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THE STATE OF SOUTH CAROLINA

In the Supreme Court

S.C. SUPREME COURT

APPEAL FROM THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

**In Re: Application of Blue Granite Water Company
for Approval to Adjust Rate Schedules and Increase Rates Appellant.**

South Carolina Public Service Commission Docket No. 2019-290-WS

Appellate Case No. 2020-001283

**RECORD ON APPEAL
VOLUME II OF III**

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BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-290-WS

In RE:

Application of Blue Granite Water	)	
Company for Approval to Adjust Its Rate	)	
Schedules and Increase Rates	)	APPLICATION
	)	

Blue Granite Water Company (“BGW”, “Applicant” or “Company”) would respectfully show unto, and request of, the Public Service Commission (“Commission”) as follows:

BACKGROUND

- 1) Applicant is a corporation organized and existing under the laws of the State of Delaware and authorized to do business in the State of South Carolina.
- 2) 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.
- 3) All communications or inquiries regarding this Applicant should be directed as set forth below:

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 Samuel J. Wellborn
 ROBINSON GRAY STEPP & LAFFITTE, LLC
 1310 Gadsden Street
 Columbia, SC 29201
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REQUEST FOR RATE RELIEF AND APPROVAL OF RATE SCHEDULE MODIFICATIONS

4) Pursuant to S.C. Code Ann. §58-5-240 and S.C. Code Ann. Regs. 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.

SUPPORTING DOCUMENTATION

5) Applicant proposes a test year of July 1, 2018, to June 30, 2019, 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)

Applicant also submits, as Exhibit B, the following information in support of the Application:

- c. Rate base, rate of return information and Statement of Total Plant Investment (Schedule C)
- d. Water and sewer consumption analyses (Schedule D)
- e. Water and sewer proposed revenues (Schedule E)
- f. Schedule of current and projected customers (Schedule F)
- g. Effect of proposed rates (Schedule G)

6) 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").

7) Attached hereto and incorporated herein by this reference as Exhibit D is the Company's current customer bill form.

8) Attached hereto and incorporated herein by this reference as Exhibit E is evidence of the Company's most recent Annual Report and Gross Receipts Tax filing.

9) Attached hereto and incorporated herein by this reference as Exhibit F is the Company's proposed Tax Cuts and Jobs Act ("TCJA") one-time credit refund calculation for each customer water and sewer service account. Also shown on Exhibit F is the Company's proposed Storm Reserve Fund charge calculation.

10) Attached hereto and incorporated herein by this reference as Exhibit G are the Company's current and proposed depreciation rates and service lives by plant account.

11) The Company's current rate schedules, approved by Order No. 2018-802, are on file with this Commission.

12) On file with this Commission is a performance bond 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, other documents submitted herewith, and references to documents on file with the Commission are offered to comply with S.C. Code Ann. Regs. 103-512(4) and 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 the proposed rate increase is necessary in order that it may 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. The proposed rates are also necessary to allow the Applicant to comply with the standards and regulations set by DHEC and other environmental regulatory authorities, to 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.

16) Applicant's current rates, now in effect, were approved in Commission Order No. 2018-802. Since the Applicant's last base rate case, Applicant has invested approximately \$23 million in its water and sewer systems, in order to continue providing reliable and high-quality water and sewer services to its customers. In addition, since its last base rate case, Applicant has experienced increases in various operating expenses, such as purchased water and sewer treatment services and property taxes, which are necessary for the provision of reliable and high-quality water and sewer services. Further, Applicant has performed new system depreciation studies for its water and sewer assets, which indicate that new depreciation rates and additional depreciation expense are necessary in order to accurately and appropriately allocate the costs of the Company's assets over their full service lives.

REQUEST FOR RATE BASE TREATMENT

17) Applicant further submits that given its substantial plant investment, and specifically the rate base reflected on Schedule C of Exhibit B, Applicant is entitled to have

the reasonableness of its proposed rates determined in accordance with the “rate base rate of return” methodology. Accordingly, Applicant requests rate base treatment in this proceeding.

ADDITIONAL REQUESTS

18) By Order No. 2015-876 in Docket No. 2015-199-WS, the Commission approved recovery of the cost of its purchased water and sewer treatment as an expense incurred in the course of providing service which had the benefit of stabilizing the rates associated with water and sewer service, eliminated delays associated with the monthly apportionment of third-party provider charges, and streamlined customer billing. To implement this cost recovery, the Commission approved two regulatory deferred accounts authorizing BGW 1) to record and monitor all rate increases from third-party providers for water supply and sewer treatment; and 2) to recover non-revenue water expenses. The Commission authorized BGW to seek recovery of the balance of these deferred accounts, subject to audit by the Office of Regulatory Staff (“ORS”) and approval by the Commission in a subsequent rate case. In this application BGW is seeking recovery of the balance in the regulatory deferral account associated with increases in purchased water from third-party bulk water and sewer treatment providers.

19) In addition to item #18 above, the Company requests Commission approval of an annual rate adjustment mechanism for purchased water and sewer treatment expenses. This pass-through mechanism would initiate a rate adjustment between base rate filings to recover the deferral of changes in third-party service provider rates. The annual rate adjustment for purchased water expense deferrals would be applied to “Distribution only” customers, and purchased sewer treatment deferrals would be applied to “Collection only”

customers. Deferrals would be recorded for 12-month periods beginning on the date rates are effective in this proceeding, and the Company would file for a rate adjustment within 60 days of the end of each annual deferral period. Applicant proposes that ORS and the Commission complete their respective review and audit of the request within 45 days thereafter, and that the Company notify its customers of the audited rate adjustment within 15 days of audit completion, with the approved rate becoming effective 30 days thereafter. The interim rate(s) would be reset to zero in the next base rate case as the amortization of deferred expenses is incorporated into the setting of base rates.

20) By Order No. 2018-802, the Commission authorized the Company to defer costs related to two cases before the Administrative Law Court (“ALC”) – the DHEC Permit Denial case and I-20 Interconnection case. The deferral allowed for the cases to conclude and the litigation expenses to be considered for recovery in the Company’s next rate case proceeding. The Company is hereby including in this application a request for amortization and recovery of litigation expenses related to these two ALC cases.

21) The Company seeks Commission authority to capture capital costs related to required decommissioning of plant assets as a regulatory asset, to be amortized for rate recovery in the Company’s revenue requirement and included in rate base. Such capital costs consist of the costs to remove decommissioned plant assets, as well as the remaining net book value for such assets as of the time of removal from service.

22) The Company seeks Commission authority to adjust its existing depreciation and amortization rates consistent with the proposed rates utilized in this application, as shown in Exhibit G.

23) BGW seeks Commission authority to initiate a one-time credit of \$10.64 to each customer water and sewer service account, to return overcollections of federal income tax expenses accumulated between January 1, 2018 to June 28, 2018. These overcollected tax expenses are the result of the passing of the TCJA in December 2017, which lowered the federal corporate income tax rate from 35% to 21%. Pursuant to Order No. 2018-308, the Company has tracked and deferred the effects of the change in federal corporate income tax rate in a regulatory liability account.

24) BGW also seeks Commission authority to amend its tariff language and fees related to Solids Interceptor ("LETTS") Tanks. The Company proposes to change the Pumping Charge from \$150 to the actual cost to access, pump, and service the tanks on a periodic basis, which is shown on Exhibit A.

25) The Company also seeks Commission authority to amend its tariff regarding connection, plant impact, and plant capacity fees, to incorporate language regarding the gross up of Contributions in Aid of Construction ("CIAC") due to its taxability per the TCJA. The proposed tariff language memorializes the BGW policy for gross up of developer contributed assets (cash and property) within the BGW tariffs.

26) The Company also seeks Commission authority to implement a voluntary "Round Up" program, which would round participating customer bills to the nearest higher dollar, with the difference being accumulated in a reserve fund for remittance to the South Carolina Office for Economic Opportunity. The funds would be distributed to Community Action Agencies in the Company's service territory to assist low income customers with their water and sewer bills. BGW also seeks approval to defer implementation costs for the

Round Up program related to modifications of its billing system and MyUtilityConnect customer service application, for recovery in the Company's next base rate case.

27) The Company seeks authority to initiate a Storm Reserve Fund for extraordinary storm restoration costs beyond those included in the Company's revenue requirement, such as those experienced in the wake of Hurricane Florence in September 2018. The proposed Storm Reserve Fund of \$200,000 would be funded through a monthly surcharge of \$0.53 per customer. Further, it would be suspended and reinstituted as the reserve reaches its designated funding level and as actual costs are incurred by the Company to restore service to customers after storms.

WHEREFORE, having fully set forth its Application, Blue Granite Water Company respectfully requests that the Commission approve the rates, charges, terms and conditions proposed and grant to Applicant such other and further relief as the Commission may deem just and proper.

Respectfully submitted,

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Columbia, South Carolina
 September 30, 2019

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EXHIBIT A

Tariff – Clean Version and Mark Up
Version

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF PROPOSED RATES AND CHARGES

WATER

Service Territory 1

Monthly Charges - Water Supply Customers Only

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

Residential

Base Facilities Charge

per single-family house,
condominium, mobile home,
or apartment unit

\$ 22.09 per unit

Residential Commodity Charge

\$ 8.59 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge

by meter size

5/8" meter *

\$ 22.09 per unit

3/4" meter

\$ 22.09 per unit

1" meter

\$ 55.24 per unit

1.5" meter

\$ 110.47 per unit

2" meter

\$ 176.76 per unit

3" meter

\$ 331.42 per unit

4" meter

\$ 552.37 per unit

8" meter

\$1,767.59 per unit

Commercial Commodity Charge

\$ 8.59 per 1,000 gal. or 134 cft.

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

Residential

Base Facilities Charge

per single-family house,
condominium, mobile home,
or apartment unit

\$22.09 per unit

Residential Distribution Charge

\$ 4.75 per 1,000 gal. or 134 cft.

Purchased Water Charge

\$ 6.85 per 1,000 gal. or 134 cft.

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF PROPOSED RATES AND CHARGES

Commercial

Base Facilities Charge
 by meter size

5/8" meter *	\$ 22.09 per unit
3/4" meter	\$ 22.09 per unit
1" meter	\$ 55.24 per unit
1.5" meter	\$ 110.47 per unit
2" meter	\$ 176.76 per unit
3" meter	\$ 331.42 per unit
4" meter	\$ 552.37 per unit
8" meter	\$1,767.59 per unit

Commercial Distribution Charge	\$ 4.75 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ 6.85 per 1,000 gal. or 134 cft.

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

A contractor, developer, or other commercial customer (the "Hydrant Customer") requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility's nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer's deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility's loss.

Purchased Water Expense Rate Adjustment Mechanism

"Water Distribution Customers Only" for Water Service Territory 1 are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased water provider rate changes.

The commodity rate adjustment is calculated using customer and consumption data from the annual reconciliation period. The commodity rate adjustment is calculated by first finding the average consumption of all water distribution customers for Water Service Territory 1 in the annual reconciliation period. The average consumption is determined by taking the total water consumption for the annual reconciliation period and dividing it by the total number of water billing units for the annual reconciliation period. Next, the adjustment in purchased water expense caused by known and measurable changes in rates from third party wholesale providers is calculated. Then, the expense per billing unit is calculated by dividing the total change in purchased water expense by the annualized number of water billing units. Finally, the commodity rate adjustment required to recover or rebate the change in purchased water expenses is determined by dividing the expense per billing unit by the average consumption per 1,000 gallons. The commodity rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF PROPOSED RATES AND CHARGES

Service Territory 2

Monthly Charges - Water Supply Customers

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:

\$38.58 per unit

Residential Commodity Charge

\$13.86 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter*	\$ 38.58 per unit
1" meter	\$ 96.45 per unit
1.5" meter	\$192.89 per unit
3" meter	\$578.87 per unit

Commercial Distribution Charge

\$13.86 per 1,000 gal. or 134 cft.

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:

\$ 38.58 per unit

Residential Distribution Charge

\$ 4.91 per 1,000 gal. or 134 cft.

Purchased Water Charge

\$ 11.08 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge by meter size:

5/8" meter*	\$ 38.58 per unit
1" meter	\$ 96.45 per unit
1.5" meter	\$192.89 per unit
3" meter	\$578.67 per unit

Commercial Distribution Charge

\$ 4.91 per 1,000 gal. or 134 cft.

Purchased Water Charge

\$ 11.08 per 1,000 gal. or 134 cft.

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF PROPOSED RATES AND CHARGES

A contractor, developer, or other commercial customer (the “Hydrant Customer”) requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility’s nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer’s deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility’s loss.

Purchased Water Expense Rate Adjustment Mechanism

“Water Distribution Customers Only” for Water Service Territory 2 are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased water provider rate changes.

The commodity rate adjustment is calculated using customer and consumption data from the annual reconciliation period. The commodity rate adjustment is calculated by first finding the average consumption of all water distribution customers for Water Service Territory 2 in the annual reconciliation period. The average consumption is determined by taking the total water consumption for the annual reconciliation period and dividing it by the total number of water billing units for the annual reconciliation period. Next, the adjustment in purchased water expense caused by known and measurable changes in rates from third party wholesale providers is calculated. Then, the expense per billing unit is calculated by dividing the total change in purchased water expense by the annualized number of water billing units. Finally, the commodity rate adjustment required to recover or rebate the change in purchased water expenses is determined by dividing the expense per billing unit by the average consumption per 1,000 gallons. The commodity rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF PROPOSED RATES AND CHARGES**

**WATER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES**

1. Terms and Conditions

A. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

B. Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

C. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

D. When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

E. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

F. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

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G. Cross-Connection Inspection

Any customer installing, permitting to be installed, or maintain any cross connection between the Utilities water system and any other non-public water system, sewer, or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended for time to time. Such a customer shall have such cross connection inspected by a licensed certified tester and provide to Utility a copy of written inspection report indicating the back-flow device is functioning properly and testing results submitted by the tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later June 30th of each year for required commercial customers and no later than June 30th of every other year for required residential customers. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customer's next bill. If after inspection and testing by the Utility's certified tester, the back-flow device fails to function properly, the customer will be notified and given a 30 day period in which to have the back-flow device repaired or replaced with a subsequent follow-up inspection by a licensed certified tester indicating the back-flow device is functioning properly. Failure to submit a report indicating the back-flow device is functioning properly will result in discontinuation of water service to said customer until such time as a passing inspection report is received by Utility.

H. A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

I. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing water utilities.

2. Non-Recurring Charges

A. Water Service Connection (New connections only) - \$300 per SFE*

B. Plant Impact Fee (New connections only) - \$400 per SFE*

The fees in this Section are subject to the considerations noted in Section G below.

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The Plant Capacity Fee reflects the portion of plant capacity which will be used to provide service to the new customers as authorized by Commission Rule R. 103-702.13. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing water production, treatment and/or distribution facilities that are essential to provide adequate water service to the new customer's property.

C. Water Meter Installation - 5/8 inches x 3/4 inches meter \$45.00

All 5/8 inch x 3/4 inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$45 shall be due upon installation for those locations where no 5/8 inch x 3/4 inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's actual cost of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

The fees in this Section are subject to the considerations noted in Section G below.

D. Customer Account Charge – (New customers only) \$30.00

A one-time fee to defray the costs of initiating service.

E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, a reconnection fee shall be due in the amount of \$40.00 and shall be due prior to the Utility reconnecting service.

F. Tampering Charge: In the event the Utility's equipment, water mains, water lines, meters, curb stops, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

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SCHEDULE OF PROPOSED RATES AND CHARGES**

SEWER

Service Territory 1 and 2

Monthly Charges – Sewer Collection & Treatment Only

Where sewage collection and treatment are provided through facilities owned and operated by the Utility, the following rates apply:

Residential - charge per single-family house, condominium, villa, or apartment unit:	\$101.30 per unit
Mobile Homes:	\$73.94 per unit
Commercial	\$101.30 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Monthly Charges – Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

Residential – per single-family house, condominium, or apartment unit	\$47.10 per unit
Sewer Treatment Charge	\$54.20 per unit
Commercial	\$47.10 per SFE*
Sewer Treatment Charge	\$54.20 per SFE*
The Village Sewer Collection	\$52.71 per SFE*

* Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

Purchased Wastewater Expense Rate Adjustment Mechanism

"Sewer Collection Only" customers are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased wastewater treatment provider rate changes.

The monthly flat rate is calculated using customer data from the most recent annual reconciliation period. The flat rate adjustment is calculated by taking the adjustment in purchased wastewater treatment expenses caused by known and measurable changes in rates from third party wholesale providers and dividing by the total number of wastewater billing units at the end of the annual reconciliation period. The flat rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

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SCHEDULE OF PROPOSED RATES AND CHARGES

SEWER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES

1. Terms and Conditions

- A. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.
- B. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

C. Billing Cycle

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

D. Toxic and Pretreatment Effluent Guidelines

The utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

E. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and

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Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving sewer system.

In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

- F. A Single Family Equivalent ("SFE") shall be determined by 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service, plant impact fee and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.
- G. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing wastewater utilities.

2. Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

- A. Pumping Charge
On such regular intervals as the Utility deems prudent, or upon discovery that excessive solids have accumulated in the interceptor tank, the Utility will arrange for the customer's tank to be pumped out and cleaned. The Utility shall bill the customer for the actual cost to the Utility of pumping and cleaning the tank, including the Utility's cost to access the tank ("Pumping Charge"). The Pumping Charge will be included as a separate line item on the next regular billing to the customer. Alternatively, at the customer's request, the Pumping Charge may be billed to the customer in twelve equal monthly installments.
- B. Pump Repair or Replacement Charge
If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

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C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

3. Non-recurring Charges

A. Sewer Service Connection (New connections only)	\$300 per SFE*
B. Plant Capacity Fee (New connections only)	\$400 per SFE*

The fees in this Section are subject to the considerations noted in Section G below.

The Plant Capacity Fee shall be computed by using South Carolina DHEC "Guide Lines for Unit Contributory Loadings to Wastewater Treatment Facilities" (1972) to determine the single family equivalency rating. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing treatment and/or collection system facilities that are essential to provide adequate treatment and disposal of the wastewater generated by the development of the new property.

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

C. Notification Fee

A fee of \$15.00 shall be charged to each customer per notice 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.

D. Customer Account Charge - (New customers only)	\$30.00

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

- E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's 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 reconnects service. Where an elder valve has been previously installed, a reconnection fee of \$40.00 shall be charged.

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- F. Tampering Charge: In the event the Utility's equipment, sewage pipes, meters, curb stops, service lines, elder valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.
- G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

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WATER

Service Territory 1

Monthly Charges - Water Supply Customers Only

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
<u>Residential</u>		
Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$ 14.38 per unit	\$ 22.09 per unit
Residential Commodity Charge	\$ 5.59 per 1,000 gal. or 134 cft.	\$ 8.59 per 1,000 gal. or 134 cft.
<u>Commercial</u>		
Base Facilities Charge by meter size		
5/8" meter *	\$ 14.38 per unit	\$ 22.09 per unit
3/4" meter	\$ 14.38 per unit	\$ 22.09 per unit
1" meter	\$ 37.43 per unit	\$ 55.24 per unit
1.5" meter	\$ 74.86 per unit	\$ 110.47 per unit
2" meter	\$ 119.78 per unit	\$ 176.76 per unit
3" meter	\$ 224.59 per unit	\$ 331.42 per unit
4" meter	\$ 374.42 per unit	\$ 552.37 per unit
8" meter	\$1,150.51 per unit	\$1,767.59 per unit
Commercial Commodity Charge	\$ 5.59 per 1,000 gal. or 134 cft.	\$ 8.59 per 1,000 gal. or 134 cft.

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

<u>Residential</u>		
Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$14.38 per unit	\$22.09 per unit
Residential <u>Distribution</u> Commodity Charge	\$ 7.55 per 1,000 gal. or 134 cft.	\$ 4.75 per 1,000 gal. or 134 cft.
<u>Purchased Water Charge</u>	\$ N/A per 1,000 gal. or 134 cft.	\$ 6.85 per 1,000 gal. or 134 cft.

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	<u>Current</u>	<u>Proposed</u>
<u>Commercial</u>		
Base Facilities Charge		
by meter size		
5/8" meter *	\$ 14.38 per unit	\$ 22.09 per unit
3/4" meter	\$ 14.38 per unit	\$ 22.09 per unit
1" meter	\$ 37.43 per unit	\$ 55.24 per unit
1.5" meter	\$ 74.86 per unit	\$ 110.47 per unit
2" meter	\$ 119.78 per unit	\$ 176.76 per unit
3" meter	\$ 224.59 per unit	\$ 331.42 per unit
4" meter	\$ 374.42 per unit	\$ 552.37 per unit
8" meter	\$1,150.51 per unit	\$1,767.59 per unit
Commercial <u>Distribution</u> ~~Commodity~~ Charge	\$ 7.55 per 1,000 gal. or 134 cft.	\$ 4.75 per 1,000 gal. or 134 cft.
<u>Purchased Water Charge</u>	\$ N/A per 1,000 gal. or 134 cft.	\$ 6.85 per 1,000 gal. or 134 cft.

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

A contractor, developer, or other commercial customer (the "Hydrant Customer") requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility's nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer's deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility's loss.

Purchased Water Expense Rate Adjustment Mechanism

"Water Distribution Customers Only" for Water Service Territory 1 are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased water provider rate changes.

The commodity rate adjustment is calculated using customer and consumption data from the annual reconciliation period. The commodity rate adjustment is calculated by first finding the average consumption of all water distribution customers for Water Service Territory 1 in the annual reconciliation period. The average consumption is determined by taking the total water consumption for the annual reconciliation period and dividing it by the total number of water billing units for the annual reconciliation period. Next, the adjustment in purchased water expense caused by known and measurable changes in rates from third party wholesale providers is calculated. Then, the expense per billing unit is calculated by dividing the total change in purchased water expense by the annualized number of water billing units. Finally, the commodity rate adjustment required to recover or rebate the change in purchased water expenses is determined by dividing the expense per billing unit by the average

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consumption per 1,000 gallons. The commodity rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

Service Territory 2

Monthly Charges - Water Supply Customers

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
<u>Residential</u>		
Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:	\$28.59 per unit	<u>\$38.58 per unit</u>
Residential Commodity Charge	\$10.27 per 1,000 gal. or 134 cft.	<u>\$13.86 per 1,000 gal. or 134 cft.</u>
<u>Commercial</u>		
Base Facilities Charge by meter size		
5/8" meter*	\$ 28.59 per unit	<u>\$ 38.58 per unit</u>
1" meter	\$ 79.59 per unit	<u>\$ 96.45 per unit</u>
1.5" meter	\$ 146.27 per unit	<u>\$192.89 per unit</u>
3" meter	\$ 499.14 per unit	<u>\$578.67 per unit</u>
Commercial ~~Distribution~~ Commodity Charge	\$ 10.27 per 1,000 gal. or 134 cft.	<u>\$13.86 per 1,000 gal. or 134 cft.</u>

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

<u>Residential</u>		
Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:	\$ 28.59 per unit	<u>\$ 38.58 per unit</u>
Residential ~~Distribution~~ Commodity Charge	\$11.85 per 1,000 gal. or 134 cft.	<u>\$ 4.91 per 1,000 gal. or 134 cft.</u>
<u>Purchased Water Charge</u>	<u>\$ N/A per 1,000 gal. or 134 cft.</u>	<u>\$ 11.08 per 1,000 gal. or 134 cft.</u>
<u>Commercial</u>		
Base Facilities Charge by meter size:		
5/8" meter*	\$ 28.59 per unit	<u>\$ 38.58 per unit</u>
1" meter	\$ 79.59 per unit	<u>\$ 96.45 per unit</u>
1.5" meter	\$ 146.27 per unit	<u>\$192.89 per unit</u>

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3" meter	\$ 499.14 per unit	<u>\$578.67 per unit</u>
Commercial ~~Distribution~~ Commodity Charge	\$ 11.85 per 1,000 gal. or 134 cft.	<u>\$ 4.91 per 1,000 gal.</u> <u>or 134 cft.</u>
<u>Purchased Water Charge</u>	<u>\$ N/A per 1,000 gal.</u> <u>or 134 cft.</u>	<u>\$ 11.08 per 1,000 gal.</u> <u>or 134 cft.</u>

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

A contractor, developer, or other commercial customer (the "Hydrant Customer") requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility's nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer's deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility's loss.

Purchased Water Expense Rate Adjustment Mechanism

"Water Distribution Customers Only" for Water Service Territory 2 are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased water provider rate changes.

The commodity rate adjustment is calculated using customer and consumption data from the annual reconciliation period. The commodity rate adjustment is calculated by first finding the average consumption of all water distribution customers for Water Service Territory 2 in the annual reconciliation period. The average consumption is determined by taking the total water consumption for the annual reconciliation period and dividing it by the total number of water billing units for the annual reconciliation period. Next, the adjustment in purchased water expense caused by known and measurable changes in rates from third party wholesale providers is calculated. Then, the expense per billing unit is calculated by dividing the total change in purchased water expense by the annualized number of water billing units. Finally, the commodity rate adjustment required to recover or rebate the change in purchased water expenses is determined by dividing the expense per billing unit by the average consumption per 1,000 gallons. The commodity rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

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WATER SERVICE
TERMS AND CONDITIONS
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NON-RECURRING CHARGES

1. Terms and Conditions

A. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

B. Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

C. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

D. When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

E. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

F. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

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SCHEDULE OF PROPOSED RATES AND CHARGES

G. Cross-Connection Inspection

Any customer installing, permitting to be installed, or maintain any cross connection between the Utilities water system and any other non-public water system, sewer, or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended for time to time. Such a customer shall have such cross connection inspected by a licensed certified tester and provide to Utility a copy of written inspection report indicating the back-flow device is functioning properly and testing results submitted by the tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later June 30th of each year for required commercial customers and no later than June 30th of every other year for required residential customers. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customer's next bill. If after inspection and testing by the Utility's certified tester, the back-flow device fails to function properly, the customer will be notified and given a 30 day period in which to have the back-flow device repaired or replaced with a subsequent follow-up inspection by a licensed certified tester indicating the back-flow device is functioning properly. Failure to submit a report indicating the back-flow device is functioning properly will result in discontinuation of water service to said customer until such time as a passing inspection report is received by Utility.

H. A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

I. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing water utilities.

2. Non-Recurring Charges

A. Water Service Connection (New connections only) - \$300 per SFE*

B. Plant Impact Fee (New connections only) - \$400 per SFE*

The fees in this Section are subject to the considerations noted in Section G below.

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The Plant Capacity Fee reflects the portion of plant capacity which will be used to provide service to the new customers as authorized by Commission Rule R. 103-702.13. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing water production, treatment and/or distribution facilities that are essential to provide adequate water service to the new customer's property.

C. Water Meter Installation - 5/8 inches x 3/4 inches meter \$45.00

All 5/8 inch x 3/4 inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$45 shall be due upon installation for those locations where no 5/8 inch x 3/4 inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's actual cost of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

The fees in this Section are subject to the considerations noted in Section G below.

D. Customer Account Charge – (New customers only) \$30.00

A one-time fee to defray the costs of initiating service.

E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, a reconnection fee shall be due in the amount of \$40.00 and shall be due prior to the Utility reconnecting service.

F. Tampering Charge: In the event the Utility's equipment, water mains, water lines, meters, curb stops, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

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SEWER

Service Territory 1 and 2

Monthly Charges – Sewer Collection & Treatment Only

Where sewage collection and treatment are provided through facilities owned and operated by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
Residential - charge per single-family house, condominium, villa, or apartment unit:	\$65.08 per unit	<u>\$101.30 per unit</u>
Mobile Homes:	\$47.50 per unit	<u>\$73.94 per unit</u>
Commercial	\$65.08 per SFE*	<u>\$101.30 per SFE*</u>

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Monthly Charges – Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

Residential – per single-family house, condominium, or apartment unit	\$65.08 per unit	<u>\$47.10 per unit</u>
<u>Sewer Treatment Charge</u>	<u>\$ N/A per unit</u>	<u>\$54.20 per unit</u>
Commercial	\$65.08 per SFE*	<u>\$47.10 per SFE*</u>
<u>Sewer Treatment Charge</u>	<u>\$ N/A per SFE*</u>	<u>\$54.20 per SFE*</u>
~~Wholesale Service (Midlands Utility)~~	~~\$N/A per SFE*~~	
The Village Sewer Collection	\$33.86 per SFE*	<u>\$52.71 per SFE*</u>

* Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

Purchased Wastewater Expense Rate Adjustment Mechanism

"Sewer Collection Only" customers are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased wastewater treatment provider rate changes.

The monthly flat rate is calculated using customer data from the most recent annual reconciliation period. The flat rate adjustment is calculated by taking the adjustment in purchased wastewater treatment expenses caused by

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known and measurable changes in rates from third party wholesale providers and dividing by the total number of wastewater billing units at the end of the annual reconciliation period. The flat rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

SEWER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES

1. Terms and Conditions

- A. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.
- B. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.
- C. Billing Cycle
Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.
- D. Toxic and Pretreatment Effluent Guidelines
The utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.
- E. Extension of Utility Service Lines and Mains
The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any

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appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving sewer system.

In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

- F. A Single Family Equivalent ("SFE") shall be determined by 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service, plant impact fee and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.
- G. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing wastewater utilities.

2. Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

~~On such regular intervals as the Utility deems prudent, or upon discovery At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for the customer's pumping tank to be pumped out and cleaned. The Utility shall bill the customer for the actual cost to the Utility of pumping and cleaning the tank, including the Utility's cost to access the tank ("Pumping Charge"). The Pumping Charge will be included as a separate line item on the next regular billing to the customer. Alternatively, at the customer's request, the Pumping Charge may be billed to the customer in twelve equal monthly installments and will include \$150.00 as a separate item in the next regular billing to the customer.~~

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or

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replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

3. Non-recurring Charges

A. Sewer Service Connection (New connections only) \$300 per SFE_

B. Plant Capacity Fee (New connections only) \$400 per SFE_

The fees in this Section are subject to the tax considerations noted in Section G below.

The Plant Capacity Fee shall be computed by using South Carolina DHEC "Guide Lines for Unit Contributory Loadings to Wastewater Treatment Facilities" (1972) to determine the single family equivalency rating. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing treatment and/or collection system facilities that are essential to provide adequate treatment and disposal of the wastewater generated by the development of the new property.

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

C. Notification Fee

A fee of \$15.00 shall be charged to each customer per notice 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.

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SCHEDULE OF PROPOSED RATES AND CHARGES**

D. Customer Account Charge - (New customers only) \$30.00

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's 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 reconnects service. Where an elder valve has been previously installed, a reconnection fee of \$40.00 shall be charged.

F. Tampering Charge: In the event the Utility's equipment, sewage pipes, meters, curb stops, service lines, elder valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

EXHIBIT B

Financials

Schedules A through G

Schedule A

**Blue Granite Water Company - Consolidated
Balance Sheet
June 30, 2019**

**Schedule A - Service Territory 1 and Service Territory 2
Page 1 of 1**

<u>ASSETS</u>		<u>LIABILITIES AND OTHER CREDITS</u>	
=====		=====	
Plant In Service		Capital Stock and Retained Earnings	
Water	\$ 47,877,407	Common Stock and Paid In Capital	\$ 24,499,375
Sewer	55,779,291	Retained Earnings	7,354,870
Total	<u>\$ 103,656,697</u>	Total	<u>\$ 31,854,245</u>
Accumulated Depreciation-Water	\$ (8,636,533)	Current and Accrued Liabilities	
Accumulated Depreciation-Sewer	(7,554,311)	Accounts Payable-Trade	\$ 1,249,763
Total	<u>\$ (16,190,845)</u>	Taxes Accrued	1,607,118
Net Utility Plant	<u>\$ 87,465,852</u>	Customer Deposits	322,560
		Customer Deposits - Interest	11,790
		A/P - Assoc. Companies	13,846,893
		Total	<u>\$ 17,038,125</u>
		Deferred Credits	
Plant Acquisition Adjustment-Water	\$ (749,233)	Water	\$ 2,450,096
Plant Acquisition Adjustment-Sewer	(82,045)	Sewer	1,982,122
Total	<u>\$ (831,278)</u>	Total	<u>\$ 4,432,218</u>
Plant Held for Future Use - Water	\$ -	Advances In Aid of Construction	
Plant Held for Future Use - Sewer	-	Water	\$ -
Plant Held for Future Use - Reuse	-	Sewer	-
Total	<u>\$ -</u>	Total	<u>\$ -</u>
Construction Work In Process-Water	\$ 1,919,202	Contributions In Aid of Construction	
Construction Work In Process-Sewer	4,453,812	Water	\$ 9,132,706
Total	<u>\$ 6,373,014</u>	Sewer	11,167,297
Current Assets		Total	<u>\$ 20,300,002</u>
Cash	\$ 7,660	Accumulated Deferred Income Tax	
Accounts Receivable - Net	(19,762,076)	Unamortized ITC	\$ 147,726
Other Current Assets	34,947	Deferred Tax - Federal	3,337,827
Total	<u>\$ (19,719,469)</u>	Deferred Tax - State	185,090
Deferred Charges	<u>\$ 4,007,113</u>	Total	<u>\$ 3,670,643</u>
TOTAL ASSETS	<u>\$ 77,295,232</u>	TOTAL LIABILITIES AND OTHER CREDITS	<u>\$ 77,295,232</u>

*Note - The balance sheet reflects the total assets, liabilities, and equity of Blue Granite Water Company.

Schedule B

**Blue Granite Water Company - Consolidated
Combined Operations
June 30, 2019**

**Schedule B - Service Territory 1 and Service Territory 2
Page 1 of 4**

	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase	Pro Forma Proposed
Operating Revenues						
Service Revenues - Water	\$ 11,868,922	\$ 481,681 [a]		\$ 12,350,602	\$ 5,575,957 [k]	\$ 17,926,560
Service Revenues - Sewer	10,929,933	129,970 [a]		11,059,903	6,155,846 [k]	17,215,748
Miscellaneous Revenues	445,567	-		445,567	-	445,567
Uncollectible Accounts	(250,472)	(6,279) [b]		(256,751)	(142,266) [l]	(399,017)
Total Operating Revenues	\$ 22,993,950	\$ 605,371		\$ 23,599,321	\$ 11,589,537	\$ 35,188,858
Maintenance Expenses						
Salaries and Wages	\$ 2,670,783	\$ (1,155,286) [c]		\$ 1,515,496	\$ -	\$ 1,515,496
Capitalized Time	(333,423)	58,345 [c]		(275,077)	-	(275,077)
Purchased Power	771,661	-		771,661	-	771,661
Purchased Sewer & Water - Pass Through	5,266,724	3,575,302 [p]		8,842,027	-	8,842,027
Maintenance and Repair	3,031,412	1,163,398 [m] [n] [t]		4,194,810	-	4,194,810
Maintenance Testing	314,455	(174,415) [n]		140,040	-	140,040
Meter Reading	112,607	(72,816) [n] [v]		39,790	-	39,790
Chemicals	360,819	(99,043) [n] [v]		261,775	-	261,775
Transportation	238,985	(99,425) [n]		139,559	-	139,559
Operating Exp. Charged to Plant	-	-		-	-	-
Total	\$ 12,434,022	\$ 3,196,060		\$ 15,630,082	\$ -	\$ 15,630,082
General Expenses						
Salaries and Wages	\$ 871,624	\$ 517,333 [c]		\$ 1,388,956	\$ -	\$ 1,388,956
Office Supplies & Other Office Exp.	1,980,731	(1,526,786) [j] [v]		453,945	-	453,945
Regulatory Commission Exp.	138,293	107,526 [d] [v]		245,819	-	245,819
Pension & Other Benefits	779,623	(62,113) [c]		717,510	-	717,510
Rent	97,022	95,825 [r]		192,847	-	192,847
Insurance	348,324	201,242 [s]		549,566	-	549,566
Office Utilities	491,952	(27,003) [n]		464,949	-	464,949
Outside Services - Other	1,062,984	(148,029) [u] [v]		914,955	-	914,955
Non-Utility Misc Income	442,690	(442,690) [o]		-	-	-
Miscellaneous	61,300	11,243 [q]		72,543	-	72,543
Total	\$ 6,274,542	\$ (1,273,452)		\$ 5,001,090	\$ -	\$ 5,001,090
Depreciation	\$ 1,788,412	\$ 2,093,636 [e]		\$ 3,882,048	\$ -	\$ 3,882,048
Amortization of CIAC	(406,509)	(618,101) [e]		(1,024,611)	-	(1,024,611)
Taxes Other Than Income	3,499,587	531,858 [f]		4,031,446	61,860 [f]	4,093,305
Income Taxes - Federal	(431,983)	(884,774) [g]		(1,316,757)	2,299,772 [g]	983,014
Income Taxes - State	(185,161)	(112,507) [g]		(297,668)	576,384 [g]	278,716
Sale of Utility Property	(20,252)	20,252 [o]		-	-	-
Amort. Investment Tax Credit	(8,854)	-		(8,854)	-	(8,854)
Amortization of PAA	(15,713)	-		(15,713)	-	(15,713)
Total	\$ 4,219,527	\$ 1,030,364		\$ 5,249,891	\$ 2,938,015	\$ 8,187,906
Total Operating Expenses	\$ 22,928,091	\$ 2,952,972		\$ 25,881,063	\$ 2,938,015	\$ 28,819,078
Net Operating Income	\$ 65,859	\$ (2,347,601)		\$ (2,281,742)	\$ 8,651,522	\$ 6,369,780
Interest During Construction	\$ (172,635)	\$ 172,635 [h]		\$ -	\$ -	\$ -
Interest on Debt	1,828,315	228,871 [i]		2,057,186	-	2,057,186
Net Income	\$ (1,589,821)	\$ (2,749,107)		\$ (4,338,928)	\$ 8,651,522	\$ 4,312,594

**Blue Granite Water Company - Consolidated
Water Operations
June 30, 2019**

**Schedule B - Service Territory 1 and Service Territory 2
Page 2 of 4**

	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase	Pro Forma Proposed
Operating Revenues						
Service Revenues - Water	\$ 11,868,922	\$ 481,681 [a]		\$ 12,350,602	\$ 5,575,957 [k]	\$ 17,926,560
Service Revenues - Sewer	-	-		-	-	-
Miscellaneous Revenues	200,130	-		200,130	-	200,130
Uncollectible Accounts	(140,739)	(4,735) [b]		(145,473)	(65,936) [l]	(211,409)
Total Operating Revenues	\$ 11,928,313	\$ 476,946		\$ 12,405,259	\$ 5,510,022	\$ 17,915,280
Maintenance Expenses						
Salaries and Wages	\$ 1,510,785	\$ (648,039) [c]		\$ 862,746	\$ -	\$ 862,746
Capitalized Time	(173,152)	30,272 [c]		(142,880)	-	(142,880)
Purchased Power	252,374	-		252,374	-	252,374
Purchased Water - Pass Through	3,621,716	968,134 [p]		4,589,850	-	4,589,850
Maintenance and Repair	1,069,178	907,902 [m] [n] [t]		1,977,081	-	1,977,081
Maintenance Testing	137,070	(81,313) [n]		55,757	-	55,757
Meter Reading	76,523	(53,688) [n] [v]		22,836	-	22,836
Chemicals	187,191	(39,683) [n] [v]		147,508	-	147,508
Transportation	136,823	(56,925) [n]		79,898	-	79,898
Operating Exp. Charged to Plant	-	-		-	-	-
Total	\$ 6,818,508	\$ 1,026,661		\$ 7,845,169	\$ -	\$ 7,845,169
General Expenses						
Salaries and Wages	\$ 500,348	295,251 [c]		\$ 795,599	\$ -	\$ 795,599
Office Supplies & Other Office Exp.	1,059,289	(797,662) [j] [v]		261,627	-	261,627
Regulatory Commission Exp.	79,388	62,908 [d] [v]		142,296	-	142,296
Pension & Other Benefits	447,730	(40,772) [c]		406,958	-	406,958
Rent	64,653	54,596 [f]		119,249	-	119,249
Insurance	199,923	114,870 [s]		314,793	-	314,793
Office Utilities	277,541	(15,460) [n]		262,081	-	262,081
Outside Services	610,409	(124,509) [u] [v]		485,900	-	485,900
Non-Utility Misc Income	254,023	(254,023) [o]		-	-	-
Miscellaneous	35,611	6,668 [q]		42,279	-	42,279
Total	\$ 3,528,915	\$ (698,134)		\$ 2,830,781	\$ -	\$ 2,830,781
Depreciation	\$ 872,854	\$ 1,264,461 [e]		\$ 2,137,315	\$ -	\$ 2,137,315
Amortization of CIAC	\$ (172,158)	(499,186) [e]		(671,343)	-	(671,343)
Taxes Other Than Income	2,104,476	400,657 [f]		2,505,133	29,401 [f]	2,534,534
Income Taxes - Federal	(188,185)	(508,526) [g]		(696,711)	1,093,384 [g]	396,673
Income Taxes - State	(75,410)	(80,115) [g]		(155,524)	274,031 [g]	118,507
Sale of Utility Property	(48,219)	48,219 [o]		-	-	-
Amort. Investment Tax Credit	(4,214)	-		(4,214)	-	(4,214)
Amortization of PAA	(11,940)	-		(11,940)	-	(11,940)
Total	\$ 2,477,206	\$ 625,511		\$ 3,102,717	\$ 1,396,816	\$ 4,499,533
Total Operating Expenses	\$ 12,824,628	\$ 954,038		\$ 13,778,667	\$ 1,396,816	\$ 15,175,483
Net Operating Income	\$ (896,315)	\$ (477,093)		\$ (1,373,408)	\$ 4,113,206	\$ 2,739,798
Interest During Construction	\$ (80,178)	\$ 80,178 [h]		\$ -	\$ -	\$ -
Interest on Debt	1,093,233	(208,387) [i]		884,846	-	884,846
Net Income	\$ (1,909,370)	\$ (348,884)		\$ (2,258,254)	\$ 4,113,206	\$ 1,854,952

