHEC Letter

dhec
Healthy People. Healthy Communities

via e-mail

September 9, 2016

Mr. Scott Elliott
Elliott & Elliott, P.A.
1508 Lady Street
Columbia, SC 29201

RE: Kiawah Island
Water system #1010008
Wastewater System #ND0017361
PSC Rate Case (water and sewer)

Dear Mr. Elliott:

This letter serves to confirm that the systems above all have the valid DHEC permits needed to operate.

I can be reached at 803-898-4157 or at debessjp@dhec.sc.gov.

Sincerely,

Jeffrey P. deBessonet, P.E., Director
Water Facilities Permitting Division

cc: Mike Montebello
Doug Kinard

S.C. Department of Health and Environmental Control
[illegible] Columbia, SC [illegible] [illegible] www.[illegible].gov

EXHIBIT D

Customer Bill Form

1

Kiawah Island UTILITY, INC.

31 Sora Rail Road
Kiawah Island, SC 29455-5648

Rate Schedules Furnished on Request

Account Number [redacted]
Cycle 1

Service address
[redacted]

Call 843-768-9541 For Customer Service
Fax 843-768-1316

[redacted]

Meter Number	Meter Reading	Units Used	Unit of Measure	Billing period	Days
71090667	1662 to 1674	12	1000 Gallons	Jul 05 - Aug 01	27

Statement date 8/03/2016	PREVIOUS BALANCE	114.41	
	PAYMENT 08/03/16	114.41	
Date Meter Read 8/01/2016			
	CURRENT CHARGES		
Rate Codes Residential	WATER FEE	72.73	
	SEWER FEE	29.46	
	AUG SDW FEE	.28	
Meter Size 5/8"			
	CURRENT CHARGES DUE		102.47
	TOTAL AMOUNT DUE		102.47

Late Charge Reminder: A 1.5% additional charge will apply to any unpaid balance after the due date.

Retain this portion for your records

Please detach this portion and return with your payment

VISIT OUR WEBSITE AT
WWW.KIAWAHISLANDUTILITY.COM

Kiawah Island UTILITY, INC.

Account Number [redacted]
Payment Due Date 8/31/2016

[redacted]

Amount Due 102.47
ENTER AMOUNT PAID _____

[ ] Check this box & make changes to address or phone number below:
Name _____
Address _____
City _____ State ___ Zip _____
Phone # _____

Please make check payable to:

Kiawah Island Utility, Inc.
31 Sora Rail Road
Kiawah Island, SC 29455-5648

EXHIBIT E

Gross Receipts Tax Filing

SOUTH CAROLINA PUBLIC SERVICE COMMISSION
and
SOUTH CAROLINA OFFICE OF REGULATORY STAFF
GROSS RECEIPTS FOR THE TWELVE (12) MONTHS ENDING JUNE 30, 2016

(Please correct preprinted information as required)

Kiawah Island Utility, Inc. — FEIN

Company Name (as shown on Certificate)

List d/b/a and/or f/k/a aliases

31 Sora Rail Road	Kiawah Island	SC	29455
Address	City	State	Zip Code

Becky J. Dennis	843-768-0641	[redacted]
Regulatory Contact	Area Code & Phone Number	E-Mail

INTRASTATE GROSS RECEIPTS

Revenues Derived Via South Carolina Operations from:

Water Revenues	(Water)	$ [redacted]
Sewer Revenues	(Sewer)	[redacted]
Electricity Revenues	(Electric)	
Natural Gas Revenues	(Gas)	
Railroad Revenues	(Railroad)	
Telecommunications Revenues:		
ILEC (Local Exchange)	(ILEC)	
CLEC (Competitive Local Exchange)	(CLEC)	
IXC (Long Distance)	(IXC)	
PSP (Payphone Service Provider)	(PSP)	
Wireless (Eligible Telecommunications Carrier)	(Wireless ETC)	
Total Revenues Derived Via South Carolina Operations		$ [redacted]

Victoria R. Mlcak — 8/25/16
Preparer's Signature — Date

Affidavit

State of TEXAS County of FORT BEND

Personally appeared before me Victoria R Mlcak who, being duly sworn, says that he/she is the Sr. Tax Analyst of Southwest Water (Company) and that the foregoing statement, for the twelve (12) months ending June 30, 2016, is correctly taken from the books and records of said Company, and is true to the best of his/her knowledge and belief.

Sworn to and subscribed before me this 25th day of August, 2016

Joan Glover
Notary Public

My commission expires 10-26-17

JOAN GLOVER
Notary Public, State of Texas
Comm. Expires 06-26-2017
Notary ID 00240090-3

Place Seal Here

Return completed form to:
South Carolina Office of Regulatory Staff
Attention: Gross Receipts Department
1401 Main Street, Suite 900
Columbia, SC 29201

Failure to timely complete and submit this form could result in the loss of your license, authority or certificate to operate in South Carolina.

Return Deadline is August 31, 2016

CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Application of Kiawah Island Utility, Inc. for Adjustment of Rates and Charges and Modifications to Certain Terms and Conditions for the Provision of Water and Sewer Service
Docket No. 2016-222-WS

PARTIES SERVED: Jeffrey M. Nelson, Esquire
Shannon Bowyer Hudson, Esquire
Florence P. Belser, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201

PLEADINGS: APPLICATION WITH EXHIBITS

November 11, 2016

Linda B. Kitchens, Paralegal
Elliott & Elliott, P.A.
1508 Lady Street
Columbia, SC 29201
(803)771-0555
linda@elliottlaw.us

ADMINISTRATION AND OPERATOR SERVICES AGREEMENT

THIS ADMINISTRATION AND OPERATOR SERVICES AGREEMENT made and entered into this first day of January 2016 by and between Harbor Island Utilities, Inc. of Harbor Island, Beaufort County, South Carolina (hereinafter referred to as the "Utility") and The Beaufort Group, LLC. of Post Office Box 1028, Beaufort, SC 29901-1028 (hereinafter referred to as "BG").

WHEREAS, the Utility is desirous of obtaining efficient services for the overall administration, operations, maintenance, management, and general engineering of the day-to-day business activities; and,

WHEREAS, BG has agreed to accept the responsibilities and duties in the administrative office functions, operation, maintenance, management, and general engineering of the Utility and its water and sewer systems.

NOW, THEREFORE, for and in consideration of the promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is mutually agreed by and between the Parties hereto as follows:

BG agrees to provide to the Utility services necessary to supervise, maintain, manage and perform all of the duties and responsibilities within the scope of operations of the Utility, which activities shall include the following:

1. **ADMINISTRATION**
   a. To provide administrative staff necessary for the day-to-day administration of the Utility.
   b. To provide an administrative office within Beaufort County, South Carolina, suitable for conducting the regular business of the Utility. The office will be staffed

with personnel and shall be open for business from 8:00 a.m. to 4:30 p.m. Monday through Friday, excluding reasonable holidays which days will not exceed ten per year. It is recognized that the office and staff will be providing services for other business activities. However, the pricing for this service reflects the time anticipated from office staff as determined by reviewing time spent during the last three calendar years.

c. To maintain a telephone and post office box in the name of the Utility for conducting the Utility's business. The telephone will be a local telephone number and will be answered in the office of BG.

d. To provide miscellaneous and standard office supplies including paper, pencils, ledger sheets, carbon paper, miscellaneous postage and copying, necessary for the routine administration of the Utility and correspondence on behalf of the Utility. Reference for non-miscellaneous items should be made to subparagraph 3(a).

e. To provide a complete bookkeeping service in accordance with standard bookkeeping procedures as may be delineated from time to time by the independent auditors engaged by the Utility.

f. To provide computer services, personnel and related supplies for the performance of the Utility's billing cycle, as set forth in more detail below.

g. To develop and maintain property files on all pieces of property within the Utility having water and sewer service available.

h. To receive all correspondence and payments concerning the Utility's services and to handle the disposition of each.

i. To receive water tap requests and payments and to process authorization according to the Utility policy.

j. To comply or cause compliance with all laws, ordinances, orders, regulations and requirements of duly constituted public authorities applicable to the Utility's operations and responsibilities.

k. To obtain all necessary permits, licenses, and other authorizations required of the Utility for its operations and responsibilities.

l. To review plans for extensions of the Utility's water and sewer systems and to enforce the Utility's policy on such matters.
m. To provide direction to consultants performing work for the Utility.
n. To provide supervision to other individuals or organizations that may be hired or contracted by the Utility to perform work for the Utility.

In consideration of the performance of the services provided for in Section I hereof, the Utility shall pay to BG an administrative fee at an annual rate of $42,196, such fee to be paid monthly at 1/12 the annual rate, due and payable on the last day of the month for which the services are rendered. Each subsequent fiscal year at a rate to be negotiated by BG and the Utility after a review of the operations for the previous year.

The Utility shall provide the following:

a. Printed stationery, letterheads, envelopes, special announcements, and other items uniquely related to the Utility and the Utility's customers.
b. Postage for all mailings of the Utility's water bills and any other special mailing such as newsletters to property owners.
c. To pay the cost of all consulting services, such as, but not limited to engineering, legal and audit. The Utility reserves the right to select and approve any contracts for these services.
d. To provide for insurance necessary for the protection and operation of the Utility. This shall include the cost of a fidelity bond on any or all of the employees of BG as the Utility may, in its discretion, choose to bond. BG shall be named as an additional insured on such policy or policies.
e. To pay for all parts, supplies, and other materials used in the operation of the water and sewer systems, which are not general office supplies covered in the previous sections.
f. To pay the expense of any analyses performed by outside laboratories.

2. OPERATION

In addition to the administrative services previously identified, BG agrees to provide the licensed operator (s) of the grade required by regulatory agencies for routine operation of the Utility's water and sewer systems. Included in the definition of routine operation is (1) the daily inspection of the water and sewer systems; (2) performing daily process control tests as appropriate; (3) making adjustments to the systems to ensure compliance with regulatory permits; (4) taking samples for analysis as required by regulatory permits; (5) identify problems that require corrective maintenance; (6) identifying issues that require preventive maintenance; and, (7) the recording of all water meters on a monthly basis.