**Blue Granite Water Company - Consolidated
Sewer Operations
June 30, 2019**

**Schedule B - Service Territory 1 and Service Territory 2
Page 3 of 4**

	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase	Pro Forma Proposed
Operating Revenues						
Service Revenues - Water	\$ -	\$ -		\$ -	\$ -	\$ -
Service Revenues - Sewer	10,929,933	129,970 [a]		11,059,903	6,155,846 [k]	17,215,748
Miscellaneous Revenues	245,437	-		245,437	-	245,437
Uncollectible Accounts	(109,733)	(1,544) [b]		(111,277)	(76,331) [l]	(187,608)
Total Operating Revenues	\$ 11,065,637	\$ 128,426		\$ 11,194,062	\$ 6,079,515	\$ 17,273,577
Maintenance Expenses						
Salaries and Wages	\$ 1,159,998	\$ (507,247) [c]		\$ 652,751	\$ -	\$ 652,751
Capitalized Time	(160,270)	28,073 [c]		(132,197)	-	(132,197)
Purchased Power	519,286	-		519,286	-	519,286
Purchased Sewer	1,645,009	2,607,168 [p]		4,252,177	-	4,252,177
Maintenance and Repair	1,962,233	255,496 [m] [n] [t]		2,217,729	-	2,217,729
Maintenance Testing	177,386	(93,102) [n]		84,284	-	84,284
Meter Reading	36,083	(19,128) [n] [v]		16,955	-	16,955
Chemicals	173,628	(59,361) [n] [v]		114,267	-	114,267
Transportation	102,162	(42,500) [n]		59,661	-	59,661
Operating Exp. Charged to Plant	-	-		-	-	-
Total	\$ 5,615,514	\$ 2,169,399		\$ 7,784,913	\$ -	\$ 7,784,913
General Expenses						
Salaries and Wages	\$ 371,276	222,081 [c]		\$ 593,357	\$ -	\$ 593,357
Office Supplies & Other Office Exp.	921,442	(729,124) [j] [v]		192,318	-	192,318
Regulatory Commission Exp.	58,905	44,618 [d] [v]		103,522	-	103,522
Pension & Other Benefits	331,893	(21,340) [c]		310,553	-	310,553
Rent	32,369	41,229 [r]		73,598	-	73,598
Insurance	148,400	86,372 [s]		234,773	-	234,773
Office Utilities	214,411	(11,543) [n]		202,868	-	202,868
Outside Services	452,575	(23,520) [u] [v]		429,055	-	429,055
Non-Utility Misc Income	188,667	(188,667) [o]		-	-	-
Miscellaneous	25,689	4,575 [q]		30,264	-	30,264
Total	\$ 2,745,627	\$ (575,318)		\$ 2,170,309	\$ -	\$ 2,170,309
Depreciation	\$ 915,558	\$ 829,175 [e]		\$ 1,744,733	\$ -	\$ 1,744,733
Amortization of CIAC	(234,352)	(118,916) [e]		(353,267)	\$ -	(353,267)
Taxes Other Than Income	1,395,111	131,201 [f]		1,526,312	32,459 [f]	1,558,771
Income Taxes - Federal	(243,799)	(376,248) [g]		(620,047)	1,206,388 [g]	586,341
Income Taxes - State	(109,751)	(32,392) [g]		(142,143)	302,353 [g]	160,210
Sale of Utility Property	27,966	(27,966) [o]		-	-	-
Amort. Investment Tax Credit	(4,640)	-		(4,640)	-	(4,640)
Amortization of PAA	(3,773)	-		(3,773)	-	(3,773)
Total	\$ 1,742,321	\$ 404,853		\$ 2,147,174	\$ 1,541,199	\$ 3,688,374
Total Operating Expenses	\$ 10,103,462	\$ 1,998,934		\$ 12,102,396	\$ 1,541,199	\$ 13,643,595
Net Operating Income	\$ 962,174	\$ (1,870,508)		\$ (908,334)	\$ 4,538,316	\$ 3,629,982
Interest During Construction	\$ (92,457)	\$ 92,457 [h]		\$ -	\$ -	\$ -
Interest on Debt	735,082	437,258 [i]		1,172,340	-	1,172,340
Net Income	\$ 319,549	\$ (2,400,223)		\$ (2,080,674)	\$ 4,538,316	\$ 2,457,642

Blue Granite Water Company - Consolidated
Explanation of Adjustments to Income Statement

Schedule B - Service Territory 1 and Service Territory 2
Page 4 of 4

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- [r] Adjusted Rent Expense for pro-forma annualized effective leases.
- [s] Adjusted Insurance Expense based on most recent policy premiums and deductible costs, with pro-forma increase subject to update.
- [t] Adjusted for amortization of deferrals for litigation costs, decommissioning costs, NBV of decommissioned assets.
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Blue Granite Water Company - Service Territory 1
Water Operations
June 30, 2019

Schedule B - Service Territory 1
Page 1 of 2

	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase	Pro Forma Proposed
Operating Revenues						
Service Revenues - Water	\$ 6,307,416	\$ 488,815 [a]		\$ 6,796,231	\$ 3,636,850 [k]	\$ 10,433,081
Service Revenues - Sewer	-	-		-	-	-
Miscellaneous Revenues	84,940	-		84,940	-	84,940
Uncollectible Accounts	(62,865)	(4,894) [b]		(67,759)	(36,022) [l]	(103,781)
Total Operating Revenues	\$ 6,329,491	\$ 483,921		\$ 6,813,412	\$ 3,600,828	\$ 10,414,240
Maintenance Expenses						
Salaries and Wages	\$ 842,497	\$ (418,426) [c]		\$ 424,071	\$ -	\$ 424,071
Capitalized Time	(101,347)	20,623 [e]		(80,723)	-	(80,723)
Purchased Power	72,278	-		72,278	-	72,278
Purchased Water - Pass Through	2,859,944	807,853 [p]		3,667,797	-	3,667,797
Maintenance and Repair	628,927	628,506 [m] [n] [t]		1,257,433	-	1,257,433
Maintenance Testing	40,064	(33,211) [n]		6,853	-	6,853
Meter Reading	31,148	(44,196) [n] [v]		(13,049)	-	(13,049)
Chemicals	132,225	(25,360) [n] [v]		106,865	-	106,865
Transportation	84,341	(35,837) [n]		48,504	-	48,504
Operating Exp. Charged to Plant	-	-		-	-	-
Total	\$ 4,590,077	\$ 899,952		\$ 5,490,029	\$ -	\$ 5,490,029
General Expenses						
Salaries and Wages	\$ 308,198	184,082 [c]		\$ 492,280	\$ -	\$ 492,280
Office Supplies & Other Office Exp.	788,991	(631,168) [j] [v]		157,824	-	157,824
Regulatory Commission Exp.	48,900	39,788 [d] [v]		88,688	-	88,688
Pension & Other Benefits	275,491	(54,671) [c]		220,820	-	220,820
Rent	25,824	34,232 [r]		60,056	-	60,056
Insurance	123,183	71,596 [s]		194,780	-	194,780
Office Utilities	167,049	(9,733) [n]		157,316	-	157,316
Outside Services	374,956	(44,170) [u] [v]		330,786	-	330,786
Non-Utility Misc Income	156,637	(156,637) [o]		-	-	-
Miscellaneous	21,275	3,584 [q]		24,859	-	24,859
Total	\$ 2,290,504	\$ (563,096)		\$ 1,727,408	\$ -	\$ 1,727,408
Depreciation	\$ 464,276	\$ 710,395	[e]	\$ 1,174,671	\$ -	\$ 1,174,671
Amortization of CIAC	\$ (164,957)	(473,764)	[e]	(638,721)	-	(638,721)
Taxes Other Than Income	1,111,788	238,794	[f]	1,350,582	19,176 [f]	1,369,759
Income Taxes - Federal	(154,415)	(409,000)	[g]	(563,414)	714,539 [g]	151,125
Income Taxes - State	(99,023)	(32,547)	[g]	(131,569)	179,083 [g]	47,513
Sale of Utility Property	(29,922)	29,922	[o]	-	-	-
Amort. Investment Tax Credit	(4,214)	-		(4,214)	-	(4,214)
Amortization of PAA	(13,504)	-		(13,504)	-	(13,504)
Total	\$ 1,110,031	\$ 63,800		\$ 1,173,831	\$ 912,799	\$ 2,086,630
Total Operating Expenses	\$ 7,990,612	\$ 400,656		\$ 8,391,268	\$ 912,799	\$ 9,304,066
Net Operating Income	\$ (1,661,121)	\$ 83,265		\$ (1,577,856)	\$ 2,688,029	\$ 1,110,174
Interest During Construction	\$ (74,253)	\$ 74,253	[h]	\$ -	\$ -	\$ -
Interest on Debt	562,651	(204,109)	[i]	358,542	-	358,542
Net Income	\$ (2,149,518)	\$ 213,120		\$ (1,936,398)	\$ 2,688,029	\$ 751,632

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- [p] Purchased Expense has been adjusted to reflect pro-forma expense levels. Includes amortization of accumulated deferrals and annualization of current provider pricing.
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- [r] Adjusted Rent Expense for pro-forma annualized effective leases.
- [s] Adjusted Insurance Expense based on most recent policy premiums and deductible costs, with pro-forma increase subject to update.
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Blue Granite Water Company - Service Territory 2
Water Operations
June 30, 2019

Schedule B - Service Territory 2
Page 1 of 2

	Per Books	Pro Forma Adjustments		Pro Forma Present	Proposed Increase		Pro Forma Proposed
Operating Revenues							
Service Revenues - Water	\$ 5,564,506	\$ (7,134) [a]		\$ 5,554,371	\$ 1,939,107 [k]		\$7,493,479
Service Revenues - Sewer	-	-		-	-		-
Miscellaneous Revenues	115,189	-		115,189	-		115,189
Uncollectible Accounts	(77,873)	159 [b]		(77,714)	(29,913) [l]		(107,628)
Total Operating Revenues	\$ 5,598,822	\$ (6,975)		\$ 5,591,847	\$ 1,909,194		\$ 7,501,040
Maintenance Expenses							
Salaries and Wages	\$ 668,288	\$ (229,614) [c]		\$ 438,675	\$ -		\$ 438,675
Capitalized Time	(71,806)	9,649 [c]		(62,157)	-		(62,157)
Purchased Power	180,096	-		180,096	-		180,096
Purchased Water - Pass Through	761,771	160,282 [p]		922,053	-		922,053
Maintenance and Repair	440,252	279,396 [m] [n] [t]		719,648	-		719,648
Maintenance Testing	97,005	(48,102) [n]		48,904	-		48,904
Meter Reading	45,376	(9,491) [n] [v]		35,884	-		35,884
Chemicals	54,966	(14,322) [n] [v]		40,644	-		40,644
Transportation	52,482	(21,088) [n]		31,394	-		31,394
Operating Exp. Charged to Plant	-	-		-	-		-
Total	\$ 2,228,430	\$ 126,709		\$ 2,355,140	\$ -		\$ 2,355,140
General Expenses							
Salaries and Wages	\$ 192,149	111,169 [c]		\$ 303,319	\$ -		\$ 303,319
Office Supplies & Other Office Exp.	270,298	(166,494) [j] [v]		103,803	-		103,803
Regulatory Commission Exp.	30,488	23,120 [d] [v]		53,608	-		53,608
Pension & Other Benefits	172,239	13,899 [c]		186,137	-		186,137
Rent	38,829	20,363 [r]		59,193	-		59,193
Insurance	76,740	43,274 [s]		120,014	-		120,014
Office Utilities	110,492	(5,727) [n]		104,765	-		104,765
Outside Services	235,453	(80,339) [u] [v]		155,114	-		155,114
Non-Utility Misc Income	97,387	(97,387) [o]		-	-		-
Miscellaneous	14,337	3,084 [q]		17,420	-		17,420
Total	\$ 1,238,411	\$ (135,038)		\$ 1,103,373	\$ -		\$ 1,103,373
Depreciation	\$ 408,578	\$ 554,066 [e]		\$ 962,644	\$ -		\$ 962,644
Amortization of CIAC	\$ (7,201)	(25,422) [e]		(32,623)	-		(32,623)
Taxes Other Than Income	992,688	161,863 [f]		1,154,551	10,225 [f]		1,164,776
Income Taxes - Federal	(33,770)	(99,526) [g]		(133,296)	378,844 [g]		245,548
Income Taxes - State	23,613	(47,568) [g]		(23,955)	94,948 [g]		70,993
Sale of Utility Property	(18,297)	18,297 [o]		-	-		-
Amort. Investment Tax Credit	-	-		-	-		-
Amortization of PAA	1,564	-		1,564	-		1,564
Total	\$ 1,367,175	\$ 561,711		\$ 1,928,886	\$ 484,017		\$ 2,412,903
Total Operating Expenses	\$ 4,834,016	\$ 553,383		\$ 5,387,399	\$ 484,017		\$ 5,871,416
Net Operating Income	\$ 764,806	\$ (560,358)		\$ 204,448	\$ 1,425,176		\$ 1,629,624
Interest During Construction	\$ (5,925)	\$ 5,925 [h]		\$ -	\$ -		\$ -
Interest on Debt	530,582	(4,278) [i]		526,304	-		526,304
Net Income	\$ 240,148	\$ (562,004)		\$ (321,856)	\$ 1,425,176		\$ 1,103,320

Blue Granite Water Company - Service Territory 2
Explanation of Adjustments to Income Statement

Schedule B - Service Territory 2
Page 2 of 2

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Schedule C

**Blue Granite Water Company - Consolidated
Combined Operations
Rate Base and Rate of Return
June 30, 2019**

**Schedule C - Service Territory 1 and Service Territory 2
Page 2 of 7**

	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect Proposed Increase
Net Operating Income	\$ 65,859	\$ (2,347,601)	\$ (2,281,742)	\$ 8,651,522	\$ 6,369,780
Gross Plant In Service	\$ 103,656,697	\$ 2,600,950 [a]	\$ 106,257,647	\$ -	\$ 106,257,647
Accumulated Depreciation	(16,190,845)	3,701,705 [a]	(12,489,140)	-	(12,489,140)
Net Plant In Service	87,465,852	6,302,656	93,768,508	-	93,768,508
Deferred Charges	-	4,944,662 [b]	4,944,662	-	4,944,662
Cash Working Capital	1,680,230	(206,587) [c]	1,473,643	-	1,473,643
Contributions In Aid of Construction	(20,300,002)	1,068,166 [a]	(19,231,836)	-	(19,231,836)
Accumulated Deferred Income Taxes	(3,522,917)	-	(3,522,917)	-	(3,522,917)
Customer Deposits	(334,350)	-	(334,350)	-	(334,350)
Plant Held for Future Use	-	350,000 [d]	350,000	-	350,000
Plant Acquisition Adjustment	(831,278)	-	(831,278)	-	(831,278)
Excess Book Value	-	(435,585) [e]	(435,585)	-	(435,585)
	-	-	-	-	-
Total Rate Base	\$ 64,157,535	\$ 12,023,311	\$ 76,180,847	\$ -	\$ 76,180,847
Return on Rate Base [f]	0.10%		-3.00%		8.36%

**Blue Granite Water Company - Consolidated
Water Operations
Rate Base and Rate of Return
June 30, 2019**

**Schedule C - Service Territory 1 and Service Territory 2
Page 2 of 7**

	Per Books	Pro Forma Adjustments		As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	\$ (896,315)	\$ (477,093)		\$ (1,373,408)	\$ 4,113,206	\$ 2,739,798
Gross Plant In Service	\$ 47,877,407	\$ 2,885,431 [a]		\$ 50,762,837	\$ -	\$ 50,762,837
Accumulated Depreciation	(8,636,533)	2,607,898 [a]		(6,028,636)	-	(6,028,636)
Net Plant In Service	39,240,873	5,493,329		44,734,202	-	44,734,202
Deferred Charges	-	(536,623) [b]		(536,623)	-	(536,623)
Cash Working Capital	840,713	(79,951) [c]		760,762	-	760,762
Contributions In Aid of Construction	(9,132,706)	(51,529) [a]		(9,184,234)	-	(9,184,234)
Accumulated Deferred Income Taxes	(2,203,786)	-		(2,203,786)	-	(2,203,786)
Customer Deposits	(196,601)	-		(196,601)	-	(196,601)
Plant Held for Future Use	-	350,000 [d]		350,000	-	350,000
Plant Acquisition Adjustment	(749,233)	-		(749,233)	-	(749,233)
Excess Book Value	-	(207,232) [e]		(207,232)	-	(207,232)
	-	-		-	-	-
Total Rate Base	\$ 27,799,261	\$ 4,967,994		\$ 32,767,255	\$ -	\$ 32,767,255
Return on Rate Base [f]	-3.22%			-4.19%		-3.36%

<u>Object Account</u>	<u>NARUC Account</u>	<u>Account Description</u>	<u>Balance at 6/30/2019</u>
1020	301.1	ORGANIZATION	298,430
1025	302.1	FRANCHISES	59,551
1030	303.2	LAND & LAND RIGHTS PUMP	6,920
1035	303.3	LAND & LAND RIGHTS WTR TR	38
1040	303.4	LAND & LAND RIGHTS TRANS	28,892
1045	303.5	LAND & LAND RIGHTS GEN PL	572,076
1050	304.2	STRUCT & IMPRV SRC SUPPLY	3,593,312
1055	304.3	STRUCT & IMPRV WTR TRT PL	1,333,791
1060	304.4	STRUCT & IMPRV WTR TRAN DIST	30,701
1065	304.5	STRUCT & IMPRV GEN PLT	270,745
1080	307.2	WELLS & SPRINGS	2,888,718
1090	309.2	SUPPLY MAINS	744,217
1100	311.2	ELECTRIC PUMP EQUIP SRC P	529,708
1105	311.3	ELECTRIC PUMP EQUIP WTP	2,920,152
1110	311.2	ELECTRIC PUMP EQUIP SRC P	739,530
1115	320.3	WATER TREATMENT EQPT	1,835,875
1120	330.4	DIST RESV & STANDPIPES	7,245,471
1125	331.4	TRANS & DISTR MAINS	11,902,739
1130	333.4	SERVICE LINES	5,531,011
1135	334.4	METERS	885,225
1140	334.4	METER INSTALLATIONS	533,988
1145	335.4	HYDRANTS	399,555
1150	336.4	BACKFLOW PREVENTION DEVIC	22,845
1155	339.1	OTH PLT&MISC EQUIP INTANG	2,894
1160	339.2	OTH PLT&MISC EQUIP SRC SU	2,211
1165	339.3	OTH PLT&MISC EQUIP WTP	1,890
1170	339.4	OTH PLT&MISC EQUIP TRANS	1,457
1175/1455	304.5/354.7	OFFICE STRUCT & IMPRV	411,193
1180/1460	340.5/390.7	OFFICE FURN & EQPT	541,058
1185/1465	342.5/392.7	STORES EQPT	-
1190/1470	343.5/393.7	TOOL SHOP & MISC EQPT	584,573
1195/1475	344.5/394.7	LABORATORY EQUIPMENT	128,634
1200/1485	345.5/395.7	POWER OPERATED EQUIP	2,261
1205/1490	346.5/396.7	COMMUNICATION EQPT	209,328
1210/1495	347.5/397.7	MISC EQUIPMENT	15,889
1220	348.5	OTHER TANGIBLE PLT WATER	18,922
1555	341.5/391.7	TRANSPORTATION EQPT	933,826
1580	340.5/390.7	MAINFRAME COMPUTER	69,262
1585	340.5/390.7	MINI COMPUTERS	545,558
1590	340.5/390.7	COMP SYS COST	1,863,146
1595	340.5/390.7	MICRO SYS COST	37,778
2620	348.5/398.7	UTIL PLANT ACQUIRED/DISPOSED	134,036
			<u>47,877,407</u>

**Blue Granite Water Company - Consolidated
Sewer Operations
Rate Base and Rate of Return
June 30, 2019**

**Schedule C - Service Territory 1 and Service Territory 2
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	Per Books	Pro Forma Adjustments		As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	\$ 962,174	\$ (1,870,508)		\$ (908,334)	\$ 4,538,316	\$ 3,629,982
Gross Plant In Service	\$ 55,779,291	\$ (284,480) [a]		\$ 55,494,810	\$ -	\$ 55,494,810
Accumulated Depreciation	(7,554,311)	1,093,807 [a]		(6,460,504)	-	(6,460,504)
Net Plant In Service	48,224,979	809,327		49,034,306	-	49,034,306
Deferred Charges	-	5,481,285 [b]		5,481,285	-	5,481,285
Cash Working Capital	839,517	(126,636) [c]		712,881	-	712,881
Contributions In Aid of Construction	(11,167,297)	1,119,695 [a]		(10,047,602)	-	(10,047,602)
Accumulated Deferred Income Taxes	(1,319,130)	-		(1,319,130)	-	(1,319,130)
Customer Deposits	(137,749)	-		(137,749)	-	(137,749)
Plant Held for Future Use	-	-		-	-	-
Plant Acquisition Adjustment	(82,045)	-		(82,045)	-	(82,045)
Excess Book Value	-	(228,354) [e]		(228,354)	-	(228,354)
	-	-		-	-	-
Total Rate Base	\$ 36,358,274	\$ 7,055,317		\$ 43,413,592	\$ -	\$ 43,413,592
Return on Rate Base [f]	2.65%			-2.09%		3.6%

<u>Object Account</u>	<u>NARUC Account</u>	<u>Account Description</u>	<u>Balance at 6/30/2019</u>
1245	351.1	ORGANIZATION	32,423
1250	352.1	FRANCHISES INTANG PLT	-
1255	352.6	FRANCHISES RECLAIM WTR DI	-
1265	353.2	LAND & LAND RIGHTS COLL P	664
1270	353.4	LAND & LAND RIGHTS TRTMNT	-
1275	353.5	LAND & LAND RIGHTS RECLAI	-
1280	353.6	LAND & LAND RIGHTS RCL DS	-
1285	353.7	LAND & LAND RIGHTS GEN PL	80,785
1290	354.2	STRUCT/IMPRV COLL PLT	31,886
1295	354.3	STRUCT/IMPRV PUMP PLT LS	3,275,053
1300	354.4	STRUCT/IMPRV TREAT PLT	3,658,875
1305	354.5	STRUCT/IMPRV RECLAIM WTP	11,832
1310	354.6	STRUCT/IMPRV RECLAIM WTR	27,705
1315	354.7	STRUCT/IMPRV GEN PLT	1,941,400
1320	355.2	POWER GEN EQUIP COLL PLT	7,473
1325	355.3	POWER GEN EQUIP PUMP PLT	47,763
1330	355.4	POWER GEN EQUIP TREAT PLT	33,612
1335	355.5	POWER GEN EQUIP RECLAIM W	-
1340	355.6	POWER GEN EQUIP RCL WTR D	-
1345	360.2	SEWER FORCE MAIN	3,983,862
1350	361.2	SEWER GRAVITY MAIN/MANHOL	14,538,619
1353	361.2	MANHOLES	187,650
1355	362.2	SPECIAL COLL STRUCTURES	53,757
1360	363.2	SERVICES TO CUSTOMERS	1,973,059
1365	364.2	FLOW MEASURE DEVICES	47,256
1370	365.2	FLOW MEASURE INSTALL	2,044
1375	370.3	RECEIVING WELLS	602
1380	371.3	PUMPING EQUIPMENT PUMP PL	3,848,853
1385	371.5	PUMPING EQUIPMENT RECLAIM	106,137
1390	371.6	PUMPING EQUIPMENT RCL WTR	68,372
1395	380.4	TREAT/DISP EQUIP LAGOON	1,528,429
1400	380.4	TREAT/DISP EQUIP TRT PLT	16,362,299
1405	380.5	TREAT/DISP EQUIP RCL WTP	1,541

Schedule C - Service Territory 1 and Service Territory 2

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Schedule C - Service Territory 1 and Service Territory 2

<u>Object Account</u>	<u>NARUC Account</u>	<u>Account Description</u>	<u>Balance at 6/30/2019</u>
1410	381.4	PLANT SEWERS TRTMT PLT	327,119
1415	381.5	PLANT SEWERS RECLAIM WTP	3,877
1420	382.4	OUTFALL LINES	295,515
1425	398.7	OTHER PLT TANGIBLE	2,424
1430	389.2	OTHER PLT COLLECTION	10,833
1435	389.3	OTHER PLT PUMP	41,737
1440	389.4	OTHER PLT TREATMENT	20,226
1445	389.5	OTHER PLT RECLAIM WTR TRT	1,720
1450	389.6	OTHER PLT RECLAIM WTR DIS	-
1175/1455	304.5/354.7	OFFICE STRUCT & IMPRV	74,830
1180/1460	340.5/390.7	OFFICE FURN & EQPT	8,321
1185/1465	342.5/392.7	STORES EQPT	723
1190/1470	343.5/393.7	TOOL SHOP & MISC EQPT	190,793
1195/1475	344.5/394.7	LABORATORY EQUIPMENT	45,007
1200/1485	345.5/395.7	POWER OPERATED EQUIP	28,641
1205/1490	346.5/396.7	COMMUNICATION EQPT	4,199
1210/1495	347.5/397.7	MISC EQUIPMENT	70,617
1495	398.7	SEWER PLANT ALLOCATED	(778)
1500	398.7	OTHER TANGIBLE PLT SEWER	-
1525	366.6	REUSE SERVICES	-
1530	367.6	REUSE MTR/INSTALLATIONS	511
1535	374.5	REUSE DIST RESERVOIRS	5,086
1540	375.6	REUSE TRANMISSION & DIST	75,817
1555	341.5/391.7	TRANSPORTATION EQPT WTR	696,383
1580	340.5/390.7	MAINFRAME COMPUTER WTR	51,651
1585	340.5/390.7	MINI COMPUTERS WTR	406,839
1590	340.5/390.7	COMP SYS COST WTR	1,389,407
1595	340.5/390.7	MICRO SYS COST WTR	28,172
2620	348.5/398.7	UTIL PLANT ACQUIRED/DISPOSED	147,670
			<u>55,779,291</u>

Blue Granite Water Company - Consolidated
Explanation of Adjustments to Rate Base and Rate of Return

- [a] Gross plant in service, A/D, and CIAC are adjusted to reflect post-test year additions (major projects and GL addition items), and removal of decommissioned and non-utility assets.
- [b] Deferred Charges includes unamortized deferred balances for deferred maintenance, removal costs on decommissioned assets, NBV on decommissioned assets and TCJA EDIT reserves.
- [c] Cash working capital is calculated based on 1/8 of maintenance and general expenses.
- [d] Post-Test Year land purchase in advance of construction of 1 MG elevated tank in Lake Wylie subdivision.
- [e] Excess book value has been included for ratemaking purposes.
- [f] The Return on Rate Base shown above is provided solely as a matter of information and convenience for the Commission and is not intended to reflect a request for this specific return on rate base (or any return on equity). Applicant will make its request for a return on rate base (and return on equity) by way of evidence to be introduced at hearing.

Blue Granite Water Company - Service Territory 1
Water Operations
Rate Base and Rate of Return
June 30, 2019

Schedule C - Service Territory 1
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	Per Books	Pro Forma Adjustments	As Adjusted	Proposed Increase	Effect of Proposed Increase
Net Operating Income	\$ (1,661,121)	\$ 83,265	\$ (1,577,856)	\$ 2,688,029	\$ 1,110,174
Gross Plant In Service	\$ 25,669,070	\$ 1,231,445 [a]	\$ 26,900,515	\$ -	\$ 26,900,515
Accumulated Depreciation	(5,359,140)	1,650,578 [a]	(3,708,562)	-	(3,708,562)
Net Plant In Service	20,309,930	2,882,023	23,191,953	-	23,191,953
Deferred Charges	-	1,615 [b]	1,615	-	1,615
Cash Working Capital	502,580	(58,875) [c]	443,705	-	443,705
Contributions In Aid of Construction	(8,780,986)	(36,839) [a]	(8,817,825)	-	(8,817,825)
Accumulated Deferred Income Taxes	(964,199)	-	(964,199)	-	(964,199)
Customer Deposits	(105,884)	-	(105,884)	-	(105,884)
Plant Held for Future Use	-	350,000 [d]	350,000	-	350,000
Plant Acquisition Adjustment	(614,752)	-	(614,752)	-	(614,752)
Excess Book Value	-	(207,232) [e]	(207,232)	-	(207,232)
	-	-	-	-	-
Total Rate Base	\$ 10,346,689	\$ 2,930,692	\$ 13,277,381	\$ -	\$ 13,277,381
Return on Rate Base [f]	-16.05%		-11.88%		8.96%

<u>Object Account</u>	<u>NARUC Account</u>	<u>Account Description</u>	<u>Balance at 6/30/2019</u>
1020	301.1	ORGANIZATION	84,616
1025	302.1	FRANCHISES	25,864
1030	303.2	LAND & LAND RIGHTS PUMP	6,920
1035	303.3	LAND & LAND RIGHTS WTR TR	-
1040	303.4	LAND & LAND RIGHTS TRANS	28,237
1045	303.5	LAND & LAND RIGHTS GEN PL	295,447
1050	304.2	STRUCT & IMPRV SRC SUPPLY	1,105,105
1055	304.3	STRUCT & IMPRV WTR TRT PL	501,364
1060	304.4	STRUCT & IMPRV WTR TRAN DIST	3,434
1065	304.5	STRUCT & IMPRV GEN PLT	166,157
1080	307.2	WELLS & SPRINGS	1,377,965
1090	309.2	SUPPLY MAINS	397,733
1100	311.2	ELECTRIC PUMP EQUIP SRC P	227,209
1105	311.3	ELECTRIC PUMP EQUIP WTP	1,562,815
1110	311.2	ELECTRIC PUMP EQUIP SRC P	205,981
1115	320.3	WATER TREATMENT EQPT	1,066,780
1120	330.4	DIST RESV & STANDPIPES	3,323,764
1125	331.4	TRANS & DISTR MAINS	7,227,199
1130	333.4	SERVICE LINES	3,321,840
1135	334.4	METERS	634,917
1140	334.4	METER INSTALLATIONS	333,643
1145	335.4	HYDRANTS	308,053
1150	336.4	BACKFLOW PREVENTION DEVIC	8,525
1155	339.1	OTH PLT&MISC EQUIP INTANG	2,216
1160	339.2	OTH PLT&MISC EQUIP SRC SU	-
1165	339.3	OTH PLT&MISC EQUIP WTP	816
1170	339.4	OTH PLT&MISC EQUIP TRANS	1,457
1175/1455	304.5/354.7	OFFICE STRUCT & IMPRV	291,824
1180/1460	340.5/390.7	OFFICE FURN & EQPT	360,052
1185/1465	342.5/392.7	STORES EQPT	-
1190/1470	343.5/393.7	TOOL SHOP & MISC EQPT	324,484
1195/1475	344.5/394.7	LABORATORY EQUIPMENT	75,745
1200/1485	345.5/395.7	POWER OPERATED EQUIP	208
1205/1490	346.5/396.7	COMMUNICATION EQPT	128,422
1210/1495	347.5/397.7	MISC EQUIPMENT	1,688
1220	348.5	OTHER TANGIBLE PLT WATER	-
1555	341.5/391.7	TRANSPORTATION EQPT	577,840
1580	340.5/390.7	MAINFRAME COMPUTER	42,858
1585	340.5/390.7	MINI COMPUTERS	337,585
1590	340.5/390.7	COMP SYS COST	1,152,893
1595	340.5/390.7	MICRO SYS COST	23,376
2620	348.5/398.7	UTIL PLANT ACQUIRED/DISPOSED	134,036
			<u>25,669,070</u>

Blue Granite Water Company - Service Territory 1
Explanation of Adjustments to Rate Base and Rate of Return

Schedule C - Service Territory 1
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- [a] Gross plant in service, A/D, and CIAC are adjusted to reflect post-test year additions (major projects and GL addition items), and removal of decommissioned and non-utility assets.
- [b] Deferred Charges includes unamortized deferred balances for deferred maintenance, removal costs on decommissioned assets, NBV on decommissioned assets and TCJA EDIT reserves.
- [c] Cash working capital is calculated based on 1/8 of maintenance and general expenses.
- [d] Post-Test Year land purchase in advance of construction of 1 MG elevated tank in Lake Wylie subdivision.
- [e] Excess book value has been included for ratemaking purposes.
- [f] The Return on Rate Base shown above is provided solely as a matter of information and convenience for the Commission and is not intended to reflect a request for this specific return on rate base (or any return on equity). Applicant will make its request for a return on rate base (and return on equity) by way of evidence to be introduced at hearing.

Schedule C - Service Territory 2
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Schedule C - Service Territory 2

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<u>Object Account</u>	<u>NARUC Account</u>	<u>Account Description</u>	<u>Balance at 6/30/2019</u>
1020	301.1	ORGANIZATION	213,814
1025	302.1	FRANCHISES	33,687
1030	303.2	LAND & LAND RIGHTS PUMP	-
1035	303.3	LAND & LAND RIGHTS WTR TR	38
1040	303.4	LAND & LAND RIGHTS TRANS	655
1045	303.5	LAND & LAND RIGHTS GEN PL	276,628
1050	304.2	STRUCT & IMPRV SRC SUPPLY	2,488,206
1055	304.3	STRUCT & IMPRV WTR TRT PL	832,427
1060	304.4	STRUCT & IMPRV WTR TRAN DIST	27,267
1065	304.5	STRUCT & IMPRV GEN PLT	104,588
1080	307.2	WELLS & SPRINGS	1,510,753
1090	309.2	SUPPLY MAINS	346,484
1100	311.2	ELECTRIC PUMP EQUIP SRC P	302,499
1105	311.3	ELECTRIC PUMP EQUIP WTP	1,357,337
1110	311.2	ELECTRIC PUMP EQUIP SRC P	533,549
1115	320.3	WATER TREATMENT EQPT	769,095
1120	330.4	DIST RESV & STANDPIPES	3,921,708
1125	331.4	TRANS & DISTR MAINS	4,675,540
1130	333.4	SERVICE LINES	2,209,171
1135	334.4	METERS	250,308
1140	334.4	METER INSTALLATIONS	200,345
1145	335.4	HYDRANTS	91,502
1150	336.4	BACKFLOW PREVENTION DEVIC	14,320
1155	339.1	OTH PLT&MISC EQUIP INTANG	678
1160	339.2	OTH PLT&MISC EQUIP SRC SU	2,211
1165	339.3	OTH PLT&MISC EQUIP WTP	1,073
1170	339.4	OTH PLT&MISC EQUIP TRANS	-
1175/1455	304.5/354.7	OFFICE STRUCT & IMPRV	119,368
1180/1460	340.5/390.7	OFFICE FURN & EQPT	181,005
1185/1465	342.5/392.7	STORES EQPT	-
1190/1470	343.5/393.7	TOOL SHOP & MISC EQPT	260,090
1195/1475	344.5/394.7	LABORATORY EQUIPMENT	52,889
1200/1485	345.5/395.7	POWER OPERATED EQUIP	2,053
1205/1490	346.5/396.7	COMMUNICATION EQPT	80,906
1210/1495	347.5/397.7	MISC EQUIPMENT	14,201
1220	348.5	OTHER TANGIBLE PLT WATER	18,922
1555	341.5/391.7	TRANSPORTATION EQPT	355,985
1580	340.5/390.7	MAINFRAME COMPUTER	26,403
1585	340.5/390.7	MINI COMPUTERS	207,973
1590	340.5/390.7	COMP SYS COST	710,254
1595	340.5/390.7	MICRO SYS COST	14,401
2620	348.5/398.7	UTIL PLANT ACQUIRED/DISPOSED	-
			<u>22,208,337</u>

Blue Granite Water Company - Service Territory 2
Explanation of Adjustments to Rate Base and Rate of Return

Schedule C - Service Territory 2
Page 3 of 3

- [a] Gross plant in service, A/D, and CIAC are adjusted to reflect post-test year additions (major projects and GL addition items), and removal of decommissioned and non-utility assets.
- [b] Deferred Charges includes unamortized deferred balances for deferred maintenance, removal costs on decommissioned assets, NBV on decommissioned assets and TCJA EDIT reserves.
- [c] Cash working capital is calculated based on 1/8 of maintenance and general expenses.
- [d] N/A
- [e] Excess book value has been included for ratemaking purposes.
- [f] The Return on Rate Base shown above is provided solely as a matter of information and convenience for the Commission and is not intended to reflect a request for this specific return on rate base (or any return on equity). Applicant will make its request for a return on rate base (and return on equity) by way of evidence to be introduced at hearing.

Schedule D

Blue Granite Water Company - Service Territory 1 and Service Territory 2
June 30, 2019
Test Year Revenues

Schedule D - Service Territory 1 and Service Territory 2
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400 - SEWER

Bill code	Description	Consumption (7/1/2018 - 6/30/2019)	Usage Charge (7/1/2018 - 6/30/2019)	Units (7/1/2018 - 6/30/2019)	(7/1/2018 - 6/30/2019) * Blended	Revenues
400WWCOM	WW Commercial (All Meter Sizes)	-		2,852	\$ 65.48	186,766
400WWCRH	Commercial WW Treatment - RH (All Meter Sizes)	-		21,267	65.46	1,392,069
400WWRCP	Residential WW Service (All Meter Sizes)	-		4,930	65.48	322,847
400WWRES	WW Residential (All Meter Sizes)	-		73,592	65.48	4,818,959
400WWRBJ	Residential WW Service (All Meter Sizes)	-		967	65.49	63,298
400WWRRH	Residential WW Treatment - YC (All Meter Sizes)	-		49,596	65.47	3,247,027
400WWRTC	Town of Chapin Purchase WW Res (All Meter Sizes)	-		1,065	65.48	69,739
400WWTRL	WW Trailer Residential (All Meter Sizes)	-		39	47.73	1,877
400WWTRT	Van Arsdale WW Treatment (All Meter Sizes)	-		48	34.05	1,634
400WWCCP	Commercial Wastewater Service (Richland County)	-		24	65.48	1,572
400WWRHT	Riverhills WW Treatment (All Meter Sizes)	-		117	65.48	7,669
	Total	-		154,497		\$ 10,113,456

Blue Granite Water Company - Service Territory 1 and Service Territory 2

June 30, 2019

Test Year Revenues

Schedule D - Service Territory 1 and Service Territory 2

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401 - SEWER

Bill code	Description	Consumption (7/1/2018 - 6/30/2019)	Usage Charge (7/1/2018 - 6/30/2019)	Units (7/1/2018 - 6/30/2019)	BFC (7/1/2018 - 6/30/2019) * Blended	Revenues
401WWRES	Residential WW Service (All Meter Sizes)	-		4,265	\$ 65.48	279,289
401WWCOM	Commercial WW Treatment - (All Meter Sizes)	-		191	65.48	12,505
	Total	-		4,456		\$ 291,794
				-		-

Blue Granite Water Company - Service Territory 1 and Service Territory 2

June 30, 2019

Test Year Revenues

403 - SEWER

Schedule D - Service Territory 1 and Service Territory 2

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Bill code	Description	Consumption (7/1/2018 - 6/30/2019)	Usage Charge (7/1/2018 - 6/30/2019)	Units (7/1/2018 - 6/30/2019)	BFC (7/1/2018 - 6/30/2019) * Blended	Revenues
403WWRES	Residential WW Service (All Meter Sizes)	-		6,947	\$ 65.48	454,879
403WWMOB	Mobile Home Wastewater Service	-		2,052	47.76	98,012
403WWVLG	Wastewater Residential Collection Charge	-		4,138	34.04	140,871
	Total	-		13,138		\$ 693,762

Blue Granite Water Company - Service Territory 1

June 30, 2019

Test Year Revenues

Schedule D - Service Territory 1

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400 - WATER

Bill code	Description	Consumption (7/1/2018 - 6/30/2019)	Usage Charge (7/1/2018 - 6/30/2019)	Units (7/1/2018 - 6/30/2019)	BFC (7/1/2018 - 6/30/2019)	Revenues
400PWCOM	1" Purchase Water Commercial	892,461	\$ 7.55	71	\$ 37.43	\$ 9,330
400PWCOM	1.5" Purchase Water Commercial	14,000	7.55	12	74.86	1,058
400PWCOM	2" Purchase Water Commercial	5,826,707	7.55	96	119.78	55,443
400PWCOM	3" Purchase Water Commercial	1,305,100	7.55	12	224.59	12,544
400PWCOM	3/4" Purchase Water Commercial	-	7.55	12	14.38	173
400PWCOM	5/8" Purchase Water Commercial	2,055,727	7.55	280	14.38	19,556
400PWCRH	1" Purchase Water Commercial - Riverhills	5,584,256	7.55	457	37.43	59,259
400PWCRH	1.5" Purchase Water Commercial - Riverhills	15,556,080	7.55	442	74.86	150,681
400PWCRH	2" Purchase Water Commercial - Riverhills	30,718,368	7.55	460	119.78	287,071
400PWCRH	3" Purchase Water Commercial - Riverhills	6,981,421	7.55	58	224.59	65,643
400PWCRH	3/4" Purchase Water Commercial - Riverhills	1,010,241	7.55	225	14.38	10,863
400PWCRH	4" Purchase Water Commercial - Riverhills	2,590,749	7.55	24	374.42	28,610
400PWCRH	5/8" Purchase Water Commercial - Riverhills	7,443,288	7.55	1,213	14.38	73,638
400PWCRH	8" Purchase Water Commercial - Riverhills	7,116,032	7.55	12	1,150.51	67,538
400PWRES	1" Purchase Water Residential	3,196,887	7.55	968	14.38	38,053
400PWRES	1.5" Purchase Water Residential	1,136,680	7.55	616	14.38	17,441
400PWRES	2" Purchase Water Residential	4,685,216	7.55	1,585	14.38	58,118
400PWRES	3/4" Purchase Water Residential	129,053	7.55	12	14.38	1,111
400PWRES	4" Purchase Water Residential	115,100	7.55	192	14.38	3,633
400PWRES	5/8" Purchase Water Residential	169,509,611	7.55	36,565	14.38	1,805,665
400PWRRH	Purchase Water Res - RH (All Meter Sizes)	244,739,802	7.55	53,087	14.38	2,611,177
400WCOM	1" Commercial	7,960	5.59	13	37.43	528
400WCOM	5/8" Commercial	567,520	5.59	71	14.38	4,188
400WCIR	Commercial Irrigation	2,726,525	7.55	-	-	20,525
400WRIR	Residential Irrigation	13,704,676	7.55	-	-	103,474
400WRES	Water Residential (All Meter Sizes)	87,562,535	5.59	18,567	14.38	756,466
	Total	615,175,995		115,050	509	\$ 6,261,801

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Blue Granite Water Company - Service Territory 1

June 30, 2019

Test Year Revenues

402 - WATER

Bill code	Description	Consumption (7/1/2018 - 6/30/2019)	Usage Charge (7/1/2018 - 6/30/2019)	Units (7/1/2018 - 6/30/2019)	BFC (7/1/2018 - 6/30/2019)	Revenues
402WRES	Water Residential (All Meter Sizes)	8,184,808	\$ 5.59	2,073	\$ 14.38	75,566
	Total	8,184,808		2,073		\$ 75,566
		-		-		\$

Blue Granite Water Company - Service Territory 2

June 30, 2019

Test Year Revenues

Schedule D - Service Territory 2

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401 - WATER

Bill code	Description	Consumption (7/1/2018 - 6/30/2019)	Usage Charge (7/1/2018 - 6/30/2019)	Units (7/1/2018 - 6/30/2019)	BFC (7/1/2018 - 6/30/2019)	Revenues
401WCOM	5/8" Commercial Water Service	304,288	\$ 10.27	36	\$ 28.59	\$ 4,494.00
401WCOM	1" Commercial Water Service	11,970	10.27	12	79.59	1,000.00
401WCOM	1.5" Commercial Water Service	130,840	10.27	24	146.27	4,888.00
401WCOM	3" Commercial Water Service	45,500	10.27	12	499.14	6,433.00
401WRES	Water Residential (All Meter Sizes)	216,597,610	10.27	55,826	28.59	3,820,588.00
401PWRFW	Foxwood Purchased Water	4,782,029	11.85	4,390	28.59	182,165.00
401WRPUR	1" Water Distribution and Purchased Water Charge	1,088,094	11.85	48	28.59	14,261.00
401WRPUR	2" Water Distribution and Purchased Water Charge	7,151,811	11.85	216	28.59	90,911.00
401WRPUR	3/4" Water Distribution and Purchased Water Charge	287,155	11.85	12	28.59	3,765.00
401WRPUR	5/8" Water Distribution and Purchased Water Charge	73,391,156	11.85	20,161	28.59	1,446,080.00
	Total	303,790,453		80,736		\$ 5,574,421.00

403 - WATER

Bill code	Description	Consumption (7/1/2018 - 6/30/2019)	Usage Charge (7/1/2018 - 6/30/2019)	Units (7/1/2018 - 6/30/2019)	BFC (7/1/2018 - 6/30/2019)	Revenues
403WRES	Water Residential (All Meter Sizes)	5,090,610	10.27	1,086	28.59	83,343.00
	Total	5,090,610		1,086		\$ 83,343.00

Schedule E

June 30, 2019

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Revenues at Proposed Rates

400 - SEWER						
Bill code	Description	Consumption	Proposed Usage Charge	Units	Proposed Rate	Revenues
400WWCOM	WW Commercial (All Meter Sizes)	-	-	2,790	\$ 101.30	282,635
400WWCRH	Commercial WW Collection - RH (All Meter Sizes)	-	-	21,821	47.10	1,027,813
400WWCRH	Commercial WW Treatment - RH (All Meter Sizes)	-	-	21,821	54.20	1,182,674
400WWRCP	Residential WW Collection (All Meter Sizes)	-	-	4,965	47.10	234,855
400WWRCP	Residential WW Treatment (All Meter Sizes)	-	-	4,965	54.20	269,090
400WWRES	WW Residential (All Meter Sizes)	-	-	71,988	101.30	7,292,634
400WWRB	Residential WW Collection (All Meter Sizes)	-	-	1,068	47.10	50,306
400WWRB	Residential WW Treatment (All Meter Sizes)	-	-	1,068	54.20	57,886
400WWRRH	Residential WW Collection - YC (All Meter Sizes)	-	-	50,698	47.10	2,388,041
400WWRRH	Residential WW Treatment - YC (All Meter Sizes)	-	-	50,698	54.20	2,745,849
400WWRTC	Town of Chapin Collection Res (All Meter Sizes)	-	-	1,062	47.10	50,006
400WWRTC	Town of Chapin Treatment Res (All Meter Sizes)	-	-	1,062	54.20	57,541
400WWTRL	WW Trailer Residential (All Meter Sizes)	-	-	35	73.94	2,588
400WWTRT	Van Arsdale WW Treatment (All Meter Sizes)	-	-	48	52.71	2,530
400WWCCP	Commercial Wastewater Collection (Richland County)	-	-	24	47.10	1,130
400WWCCP	Commercial Wastewater Treatment (Richland County)	-	-	24	54.20	1,301
400WWRHT	Riverhills WW Collection (All Meter Sizes)	-	-	120	47.10	5,652
400WWRHT	Riverhills WW Treatment (All Meter Sizes)	-	-	120	54.20	6,504
	Total	-	-	154,618		\$ 15,660,003

401 - SEWER						
Bill code	Description	Consumption	Proposed Usage Charge	Units	Proposed Rate	Revenues
401WWRES	Residential WW Service (All Meter Sizes)	-	-	4,284	\$ 101.30	433,982
401WWCOM	Commercial WW Treatment - (All Meter Sizes)	-	-	192	101.30	19,450
	Total	-	-	4,476		\$ 453,432

403 - SEWER						
Bill code	Description	Consumption	Proposed Usage Charge	Units	Proposed Rate	Revenues
403WWRES	Residential WW Service (All Meter Sizes)	-	-	7,116	\$ 101.30	720,872
403WWMOB	Mobile Home Wastewater Service	-	-	2,088	73.94	154,383
403WWVLG	Wastewater Residential Collection Charge	-	-	4,308	52.71	227,058
	Total	-	-	13,512		\$ 1,102,313

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Revenues at Proposed Rates

400 - WATER

Bill code	Description	Test Year Consumption	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
400PWCOM	1" Distribution Commercial	904,392	\$ 4.75	72	\$ 55.24	\$ 273
400PWCOM	1" Purchase Water Commercial	904,392	6.85			1,195
400PWCOM	1.5" Distribution Commercial	13,992	4.75	12	110.47	1,392
400PWCOM	1.5" Purchase Water Commercial	13,992	6.85			96
400PWCOM	2" Distribution Commercial	6,550,200	4.75	108	176.76	207
400PWCOM	2" Purchase Water Commercial	6,550,200	6.85			869
400PWCOM	3" Distribution Commercial	1,304,676	4.75	12	331.42	1,175
400PWCOM	3" Purchase Water Commercial	1,304,676	6.85			937
400PWCOM	3/4" Distribution Commercial	-	4.75	12	22.09	265
400PWCOM	3/4" Purchase Water Commercial	-	6.85			
400PWCOM	5/8" Distribution Commercial	2,112,768	4.75	288	22.09	400
400PWCOM	5/8" Purchase Water Commercial	2,112,768	6.85			472
400PWCRH	1" Distribution Commercial - Riverhills	5,275,584	4.75	432	55.24	925
400PWCRH	1" Purchase Water Commercial - Riverhills	5,275,584	6.85			36,138
400PWCRH	1.5" Distribution Commercial - Riverhills	15,215,040	4.75	432	110.47	12,006
400PWCRH	1.5" Purchase Water Commercial - Riverhills	15,215,040	6.85			12,223
400PWCRH	2" Distribution Commercial - Riverhills	33,626,880	4.75	504	176.76	248,835
400PWCRH	2" Purchase Water Commercial - Riverhills	33,626,880	6.85			289,344
400PWCRH	3" Distribution Commercial - Riverhills	8,729,064	4.75	72	331.42	5,331
400PWCRH	3" Purchase Water Commercial - Riverhills	8,729,064	6.85			7,794
400PWCRH	3/4" Distribution Commercial - Riverhills	1,134,000	4.75	252	22.09	955
400PWCRH	3/4" Purchase Water Commercial - Riverhills	1,134,000	6.85			768
400PWCRH	4" Distribution Commercial - Riverhills	2,572,560	4.75	24	552.37	478
400PWCRH	4" Purchase Water Commercial - Riverhills	2,572,560	6.85			622
400PWCRH	5/8" Distribution Commercial - Riverhills	7,806,264	4.75	1,272	22.09	5,189
400PWCRH	5/8" Purchase Water Commercial - Riverhills	7,806,264	6.85			473
400PWCRH	8" Distribution Commercial - Riverhills	7,105,776	4.75	12	1,767.59	54,968
400PWCRH	8" Purchase Water Commercial - Riverhills	7,105,776	6.85			675
400PWRES	1" Distribution Residential	871,728	4.75	264	22.09	974
400PWRES	1" Purchase Water Residential	871,728	6.85			5,971
400PWRES	1.5" Distribution Residential	132,840	4.75	72	22.09	222
400PWRES	1.5" Purchase Water Residential	132,840	6.85			910

June 30, 2019

Revenues at Proposed Rates

Bill code	Description	Test Year Consumption	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
400PWRES	2" Distribution Residential	283,872	4.75	96	22.09	2,470
400PWRES	2" Purchase Water Residential	283,872	6.85			1,945
400PWRES	3/4" Distribution Residential	129,024	4.75	12	22.09	2,878
400PWRES	3/4" Purchase Water Residential	129,024	6.85			884
400PWRES	4" Distribution Residential	7,188	4.75	12	22.09	299
400PWRES	4" Purchase Water Residential	7,188	6.85			49
400PWRES	5/8" Distribution Residential	191,763,504	4.75	41,364	22.09	1,892,926
400PWRES	5/8" Purchase Water Residential	191,763,504	6.85			1,305,580
400PWRRH	Distribution Res - RH (All Meter Sizes)	259,123,859	4.75	56,209	22.09	2,442,929
400PWRRH	Purchase Water Res - RH (All Meter Sizes)	259,123,859	6.85			1,779,998
400WCOM	1" Commercial	7,332	8.59	12	55.24	726
400WCOM	5/8" Commercial	671,832	8.59	84	22.09	626
400WCIR	Commercial Irrigation	5,816,640	11.60	192	-	2,477
400WRIR	Residential Irrigation	18,678,240	11.60	2,520	-	2,679
400WRES	Water Residential (All Meter Sizes)	94,338,864	8.59	20,004	22.09	1,252,268
	Total	664,176,119		124,345		\$ 10,300,816
402 - WATER						

Bill code	Description	Test Year Consumption	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
402WRES	5/8" Residential Water Service	8,196,048	8.59	2,076	22.09	1,226,265
	Total	8,196,048		2,076		\$ 1,226,265

401 - WATER

Bill code	Description	Test Year Consumption	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
401WCOM	5/8" Commercial Water Service	305,928	\$ 13.86	36	\$ 38.58	\$ 5,140.77
401WCOM	1" Commercial Water Service	12,072	13.86	12	96.45	1,181.56
401WCOM	1.5" Commercial Water Service	131,808	13.86	24	192.89	6,466.66
401WCOM	3" Commercial Water Service	45,840	13.86	12	578.67	7,149.99
401WRES	Water Residential (All Meter Sizes)	215,991,840	13.86	55,668	38.58	5,140,777.12
401PWRFW	Foxwood Distribution Rate	2,731,212	4.91	2,508	38.58	110,264.36
401PWRFW	Foxwood Purchased Water Rate	2,731,212	11.08			30,212.22
401WRPUR	1" Water Distribution Charge	1,092,384	4.91	48	38.58	7,149.99
401WRPUR	1" Water Purchased Water Charge	1,092,384	11.08			12,104.35
401WRPUR	2" Water Distribution Charge	7,155,216	4.91	216	38.58	43,445.56
401WRPUR	2" Water Purchased Water Charge	7,155,216	11.08			79,220.30
401WRPUR	3/4" Water Distribution Charge	287,952	4.91	12	38.58	1,847.16
401WRPUR	3/4" Water Purchased Water Charge	287,952	11.08			3,191.00
401WRPUR	5/8" Water Distribution Charge	72,770,880	4.91	19,992	38.58	1,128,067.84
401WRPUR	5/8" Water Purchased Water Charge	72,770,880	11.08			806,311.04
	Total	300,525,132		78,528		\$ 7,384,180.00

403 - WATER

Bill code	Description	Test Year Consumption	Proposed Usage Charge	Test Year Units	Proposed BFC	Revenues
403WRES	5/8" Residential Water Service	4,947,360	13.86	1,056	38.58	109,299.00
	Total	4,947,360		1,056		\$ 109,299.00

Schedule F

June 30, 2019

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Customer Growth

WATER	400	402	401	403	Total
Customers at June 30, 2018	9,727	173	6,546	85	16,531
Customers at June 30, 2019	10,362	173	6,544	88	17,167
Projected Customers at December 31, 2019	10,362	173	6,544	88	17,167

WASTEWATER	400	402	401	403	Total
Customers at June 30, 2018	11,661	-	374	1,059	13,094
Customers at June 30, 2019	12,885	-	373	1,126	14,384
Projected Customers at December 31, 2019	12,885	-	373	1,126	14,384

Schedule G

Blue Granite Water Company - Service Territory 1 and Service Territory 2
Average Bill at Present & Proposed Rates
June 30, 2019

Schedule G - Service Territory 1 and Service Territory 2
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400 - SEWER

Present Rates	Description	Current Rate		Average		Date of Last Rate Change
		Usage	Base	Usage	Bill	
400WWCOM	WW Commercial (All Meter Sizes)	-	\$ 65.08	-	\$ 65.08	6/29/2018
400WWCRH	Commercial WW Treatment - RH (All Meter Sizes)	-	65.08	-	65.08	6/29/2018
400WWRCP	Residential WW Service (All Meter Sizes)	-	65.08	-	65.08	6/29/2018
400WWRES	WW Residential (All Meter Sizes)	-	65.08	-	65.08	6/29/2018
400WWRBJ	Residential WW Service (All Meter Sizes)	-	65.08	-	65.08	6/29/2018
400WWRRH	Residential WW Treatment - YC (All Meter Sizes)	-	65.08	-	65.08	6/29/2018
400WWRTC	Town of Chapin Purchase WW Res (All Meter Sizes)	-	65.08	-	65.08	6/29/2018
400WWTRL	WW Mobile Home (All Meter Sizes)	-	47.50	-	47.50	6/29/2018
400WWTRT	Van Arsdale WW Treatment (All Meter Sizes)	-	33.86	-	33.86	6/29/2018
400WWCCP	Commercial Wastewater Service (Richland County)	-	65.08	-	65.08	6/29/2018
400WWRHT	Riverhills WW Treatment (All Meter Sizes)	-	65.08	-	65.08	6/29/2018

Proposed Rates	Description	Base - Purchased Sewer Treatment		Usage	Bill	Amount	[a]	Percent
		Usage	Base					
400WWCOM	WW Commercial (All Meter Sizes)	-	\$ 101.30	-	\$ 101.30	\$ 36.22		55.66%
400WWCRH	Commercial WW Treatment - RH (All Meter Sizes)	-	\$ 54.20 47.10	-	101.30	36.22		55.66%
400WWRCP	Residential WW Service (All Meter Sizes)	-	54.20 47.10	-	101.30	36.22		55.66%
400WWRES	WW Residential (All Meter Sizes)	-	101.30	-	101.30	36.22		55.66%
400WWRBJ	Residential WW Service (All Meter Sizes)	-	54.20 47.10	-	101.30	36.22		55.66%
400WWRRH	Residential WW Treatment - YC (All Meter Sizes)	-	54.20 47.10	-	101.30	36.22		55.66%
400WWRTC	Town of Chapin Purchase WW Res (All Meter Sizes)	-	54.20 47.10	-	101.30	36.22		55.66%
400WWTRL	WW Mobile Home (All Meter Sizes)	-	73.94	-	73.94	26.44		55.66%
400WWTRT	Van Arsdale WW Treatment (All Meter Sizes)	-	52.71	-	52.71	18.85		55.66%
400WWCCP	Commercial Wastewater Service (Richland County)	-	54.20 47.10	-	101.30	36.22		55.66%
400WWRHT	Riverhills WW Treatment (All Meter Sizes)	-	54.20 47.10	-	101.30	36.22		55.66%

Blue Granite Water Company - Service Territory 1 and Service Territory 2
Average Bill at Present & Proposed Rates
June 30, 2019

Schedule G - Service Territory 1 and Service Territory 2
Page 2 of 2

401 - SEWER

Present Rates	Description	Current Rate		Average		Amount	Percent [a]	Date of Last Rate Change
		Usage	Base	Usage	Bill			
401WWRES	Residential WW Service (All Meter Sizes)	-	\$ 65.08	-	\$ 65.08			1/25/2019
401WWCOM	Commercial WW Treatment - (All Meter Sizes)	-	65.08	-	65.08			1/25/2019
								1/25/2019
Proposed Rates	Description	Current Rate		Average		Amount	Percent [a]	Date of Last Rate Change
		Usage	Base	Usage	Bill			
401WWRES	Residential WW Service (All Meter Sizes)	-	\$ 101.30	-	\$ 101.30	\$ 36.22	55.66%	1/25/2019
401WWCOM	Commercial WW Treatment - (All Meter Sizes)	-	101.30	-	101.30	36.22	55.66%	1/25/2019

403 - SEWER

Present Rates	Description	Current Rate		Average		Amount	Percent [a]	Date of Last Rate Change
		Usage	Base	Usage	Bill			
403WWRES	Residential WW Service (All Meter Sizes)	-	\$ 65.08	-	\$ 65.08			1/25/2019
403WWMOB	Mobile Home Wastewater Service	-	47.50	-	47.50			1/25/2019
403WWVLG	Wastewater Residential Collection Charge	-	33.86	-	33.86			1/25/2019
								1/25/2019
Proposed Rates	Description	Current Rate		Average		Amount	Percent [a]	Date of Last Rate Change
		Usage	Base	Usage	Bill			
403WWRES	Residential WW Service (All Meter Sizes)	-	\$ 101.30	-	\$ 101.30	\$ 36.22	55.66%	1/25/2019
403WWMOB	Mobile Home Wastewater Service	-	73.94	-	73.94	26.44	55.66%	1/25/2019
403WWVLG	Wastewater Residential Collection Charge	-	52.71	-	52.71	18.85	55.66%	1/25/2019

400 - WATER

Present Rates	Description	Current Rate		Average		Date of Last Rate Change
		Usage	Base	Usage	Bill	
400PWCOM	1" Purchase Water Commercial	\$ 7.55	\$ 37.43	12,561	\$ 132.27	6/29/2018
400PWCOM	1.5" Purchase Water Commercial	7.55	74.86	1,166	83.66	6/29/2018
400PWCOM	2" Purchase Water Commercial	7.55	119.78	60,650	577.69	6/29/2018
400PWCOM	3" Purchase Water Commercial	7.55	224.59	108,723	1,045.45	6/29/2018
400PWCOM	3/4" Purchase Water Commercial	7.55	14.38	-	14.38	6/29/2018
400PWCOM	5/8" Purchase Water Commercial	7.55	14.38	7,336	69.77	6/29/2018
400PWCRH	1" Purchase Water Commercial - Riverhills	7.55	37.43	12,212	129.63	6/29/2018
400PWCRH	1.5" Purchase Water Commercial - Riverhills	7.55	74.86	35,220	340.77	6/29/2018
400PWCRH	2" Purchase Water Commercial - Riverhills	7.55	119.78	66,720	623.52	6/29/2018
400PWCRH	3" Purchase Water Commercial - Riverhills	7.55	224.59	121,237	1,139.93	6/29/2018
400PWCRH	3/4" Purchase Water Commercial - Riverhills	7.55	14.38	4,500	48.36	6/29/2018
400PWCRH	4" Purchase Water Commercial - Riverhills	7.55	374.42	107,190	1,183.70	6/29/2018
400PWCRH	5/8" Purchase Water Commercial - Riverhills	7.55	14.38	6,137	60.71	6/29/2018
400PWCRH	8" Purchase Water Commercial - Riverhills	7.55	1,150.51	592,148	5,621.23	6/29/2018
400PWRES	1" Purchase Water Residential	7.55	14.38	3,302	39.31	6/29/2018
400PWRES	2" Purchase Water Residential	7.55	14.38	2,957	36.71	6/29/2018
400PWRES	3/4" Purchase Water Residential	7.55	14.38	10,752	95.56	6/29/2018
400PWRES	4" Purchase Water Residential	7.55	14.38	599	18.90	6/29/2018
400PWRES	5/8" Purchase Water Residential	7.55	14.38	4,636	49.38	6/29/2018
400PWRRH	Purchase Water Res - RH (All Meter Sizes)	7.55	14.38	4,610	49.19	6/29/2018
400WCOM	1" Commercial	5.59	37.43	611	40.85	6/29/2018
400WCOM	5/8" Commercial	5.59	14.38	7,998	59.09	6/29/2018
400WRES	Water Residential (All Meter Sizes)	5.59	14.38	4,716	40.74	6/29/2018

400 - WATER

Proposed Rates	Description	Usage - Purchased			Usage	Bill	Amount	Percent
		Usage	Water	Base				
400PWCOM	1" Purchase Water Commercial	\$ 4.75	6.85	\$ 55.24	12,561	\$ 200.95	\$ 68.69	51.93%
400PWCOM	1.5" Purchase Water Commercial	4.75	6.85	110.47	1,166	124.00	40.34	48.21%
400PWCOM	2" Purchase Water Commercial	4.75	6.85	176.76	60,650	880.34	302.65	52.39%
400PWCOM	3" Purchase Water Commercial	4.75	6.85	331.42	108,723	1,592.68	547.23	52.34%
400PWCOM	3/4" Purchase Water Commercial	4.75	6.85	22.09	-	22.09	7.71	53.65%
400PWCOM	5/8" Purchase Water Commercial	4.75	6.85	22.09	7,336	107.20	37.43	53.65%
400PWCRH	1" Purchase Water Commercial - Riverhills	4.75	6.85	55.24	12,212	196.90	67.27	51.90%
400PWCRH	1.5" Purchase Water Commercial - Riverhills	4.75	6.85	110.47	35,220	519.05	178.28	52.32%
400PWCRH	2" Purchase Water Commercial - Riverhills	4.75	6.85	176.76	66,720	950.75	327.24	52.48%
400PWCRH	3" Purchase Water Commercial - Riverhills	4.75	6.85	331.42	121,237	1,737.85	597.92	52.45%
400PWCRH	3/4" Purchase Water Commercial - Riverhills	4.75	6.85	22.09	4,500	74.30	25.94	53.65%
400PWCRH	4" Purchase Water Commercial - Riverhills	4.75	6.85	552.37	107,190	1,795.84	612.14	51.71%
400PWCRH	5/8" Purchase Water Commercial - Riverhills	4.75	6.85	22.09	6,137	93.29	32.57	53.65%
400PWCRH	8" Purchase Water Commercial - Riverhills	4.75	6.85	1,767.59	592,148	8,636.87	3,015.64	53.65%
400PWRES	1" Purchase Water Residential	4.75	6.85	22.09	3,302	60.40	21.09	53.65%
400PWRES	2" Purchase Water Residential	4.75	6.85	22.09	2,957	56.40	19.69	53.65%
400PWRES	3/4" Purchase Water Residential	4.75	6.85	22.09	10,752	146.82	51.27	53.65%
400PWRES	4" Purchase Water Residential	4.75	6.85	22.09	599	29.04	10.14	53.65%
400PWRES	5/8" Purchase Water Residential	4.75	6.85	22.09	4,636	75.88	26.49	53.65%
400PWRRH	Purchase Water Res - RH (All Meter Sizes)	4.75	6.85	22.09	4,610	75.57	26.39	53.65%
400WCOM	1" Commercial	8.59		55.24	611	60.49	19.64	48.08%
400WCOM	5/8" Commercial	8.59		22.09	7,998	90.79	31.70	53.65%
400WRES	Water Residential (All Meter Sizes)	8.59		22.09	4,716	62.60	21.86	53.65%

402 - WATER

Present Rates	Description	Current Rate		Average		Amount	Percent	Date of Last Rate Change 1/25/2019
		Usage	Base	Usage	Bill			
402WRES	Water Residential (All Meter Sizes)	\$ 5.59	\$ 14.38	3,948	\$ 36.45			
Proposed Rates	Description	Usage	Base	Usage	Bill	Amount	Percent	
402WRES	Water Residential (All Meter Sizes)	\$ 8.59	\$ 22.09	3,948	\$ 56.00	\$ 19.56	53.65%	

401 - WATER

Present Rates	Description	Current Rate		Average		Amount	Percent
		Usage	Base	Usage	Bill		
401WCOM	5/8" Commercial Water Service	\$ 10.27	\$ 28.59	8,498	\$ 115.86		
401WCOM	1" Commercial Water Service	10.27	79.59	1,006	89.92		
401WCOM	1.5" Commercial Water Service	10.27	146.27	5,492	202.67		
401WCOM	3" Commercial Water Service	10.27	499.14	3,820	538.37		
401WRES	Water Residential (All Meter Sizes)	10.27	28.59	3,880	68.44		
401PWRFW	Foxwood Purchased Water	11.85	28.59	1,089	41.49		
401WRPUR	1" Water Distribution and Purchased Water Charge	11.85	28.59	22,758	298.27		
401WRPUR	2" Water Distribution and Purchased Water Charge	11.85	28.59	33,126	421.13		
401WRPUR	3/4" Water Distribution and Purchased Water Charge	11.85	28.59	23,996	312.94		
401WRPUR	5/8" Water Distribution and Purchased Water Charge	11.85	28.59	3,640	71.72		
Proposed Rates	Description	Usage -		Average		Amount	Percent
		Usage	Purchased Water Base	Usage	Bill		
401WCOM	5/8" Commercial Water Service	\$ 13.86	\$ 38.58	8,498	\$ 156.34	\$ 40.48	34.94%
401WCOM	1" Commercial Water Service	13.86	96.45	1,006	110.39	20.47	22.76%
401WCOM	1.5" Commercial Water Service	13.86	192.89	5,492	269.00	66.33	32.73%
401WCOM	3" Commercial Water Service	13.86	578.67	3,820	631.61	93.24	17.32%
401WRES	Water Residential (All Meter Sizes)	13.86	38.58	3,880	92.35	23.91	34.94%
401PWRFW	Foxwood Purchased Water	4.91	\$ 11.08 38.58	1,089	55.99	14.50	34.94%
401WRPUR	1" Water Distribution and Purchased Water Charge	4.91	11.08 38.58	22,758	402.48	104.20	34.94%
401WRPUR	2" Water Distribution and Purchased Water Charge	4.91	11.08 38.58	33,126	568.26	147.13	34.94%
401WRPUR	3/4" Water Distribution and Purchased Water Charge	4.91	11.08 38.58	23,996	422.27	109.33	34.94%
401WRPUR	5/8" Water Distribution and Purchased Water Charge	4.91	11.08 38.58	3,640	96.78	25.06	34.94%

403 - WATER

Present Rates	Description	Current Rate		Average		Amount	Percent
		Usage	Base	Usage	Bill		
403WRES	Water Residential (All Meter Sizes)	\$ 10.27	\$ 28.59	4,685	\$ 76.70		
Proposed Rates	Description	Usage -		Average		Amount	Percent
		Usage	Base	Usage	Bill		
403WRES	Water Residential (All Meter Sizes)	\$ 13.86	\$ 38.58	4,685	\$ 103.50	\$ 26.80	34.94%

Date of
Last Rate
Change

6/29/2018
6/29/2018
6/29/2018
6/29/2018
6/29/2018
6/29/2018
6/29/2018
6/29/2018
6/29/2018
6/29/2018

Date of
Last Rate
Change
1/25/2019

Electronic Schedule G - Service Territory 2 10:56 AM - SCPSC - Docker 1219-290-WS - Page 80 of 172

EXHIBIT C

DHEC Letter



September 17, 2019

Mr. Samuel J. Wellborn
Robinson Gray Stepp & Laffitte, LLC
PO Box 11449
Columbia SC 29211

Re: Blue Granite Water Company DHEC Permits
PSC Rate Case (Water and Sewer), your letter of September 16, 2019

Dear Mr. Wellborn,

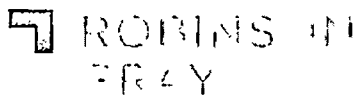
This letter serves to confirm that the systems on the list attached all have the valid DHEC permits needed to operate.

I can be reached at 803-898-4157 or at clarkesm@dhec.sc.gov

Sincerely,

Shawn M. Clarke, PE, Director
Water Facilities Permitting Division

cc: Brenda Green
Marty Chaney



SAMUEL J. WELLBORN

DIRECT 803 231 7829 DIRECT FAX 803 231 7878

swe'llborn@robinsongray.com

September 16, 2019

VIA EMAIL

Shawn M. Clarke, P.E., Director
Water Facilities Permitting Division
S.C. Dept. of Health & Environmental Control
2100 Bull Street
Columbia, South Carolina 29201
clarkesm@dhec.sc.gov

Re: Blue Granite Water Company DHEC Permits

Dear Mr. Clarke:

I represent Blue Granite Water Company (the "Company") as related to its application for approval of an adjustment in rates pending before the South Carolina Public Service Commission (the "Commission"). Pursuant to the Commission's regulations, as part of that proceeding, we must provide a letter of approval from the South Carolina Department of Health and Environmental Control as related to the Company's water and wastewater permits. I have included with this letter a list of the Company's systems and associated permit numbers. If you would please return to me a letter of approval as related to these systems, I would appreciate it.

If you have any questions about this request, please let me know.

Kind regards,

A handwritten signature in black ink, appearing to read 'S. Wellborn'.

Sam Wellborn

SJW:tch

Enclosure



blue granite

Blue Granite Water System Name	Public Water System Permit #	Wastewater NPDES Permit #	Satellite Sewer System Permit #
Barney Rhett	4650018		
Bellemead Acres	0450016		
Bellemead (Midlands)	3250031		
Briarcreek I		SC0023736	
Briarcreek II		SC0026409	
Bridgewater	450033		
Brown Neal	4650047		
Browns Borough	4650061		
Calhoun Acres	0450014		
Cameron Acres	4650059		
Canterbury		SC0028941	
Carrollton Place	4650062		
Carrowood	4650035		
Carrowood		SC0038113	
Cedarwood	3250047		
Chambert Forest		SC0024716	
Charleswood	4050008		
Charwood	3250035		
Clearview	0450026		
Country Oaks	4650020	SC0039217	
Creekwood	3250042		
Dobbins Estates	0450058		
Dutchman Acres	3250028		
Dutchman Shores	3250021		
Edgebrook	0450004		
Emma Terrace	3250022		
Estates of Hilton	3250103		
Fairwood		SCG570020	
Falcon Ranches	3250016		
Farm Pond	4650056		
Farrowood Estates	4050012		
Fieldcrest	0450032		
Forty Love			SSS000754
Forty Love- Indian Fork	3250066		
Foxtrail	3250038		
Foxwood	4650008		
Foxwood		SC0027146	
Glenn Village II	3250058	SC0030651	
Greenforest	0450006		
Harborside	3270302		

Harmon Hill Estates	4050011		
Hayine Builders	0450063		
Heatherwood- Blue Ridge	3250015		
Hickory Hill	4650025		
Hidden Lake	4650040		
Hidden Lakes	0450072		
Hidden Valley	3250073		
Highland Forest		SC0034444	
Hill and Dale	0450036		
Hilton Place	3250072		
Hunters Glenn	250005		
Hunters Glenn	0250005		
I-20	3250012		
Idlewood	3250017		
Indian Cove	3250020		
Indian Fork 40 Love	3250066		SSS000755
Indian Pines	3250051		
Kellet MPH	403113		
Kim Acres	4650041		
Kingston Harbor			SSS000860
Kingswood	2350011		
Lake Village	3250054		
Lake Wylie	4650006		
Lakewood	0450065		
Lakewood Estates	3250005		
Lands End Condos	3270030		
Lesliedale	4660095		
Lesliewoods 2	4650051		
Lexington Farms	3250069		
Lexington Estates	3250050		
Lincolnshire			SSS000919
Mallard Cove	3250076		
Mallard Lakes	4650057		
Middlestream	4650052		
Milmont Shores	3250025		
Murray Lodge	3250013		
Murray Park	3250019		
Nevitt Forest	0450007		
Oakland Plantation	4350006		
Oakridge Hunt Club	4050019		
Oakwood Estates	0450076		
Old Farm	4650042		
Olympic Acres	4650053		
Palmetto Apartments			SSS00820
Parkwood	3250029		
Peachtree Acres	3250045		
Pepperridge	4660101		

Pocalla	4350007		
Polly's Circle	4660073		
Purdy Shores	0150014		
Raintree Acres	4050015		
Ridgewood	4650031		
River Hills			SSS000752
Riverbend Estates	4660103		
Rock Bluff	4550001		
Rollingwood	3250052		
Roosevelt Gardens		SC0029645	
Sangaree	3260012		
Shadowood Cove			SSS000007
Shandon	4650009	SC0027189	
Sherwood Forest	0450029		
Shiloh Quarters	4660092		
Silverlakes- Windwood	4650034		
Smallwoods		ND0007994	
Southbend Estates	4660100		
Springlake Estates	4650012		
Springfield Acres	4050006		
Stonegate	4050014		SSS000753
Surfside	0450066		
Tanglewood	4150011		
Tanya Terrace	3250023		
The Landings	3250063		
The Village			SSS000748
Towncreek Acres	0450003		
Trollingwood	2350010	SC0026611	
Valleybrook		SC0028673	
Valleymere	4650046		
Vanarsdale	3250027		
Washington Heights	4050013		
Watergate		SC0027162	
Wesleywood	4650016		
Westside Terrace	3250002		
Windy Hill	3250057		
Windy Run	4650048		
Wintercrest	4650017		
Windwood	4650034		
Woodbridge	4650028		
Woodmont Estates	2350013		
Woodmont High School			SSS000859

EXHIBIT D

Customer Bill Form



Blue Granite Water Company
Customer Service: (800) 367-4314
Collections: (800) 367-4314
Emergency Phone: (800) 367-4314
www.bluegranitewaterco.com

Bill Date	Account Number	Due Date	Please Pay
08/31/2019	XXXXXXXXXX	09/25/2019	\$153.73

Name DONNA DOE Primary Phone # (#####)
Service Address 12345 Main Street, Any City SC, 29036

Activity Since Last Bill

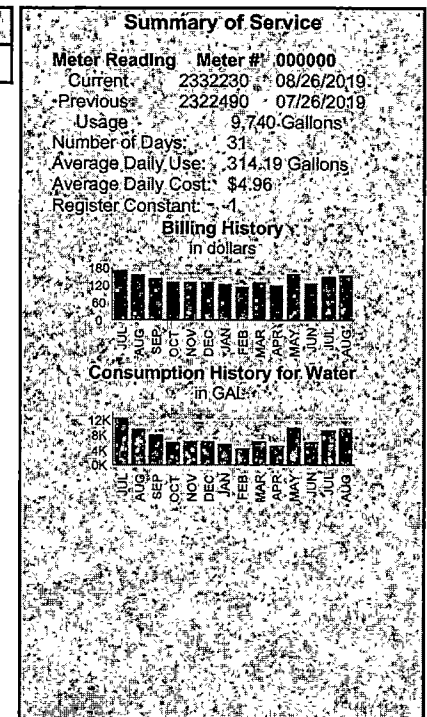
Previous Balance	\$150.10
Payments received as of 08/31/2019	-\$150.10
Balance as of 08/31/2019	\$0.00

Residential Water Service

Water Base Charge	\$14.38
9,740 gallons at \$7.55 per 1,000 gallons	\$73.54
Safe Drinking Water Act Fee	\$0.73
Total Residential Water Service	\$88.65

Residential Wastewater Service

Wastewater Collection	\$65.08
Total Residential Wastewater Service	\$65.08
Total Amount Due	\$153.73



A fee of 1.5% per month will be added if unpaid by the due date. Make check payable to: Blue Granite Water Company.
Rate Schedules are available upon request. Visit www.bluegranitewaterco.com for important account offerings.

Messages

The Company is under the jurisdiction of the PSC. You may contact the ORS at 800-922-1531 with any complaints that remain unresolved after 7 days.



PO Box 160609
Altamonte Springs, FL 32716-0609

Account Number: xxxxxxxxxx
Due Date: 09/25/2019
Please Pay: \$153.73

Amount Paid

DONNA DOE
12345 Main Street
Any City, SC 29036

Blue Granite Water Company
PO BOX 11025
LEWISTON ME 04243-9476

☐ Address correction requested on back

EXHIBIT E

Annual Report and Gross Receipts Form

WATER UTILITY ANNUAL REPORT OF

CAROLINA WATER SERVICE, INC.

Exact Legal Name of Respondent

PSC/ORS Number (leave blank)

FOR THE YEAR ENDED 2018

☒ Calendar Year Ending December 31, 2018

or

☐ Fiscal Year Ending _____

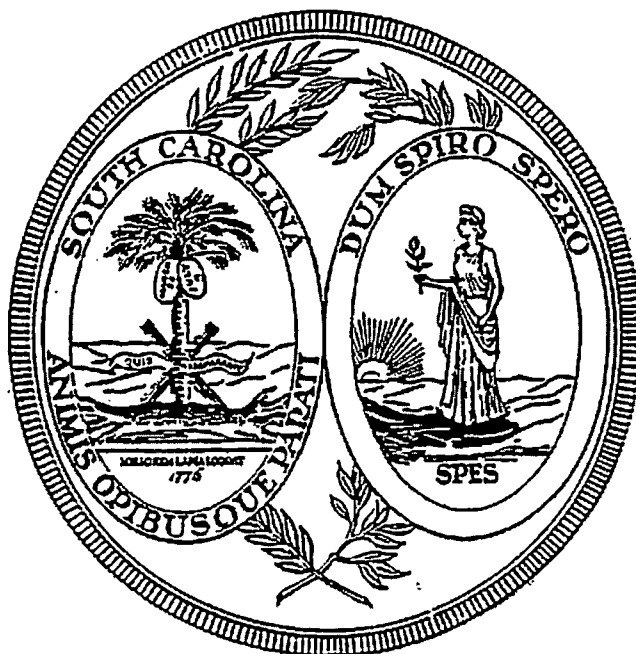


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GENERAL INSTRUCTIONS

1. All water utilities are required by state law to complete and file this annual report. Two copies should be mailed to the South Carolina Office of Regulatory Staff, 1401 Main Street, Ste. 900, Columbia, SC 29201 by April 1, 2019. A third copy should be retained by the company for reference. Upon receipt, the Office of Regulatory Staff will forward one copy to the Public Service Commission of South Carolina. Filing two copies with the Office of Regulatory Staff will satisfy the utility's responsibility for submitting an annual report as required pursuant to Commission regulations. Pencil entries will not be permitted on the hard copy.
2. All forms are available in PDF fileable format on the Office of Regulatory Staff web site at www.regulatorystaff.sc.gov. An Excel form is available via email.
3. Respond to each item using "0", "none", or "not applicable" as appropriate.
4. Requests for extension must be in writing to the Office of Regulatory Staff. Extension requests postmarked after April 1, 2019 will be denied.
5. All accounting terms and phrases used in this report are to be interpreted in accordance with the effective applicable Uniform System of Accounts prescribed by this Commission, as set forth in S.C. Code Ann. Section 58-5-220 and Commission regulation 103-520.
6. Standard accounting procedures will apply in determining the nature of any entry (e.g. entries of a reverse character will be indicated by a parentheses around the number).
7. The report will be filed consisting of data relative to a calendar year basis or the company's fiscal year, but not both.
8. If this report is made for a period less than the calendar year or fiscal year, the period covered must be clearly stated on the front cover and elsewhere throughout the report where it is necessary to include the period covered. When operations cease during the year because of the disposition of property, the balance sheet and supporting schedules should consist of balances and items immediately prior to transfer (for accounting purposes).
9. All instructions should be followed and each question should be answered fully and accurately. Sufficient answers are those in which no question or schedule has been overlooked. The expression "none" or "not applicable" should be given as the answer to any particular inquiry or schedule where it truly and completely states the fact. Unless otherwise indicated, no information will be accepted which incorporates by reference information from another document or report. In any instance where information called for is not given, the reason for its omission should be stated fully.
10. Dates, when called for, should include the day, month and year. Customary abbreviations may be used in stating dates.
11. Whenever schedules call for comparison of figures of a previous year, the figures reported must be based upon those shown by the annual report of the previous year; otherwise, an appropriate explanation of why different figures were used should be given.
12. One copy of the respondent's latest corporate annual report, if issued, should be submitted with this report. If the respondent is a member of a group, both the parent and subsidiary's corporate annual report should be submitted.