For providing the above operating services, the Utility agrees to compensate and pay to BG an annual fee of $42,196 such fee to be paid monthly at 1/12 the annual rate, which shall be due and payable on the last day of each month in which the services are rendered.

3. MAINTENANCE

In addition to the administrative services and operational services previously identified, BG agrees to provide routine maintenance of the Utility's water and sewer systems. Included in the definition of routine maintenance is (1) the routine inspection of and providing preventive maintenance for the water and sewer system: pumps, motors, chlorinators and other related equipment; (2) the repair of sewer lines that will require no more than one individual and no mechanical equipment for the repair; (3) arrange for subcontractors to promptly conduct any non-routine maintenance or repair at the expense of the Utility; and, (4) weekly inspection of the system's pump stations.

For providing the above operating services, the Utility agrees to compensate and pay to BG an annual fee of $72,600 such fee to be paid monthly at 1/12 the annual rate, which shall be due and payable on the last day of each month in which the services are rendered.

4. MANAGEMENT

In addition to the administrative services, operational services, and maintenance services previously identified, BG agrees to provide overall management and day-to-day engineering of the Utility's water and sewer systems. Day-to-day engineering services include making recommendations on necessary repairs, replacement equipment, etc.

For providing the above overall management and day-to-day engineering services, the Utility agrees to compensate and pay to BG an annual fee of $35,000 such fee to be paid monthly at 1/12 the annual rate, which shall be due and payable on the last day of each month in which the services are rendered.

OTHER

1. It is understood that the present activities of the Utility cover water supply and sewer service to the customers on Harbor Island. If the Utility determines to expand its services, then the Utility and BG will agree on a revised compensation schedule to the extent that the expansion increases the work or responsibility of BG.
2. BG will provide personnel and equipment for installing water meters and locating water & sewer laterals at a fee commensurate with the current charges for services charged by BG based on the number of hours required to perform such task. All materials including water meters, pipes and fittings will be provided by the Utility.
3. The Utility shall be responsible for all electricity and other utilities, all chlorine and other supplies, and all other non-routine operating expenses. Additionally, the Utility shall be responsible for all repairs, expansions and improvements to the system, other than those minor routine repairs set forth above. In the event that an emergency condition requires the institution of immediate repairs, BG is authorized to contract in the name of the Utility with a suitable independent contractor for the completion, of those emergency repairs. Except in that case, all repairs, additions and expansions shall be granted by contract only upon the approval of an officer of the Utility.
4. The Utility retains the right to establish all policy relating to the operation of the

Utility, except as specifically delegated to BG herein, the right to establish all rates structures as approved by the South Carolina Public Service Commission, and the right to promulgate and enforce all regulations and operating procedures.

5. As set forth above, BG agrees to handle the billing of the water bills for each month of services. BG will mail these bills for the month of services.
6. It is the intent of both parties that, while the initial term is for successive years provided that past services rendered by BG are satisfactory, in the opinion of the Utility's Board of Directors and competitive in price with relation to other potential contractors with similar experience.
7. This Agreement shall in no way be construed to constitute or make BG, or its employees, employees of the Utility for any purpose whatsoever. BG shall be solely an independent contractor engaged in its business activity and shall not act in any manner as to make the public believe it to be otherwise. Except as specifically delegated by this Agreement, this Agreement does not in any way permit BG to act as an agent for the Utility.
8. In any instance where BG is operating properly under its authority delegated under this contract, it shall be afforded the same sovereign immunity afforded to the Utility to the extent such immunity is available. To the extent that such immunity shall not be effective to protect the Utility from any liability or unreimbursed expense of defense, BG shall indemnify and save harmless the Utility from any and all claims, actions, damages, liabilities and expenses in connection with its actions or omissions arising from or out of any occurrence connected with the operation under this contract or occasioned wholly or in part by any act or omission of BG, its agents or employees.
9. To further' protect the Utility with regard to the aforementioned indemnity, BG agrees to procure and maintain in full force and effect an insurance policy or policies protecting the Utility against any liability or expense whatsoever from personal injury, death, property damage, or otherwise arising from or incurring upon in connection with BG's operation. The Utility shall be named as an additional insured on such policy or policies. Such a policy or policies shall be written with an insurance company

satisfactory to the Utility and shall provide for liability coverage in amounts not less than One Million ($1,000,000.00) Dollars. BG agrees to provide the Utility with the appropriate certificates of insurance. Additionally, BG shall provide for workman's compensation insurance, vehicle liability insurance and public liability insurance. BG acknowledges that it is solely responsible for, and shall promptly pay, all employer taxes, withholding requirement, etc., on its employees.

10. Nothing in this Agreement shall be construed so as to make BG liable for any cause of action or damages relating to or resulting out of the general operations of the Utility, including the purity and quality of drinking water, compliance with federal, state and local regulations, etc., except such failure or liability shall have occurred due to the negligence of BG its agents or employees.
11. In the event that the Utility believes that BG has breached the terms and conditions of this Agreement, then the Utility shall give BG written notification of the alleged breach and shall allow BG thirty (30) days with which to correct or dispute the terms of the alleged breach. In the event that the alleged breach has not been either disputed or corrected, except if such correction is not reasonably feasible within the thirty (30) day time period, the Utility may at the end of that time period, but shall not be required to, terminate this Agreement. In the event that BG disputes the alleged breach, then such dispute shall be submitted to arbitration, as hereinafter provided. In the event that either party shall desire to terminate this Agreement, it shall give the other party not less than ninety (90) days prior written notice of its intent to terminate.
12. In the event that BG shall expend any of its funds with regard to the purchase of supplies, parts, materials or labor, which are the responsibility of the Utility under this Agreement, then the Utility agrees to promptly reimburse BG for all such proper expenditures immediately upon the receipt of a statement. Except in the case of an emergency, no such expenditures more than One Thousand ($1,000.00) Dollars shall be made without the prior written approval of the Utility. The Utility shall also reimburse BG for any funds expended by it for expenses incurred during approved trips away from Beaufort County. Such reimbursement shall be made upon the

submittal of an expense report together with the receipts for expenses.

13. The operations of BG, its employees and agents, pertaining to the work and conduct of the business within the terms of this Agreement shall be subject to audit by auditors selected and paid by the Utility.
14. It is agreed between the Parties that should they be unable to agree upon any of the terms and conditions of this Agreement, or required amendments, or should there be any claim as to unsatisfactory compliance of the terms of this Agreement, then each party shall submit the question in disagreement to the American Arbitration Association for a hearing by the said Association on the merits of the claim. A final determination by that Association of the liability and responsibilities of the respective parties shall be binding and shall be enforceable by appropriate judicial process.
15. BG agrees to conduct its business and maintain its operations in strict compliance with all applicable laws, ordinances, regulations, and other requirements of any federal, state, or county government and will obtain all necessary permits, licenses or other consents for its operation and for the operation of the Utility.
16. All notices required or permitted to be given hereunder shall be deemed to be given in writing, deposited in the United States mail in a sealed envelope with postage thereon prepaid and certified, addressed to BG or the Utility, as the case may be, at the address set forth at the head of this Agreement, or to such other address as the Parties may direct by notice given from time to time.
17. This Agreement contains the entire agreement for the parties and no representatives, inducements, promises, or agreements, oral or otherwise, between the Parties not embodied herein shall be of any force and effect. No failure of the Utility to exercise any power given it hereunder, or to insist upon strict compliance by BG of any obligation hereunder, and no customer practice of the Parties at variance with the terms hereof shall constitute a waiver by the Utility of the right to demand exact compliance with the terms hereof.

18. This Agreement is being executed in the State of South Carolina and shall be construed and enforced in accordance with the laws of that State.

IN WITNESS WHEREOF, the Utility and BG have caused this Agreement to be executed with an effective date of the first day of January 2016.

WITNESS:

HARBOR ISLAND UTILITIES, INC.

Robert G. Gross
President

THE BEAUFORT GROUP, LLC

Claudia McKeown
Office Manager

Daufuskie Island Utility Company
Docket No. 2014-346-WS - Plant In Service / Depr. Expense / Accumulated Depreciation
Test Year Ending 12/31/2014

	Area	Description	Cost	Year Installed	In-Service
Water & Sewer Mains	HP	Plat 2	83,220.40	1986	1/1/1986
Retiremant Units (2006)	HP	Mains Replaced	[redacted]	2006	
Retiremant Units (2007)	HP	Meters Replaced	[redacted]	2007	
	HP	Water Main Ext. to Lighthse	0.00	1986	1/1/1986
	HP	Plat 1 & Maint Area	675,286.12	1987	1/1/1987
	HP	Beach Club	44,026.00	1987	1/1/1987
	HP	Plat 2	160,253.45	1987	1/1/1987
	HP	Plat 3	122,130.75	1987	1/1/1987
	HP	Village Square	17,213.15	1987	1/1/1987
	HP	MF-3 Twnhse (Savanna Walk)	20,165.00	1987	1/1/1987
	HP	Savanna Walk-Phase II	0.00	1987	1/1/1987
	HP	Clubhouse	140,199.90	1987	1/1/1987
	HP	Landing Bldg	68,450.95	1987	1/1/1987
	HP	Plat 14	0.00	1987	1/1/1987
	HP	Plantatn Twnhse Phase I & II	43,015.90	1988	1/1/1988
	HP	Plat 4	14,666.50	1988	1/1/1988
	HP	Plat 5	76,068.00	1988	1/1/1988
	HP	Plat 6	92,563.85	1989	1/1/1989
	HP	Plat 7	38,585.60	1989	1/1/1989
	HP	Plat 8	86,220.80	1989	1/1/1989
	HP	Plat 9	19,020.45	1990	1/1/1990
	HP	Plat 10	119,595.00	1990	1/1/1990
	HP	Plat 10 (Lake Ridge to Clubhse)	16,666.00	1990	1/1/1990
	HP	Equestrian Ctr	58,733.67	1990	1/1/1990
	HP	Plat 11 (blocks A&B)	123,511.60	1991	1/1/1991
	HP	Plat 2 (VH-5)	58,144.05	1994	1/1/1994
	HP	Osprey Isl. Phase I	109,991.25	1994	1/1/1994
Meters	M/BP	Meters	279.00	1994	9/7/1994
Mains	M/BP	Water Line Replacement	7,455.00	1994	12/31/1994
	HP	Daufuskie Island School	0.00	1995	1/1/1995
	HP	Plat 15	188,567.45	1996	1/1/1996