**GENERAL INSTRUCTIONS
(Continued)**

13. Throughout this report, money items will be rounded to the nearest dollar.
14. Failure to comply with the submission of the annual report may result in fines and/or loss of certification.
15. Separate notification is required for changes in company information – i.e. name, address, telephone number, contact names, sale or purchase of Company, corporate structure.
16. Do not fold forms.
17. Use this form for a water utility ONLY! If your utility operates a wastewater system in addition to a water system complete a separate annual report for the wastewater system. DO NOT COMBINE BOTH WATER AND WASTEWATER INFORMATION ON THE SAME FORM!

Schedule 100. IMPORTANT CHANGES DURING THE YEAR

Provide written responses for each of the items listed below. Make the written statements clear and brief. A response must be given for each item. However, if the word "none" is an accurate response, it may be used as such. Similarly, if information is given elsewhere in the report which would serve as a response to an item, reference that information in the space provided.

1. Have you had changes or additions to franchise rights? If so, describe (a) the actual payment given in exchange for the franchise rights, and (b) from whom acquired. If acquired without payment, state that fact.

None

2. Have any of the following occurred -- acquisition of other companies, or reorganization, merger or consolidation with other companies? If so, give names of companies involved, details concerning the transactions, and reference to Commission authorization, including docket numbers.

None

3. Have any of the following occurred -- purchase or sale of operating units, such as sources, treatment and storage facilities, transmission and distribution systems, or similar occurrences? If so, specify items, parties, effective dates and also reference the Commission authorization, including docket numbers.

None

4. Have any leaseholds been acquired, given, assigned, or surrendered? If so, give the effective dates, lengths of terms, names of parties, rents, Commission authorization, (docket numbers), if any, and other conditions.

Yes.

1) On February 5, 2018, a lease agreement was entered into by Carolina Water Service, Inc. and York County, SC. This lease, as it relates to water services, is a lease from York County to CWS of all York-County-owned infrastructure located within the CWS Franchise area. CWS is responsible for maintaining, upgrading, extending, or replacing the following water mains on the leased property: 3,106 ft of 6"; 6,684 ft. of 10"; 11,604 ft. of 12". CWS is also responsible for maintaining, upgrading, extending, or replacing The Mill Pond Chemical Feed Facility.

2) On June 28, 2018, Carolina Water Service, Inc. entered into a lease agreement with Family Court, LLC to lease 1,069 square feet of office space for \$2,227.08 per month. The office space is located at 130 South Main Street, Suite 600, Greenville, SC 29601. This lease ran through the remainder of 2018 (technically through February 28,

5. Have there been any extensions of service territories? If so, include the Commission authorization (docket numbers), that give the location of the new service territory covered by distribution system and the dates of beginning operations. Give the number of customers by class; for each class, give the number of customers estimated with regard to annual revenues for the new territories.

None

6. What is the estimated increase or decrease in annual revenues due to rate changes, (cite docket numbers), and the approximate extent to which the increase or decrease is reflected in revenues for the reporting year?

Rate case Docket No. 2017-292-WS resulted in an approximate \$1,286,013 annual increase.

Approximately \$643,007 of the increase is reflected in revenues for the reporting year.

7. Have there been any wage scale changes? If so, show the dates of changes, the effect on operating expenses for the year, and estimated annual effect of the wage scale changes on operating expenses.

April 2018 raises averaged 3.0%

8. Have there been any obligations incurred or assumed by you, the respondent, as guarantor for the performance by another of any agreement or obligation -- excluding ordinary corporate bonds maturing on demand or not later than one year after date of issue? If so, give the Commission authorization, (docket number), if any.

None

9. Have there been any changes in articles of incorporation or amendments to charters? If so, explain the nature and purpose of these changes or amendments. Note any filing with the Commission.

None

10. Other changes not provided for elsewhere.

None

Schedule 110. DEFINITIONS

“Accounts” means the accounts prescribed in the NARUC Uniform System of Accounts.

“Amortization” means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, which may be over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

“Book Cost” means the amount at which property is recorded in the applicable account without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

“Class A” for water utilities means a utility having annual water operating revenues of \$1,000,000 or more.

“Class B” for water utilities means a utility having annual water operating revenues of \$200,000 or more but less than \$1,000,000.

“Class C” for water utilities means a utility having annual water operating revenues of less than \$200,000.

“Control” (including the terms; “controlling,” “controlled by,” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract or any other direct or indirect means.

“Cost” means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

“Debt Expense” means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen or marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

“Depreciation”, as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of the utility plant in the course of providing service. This includes causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of regulatory bodies.

“Distribution Mains” means any pipes whose primary purpose is to distribute treated water throughout a community, and whose components include arterial or primary feeders, secondary feeders, and the distribution grid works.

Schedule 110. DEFINITIONS (Continued)

“Investment Advances” means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

“Minor Items of Property” means the associated parts or items of which retirement units are composed.

“Net Salvage Value” means the salvage value of property retired less the cost of removal.

“Nominally Issued”, as applied to securities issued or assumed by the utility, means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued directly to trustees of sinking funds in accordance with contractual requirements.

“Original Cost”, as applied to utility plant, means the cost of such property to the person first devoting it to public service.

“Property Retired”, as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

“Replacing or Replacement”, when not otherwise indicated in the context, means the construction or installation of utility plant in place of property retired, together with the removal of the property retired.

“Retained Earnings” means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments.

“Salvage Value” means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

“Straight-Line Remaining Life Method”, as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and (accounts if used), and credited to the accumulated depreciation account through equal annual changes during its service life. “Remaining Life” implies that estimates of the future life and salvage shall be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

“Supply Main” means any main, pipe, or aqueduct or canal whose primary purpose is to convey raw untreated water from one unit to another unit in the source of supply and pumping plant, and to the water treatment equipment.

“Transmission Main” means any pipes whose primary purpose is to convey treated water from the water treatment equipment or pumping station to the distribution system serving a community and generally provides no service connections with customers.

“Utility”, as used herein and when not otherwise indicated in the context, means any public utility to which the uniform system of accounts is applicable.

(Company Name)

Schedule 120. EXECUTIVE SUMMARY

1. IDENTIFICATION (legal title)

PSC/ORS No.	_____ (leave blank)		Federal ID No.:	_____
Check Business Structure & Indicate Date	☐ Sole Proprietorship	☐ Partnership	☒ Corporation	
Name of Company:	Carolina Water Service, Inc.			
Doing Business As:	Carolina Water Service, Inc.			
Street Address:	130 S Main St, Ste 800			
City:	Greenville	State:	SC	Zip Code: 29601
Mailing Address:	(same as above)			
City:	_____	State:	_____	Zip Code: _____
Telephone No. (Include Area Code):	(847) 498-6440			

(a) State whether any change was made in the name of the respondent during the year. If so, state the changes and the dates when they were made.

No

(b) State whether the respondent is a firm or partnership. If a partnership, give the names of the partners and the proportion of their respective interests.

Not Applicable

(c) State the kinds of business, other than Water Utility, in which the respondent was engaged at any time during the year. If none, state that fact.

None

(d) Give the names and office addresses of the Board of Directors, if any, of the respondent at the close of the year, as well as the dates of expiration of their respective terms. If any person abandoned, resigned from, or was removed from a directorship during the year, give full details in a footnote. If the organization was a partnership, give the names of the partners and designate them as such.

Name of Director	Office Address	Term Begins	Term Ends
Lisa A. Sparrow	2335 Sanders Rd Northbrook, IL 60062	8/27/18	08-19
Laura Granier	2335 Sanders Rd Northbrook, IL 60062	8/27/18	08-19

CAROLINA WATER SERVICE, INC.
(Company Name)

FOR THE YEAR ENDED 2018

**Schedule 120. EXECUTIVE SUMMARY
(Continued)**

(e) Give the titles of all officers of the respondent at the close of the year, the names of persons holding the offices at year end, and the date when each originally assumed the duties of the office. If any person abandoned, resigned from, or was ousted from any office during the year, give full details in a footnote.

Title of Officer	Name of Person Holding Office	Office Address	Date of Entry
President	Catherine Heigel	130 S Main St, Ste 800 Greenville, SC 29601	8/27/18
Director, External Affairs and Strategy	Michael Cartin	130 S Main St, Ste 800 Greenville, SC 29601	8/27/18
Secretary	Laura Granier	2335 Sanders Rd. Northbrook, IL 60062	8/27/18
Treasurer	Jim Andrejko	2335 Sanders Rd. Northbrook, IL 60062	8/27/18
Assistant Secretary	Debra A. Plumb [1]	2335 Sanders Rd. Northbrook, IL 60062	8/27/18

(f) Give the date of incorporation of respondent and the name of the state or territory under whose laws the incorporation was organized.
The Company was incorporated on 8/28/1972 and was incorporated under the state of Delaware.

2. CONTACT (for purpose of this report)

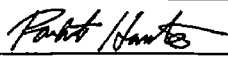
Contact Name:	Robert Hunter		
Title:	Director, Financial Planning & Analysis	Telephone:	(864)-203-0232
Email Address:	robert.hunter@bluegranitewaterco.com	Fax No.:	Not Applicable

3. MAILING ADDRESS (if different from above)

Mailing Address:	130 S Main St, Ste 800		
City:	Greenville	State:	SC
		Zip Code:	29601

CERTIFICATION

I hereby certify that the enclosed Annual Report was prepared by me or under my supervision, that I have examined it, and that the items herein reported on the basis of my knowledge are correctly shown.

Name:	Robert Hunter	Title:	Director, Financial Planning & Analysis
Signature:		Date:	4/30/2019

Notes:

[1] Debra A. Plumb retired on December 31, 2018.

(Company Name)

Schedule 130. TECHNICAL SUMMARY**GENERAL INFORMATION**Submit a copy of the Company's latest DHEC quality of service letter/report with this annual report.**PHYSICAL DESCRIPTION:**

Description of water system: _____

Seventy three well systems, two of which have elevated storage while the remainder have either hydro-pneumatic or ground storage tanks. Seven of these systems also have supplemental purchased water supplies. There are thirty two systems where all the water is purchased.

Number of wells in use: see below Number of tanks in use/size: see below

Raw water reservoir capacity: _____

Settling basins - number and size: _____

Equipment - description and make: _____

Wells	145	5,336 gpm
Hydro-pneumatic or Ground Storage Tanks	100	773,800 gallons
Elevated Storage Tanks	3	375,000 gallons

Is fire protection provided by system? Only in the River Hills Service Area and in the Forty Love Subdivision

Number of fire hydrants in use: 562

Kind of Pipe (Cast Iron, Galvanized Iron, Coated Steel, etc.)	Diameter of Pipe (inches)	Beginning of Year (feet)	Removed / Abandoned (feet)	End of Year (feet)
Water Mains		1,432,030		1,446,296

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 130. TECHNICAL SUMMARY (Continued)

SERVICES AND METERS

Size and Description	Owned by Utility				Owned by Customers end of Year
	Beginning of year	Added	Retired or Abandoned		End of Year
Meters in use and in stock					
3/4"(5/8")	15,492	2,210			17,702
1"	81	21			102
1 1/4"	-	-			-
1 1/2"	38	16			54
1 3/4"	-	-			-
2"	70	6			76
other size	14	3			17
Total Meters in use and in stock	15,695	2,256	-	-	17,951
Meters in stock only - all sizes					
Services in use (feet)					
Iron pipe					
Lead and copper pipe					
Total services in use (feet)					
Services not in use (feet)					
Iron pipe					
Lead and copper pipe					
Total services not in use (feet)					
Total Services (feet)					

TREATMENT:Is water purified? See page 9.1

Method used (sedimentation, slow or fast sand filtration, chemical, aeration, or other):

Dimensions, sizes, and 24-hour capacities of sand filtration beds:

Coagulants used:

Sterilization treatment used: All of the wells operated by CWS use sodium hypochlorite to disinfect the drinking water.Is water fluoridated? None of the ground water systems are fluoridated.Is water softened? See page 9.1Method used: NA

CAROLINA WATER SERVICES INC.

SUB#	ADDR.	NAME	W/S	COS	Feet	Feet	Wells		Treatment*	Ground Storage		Elevated Storage		Total Storage		Fire Hydrants		Lift Stations		WWTP		WWTP FLOWS		
							Number of Wells	GPM		#	Capacity	#	Capacity	In Gallons	#	Fire Protection	#	#	Capacity	Type	Disinfection Method	Weekly Average Max (MGD)	Daily Max (MGD)	Average Daily (MGD)
CWS	CAROLINA WATER SERVICES, INC. PARENT			400																				
CWS	ELEN CHURCH		S	400		6,680														Treated at Friarsgate WWTP				
CWS	FALCON RANCHES		N	400	9,504		2	115	1,2	2	20,000			20,000	0	No		5						
CWS	WESTSIDE TERRACE		N	400	9,504				Treatment by City of West Columbia	2	10,000				0	No								
CWS	BLUR RIDGE/HEATHERWOOD		N	400	13,622		3	125	1,2	4	30,000			30,000	7	No								
CWS	POCALLEA		W&S	400	5,280	10,032	2	130	1,2,3	1	8,000			8,000	0	No		1	0.1040	Activated Sludge	UV	na	0.1800	0.0500
CWS	ROCK BLUFF		N	400	2,640		1	38		1	4,700			4,700	0	No								
CWS	OAKLAND PLANTATION		S	400		14,995											1	1	0.1600	Activated Sludge	Sodium Hypochlorite	na	0.2500	0.0500
CWS	INDIAN FORK		W&S	400	22,176	24,878			Treatment by the City of Columbia						0	No	1			Collection Only	Treated by City of Chapin			
CWS	INDIAN PINES		W	400	1,056									0										
									Treatment by City of West Columbia															
CWS	ROLLINGWOOD		W&S	400	24,288	28,512			Treatment by City of West Columbia						8	No	2			Treated at Watergate WWTP				
CWS	HIDDEN VALLEY TRAILER PARK		S	400		8,026											1			Treated at I-20 WWTP				
CWS	SHALLWOOD ESTATES/LAKEWOOD ESTATES/ARROW		W&S	400	21,537	12,334	4	171	1,2,3,5,6	3	30,000			30,000	0	No	5	1	0.0600	Aerated Lagoon		na	0.0458	0.0200
CWS	FRIARS-GATE		S	400		473,609											9	1	1.2000	Activated Sludge	UV with backup Sodium Hypochlorite	1.0160	0.5425	0.0500
CWS	THE LANDINGS		W&S	400	11,088	14,784			Treatment by City of West Columbia						0	No	1			Treated at Watergate WWTP				
CWS	HARBORSIDE/Harbour Place/Windward Pt		W&S	400	5,280	5,280			Treatment by City of West Columbia						0	No	3			Treated at Watergate WWTP				
CWS	PALMETTO APTE.		S	400		5,280														Collection Only	Treated by Beaufort Jasper WSA			
CWS	ROOSEVELT GARDENS		S	400		1,056																		
CWS	HIDDEN VALLEY COUNTRY CLUB		N	400	12,344		2	370	1,2	1	75,000			75,000	11	No		1	0.0676	Activated Sludge	Sodium Hypochlorite	na	0.0676	0.0200
CWS	PEACHTREE ACRES		N	400	10,560				Treatment by City of West Columbia						0	No								
CWS	HUNTER'S GLEN		N	400	8,976		3	192	1,2,3	3	34,000			34,000	3	No								
CWS	ISLEWOOD		N	400	3,592										0	No								
CWS	LINCOLNSHIRE/WHITES CREEK		S	400		12,200														Collection Only	Treated by Richland County Water and Sewer Authority			
CWS	40 LOVE POINT		W&S	400	17,741	18,427			Treatment by the City of Columbia						0	15	Yes	1		Collection Only	Treated by Richland County			
CWS	RAINBOW/GLEN VILLAGE/STONEBRIDGE		W&S	400	19,008	26,920	2	143	1,2,3,5,7	1	10,000			10,000	4	No	4	1	0.1280	Activated Sludge	Sodium Hypochlorite	na	0.1285	0.0500
CWS	NORTH LAKE SHORE POINT		S	400		3,168														Collection Only	Treated by Richland County			
CWS	BALLENTINE COVE		S	400		30,703														Treated at Friarsgate WWTP				
CWS	SHADOWOOD COVE		S	400		14,984														Collection Only	Treated by Richland County			
CWS	SECRET COVE		S	400		11,088														Treated at Watergate WWTP				
CWS	GOVERNOR'S GRANT		S	400		33,792														Treated at Watergate WWTP				
CWS	I-20		W&S	400	180,711	309,216			Treatment by City of West Columbia						107	No	15	1	0.8000	Aerated Lagoon	Sodium Hypochlorite	0.7749	NA	NA
CWS	RIVER HILLS YORK COUNTY SERVICE AREA		W&S	400	241,658	304,117			Treatment by City of Rock Hill	1	200,000			200,000	402	Yes	69			Collection Only	Treated by the City of Rock Hill			
CWS	LANDS END/WATERGATE/SPENCE PT		W&S	400	23,676	64,382			Treatment by City of West Columbia	1	8,000			8,000	5	No	3	1	0.2940	Activated Sludge	Sodium Hypochlorite	na	0.2940	0.1500
CWS	MALLARD COVE/SHAY COVE		W&S	400	2,556		1	30	1,2,3											Treated at Watergate WWTP				
CWS	NORTH PINES/STONEGATE		W&S	400	24,130	24,816	3	198		2	10,000			10,000	0	No				Collection only	Treatment by Richland county			
CWS	KINGSTON HARBOR		S	400		11,828														Collection only	Treatment by City of Cayce			
USEC	CREEKWOOD		N	402	10,560		4	170	1	1	10,000			10,000	1	No								
USEC	CHODARMOOD		N	402	7,120		2	83	1,3	1	10,000			10,000	0	No								
USEC	PARWOOD		N	401	7,500				Treatment by City of West Columbia															
USEC	ZANYA TERRACE		N	401	1,600		3	43	1,2	1	6,000			6,000	0	No								
USEC	EMMA TERRACE		N	401	1,600		3	13	1,2	1	6,000			6,000	0	No								

[illegible]

- Sodium Hypochlorite for disinfection
- Soda Ash or caustic soda for pH adjustment
- Poly Phosphate for anti corrosion or metals sequestration
- Iron Filters
- Water Softeners
- Radium removal
- Arsenic removal

CAROLINA WATER SERVICE, INC.**FOR THE YEAR ENDED 2018**

(Company Name)

Schedule 130. TECHNICAL SUMMARY
(Continued)

SERVICE AREA AND CUSTOMER DATA:

Area and/or subdivisions served by water system: _____

Areas of Lexington, Sumter, Williamsburg, Richland, Saluda, Greenville, Anderson, Abbeville,
 Aiken and York Counties

Total number of residential customers at the end of the fiscal or calendar year:	<u>15,881</u>
Total number of commercial customers at the end of the fiscal or calendar year:	<u>391</u>
Total number of industrial customers at the end of the fiscal or calendar year:	<u> </u>
Total number of customers at the end of the fiscal or calendar year:	<u>16,272</u>

(Company Name)

**Schedule 200. BALANCE SHEET
ASSETS AND OTHER DEBITS**

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	UTILITY PLANT	
2	101 Utility Plant in Service (Schedule 201)	49,240,152
3	102 Utility Plant Leased to Others	
4	103 Property Held for Future Use	
5	104 Utility Plant Purchased or Sold	281,706
6	105 Construction Work in Progress	1,610,569
7	106 Completed Construction not Classified	
8	Total Utility Plant	51,132,428
9	ACCUMULATED DEPRECIATION	
10	108.1 Utility Plant-in-Service (Schedule 202)	(10,310,478)
11	108.2 Utility Plant Leased to Others	
12	108.3 Property Held for Future Use	
13	Total Accumulated Depreciation	(10,310,478)
14	ACCUMULATED AMORTIZATION	
15	110.1 Utility Plant in Service	
16	110.2 Utility Plant Leased to Others	
17	Total Accumulated Amortization	-
18	UTILITY PLANT ADJUSTMENTS	
19	114 Utility Plant Acquisition (Schedule 203)	(773,253)
20	115 Accumulated Amortization of Utility Plant Acquisition (Schedule 203)	18,051
21	116 Other Utility Plant	
22	Total Utility Plant Adjustments	(755,203)
23	TOTAL NET UTILITY PLANT	40,066,747
24	OTHER PROPERTY AND INVESTMENTS	
25	OTHER PROPERTY	
26	121 Non-Utility Property	
27	122 Accumulated Depreciation and Amortization of Non-Utility Property	
28	Total Other Property	-
29	INVESTMENTS	
30	123 Investments in Associated Companies	
31	124 Utility Investments	
32	125 Other Investments	
33	126 Sinking Funds	
34	127 Other Special Funds	
35	Total Investments	-
36	TOTAL OTHER PROPERTY AND INVESTMENTS	40,066,747

Schedule 200. BALANCE SHEET (Continued)
ASSETS AND OTHER DEBITS

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	CURRENT AND ACCRUED ASSETS	
2	131.1 Cash on Hand	
3	131.2 Cash in Bank	2,022
4	132 Special Deposits (Interest and/or Dividends)	-
5	133 Other Special Deposits	
6	134 Working Funds	
7	135 Temporary Cash Investments	
8	141 Customer Accounts Receivable	3,626,633
9	142 Other Accounts Receivable	(14,901,385)
10	143 Accumulated Provision for Uncollectible Accounts-Credit	(240,436)
11	144 Notes Receivable	
12	145 Accounts Receivable from Associated Companies	
13	146 Notes Receivable from Associated Companies	
14	151 Plant Material and Supplies	
15	152 Merchandise	
16	153 Other Material and Supplies	
17	161 Stores Expense	
18	162 Prepayments	145,742
19	171 Accrued Interest and Dividends Receivable	
20	172 Rents Receivable	
21	173 Accrued Utility Revenues	
22	174 Miscellaneous Current and Accrued Assets	
23	TOTAL CURRENT AND ACCRUED ASSETS	(11,367,424)
24	DEFERRED DEBITS	
25	181 Unamortized Debt Discount and Expense	
26	182 Extraordinary Property Losses	
27	183 Preliminary Survey and Investigation Charges	
28	184 Clearing Accounts	
29	185 Temporary Facilities	
30	186.1 Deferred Rate Case Expense	1,034,207
31	186.2 Other Deferred Debits	1,354,528
32	186.3 Regulatory Assets	
33	187 Research and Development Expenditures	
34	190.1 Accumulated Deferred Federal Income Taxes	
35	190.2 Accumulated Deferred State Income Taxes	
36	190.3 Accumulated Deferred Local Income Taxes	
37	TOTAL DEFERRED DEBITS	2,388,735
38	TOTAL ASSETS AND OTHER DEBITS	31,088,058

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 200. BALANCE SHEET (Continued)
EQUITY CAPITAL AND LIABILITIES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	EQUITY CAPITAL	
2	201 Common Stock Issued	11,500
3	202 Common Stock Subscribed	
4	203 Common Stock Liability for Conversion	
5	204 Preferred Stock Issued	
6	205 Preferred Stock Subscribed	
7	206 Preferred Stock Liability for Conversion	
8	207 Premium on Capital Stock	
9	209 Reduction in Par or Stated Value of Capital Stock	
10	210 Gain on Resale or Cancellation of	
11	211 Other Paid-In Capital	24,487,875
12	212 Discount on Capital Stock	
13	213 Capital Stock Expense	
14	214 Appropriated Retained Earnings (Schedule 204)	
15	215 Unappropriated Retained Earnings (Schedule 204)	7,256,557
16	216 Reacquired Capital Stock	
17	218 Proprietary Capital (for proprietorships & partnerships only)	
18	TOTAL EQUITY CAPITAL	31,755,931
19	LONG-TERM DEBT	
20	221 Bonds (Schedule 205)	
21	222 Reacquired Bonds (Schedule 205)	
22	223 Advances from Associated Companies	
23	224 Other Long-Term Debt (Schedule 205)	
24	TOTAL LONG-TERM DEBT	
25	CURRENT AND ACCRUED LIABILITIES	
26	231 Accounts Payable	4,716,566
27	232 Notes Payable	
28	233 Accounts Payable to Associated Companies	12,023,621
29	234 Notes Payable to Associated Companies	1,823,272
30	235 Customers' Deposits-Billing	327,407
31	236.11 Accrued Taxes, Utility Operating Income, Taxes Other Than Income	64,845
32	236.12 Accrued Taxes, Utility Operating Income, Income Taxes	(10,800)
33	236.2 Accrued Taxes, Other Income and Deductions	
34	237.1 Accrued Interest on Long-Term Debt	15,026
35	237.2 Accrued Interest on Other Liabilities	
36	238 Accrued Dividends	
37	239 Matured Long-Term Debt	
38	240 Matured Interest	
39	241 Miscellaneous Current and Accrued Liabilities	
40	TOTAL CURRENT AND ACCRUED LIABILITIES	18,959,938

(Company Name)

Schedule 200. BALANCE SHEET (Continued)
EQUITY CAPITAL AND LIABILITIES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	DEFERRED CREDITS	
2	251 Unamortized Premium on Debt	
3	252 Advances for Construction	-
4	253.1 Other Deferred Credits, Regulatory Liabilities	4,434,029
5	253.2 Other Deferred Credits, Other Deferred Liabilities	3,513,689
6	255.1 Accumulated Deferred Investment Tax Credits, Utility Operations	
7	255.2 Accumulated Deferred Investment Tax Credits, Non-Utility Operations	152,154
8	TOTAL DEFERRED CREDITS	8,099,872
9	OPERATING RESERVES	
10	261 Property Insurance Reserve	
11	262 Injuries and Damages Reserve	
12	263 Pensions and Benefits Reserve	
13	265 Miscellaneous Operating Reserve	
14	TOTAL OPERATING RESERVES	
15	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	
16	271 Contributions in Aid of Construction (Schedule 206)	11,511,124
17	272 Accumulated Amortization of CIAC (Schedule 207)	(2,335,318)
18	TOTAL NET CIAC	9,175,806
19	ACCUMULATED DEFERRED INCOME TAXES	
20	281 Accelerated Amortization	
21	282 Liberalized Depreciation	
22	283 Other	
23	TOTAL ACCUMULATED DEFERRED INCOME TAXES	-
24	TOTAL EQUITY CAPITAL AND LIABILITIES	67,991,547

(Company Name)

Schedule 201. UTILITY PLANT-IN-SERVICE - Account No. 101

All amounts included in assets for utility plant acquired as an operating unit or system shall be stated at a cost incurred by the person who first devoted the property to utility service.

Line No.	Account Number and Title (a)	Previous Year-End Balance (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Current Year-End Balance (f)
1	.1 INTANGIBLE PLANT					
2	301.1 Organization	298,430	0	0	0	298,430
3	302.1 Franchises	59,551	0	0	0	59,551
4	339.1 Other Plant and Miscellaneous Equipment	2,894	0	0	0	2,894
5	Total Intangible Plant	360,876	0	0	0	360,876
6	.2 SOURCE OF SUPPLY AND PUMPING PLANT					
7	303.2 Land and Land Rights	6,252	667	0	0	6,920
8	304.2 Structures and Improvements	3,515,109	65,177	(7,967)	0	3,572,318
9	305.2 Collecting and Impounding Reservoirs	0	0	0	0	0
10	306.2 Lake, River and Other Intakes	0	0	0	0	0
11	307.2 Wells and Springs	2,842,325	50,840	(13,465)	0	2,879,699
12	308.2 Infiltration Galleries and Tunnels	0	0	0	0	0
13	309.2 Supply Mains	735,619	6,845	0	0	742,464
14	310.2 Power Generation Equipment	0	0	0	0	0
15	311.2 Pumping Equipment	501,676	48,834	(21,285)	0	529,225
16	339.2 Other Plant and Miscellaneous Equipment	2,211	0	0	0	2,211
17	Total Source of Supply and Pumping Plant	7,603,192	172,362	(42,718)	0	7,732,836
18	.3 WATER TREATMENT EQUIPMENT					
19	303.3 Land and Land Rights	38	0	0	0	38
20	304.3 Structures and Improvements	1,319,388	13,198	(2,560)	0	1,330,027
21	311.3 Pumping Equipment	2,879,370	62,998	(27,786)	0	2,914,582
22	320.3 Water Treatment Equipment	1,823,849	16,011	(8,616)	0	1,831,244
23	339.3 Other Plant and Miscellaneous Equipment	1,890	0	0	0	1,890
24	Total Water Treatment Equipment	6,024,535	92,206	(38,961)	0	6,077,781
25	.4 TRANSMISSION AND DISTRIBUTION PLANT					
26	303.4 Land and Land Rights	23,737	5,155	0	0	28,892
27	304.4 Structures and Improvements	30,701	0	0	0	30,701
28	311.4 Pumping Equipment	598,512	105,097	(37,649)	0	665,960
29	330.4 Distribution Reservoirs and Standpipes	7,061,159	171,308	(35,511)	0	7,196,956
30	331.4 Transmission and Distribution Mains	11,799,552	66,583	(60,230)	0	11,805,906
31	333.4 Services	5,136,711	381,835	(153,633)	0	5,364,914
32	334.4 Meters and Meter Installations	1,288,369	72,132	0	0	1,360,501
33	335.4 Hydrants	386,694	11,713	(1,478)	0	396,929
34	336.4 Backflow Prevention Devices	21,369	2,353	(878)	0	22,845
35	339.4 Other Plant and Miscellaneous Equipment	1,457	0	0	0	1,457
36	Total Transmission and Distribution Plant	26,348,262	816,177	(289,377)	0	26,875,061
37	.5 GENERAL PLANT					
38	303.5 Land and Land Rights	566,504	5,469	0	0	571,973
39	304.5 Structures and Improvements	908,482	(239,090)	0	0	669,392
40	340.5 Office Furniture and Equipment	4,340,704	82,413	0	0	4,423,117
41	341.5 Transportation Equipment	1,570,644	352	0	0	1,570,996
42	342.5 Stores Equipment	0	0	0	0	0
43	343.5 Tools, Shop and Garage Equipment	583,145	485	0	0	583,630
44	344.5 Laboratory Equipment	126,599	2,128	(180)	0	128,547
45	345.5 Power Operated Equipment	2,261	0	0	0	2,261
46	346.5 Communication Equipment	210,586	(1,645)	0	0	208,941
47	347.5 Miscellaneous Equipment	15,820	0	0	0	15,820
48	348.5 Other Tangible Plant	18,922	0	0	0	18,922
49	Total General Plant	8,343,667	(149,889)	(180)	0	8,193,599
50	101 TOTAL UTILITY PLANT-IN-SERVICE	48,680,531	930,857	(371,236)	0	49,240,152

(Company Name)

Schedule 202. ACCUMULATED DEPRECIATION OF UTILITY PLANT-IN-SERVICE
Account No. 108.1

Report below an analysis of the changes in accumulated depreciation during the year for each plant category.

Line No.	Depreciated Property Item (a)	Previous Year-End Balance (b)	Credits		Debits		Current Year-End Balance (g)
			Depreciation Expense (c)	Salvage and Other Credits (d)	Plant Retired (e)	Cost of Removal and Other Debits (f)	
1	301 Organization	72,347	4,477		-	(8,953)	67,870
2	302 Franchises	(27,760)	893		-	(1,787)	(28,654)
3	303 Land & Land Rights	-			-	-	-
4	304 Structures and Improvements	(873,348)	86,903		(10,527)	(138,896)	(935,868)
5	305 Collecting and Impounding Reservoirs	-	-		-	-	-
6	306 Lake, River, and Other Intakes	-	-		-	-	-
7	307 Wells and Springs	(328,407)	44,616		(13,465)	(62,302)	(359,558)
8	308 Infiltration Galleries and Tunnels	-	-		-	-	-
9	309 Supply Mains	(51,046)	11,731		-	(23,462)	(62,776)
10	310 Power Generation Equipment	-	-		-	-	-
11	311 Pumping Equipment	5,905	64,560		(86,719)	44,318	28,064
12	320 Water Treatment Equipment	(220,481)	33,189		(8,616)	(49,146)	(245,054)
13	330 Distribution Reservoirs and Standpipes	(134,177)	109,075		(35,511)	(147,128)	(207,741)
14	331 Transmission and Distribution Mains	(2,810,821)	179,795		(60,230)	(239,131)	(2,930,387)
15	333 Services	80,800	81,579		(153,633)	144,108	152,854
16	334 Meters and Meter Installations	(323,113)	20,963		-	(41,927)	(344,076)
17	335 Hydrants	(60,290)	5,851		(1,478)	(8,748)	(64,663)
18	336 Backflow Prevention Devices	3,191	438		(878)	879	3,631
19	339 Other Plant and Misc. Equipment	(4,884)	297		-	(593)	(5,180)
20	340 Office Furniture and Equipment	(3,790,374)	157,366		-	(135,696)	(3,768,704)
21	341 Transportation Equipment	(1,206,843)	160,377		-	(96,196)	(1,142,662)
22	342 Stores Equipment	-	-		-	-	-
23	343 Tools, Shop, and Garage Equipment	(305,401)	9,156		-	(18,198)	(314,444)
24	344 Laboratory Equipment	(41,884)	1,991		(180)	(3,622)	(43,695)
25	345 Power Operated Equipment	409	34		-	(68)	375
26	346 Communication Equipment	(96,024)	6,016		-	(10,680)	(100,689)
27	347 Miscellaneous Equipment	(3,182)	651		-	(1,302)	(3,833)
28	348 Other Tangible Plant	(4,340)	949		-	(1,897)	(5,288)
29	TOTAL ACCUMULATED DEPRECIATION OF UTILITY PLANT-IN-SERVICE	(10,119,723)	980,905	-	(371,236)	(800,425)	(10,310,478)

(Company Name)

Schedule 203. UTILITY PLANT ACQUISITION ADJUSTMENT
Account Nos. 114 and 115

Line No.	Description (a)	Amount (b)
1	Net Plant Book Value	
2	Less: Net Contributions	
3	Total Net Utility Plant Acquired	
4	Less: Purchase Price	
5	Total Utility Plant Acquisition Adjustment (Account No. 114)	(773,253)
6	Less: Accumulated Amortization of Utility Plant Acquisition (Account No. 115)	18,051
7	TOTAL NET UTILITY PLANT ACQUISITION ADJUSTMENT	(755,203)

Schedule 204. STATEMENT OF RETAINED EARNINGS
Account Nos. 214 and 215

Line No.	Account Number and Title (a)	Amount (b)
8	APPROPRIATED RETAINED EARNINGS	
9	Beginning of Year Balance	-
10	436 Appropriations of Retained Earnings	
11	437 Dividends Declared - Preferred Stock	
12	438 Dividends Declared - Common Stock	
13	214 TOTAL APPROPRIATED RETAINED EARNINGS	
14	UNAPPROPRIATED RETAINED EARNINGS	
1	Beginning of Year Balance	8,932,105
15	435 Balance Transferred from Income (Schedule 300)	(1,374,496)
2	439 Adjustments to Retained Earnings (per Waste Water report)	(301,053)
2	439 Adjustments to Retained Earnings (per Revision)	
16	215 TOTAL UNAPPROPRIATED RETAINED EARNINGS	7,256,557
17	TOTAL RETAINED EARNINGS	7,256,557

Notes:

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 205. LONG-TERM DEBT - Account Nos. 221, 222, and 224
(Excluding Advances from Associated Companies)

Give below the particulars indicated of the long-term debt at end of year represented by unmatured obligations issued or assumed by the Company and group entries according to accounts and show the total for each account.

Line No.	Class and Series of Obligations (a)	Date of Issue (b)	Date of Maturity (c)	Principal Amount Authorized (d)	Outstanding Per Balance Sheet (e)	Interest For Year	
						% Rate (f)	Amount (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
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20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31	TOTAL LONG-TERM DEBT						

Schedule 206. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)
Account No. 271

Line No.	Description (a)	Amount (b)
1	Beginning of Year Balance	11,453,379
2	Credits Added During the Year:	
3	Contributions Received from Capacity, Main Extensions and Customer Connection Charges	57,745
4	Contributions Received from Developer or Contract Agreements in cash or property	0
5	Total Credits	
6	Less: Debits Charged During the Year	
7	TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	11,511,124

Schedule 207. ACCUMULATED AMORTIZATION OF CIAC
Account No. 272

Line No.	Description (a)	Amount (b)
8	Beginning of Year Balance	2,163,698
9	Debits Charged During the Year: Accruals Charged to Account 272	171,620
10	Other Debits Charged During the Year (specify):	
11		
12		
13		
14	Total Debits	
15	Credits Added During the Year (specify):	
16		
17		
18		
19	Total Credits	
20	TOTAL ACCUMULATED AMORTIZATION OF CIAC	2,335,318
21	TOTAL NET CONTRIBUTIONS IN AID OF CONSTRUCTION	9,175,806

CAROLINA WATER SERVICE, INC.
(Company Name)

FOR THE YEAR ENDED 2018

**Schedule 300. INCOME STATEMENT
REVENUES AND EXPENSES**

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	UTILITY OPERATING INCOME	
2	400 Total Utility Operating Revenues (Schedule 301)	11,343,907
3	UTILITY OPERATING EXPENSES	
4	401 Operating Expenses (Schedule 302)	9,253,610
5	403 Depreciation Expenses (Schedule 303)	980,905
6	406 Amortization of Utility Plant Acquisition Adjustments	
7	407.1 Amortization of Limited Term Plant	
8	407.2 Amortization of Property Losses	
9	407.3 Amortization of Other Utility Plant	(183,560)
10	407.4 Amortization of Regulatory Assets	
11	407.5 Amortization of Regulatory Liabilities	
12	408.10 Utility Regulatory Assessment Fee	
13	408.11 Property Taxes	1,586,532
14	408.12 Payroll Taxes	144,848
15	408.13 Other Taxes and Licenses	138,495
16	409.10 Federal Income Taxes, Utility Operating Income	(0)
17	409.11 State Income Taxes, Utility Operating Income	3
18	409.12 Local Income Taxes, Utility Operating Income	
19	410.10 Deferred Federal Income Taxes	(242,628)
20	410.11 Deferred State Income Taxes	(103,951)
21	410.12 Deferred Local Income Taxes	
22	411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income	
23	412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations	
24	412.11 Investment Tax Credits, Restored to Operating income, Utility Operations	(4,973)
25	Total Utility Operating Expenses	11,569,282
26	TOTAL NET UTILITY OPERATING INCOME (LOSS)	(225,374)
27	OTHER OPERATING INCOME (LOSS)	
28	413 Income from Utility Plant Leased to Others	
29	414 Gains (Losses) from Disposition of Utility Property	248,652
30	Total Other Operating Income (Loss)	248,652
31	OTHER INCOME AND DEDUCTIONS	
32	415 Revenues from Merchandising, Jobbing and Contract Work	
33	416 Costs and Expenses of Merchandising, Jobbing and Contract Work	
34	419 Interest and Dividend Income	
35	420 Allowance for Funds Used During Construction (AFUDC)	
36	421 Non-Utility Income	
37	426 Miscellaneous Non-Utility Expenses	
38	TOTAL OTHER INCOME AND DEDUCTIONS	

Schedule 300. INCOME STATEMENT (Continued)
REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS	
2	408.20 Taxes Other Than Income, Other Income and Deductions	
3	409.20 Income Taxes, Other Income and Deductions	
4	410.20 Provision for Deferred Income Taxes, Other Income and Deductions	
5	411.20 Provisions for Deferred Income Taxes, Credit, Other Income and Deductions	
6	412.20 Investment Tax Credits, Net, Non-Utility Operations	
7	412.30 Investment Tax Credits Restored to Non-Operating Income, Utility Operations	
8	TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUC.	0
9	INTEREST EXPENSE	
10	427.1 Interest on Debt to Associated Companies	
11	427.2 Interest on Short-Term Debt	11,243
12	427.3 Interest on Long-Term Debt	
13	427.4 Interest on Customer Deposits	
14	427.5 Interest - Other	889,226
15	428 Amortization of Debt Discount and Expense	
16	429 Amortization of Premium on Debt	
17	TOTAL INTEREST EXPENSE	900,469
18	EXTRAORDINARY ITEMS	
19	433 Extraordinary Income	
20	434 Extraordinary Deductions	
21	409.30 Income Taxes, Extraordinary Items	
22	TOTAL EXTRAORDINARY ITEMS	0
23	NET INCOME (LOSS)	(1,374,496)

Schedule 301. OPERATING REVENUES
Account No. 400

Line No.	Account Number and Title (a)	Current Year-End Balance (b)	Average Number of Customers (e)	Gallons of Water Sold (000s) (f)
1	WATER SALES REVENUE			
2	460 Unmetered Water Revenue			
3	460.1 Residential Customers			
4	460.2 Commercial Customers			
5	460.3 Industrial Customers			
6	460.4 Public Authorities			
7	460.5 Multiple Family Dwellings			
8	Total Unmetered Water Revenue	0	0	0
9	461 Metered Water Revenue			
10	461.1 Residential Customers	11,152,249	15,881	
11	461.2 Commercial Customers			
12	461.3 Industrial Customers			
13	461.4 Public Authorities			
14	461.5 Multiple Family Dwellings			
15	Total Metered Water Revenue	11,152,249	15,881	0
16	462 Fire Protection Revenue			
17	462.1 Public Fire Protection			
18	462.2 Private Fire Protection			
19	464 Other Sales to Public Authorities			
20	466 Sales for Resale			
21	467 Interdepartmental Sales			
22	TOTAL WATER SALES REVENUES	0	0	0
23	OTHER WATER REVENUES			
24	469 Guaranteed Revenues			
25	470 Forfeited Discounts	54,270		
26	471 Miscellaneous Service Revenues			
27	472 Rents from Water Property			
28	473 Interdepartmental Rents			
29	474 Other Water Revenues	137,387		
30	TOTAL OTHER WATER REVENUES	191,658		
31	400 TOTAL OPERATING REVENUES	11,343,907		

Schedule 302. OPERATING EXPENSES
OPERATION AND MAINTENANCE
Account No. 401

Line No.	Account Number and Title (a)	Current Year- End Balance (b)
1	SOURCE OF SUPPLY EXPENSES	
2	601 Salaries and Wages - Employees	
3	610 Purchased Water	2,850,092
4	615 Purchased Power	
5	616 Fuel for Power Production	
6	618 Chemicals	
7	620 Materials and Supplies	
8	631 Contractual Services - Engineering	
9	632 Contractual Services - Accounting	
10	633 Contractual Services - Legal	
11	634 Contractual Services - Management Fees	
12	635 Contractual Services - Testing	
13	636 Contractual Services - Other	
14	641 Rental of Building/Real Property	
15	642 Rental of Equipment	
16	650 Transportation Expenses	
17	658 Insurance - Workman's Compensation	
18	668 Water Resource Conservation Expense	
19	675 Miscellaneous Expenses	
20	TOTAL SOURCE OF SUPPLY EXPENSES	2,850,092

21	WATER TREATMENT EXPENSES	
22	601 Salaries and Wages - Employees	
23	615 Purchased Power	
24	616 Fuel for Power Production	
25	618 Chemicals	244,559
26	620 Materials and Supplies	
27	631 Contractual Services - Engineering	
28	632 Contractual Services - Accounting	
29	633 Contractual Services - Legal	
30	634 Contractual Services - Management Fees	
31	635 Contractual Services - Testing	
32	636 Contractual Services - Other	
33	641 Rental of Building/Real Property	
34	642 Rental of Equipment	
35	650 Transportation Expenses	
36	658 Insurance - Workman's Compensation	
37	675 Miscellaneous Expenses	
38	TOTAL WATER TREATMENT EXPENSES	244,559

Schedule 302. OPERATING EXPENSES (Continued)
OPERATION AND MAINTENANCE
Account No. 401

Line No.	Account Number and Title (a)	Current Year- End Balance (b)
1	TRANSMISSION AND DISTRIBUTION EXPENSES	
2	601 Salaries and Wages - Employees	
3	615 Purchased Power	250,091
4	616 Fuel for Power Production	
5	618 Chemicals	
6	620 Materials and Supplies	491,455
7	631 Contractual Services - Engineering	
8	632 Contractual Services - Accounting	
9	633 Contractual Services - Legal	
10	634 Contractual Services - Management Fees	
11	635 Contractual Services - Testing	137,284
12	636 Contractual Services - Other	
13	641 Rental of Building/Real Property	
14	642 Rental of Equipment	
15	650 Transportation Expenses	144,864
16	658 Insurance - Workman's Compensation	
17	675 Miscellaneous Expenses	462,203
18	TOTAL TRANSMISSION AND DISTRIBUTION	1,485,898
19	TOTAL OPERATION AND MAINTENANCE EXPENSES	4,580,548

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 302. OPERATING EXPENSES (Continued)
CUSTOMER AND ADMINISTRATIVE AND GENERAL
Account No. 401

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	CUSTOMER ACCOUNTS	
2	601 Salaries and Wages - Employees	
3	615 Purchased Power	
4	616 Fuel for Power Production	
5	620 Materials and Supplies	
6	631 Contractual Services - Engineering	
7	632 Contractual Services - Accounting	
8	633 Contractual Services - Legal	
9	634 Contractual Services - Management Fees	
10	635 Contractual Services - Testing	
11	636 Contractual Services - Other	118,523
12	641 Rental of Building/Real Property	
13	642 Rental of Equipment	
14	650 Transportation Expenses	
15	658 Insurance - Workman's Compensation	
16	670 Bad Debt Expense	123,969
17	675 Miscellaneous Expenses	
18	TOTAL CUSTOMER ACCOUNTS	242,491
19	ADMINISTRATIVE AND GENERAL EXPENSES	
20	601 Salaries and Wages - Employees	1,829,736
21	603 Salaries and Wages - Officers, Directors, and Majority Stockholders	
22	604 Employee Pension and Benefits	471,119
23	615 Purchased Power	
24	616 Fuel for Power Production	
25	620 Materials and Supplies	404,301
26	631 Contractual Services - Engineering	930
27	632 Contractual Services - Accounting	38,597
28	633 Contractual Services - Legal	45,236
29	634 Contractual Services - Management Fees	284,500
30	635 Contractual Services - Testing	
31	636 Contractual Services - Other	143,192
32	641 Rental of Building/Real Property	22,312
33	642 Rental of Equipment	27,993
34	650 Transportation Expenses	
35	656 Insurance - Vehicle	0
36	657 Insurance - General Liability	146,736
37	658 Insurance - Workman's Compensation	0
38	659 Insurance - Other	37,209
39	660 Advertising Expense	557
40	666 Regulatory Commission Expenses- Amort. Of Rate Case Exp.	94,414
41	667 Regulatory Commission Expenses- Other	16,851
42	675 Miscellaneous Expenses	866,889
43	TOTAL ADMINISTRATIVE AND GENERAL	4,430,570
44	401 TOTAL OPERATING EXPENSES	9,253,610

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

**Schedule 303. BASIS FOR DEPRECIATION CHARGES BY
PRIMARY ACCOUNTS
Account No. 403**

Line No.	Description of Property (a)	Original Cost (b)	Approved Depreciation Rates * (c)	Annual Depreciation (d)
1	301 Organization	298,430	1.50%	4,477
2	302 Franchises	59,551	1.50%	893
3	303 Land & Land Rights	607,823	0.00%	0
4	304 Structures and Improvements	5,602,438	1.50%	86,903
5	305 Collecting and Impounding Reservoirs	0	1.50%	0
6	306 Lake, River, and Other Intakes	0	1.50%	0
7	307 Wells and Springs	2,879,699	1.50%	44,616
8	308 Infiltration Galleries and Tunnels	0	1.50%	0
9	309 Supply Mains	742,464	1.50%	11,731
10	310 Power Generation Equipment	0	1.50%	0
11	311 Pumping Equipment	4,109,767	1.50%	64,560
12	320 Water Treatment Equipment	1,831,244	1.50%	33,189
13	330 Distribution Reservoirs and Standpipes	7,196,956	1.50%	109,075
14	331 Transmission and Distribution Mains	11,805,906	1.50%	179,795
15	333 Services	5,364,914	1.50%	81,579
16	334 Meters and Meter Installations	1,360,501	1.50%	20,963
17	335 Hydrants	396,929	1.50%	5,851
18	336 Backflow Prevention Devices	22,845	1.50%	438
19	339 Other Plant and Misc. Equipment	8,452	1.50%	297
20	340 Office Furniture and Equipment	4,423,117	1.50%	157,366
21	341 Transportation Equipment	1,570,996	20.00%	160,377
22	342 Stores Equipment	0	1.50%	0
23	343 Tools, Shop, and Garage Equipment	583,630	1.50%	9,156
24	344 Laboratory Equipment	128,547	1.50%	1,991
25	345 Power Operated Equipment	2,261	1.50%	34
26	346 Communication Equipment	208,941	1.50%	6,016
27	347 Miscellaneous Equipment	15,820	1.50%	651
28	348 Other Tangible Plant	18,922	1.50%	949
29	TOTALS	49,240,152		980,905

* Use Straight-line depreciation rates as approved by the Commission.
Do not use Tax Depreciation Rates.

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GENERAL INSTRUCTIONS

1. All water utilities are required by state law to complete and file this annual report. Two copies should be mailed to the South Carolina Office of Regulatory Staff, 1401 Main Street, Ste. 900, Columbia, SC 29201 by April 1, 2019. A third copy should be retained by the company for reference. Upon receipt, the Office of Regulatory Staff will forward one copy to the Public Service Commission of South Carolina. Filing two copies with the Office of Regulatory Staff will satisfy the utility's responsibility for submitting an annual report as required pursuant to Commission regulations. Pencil entries will not be permitted on the hard copy.
2. All forms are available in PDF fileable format on the Office of Regulatory Staff web site at www.regulatorystaff.sc.gov. An Excel form is available via email.
3. Respond to each item using "0", "none", or "not applicable" as appropriate.
4. Requests for extension must be in writing to the Office of Regulatory Staff. Extension requests postmarked after April 1, 2019 will be denied.
5. All accounting terms and phrases used in this report are to be interpreted in accordance with the effective applicable Uniform System of Accounts prescribed by this Commission, as set forth in S.C. Code Ann. Section 58-5-220 and Commission regulation 103-520.
6. Standard accounting procedures will apply in determining the nature of any entry (e.g. entries of a reverse character will be indicated by a parentheses around the number).
7. The report will be filed consisting of data relative to a calendar year basis or the company's fiscal year, but not both.
8. If this report is made for a period less than the calendar year or fiscal year, the period covered must be clearly stated on the front cover and elsewhere throughout the report where it is necessary to include the period covered. When operations cease during the year because of the disposition of property, the balance sheet and supporting schedules should consist of balances and items immediately prior to transfer (for accounting purposes).
9. All instructions should be followed and each question should be answered fully and accurately. Sufficient answers are those in which no question or schedule has been overlooked. The expression "none" or "not applicable" should be given as the answer to any particular inquiry or schedule where it truly and completely states the fact. Unless otherwise indicated, no information will be accepted which incorporates by reference information from another document or report. In any instance where information called for is not given, the reason for its omission should be stated fully.
10. Dates, when called for, should include the day, month and year. Customary abbreviations may be used in stating dates.
11. Whenever schedules call for comparison of figures of a previous year, the figures reported must be based upon those shown by the annual report of the previous year; otherwise, an appropriate explanation of why different figures were used should be given.
12. One copy of the respondent's latest corporate annual report, if issued, should be submitted with this report. If the respondent is a member of a group, both the parent and subsidiary's corporate annual report should be submitted.

GENERAL INSTRUCTIONS
(Continued)

13. Throughout this report, money items will be rounded to the nearest dollar.
14. Failure to comply with the submission of the annual report may result in fines and/or loss of certification.
15. Separate notification is required for changes in company information -- i.e. name, address, telephone number, contact names, sale or purchase of Company, corporate structure.
16. Do not fold forms.
17. Use this form for a wastewater utility ONLY! If your utility operates a water system in addition to a wastewater system, complete a separate annual report for the water system. **DO NOT COMBINE BOTH WATER AND WASTEWATER INFORMATION ON THE SAME FORM!**

(Company Name)

Schedule 100. IMPORTANT CHANGES DURING THE YEAR

Provide written responses for each of the items listed below. Make the written statements clear and brief. A response must be given for each item. However, if the word "none" is an accurate response, it may be used as such. Similarly, if information is given elsewhere in the report which would serve as a response to an item, reference that information in the space provided.

1. Have you had changes or additions to franchise rights? If so, describe (a) the actual payment given in exchange for the franchise rights, and (b) from whom acquired. If acquired without payment, state that fact.

None

2. Have any of the following occurred -- acquisition of other companies, or reorganization, merger or consolidation with other companies? If so, give names of companies involved, details concerning the transactions, and reference to Commission authorization, including docket numbers.

None

3. Have any of the following occurred -- purchase or sale of operating units, such as sources, treatment and storage facilities, transmission and distribution systems, or similar occurrences? If so, specify items, parties, effective dates and also reference the Commission authorization, including docket numbers.

None

4. Have any leaseholds been acquired, given, assigned, or surrendered? If so, give the effective dates, lengths of terms, names of parties, rents, Commission authorization, (docket numbers), if any, and other conditions.

Yes.

1) On February 5, 2018, Carolina Water Service, Inc. entered into a lease agreement with York County, SC. This lease, as it relates to wastewater treatment services, is a lease from York County to CWS of all York-County-owned infrastructure located within the CWS Franchise area. CWS is responsible for maintaining, upgrading, extending, or replacing the following sewage force mains on the leased property: 7,318 ft of 6"; 5,430 ft of 8"; 16,845 ft. of 12". CWS is also responsible for maintaining, upgrading, extending, or replacing The River Hills Sewer Pump Station.

2) On June 28, 2018, Carolina Water Service, Inc. entered into a lease agreement with Family Court, LLC to lease 1,069 square feet of office space for \$2,227.08 per month. The office space is located at 130 South Main Street, Suite 600, Greenville, SC 29601. This lease ran through the remainder of 2018 (technically through February 28, 2019).

5. Have there been any extensions of service territories? If so, include the Commission authorization (docket numbers), that give the location of the new service territory covered by distribution system and the dates of beginning operations. Give the number of customers by class; for each class, give the number of customers estimated with regard to annual revenues for the new territories.

None

6. What is the estimated increase or decrease in annual revenues due to rate changes, (cite docket numbers), and the approximate extent to which the increase or decrease is reflected in revenues for the reporting year?

Rate case Docket No. 2017-292-WS resulted in an approximate \$1,650,382 annual increase.

Approximately \$825,191 of the increase is reflected in revenues for the reporting year.

7. Have there been any wage scale changes? If so, show the dates of changes, the effect on operating expenses for the year, and estimated annual effect of the wage scale changes on operating expenses.

April 2018 raises averaged 3.0%

8. Have there been any obligations incurred or assumed by you, the respondent, as guarantor for the performance by another of any agreement or obligation -- excluding ordinary corporate bonds maturing on demand or not later than one year after date of issue? If so, give the Commission authorization, (docket number), if any.

None

9. Have there been any changes in articles of incorporation or amendments to charters? If so, explain the nature and purpose of these changes or amendments. Note any filing with the Commission.

None

10. Other changes not provided for elsewhere.

None

Schedule 110. DEFINITIONS

“Accounts” means the accounts prescribed in the NARUC Uniform System of Accounts.

“Amortization” means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, which may be over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

“Associated Companies” means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company.

“Book Cost” means the amount at which property is recorded in the applicable account without deduction of related provisions for accrued depreciation, amortization, or for other purposes.

“Class A” for wastewater utilities means a utility having annual wastewater operating revenues of \$1,000,000 or more.

“Class B” for wastewater utilities means a utility having annual wastewater operating revenues of \$200,000 or more but less than \$1,000,000.

“Class C” for wastewater utilities means a utility having annual wastewater operating revenues of less than \$200,000.

“Control” (including the terms; “controlling,” “controlled by,” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract or any other direct or indirect means.

“Cost” means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.

“Cost of Removal” means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.

“Debt Expense” means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds and certificates of indebtedness; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen or marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

Schedule 110. DEFINITIONS (Continued)

“Depreciation”, as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of the utility plant in the course of providing service. This includes causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of regulatory bodies.

“Discount”, as applied to the securities or assumed by the utility, means the excess of the par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale.

“Distribution Mains” means any pipes whose primary purpose is to distribute treated water throughout a community, and whose components include arterial or primary feeders, secondary feeders, and the distribution grid works.

“Investment Advances” means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and debtor that they shall be settled by the issuance of securities or shall not be subject to current settlement.

“Minor Items of Property” means the associated parts or items of which retirement units are composed.

“Multiple Family Dwelling” means a residential structure or group of structures which is capable of separately housing more than one family unit.

“Net Salvage Value” means the salvage value of property retired less the cost of removal.

“Nominally Issued”, as applied to securities issued or assumed by the utility, means those which have been signed, certified, or otherwise executed, and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the utility, but which have not been sold, or issued directly to trustees of sinking funds in accordance with contractual requirements.

“Premium”, as applied to the securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stock) or face value and interest or dividends accrued at the date of sale.

“Original Cost”, as applied to utility plant, means the cost of such property to the person first devoting it to public service.

“Property Retired”, as applied to utility plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

“Reclaimed Water” means water that has received at least secondary treatment and basic disinfection and is reused after flowing out of a wastewater treatment plant.

Schedule 110. DEFINITIONS (Continued)

“Replacing or Replacement”, when not otherwise indicated in the context, means the construction or installation of utility plant in place of property retired, together with the removal of the property retired.

“Retained Earnings” means the accumulated net income of the utility less distributions to stockholders and transfers to other capital accounts, and other adjustments.

“Reuse” means the deliberate application of reclaimed water, in compliance with Federal and State environmental rules and regulations, for a beneficial purpose.

“Salvage Value” means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies, or other appropriate account.

“Straight-Line Remaining Life Method”, as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and (accounts if used), and credited to the accumulated depreciation account through equal annual changes during its service life. "Remaining Life" implies that estimates of the future life and salvage shall be reexamined periodically and that depreciation rates will be corrected to reflect any changes in these estimates.

“Supply Main” means any main, pipe, or aqueduct or canal whose primary purpose is to convey raw untreated water from one unit to another unit in the source of supply and pumping plant, and to the water treatment equipment.

“Transmission Main” means any pipes whose primary purpose is to convey treated water from the water treatment equipment or pumping station to the distribution system serving a community and generally provides no service connections with customers.

“Utility”, as used herein and when not otherwise indicated in the context, means any public utility to which the uniform system of accounts is applicable.

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 120. EXECUTIVE SUMMARY**1. IDENTIFICATION (legal title)**

PSC/ORS No.	_____ (leave blank)		Federal ID No.:	_____
Check Business Structure & Indicate Date	☐ Sole Proprietorship	☐ Partnership	☒ Corporation	
Name of Company:	Carolina Water Service, Inc.			
Doing Business As:	Carolina Water Service, Inc.			
Street Address:	130 S Main St, Ste 800			
City:	Greenville	State:	SC	Zip Code: 29601
Mailing Address:	(same as above)			
City:	_____	State:	_____	Zip Code: _____
Telephone No. (Include Area Code):	(847) 498-6440			

(a) State whether any change was made in the name of the respondent during the year. If so, state the changes and the dates when they were made.

No

(b) State whether the respondent is a firm or partnership. If a partnership, give the names of the partners and the proportion of their respective interests.

Not Applicable

(c) State the kinds of business, other than Water Utility, in which the respondent was engaged at any time during the year. If none, state that fact.

None

(d) Give the names and office addresses of the Board of Directors, if any, of the respondent at the close of the year, as well as the dates of expiration of their respective terms. If any person abandoned, resigned from, or was removed from a directorship during the year, give full details in a footnote. If the organization was a partnership, give the names of the partners and designate them as such.

Name of Director	Office Address	Term Begins	Term Ends
Lisa A. Sparrow	2335 Sanders Rd Northbrook, IL 60062	8/27/18	08-19
Laura Granier	2335 Sanders Rd Northbrook, IL 60062	8/27/18	08-19

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 120. EXECUTIVE SUMMARY (Continued)

- (e) Give the titles of all officers of the respondent at the close of the year, the names of persons holding the offices at year end, and the date when each originally assumed the duties of the office. If any person abandoned, resigned from, or was ousted from any office during the year, give full details in a footnote.

Title of Officer	Name of Person Holding Office	Office Address	Date of Entry
President	Catherine Heigel	130 S Main St, Ste 800 Greenville, SC 29601	8/27/18
Director, External Affairs and Strategy	Michael Cartin	130 S Main St, Ste 800 Greenville, SC 29601	8/27/18
Secretary	Laura Granier	2335 Sanders Rd. Northbrook, IL 60062	8/27/18
Treasurer	Jim Andrejko	2335 Sanders Rd. Northbrook, IL 60062	8/27/18
Assistant Secretary	Debra A. Plumb [1]	2335 Sanders Rd. Northbrook, IL 60062	8/27/18

- (f) Give the date of incorporation of respondent and the name of the state or territory under whose laws the incorporation was organized. The Company was incorporated on 8/28/1972 and was incorporated under the state of Delaware.

2. CONTACT (for purpose of this report)

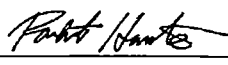
Contact Name: <u>Robert Hunter</u>	
Title: <u>Director, Financial Planning & Analysis</u>	Telephone: <u>(864)-203-0232</u>
Email Address: <u>robert.hunter@bluegranitewaterco.com</u>	Fax No.: <u>Not Applicable</u>

3. MAILING ADDRESS (if different from above)

Mailing Address: <u>130 S Main St, Ste 800</u>	
City: <u>Greenville</u>	State: <u>SC</u> Zip Code: <u>29601</u>

CERTIFICATION

I hereby certify that the enclosed Annual Report was prepared by me or under my supervision, that I have examined it, and that the items herein reported on the basis of my knowledge are correctly shown.

Name: <u>Robert Hunter</u>	Title: <u>Director, Financial Planning & Analysis</u>
Signature: 	Date: <u>4/30/2019</u>

Notes:

[1] Debra A. Plumb retired on December 31, 2018.

CAROLINA WATER SERVICE, INC.**FOR THE YEAR ENDED 2018**

(Company Name)

Schedule 130. TECHNICAL SUMMARY**GENERAL INFORMATION**Submit a copy of the Company's latest DHEC quality of service letter/report with this annual report.**PHYSICAL DESCRIPTION:**

Detailed general description of wastewater system: _____

143 Lift Stations			
16 Activated Sludge WWTPs	Permitted Capacity	2.4364MGD	
3 Aerated Lagoons	Permitted Capacity	0.96 MGD	
1 Facultative Lagoon	Permitted Capacity	0.12 MGD	
10 Collection only systems with treatment provided by another entity			

Oxidation Pond(s)? _____

If so, provide information concerning size, construction type, and year of construction. _____

Aeration Pond(s)? _____

If so, provide information concerning size, construction type, and year of construction. _____

Polishing Pond(s)? _____

If so, provide information concerning size, construction type, and year of construction. _____

Detailed general description of disposal system/method: _____

Date of construction of original plant: _____

Population for which plant was designed: _____

Plant capacity in gallons per day: _____

Average daily discharge of sewage during year (Mgal): See page 9.1Maximum daily discharge of sewage during year (Mgal): See page 9.1

CAROLINA WATER SERVICES INC.

SUB#	ADDR.	NAME	W/S	CO#	Water	Sewer	Wells			Ground Storage		Elevated	Total	Fire Hydrants		Lift	WWTP		Disinfection Method	WWTP FLOW#						
					Main#	Main#	Number of Wells	GPN	Treatment#	#	Capacity	#	Capacity	In Gallons	#	Fire Protection	#	#		Capacity	Type	Weekly Average Max (MGD)	Daily Max (MGD)	Average Daily (MGD)		
CMS	CAROLINA WATER SERVICE, INC. PARENT			400																						
CMS	EALEN CHURCH		S	400		6,480										5		Treated at Friarsgate WWTP								
CMS	FALCON RANCH#		W	400	9,504		2	115	1,2		2	20,000		20,000	0	No										
CMS	WESTSIDE TERRACE		W	400	9,504					Treatment by City of West Columbia	2	10,000			0	No										
CMS	BLON RIDGE/HEATHERWOOD		W	400	13,622		3	125	1,2		4	10,000		10,000	7	No										
CMS	POCALLEA		W&S	400	5,280	10,032	2	130	1,2,3		1	8,000		8,000	0	No		1	0.1040	Activated Sludge	UV	na	0.1800	0.0000		
CMS	ROCK BLUFF		W	400	2,640		1	38			1	4,700		4,700	0	No										
CMS	OAKLAND PLANTATION		S	400		14,995											1	1	0.1600	Activated Sludge	Sodium Hypochlorite	na	0.2500	0.0000		
CMS	INDIAN FORK		W&S	400	22,176	24,878				Treatment by the City of Columbia					0	No		1		Collection Only	Treated by City of Chapin					
CMS	INDIAN PINES		W	400	1,056																					
										Purchased Water as of September 2013																
										Treatment by City of West Columbia																
CMS	ROLLINGWOOD		W&S	400	24,288	28,512				Treatment by City of West Columbia					8	No		2		Treated at Watergate WWTP						
CMS	HIDDEN VALLEY TRAILER PARK		S	400		8,026												1		Treated at I-20 WWTP						
CMS	SMALLWOOD ESTATES/LAKEMOOD ESTATES/ARROW		W&S	400	21,537	12,334	4	171	1,2,3,5,6		3	30,000		30,000	0	No		5	1	0.0600	Aerated Lagoon	na	0.0458	0.0000		
CMS	FRIARS GATE		S	400		473,609												9	1	1.2000	Activated Sludge	UV with backup Sodium Hypochlorite	1.0160	0.5425	0.0000	
CMS	THE LANDINGS		W&S	400	11,088	14,784				Treatment by City of West Columbia					0	No		1		Treated at Watergate WWTP						
CMS	HARBORSIDE/Harbour Place/Windward Pt		W&S	400	5,280	5,280				Treatment by City of West Columbia					0	No		3		Treated at Watergate WWTP						
CMS	PALMETTO APTS.		S	400		5,280														Collection Only	Treated by Beaufort Jasper WGA					
CMS	ROOSEVELT GARDENS		S	400		1,056												1	0.0676	Activated Sludge	Sodium Hypochlorite	na	0.0676	0.0000		
CMS	HIDDEN VALLEY COUNTRY CLUB		W	400	12,144		2	370	1,2			1	75,000	75,000	11	No										
CMS	BRACUTREE ACRES		W	400	10,560					Treatment by City of West Columbia					0	No										
CMS	HUNTER'S GLEN		W	400	8,976		3	192	1,2,3		3	34,000		34,000	3	No										
CMS	IDLEWOOD		W	400	3,696					Purchased water					0	No										
CMS	LINCOLNSHIRE/WHITE CREEK		S	400		13,200												2		Collection Only	Pumped to Georgetown County Water and Sewer Authority Treated by the City of Georgetown					
CMS	40 LOVE POINT		W&S	400	17,741	18,427				Treatment by the City of Columbia				0	15	yes		1		Collection Only	Treated by Richland County					
CMS	RAINBOW/GLEN VILLAGE/STONEBRIDGE		W&S	400	19,008	26,920	2	141	1,2,3,5,7		1	10,000		10,000	4	No		4	1	0.1280	Activated Sludge	Sodium Hypochlorite	na	0.1285	0.0000	
CMS	NORTH LAKE SHORE POINT		S	400		3,168														Collection Only	Treated by Richland County					
CMS	BALLENTINE COVE		S	400		30,703												1		Treated at Friarsgate WWTP						
CMS	SHADOWOOD COVE		S	400		14,984												2		Collection Only	Treated by Richland County					
CMS	SECRET COVE		S	400		11,088												2		Treated at Watergate WWTP						
CMS	GOVERNOR'S GRANT		S	400		33,792												4		Treated at Watergate WWTP						
CMS	I-20		W&S	400	180,711	309,216				Treatment by City of West Columbia					107	No		15	1	0.8000	Aerated Lagoon	Sodium Hypochlorite	0.7769	NA	NA	
CMS	RIVER HILLS YORK COUNTY SERVICE AREA		W&S	400	241,658	304,117				Treatment by City of Rock Hill		1	200,000	200,000	402	Yes		69		Collection Only	Treated by the City of Rock Hill					
CMS	LANDS END/WATERGATE/SPENCE PT		W&S	400	23,676	64,382				Treatment by City of West Columbia		1	5,000		5,000	5	No		3	1	0.2940	Activated Sludge	Sodium Hypochlorite	na	0.2940	0.1000
CMS	MALLARD COVE/GRAY COVE		W&S	400	2,556		1	30	1,2,3									1		Treated at Watergate WWTP						
CMS	NORTH PINES/STONEGATE		W&S	400	24,130	24,816	3	198				2	10,000		10,000	0	No			Collection only	Treatment by Richland County					
CMS	KINGSTON HARBOR		S	400		11,828												4		Collection only	Treatment by City of Cayce					
SUI	CREEKWOOD		W	402	10,560		4	170			1	10,000		10,000	1	No										
SUI	CHARDWOOD		W	402	7,120		2	83			1	10,000		10,000	0	No										
										Treatment by City of West Columbia																
USCC	PARKWOOD		W	401	7,500					Purchased Water																
USCC	TANYA TERRACE		W	401	1,600		3	43			1	6,000		6,000	0	No										
USCC	EMMA TERRACE		W	401	1,600		1	33			1	6,000		6,000	0	No										
USCC	LEXINGTON TOWN ESTATES/HERMITAGE/CAT&PAN		W	401	22,300		4	119	1,2,3		3	25,000		25,000	0	No										

[illegible]

[illegible]

Sodium Hypochlorite for disinfection
Soda Ash or caustic soda for pH adjustment
Poly Phosphate for anti corrosion or metals sequestration
Iron Filters
Water Softeners
Radium removal
Arsenic removal

(Company Name)

Schedule 130. TECHNICAL SUMMARY (Continued)

Size and Description	SERVICES AND LINE TYPE			
	Owned by Utility			
	Beginning of year	Added	Retired or Abandoned	End of Year
Services in use				
Iron pipe				
PVC pipe				
Clay pipe				
Other pipe				
Total services in use				
Services not in use				
Iron pipe				
PVC pipe				
Clay pipe				
Other pipe				
Total services not in use				
Total Services				

TREATMENT:

Is wastewater treated? Yes

If so, how? Varies with each facility

Is wastewater effluent disinfected? Yes

If so, provide information about the type of agent used (liquid chlorine, etc. See page 9.1
Varies with each facility, either sodium hypochlorite, calcium hypochlorite or UV light

How frequently is an analysis made of effluent? Varies with each facility

Give results of last analysis: Copies of December 2018 DMRs are already sent to ORS offices

What is the efficiency of sewerage plant? No influent sampling required by SC DHEC . Efficiency is
not calculated

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

**Schedule 130. TECHNICAL SUMMARY
(Continued)****SERVICE AREA AND CUSTOMER DATA:**

Area and/or subdivisions served by wastewater system: _____

Areas of Lexington, Sumter, Richland, Greenville, Greenwood, Cherokee, Union, Beaufort, Orangeburg, _____

Georgetown, and York Counties _____

Total number of residential customers at the end of the fiscal or calendar year:	12,417
Total number of commercial customers at the end of the fiscal or calendar year:	281
Total number of industrial customers at the end of the fiscal or calendar year:	
Total number of customers at the end of the fiscal or calendar year:	12,698

Extensions of system, giving location, new territory covered and dates of beginning operations since last annual annual report submitted:

Other important changes, including new plant and equipment built or installed:

(Company Name)

**Schedule 200. BALANCE SHEET
ASSETS AND OTHER DEBITS**

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	UTILITY PLANT	
2	101 Utility Plant in Service (Schedule 201)	51,276,055
3	102 Utility Plant Leased to Others	
4	103 Property Held for Future Use	0
5	104 Utility Plant Purchased or Sold	0
6	105 Construction Work in Progress	1,364,581
7	106 Completed Construction not Classified	
8	Total Utility Plant	52,640,637
9	ACCUMULATED DEPRECIATION	
10	108.1 Utility Plant-in-Service (Schedule 202)	(5,260,286)
11	108.2 Utility Plant Leased to Others	
12	108.3 Property Held for Future Use	
13	Total Accumulated Depreciation	(5,260,286)
14	ACCUMULATED AMORTIZATION	
15	110.1 Utility Plant in Service	
16	110.2 Utility Plant Leased to Others	
17	Total Accumulated Amortization	0
18	UTILITY PLANT ADJUSTMENTS	
19	114 Utility Plant Acquisition (Schedule 203)	(251,569)
20	115 Accumulated Amortization of Utility Plant Acquisition (Schedule 203)	167,637
21	116 Other Utility Plant	
22	Total Utility Plant Adjustments	(83,932)
23	TOTAL NET UTILITY PLANT	47,296,419
24	OTHER PROPERTY AND INVESTMENTS	
25	OTHER PROPERTY	
26	121 Non-Utility Property	
27	122 Accumulated Depreciation and Amortization of Non-Utility Property	
28	Total Other Property	0
29	INVESTMENTS	
30	123 Investments in Associated Companies	
31	124 Utility Investments	
32	125 Other Investments	
33	126 Sinking Funds	
34	127 Other Special Funds	
35	Total Investments	0
36	TOTAL OTHER PROPERTY AND INVESTMENTS	47,296,419

(Company Name)

Schedule 200. BALANCE SHEET (Continued)
ASSETS AND OTHER DEBITS

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	CURRENT AND ACCRUED ASSETS	
2	131.1 Cash on Hand	
3	131.2 Cash in Bank	(763)
4	132 Special Deposits (Interest and/or Dividends)	0
5	133 Other Special Deposits	
6	134 Working Funds	
7	135 Temporary Cash Investments	
8	141 Customer Accounts Receivable	0
9	142 Other Accounts Receivable	0
10	143 Accumulated Provision for Uncollectible Accounts-Credit	0
11	144 Notes Receivable	
12	145 Accounts Receivable from Associated Companies	
13	146 Notes Receivable from Associated Companies	
14	151 Plant Material and Supplies	
15	152 Merchandise	
16	153 Other Material and Supplies	
17	161 Stores Expense	
18	162 Prepayments	113,731
19	171 Accrued Interest and Dividends Receivable	
20	172 Rents Receivable	
21	173 Accrued Utility Revenues	
22	174 Miscellaneous Current and Accrued Assets	
23	TOTAL CURRENT AND ACCRUED ASSETS	112,968

24	DEFERRED DEBITS	
25	181 Unamortized Debt Discount and Expense	
26	182 Extraordinary Property Losses	
27	183 Preliminary Survey and Investigation Charges	
28	184 Clearing Accounts	
29	185 Temporary Facilities	
30	186.1 Deferred Rate Case Expense	0
31	186.2 Other Deferred Debits	777,185
32	186.3 Regulatory Assets	
33	187 Research and Development Expenditures	
34	190.1 Accumulated Deferred Federal Income Taxes	
35	190.2 Accumulated Deferred State Income Taxes	
36	190.3 Accumulated Deferred Local Income Taxes	
37	TOTAL DEFERRED DEBITS	777,185

38	TOTAL ASSETS AND OTHER DEBITS	48,186,572

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 200. BALANCE SHEET (Continued)
EQUITY CAPITAL AND LIABILITIES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	EQUITY CAPITAL	
2	201 Common Stock Issued	0
3	202 Common Stock Subscribed	
4	203 Common Stock Liability for Conversion	
5	204 Preferred Stock Issued	
6	205 Preferred Stock Subscribed	
7	206 Preferred Stock Liability for Conversion	
8	207 Premium on Capital Stock	
9	209 Reduction in Par or Stated Value of Capital Stock	
10	210 Gain on Resale or Cancellation of	
11	211 Other Paid-In Capital	0
12	212 Discount on Capital Stock	
13	213 Capital Stock Expense	
14	214 Appropriated Retained Earnings (Schedule 204)	
15	215 Unappropriated Retained Earnings (Schedule 204)	0
16	216 Reacquired Capital Stock	
17	218 Proprietary Capital (for proprietorships & partnerships only)	
18	TOTAL EQUITY CAPITAL	0
19	LONG-TERM DEBT	
20	221 Bonds (Schedule 205)	
21	222 Reacquired Bonds (Schedule 205)	
22	223 Advances from Associated Companies	
23	224 Other Long-Term Debt (Schedule 205)	
24	TOTAL LONG-TERM DEBT	
25	CURRENT AND ACCRUED LIABILITIES	
26	231 Accounts Payable	0
27	232 Notes Payable	
28	233 Accounts Payable to Associated Companies	0
29	234 Notes Payable to Associated Companies	0
30	235 Customers' Deposits-Billing	0
31	236.11 Accrued Taxes, Utility Operating Income, Taxes Other Than Income	0
32	236.12 Accrued Taxes, Utility Operating Income, Income Taxes	0
33	236.2 Accrued Taxes, Other Income and Deductions	
34	237.1 Accrued Interest on Long-Term Debt	0
35	237.2 Accrued Interest on Other Liabilities	
36	238 Accrued Dividends	
37	239 Matured Long-Term Debt	
38	240 Matured Interest	
39	241 Miscellaneous Current and Accrued Liabilities	
40	TOTAL CURRENT AND ACCRUED LIABILITIES	0

(Company Name)

Schedule 200. BALANCE SHEET (Continued)
EQUITY CAPITAL AND LIABILITIES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	DEFERRED CREDITS	
2	251 Unamortized Premium on Debt	
3	252 Advances for Construction	0
4	253.1 Other Deferred Credits, Regulatory Liabilities	0
5	253.2 Other Deferred Credits, Other Deferred Liabilities	0
6	255.1 Accumulated Deferred Investment Tax Credits, Utility Operations	
7	255.2 Accumulated Deferred Investment Tax Credits, Non-Utility Operations	0
8	TOTAL DEFERRED CREDITS	0
9	OPERATING RESERVES	
10	261 Property Insurance Reserve	
11	262 Injuries and Damages Reserve	
12	263 Pensions and Benefits Reserve	
13	265 Miscellaneous Operating Reserve	
14	TOTAL OPERATING RESERVES	
15	CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)	
16	271 Contributions in Aid of Construction (Schedule 206)	15,624,249
17	272 Accumulated Amortization of CIAC (Schedule 207)	(4,341,166)
18	TOTAL NET CIAC	11,283,083
19	ACCUMULATED DEFERRED INCOME TAXES	
20	281 Accelerated Amortization	
21	282 Liberalized Depreciation	
22	283 Other	
23	TOTAL ACCUMULATED DEFERRED INCOME TAXES	0
24	TOTAL EQUITY CAPITAL AND LIABILITIES	11,283,083

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 201. UTILITY PLANT-IN-SERVICE
Account No. 101

All amounts included in accounts for utility plant acquired as an operating unit or system shall be stated at a cost incurred by the person who first devoted the property to utility service.

Line No.	Account Number and Title (a)	Previous Year-End Balance (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Current Year-End Balance (f)
1	.1 INTANGIBLE PLANT					
2	351.1 Organization	36,430	(4,007)	0	0	32,423
3	352.1 Franchises	0	0	0	0	0
4	389.1 Other Plant and Miscellaneous Equipment	0	0	0	0	0
5	Total Intangible Plant	36,430	(4,007)	0	0	32,423
6	.2 COLLECTION PLANT					
7	353.2 Land and Land Rights	664	0	0	0	664
8	354.2 Structures and Improvements	35,544	(3,657)	0	0	31,886
9	355.2 Power Generation Equipment	7,473	0	0	0	7,473
10	360.2 Collection Sewers - Force	4,881,331	(1,006,335)	(42,928)	0	3,832,068
11	361.2 Collection Sewers - Gravity	16,651,521	(2,012,694)	(17,648)	0	14,621,180
12	362.2 Special Collecting Structures	53,757	0	0	0	53,757
13	363.2 Services to Customers	1,902,869	37,099	(54,791)	0	1,885,177
14	364.2 Flow Measuring Devices	50,437	(3,741)	0	0	46,696
15	365.2 Flow Measuring Installations	2,044	0	0	0	2,044
16	389.2 Other Plant and Miscellaneous Equipment	10,833	0	0	0	10,833
17	Total Collection Plant	23,596,472	(2,989,328)	(115,367)	0	20,491,777
18	.3 SYSTEM PUMPING PLANT					
19	353.3 Land and Land Rights	0	0	0	0	0
20	354.3 Structures and Improvements	3,768,880	(514,986)	(740)	0	3,253,153
21	355.3 Power Generation Equipment	47,763	0	0	0	47,763
22	370.3 Receiving Wells	602	0	0	0	602
23	371.3 Pumping Equipment	3,507,152	241,025	(198,895)	0	3,549,282
24	389.3 Other Plant and Miscellaneous Equipment	44,506	(2,874)	0	0	41,632
25	Total System Pumping Plant	7,368,903	(276,835)	(199,635)	0	6,892,432
26	.4 TREATMENT AND DISPOSAL PLANT					
27	353.4 Land and Land Rights	0	0	0	0	0
28	354.4 Structures and Improvements	3,530,514	19,219	(5,129)	0	3,544,604
29	355.4 Power Generation Equipment	33,612	0	0	0	33,612
30	380.4 Treatment and Disposal Equipment	17,074,482	(8,494)	(132,481)	0	16,933,507
31	381.4 Plant Sewers	323,057	6,664	(4,828)	0	324,893
32	382.4 Outfall Sewer Lines	296,632	(3,097)	0	0	293,535
33	389.4 Other Plant and Miscellaneous Equipment	20,507	(701)	0	0	19,806
34	Total Treatment and Disposal Plant	21,278,803	13,591	(142,438)	0	21,149,956
35	.5 RECLAIMED WATER TREATMENT PLANT					
36	353.5 Land and Land Rights	0	0	0	0	0
37	354.5 Structures and Improvements	1,125	10,915	(208)	0	11,832
38	355.5 Power Generation Equipment	0	0	0	0	0
39	371.5 Pumping Equipment	76,728	32,201	(2,947)	0	105,981
40	374.5 Reuse Distribution Reservoirs	5,312	(226)	0	0	5,086
41	380.5 Treatment and Disposal Equipment	1,541	0	0	0	1,541
42	381.5 Plant Sewers	3,877	0	0	0	3,877
43	389.5 Other Plant and Miscellaneous Equipment	1,720	0	0	0	1,720
44	Total Reclaimed Water Treatment Plant	90,303	42,889	(3,154)	0	130,038

CAROLINA WATER SERVICE, INC.
(Company Name)

FOR THE YEAR ENDED 2018

Schedule 201. UTILITY PLANT-IN-SERVICE (Continued)
Account No. 101

All amounts included in accounts for utility plant acquired as an operating unit or system shall be stated at a cost incurred by the person who first devoted the property to utility service.