	HP	Plat 16	29,269.25	1996	1/1/1996
	HP	Plat 17	0.00	1996	1/1/1996
Meters	M/BP	Meters	632.00	1999	4/30/1999
	HP	Plat 4	18,724.75	2000	1/1/2000
	HP	Plat 5	113,052.70	2000	1/1/2000
	HP	Osprey Isl. Phase II	19,121.00	2000	1/1/2000
	HP	Plat 18	87,449.75	2000	1/1/2000
	HP	Plat 19	288,552.50	2000	1/1/2000
	HP	Plat 20	192,324.25	2000	1/1/2000
	HP	Plat 21	91,749.80	2000	1/1/2000
	HP	Plat 22	207,132.35	2000	1/1/2000
Mains	M/BP	Rebuild Master Line	33,500.00	2000	11/30/2000
Mains	M/BP	Haig Pt Water Line Extension	18,743.00	2002	6/25/2002
	HP	Plantatn TH (Oaks & Calibogue)	0.00	2004	1/1/2005
Mains	M/BP	Reconstruct Sewer Main	[redacted]	2005	1/1/2005
Hydrants	M/BP	18" Fire Hydrant Replacement	[redacted]	2005	1/1/2005
Services	M/BP	Split Util Service/Tap	[redacted]	2005	4/13/2005
Mains	M/BP	8" Water Mains Melrose	[redacted]	2005	5/31/2005
Mains	M/BP	Transmission Mains	[redacted]	2005	6/30/2005
	HP	Water Mains	[redacted]	2008	1/1/2008
	HP	Gravity Sewer Mains	[redacted]	2008	1/1/2008
	HP	Project #212966399	6,013.02	2011	1/1/2011
			3,627,967.00		
Meters	HP	Meters	6,662.43	2008	1/1/2008
	HP	Meters	[redacted]	2010	1/1/2010
	HP	Meters	399.26	2012	1/1/2012
		POST YE - AUDIT ADJUSTMENT	1,461.23	2012	1/1/2012
		POST YE - AUDIT ADJUSTMENT	1,461.23	2012	1/1/2012
	HP	Meters-"Y" Check Valves	716.75	2012	1/1/2012
			11,708.43		
Wells, Supply Main & Appert	HP	Wells 1 & 2	353,359.67	1987	1/1/1987
	HP	Well 3	[redacted]	2004	1/1/2004
Wells	M/BP	4 1/2" Monitor Well	1,800.00	2000	7/31/2000
			794,864.67		
Wellsite		Chlorine Gas Detectors	9,103.70	2014	3/26/2014
			9,103.70		

Reservoirs & Standpipes	HP	Elev Storage Tank 125 tg	[redacted]	2007	1/1/2007
Storage	M/BP	Repaint Storage	6,000.00	2004	11/30/2004
			869,379.00		
Reservoirs & Standpipes		Repaint Storage Tank-Well Site	37,945.74	2014	5/6/2014
			37,945.74		
Reuse Meter		POST YE - AUDIT ADJUSTMENT	1,955.63	2013	1/1/2013
			1,955.63		
Treatment Plant					
Treatment	M/BP	Utility Equipmt	[redacted]	1994	4/15/1994
Retirement Unit (2013)	M/BP	Equipment	(2,540.06)		
Treatment	M/BP	Equipment	[redacted]	1996	6/30/1996
Treatment	M/BP	Equipment	[redacted]	1996	7/31/1996
Treatment	M/BP	Equipment	[redacted]	1996	9/30/1996
Treatment	M/BP	Equipment	[redacted]	1997	1/31/1997
Treatment	M/BP	Equipment	[redacted]	1997	5/31/1997
Treatment	M/BP	Equipment	[redacted]	1997	6/30/1997
Treatment	M/BP	Machinery & Equipmt	[redacted]	1999	4/15/1999
Treatment	M/BP	Northcutt Water System	14,027.00	1999	11/30/1999
Treatment	M/BP	Water Qual Monitor System	4,816.00	2000	2/29/2000
Treatment	M/BP	Wastewater System	12,030.00	2000	4/30/2000
Treatment	M/BP	6 Aerators (used)	3,600.00	2002	5/28/2002
Treatment	M/BP	Machinery & Equipmt	4,274.00	2004	7/1/2004
Treatment	M/BP	Equipment	[redacted]	2006	7/1/2006
Treatment	M/BP	Equipment	[redacted]	2007	7/1/2007
	HP	Water Treatment Equipment	[redacted]	2008	1/1/2008
	HP	Chlorinators	[redacted]	2009	1/1/2009
Treatment	M/BP	Equipment	4,300.90	2013	1/1/2013
	HP	Treatment & Disposal Equipmt	[redacted]	2008	1/1/2008
	HP	Treatment & Disposal Equipmt	58,467.13	2013	1/1/2013
		T&D Equipment	2,372.00	2014	7/11/2014
		T&D Equipment	2,661.13	2014	8/26/2014
		T&D Equipment	3,855.49	2014	9/10/2014
		T&D Equipment	3,590.14	2014	10/23/2014
		T&D Equipment	5,812.25	2014	10/27/2014
		T&D Equipment	2,115.84	2014	10/31/2014
		T&D Equipment	3,635.50	2014	12/16/2014

		T&D Equipment	8,870.82	2014	12/21/2014
		Equipment	1,824.00	2014	7/3/2014
		POST YE - AUDIT ADJUSTMENT	(1,824.00)	2014	7/3/2014
		Equipment	885.00	2014	7/25/2014
		Equipment	850.00	2014	11/17/2014
			578,756.40		
T&D Equipment	HP	Aeration Motors - Lagoon	7,296.63	2014	1/1/2014
	HP	Aeration Motors - Lagoon	8,172.22	2014	1/1/2014
	HP	Aeration Motors - Lagoon	624.00	2014	1/1/2014
	HP	Aeration Motors - Lagoon	15,739.51	2014	1/1/2014
			31,832.36		
		Reclaimed Water T&D Equipment	525.10	2014	6/27/2014
		POST YE - AUDIT ADJUSTMENT	3,600.16	2014	1/1/2014
		POST YE - AUDIT ADJUSTMENT	810.52	2014	1/1/2014
			4,935.78		
Transmission & Distrib.Plant	HP	T&D Structures	[redacted]	2007	1/1/2007
			81,907.00		
Gen Plant-Structures	M/BP	Building	17,912.00	1994	4/15/1994
Gen Plant-Structures	M/BP	Building	26,438.00	2004	7/1/2004
			44,350.00		
Transmission & Distrib.Plant	HP	T&D Pumping Equipment	[redacted]	2008	1/1/2008
	HP	Pumps (2)	2,503.60	2012	1/1/2012
	HP	T&D Pumping Equipment	[redacted]	2009	1/1/2009
Pumping	M/BP	10 Pumps	10,850.00	2000	3/14/2000
Pumping	M/BP	25 hp Vertical Turbine Pumps	[redacted]	2005	3/23/2005
Retirement Unit (2013)	M/BP		(6,628.00)	2013	
Pumping	M/BP	Replacement Pump Equipmt	11,222.71	2013	1/1/2013
		Pumps	150.00	2014	8/18/2014
		Pumps	337.50	2014	10/21/2014
		Pumps	450.00	2014	12/2/2014
			61,307.38		
		Wellsite Flow Meter	14,106.63	2014	5/2/2014
			14,106.63		

General Plant	HP	Ofc Equipmt-Window AC unit	[redacted]	2011	1/1/2011
General Plant	HP	Billing Software	5,700.00	2012	1/1/2012
General Plant	HP	Ofc Equipmt	297.00	2013	1/1/2013
General Plant		Computer Server & Software	8,324.00	2014	2/1/2014
General Plant		Website	11,943.48	2014	6/1/2014
Ofc. Furniture	M/BP	Furn & Fixt	1,193.00	1994	4/15/1994
			27,937.91		
General Plant	HP	Transportation Equipment	[redacted]	2007	1/1/2007
General Plant	HP	Transportatn Equipmt-Golf Cart	1,800.00	2010	1/1/2010
Transportation	M/BP	Ford F150	8,405.00	1999	8/1/1999
			23,169.00		
General Plant	HP	Tools-Power Saw	[redacted]	2011	1/1/2011
General Plant	HP	Tools-Torch Blade, 12"	[redacted]	2011	1/1/2011
General Plant	HP	Shop-100ft Steel Chain	1,688.57	2010	1/1/2010
General Plant	HP	Tools, Shp, and Garage Eqpmt	[redacted]	2008	1/1/2008
General Plant		Tools-Pipe Locator	1,205.24	2014	4/10/2014
General Plant		Tools-Collection System Camera	3,962.98	2014	2/25/2014
General Plant		Tools-Coll. System Camera Generator	1,058.34	2014	2/25/2014
			19,008.41		
Intangible		Organization Costs	41,185.00	2003	1/1/2003
		Acquisition-Legal	106,009.18	2013	1/1/2013
			147,194.18		
Other Intangible Plant		Signs at Well Site	403.66	2014	6/3/2014
		Signs at WWTP	203.66	2014	6/3/2014
			607.32		
Structures & Improvements - T&D		Aeration Lagoon - Liner Replacement	415,684.04	2014	6/27/2014
			415,684.04		
Power Generation Equipment		**POST YE - AUDIT ADJUSTMENT**	3,308.18	2013	1/1/2013
	M/BP	Power Transfer Switch @ BPWWTP	4,632.28	2014	1/15/2014
			7,940.46		
WW Treatment Plant	HP	WWTP-Phase I	797,381.00	1987	1/1/1987
Retirement Units (2013)	HP		(37,694.12)	2013	1/1/2013