Line No.	Account Number and Title (a)	Previous Year-End Balance (b)	Additions (c)	Retirements (d)	Adjustments +/- (e)	Current Year-End Balance (f)
1	.6 RECLAIMED WATER DISTRIBUTION PLANT					
2	352.6 Franchises	0	0	0	0	0
3	353.6 Land and Land Rights	0	0	0	0	0
4	354.6 Structures and Improvements	26,796	0	0	0	26,796
5	355.6 Power Generation Equipment	0	0	0	0	0
6	366.6 Reuse Services	0	0	0	0	0
7	367.6 Reuse Meter and Meter Installations	511	0	0	0	511
8	371.6 Pumping Equipment	50,924	23,622	(6,173)	0	68,372
9	375.6 Reuse Transmission and Distribution System	77,367	(1,550)	0	0	75,817
10	389.6 Other Plant and Miscellaneous Equipment	0	0	0	0	0
11	Total Reclaimed Water Distribution Plant	155,598	22,071	(6,173)	0	171,496
12	.7 GENERAL PLANT					
13	353.7 Land and Land Rights	105,435	(24,650)	0	0	80,785
14	354.7 Structures and Improvements	2,006,763	(14,336)	(289)	0	1,992,139
15	390.7 Office Furniture and Equipment	8,186	0	0	0	8,186
16	391.7 Transportation Equipment	0	0	0	0	0
17	392.7 Stores Equipment	723	0	0	0	723
18	393.7 Tools, Shop and Garage Equipment	197,606	(6,947)	0	0	190,659
19	394.7 Laboratory Equipment	44,663	2,839	(2,509)	0	44,992
20	395.7 Power Operated Equipment	13,165	1,262	(438)	0	13,988
21	396.7 Communication Equipment	4,199	0	0	0	4,199
22	397.7 Miscellaneous Equipment	70,617	0	0	0	70,617
23	398.7 Other Tangible Plant	2,302	(657)	0	0	1,646
24	Total General Plant	2,453,659	(42,489)	(3,237)	0	2,407,934
25	101 TOTAL UTILITY PLANT-IN-SERVICE	54,980,168	(3,234,108)	(470,005)	0	51,276,055

(Company Name)

Schedule 202. ACCUMULATED DEPRECIATION OF UTILITY PLANT-IN-SERVICE
Account No. 108.1

Report below an analysis of the changes in accumulated depreciation during the year for each plant category.

Line No.	Depreciated Property Item (a)	Previous Year-End Balance (b)	Credits		Debits		Current Year-End Balance (g)
			Depreciation Expense (c)	Salvage and Other Credits (d)	Plant Retired (e)	Cost of Removal and Other Debits (f)	
1	351 Organization	113,989	(491)	(45,114)	-		68,383
2	353 Land & Land Rights	-	-	-	-		-
3	354 Structure and Improvements	(978,933)	(130,514)	171,734	(6,366)		(944,080)
4	355 Power Generation Equipment	(10,216)	(1,333)	0	-		(11,549)
5	360 Collection Sewers - Force	(857,555)	(58,559)	325,555	(42,928)		(633,487)
6	361 Collection Sewers - Gravity	(3,503,715)	(223,450)	752,124	(17,648)		(2,992,689)
7	362 Special Collecting Structures	(2,858)	(806)	(0)	-		(3,665)
8	363 Services to Customers	126,117	(27,619)	78,722	(54,791)		122,428
9	364 Flow Measuring Devices	5,709	(705)	(1,761)	-		3,242
10	365 Flow Measuring Installations	(279)	(31)	0	-		(310)
11	366 Reuse Services	-	-	-	-		-
12	367 Reuse Meters and Meter Installations	(9)	(8)	-	-		(17)
13	370 Receiving Wells	(87)	(9)	-	-		(96)
14	371 Pumping Equipment	1,113,821	(53,301)	303,166	(208,015)		1,155,671
15	374 Reuse Distribution Reservoirs	(518)	(77)	29	-		(565)
16	375 Reuse Transmission and Distribution System	(5,643)	(1,136)	208	-		(6,572)
17	380 Treatment and Disposal Equipment	(1,983,120)	(252,447)	433,372	(132,481)		(1,934,677)
18	381 Plant Sewers	(14,922)	(4,892)	10,334	(4,828)		(14,308)
19	382 Outfall Sewer Lines	(47,184)	(4,396)	841	-		(50,739)
20	389 Other Plant and Misc. Equipment	(8,506)	(1,149)	527	-		(9,128)
21	390 Office Furniture and Equipment	(1,675)	(1,198)	52	-		(2,821)
22	391 Transportation Equipment		-	-	-		
23	392 Stores Equipment	(62)	(11)	(0)	-		(73)
24	393 Tools, Shop, and Garage Equipment	(18,131)	(2,867)	1,305	-		(19,693)
25	394 Laboratory Equipment	20,046	(669)	3,869	(2,509)		20,736
26	395 Power Operated Equipment	356	(202)	877	(438)		593
27	396 Communication Equipment	(1,140)	(63)	(0)	-		(1,203)
28	397 Miscellaneous Equipment	(4,754)	(1,059)	0	-		(5,814)
29	398 Other Tangible Plant	35	11	98	-		144
30	TOTAL ACCUMULATED DEPRECIATION OF UTILITY PLANT-IN-SERVICE	(6,059,235)	(766,983)	2,035,936	(470,005)	-	(5,260,286)

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 203. UTILITY PLANT ACQUISITION ADJUSTMENT
Account Nos. 114 and 115

Line No.	Description (a)	Amount (b)
1	Net Plant Book Value	
2	Less: Net Contributions	
3	Total Net Utility Plant Acquired	
4	Less: Purchase Price	
5	Total Utility Plant Acquisition Adjustment (Account No. 114)	(251,569)
6	Less: Accumulated Amortization of Utility Plant Acquisition (Account No. 115)	167,637
7	TOTAL NET UTILITY PLANT ACQUISITION ADJUSTMENT	(83,932)

Schedule 204. STATEMENT OF RETAINED EARNINGS
Account Nos. 214 and 215

Line No.	Account Number and Title (a)	Amount (b)
8	APPROPRIATED RETAINED EARNINGS	
9	Beginning of Year Balance	-
10	436 Appropriations of Retained Earnings	
11	437 Dividends Declared - Preferred Stock	
12	438 Dividends Declared - Common Stock	
13	214 TOTAL APPROPRIATED RETAINED EARNINGS	
14	UNAPPROPRIATED RETAINED EARNINGS	
15	Beginning of Year Balance	0
16	435 Balance Transferred from Income (Schedule 300)	0
17	439 Adjustments to Retained Earnings (per Waste Water report)	0
18	215 TOTAL UNAPPROPRIATED RETAINED EARNINGS	0
19	TOTAL RETAINED EARNINGS	0

Notes:

Retained Earnings are carried on Water Company

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 205. LONG-TERM DEBT - Account Nos. 221, 222, and 224
(Excluding Advances from Associated Companies)

Give below the particulars indicated of the long-term debt at end of year represented by unmatured obligations issued or assumed by the Company and group entries according to accounts and show the total for each account.

Line No.	Class and Series of Obligations (a)	Date of Issue (b)	Date of Maturity (c)	Principal Amount Authorized (d)	Outstanding Per Balance Sheet (e)	Interest For Year	
						% Rate (f)	Amount (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26	TOTAL LONG-TERM DEBT						

Schedule 206. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)
Account No. 271

Line No.	Description (a)	Amount (b)
1	Beginning of Year Balance	17,481,998
2	Credits Added During the Year:	
3	Contributions Received from Capacity, Main Extensions and Customer Connection Charges	(1,857,749)
4	Contributions Received from Developer or Contract Agreements in cash or property	0
5	Total Credits	
6	Less: Debits Charged During the Year	
7	TOTAL CONTRIBUTIONS IN AID OF CONSTRUCTION	15,624,249

Schedule 207. ACCUMULATED AMORTIZATION OF CIAC
Account No. 272

Line No.	Description (a)	Amount (b)
8	Beginning of Year Balance	4,658,965
9	Debits Charged During the Year: Accruals Charged to Account 272	(317,799)
10	Other Debits Charged During the Year (specify):	
11		
12		
13		
14	Total Debits	(317,799)
15	Credits Added During the Year (specify):	
16		
17		
18		
19	Total Credits	0
20	TOTAL ACCUMULATED AMORTIZATION OF CIAC	4,341,166
21	TOTAL NET CONTRIBUTIONS IN AID OF CONSTRUCTION	11,283,083

Schedule 300. INCOME STATEMENT REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	UTILITY OPERATING INCOME	
2	400 Total Utility Operating Revenues (Schedule 301)	10,375,959
3	UTILITY OPERATING EXPENSES	
4	401 Operating Expenses (Schedule 302)	8,068,938
5	403 Depreciation Expenses (Schedule 303)	766,983
6	406 Amortization of Utility Plant Acquisition Adjustments	
7	407.1 Amortization of Limited Term Plant	
8	407.2 Amortization of Property Losses	
9	407.3 Amortization of Other Utility Plant	(240,475)
10	407.4 Amortization of Regulatory Assets	
11	407.5 Amortization of Regulatory Liabilities	
12	408.10 Utility Regulatory Assessment Fee	
13	408.11 Property Taxes	1,238,065
14	408.12 Payroll Taxes	113,034
15	408.13 Other Taxes and Licenses	108,076
16	409.10 Federal Income Taxes, Utility Operating Income	(0)
17	409.11 State Income Taxes, Utility Operating Income	2
18	409.12 Local Income Taxes, Utility Operating Income	
19	410.10 Deferred Federal Income Taxes	(189,337)
20	410.11 Deferred State Income Taxes	(81,119)
21	410.12 Deferred Local Income Taxes	
22	411.10 Provision for Deferred Income Taxes - Credit, Utility Operating Income	
23	412.10 Investment Tax Credits Deferred to Future Periods, Utility Operations	
24	412.11 Investment Tax Credits, Restored to Operating income, Utility Operations	(3,881)
25	Total Utility Operating Expenses	9,780,285
26	TOTAL NET UTILITY OPERATING INCOME (LOSS)	595,674
27	OTHER OPERATING INCOME (LOSS)	
28	413 Income from Utility Plant Leased to Others	
29	414 Gains (Losses) from Disposition of Utility Property	194,038
30	Total Other Operating Income (Loss)	194,038
31	OTHER INCOME AND DEDUCTIONS	
32	415 Revenues from Merchandising, Jobbing and Contract Work	
33	416 Costs and Expenses of Merchandising, Jobbing and Contract Work	
34	419 Interest and Dividend Income	
35	420 Allowance for Funds Used During Construction (AFUDC)	
36	421 Non-Utility Income	
37	426 Miscellaneous Non-Utility Expenses	
38	TOTAL OTHER INCOME AND DEDUCTIONS	

Schedule 300. INCOME STATEMENT (Continued)
REVENUES AND EXPENSES

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS	
2	408.20 Taxes Other Than Income, Other Income and Deductions	
3	409.20 Income Taxes, Other Income and Deductions	
4	410.20 Provision for Deferred Income Taxes, Other Income and Deductions	
5	411.20 Provisions for Deferred Income Taxes, Credit, Other Income and Deductions	
6	412.20 Investment Tax Credits, Net, Non-Utility Operations	
7	412.30 Investment Tax Credits Restored to Non-Operating Income, Utility Operations	
8	TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUC.	0
9	INTEREST EXPENSE	
10	427.1 Interest on Debt to Associated Companies	
11	427.2 Interest on Short-Term Debt	8,773
12	427.3 Interest on Long-Term Debt	
13	427.4 Interest on Customer Deposits	
14	427.5 Interest - Other	693,916
15	428 Amortization of Debt Discount and Expense	
16	429 Amortization of Premium on Debt	
17	TOTAL INTEREST EXPENSE	702,689
18	EXTRAORDINARY ITEMS	
19	433 Extraordinary Income	
20	434 Extraordinary Deductions	
21	409.30 Income Taxes, Extraordinary Items	
22	TOTAL EXTRAORDINARY ITEMS	0
23	NET INCOME (LOSS)	(301,053)

SCHEDULE 301. OPERATING REVENUES
Account No. 400

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	WASTEWATER SALES REVENUE	
2	521 Flat Rate Revenues - General Customers	
3	521.1 Residential	8,720,287
4	521.2 Commercial	1,405,039
5	521.3 Industrial	
6	521.4 Public Authorities	
7	521.5 Multiple Family Dwelling Revenues	
8	521.6 Other Revenues (Availability)	
9	Total Flat Rate (Unmetered) Revenues	10,125,326
10	522 Measured Revenues - General Customers	
11	522.1 Residential	-
12	522.2 Commercial	-
13	522.3 Industrial	
14	522.4 Public Authorities	
15	522.5 Multiple Family Dwellings Revenues	
16	Total Measured Revenues	-
17	523 Revenues from Public Authorities	
18	524 Revenues from Other Systems	
19	525 Interdepartmental Revenues	
20	TOTAL WASTEWATER SALES REVENUE	10,125,326
21	OTHER WASTEWATER REVENUES	
22	530 Guaranteed Revenues	
23	531 Sale of Biosolids	(191)
24	532 Forfeited Discounts	78,049
25	534 Rents from Wastewater Property	
26	535 Interdepartmental Rents	
27	536 Other Wastewater Revenues	172,775
28	TOTAL OTHER WASTEWATER REVENUES	250,633
29	RECLAIMED WATER SALES	
30	540 Flat Rate Reuse Revenues	
31	540.1 Residential Reuse Revenues	
32	540.2 Commercial Reuse Revenues	
33	540.3 Industrial Reuse Revenues	
34	540.4 Reuse Revenues from Public Authorities	
35	540.5 Other Revenues	
36	541 Measured Reuse Revenue	
37	541.1 Residential Reuse Revenues	
38	541.2 Commercial Reuse Revenues	
39	541.3 Industrial Reuse Revenues	
40	541.4 Reuse Revenues from Public Authorities	
41	544 Reuse Revenues from Other Systems	
42	TOTAL RECLAIMED WATER SALES	-
43	400 TOTAL OPERATING REVENUES	10,375,959

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

**Schedule 302. OPERATING EXPENSES
OPERATION AND MAINTENANCE**

Account No. 401

Line No.	Account Number and Title (a)	Current Year- End Balance (b)
1	COLLECTION EXPENSES	
2	701 Salaries and Wages - Employees	
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders	
4	704 Employee Pensions and Benefits	
5	715 Purchased Power	
6	716 Fuel for Power Production	
7	718 Chemicals	
8	720 Materials and Supplies	
9	731 Contractual Services - Engineering	
10	732 Contractual Services - Accounting	
11	733 Contractual Services - Legal	
12	734 Contractual Services - Management Fees	
13	735 Contractual Services - Testing	
14	736 Contractual Services - Other	
15	741 Rental of Building/Real Property	
16	742 Rental of Equipment	
17	750 Transportation Expenses	
18	756 Insurance - Vehicle	
19	757 Insurance - General Liability	
20	758 Insurance - Workman's Compensation	
21	759 Insurance - Other	
22	767 Regulatory Commission Expense - Other	
23	775 Miscellaneous Expenses	
24	TOTAL COLLECTION EXPENSES	0

25	PUMPING EXPENSES	
26	701 Salaries and Wages - Employees	
27	703 Salaries and Wages-Officers, Directors and Majority Stockholders	
28	704 Employee Pensions and Benefits	
29	715 Purchased Power	
30	716 Fuel for Power Production	
31	718 Chemicals	
32	720 Materials and Supplies	
33	731 Contractual Services - Engineering	
34	732 Contractual Services - Accounting	
35	733 Contractual Services - Legal	
36	734 Contractual Services - Management Fees	
37	735 Contractual Services - Testing	
38	736 Contractual Services - Other	
39	741 Rental of Building/Real Property	
40	742 Rental of Equipment	
41	750 Transportation Expenses	
42	756 Insurance - Vehicle	
43	757 Insurance - General Liability	
44	758 Insurance - Workman's Compensation	
45	759 Insurance - Other	
46	767 Regulatory Commission Expense - Other	
47	775 Miscellaneous Expenses	
48	TOTAL PUMPING EXPENSES	0

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 302. OPERATING EXPENSES (Continued)**OPERATION AND MAINTENANCE****Account No. 401**

Line No.	Account Number and Title (a)	Current Year- End Balance (b)
1	TREATMENT AND DISPOSAL EXPENSES	
2	701 Salaries and Wages - Employees	
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders	
4	704 Employee Pensions and Benefits	
5	710 Purchased Wastewater Treatment	1,269,581
6	711 Sludge Removal Expense	1,213,643
7	715 Purchased Power	531,717
8	716 Fuel for Power Production	
9	718 Chemicals	190,844
10	720 Materials and Supplies	470,287
11	731 Contractual Services - Engineering	
12	732 Contractual Services - Accounting	
13	733 Contractual Services - Legal	
14	734 Contractual Services - Management Fees	
15	735 Contractual Services - Testing	182,293
16	736 Contractual Services - Other	
17	741 Rental of Building/Real Property	
18	742 Rental of Equipment	
19	750 Transportation Expenses	
20	756 Insurance - Vehicle	
21	757 Insurance - General Liability	
22	758 Insurance - Workman's Compensation	
23	759 Insurance - Other	
24	767 Regulatory Commission Expense - Other	
25	775 Miscellaneous Expenses	543,353
26	TOTAL TREATMENT AND DISPOSAL EXPENSES	4,401,717

CAROLINA WATER SERVICE, INC.**FOR THE YEAR ENDED 2018**

(Company Name)

Schedule 302. OPERATING EXPENSES (Continued)**OPERATION AND MAINTENANCE****Account No. 401**

Line No.	Account Number and Title (a)	Current Year- End Balance (b)
1	RECLAIMED WATER TREATMENT EXPENSES	
2	701 Salaries and Wages - Employees	
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders	
4	704 Employee Pension and Benefits	
5	715 Purchased Power	
6	716 Fuel for Power Production	
7	718 Chemicals	
8	720 Materials and Supplies	
9	731 Contractual Services - Engineering	
10	732 Contractual Services - Accounting	
11	733 Contractual Services - Legal	
12	734 Contractual Services - Management Fees	
13	735 Contractual Services - Testing	
14	736 Contractual Services - Other	
15	741 Rental of Building/Real Property	
16	742 Rental of Equipment	
17	750 Transportation Expenses	
18	756 Insurance - Vehicle	
19	757 Insurance - General Liability	
20	758 Insurance - Workman's Compensation	
21	759 Insurance - Other	
22	767 Regulatory Commission Expenses- Other	
23	775 Miscellaneous Expenses	
24	TOTAL RECLAIMED WATER TREATMENT EXP.	0
25	TOTAL OPERATION AND MAINTENANCE EXPENSES	4,401,717

CAROLINA WATER SERVICE, INC.

FOR THE YEAR ENDED 2018

(Company Name)

Schedule 302. OPERATING EXPENSES (Continued)
CUSTOMER AND ADMINISTRATIVE AND GENERAL
Account No. 401

Line No.	Account Number and Title (a)	Current Year-End Balance (b)
1	CUSTOMER ACCOUNTS	
2	701 Salaries and Wages - Employees	
3	703 Salaries and Wages-Officers, Directors and Majority Stockholders	
4	704 Employee Pensions and Benefits	
5	715 Purchased Power	
6	716 Fuel for Power Production	
7	720 Materials and Supplies	
8	731 Contractual Services - Engineering	
9	732 Contractual Services - Accounting	
10	733 Contractual Services - Legal	
11	734 Contractual Services - Management Fees	
12	735 Contractual Services - Testing	
13	736 Contractual Services - Other	
14	741 Rental of Building/Real Property	
15	742 Rental of Equipment	
16	750 Transportation Expenses	
17	756 Insurance - Vehicle	
18	757 Insurance - General Liability	
19	758 Insurance - Workman's Compensation	
20	759 Insurance - Other	
21	767 Regulatory Commission Expense - Other	
22	770 Bad Debt Expense	96,740
23	775 Miscellaneous Expenses	0
24	TOTAL CUSTOMER ACCOUNTS	96,740
25	ADMINISTRATIVE AND GENERAL EXPENSES	
26	701 Salaries and Wages - Employees	1,427,851
27	703 Salaries and Wages - Officers, Directors, and Majority Stockholders	
28	704 Employee Pension and Benefits	367,642
29	715 Purchased Power	
30	716 Fuel for Power Production	
31	720 Materials and Supplies	315,500
32	731 Contractual Services - Engineering	725
33	732 Contractual Services - Accounting	30,119
34	733 Contractual Services - Legal	35,300
35	734 Contractual Services - Management Fees	222,012
36	735 Contractual Services - Testing	
37	736 Contractual Services - Other	111,742
38	741 Rental of Building/Real Property	17,411
39	742 Rental of Equipment	21,845
40	750 Transportation Expenses	113,046
41	756 Insurance - Vehicle	0
42	757 Insurance - General Liability	114,507
43	758 Insurance - Workman's Compensation	0
44	759 Insurance - Other	29,037
45	760 Advertising Expense	434
46	766 Regulatory Commission Expenses- Amort. Of Rate Case Exp.	73,677
47	767 Regulatory Commission Expenses- Other	13,149
48	775 Miscellaneous Expenses	676,484
49	TOTAL ADMINISTRATIVE AND GENERAL	3,570,481
50	401 TOTAL OPERATING EXPENSES	8,068,938

(Company Name)

**Schedule 303. BASIS FOR DEPRECIATION CHARGES BY
PRIMARY ACCOUNTS
Account No. 403**

Line No.	Description of Property (a)	Original Cost (b)	Approved Depreciation Rates * (c)	Annual Depreciation (d)
1	351 Organization	32,423	1.50%	491
2	353 Land & Land Rights	81,449	0.00%	0
3	354 Structure and Improvements	8,860,410	1.50%	130,514
4	355 Power Generation Equipment	88,848	1.50%	1,333
5	360 Collection Sewers - Force	3,832,068	1.50%	58,559
6	361 Collection Sewers - Gravity	14,621,180	1.50%	223,450
7	362 Special Collecting Structures	53,757	1.50%	806
8	363 Services to Customers	1,885,177	1.50%	27,619
9	364 Flow Measuring Devices	46,696	1.50%	705
10	365 Flow Measuring Installations	2,044	1.50%	31
11	366 Reuse Services	0	1.50%	0
12	367 Reuse Meters and Meter Installations	511	1.50%	8
13	370 Receiving Wells	602	1.50%	9
14	371 Pumping Equipment	3,723,635	1.50%	53,301
15	374 Reuse Distribution Reservoirs	5,086	1.50%	77
16	375 Reuse Transmission and Distribution System	75,817	1.50%	1,136
17	380 Treatment and Disposal Equipment	16,935,048	1.50%	252,447
18	381 Plant Sewers	328,770	1.50%	4,892
19	382 Outfall Sewer Lines	293,535	1.50%	4,396
20	389 Other Plant and Misc. Equipment	76,415	1.50%	1,149
21	390 Office Furniture and Equipment	8,186	1.50%	1,198
22	391 Transportation Equipment	0	20.00%	
23	392 Stores Equipment	723	1.50%	11
24	393 Tools, Shop, and Garage Equipment	190,659	1.50%	2,867
25	394 Laboratory Equipment	44,992	1.50%	669
26	395 Power Operated Equipment	13,988	1.50%	202
27	396 Communication Equipment	4,199	1.50%	63
28	397 Miscellaneous Equipment	70,617	1.50%	1,059
29	398 Other Tangible Plant	(778)	1.50%	(11)
30	TOTALS	51,276,055		766,983

* Use Straight-line depreciation rates as approved by the Commission.
Do not use Tax Depreciation Rates.



SOUTH CAROLINA PUBLIC SERVICE COMMISSION
and
SOUTH CAROLINA OFFICE OF REGULATORY STAFF
GROSS RECEIPTS FOR THE TWELVE (12) MONTHS ENDING JUNE 30, 2019
(Please correct preprinted information as required)



Blue Granite Water Company (as of 1/15/2019)

~~Carolina Water Service, Inc.~~

Company Name (as shown on Certificate)

FEIN



List d/b/a and/or f/k/a aliases

130 S Main St, Ste 800

Greenville

SC

29601

Address

City

State

Zip Code

Katherine Poston, Senior Financial Analyst

864-992-1930

kposton@uiwater.com

Regulatory Contact

Area Code & Phone Number

E-Mail

INTRASTATE GROSS RECEIPTS

Revenues Derived Via South Carolina Operations from:

Water Revenues	(Water)	\$11,868,921.71
Sewer Revenues	(Sewer)	\$10,929,932.58
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

\$ 22,798,854.29

Preparer's Signature

Date

Affidavit

State of **South Carolina**

County of **Greenville**

Personally appeared before me **Robert Hunter** who, being duly sworn, says that he/she is the **Director, Financial Planning & Analysis** of **Blue Granite Water Company** (Company) and that the foregoing statement, for the twelve (12) months ending **June 30, 2019**, 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

15th

day of **July**

, 20 **19**

Katherine Poston

Notary Public

My commission expires

2-8-2029

Return completed form to:

South Carolina Office of Regulatory Staff
Attention: Gross Receipts Department
1401 Main Street, Suite 900
Columbia, SC 29201

Return Deadline is August 31, 2019

Failure to timely complete and submit this form could result in the loss of your license, authority or certificate to operate in South Carolina.



REGRE - 08/2018

EXHIBIT F

Proposed Refunds Surcharges TCJA and Storm Reserve Funds

Blue Granite Water Company - Consolidated**Exhibit F - All Service Territories****Calculation of Storm Reserve Fund Charge and TCJA One-Time Credit****Page 1 of 1****Test Year Ended June 30, 2019****Storm Reserve Fund**

Fund Balance Threshold	\$	200,000
Total Customer Bills		<u>378,611</u>
Monthly Charge per Account	\$	0.53

TCJA - Tax Expense Overcollection Credit

1/1/18-6/28/18 Overcollection	\$	(335,713)
Total Pro-Forma Customer Bills		<u>31,551</u>
One-Time Credit per Account	\$	(10.64)

EXHIBIT G

Current Proposed Depreciation and Amortization Rates

Blue Granite Water Company - Consolidated
Current and Proposed Depreciation and Amortization Rates
Test Year Ended June 30, 2019

Exhibit G - All Service Territories
Page 1 of 4

Account No.	Item	Current Depreciation Rate	Proposed Depreciation Rate
PIS Water			
1020	ORGANIZATION	1.50%	1.50%
1025	FRANCHISES	1.50%	1.50%
1050	STRUCT & IMPRV SRC SUPP	1.50%	2.76%
1055	STRUCT & IMPRV WTR TRT	1.50%	2.61%
1060	STRUCT & IMPRV TRANS DI	1.50%	2.19%
1065	STRUCT & IMPRV GEN PLT	1.50%	2.26%
1080	WELLS & SPRINGS	1.50%	3.85%
1085	INFILTRATION GALLERY	1.50%	1.50%
1090	SUPPLY MAINS	1.50%	1.91%
1100	ELECTRIC PUMP EQUIP SRC	1.50%	4.53%
1105	ELECTRIC PUMP EQUIP WTP	1.50%	5.00%
1110	ELECTRIC PUMP EQUIP TRA	1.50%	4.76%
1115	WATER TREATMENT EQPT	1.50%	6.77%
1120	DIST RESV & STANDPIPES	1.50%	4.40%
1125	TRANS & DISTR MAINS	1.50%	1.85%
1130	SERVICE LINES	1.50%	7.00%
1135	METERS	1.50%	6.07%
1140	METER INSTALLATIONS	1.50%	5.13%
1145	HYDRANTS	1.50%	2.47%
1150	BACKFLOW PREVENTION DEV	1.50%	5.06%
1155	OTH PLT&MISC EQUIP INTA	1.50%	4.56%
1160	OTH PLT&MISC EQUIP SRC	1.50%	2.67%
1165	OTH PLT&MISC EQUIP WTP	1.50%	3.28%
1170	OTH PLT&MISC EQUIP TRAN	1.50%	4.19%
1175	OFFICE STRUCT & IMPRV	1.50%	2.24%
1180	OFFICE FURN & EQPT	1.50%	13.03%
1190	TOOL SHOP & MISC EQPT	1.50%	10.11%
1195	LABORATORY EQUIPMENT	1.50%	10.72%
1200	POWER OPERATED EQUIP	1.50%	8.93%
1205	COMMUNICATION EQPT	1.50%	23.35%
1210	MISC EQUIPMENT	1.50%	6.14%
1220	OTHER TANGIBLE PLT WATE	1.50%	7.56%
1555	TRANSPORTATION EQPT WTR	20.00%	2.90%
1560	TRANSPORTATION EQPT SWR	20.00%	2.90%
1575	DESKTOP COMPUTER WTR	33.33%	33.33%
1580	MAINFRAME COMPUTER WTR	20.00%	20.00%
1585	MINI COMPUTERS WTR	33.33%	33.33%
1590	COMP SYS COST WTR	12.50%	12.50%
1595	MICRO SYS COST WTR	33.33%	33.33%

Blue Granite Water Company - Consolidated
Current and Proposed Depreciation and Amortization Rates
Test Year Ended June 30, 2019

Exhibit G - All Service Territories
Page 2 of 4

Account No.	Item	Current Depreciation Rate	Proposed Depreciation Rate
PIS Sewer			
1245	ORGANIZATION	1.50%	1.50%
1250	FRANCHISES INTANG PLT	1.50%	1.50%
1255	FRANCHISES RECLAIM WTR	1.50%	1.50%
1290	STRUCT/IMPRV COLL PLT	1.50%	3.68%
1295	STRUCT/IMPRV PUMP PLT L	1.50%	2.85%
1300	STRUCT/IMPRV TREAT PLT	1.50%	2.34%
1305	STRUCT/IMPRV RECLAIM WT	1.50%	2.24%
1310	STRUCT/IMPRV RECLAIM WT	1.50%	3.41%
1315	STRUCT/IMPRV GEN PLT	1.50%	2.15%
1320	POWER GEN EQUIP COLL PL	1.50%	4.17%
1325	POWER GEN EQUIP PUMP PL	1.50%	4.08%
1330	POWER GEN EQUIP TREAT P	1.50%	4.17%
1345	SEWER FORCE MAIN	1.50%	1.98%
1350	SEWER GRAVITY MAIN	1.50%	1.78%
1353	MANHOLES	1.50%	3.37%
1355	SPECIAL COLL STRUCTURES	1.50%	2.16%
1360	SERVICES TO CUSTOMERS	1.50%	3.86%
1365	FLOW MEASURE DEVICES	1.50%	5.50%
1370	FLOW MEASURE INSTALL	1.50%	5.14%
1375	RECEIVING WELLS	1.50%	2.99%
1380	PUMPING EQUIPMENT PUMP	1.50%	4.77%
1385	PUMPING EQUIPMENT RECLA	1.50%	5.79%
1390	PUMPING EQUIPMENT RCL W	1.50%	5.49%
1395	TREAT/DISP EQUIP LAGOON	1.50%	3.63%
1400	TREAT/DISP EQUIP TRT PL	1.50%	4.73%
1405	TREAT/DISP EQUIP RCL WT	1.50%	3.31%
1410	PLANT SEWERS TRTMT PLT	1.50%	5.50%
1415	PLANT SEWERS RECLAIM WT	1.50%	5.88%
1420	OUTFALL LINES	1.50%	2.17%
1425	OTHER PLT TANGIBLE	1.50%	7.76%
1430	OTHER PLT COLLECTION	1.50%	6.01%
1435	OTHER PLT PUMP	1.50%	7.58%
1440	OTHER PLT TREATMENT	1.50%	7.63%
1445	OTHER PLT RECLAIM WTR T	1.50%	7.79%
1455	OFFICE STRUCT & IMPRV	1.50%	2.25%
1460	OFFICE FURN & EQPT	1.50%	6.62%
1465	STORES EQUIPMENT	1.50%	6.22%
1470	TOOL SHOP & MISC EQPT	1.50%	5.69%
1475	LABORATORY EQPT	1.50%	6.18%
1480	POWER OPERATED EQUIP	1.50%	5.42%
1485	COMMUNICATION EQPT	1.50%	15.24%
1490	MISC EQUIP SEWER	1.50%	6.74%
1500	OTHER TANGIBLE PLT SEWE	1.50%	7.56%
1530	REUSE MTR/INSTALLATIONS	1.50%	5.13%
1535	REUSE DIST RESERVOIRS	1.50%	4.40%
1540	REUSE TRANSMISSION & DIST	1.50%	1.85%
1555	TRANSPORTATION EQPT WTR	20.00%	2.90%
1560	TRANSPORTATION EQPT SWR	20.00%	2.90%
1575	DESKTOP COMPUTER WTR	33.33%	33.33%
1580	MAINFRAME COMPUTER WTR	20.00%	20.00%
1585	MINI COMPUTERS WTR	33.33%	33.33%
1590	COMP SYS COST WTR	12.50%	12.50%
1595	MICRO SYS COST WTR	33.33%	33.33%

Blue Granite Water Company - Consolidated
Current and Proposed Depreciation and Amortization Rates
Test Year Ended June 30, 2019

Exhibit G - All Service Territories
Page 3 of 4

Account No.	Item	Current Amortization Rate	Proposed Amortization Rate
CIAC Water			
3255	CIAC-ORGANIZATION	1.50%	1.50%
3260	CIAC-FRANCHISES	1.50%	1.50%
3265	CIAC-STRUCT & IMPRV SRC	1.50%	2.76%
3270	CIAC-STRUCT & IMPRV WTP	1.50%	2.61%
3275	CIAC-STRUCT & IMPRV TRA	1.50%	2.19%
3280	CIAC-STRUCT & IMPRV GEN	1.50%	2.26%
3295	CIAC-WELLS & SPRINGS	1.50%	3.85%
3300	CIAC-INFILTRATION GALLE	1.50%	1.50%
3305	CIAC-SUPPLY MAINS	1.50%	1.91%
3315	CIAC-ELEC PUMP EQP SRC	1.50%	4.53%
3320	CIAC-ELEC PUMP EQP WTP	1.50%	5.00%
3325	CIAC-ELEC PUMP EQP TRAN	1.50%	4.76%
3330	CIAC-WATER TREATMENT EQ	1.50%	6.77%
3335	CIAC-DIST RESV & STANDP	1.50%	4.40%
3340	CIAC-TRANS & DISTR MAIN	1.50%	1.85%
3345	CIAC-SERVICE LINES	1.50%	7.00%
3350	CIAC-METERS	1.50%	6.07%
3355	CIAC-METER INSTALLS	1.50%	5.13%
3360	CIAC-HYDRANTS	1.50%	2.47%
3365	CIAC-BACKFLOW PREVENT D	1.50%	5.06%
3370	CIAC-OTH PLT&MISC EQP I	1.50%	4.56%
3375	CIAC-OTH PLT&MISC EQP S	1.50%	2.67%
3380	CIAC-OTH PLT&MISC EQP W	1.50%	3.28%
3385	CIAC-OTH PLT&MISC EQP D	1.50%	4.19%
3390	CIAC-OFFICE STRUCTURE	1.50%	2.24%
3395	CIAC-OFFICE FURN/EQPT	1.50%	13.03%
3400	CIAC-STORES EQUIPMENT	1.50%	1.50%
3405	CIAC-TOOL SHOP & MISC E	1.50%	10.11%
3410	CIAC-LABORATORY EQUIPME	1.50%	10.72%
3415	CIAC-POWER OPERATED EQU	1.50%	8.93%
3420	CIAC-COMMUNICATION EQPT	1.50%	23.35%
3425	CIAC-MISC EQUIPMENT	1.50%	6.14%
3430	CIAC-OTHER TANGIBLE PLT	1.50%	7.56%
3435	CIAC-WATER-TAP	1.50%	5.13%
3440	CIAC-WTR MGMT FEE	1.50%	5.13%
3450	CIAC-WTR PLT MOD FEE	1.50%	2.26%
3455	CIAC-WTR PLT MTR FEE	1.50%	6.07%

Blue Granite Water Company - Consolidated
Current and Proposed Depreciation and Amortization Rates
Test Year Ended June 30, 2019

Exhibit G - All Service Territories
Page 4 of 4

Account No.	Item	Current Amortization Rate	Proposed Amortization Rate
CIAC Sewer			
3480	CIAC-ORGANIZATION	1.50%	1.50%
3485	CIAC-FRANCHISES INTANG	1.50%	1.50%
3490	CIAC-FRANCHISES RCLM WT	1.50%	1.50%
3495	CIAC-STRUCT/IMPRV COLL	1.50%	3.68%
3500	CIAC-STRUCT/IMPRV PUMP	1.50%	2.85%
3505	CIAC-STRUCT/IMPRV TREAT	1.50%	2.34%
3510	CIAC-STRUCT/IMPRV RCLM	1.50%	2.24%
3515	CIAC-STRUCT/IMPRV RCLM	1.50%	3.41%
3520	CIAC-STRUCT/IMPRV GEN P	1.50%	2.15%
3525	CIAC-POWER GEN EQUIP CO	1.50%	4.17%
3530	CIAC-POWER GEN EQUIP PU	1.50%	4.08%
3535	CIAC-POWER GEN EQUIP TR	1.50%	4.17%
3550	CIAC-SEWER FORCE MAIN	1.50%	1.98%
3555	CIAC-SEWER GRAVITY MAIN	1.50%	1.78%
3557	CIAC-MANHOLES	1.50%	3.37%
3560	CIAC-SPECIAL COLL STRUC	1.50%	2.16%
3565	CIAC-SERVICES TO CUSTOM	1.50%	3.86%
3570	CIAC-FLOW MEASURE DEVIC	1.50%	5.50%
3575	CIAC-FLOW MEASURE INSTA	1.50%	5.14%
3580	CIAC-RECEIVING WELLS	1.50%	2.99%
3585	CIAC-PUMP EQP PUMP PLT	1.50%	4.77%
3590	CIAC-PUMP EQP RCLM WTP	1.50%	5.79%
3595	CIAC-PUMP EQP RCLM DIST	1.50%	5.49%
3600	CIAC-TREAT/DISP EQUIP L	1.50%	3.63%
3605	CIAC-TREAT/DISP EQUIP T	1.50%	4.73%
3610	CIAC-TREAT/DISP EQUIP R	1.50%	3.31%
3615	CIAC-PLANT SEWERS TRTMT	1.50%	5.50%
3620	CIAC-PLANT SEWERS RCLM	1.50%	5.88%
3625	CIAC-OUTFALL LINES	1.50%	2.17%
3630	CIAC-OTHER PLT TANGIBLE	1.50%	7.76%
3635	CIAC-OTHER PLT COLLECTI	1.50%	6.01%
3640	CIAC-OTHER PLT PUMP	1.50%	7.58%
3645	CIAC-OTHER PLT TREATMEN	1.50%	7.63%
3650	CIAC-OTHER PLT RCLM WTR	1.50%	7.79%
3660	CIAC-OFFICE STRUCTURE	1.50%	2.25%
3665	CIAC-OFFICE FURN/EQPT	1.50%	6.62%
3670	CIAC-STORES EQUIPMENT	1.50%	6.22%
3675	CIAC-TOOL SHOP & MISC E	1.50%	5.69%
3680	CIAC-LABORATORY EQPT	1.50%	6.18%
3685	CIAC-POWER OPERATED EQU	1.50%	5.42%
3690	CIAC-COMMUNICATION EQPT	1.50%	15.24%
3695	CIAC-MISC EQUIP SEWER	1.50%	6.74%
3700	CIAC-OTHER TANGIBLE PLT	1.50%	7.56%
3705	CIAC-SEWER-TAP	1.50%	3.86%
3710	CIAC-SWR MGMT FEE	1.50%	3.86%
3720	CIAC-SWR PLT MOD FEE	1.50%	2.15%
3725	CIAC-SWR PLT MTR FEE	1.50%	3.86%

EXHIBIT H

Proposed Notice to Customers and Proposed Newspaper Notice

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**CLERK'S OFFICE****NOTICE OF FILING AND HEARING AND PREFILE TESTIMONY DEADLINES**
(Notice to Customers)**DOCKET NO. 2019-290-WS****Application of Blue Granite Water Company for Approval to
Adjust Its Rate Schedules and Increase Rates**

On September 30, 2019, Blue Granite Water Company ("Blue Granite" or the "Company") filed with the Public Service Commission of South Carolina ("Commission") an application requesting authority to adjust its rate schedules and to increase its rates ("Application"). The Application was filed pursuant to S.C. Code Ann. §§ 58-5-210, 58-5-220, and 58-5-240 and S.C. Code Ann. Regs. 103-503, 103-703, and 103-823.