	HP	WWTP-Phase II	0.00		
	HP	WWTP-Phase III (640000 gpd)	58,500.00	2003	1/1/2003
			818,186.88		
Outfall Main	HP	Effluent Trans. Line	66,703.75	1987	1/1/1987
			66,703.75		
WW Pumping Plant	HP	Restroom at Landing Dock	0.00	1987	1/1/1987
	HP	Pumping Equipment	[redacted]	2008	1/1/2008
Pumping	M/BP	Lift Station Pump	6,703.00	1994	11/30/1994
Pumping	M/BP	Grinder Pump	7,071.00	1995	8/31/1995
	M/BP	2 Grinder Pumps	2,290.00	1995	12/31/1995
Pumping	M/BP	30003 G/R Pump/Bracket	2,393.00	2000	6/20/2000
Pumping	M/BP	2 Lift Sta Pumps Rebuilt	5,386.00	2002	5/30/2002
Pumping	M/BP	TS Industrial - Repairs	5,355.00	2002	7/2/2002
	HP	Start Capacitor, Run Capacitor	[redacted]	2011	1/1/2011
	HP	Piranha 230 Volt, Single Phase (2)	2,466.35	2011	1/1/2011
	HP	Liftstation pump	1,310.75	2011	1/1/2011
	HP	Pumping Equipment	[redacted]	2009	1/1/2009
			68,189.10		
Reclaimed Water Pumps	HP	Irrigation Pumps - HPWWTP	89,999.62	2014	8/8/2014
		POST YE - AUDIT ADJUSTMENT	2,549.13	2014	1/1/2014
			92,548.75		
Plant in Service - Depreciable Assets			7,857,289.52		
Add Nonallowables, fully depreciated items per Doc. 2011-229-WS					
ACCUMULATED DEPRECIATION TOTAL					
Correction formula error last rate case					
ACCUMULATED DEPRECIATION TOTAL WITH CORRECTIONS					

2014.5

Years	Service Life per WIIIIe Water	Dep. Rate	Sewer	Dep. Rate	Current Water	Current Sewer	Total	Nonallowables from the last rate case Water	Nonallowables from the last rate case Sewer	Notes	Balance After ORS Ac 6/30/2011 Water
28.5	45	2.22%	45	2.22%	83,220.40		83,220.40				83,220.40
28.5	45	2.22%	45	2.22%	(16,112.00)		(16,112.00)				(16,112.00)
28.5	45	2.22%	45	2.22%	(3,554.00)		(3,554.00)				(3,554.00)
28.5	45	2.22%	45	2.22%	0.00		0.00				-
27.5	45	2.22%	45	2.22%	255,905.02	419,381.10	675,286.12				255,905.02
27.5	45	2.22%	45	2.22%	20,247.00	23,779.00	44,026.00				20,247.00
27.5	45	2.22%	45	2.22%		160,253.45	160,253.45				-
27.5	45	2.22%	45	2.22%	47,829.45	74,301.30	122,130.75				47,829.45
27.5	45	2.22%	45	2.22%	6,417.20	10,795.95	17,213.15				6,417.20
27.5	45	2.22%	45	2.22%	6,620.00	13,545.00	20,165.00				6,620.00
27.5	45	2.22%	45	2.22%	0.00	0.00	0.00				-
27.5	45	2.22%	45	2.22%	99,226.84	40,973.06	140,199.90				99,226.84
27.5	45	2.22%	45	2.22%	44,062.95	24,388.00	68,450.95				44,062.95
27.5	45	2.22%	45	2.22%	0.00	0.00	0.00				-
26.5	45	2.22%	45	2.22%	28,334.20	14,681.70	43,015.90				28,334.20
26.5	45	2.22%	45	2.22%	14,666.50		14,666.50				14,666.50
26.5	45	2.22%	45	2.22%	76,068.00		76,068.00				76,068.00
25.5	45	2.22%	45	2.22%	34,834.00	57,729.85	92,563.85				34,834.00
25.5	45	2.22%	45	2.22%	9,623.15	28,962.45	38,585.60				9,623.15
25.5	45	2.22%	45	2.22%	30,740.00	55,480.80	86,220.80				30,740.00
24.5	45	2.22%	45	2.22%	3,797.20	15,223.25	19,020.45				3,797.20
24.5	45	2.22%	45	2.22%	68,714.50	50,880.50	119,595.00				68,714.50
24.5	45	2.22%	45	2.22%	18,666.00		18,666.00				18,666.00
24.5	45	2.22%	45	2.22%	34,451.17	24,282.50	58,733.67				34,451.17
23.5	45	2.22%	45	2.22%	53,728.60	69,783.00	123,511.60				53,728.60
20.5	45	2.22%	45	2.22%	15,735.35	42,408.70	58,144.05				15,735.35
20.5	45	2.22%	45	2.22%	34,888.75	75,102.50	109,991.25				34,888.75
20.5	45	2.22%	45	2.22%	279.00		279.00				279.00
20.5	45	2.22%	45	2.22%	7,455.00		7,455.00				7,455.00
19.5	45	2.22%	45	2.22%	0.00	0.00	0.00				-
18.5	45	2.22%	45	2.22%	63,711.00	124,856.45	188,567.45				63,711.00

18.5	45	2.22%	45	2.22%	14,246.25	15,023.00	29,269.25				14,246.25
18.5	45	2.22%	45	2.22%	0.00	0.00	0.00				-
15.5	45	2.22%	45	2.22%	632.00		632.00				632.00
14.5	45	2.22%	45	2.22%		18,724.75	18,724.75				-
14.5	45	2.22%	45	2.22%		113,052.70	113,052.70				-
14.5	45	2.22%	45	2.22%	8,264.00	10,857.00	19,121.00				8,264.00
14.5	45	2.22%	45	2.22%	31,576.00	55,873.75	87,449.75				31,576.00
14.5	45	2.22%	45	2.22%	95,733.75	192,818.75	288,552.50				95,733.75
14.5	45	2.22%	45	2.22%	78,181.75	114,142.50	192,324.25				78,181.75
14.5	45	2.22%	45	2.22%	35,311.00	56,438.80	91,749.80				35,311.00
14.5	45	2.22%	45	2.22%	63,055.15	144,077.20	207,132.35				63,055.15
14.5	45	2.22%	45	2.22%		33,500.00	33,500.00				-
12.5	45	2.22%	45	2.22%	18,743.00		18,743.00				18,743.00
10.5	45	2.22%	45	2.22%	0.00	0.00	0.00				-
9.5	45	2.22%	45	2.22%		28,962.00	28,962.00		(28,962.00)	Removed	-
9.5	45	2.22%	45	2.22%	1,605.00		1,605.00	(1,605.00)		Removed	-
9.5	40	2.50%	38	2.63%	1,100.00		1,100.00	(1,100.00)		Removed	-
9.5	45	2.22%	45	2.22%	63,642.00		63,642.00	(63,642.00)		Removed	-
9.5	45	2.22%	45	2.22%	6,600.00		6,600.00	(6,600.00)		Removed	-
6.5	45	2.22%	45	2.22%	45,430.00		45,430.00	(14,603.00)		Removed	30,827.00
6.5	45	2.22%	45	2.22%		7,999.79	7,999.79		(7,800.00)	Removed	-
3.5	45	2.22%	45	2.22%	6,013.02		6,013.02				6,013.02
					1,509,688.20	2,118,278.80	3,627,967.00				1,422,138.20
6.5	20	5.00% n/a			6,662.43		6,662.43				6,662.43
4.5	20	5.00% n/a			1,007.53		1,007.53	(1,007.53)		Removed	-
2.5	20	5.00% n/a			399.26		399.26				
2.5	20	5.00%			1,461.23		1,461.23				
2.5	20	5.00%			1,461.23		1,461.23				
2.5	20	5.00% n/a			716.75		716.75				
					11,708.43	0.00	11,708.43				6,662.43
27.5	30	3.33% n/a			353,359.67		353,359.67				353,359.67
10.5	30	3.33% n/a			439,705.00		439,705.00	0.00		Added Bal	439,705.00
14.5	30	3.33% n/a			1,800.00		1,800.00				1,800.00
					794,864.67	0.00	794,864.67				794,864.67
0.5	18	5.56% n/a			9,103.70		9,103.70				
					9,103.70		9,103.70				-

7.5		37	2.70% n/a			863,379.00		863,379.00	0.00		Added Ba	863,379.00
10.5		37	2.70% n/a			6,000.00		6,000.00				6,000.00
						869,379.00	0.00	869,379.00				869,379.00
0.5		37	2.70% n/a			37,945.74		37,945.74				
						37,945.74		37,945.74				-
		20	5.00%	20	5.00%		1,955.63	1,955.63				
						0.00	1,955.63	1,955.63				-
20.5		32	3.13%	32	3.13%	210,987.00	113,609.00	324,596.00		(5,644.00)	Removed	210,987.00
20.5		32	3.13%	32	3.13%	(2,540.06)		(2,540.06)				(2,540.06)
												-
18.5		32	3.13%	32	3.13%	489.00	263.00	752.00	(489.00)	(263.00)	Removed	-
18.5		32	3.13%	32	3.13%	4,441.00	2,392.00	6,833.00	(4,441.00)	(2,392.00)	Removed	-
18.5		32	3.13%	32	3.13%	5,156.00	2,777.00	7,933.00	(5,156.00)	(2,777.00)	Removed	-
17.5		32	3.13%	32	3.13%	11,534.00	6,211.00	17,745.00	(11,534.00)	(6,211.00)	Removed	-
17.5		32	3.13%	32	3.13%	1,035.00	557.00	1,592.00	(1,035.00)	(557.00)	Removed	-
17.5		32	3.13%	32	3.13%	561.00	302.00	863.00	(561.00)	(302.00)	Removed	-
15.5		32	3.13%	32	3.13%	1,902.00	1,024.00	2,926.00	(1,902.00)	(1,024.00)	Removed	-
15.5		32	3.13%	32		14,027.00		14,027.00				14,027.00
14.5		30	3.33%	30	3.33%	4,816.00		4,816.00				4,816.00
14.5		32	3.13%	32	3.13%		12,030.00	12,030.00				-
12.5		32	3.13%	15	6.67%		3,600.00	3,600.00				-
10.5		32	3.13%	32	3.13%	2,778.00	1,496.00	4,274.00				2,778.00
8.5		32	3.13%	32	3.13%	4,339.00	2,336.00	6,675.00	(4,339.00)	(2,336.00)	Removed	-
7.5		32	3.13%	32	3.13%	36,912.00	19,875.00	56,787.00	(36,912.00)	(19,875.00)	Removed	-
6.5		32	3.13% n/a			15,525.42		15,525.42	(12,037.00)		Removed	3,488.42
5.5		32	3.13% n/a			1,820.84		1,820.84	(1,820.84)		Removed	-
1.5		32	3.13% n/a			4,300.90	-	4,300.90				
6.5	n/a			18	5.56%		1,085.00	1,085.00		(1,085.00)	Removed	-
1.5	n/a			18	5.56%		58,467.13	58,467.13				
0.5	n/a			18	5.56%		2,372.00	2,372.00				
0.5	n/a			18	5.56%		2,661.13	2,661.13				
0.5	n/a			18	5.56%		3,855.49	3,855.49				
0.5	n/a			18	5.56%		3,590.14	3,590.14				
0.5	n/a			18	5.56%		5,812.25	5,812.25				
0.5	n/a			18	5.56%		2,115.84	2,115.84				
0.5	n/a			18	5.56%		3,635.50	3,635.50				

0.5	n/a			18	5.56%		8,870.82	8,870.82				
0.5		32	3.13% n/a			1,824.00	-	1,824.00				
0.5		32	3.13% n/a			(1,824.00)		(1,824.00)				
0.5		32	3.13% n/a			885.00	-	885.00				
0.5		32	3.13% n/a			850.00	-	850.00				233,556.36
						319,819.10	258,937.30	578,756.40				
0.5				15	6.67%		7,296.63	7,296.63				
0.5				15	6.67%		8,172.22	8,172.22				
0.5				15	6.67%		624.00	624.00				
0.5				15	6.67%		15,739.51	15,739.51				-
						0.00	31,832.36	31,832.36				
0.5				18	5.56%		525.10	525.10				
				18	5.56%		3,600.16	3,600.16				
				18	5.56%		810.52	810.52				-
							4,935.78	4,935.78				
7.5		32	3.13%	32	3.13%	81,907.00		81,907.00	(81,907.00)	Removed		-
						81,907.00	0.00	81,907.00				-
20.5		40.0	2.50%	40	2.50%	8,956.00	8,956.00	17,912.00				8,956.00
10.5		40	2.50%	40	2.50%	13,219.00	13,219.00	26,438.00				13,219.00
						22,175.00	22,175.00	44,350.00				22,175.00
6.5		20	5.00% n/a			23,506.08		23,506.08	(5,690.00)	Removed		17,816.08
2.5		20	5.00%	18	5.56%	2,503.60		2,503.60				
5.5		20	5.00%	18	5.56%	6,198.49		6,198.49	(6,198.49)	Removed		-
14.5		20	5.00%	18	5.56%	10,850.00		10,850.00				10,850.00
9.5		20	5.00%	18	5.56%	12,717.00		12,717.00	(12,717.00)	Removed		-
9.5		20	5.00% n/a		0.00%	(6,628.00)		(6,628.00)				
1.5		20	5.00%	18	5.56%	11,222.71		11,222.71				
		20	5.00%	18	5.56%	150.00		150.00				
		20	5.00%	18	5.56%	337.50		337.50				
		20	5.00%	18	5.56%	450.00		450.00				28,666.08
						61,307.38	0.00	61,307.38				
0.5		18	5.56% n/a			14,106.63		14,106.63				-
						14,106.63		14,106.63				

3.5		15	6.67%	15	6.67%	240.22	240.21	480.43	(240.22)	(240.21)	Removed	-
2.5		6	16.67%	6	16.67%	2,850.00	2,850.00	5,700.00				
1.5		15	6.67%	15	6.67%		297.00	297.00				
0.5		6	16.67%	6	16.67%	4,162.00	4,162.00	8,324.00				
0.5		6	16.67%	6	16.67%	5,971.74	5,971.74	11,943.48				
20.5		15	6.67%	15	6.67%	596.50	596.50	1,193.00				
						13,820.46	14,117.45	27,937.91				-
7.5		6	16.67%	6	16.67%	12,964.00	0.00	12,964.00	(12,964.00)		Removed	-
4.5		6	16.67%	6	16.67%	900.00	900.00	1,800.00				900.00
15.5		6	16.67%	6	16.67%	4,202.50	4,202.50	8,405.00				4,202.50
						18,066.50	5,102.50	23,169.00				5,102.50
3.5		16	6.25%	16	6.25%	215.74	215.73	431.47	(215.74)	(215.73)	Removed	-
3.5		16	6.25%	16	6.25%	74.37	74.36	148.73	(74.37)	(74.36)	Removed	-
4.5		16	6.25%	16	6.25%	844.29	844.28	1,688.57				844.29
6.5		16	6.25%	16	6.25%	3,196.34	7,316.74	10,513.08		(3,381.00)	Removed	3,196.34
0.5		16	6.25%	16	6.25%	1,205.24		1,205.24				
0.5	n/a			18	5.56%		3,962.98	3,962.98				
0.5	n/a			18	5.56%		1,058.34	1,058.34				
						5,535.98	13,472.43	19,008.41				4,040.63
11.5		40.00	2.50%	40	2.50%	20,592.50	20,592.50	41,185.00				20,592.50
1.5		40.00	2.50%	40	2.50%	53,004.59	53,004.59	106,009.18				
						73,597.09	73,597.09	147,194.18				20,592.50
0.5		10	10.00% n/a			403.66		403.66				
0.5	n/a			10	10.00%		203.66	203.66				
						403.66	203.66	607.32				-
0.5	n/a			32	3.13%	0.00	415,684.04	415,684.04				
						0.00	415,684.04	415,684.04				-
				20	5.00%		3,308.18	3,308.18				
0.5	n/a			20	5.00%	0.00	4,632.28	4,632.28				
						0.00	7,940.46	7,940.46				-
27.5	n/a			32	3.13%		797,381.00	797,381.00				-
1.5	n/a			32	3.13%		(37,694.12)	(37,694.12)				

	n/a	32	3.13%		0.00	0.00		-
11.5	n/a	32	3.13%		58,500.00	58,500.00		-
				0.00	818,186.88	818,186.88		-
27.5	n/a	30	3.33%		66,703.75	66,703.75		-
				0.00	66,703.75	66,703.75		-
27.5	n/a	25	4.00%		0.00	0.00		-
6.5	n/a	25	4.00%		33,741.86	33,741.86	(13,690.00) Removed	-
20.5	n/a	25	4.00%		6,703.00	6,703.00		-
19.5	n/a	25	4.00%		7,071.00	7,071.00		-
19.5	n/a	25	4.00%		2,290.00	2,290.00		-
14.5	n/a	25	4.00%		2,393.00	2,393.00		-
12.5	n/a	25	4.00%		5,386.00	5,386.00		-
12.5	n/a	25	4.00%		5,355.00	5,355.00		-
3.5	n/a	25	4.00%		334.14	334.14	(334.14) Removed	-
3.5	n/a	25	4.00%		2,466.35	2,466.35		-
3.5	n/a	25	4.00%		1,310.75	1,310.75		-
5.5	n/a	25	4.00%		1,138.00	1,138.00	(1,138.00) Removed	-
				0.00	68,189.10	68,189.10		-
0.5	n/a	18	5.56%		89,999.62	89,999.62		
0.5		18	5.56%		2,549.13	2,549.13		
				0.00	92,548.75	92,548.75		-
				3,843,428.54	4,013,860.98	7,857,289.52		3,407,177.37