In its Application, the Company states that recent major capital projects needed to improve service to customers, increases in costs for third-party purchased water and wastewater treatment, increases in property taxes related to capital investment, and updates to depreciation rates, have made it necessary to request a net increase in retail revenues. The Company has invested approximately \$23 million in its water and wastewater infrastructure since the last rate case, filed in November 2017. Blue Granite's request includes a one-time credit to customers resulting from the federal Tax Cuts and Jobs Act in the amount of \$10.64. Blue Granite also proposes to implement annual rate adjustment procedures for Purchased Water Charges and Purchased Wastewater Treatment Charges, and for authority to continue to defer the Company's purchased water and wastewater treatment expenses (above or below the amounts reflected in rates) caused by changes in third party provider rates, until such expenses are reflected in rates. The Company also makes other requests in its Application, including authority to defer costs related to the decommissioning of certain assets, to establish a storm reserve fund, to include in its tariff the treatment of taxes on contributions in aid of construction, to change its pumping charge for solids interceptor tanks to reflect actual costs, and to implement an opt-in "Round Up" program to assist customers in need.

Blue Granite seeks to recover additional annual revenues of \$4,744,305 or 20.27% resulting from third-party purchased water and wastewater treatment, and \$6,987,498 or 29.85% resulting primarily from investments in infrastructure needed to serve customers. This results in an annual revenue increase for Service Territory 1 Water of \$3,636,850, for Service Territory 2 Water of \$1,939,107, and for Consolidated Sewer of \$6,155,846. Blue Granite also proposes to separately bill for and receive annual revenues to recover third-party purchased water and wastewater treatment costs. Applicable water service customers are designated as "Distribution Only", and applicable sewer service customers are designated as "Collection Only" in the proposed tariff rates below:

SCHEDULE OF PROPOSED RATES AND CHARGES

WATER

Service Territory 1

Monthly Charges - Water Supply Customers Only

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
Base Facilities Charge	\$ 14.38 per unit	\$ 22.09 per unit
Commodity Charge	\$ 5.59 per 1,000 gal. or 134 cft.	\$ 8.59 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter *	\$ 14.38 per unit	\$ 22.09 per unit
3/4" meter	\$ 14.38 per unit	\$ 22.09 per unit
1" meter	\$ 37.43 per unit	\$ 55.24 per unit
1.5" meter	\$ 74.86 per unit	\$ 110.47 per unit
2" meter	\$ 119.78 per unit	\$ 176.76 per unit
3" meter	\$ 224.59 per unit	\$ 331.42 per unit
4" meter	\$ 374.42 per unit	\$ 552.37 per unit
8" meter	\$1,150.51 per unit	\$1,767.59 per unit

Commercial Commodity Charge	\$ 5.59 per 1,000 gal. or 134 cft.	\$ 8.59 per 1,000 gal. or 134 cft.

Monthly Charges – Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$14.38 per unit	\$22.09 per unit
Residential Distribution Charge	\$ 7.55 per 1,000 gal. or 134 cft.	\$ 4.75 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 6.85 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter *	\$ 14.38 per unit	\$ 22.09 per unit
3/4" meter	\$ 14.38 per unit	\$ 22.09 per unit
1" meter	\$ 37.43 per unit	\$ 55.24 per unit
1.5" meter	\$ 74.86 per unit	\$ 110.47 per unit
2" meter	\$ 119.78 per unit	\$ 176.76 per unit

****(Please see full Application on the Commission's website @psc.sc.gov)****

3" meter	\$ 224.59 per unit	\$ 331.42 per unit
4" meter	\$ 374.42 per unit	\$ 552.37 per unit
8" meter	\$1,150.51 per unit	\$1,767.59 per unit
Commercial Distribution Charge	\$ 7.55 per 1,000 gal. or 134 cft.	\$ 4.75 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 6.85 per 1,000 gal. or 134 cft.

Purchased Water Expense Rate Adjustment Mechanism

"Water Distribution Customers Only" for Water Service Territory 1 are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased water provider rate changes.

The commodity rate adjustment is calculated using customer and consumption data from the annual reconciliation period. The commodity rate adjustment is calculated by first finding the average consumption of all water distribution customers for Water Service Territory 1 in the annual reconciliation period. The average consumption is determined by taking the total water consumption for the annual reconciliation period and dividing it by the total number of water billing units for the annual reconciliation period. Next, the adjustment in purchased water expense caused by known and measurable changes in rates from third party wholesale providers is calculated. Then, the expense per billing unit is calculated by dividing the total change in purchased water expense by the annualized number of water billing units. Finally, the commodity rate adjustment required to recover or rebate the change in purchased water expenses is determined by dividing the expense per billing unit by the average consumption per 1,000 gallons. The commodity rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

Service Territory 2

Monthly Charges - Water Supply Customers

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
Base Facilities Charge	\$ 28.59 per unit	\$ 38.58 per unit
Commodity Charge	\$ 10.27 per 1,000 gal. or 134 cft.	\$ 13.86 per 1,000 gal. or 134 cft.
<u>Commercial</u>		
Base Facilities Charge by meter size		
5/8" meter*	\$ 28.59 per unit	\$ 38.58 per unit
1" meter	\$ 79.59 per unit	\$ 96.45 per unit
1.5" meter	\$ 146.27 per unit	\$192.89 per unit
3" meter	\$ 499.14 per unit	\$578.67 per unit
Commercial Distribution Charge	\$ 10.27 per 1,000 gal. or 134 cft.	\$13.86 per 1,000 gal. or 134 cft.

Monthly Charges – Water Distribution Customers Only

**** (Please see full Application on the Commission's website @psc.sc.gov) ****

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
Base Facilities Charge	\$28.59 per unit	\$38.58 per unit
Distribution Charge	\$11.85 per 1,000 gal. or 134 cft.	\$ 4.91 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 11.08 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge by meter size:

5/8" meter*	\$ 28.59 per unit	\$ 38.58 per unit
1" meter	\$ 79.59 per unit	\$ 96.45 per unit
1.5" meter	\$ 146.27 per unit	\$192.89 per unit
3" meter	\$ 499.14 per unit	\$578.67 per unit
Commercial Distribution Charge	\$ 11.85 per 1,000 gal. or 134 cft.	\$ 4.91 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 11.08 per 1,000 gal. or 134 cft.

Purchased Water Expense Rate Adjustment Mechanism

"Water Distribution Customers Only" for Water Service Territory 2 are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased water provider rate changes.

The commodity rate adjustment is calculated using customer and consumption data from the annual reconciliation period. The commodity rate adjustment is calculated by first finding the average consumption of all water distribution customers for Water Service Territory 2 in the annual reconciliation period. The average consumption is determined by taking the total water consumption for the annual reconciliation period and dividing it by the total number of water billing units for the annual reconciliation period. Next, the adjustment in purchased water expense caused by known and measurable changes in rates from third party wholesale providers is calculated. Then, the expense per billing unit is calculated by dividing the total change in purchased water expense by the annualized number of water billing units. Finally, the commodity rate adjustment required to recover or rebate the change in purchased water expenses is determined by dividing the expense per billing unit by the average consumption per 1,000 gallons. The commodity rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

2. Non-Recurring Charges

B. Plant Impact Fee (New connections only) - \$400 per SFE*

The fees in this Section are subject to the considerations noted in Section G below.

The Plant Capacity Fee reflects the portion of plant capacity which will be used to provide service to the new customers as authorized by Commission Rule R. 103-702.13. The plant capacity fee represents the Utility's investment previously made (or planned to be made)

**** (Please see full Application on the Commission's website @psc.sc.gov) ****

in constructing water production, treatment and/or distribution facilities that are essential to provide adequate water service to the new customer's property.

C. Water Meter Installation - 5/8 inches x 3/4 inches meter \$45.00

All 5/8 inch x 3/4 inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$45 shall be due upon installation for those locations where no 5/8 inch x 3/4 inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's actual cost of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

The fees in this Section are subject to the considerations noted in Section G below.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

SEWER

Monthly Charges – Sewer Collection & Treatment Only

Where sewage collection and treatment are provided through facilities owned and operated by the Utility, the following rates apply:

	<u>Current</u>	<u>Proposed</u>
Residential	\$65.08 per unit	\$101.30 per unit
Mobile Homes	\$47.50 per unit	\$73.94 per unit
Commercial, per Single Family Equivalent	\$65.08 per SFE	\$101.30 per SFE

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Monthly Charges – Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

	<u>Current</u>	<u>Proposed</u>
Residential – per single-family house, condominium, or apartment unit	\$65.08 per unit	\$47.10 per unit
Sewer Treatment Charge	\$ N/A per unit	\$54.20 per unit
Commercial	\$65.08 per SFE*	\$47.10 per SFE*

**** (Please see full Application on the Commission's website @psc.sc.gov) ****

Sewer Treatment Charge	\$ N/A per SFE*	\$54.20 per SFE*
The Village Sewer Collection	\$33.86 per SFE*	\$52.71 per SFE*

Purchased Wastewater Expense Rate Adjustment Mechanism

"Sewer Collection Only" customers are subject to annual rate adjustments ordered by the South Carolina Public Service Commission to recover in rates changes in expenses, without markup, that result from third party wholesale purchased wastewater treatment provider rate changes.

The monthly flat rate is calculated using customer data from the most recent annual reconciliation period. The flat rate adjustment is calculated by taking the adjustment in purchased wastewater treatment expenses caused by known and measurable changes in rates from third party wholesale providers and dividing by the total number of wastewater billing units at the end of the annual reconciliation period. The flat rate adjustment designed to recover the deferral balance amortization expense is adjusted each year and reset to zero when a new base rate case is effective.

2. Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

On such regular intervals as the Utility deems prudent, or upon discovery that excessive solids have accumulated in the interceptor tank, the Utility will arrange for the customer's tank to be pumped out and cleaned. The Utility shall bill the customer for the actual cost to the Utility of pumping and cleaning the tank, including the Utility's cost to access the tank ("Pumping Charge"). The Pumping Charge will be included as a separate line item on the next regular billing to the customer. Alternatively, at the customer's request, the Pumping Charge may be billed to the customer in twelve equal monthly installments.

3. Non-recurring Charges

A. Sewer Service Connection (New connections only) \$300 per SFE*

B. Plant Capacity Fee (New connections only) \$400 per SFE*

The fees in this Section are subject to the tax considerations noted in Section G below.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

**** (Please see full Application on the Commission's website @psc.sc.gov) ****

A copy of the Company's Application can be found on the Commission's website at www.psc.sc.gov under Docket No. 2019-290-WS. Additionally, a copy of the Application is available from the offices of Frank R. Ellerbe, III, Esquire and Samuel J. Wellborn, Esquire, Robinson Gray Stepp & Laffitte, LLC, Post Office Box 11449, Columbia, South Carolina 29211.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before **December 9, 2019**, by filing the Petition to Intervene with the Commission, by providing a copy to the Office of Regulatory Staff and by providing a copy to all parties of record. For the receipt of future Commission correspondence, please include an email address in the Petition to Intervene. ***Please refer to Docket No. 2019-290-WS and mail a copy to all other parties in this docket.*** Any person who seeks to intervene and who wishes to testify and present evidence at the hearing should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and the company at the above address, on or before **December 16, 2019**. ***Please refer to Docket No. 2019-290-WS.***

Any person who wishes to request that the Commission hold a public hearing in his or her county of residence in order to hear comments from the utility's customers should notify, in writing, the Commission at the address below; the Office of Regulatory Staff, at 1401 Main Street, Suite 900, Columbia, SC 29201; and the Company at the above address, on or before **December 16, 2019**.

PLEASE TAKE NOTICE that a hearing, pursuant to S.C. Code Ann. Regs. 103-817 and Commission Order No. 2018-790, on the above matter has been scheduled to begin on **Monday, January 27, 2020, at 10:00 a.m.**, before the Commission in the Commission's Hearing Room at 101 Executive Center Drive, Suite 100, Saluda Building, Columbia, South Carolina 29210 for the purpose of receiving testimony and evidence from all interested parties. The hearing may continue through January 28, 2019, if necessary.

INSTRUCTIONS TO ALL PARTIES OF RECORD (Applicant, Petitioners, and Intervenors only): All Parties of Record must pre-file testimony with the Commission and with all parties of record. Pre-filed Testimony Deadlines: the Company's **Direct Testimony Due: 12/16/2019**; Other Parties of Record **Direct Testimony Due: 12/30/2019**; the Company's **Rebuttal Testimony Due: 1/6/2020**; and Other Parties of Record **Surrebuttal Testimony Due: 1/13/2020**. All Pre-filed Testimony Deadlines are subject to the information as posted on www.psc.sc.gov under ***Docket No. 2019-290-WS.***

For the most recent information regarding this docket, including changes in scheduled dates included in this Notice, please refer to www.psc.sc.gov and ***Docket No. 2019-290-WS.***

PLEASE TAKE NOTICE that any person who wishes to have his or her comments considered as part of the official record of this proceeding **MUST** present such comments in person to the Commission during the hearing.

Persons seeking information about the Commission's procedures should contact the Commission at (803) 896-5100 or visit its website at www.psc.sc.gov.

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

CLERK'S OFFICE

NOTICE OF FILING AND HEARING AND PREFILE TESTIMONY DEADLINES
(Notice for Newspaper)

DOCKET NO. 2019-290-WS

**Application of Blue Granite Water Company for Approval to
Adjust Its Rate Schedules and Increase Rates**

On September 30, 2019, Blue Granite Water Company ("Blue Granite" or the "Company") filed with the Public Service Commission of South Carolina ("Commission") an application requesting authority to adjust its rate schedules and to increase its rates ("Application"). The Application was filed pursuant to S.C. Code Ann. §§ 58-5-210, 58-5-220, and 58-5-240 and S.C. Code Ann. Regs. 103-503, 103-703, and 103-823.

In its Application, the Company states that recent major capital projects needed to improve service to customers, increases in costs for third-party purchased water and wastewater treatment, increases in property taxes related to capital investment, and updates to depreciation rates, have made it necessary to request a net increase in retail revenues. The Company has invested approximately \$23 million in its water and wastewater infrastructure since the last rate case, filed in November 2017. Blue Granite's request includes a one-time credit to customers resulting from the federal Tax Cuts and Jobs Act in the amount of \$10.64. Blue Granite also proposes to implement annual rate adjustment procedures for Purchased Water Charges and Purchased Wastewater Treatment Charges, and for authority to continue to defer the Company's purchased water and wastewater treatment expenses (above or below the amounts reflected in rates) caused by changes in third party provider rates, until such expenses are reflected in rates. The Company also makes other requests in its Application, including authority to defer costs related to the decommissioning of certain assets, to establish a storm reserve fund, to include in its tariff the treatment of taxes on contributions in aid of construction, to change its pumping charge for solids interceptor tanks to reflect actual costs, and to implement an opt-in "Round Up" program to assist customers in need.

Blue Granite seeks to recover additional annual revenues of \$4,744,305 or 20.27% resulting from third-party purchased water and wastewater treatment, and \$6,987,498 or 29.85% resulting primarily from investments in infrastructure needed to serve customers. This results in an annual revenue increase for Service Territory 1 Water of \$3,636,850, for Service Territory 2 Water of \$1,939,107, and for Consolidated Sewer of \$6,155,846. Blue Granite also proposes to separately bill for and receive annual revenues to recover third-party purchased water and wastewater treatment costs.

A copy of the Company's Application can be found on the Commission's website at www.psc.sc.gov under Docket No. 2019-290-WS. Additionally, a copy of the Application is available from the offices of Frank R. Ellerbe, III, Esquire and Samuel J. Wellborn, Esquire, Robinson Gray Stepp & Laffitte, LLC, Post Office Box 11449, Columbia, South Carolina 29211.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before **December 9, 2019**, by filing the Petition to Intervene with the Commission, by providing a copy to the Office of Regulatory Staff and by providing a copy to all parties of record. For the receipt of future Commission correspondence, please include an email address in the Petition to Intervene. ***Please refer to Docket No. 2019-290-WS and mail a copy to all other parties in this docket.*** Any person who seeks to intervene and who wishes to testify and present evidence at the hearing should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and the company at the above address, on or before **December 16, 2019**. ***Please refer to Docket No. 2019-290-WS.***

Any person who wishes to request that the Commission hold a public hearing in his or her county of

**** (Please see full Application on the Commission's website @psc.sc.gov) ****

residence in order to hear comments from the utility's customers should notify, in writing, the Commission at the address below; the Office of Regulatory Staff, at 1401 Main Street, Suite 900, Columbia, SC 29201; and the Company at the above address, on or before **December 16, 2019**.

PLEASE TAKE NOTICE that a hearing, pursuant to S.C. Code Ann. Regs. 103-817 and Commission Order No. 2018-790, on the above matter has been scheduled to begin on **Monday, January 27, 2020, at 10:00 a.m.**, before the Commission in the Commission's Hearing Room at 101 Executive Center Drive, Suite 100, Saluda Building, Columbia, South Carolina 29210 for the purpose of receiving testimony and evidence from all interested parties. The hearing may continue through January 28, 2019, if necessary.

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For the most recent information regarding this docket, including changes in scheduled dates included in this Notice, please refer to www.psc.sc.gov and **Docket No. 2019-290-WS**.

PLEASE TAKE NOTICE that any person who wishes to have his or her comments considered as part of the official record of this proceeding **MUST** present such comments in person to the Commission during the hearing.

Persons seeking information about the Commission's procedures should contact the Commission at (803) 896-5100 or visit its website at www.psc.sc.gov.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
Docket No. 2019-290-WS – Order No. 2020-____

April 9, 2020

In Re:

Application of Blue Granite Water
Company for Approval to Adjust Rate
Schedules and Increase Rates

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proposed
ORDER

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I. EXECUTIVE SUMMARY

In the interest of transparency, and to provide a condensed explanation of our reasoning with respect to certain significant components of this Order, we offer the following Executive Summary of issues.

Rate Increase Generally

The rate increase in this case is, in some ways, the product of a perfect storm. The evidence in the record supports the conclusion that water and wastewater infrastructure in this state is aging and nearing the end of its life. There is also evidence in the record that supports the conclusion that the rates of Blue Granite have been artificially low for some time. The Company has hired new management and operations personnel, and the Company is now, in good faith, prioritizing necessary investments in its systems. At the same time, the Company's third-party providers have faced similar challenges and are needing to increase their own rates. The net effect of these factors is a rate increase for customers that is necessary to support the systems on which they continually rely for reliable delivery of clean water and responsible treatment of wastewater.

While a rate increase is unavoidable in light of these issues, the Company has proposed—and we approve, as discussed below—certain rate features that will assist and benefit customers in the long-term. Among these are (1) the pass-through mechanism, which will mitigate the rate shock that would otherwise occur in the Company's next rate case resulting from accumulated increases in third-party expenses and prevent the incurrence of carrying costs on deferred amounts; (2) the Round Up program, which will assist customers in need with their water and wastewater utility bills; and (3) a Storm Reserve Fund, which will enable Blue Granite to promptly respond to

catastrophic storm events without the need to pass on to customers carrying costs on deferred expenses.

In light of the evidence received in this case, the testimony provided in response to questions from counsel and from this Commission, and the collective efforts of the parties and this Commission to scrutinize the application and its supporting documents, we are confident that the rate increase in this case is limited to only that which is lawfully authorized and necessary for the reliable provision of utility service.

Return on Equity

As discussed below, we approve an overall cost of capital for Blue Granite of 8.12%, based on the Company's actual capital structure at June 30, 2019 (52.91% equity and 47.09% debt), the Company's actual cost of long-term debt (5.73%), and a cost of equity of 10.25%. Such an authorized cost of capital should be adequate to provide Blue Granite with the opportunity to earn a return on equity that is: (1) adequate to attract capital at reasonable terms; (2) sufficient to ensure its financial integrity; and (3) commensurate with returns on investments in enterprises having corresponding risks. This, in turn, should enable Blue Granite to provide safe, reliable utility service while maintaining its financial integrity, all to the benefit of both investors and customers.

Non-Revenue Water & Water Audit

As discussed below, for some systems, the cost of leak testing would exceed—and, in some cases, greatly exceed—the cost of non-revenue water. These are costs for which customers would be responsible. For that reason, disallowing Blue Granite's recovery of non-revenue water in cases where it is not economical to invest would incentivize the Company to make uneconomic investments, which would actually drive up costs for customers rather than insulate them. We find

below that it would be unreasonable for this Commission to require customers to pay large sums for leak detection in cases where the related costs would exceed the non-revenue water costs. For that reason, for the four systems for which leak detection would actually be economical, we direct that the Company begin leak testing and associated repairs within 12 months of this order. We also disallow recovery of purchased water expenses for these four systems above the 20 percent non-revenue water level, and direct the Company to contract with a third party for the purpose of conducting a water audit for its purchased water systems.

Pass-Through Mechanism

As discussed below, we approve the pass-through mechanism as modified in this order. While we find that the pass-through mechanism benefits customers by annually adjusting rates based on periodic changes in third-party service providers' rates, we agree with ORS that the Company should be provided incentive to reduce non-revenue water. We therefore direct Blue Granite to exclude from its annual pass-through recovery all non-revenue water above 20 percent of its purchased water expenses for the four systems for which leak testing would be economical. We believe that this modification to the mechanism appropriately updates third party rate changes, but also provides incentive to the Company to make the investments and improvements necessary to reduce non-revenue water.

Administrative Office Upfit Costs

As discussed below, we find that the Company's headquarters office upfit costs should be reflected in rates approved in this proceeding. The evidence demonstrates that the Company made a reasonable business decision to relocate its headquarters office, and that the costs it incurred in upfitting its Greenville office were necessary and reasonable.

II. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) by way of Blue Granite Water Company’s (“Blue Granite” or the “Company”) Application for Approval to Adjust Rate Schedules and Increase Rates (“Application”) pursuant to S.C. Code Ann. § 58-5-240 and S.C. Code Ann. Regs. 103-823.

On August 30, 2019 the Company filed its Notice of Intent to File Application, and on October 2, 2019 its Application was filed with the Commission. On October 23, 2019, the Commission Clerk’s Office issued the Notice of Filing and Hearing and Prefile Testimony Deadlines (Notice for Newspapers) and Notice of Filing and Hearing and Prefile Testimony Deadlines (Notice for Customers) and instructed the Company to publish the Notice for Newspapers in newspapers of general circulation in the areas affected and to furnish the Notice for Customers by U.S. Mail, via bill inserts or by electronic mail to each affected customer by November 25, 2019. Proof of Publication of the Notice for Newspapers and Certification of the Notice for Customers was to be filed with the Commission on or before December 16, 2019. The Company filed a letter requesting additional time to complete the notification to customers. On October 24, 2019, the Commission Clerk’s Office issued a Revised Notices of Filing and Hearing and Prefile Deadlines (Notice to Customers) and a Revised Notice of Filing and Hearing and Prefile Deadlines (Notice to Newspapers). On December 3, 2019, the Company filed with the Commission Proofs of Publication from The State, The Post and Courier, The Greenville News, The Herald Fort Mill Times and The Greenwood Index-Journal; Affidavit of Mailing to all water distribution and sewer customers; and Certification of Mailing to the County and City

Administrators demonstrating that the Revised Notice of Filing and Hearing and Prefile Testimony Deadlines was duly published in accordance with the Docketing Department's instructions.

Pursuant to Commission Order Nos. 2019-804, 2019-830, 2019-831, 2019-825, 2019-827, and 2019-829, the Docket Department issued a Notice of Public Night Hearings to be held in the Town of Irmo, and the Counties of Anderson, Greenville, Lexington, Richland, Union and York. The Company was instructed to furnish the Notice of Public Night Hearings by January 14, 2020, to each affected customer. On January 16, 2020, the Company filed its Affidavit of Mailing of the Notice of Public Night Hearings to each affected customer.

The Office of Regulatory Staff ("ORS"), automatically a party pursuant to S.C. Code Ann. § 58-4-10(B), was represented by Andrew M. Bateman, Esquire, Alexander W. Knowles, Esquire and Christopher Huber, Esquire. Forty Love Point Homeowners' Association ("Forty Love"), represented by Laura Valtorta, Esquire, filed a petition to intervene on October 15, 2019. The Building Industry Association of South Carolina ("BIA") represented by John J. Pringle, Jr., Esquire, filed a petition to intervene on November 5, 2019. The South Carolina Department of Consumer Affairs ("Consumer Affairs"), represented by Carri Grube Lybarker, Esquire, Becky L. Dover, Esquire, Roger P. Hall, Esquire, and Richard L. Whitt, Esquire, filed a petition to intervene on November 25, 2019. On December 11, 2019, the Town of Irmo represented by S. Jahue Moore, Esquire, filed a petition to intervene. Jim Knowlton, self-represented, filed a petition to intervene on December 16, 2019. SteFan Dover, self-represented, filed a Petition to Intervene on December 17, 2019. York County, South Carolina ("York County"), represented by Michael K. Kendree, Esquire, filed a petition to Intervene on December 17, 2019. Blue Granite was represented by Frank R. Ellerbe, III, Esquire, and Samuel J. Wellborn, Esquire. Collectively, Blue Granite, ORS,

Forty Love, BIA, Consumer Affairs, the Town of Irmo, Jim Knowlton, SteFan Dover, and York County are referred to as the “Parties” or individually as a “Party.”

On December 30, 2019, the Company filed the direct testimony of Dylan D’Ascendis, Donald Denton, Dante DeStefano, Shawn Elicegui, Bryce Mendenhall, and John Spanos. Exhibits were included in the direct testimony of Dylan D’Ascendis, Dante DeStefano, Shawn Elicegui, and John Spanos. The corrected direct testimony and exhibit of Dylan D’Ascendis was filed on January 10, 2020.

On January 21, 2020, Forty Love filed the direct testimony of its witness, Reid Radtke and on January 23, 2020 filed the direct testimony of its witness Barbara King. On January 23, 2020, the Consumer Affairs filed the direct testimony and exhibits of its witnesses, Lafayette K. Morgan, Jerome D. Mierzwa, and Aaron L. Rothschild. The ORS filed direct testimony on January 23, 2020, of its witnesses David C. Parcell, Charles E. Jackson, Brandon S. Bickley, Anthony M. Sandomato, Anthony D. Briseno, Kyle D. Maurer, Sr., David J. Garrett, and Daniel F. Sullivan. Exhibits were included with the direct testimony of witnesses Parcell, Bickley, Sandomato, Briseno, Maurer, Garrett and Sullivan. York County on January 23, 2020, filed the direct testimony of its witness Erick Rekitt. Jim Knowlton’s direct testimony was filed on January 23, 2020. The direct testimony of SteFan Dover was filed on January 23, 2020.

On January 31, 2020 Consumer Affairs filed corrected direct testimony of witnesses Morgan and Rothschild and filed corrected exhibits on February 2, 2020. Updated corrected Exhibits of Rothschild were filed on February 28, 2020.

On February 6, 2020, the Company filed Rebuttal Testimony of Dylan D'Ascendis, Donald Denton, Dante DeStefano, Bryce Mendenhall and John Spanos. Exhibits were included in the Rebuttal Testimony of Dylan D'Ascendis, Dante DeStefano, and Bryce Mendenhall.

On February 14, 2020, the Consumer Advocate filed surrebuttal testimony of witnesses Mierzwa, Rothschild, and Morgan. The ORS filed the surrebuttal testimony of witnesses Bickley, Briseno, Garrett, Jackson, Maurer, Parcell, Sandomato and Sullivan on February 14, 2020, and on February 24, 2020, filed revised surrebuttal testimony of witnesses Briseno, Sandomato, Sullivan, and Maurer.

Public Hearings were held on January 27, 2020 in Lexington, SC; January 30, 2020 in Irmo, SC; February 3, 2020 in Union, SC; February 13, 2020, in Greenville; February 27, 2020 in Columbia, SC and March 5, 2020, in York, SC.

In Order No. 2020-150, issued on February 19, 2020, the Commission granted the Company's Motion to Permit Witness Appearance by Videoconference as Related to the Presentation of Testimony of Shawn Elicegui. On February 24, 2020, the Standing Hearing Officer granted the request of the Consumer Affairs to present the testimony of its witness Jerome D. Mierzwa by Videoconference. Mierzwa's testimony was scheduled with the two other live witnesses on behalf of the Consumer Affairs in a three-person panel and scheduled to testify on Thursday, February 27, 2020.

The Commission conducted an evidentiary hearing on this matter from February 26, 2020 through March 2, 2020 in the hearing room of the Commission with Honorable Comer H. Randall presiding.

Each referenced witness appeared, gave summaries of his or her testimony, and answered questions from counsel and the Commission.

III. OVERVIEW OF COMPANY'S REQUESTED RELIEF

Blue Granite seeks to increase its water and wastewater rates to recover additional annual revenues of \$4,744,305 resulting from third-party purchased water and sewer treatment expenses, and \$6,987,498 resulting primarily from investments in infrastructure needed to serve customers, for a total requested annual revenue increase of \$11,731,803. With the plant investments the Company has made to maintain and improve its service to customers, and the increased operating expenses Blue Granite has experienced, it is unable to earn its authorized rate of return. At the time of the Application, the Company was earning only a 0.10% rate of return on an unadjusted basis, and a negative 3.0% rate of return on an adjusted basis.

In order to achieve more timely recovery of expenses going forward, and perhaps delay future rate cases, Blue Granite also seeks approval of a pass-through rate adjustment mechanism for third-party purchased water and sewer treatment expenses. Additionally, Blue Granite seeks approval of a Storm Reserve Fund, to assist in funding extraordinary storm recovery efforts, and approval of a "Round Up" program, whereby customers can voluntarily "round up" their bills to fund assistance for low income customers in meeting their utility bills. Blue Granite does not seek structural changes in its cost allocations and overall rate design in this proceeding, but has indicated that it is agreeable to preparing and presenting a full cost of service study in its next rate case.

Since the Company's last rate case, Blue Granite has invested approximately \$23 million in its water and wastewater systems in order to better serve its customers. These investments were necessary to (1) end the legal discharge of fully treated wastewater from the Friarsgate Wastewater

Treatment Facility into the Saluda River; (2) improve the water quality for customers receiving water from Stonegate's well water system; (3) ensure the sustainable provision of water to customers previously served by the failing Shandon wells; (4) support the growing Lake Wylie/Riverhills community through the addition of a secondary water connection; and (5) maintain and improve a number of wastewater collection systems across the Company's footprint.

These investments, along with a number of improvements instituted by the Company, demonstrate Blue Granite's recent change in strategy. Approximately two years ago the Company took a hard look at its performance and decided to make some significant changes in terms of personnel, capital budgets, infrastructure investments, and operating processes, in order to substantially improve Blue Granite's performance in these and other areas. The Company's testimony indicates that these efforts are underway and will continue, and that the performance improvements will take several years of sustained focus and investment. However, to date, the Company has implemented a number of changes and made a number of improvements to its systems for the benefit its customers. These include nearly tripling the level of annual capital investment in infrastructure, upgrading operations and management personnel, implementing a new operations management system, reorganizing the reporting structure, adopting standard operating procedures, instituting an incident command structure for storm response, instituting centralized procurement processes, implementing an online customer portal and app that allows customers to pay bills and check consumption online, instituting a community engagement and philanthropy plan, and implementing customer workshops throughout the state to provide regular in-person opportunities for customers to meet with Company personnel about rate, billing, and customer service questions.

On the infrastructure side, as mentioned above, the Company has completed the interconnection of Shandon and Carrolton Place systems, converted the Stonegate well water system to a purchased water system through interconnection with the city of Columbia, constructed a wastewater lift station at the Friarsgate wastewater treatment plant and interconnected the system with the City of Columbia, completed an additional water system connection with the City of Charlotte to serve its Lake Wylie service area, completed a series of wastewater collection system improvement projects, and constructed a new lift station in the Forty Love Subdivision. Additionally, the Company also recently completed the installation of advanced metering infrastructure in the Lake Wylie water system. Water supply and quality are improved, environmental compliance is improved, internal awareness of the Company's maintenance and investment needs is improved, and communications and customer experience is improved.

IV. STATUTORY STANDARDS AND REQUIRED FINDINGS

The evidence supporting Blue Granite's business and legal status is contained in its Application, testimony, and prior Commission Orders in the docket files of the Commission, of which the Commission takes judicial notice. Blue Granite is a corporation duly organized and existing under the laws of the State of Delaware, and 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. Blue Granite's operations in this State are subject to the Commission's jurisdiction over the Company's rates, charges, tariffs, and terms and conditions of service as generally provided in S.C. Code Ann. §§ 58-5-10 *et seq.*

The rates in effect prior to this order were approved in Commission Order No. 2018-802, Order on Rehearing, issued on January 25, 2019 in Docket No. 2017-292-WS. The historic test

year utilized for purposes of the Application is the twelve-month period ending June 30, 2019. Application ¶ 5. The Application, testimony, exhibits, affidavits of publication, public notices, and other filings submitted by Blue Granite are in compliance with the procedural requirements of the South Carolina Code of Laws and the Regulations promulgated by this Commission.

These findings of fact are informational, procedural and jurisdictional in nature, and the matters to which they relate are not contested by any party.

South Carolina Code Ann. § 58-5-210 authorizes the Commission “to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State” Rates are set using a historic test year, and the object of using test year figures is to reflect typical conditions. The company has the benefit of choosing its test year. Where an unusual situation indicates that the test year figures are atypical, the Commission should adjust the test year data. *Parker v. S.C. Pub. Serv. Comm’n*, 280 S.C. 310, 312, 313 S.E.2d 290, 292 (1984). The Commission must make adjustments for known and measurable changes in expenses, revenues, and investments so that the resulting rates will accurately and truly reflect the actual rate base, net operating income, and cost of capital. *Southern Bell Tel. & Tel. Co. v. Pub. Serv. Comm’n*, 270 S.C. 590, 602-03 (1978).

The Commission must determine a fair rate of return that the utility should be allowed the opportunity to earn after the recovery of its expenses of utility operations. The legal standards for this determination are set forth in *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-03(1944) (“*Hope*”) and *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923) (“*Bluefield*”).

Bluefield holds that:

What annual rate will constitute just compensation depends upon many circumstances, and must be determined by the exercise of a fair and enlightened judgment, having regard to all relevant facts. A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting the opportunities for investment, the money market and business conditions generally.

Bluefield, 262 U.S. at 692-93. This Commission and the South Carolina courts have consistently applied the principles set forth in *Bluefield* and *Hope*. Quoting *Hope*, the South Carolina Supreme Court has held: “Under the statutory standard of ‘just and reasonable’ it is the result reached not the method employed which is controlling The ratemaking process under the Act, i.e., the fixing of ‘just and reasonable’ rates, involves the balancing of investor and the consumer interests.” *Southern Bell*, 270 S.C. at 596 (quoting *Hope*, 320 U.S. at 602-03).

As related to these matters, the South Carolina Supreme Court has reasoned as follows: “the fixing of ‘just and reasonable’ rates involves the balancing of the investor and the consumer interests” *Southern Bell*, 270 S.C. at 596-97 (quoting *Hope*, 320 U.S. at 602-03).

This Commission must exercise its dual responsibility of permitting utilities an opportunity to earn a reasonable return on the property it has devoted to serving the public, on the one hand, and protecting customers from rates that are so excessive as to be unjust or unreasonable, on the other, by “(a) [n]ot depriving investors of the opportunity to earn reasonable returns on the funds

devoted to such use as that would constitute a taking of private property without just compensation[, and] (b) [n]ot permitting rates which are excessive.” *Southern Bell*, 270 S.C. at 605. Ultimately, this balancing act takes place within the context of a utility setting forth proposed rates—pursuant to Title 58, Chapter 27, Article 7 of the S.C. Code of Laws—for the purpose of the utility receiving revenue sufficient to yield a reasonable return.

Additionally, the Commission’s determination of a fair rate of return must be documented fully in its findings of fact and based exclusively on reliable, probative, and substantial evidence on the whole record. *Porter v. S.C. Pub. Serv. Comm’n*, 504 S.E.2d 320, 323 (1998).

Practically, although the burden of proof in showing the reasonableness of a utility’s costs that underlie its request to adjust rates ultimately rests with the utility, the S.C. Supreme Court has concluded that the utility is entitled to a presumption that its expenses are reasonable and were incurred in good faith. *Hamm v. S.C. Pub. Serv. Comm’n*, 309 S.C. 282, 286, 422 S.E. 110, 112 (1992). However, according to *Utils. Servs. of S.C., Inc. v. S.C. Office of Regulatory Staff*, 392 S.C. 96, 110, 708 S.E.2d 755, 762-63 (2011), “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.”

The Commission’s Findings of Facts and Conclusions reflect these standards.

V. REVIEW OF THE EVIDENCE AND EVIDENTIARY CONCLUSIONS

A. Areas of Agreement and Compromise

In its rebuttal testimony, Blue Granite indicated it is willing to agree and compromise with the following ORS proposed adjustments:

- Adjustments 1, 2, 3, 4, and 26b regarding pro forma present rate revenues, Uncollectible Expense, and Gross Receipts Tax.
- Adjustments 5, 6, 14, 17a, and 26a related to Salaries & Wages, Capitalized Time, and Payroll Taxes.
- Adjustment 9a related to deferred maintenance.
- Adjustments 9b, 13a, and 20 related to the Clearwater Solutions Midlands region contract.
- Adjustments 9e, 13b, 15a, 15c, 21d, and 23b for rebranding and non-allowable expenses.
- Adjustment 19 for Insurance Expense.
- Adjustment 21a for Corix parent cost allocations.
- Adjustments 16a, 21c, and 21e regarding regulatory commission expenses and legal expenses, subject to the recommendation detailed later in my testimony.
- Adjustment 37 regarding Plant Held for Future Use.
- The calculations for Adjustments 27, 28, 35a, 35b, and 39 regarding Income Taxes, Cash Working Capital, and Interest Expense, subject to the results of adjustments elsewhere that impact these figures.

The Company also agrees with the ORS update of the as-filed Tax Cuts and Jobs Act one-time credit to customers, based on adjusted pro forma customer counts. Blue Granite also appears to be in agreement with ORS on several items which were not adjusted by ORS from the Company's filed application, specifically Adjustments 7, 10, 11a, 11b, 12a, 12b, 21b, 22, 23a, 29, 30, and 31.

B. Areas of Dispute

The areas of dispute are addressed below.

i. Cost of Capital

As discussed below, we find and conclude that Mr. D’Ascendis’ recommended cost of equity of 10.25% for Blue Granite is reasonable and should be approved based upon our analysis and findings concerning the ROE methodologies, inputs, and assumptions, and also based on our view that the DCF method should be given relatively less weight, our view that the ECAPM method should be given consideration, our view that Blue Granite’s company-specific risks are relevant and support an ROE at the higher end of a reasonable range of ROEs, and evidence of the need for the Company to maintain financial integrity in light of its ongoing capital financing needs.

Company Proposal

Blue Granite witness Dylan D’Ascendis, a Director at ScottMadden, Inc., testified concerning the Company’s cost of capital. Mr. D’Ascendis supported a cost of capital of between 7.86% and 8.12%, based on the Company’s actual capital structure at June 30, 2019 (52.91% equity and 47.09% debt), the Company’s actual cost of long-term debt (5.73%), and a cost of equity between 9.75% and 10.25%. (Tr. p. 547.4; 547.37, updated in Rebuttal Testimony.)

No party disputed the use of the Company’s actual capital structure as of June 30, 2019 or the Company’s actual cost of long-term debt; the disagreements relate to the estimate of the Company’s cost of equity.

Mr. D’Ascendis calculated the Company’s cost of equity by applying several well-known cost of equity models -- the Discounted Cash Flow Model (“DCF”), the Risk Premium Model (“RPM”), the Capital Asset Pricing Model (“CAPM”) – to the market data of a proxy group of

water utility companies and to a proxy group of domestic, non-price regulated with comparable risk to the utility proxy group. These analyses produced a cost of equity estimate of 9.75%. He then applied a 0.50% upward adjustment to account for Blue Granite's small size. (Tr. p. 547.5-6; updated in Rebuttal Testimony.)

Mr. D'Ascendis emphasized the importance of using multiple cost of equity models to determine a utility's cost of equity, because no single model is so inherently precise that it can be relied on solely to the exclusion of other theoretically sound models. He noted that the use of multiple models adds reliability to the estimation of the cost of equity rate, and the prudence of using multiple cost of equity models is supported in both financial literature and regulatory precedent. (Tr. p. 547.37.)