djustments	Nonallowables 2011		Balance 12/31/2011		Nonallowables 2012		Balance 12/31/2012		Nonallowables 2013		Balance 12/31/2013		Nonall 2(
Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer	Water
-			83,220.40	-			83,220.40	-			83,220.40	-	
-			(16,112.00)	-			(16,112.00)	-			(16,112.00)	-	
-			(3,554.00)	-			(3,554.00)	-			(3,554.00)	-	
-			-	-			-	-			-	-	
419,381.10			255,905.02	419,381.10			255,905.02	419,381.10			255,905.02	419,381.10	
23,779.00			20,247.00	23,779.00			20,247.00	23,779.00			20,247.00	23,779.00	
160,253.45			-	160,253.45			-	160,253.45			-	160,253.45	
74,301.30			47,829.45	74,301.30			47,829.45	74,301.30			47,829.45	74,301.30	
10,795.95			6,417.20	10,795.95			6,417.20	10,795.95			6,417.20	10,795.95	
13,545.00			6,620.00	13,545.00			6,620.00	13,545.00			6,620.00	13,545.00	
-			-	-			-	-			-	-	
40,973.06			99,226.84	40,973.06			99,226.84	40,973.06			99,226.84	40,973.06	
24,388.00			44,062.95	24,388.00			44,062.95	24,388.00			44,062.95	24,388.00	
-			-	-			-	-			-	-	
14,681.70			28,334.20	14,681.70			28,334.20	14,681.70			28,334.20	14,681.70	
-			14,666.50	-			14,666.50	-			14,666.50	-	
-			76,068.00	-			76,068.00	-			76,068.00	-	
57,729.85			34,834.00	57,729.85			34,834.00	57,729.85			34,834.00	57,729.85	
28,962.45			9,623.15	28,962.45			9,623.15	28,962.45			9,623.15	28,962.45	
55,480.80			30,740.00	55,480.80			30,740.00	55,480.80			30,740.00	55,480.80	
15,223.25			3,797.20	15,223.25			3,797.20	15,223.25			3,797.20	15,223.25	
50,880.50			68,714.50	50,880.50			68,714.50	50,880.50			68,714.50	50,880.50	
-			18,666.00	-			18,666.00	-			18,666.00	-	
24,282.50			34,451.17	24,282.50			34,451.17	24,282.50			34,451.17	24,282.50	
69,783.00			53,728.60	69,783.00			53,728.60	69,783.00			53,728.60	69,783.00	
42,408.70			15,735.35	42,408.70			15,735.35	42,408.70			15,735.35	42,408.70	
75,102.50			34,888.75	75,102.50			34,888.75	75,102.50			34,888.75	75,102.50	
-			279.00	-			279.00	-			279.00	-	
-			7,455.00	-			7,455.00	-			7,455.00	-	
-			-	-			-	-			-	-	
124,856.45			63,711.00	124,856.45			63,711.00	124,856.45			63,711.00	124,856.45	

| | | |

-	863,379.00	-	863,379.00	-	863,379.00	-			
-	6,000.00	-	6,000.00	-	6,000.00	-			
-	869,379.00	-	869,379.00	-	869,379.00	-			
									(3,245.74)
-	-	-	-	-	-	-			
					-	1,955.63			
-	-	-	-	-	-	1,955.63			
	-	-	-	-	-	-			
107,965.00	210,987.00	107,965.00	210,987.00	107,965.00	210,987.00	107,965.00			
-	(2,540.06)	-	(2,540.06)	-	(2,540.06)	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	14,027.00	-	14,027.00	-	14,027.00	-			
-	4,816.00	-	4,816.00	-	4,816.00	-			
12,030.00	-	12,030.00	-	12,030.00	-	12,030.00			
3,600.00	-	3,600.00	-	3,600.00	-	3,600.00			
1,496.00	2,778.00	1,496.00	2,778.00	1,496.00	2,778.00	1,496.00			
-	-	-	-	-	-	-			
-	-	-	-	-	-	-			
-	3,488.42	-	3,488.42	-	3,488.42	-			
-	-	-	-	-	-	-			
					4,300.90	-			
-	-	-	-	-	-	-			
					-	58,467.13			

125,091.00		233,556.36	125,091.00	233,556.36	125,091.00	237,857.26	183,558.13	
-		-	-	-	-	-	-	
-		-	-	-	-	-	-	
-		-	-	-	-	-	-	
8,956.00		8,956.00	8,956.00	8,956.00	8,956.00	8,956.00	8,956.00	
13,219.00		13,219.00	13,219.00	13,219.00	13,219.00	13,219.00	13,219.00	
22,175.00		22,175.00	22,175.00	22,175.00	22,175.00	22,175.00	22,175.00	
-		17,816.08	-	17,816.08	-	17,816.08	-	
-		-	-	2,503.60	-	2,503.60	-	
-		10,850.00	-	-	-	-	-	
-		-	-	10,850.00	-	10,850.00	-	
				-	-	-	-	
						(6,628.00)	-	
						11,222.71	-	
-		28,666.08	-	31,169.68	-	35,764.39	-	
-		-	-	-	-	-	-	(1,206.63)

-			-	-	(28.50)	(28.50)	-	-			-	-		
							2,821.50	2,821.50		(297.00)	2,821.50	2,821.50		
											-	-		(510.80)
-			-	-			2,821.50	2,821.50			2,821.50	2,821.50		
			-	-			-	-			-	-		
-			-	-			-	-			-	-		
900.00			900.00	900.00			900.00	900.00			900.00	900.00		
4,202.50			4,202.50	4,202.50			4,202.50	4,202.50			4,202.50	4,202.50		
5,102.50			5,102.50	5,102.50			5,102.50	5,102.50			5,102.50	5,102.50		
-			-	-			-	-			-	-		
-			-	-			-	-			-	-		
844.28			844.29	844.28			844.29	844.28			844.29	844.28		
3,935.74			3,196.34	3,935.74			3,196.34	3,935.74			3,196.34	3,935.74		
														(103.09)
4,780.02			4,040.63	4,780.02			4,040.63	4,780.02			4,040.63	4,780.02		
20,592.50	(20,592.50)	(20,592.50)	-	-			-	-			-	-		
									(53,004.59)	(53,004.59)	-	-		
20,592.50			-	-			-	-			-	-		
-			-	-			-	-			-	-		
-			-	-			-	-			-	-		
											-	3,308.18		
-			-	-			-	-			-	3,308.18		
797,381.00			-	797,381.00			-	797,381.00			-	797,381.00		
											-	(37,694.12)		

-		-	-		-	-		-	-
58,500.00		-	58,500.00		-	58,500.00		-	58,500.00
855,881.00		-	855,881.00		-	855,881.00		-	818,186.88
		-	-		-	-		-	-
66,703.75		-	66,703.75		-	66,703.75		-	66,703.75
66,703.75		-	66,703.75		-	66,703.75		-	66,703.75
		-	-		-	-		-	-
-		-	-		-	-		-	-
20,051.86		-	20,051.86		-	20,051.86		-	20,051.86
6,703.00		-	6,703.00		-	6,703.00		-	6,703.00
7,071.00		-	7,071.00		-	7,071.00		-	7,071.00
2,290.00		-	2,290.00		-	2,290.00		-	2,290.00
2,393.00		-	2,393.00		-	2,393.00		-	2,393.00
5,386.00		-	5,386.00		-	5,386.00		-	5,386.00
5,355.00		-	5,355.00		-	5,355.00		-	5,355.00
-		-	-		-	-		-	-
2,466.35		-	2,466.35		-	2,466.35		-	2,466.35
1,310.75		-	1,310.75		-	1,310.75		-	1,310.75
-		-	-		-	-		-	-
53,026.96		-	53,026.96		-	53,026.96		-	53,026.96
		-	-		-	-		-	-
-		-	-		-	-		-	-
3,234,869.53		3,382,957.95	3,214,277.03		3,392,321.52	3,217,098.53		3,401,217.13	3,243,135.35

ɔwables)14 Sewer	Balance 12/31/2014 Water	Sewer	Water Accumulated Depreciation as of 6/30/2011	Sewer Accumulated Depreciation as of 6/30/2011	43.16% 12/31/2011 Water Deprec	38.80% Sewer Deprec	43.16% 12/31/2012 Water Deprec	38.80% Sewer Deprec
	83,220.40	-			398.69	-	797.38	-
	(16,112.00)	-			(77.19)	-	(154.38)	-
	(3,554.00)	-			(17.03)	-	(34.05)	-
	-	-			-	-	-	-
	255,905.02	419,381.10			1,225.98	1,806.19	2,451.96	3,612.38
	20,247.00	23,779.00			97.00	102.41	194.00	204.82
	-	160,253.45			-	690.18	-	1,380.36
	47,829.45	74,301.30			229.14	320.00	458.28	640.00
	6,417.20	10,795.95			30.74	46.50	61.49	92.99
	6,620.00	13,545.00			31.71	58.34	63.43	116.67
	-	-			-	-	-	-
	99,226.84	40,973.06			475.37	176.46	950.74	352.93
	44,062.95	24,388.00			211.10	105.03	422.19	210.07
	-	-			-	-	-	-
	28,334.20	14,681.70			135.74	63.23	271.48	126.46
	14,666.50	-			70.26	-	140.53	-
	76,068.00	-			364.42	-	728.85	-
	34,834.00	57,729.85			166.88	248.63	333.76	497.26
	9,623.15	28,962.45			46.10	124.74	92.20	249.47
	30,740.00	55,480.80			147.27	238.94	294.54	477.89
	3,797.20	15,223.25			18.19	65.56	36.38	131.13
	68,714.50	50,880.50			329.19	219.13	658.39	438.26
	18,666.00	-			89.42	-	178.85	-
	34,451.17	24,282.50			165.05	104.58	330.09	209.16
	53,728.60	69,783.00			257.40	300.54	514.80	601.08
	15,735.35	42,408.70			75.38	182.65	150.77	365.29
	34,888.75	75,102.50			167.14	323.45	334.29	646.90
	279.00	-			1.34	-	2.67	-
	7,455.00	-			35.72	-	71.43	-
	-	-			-	-	-	-
	63,711.00	124,856.45			305.22	537.73	610.45	1,075.46

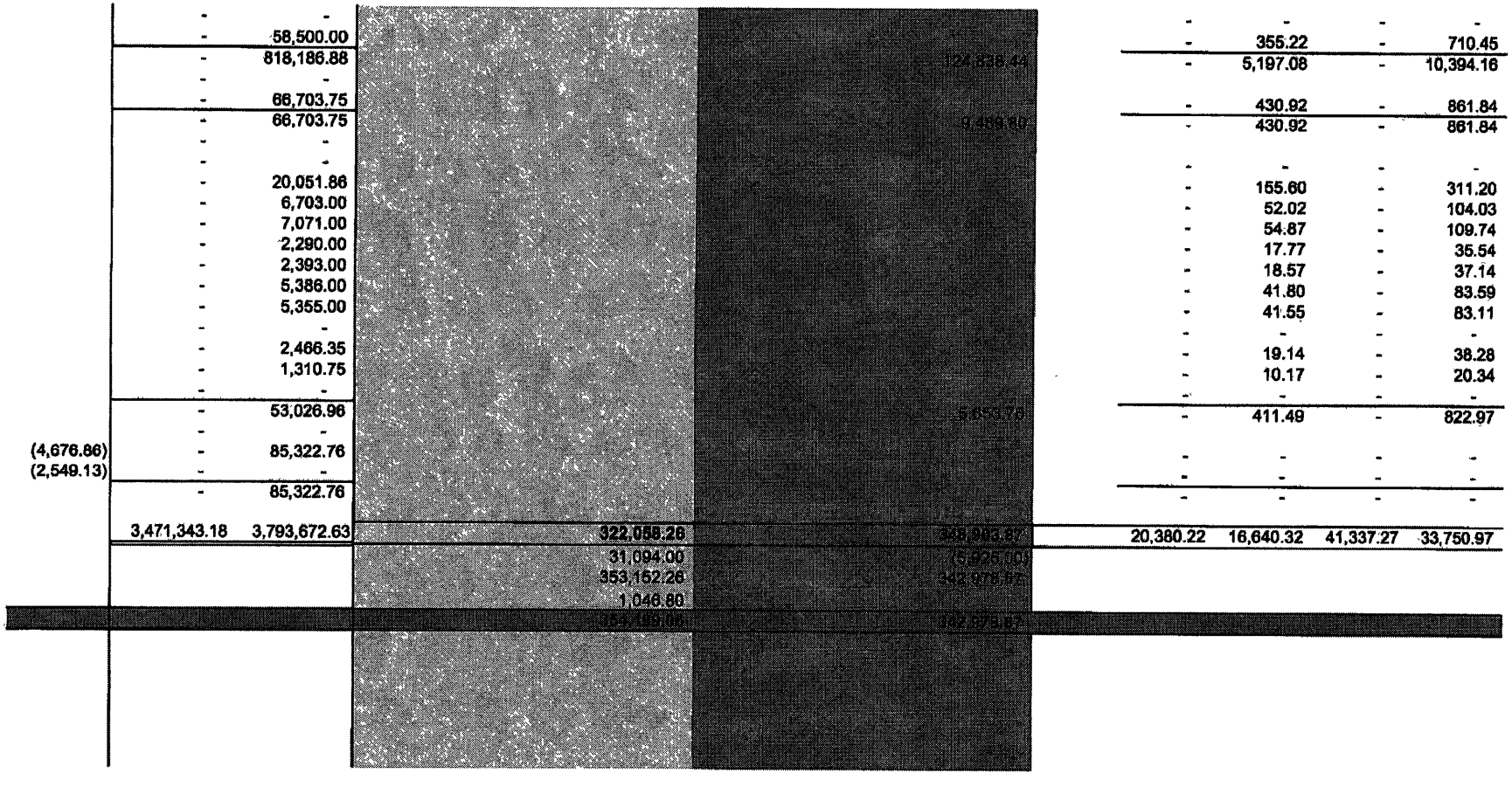
14,246.25	15,023.00			68.25	64.70	136.50	129.40
-	-			-	-	-	-
632.00	-			3.03	-	6.06	-
-	18,724.75			-	80.64	-	161.29
-	113,052.70			-	486.90	-	973.79
8,264.00	10,857.00			39.59	46.76	79.18	93.52
31,576.00	55,873.75			151.27	240.64	302.55	481.27
95,733.75	192,818.75			458.64	830.43	917.27	1,660.86
78,181.75	114,142.50			374.55	491.59	749.10	983.18
35,311.00	56,438.80			169.17	243.07	338.33	486.14
63,055.15	144,077.20			302.08	620.51	604.16	1,241.02
-	33,500.00			-	144.28	-	288.56
18,743.00	-			89.79	-	179.59	-
-	-			-	-	-	-
-	-			-	-	-	-
-	-			-	-	-	-
-	-			-	-	-	-
-	-			-	-	-	-
-	-			-	-	-	-
30,827.00	-			147.68	-	295.37	-
-	199.79			-	0.86	-	1.72
2,386.10	-			28.81	-	22.86	-
1,418,511.28	2,081,516.80	157,242.00	285,631.30	6,813.09	8,964.67	13,591.49	17,929.33
-	-						
6,662.43	-			71.89	-	143.78	-
-	-			-	-	-	-
399.26	-			-	-	8.62	-
1,362.88	-			-	-	31.53	-
1,362.88	-			-	-	31.53	-
716.75	-			-	-	15.47	-
10,504.20	-	4,162.00		71.89	-	230.93	-
-	-						
353,359.67	-			2,539.29	-	5,078.58	-
439,705.00	-			3,159.78	-	6,319.56	-
1,800.00	-			12.94	-	25.87	-
794,864.67	-	86,220.13		5,712.01	-	11,424.01	-
8,325.00	-			-	-	-	-
8,325.00	-			-	-	-	-

ROA 2921

	863,379.00	-			5,030.56	-	10,061.13	-
	6,000.00	-			34.96	-	69.92	-
	869,379.00	-	41,934.54		5,065.52	-	10,131.05	-
	34,700.00	-			-	-	-	-
	34,700.00	-			-	-	-	-
(131.63)	-	1,824.00			-	-	-	-
	-	1,824.00			-	-	-	-
	-	-						
	210,987.00	107,965.00			1,425.12	655.59	2,850.24	1,311.17
	(2,540.06)	-			(17.16)	-	(34.31)	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	14,027.00	-			94.75	-	189.49	-
	4,816.00	-			34.61	-	69.22	-
	-	12,030.00			-	73.05	-	146.10
	-	3,600.00			-	46.58	-	93.17
	2,778.00	1,496.00			18.76	9.08	37.53	18.17
	-	-			-	-	-	-
	-	-			-	-	-	-
	3,488.42	-			23.56	-	47.13	-
	-	-			-	-	-	-
	4,300.90	-			-	-	-	-
	-	-			-	-	-	-
	-	58,467.13			-	-	-	-
	-	2,372.00			-	-	-	-
	-	2,661.13			-	-	-	-
	-	3,855.49			-	-	-	-
	-	3,590.14			-	-	-	-
	-	5,812.25			-	-	-	-
	-	2,115.84			-	-	-	-
	-	3,635.50			-	-	-	-

	-	8,870.82					
	1,824.00	-					
	(1,824.00)	-					
	885.00	-					
	850.00	-					
	239,592.26	216,471.30	21,356.98		1,579.64	784.30	3,159.30	1,568.61
(624.13)	-	6,672.50						
(699.02)	-	7,473.20						
	-	624.00						
(1,346.30)	-	14,393.21						
	-	29,162.91						
(525.10)	-	-						
(242.32)	-	3,357.84						
(54.56)	-	755.96						
	-	4,113.80						
	-	-						
	-	-						
	8,956.00	8,956.00			111.95	111.95	223.90	223.90
	13,219.00	13,219.00			165.24	165.24	330.48	330.48
	22,175.00	22,175.00			277.19	277.19	554.38	554.38
	17,816.08	-			192.24	-	384.47	-
	2,503.60	-			-	-	54.03	-
	-	-			-	-	-	-
	10,850.00	-			117.07	-	234.14	-
	-	-			-	-	-	-
	(6,628.00)	-			-	-	-	-
	11,222.71	-			-	-	-	-
	150.00	-			-	-	-	-
	337.50	-			-	-	-	-
	450.00	-			-	-	-	-
	36,701.89	-	6,339.59		309.31	-	672.64	-
	12,900.00	-			-	-	-	-
	12,900.00	-			-	-	-	-

	-	-			-	-	-	-
	2,821.50	2,821.50			-	-	470.34	470.34
	-	-			-	-	-	-
(510.80)	3,651.20	3,651.20			-	-	-	-
	5,971.74	5,971.74			-	-	-	-
	596.50	596.50			-	-	-	-
	13,040.94	13,040.94			-	-	470.34	470.34
	-	-						
	-	-			-	-	-	-
	900.00	900.00			75.02	75.02	150.03	150.03
	4,202.50	4,202.50			350.28	350.28	700.56	700.56
	5,102.50	5,102.50			425.30	425.30	850.59	850.59
	-	-			-	-	-	-
	-	-			-	-	-	-
	844.29	844.28			26.38	26.38	52.77	52.77
	3,196.34	3,935.74			99.89	122.99	199.77	245.98
	1,102.15	-			-	-	-	-
(338.98)	-	3,624.00			-	-	-	-
(90.53)	-	967.81			-	-	-	-
	5,142.78	9,371.83	2,803.02	3,090.57	126.27	149.37	252.54	298.75
	-	-			-	-	-	-
	-	-			-	-	-	-
	-	-			-	-	-	-
	403.66	-			-	-	-	-
	-	203.66			-	-	-	-
	403.66	203.66			-	-	-	-
(35,556.06)	-	380,127.98			-	-	-	-
	-	380,127.98			-	-	-	-
	-	3,308.18			-	-	-	-
(618.90)	-	4,013.38			-	-	-	-
	-	7,321.56			-	-	-	-
	-	797,381.00			-	4,841.86	-	9,683.71
	-	(37,694.12)			-	-	-	-



	-	-			-	-	-	-
	-	58,500.00			-	355.22	-	710.45
	-	818,186.88		124,838.44	-	5,197.08	-	10,394.16
	-	-						
	-	66,703.75			-	430.92	-	861.84
	-	66,703.75		9,469.60	-	430.92	-	861.84
	-	-						
	-	-			-	-	-	-
	-	20,051.86			-	155.60	-	311.20
	-	6,703.00			-	52.02	-	104.03
	-	7,071.00			-	54.87	-	109.74
	-	2,290.00			-	17.77	-	35.54
	-	2,393.00			-	18.57	-	37.14
	-	5,386.00			-	41.80	-	83.59
	-	5,355.00			-	41.55	-	83.11
	-	-			-	-	-	-
	-	2,466.35			-	19.14	-	38.28
	-	1,310.75			-	10.17	-	20.34
	-	-			-	-	-	-
	-	53,026.96		5,653.76	-	411.49	-	822.97
	-	-						
(4,676.86)	-	85,322.76			-	-	-	-
(2,549.13)	-	-			-	-	-	-
	-	85,322.76			-	-	-	-
	3,471,343.18	3,793,672.63	322,058.26	348,993.87	20,380.22	16,640.32	41,337.27	33,750.97
			31,094.00	15,925.00				
			353,152.26	342,978.87				
			1,046.80					
			354,199.06	342,978.87				

ROA 2925

43.16%		38.80%	45.28%	33.88%	Water	Sewer
12/31/2013			12/31/2014			
Water Deprec	Sewer Deprec		Water Deprec	Sewer Deprec	Accumulated Depreciation as of 12/31/2014	Accumulated Depreciation as of 12/31/2014
797.38	-		836.54	-	2,629.99	
(154.38)	-		(161.96)	-	(547.91)	
(34.05)	-		(35.73)	-	(120.86)	
-	-		-	-	-	
2,451.96	3,612.38		2,572.40	3,154.32	8,702.30	12,165.27
194.00	204.82		203.53	178.85	688.53	690.90
-	1,380.36		-	1,205.32	-	4,666.22
458.28	640.00		480.79	558.85	1,626.49	2,158.85
61.49	92.99		64.51	81.20	218.23	313.68
63.43	116.67		66.55	101.88	225.12	393.56
-	-		-	-	-	
950.74	352.93		997.44	308.17	3,374.29	1,190.49
422.19	210.07		442.93	183.43	1,498.41	708.60
-	-		-	-	-	
271.48	126.46		284.82	110.43	963.52	426.58
140.53	-		147.43	-	498.75	
728.85	-		764.65	-	2,586.77	
333.76	497.26		350.16	434.21	1,184.56	1,677.35
92.20	249.47		96.73	217.84	327.23	841.52
294.54	477.89		309.00	417.29	1,045.35	1,612.01
36.38	131.13		38.17	114.50	129.12	442.82
658.39	438.26		690.73	382.69	2,336.70	1,478.23
178.85	-		187.63	-	634.75	-
330.09	209.16		346.31	182.64	1,171.54	705.54
514.80	601.08		540.09	524.86	1,827.09	2,027.50
150.77	365.29		158.17	318.97	535.09	1,232.20
334.29	646.90		350.71	564.87	1,186.43	2,182.12
2.67	-		2.80	-	9.48	
71.43	-		74.94	-	253.52	
-	-		-	-	-	
610.45	1,075.46		640.43	939.09	2,166.55	3,627.14

136.50	129.40	143.21	112.99	484.46	436.49
-	-	-	-	-	
6.06	-	6.35	-	21.50	
-	161.29	-	140.84	-	544.66
-	973.79	-	850.31	-	3,284.79
79.18	93.52	83.07	81.66	281.02	316.46
302.55	481.27	317.41	420.25	1,073.78	1,621.43
917.27	1,660.86	962.33	1,450.26	3,255.61	5,602.41
749.10	983.18	785.90	858.51	2,658.65	3,316.46
338.33	486.14	354.95	424.50	1,200.78	1,639.85
604.16	1,241.02	633.84	1,083.66	2,144.24	4,186.21
-	288.56	-	251.97	-	976.07
179.59	-	188.41	-	637.36	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
295.37	-	309.88	-	1,048.30	
-	1.72	-	1.50	-	5.80
22.86	-	23.99	-	98.52	
13,591.49	17,929.33	14,259.11	15,655.86	205,497.18	205,110.39
				-	
143.78	-	150.84	-	510.29	
-	-	-	-	-	
8.62	-	9.04	-	26.28	
31.53	-	30.86	-	93.92	
31.53	-	30.86	-	93.92	
15.47	-	16.23	-	47.17	
230.93	-	237.83	-	4,933.58	
				-	
5,078.58	-	5,328.04	-	18,024.49	
6,319.56	-	6,629.98	-	22,428.88	-
25.87	-	27.14	-	91.62	
11,424.01	-	11,985.16	-	126,765.32	
				-	
-	-	209.59	-	209.59	
-	-	209.59	-	209.59	

ROA 2927

10,061.13	-	10,555.33	-	35,708.15	-
69.92	-	73.35	-	248.16	
10,131.05	-	10,628.68	-	77,890.84	
-	-	424.23	-	424.23	
-	-	424.23	-	424.23	
-	37.94	-	30.90	-	68.84
-	37.94	-	30.90	-	68.84
2,850.24	1,311.17	2,990.24	1,144.91	10,115.84	4,456.08
(34.31)	-	(36.00)	-	(121.78)	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
189.49	-	198.80	-	672.53	
69.22	-	72.62	-	245.67	
-	146.10	-	127.57	-	492.88
-	93.17	-	81.35	-	314.27
37.53	18.17	39.37	15.86	133.19	61.26
-	-	-	-	-	
-	-	-	-	-	
47.13	-	49.44	-	167.26	
-	-	-	-	-	
58.10	-	60.96	-	119.06	-
-	-	-	-	-	
-	1,261.30	-	1,101.36	-	2,362.66
-	-	-	44.68	-	44.68
-	-	-	50.13	-	50.13
-	-	-	72.63	-	72.63
-	-	-	67.63	-	67.63
-	-	-	109.49	-	109.49
-	-	-	39.86	-	39.86
-	-	-	68.48	-	68.48

-	-	-	167.10	-	167.10
-	-	25.85	-	25.85	-
-	-	(25.85)	-	(25.85)	-
-	-	12.54	-	12.54	-
-	-	12.05	-	12.05	-
3,217.40	2,829.91	3,400.02	3,091.05	32,713.34	8,273.07
-	-	-	150.78	-	150.78
-	-	-	168.88	-	168.88
-	-	-	14.10	-	14.10
-	-	-	325.26	-	325.26
-	-	-	659.02	-	659.02
-	-	-	-	-	-
-	-	-	63.25	-	63.25
-	-	-	14.24	-	14.24
-	-	-	77.49	-	77.49
-	-	-	-	-	-
-	-	-	-	-	-
223.90	223.90	223.90	223.90	783.65	783.65
330.48	330.48	330.48	330.48	1,156.68	1,156.68
554.38	554.38	554.38	554.38	1,940.33	1,940.33
384.47	-	403.36	-	1,364.54	-
54.03	-	56.68	-	164.74	-
-	-	-	-	-	-
234.14	-	245.64	-	830.99	-
-	-	-	-	-	-
(143.03)	-	(150.06)	-	(293.09)	-
242.19	-	254.08	-	496.27	-
-	-	3.40	-	3.40	-
-	-	7.64	-	7.64	-
-	-	10.19	-	10.19	-
771.80	-	830.93	-	10,924.27	-
-	-	324.77	-	324.77	-
-	-	324.77	-	324.77	-

-	-	-	-	-	
470.34	470.34	470.34	470.34	1,411.02	1,411.02
-	-	-	-	-	
-	-	608.66	608.66	608.66	608.66
-	-	995.49	995.49	995.49	995.49
-	-	39.79	39.79	39.79	39.79
470.34	470.34	2,114.28	2,114.28	3,054.96	3,054.96
-	-	-	-	-	
150.03	150.03	150.03	150.03	525.11	525.11
700.56	700.56	700.56	700.56	2,451.96	2,451.96
850.59	850.59	850.59	850.59	2,977.07	2,977.07
-	-	-	-	-	
-	-	-	-	-	
52.77	52.77	52.77	52.77	184.69	184.69
199.77	245.98	199.77	245.98	699.20	860.93
-	-	68.88	-	68.88	
-	-	-	201.49	-	201.49
-	-	-	53.81	-	53.81
252.54	298.75	321.42	554.05	952.77	1,300.43
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	40.37	-	40.37	
-	-	-	20.37	-	20.37
-	-	40.37	20.37	40.37	20.37
-	-	-	4,031.04	-	4,031.04
-	-	-	4,031.04	-	4,031.04
-	64.18	-	56.04	-	120.22
-	-	-	67.99	-	67.99
-	64.18	-	124.03	-	188.21
-	9,683.71	-	8,455.78	-	82,805.06
-	(457.77)	-	(399.73)	-	(257.50)

ROA 2930

-	-	-	-	-	-
-	710.45	-	620.36	-	2,585.40
-	9,936.39	-	8,676.41	-	159,042.45
-	861.84	-	752.55	-	9,807.69
-	861.84	-	752.55	-	12,393.09
-	-	-	-	-	-
-	311.20	-	271.74	-	3,549.74
-	104.03	-	90.84	-	1,186.67
-	109.74	-	95.83	-	376.16
-	35.54	-	31.03	-	118.88
-	37.14	-	32.43	-	125.28
-	83.59	-	72.99	-	281.97
-	83.11	-	72.57	-	280.34
-	-	-	-	-	-
-	38.28	-	33.42	-	129.12
-	20.34	-	17.76	-	68.61
-	-	-	-	-	-
-	822.97	-	718.61	-	6,425.80
-	-	-	1,607.25	-	1,607.25
-	-	-	-	-	-
-	-	-	1,607.25	-	1,607.25
41,494.53	34,656.62	46,181.36	39,517.88	471,451.64	473,489.06
				31,094.00	(5,925.00)
				502,545.64	467,564.06
				-	-
Reclamation Description Total				502,545.64	467,564.06
			Rounded #s	502,546	467,564
			Per books	382,960	467,564
	970,090.30		ORS Adjustment	(119,586)	(0)
	(180,067.00)	Total adj.			