With regard to his DCF analysis, Mr. D'Ascendis used a dividend yield adjustment and growth rate assumptions based on analysts' five-year forecasts of earnings per share growth. Mr. D'Ascendis' DCF results indicated a cost of equity of 8.91% for the water utility proxy group. (Tr. p. 547.16-19; updated in Rebuttal Testimony.)

With regard to his RPM analysis, Mr. D'Ascendis relied on two risk premium methods – the Predictive Risk Premium Model ("PRPM") and a risk premium approach using a total market approach – and estimated a cost of equity of 10.21% for the water utility proxy group. Under the PRPM method, Mr. D'Ascendis used a consensus forecast of the 30-year Treasury Bond yield plus an equity risk premium calculated from a variance of historical risk premiums. His total market approach was based on a consensus forecast of a prospective public utility bond yield plus an average equity risk premium derived from a beta-adjusted total market equity risk premium and

an equity risk premium based on the S&P Utilities Index. (Tr. p. 547.18-28; updated in Rebuttal Testimony.)

Mr. D'Ascendis' CAPM analysis was based on an average of both the CAPM and the ECAPM ("Empirical CAPM") analyses, and produced a cost of equity estimate of 9.10% for the water utility proxy group. His CAPM analysis estimated the risk premium derived from an average of Ibbotson-based market risk premiums, Value Line data-based market risk premiums, and Bloomberg data-based market risk premiums. (Tr. p. 547.28-34; updated in Rebuttal Testimony.)

Mr. D'Ascendis' application of these cost of equity methodologies to the comparable risk, non-price regulated companies indicated a cost of equity of 11.16%. (Tr. p. 547.34-37; updated in Rebuttal Testimony.)

Based on the results of his analyses, the average of the mean and the median of all of the model results produces an unadjusted estimated cost of equity of 9.75%. Mr. D'Ascendis then made an upward adjustment of 0.50% to reflect Blue Granite's greater business risk due to its unique risks as well as its small size relative to the proxy group, resulting in his recommended cost of equity of 10.25% for Blue Granite. (Tr. p. 547.37-4; updated in Rebuttal Testimony.)

ORS Position

David Parcell, a principal and senior economist with Technical Associates, Inc., testified on behalf of ORS on cost of capital issues. He recommended a cost of equity of 9.45% and an overall weighted cost of capital of 7.70%, using the same capital structure and cost of long-term debt as did the Company. (Tr. p. 1004.3; 1004.37.)

To estimate the Company's cost of equity, Mr. Parcell employed the following three methodologies: DCF, CAPM, and Comparable Earnings ("CE"). Based upon his use of these

models, he concluded that the Company's cost of equity is within a range of 8.9% to 10.0% (9.45% being the midpoint), which is based upon the upper end of his DCF results and the upper end of his CE results. He stated that he used the upper ends of his DCF and CE ranges in order to give consideration to any perceived unique attributes of Blue Granite. (Tr. p. 1004.3-4.)

Mr. Parcell utilized substantially the same water utility proxy group as did Mr. D'Ascendis. In his DCF analysis, he utilized a combination of current and projected dividend yields. He relied equally on the results of his DCF model and CE model. (Tr. p. 1004.4; 1004.20; 1004.25.)

With respect to his CAPM analysis, Mr. Parcell's indicated return was 6.20%, which he explains as a result of market risk premiums being lower than in recent years and a result of interest rates on U.S. Treasury bonds being lower in recent years. Due to his low CAPM result, he does not consider his CAPM results in the determination of his final cost of common equity range. He also uses current, rather than projected, yields on 20-year U.S. Treasury bonds, uses both geometric and arithmetic mean returns, and uses historical mean total return on U.S. Treasury securities, in his CAPM analysis. Mr. Parcell did not perform an ECAPM analysis as Mr. D'Ascendis did. (Tr. p. 1004.25-31.)

With regard to his CE analysis, Mr. Parcell relies on a direct relationship between market-to-book ratios, and used his utility proxy group plus the S&P 500 index. (Tr. p. 1004.31-36.)

Mr. Parcell made no adjustments to reflect an increased risk to Blue Granite due to its smaller size. However, he did select the high ends of his ranges of DCF and CE cost rates to reflect the "perceived unique attributes of [Blue Granite]." (Tr. p. 1004.4.) Based upon those "unique attributes" and because—in his view—the "DCF results are low by historic standards," Mr. Parcell selected the higher end of his range. (Tr. p. 1015.)

In surrebuttal testimony, Mr. Parcell addressed Mr. D'Ascendis' criticisms of his DCF, CAPM, and CE analyses, including the use of 20-year Treasury bond yields and forecasted rather than current yields. (Tr. p. 1005.2-14.)

Consumer Advocate Position

Aaron Rothschild, President of Rothschild Financial Consulting, testified on cost of capital issues on behalf of the Consumer Advocate. He recommended an overall cost of capital for Blue Granite of 7.27%, based on a cost of equity of 8.47%, a 28-basis point upward adjustment to the ROE for size, a 10-basis point downward adjustment to the ROE for financial risk, a capital structure containing 52.91% of common equity and 47.09% of debt, and a debt cost rate of 5.73%. In arriving at his return on equity recommendation for Blue Granite, Mr. Rothschild employed a DCF Model, a Non-Constant Growth DCM Model, and a CAPM analysis. (Tr. p. 672.4-8.)

According to Mr. Rothschild, the primary reasons for the differences between Mr. Rothschild's and Mr. D'Ascendis' estimated cost of equity for the Company stem from: (1) Mr. Rothschild's use of a proxy group that excludes Mr. D'Ascendis' non-price regulated companies, due to his belief that such companies are not sufficiently comparable; (2) Mr. Rothschild's use of a lower risk premium than Mr. D'Ascendis, based on his view that market-based return expectations are lower than the risk premium assumed by Mr. D'Ascendis. (Tr. p. 672.9-13.)

In arriving at his ROE recommendation for Blue Granite, Mr. Rothschild gives equal weight to his Constant Growth DCF, Non-Constant Growth DCF, and CAPM analyses. Mr. Rothschild testified that his recommended return on equity of 8.65% is reasonable, due to the fact that stocks are expensive; interest rates are low; credit spreads are low; and volatility expectations are relatively low (based on the "VIX" Market Volatility Index). (Tr. p. 672.13-15.)

In surrebuttal testimony, Mr. Rothschild responded to Mr. D’Ascendis’ testimony concerning his market-based approach as opposed to expert forecasts, his use of short-term analyst forecasts in connection with his DCF analysis, his methodology for estimating projected growth in a DCF model, his reliance on authorized ROEs for other companies in his DCF analysis, and other aspects of his DCF analyses. Mr. Rothschild also responded to Mr. D’Ascendis’ testimony addressing his CAPM analysis, such as his use of current rather than forecasted interest rates, his use of option-implied betas, and his failure to use the ECAPM. (Tr. p. 683.5-26.)

York County Position

Erik Rekitt, York County Public Works Assistant Director, also testified on return on equity issues. He addressed Mr. D’Ascendis’ testimony concerning the age of pipes, stating that the Lake Wylie Franchise Territory has no water and sewer lines approximating 75 to 100 years of age. He also took issue with the reference to “divestment or withdrawal” in Mr. D’Ascendis’ testimony. Finally, he took issue with Mr. D’Ascendis’ proxy group because it relies upon six companies with little or no relevance to South Carolina. (Tr. p. 1029.5.)

Company Response

In rebuttal testimony, Mr. D’Ascendis responded to Mr. Parcell’s testimony, focusing on his undue weighting of his DCF results, his misapplication of the CAPM model, his misapplication of the CE model, and his failure to account for Blue Granite’s size-specific risks over and above the range of ROEs indicated by his proxy groups. (Tr. p. 548.4-5.)

With respect to the weighting of DCF results, Mr. D’Ascendis pointed to academic and mathematical evidence indicating that DCF Model results should be viewed with caution at this

time due to the fact that market-to-book ratios are currently extraordinarily high compared to the ten-year average. (Tr. p. 548.7-12.)

With respect to the CAPM, Mr. D'Ascendis stated that Mr. Parcell's CAPM result of 6.20% is unreasonable on its face, and testified that Mr. Parcell's incorrect use of inputs in the application of the CAPM is the driving factor behind this unreasonable result. Mr. D'Ascendis stated that Mr. Parcell's CAPM analysis is flawed in at least three respects: first, he relied on an historical, recent risk-free rate despite the fact that ratemaking and cost of capital are prospective; second, he incorrectly calculated the market risk premium by relying on achieved (non-market based) rates of return on book common equity for the S&P 500, a geometric mean historical market equity risk premium, and the historical total return on U.S. Treasury bonds; and third, he did not incorporate an ECAPM analysis even though empirical evidence indicates that low-beta securities (such as utilities) earn returns higher than the CAPM predicts and high-beta securities earn less. (Tr. p. 548.13-25.)

With respect to the CE analysis, Mr. D'Ascendis criticized Mr. Parcell's misplaced reliance on a direct relationship between market-to-book ratios and earnings on book common equity, noting that neither academic literature nor historical analysis supported such. Mr. D'Ascendis also criticized Mr. Parcell's failure to consider non-price regulated companies in his comparable earnings analysis. (Tr. p. 548.26-31.)

Mr. D'Ascendis also disagreed with Mr. Parcell's failure to make an adjustment outside of the proxy group ROE range to reflect Blue Granite's relative smaller size. Mr. D'Ascendis pointed to analytical evidence supporting the increased risk to Blue Granite stemming from its smaller size. (Tr. p. 548.32-39.)

Mr. D'Ascendis also responded to Mr. Rothschild's testimony in rebuttal, focusing on current and expected capital market conditions, his misapplication of DCF models, his misapplication of the CAPM, and the downward adjustment to his indicated ROE for financial risk. Mr. D'Ascendis emphasized that Mr. Rothschild's recommended ROE, if approved, would be the lowest ROE approved for a water / wastewater utility in the U.S. He explained that he disagreed with Mr. Rothschild in several principal areas, including the interpretation of current and expected market conditions, undue weight given to the DCF models, misapplication of both his constant growth and non-constant growth DC models, his application of the CAPM, and his financial risk adjustment. With regard to the financial risk adjustment, Mr. D'Ascendis pointed out the proxy group's equity ratio is nearly identical to Blue Granite's. (Tr. p. 548.44-72.)

Commission Findings

The U.S. Supreme Court established the guiding principles for establishing a fair return for capital in two seminal cases: (1) *Bluefield Water Works and Improvement Co. v. Public Service Comm'n* ("Bluefield"); and (2) *Federal Power Comm'n v. Hope Natural Gas Co.* ("Hope"). In *Bluefield*, the Court stated:

A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties.

The Court thus recognized that: (1) a regulated public utility cannot remain financially sound unless the return it is allowed to earn on its invested capital is at least equal to the cost of capital; and (2) a regulated public utility will not be able to attract capital if it does not offer investors an opportunity to earn a return on their investment equal to the return they expect to earn on other investments of similar risk.

In *Hope*, the Court reiterated the financial integrity and capital attraction principles of the *Bluefield* case:

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. . . . By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.

In summary, the Court clearly has recognized that the fair rate of return on equity should be: (1) comparable to returns investors expect to earn on other investments of similar risk; (2) sufficient to assure confidence in the company's financial integrity; and (3) adequate to maintain and support the company's credit and to attract capital. As discussed previously, South Carolina precedent comports with the *Hope* and *Bluefield* principles.

Based on the *Hope* and *Bluefield* standards, the ROE authorized in this proceeding should provide the Company with the opportunity to earn a fair and reasonable return, and enable efficient access to external capital under a variety of market conditions. A return that is adequate to attract capital at reasonable terms enables the utility to provide service while maintaining its financial integrity. As discussed above, and in keeping with the *Hope* and *Bluefield* standards, that return should be commensurate with the returns expected elsewhere in the market for investments of

equivalent risk – and not just utility investments. The consequence of the Commission’s order in this case, therefore, should be to provide Blue Granite with the opportunity to earn an ROE that is: (1) adequate to attract capital at reasonable terms; (2) sufficient to ensure its financial integrity; and (3) commensurate with returns on investments in enterprises having corresponding risks. To the extent Blue Granite is provided a reasonable opportunity to earn its cost of equity, neither customers nor shareholders should be disadvantaged. In fact, a return that is adequate to attract capital at reasonable terms enables Blue Granite to provide safe, reliable utility service while maintaining its financial integrity, all to the benefit of both investors and customers.

Notably, the parties were in agreement with respect to the appropriate capital structure and cost of long-term debt to use in this case to calculate Blue Granite’s cost of capital. The disagreements concern the estimated cost of equity.

In order to meet the requirements set forth in *Bluefield* and *Hope*, the parties proposed various returns using a variety of methods as bases for their positions on the Company’s cost of equity. Based on the entirety of the testimony presented on this issue, it is apparent that we have been presented with, in several instances, highly detailed discussions of the cost of equity capital. Among other things, our discussion and analysis of this issue serves to illustrate that the goals for setting the fair rate of return for a public utility go well beyond the use of formulas and mathematical calculations which may imply a level of precision which does not really exist. With this in mind, we turn our analysis to the cost of equity evidence submitted in this proceeding.

Many of the witnesses testifying concerning the Company’s cost of capital used similar approaches – various types of DCF studies, the CAPM model, Risk Premium approaches, and Comparable Earnings analyses. As is typically the case, however, they came to different

conclusions. Mr. D'Ascendis' recommended range of reasonable ROEs for Blue Granite is 9.75% to 10.25%, with a point recommendation of 10.25% based on a 50-basis point upward size adjustment. Mr. Parcell testified to a range of ROEs from 8.9% to 10.0% and recommended a 9.45% ROE for Petitioner. Mr. Rothschild testified to a recommended an ROE of 8.65%. Mr. Rekitt offered testimony on the subject of return on equity, but made no specific recommendations.

Thus, the cost of equity calculations presented in this case range from 8.65% to 10.25% -- a range of 160 basis points. Notably, the non-utility parties' ranges of ROEs went from a low of 8.65% to a high of 10.0% -- 135 basis points. Several factors, some of which are discussed in more detail below, contributed to the variation in estimates. While we do not find it necessary to resolve each of the sometimes academic disagreements between the witnesses, we discuss below the major areas of disagreement. At the outset, however, we note that we find Mr. Rothschild's recommended cost of equity of 8.65% outside the bounds of reasonableness, as judged by both a review of recently-authorized ROEs in other cases as well as the testimony of other witnesses in this proceeding.

The primary areas of disagreement among the witnesses are as follows: (1) the appropriate weighting for the different methods, particularly in the current capital environment; (2) the use of historic and current data versus projected data; (3) the importance of an ECAPM analysis in this capital and market environment; (4) the importance of company-specific risks such as size; and (5) the importance of maintaining financial integrity of the utility.

With regard to the weight to be given the various models, we continue to believe that each approach is useful and should be considered. However, we are persuaded that Mr. D'Ascendis is

correct in his recommendation that we give relatively less weight to the Constant Growth DCF results in the current capital market environment. As the evidence makes clear, the DCF results are markedly below what we and other regulatory commissions have recently found to be reasonable estimations of the cost of a utility's equity. For example, Mr. Rothschild's DCF results range from 5.72% to 8.76%. Mr. Parcell's DCF results range from 8.2% to 8.9%. And Mr. D'Ascendis' DCF result of 8.91% is the lowest of his model results. We note that in 2018, the FERC found that "in light of current investor behavior and capital market conditions, relying on the DCF methodology alone will not produce a just and reasonable ROE." *See* Docket Nos. EL14-12-003 and EL15-45-000, *Order Directing Briefs*, 165 FERC ¶ 61,118 (November 15, 2018) at para. 34. *See also* Docket No. EL11-66-001, *et al.*, *Order Directing Briefs* 165 FERC ¶ 61,030 (October 16, 2018) at para. 30.

And in its July 2017 Order Accepting Stipulation in which it authorized a 9.90% ROE for Duke Energy Carolinas, the North Carolina Utilities Commission noted it "carefully evaluated the DCF analysis recommendations" of the ROE witnesses (which ranged from 8.45 % to 8.80%) and determined that "all of these DCF analyses in the current market produce unrealistically low results. The fundamental structure of the Constant Growth DCF model assumes constancy in perpetuity, which is simply not compatible with the recent and current capital markets and economic environment. Accordingly, we conclude that we should give relatively less weight to the Constant Growth DCF model. Notably, this conclusion is consistent with our longstanding view that the cost of equity cannot be precisely calculated and estimating it requires the use of judgment; due to this lack of precision, the use of multiple methods is desirable because no single method will produce the most reasonable result under all conditions and circumstances." State of North

Carolina Utilities Commission, Docket No. E-7, Sub 1146, *In the Matter of Application of Duke Energy Carolinas, LLC, for Adjustment of Rates and Charges Applicable to Electric Utility Service in North Carolina*, Order Accepting Stipulation, Deciding Contested Issues, and Requiring Revenue Reduction, July 25, 2017, at 62. Indeed, we have previously determined that “it is appropriate and reasonable to consider a range of estimates under various methodologies in order to more accurately estimate [a utility’s] cost of equity,” and relying on a single analytical method is “inconsistent with decisions reached by regulatory commissions over the past several years and departs from the normal practice of estimating the Cost of Equity for utilities.” Public Service Commission of South Carolina, Docket Nos. 2017-207-E, 2017-305-E, and 2017-370-E, Order No. 2018-804, *Order Addressing South Carolina Electric & Gas Nuclear Dockets*, at 89-90.

Within the context of our consideration of the DCF model, we are persuaded that Mr. D’Ascendis’ growth rate assumptions are the most reasonable. His growth rate estimates are based on analysts’ growth rate estimates, which are both forward-looking and relied upon by investors. Our task in estimating cost of equity is focused on returns required by investors, which in turn is focused on investors’ expectations.

Similarly, with regard to the risk-free rate input for the CAPM, we agree with Mr. D’Ascendis that because the cost of equity is forward-looking, it also is important to reflect forward-looking expectations of the risk-free rate. We also agree that the risk-free rate assumption should reflect the fact that utility equity is a long-term investment. Accordingly, we agree with his use of long-term U.S. Treasury bonds. As Mr. D’Ascendis testified, the 30-year Treasury yield best matches the life of the underlying investment – because utility securities and utility rate base are typically long duration investments.

With respect to the Beta coefficient input for the CAPM, we agree with Mr. D'Ascendis: the evidence and academic experts indicate the CAPM tends to underestimate returns for firms with low-Beta coefficients. As Mr. D'Ascendis explained, the ECAPM adjusts for the CAPM's tendency to under-estimate returns for companies that have Beta coefficients less than one (like utilities), and over-estimate returns for relatively high-Beta coefficient stocks. The ECAPM recognizes the results of academic research indicating that the risk-return relationship is different (flatter) than estimated by the CAPM. We note that, as Dr. Roger Morin has stated, the ECAPM is "a formal recognition that the observed risk-return tradeoff is flatter than predicted by the CAPM based on myriad empirical evidence. . . . Even if a company's beta is estimated accurately, the CAPM still understates the return for low-beta stocks. . . . [T]he ECAPM is a return [] adjustment and not a beta [] adjustment. Both adjustments are necessary." (Tr. p. 548.23-24.) Because the ECAPM mitigates the drift in Beta coefficients, we agree it is a reasonable method to use, and we find that Mr. D'Ascendis' use of the ECAPM and his Beta coefficient inputs are reasonable.

We next address the Equity Risk Premium input for the Bond Yield Plus Risk Premium model. We conclude, as does Mr. D'Ascendis, that because the cost of equity is forward-looking, it is appropriate to use projected Treasury yields in the analysis. Those inputs produce reasonable estimates of the cost of equity.

Similarly, we share Mr. D'Ascendis' concerns regarding the use of historical earned rates of return in the Comparable Earnings analysis, due to the fact the cost of equity is inherently forward-looking. We agree that using future expected returns supports Mr. D'Ascendis' analysis much more than it does other witnesses.

Next we consider the importance of considering company-specific risks in our cost of equity analysis. Mr. Parcell and Mr. Rothschild to a degree urge us to ignore company-specific risks. Mr. D'Ascendis, on the other hand, persuasively argues that Blue Granite faces unique risks that the proxy group companies do not face, namely, its relatively smaller size and its increasing regulatory risk. We agree with Mr. D'Ascendis that company-specific risk is highly relevant to the determination of cost of equity. We note that the financial community pays close attention to regulation when it rates specific utility companies, and their analyses influence investment decisions. Accordingly, we agree with Mr. D'Ascendis that it is important that we qualitatively consider the company-specific risks when determining Blue Granite's cost of equity. On balance, these company-specific risks generally support an ROE at the higher end of a reasonable range of ROEs for Blue Granite, and specifically support Mr. D'Ascendis' 50-basis point upward adjustment within his range of recommended ROEs.

We would also be remiss if we did not also consider the importance of the utility's financial integrity when making our cost of equity determination. As the Company's case-in-chief testimony indicates, Blue Granite is currently earning virtually no return on its capital employed in providing water and wastewater services to its South Carolina customers. At the same time, Blue Granite faces the need to make additional capital investments of the benefit of its customers, at a relatively small size and in a somewhat uncertain legislative environment. It is important, and beneficial, to customers that the Company be able to finance needed investments on reasonable terms. Indeed, *Hope* and *Bluefield* and South Carolina precedent require us to take actions to maintain utilities' financial integrity.

Given the foregoing, we conclude and find that Mr. D’Ascendis’ recommended cost of equity of 10.25% for Blue Granite is reasonable and should be approved. Our finding is supported not only by our analysis and findings concerning the ROE methodologies, inputs, and assumptions, but also by our view that the DCF method should be given relatively less weight, our view that the ECAPM method should be given consideration, our view that Blue Granite’s company-specific risks are relevant and support an ROE at the higher end of a reasonable range of ROEs, and evidence of the need for the Company to maintain financial integrity in light of its ongoing capital financing needs.

Accordingly, for purposes of this Cause, we find that the Company’s overall cost of capital is 8.12%, computed as follows:

Description	Ratio	Cost	Weighted Cost
Common Equity	52.91%	10.25%	5.42%
Long Term Debt	47.09%	5.73%	2.70%
Total	100.00%		8.12%

ii. Depreciation Rates

As discussed below, we find that Mr. Spanos’ proposed service lives and net salvage estimates are the most reasonable and should be approved, based upon his expertise in the field, including his expertise with water and wastewater depreciation studies; the presentation of his depreciation studies and the rationales therefor; and his approach of combining mathematical calculations with the application of expert professional judgment and visual curve fitting techniques.

Company’s Proposal

Blue Granite witness DeStefano testified that the Company has not prepared a depreciation study, nor has it updated its depreciation rates, for a number of years. As a result, he stated, the

current depreciation rates are outdated, and are premised upon unrealistically long depreciable lives for facilities and equipment. Further, he stated, the current rates also reflect a similar useful life across virtually all asset classes, which is not realistic when considering the significant recent and anticipated asset replacements implemented by the Company and the nature and variety of infrastructure and equipment employed. For these reasons, the Company engaged John Spanos of Gannett Fleming to prepare a depreciation study and recommend updated depreciation rates that better reflect the reasonable life cycle of the Company's assets and better align cost recovery for the assets providing service to the customers receiving the benefits of such infrastructure. In addition, Mr. DeStefano explained, Mr. Spanos has proposed a cost of removal component to various depreciation rates to accommodate decommissioning and other removal costs related to asset retirements. He testified that implementation of cost of removal rates will mitigate the need to request deferral of such incurred costs in future proceedings, as well as better reflect appropriate regulatory cost matching principles, pairing cost recovery with the customers who benefit from the asset during its useful life. (Tr. p. 763.9-10.)

John J. Spanos, President, Gannett Fleming Valuation and Rate Consultants, LLC, a longstanding depreciation expert, testified about the results of his review and analyses of Blue Granite's plant in-service, conducted in the process of preparing depreciation studies of the Company's water and wastewater plant assets as of December 31, 2018. He explained that depreciation, as applied to depreciable public utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation against which the Company is not protected by insurance. Among the causes to be given

consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and the requirements of public authorities. (Tr. p. 537.5.)

Mr. Spanos testified that depreciation rates are affected by service life and net salvage parameters. He stated that these parameters are determined based on a combined statistical analysis and informed judgment of each asset class. He stated that informed judgments of each asset class are developed based on field inspections and discussions with management with regard to plans and outlook of assets. Mr. Spanos testified that based on his depreciation studies, the composite rate for water assets is 4.06%, and the composite rate for wastewater assets is 3.32%. He opined that the proposed depreciation rates resulting from his depreciation studies are reasonable and appropriate given that they incorporate the service life and net salvage parameters currently anticipated for each of the Company's property group investments over their average remaining lives. (Tr. p. 537.5-6.)

Mr. Spanos testified that he used the straight line remaining life method of depreciation, with the average service life procedure to develop recommended depreciation accrual rates. The total annual depreciation is based on a system of depreciation accounting which aims to distribute the cost of fixed capital assets over the estimated useful life of the unit, or group of assets, in a systematic and rational manner. He explained that, for certain accounts for which depreciation accounting would be difficult, he used amortization accounting. (Tr. p. 537.6; 537.9-10.)

Mr. Spanos explained that the determination of annual depreciation accrual rates consists of two phases. In the first phase, service life and net salvage characteristics are estimated for each depreciable group, that is, each plant account or subaccount identified as having similar characteristics. In the second phase, he explained, the annual depreciation accrual rates are

calculated based on the service life and net salvage estimates determined in the first phase. (Tr. p. 537.6.)

Mr. Spanos testified that the service life and net salvage study consisted of compiling historical data from records related to the Company's plant; analyzing the data to obtain historical trends of survivor and salvage characteristics; obtaining supplementary information from management and operating personnel concerning the Company's practices and plans as they relate to plant operations; and interpreting the above data to form judgments of average service life and net salvage characteristics. (Tr. p. 537.7.)

He stated that the historical data consisted of the entries made by the Company to record plant transactions through 2018. The transactions included additions, retirements, transfers and the related balances. The Company, in accordance with Mr. Spanos' instructions, classified the data by depreciable group, type of transaction, the year in which the transaction took place, and the year in which the plant was installed. He noted that there were some installation years that required engineering personnel identification. (Tr. p. 537.7.)

He stated that he used the retirement rate method to analyze the service life data. That method is the most appropriate when aged retirement data are available, he testified, because it develops the average rates of retirement actually experienced during the period of study. Other methods of life analysis infer the rates of retirement based on a selected type survivor curve. He testified that each retirement rate analysis resulted in a life table which, when plotted, formed an original survivor curve. Each original survivor curve as plotted from the life table represents the average survivor pattern experienced by the several vintage groups during the experience band studied. He stated that, inasmuch as this survivor pattern does not necessarily describe the life

characteristics of the property group, interpretation of the original curves is required in order to use them as valid considerations in service life estimation. He stated that Iowa type survivor curves were used in these interpretations. More specifically, he explained that the Iowa curves and truncated Iowa curves were used in this study to describe the forecasted rates of retirement based on the observed rates of retirement and the outlook for future retirements. (Tr. p. 537.7-9.)

He testified that each net salvage data percentage is the combination of cost of removal and gross salvage as a percent of the original cost retired. There is no historical data to analyze, therefore, all estimates were based on informed judgment which included net salvage percentages of other water and wastewater utilities. He stated that the estimates are consistent with how the Company will record these costs going forward. (Tr. p. 537.9.)

With regard to the second phase of the process – calculation of the annual depreciation accrual rates -- Mr. Spanos testified that after he estimated the service life and net salvage characteristics for each depreciable group, he calculated annual depreciation accrual rates for each group in accordance with the straight line remaining life method, using the average service life procedure for all depreciable accounts and installation years. Mr. Spanos explained that, with regard to certain accounts, amortization accounting was used instead of depreciation accounting, due to the large number of units in such accounts and the concomitant difficulty of properly reflecting plant in-service without periodic inventories. He stated that in amortization accounting, units of property are capitalized in the same manner as they are in depreciation accounting; however, retirements are recorded when a vintage is fully amortized rather than as the units are removed from service. In other words, there is no dispersion of retirements; all units are retired when the age of the vintage reaches the amortization period. (Tr. p. 537.9-10.)

ORS Position

David J. Garrett, Managing Member, Resolve Utility Consulting, PLLC, testified on behalf of the ORS on depreciation issues. Mr. Garrett testified that he employed a depreciation system using actuarial plant analysis to statistically analyze the Company's depreciable assets and develop reasonable depreciation rates and annual accruals. He is of the opinion that the Company has not met its burden of showing that its proposed service lives and net salvage rates for many of its depreciable accounts do not result in excessive depreciation expense for customers. Specifically, Mr. Garrett testified that the service lives proposed by Mr. Spanos for several of the plant accounts in the depreciation studies are too short given the evidence supporting such service life proposals. Additionally, he stated, the net salvage rates proposed by Mr. Spanos are for several accounts in the depreciation studies, lower than what is otherwise indicated by the evidence provided (if any) to support the proposed net salvage rates. He stated that unreasonably short service lives and unreasonably low net salvage rates both contribute to the unreasonably high depreciation rates proposed by the Company. The ORS proposes a combination of longer service lives and/or higher net salvage rates on several of the Company's water and wastewater accounts. Mr. Garrett testified that, based on the empirical evidence provided by the Company in this case, the depreciation rates proposed in his testimony are more accurate than those proposed in the Company's depreciation study. As the Company accumulates more accurate data over time, he stated, depreciation rates should be updated periodically based on that data. On cross-examination, Mr. Garrett confirmed that he had only testified in one other water/wastewater rate case, in Indiana, and he stated that he had not performed any field inspections in connection with his depreciation studies in this case. (Tr. p. 1054.5-8; 1063-64.)

In surrebuttal testimony, Mr. Garrett noted that generally, he and Company witness Spanos both agree that there should be an increase in depreciation rates for Blue Granite. He stated that the Company's current depreciation rates are based on a composite average service life of about 66.67 years for all assets. He noted that the historical data and other evidence provided by the Company indicate that the average service lives for the assets in most of its accounts should be shorter than this. Likewise, he testified, both he and witness Spanos agree that there should be a net salvage component to depreciation rates. However, he reiterated that he believes the Company's requested increase is unreasonably excessive, especially in consideration of the evidence provided to support the proposed increase, with respect to service life and net salvage estimates. (Tr. p. 1055.2-3.)

In surrebuttal, Mr. Garrett also took issue with Mr. Spanos' testimony that his life estimates are based solely on mathematical best fitting curves and that he does not incorporate visual curve fitting techniques. He testified that sometimes he may select the best mathematically fitting curve, but not before incorporating visual curve fitting techniques and professional judgment. Further, he stated that often, the Iowa curve he selects is shorter than the best mathematically fitting curve, which means that his incorporation of professional judgment and visual curve fitting techniques actually leads to a higher depreciation rate and expense than what would have resulted if his estimates had been "based solely on mathematical best fit curves," as witness Spanos claims. (Tr. p. 1055.4-6.)

Mr. Garrett also addressed Witness Spanos' claims that his approach to estimating service lives is at odds with the NARUC depreciation manual because of his emphasis on mathematical curve fitting. He agreed that if a depreciation analyst simply selected the best mathematically

fitting Iowa curve for each account without question, it would run the risk of being at odds with the preferred analytical approach described in the NARUC manual and other authoritative texts in the industry. However, he stated that he is not taking such an approach. Instead, he stated, his approach uses a combination of visual and mathematical curve fitting technique along with professional judgment, in conformance with authoritative depreciation texts, including the NARUC manual. (Tr. p. 1055.6-7.)

He did note, however, that it is fair to say that he relies more on objective analysis than does witness Spanos, and he opined that when the Commission is presented with two service life proposals for a particular account, it should select the curve that is supported more by the objective evidence. (Tr. p. 1055.7-8.)

In surrebuttal, Mr. Garrett also addressed his net salvage proposals. He noted that the Company's currently approved net salvage rates are zero, and he generally agreed with witness Spanos that some level of negative net salvage should be considered in calculating the Company's depreciation rates. However, he stated that large increases in negative net salvage in any given cases are generally not preferable because it can result in a substantial increase in rates to customers, sometimes known as "rate shock." Thus he took issue with witness Spanos' proposal to increase negative net salvage rates by 20%. He also relied on the fact that historical net salvage data was not available for the Company. He opined that the net salvage rate adjustments presented in his testimony strike a fair balance between a complete disallowance of net salvage and the significant increases in negative net salvage proposed by witness Spanos. He stated that as Blue Granite accumulates net salvage data over time, that data can be used to develop accurate net salvage estimates. (Tr. p. 1055.8-9.)

Company Response

In rebuttal testimony, Mr. Spanos noted that ORS witness Garrett proposes a fairly significant change in depreciation expense compared to the Company's depreciation studies, due in large part to the changes to service lives he is proposing. Another factor contributing to the decreased expense proposed by Mr. Garrett is that he changes the Company recommended net salvage percentages. (Tr. p. 538.3.)

He stated that a large amount of Mr. Garrett's proposed reduction in depreciation expense is due to Mr. Garrett proposing longer service lives for both water and wastewater plant accounts. Mr. Spanos testified that Mr. Garrett's proposed service life estimates are determined using life analysis that is objectively based solely on mathematical best fit curves without making appropriate determinations and judgments as to which data points should be emphasized. Mr. Spanos emphasized, in contrast, that there must also be a subjective component to life analysis, utilizing expert judgment. (Tr. p. 538.11-21.)

Regarding Mr. Garrett's net salvage estimates for this case, and his claim that the Company proposed estimates are excessive, Mr. Spanos testified that Mr. Garrett had supported as negative or more negative net salvage estimates in a recent case for a majority of the accounts for which he is proposing net salvage changes in this case. (Tr. p. 538.6-9.)

Mr. Spanos emphasized that the depreciation rates proposed in his depreciation study are not excessive. For example, he noted, the net salvage estimates he has proposed are, generally, less negative than those used by most water companies. Additionally, he noted, his proposed depreciation rates were developed using a consistent, systematic and rational approach to

estimating both service lives and net salvage. In contrast, he characterized Mr. Garrett's approach to selecting survivor curves as inconsistent and results-based. (Tr. p. 538.4-5.)

With regard to the selection of survivor curves, Mr. Spanos explained that a highly regarded depreciation text written by Wolf and Fitch states that: "The results of mathematical curve fitting serve as a guide for the analyst and speed the visual fitting process. But the results of the mathematical fitting should be checked visually, and the final determination of the best fit be made by the analyst." He stated that for a majority of the accounts for which Mr. Garrett proposes a different survivor curve, however, his reasons are purely based on a mathematical approach and he does not consider visual curve fitting in his recommendation. (Tr. p. 538.4-5.)

In addition, Mr. Spanos emphasized that it should be expected that there would be an increase in depreciation rates in this case. He stated that Blue Granite is currently depreciating all assets (other than Transportation Equipment) at a rate of 1.5%. This 1.5% rate was first established in 1994 and was subsequently approved in 2005. He concluded that it should come as no surprise that an increase in depreciation expense is warranted in this case. He stated that a 1.5% depreciation rate amongst all plant accounts is significantly lower than what would generally be expected for these types of assets. Additionally, he stated that the 1.5% depreciation rate was developed absent net salvage, meaning it was based on a composite average service life of approximately 66.67 years for all assets. Mr. Spanos observed that Mr. Garrett does not disagree that this is a longer average service life than is to be expected from both water and wastewater plant accounts given that he has only proposed a longer life than 66.67 for two accounts in his testimony. He noted that many accounts have estimated average service lives that are significantly shorter than the 66.67 average service life upon which the current composite depreciation rate is based. Absent net

salvage, he stated, an updated analysis of service lives alone would increase depreciation rates and would do so significantly for some accounts. (Tr. p. 538.5-6.)

Further, Mr. Spanos observed that Mr. Garrett does not disagree that there should be a net salvage component to depreciation rates, as it is expected that there will be costs associated with removing utility assets from service. He stated that when a net salvage component is added to the depreciation rates it will generally increase the depreciation rates even further than the updated service life estimates. Given these factors, he concluded, it should be clear why the increase proposed by Blue Granite and the depreciation study are warranted. (Tr. p. 538.7-8.)

Commission Findings

Depreciation expense allows a company to recover its capital investments in a timely and equitable fashion over the estimated service lives of the investments. Depreciation studies rely not only on statistical analysis but also on the judgment and expertise of the preparer. The Commission recognizes that the determination of depreciation accrual rates requires both statistical analysis and the application of the preparer's judgment and expertise. Because by their very nature depreciation studies rely on examining historic performance to assess future events, a degree of subjectivity is inevitable. The Commission does not consider any one factor in isolation when reviewing the appropriateness of proposed depreciation accrual rates; information gleaned from site visits, information regarding underlying assets in an account, statistical analyses, mathematical and visual curve fitting, and expert judgement are examples of some of the myriad factors the Commission finds relevant in evaluating proposed depreciation rates.

The evidence is clear in this case that an update to Blue Granite's depreciation rates and depreciation expense is needed; both Mr. Spanos and Mr. Garrett are in agreement on this. The

evidence shows that the Company's current depreciation rates are artificially low and out of date. The question is whether Mr. Spanos or Mr. Garrett's proposed accrual rates and expense level are more reasonable and supported by substantial evidence.

Mr. Spanos' proposed accrual rates are based on a combination of historical information, information gathered on site visits, statistical analyses, mathematical and visual curve fitting, and extensive expert judgment. Mr. Garrett's proposed accrual rates are based largely on mechanistic and mathematical approach, ignoring in many cases visual curve fitting techniques, and lacking information from site visits and extensive expert judgment such as that possessed by Mr. Spanos. We also note that Mr. Spanos' net salvage estimates are somewhat conservative in this case, as they are less negative than those used by most water companies.

In this case, we find that Mr. Spanos' proposed service lives and net salvage estimates are the most reasonable and should be approved. Our finding is based upon his expertise in the field, including his expertise with water and wastewater depreciation studies; his presentation of his depreciation studies and the rationales therefor; and his approach of combining mathematical calculations with the application of expert professional judgment and visual curve fitting techniques.

iii. Non-Revenue Water

As discussed in more detail below, we direct the Company to conduct leak testing on the four systems for which leak testing is economical, and to contract with a third party to have a water audit conducted. We will permit Blue Granite to recover its third party purchased water and sewer treatment expenses, except that such recovery shall exclude non-revenue water amounts over 20 percent for the four systems for which leak detection is economical.

Blue Granite's Position

Blue Granite opposes ORS's proposed disallowance of recovery for non-revenue water amounts of greater than 10 percent. Blue Granite points out that the 1996 American Water Works Association ("AWWA") committee report on which ORS relies has been rejected by the AWWA, which now favors a more tailored, system-specific approach. (Tr. p. 363.3-4.) Quoting a 2019 report from the AWWA, Blue Granite states that, "[s]ince 2003, AWWA has recommended that it is best for utilities to set system-specific loss targets, and not use a prescribed one-size-fits-all number." (Tr. p. 363.4 (quoting *Key Performance Indicators for Non-Revenue Water*, AWWA Water Loss Control Committee Report (Nov. 2019), available at <https://www.awwa.org/Portals/0/AWWA/ETS/Resources/WLCKKPIReport%202019.pdf?ver=2019-11-20-094638-933>)).

Blue Granite also points out that 5 of the systems listed by ORS were served by Company wells during the 12-month period utilized, and therefore it is not determinable whether water losses are generated from the source wells or the purchased supply connection (Tr. p. 363.5).

Blue Granite states that it is taking proactive steps to reduce non-revenue water consistent with AWWA recommendations, and should not be penalized by utilizing an arbitrary threshold that the AWWA has explicitly rejected. The Company proposes an evaluation based on benefit-cost analysis consistent with AWWA's recommendations, including setting goals for each system and to evaluate the Company's efforts towards reducing non-revenue water for each. (Tr. p. 363.8.). Blue Granite accepts ORS's recommendation to engage a third-party to complete water audits for its systems, and requests the Commission authorize deferral treatment of these costs, and accrual of carrying costs, to facilitate recovery in the Company's next rate case. (Tr. p. 363.8.)

Should the Commission deem a particular threshold is warranted in this proceeding, Blue Granite would propose a 20% threshold based on the ongoing efforts of the Company, the costs required to reduce non-revenue water, and the standards used by other jurisdictions. (Tr. p. 363.9-10.)

ORS's Position

ORS proposes a disallowance for all non-revenue water of greater than 10 percent on the basis that it “insulates the ratepayers from non-revenue water impacts and incentivizes the Company to monitor and mitigate non-revenue water,” and states that it is consistent with the AWWA’s benchmark for non-revenue water as articulated in a 1996 committee report. (Tr. p. 1201.5.)

Commission's Finding

On some systems, the cost of leak testing would exceed—and, in some cases, greatly exceed—the cost of non-revenue water. These costs would be part of the Company’s cost of service and would be passed along to customers. For that reason, disallowing the Company’s recovery of non-revenue water in cases where it is not economical to invest would incentivize the Company to make uneconomic investments, which would actually **drive up** costs for ratepayers rather than insulate them. At the merits hearing, while ORS Witness Maurer agreed that the costs of addressing non-revenue water must be weighed against the resulting benefits and that customers would bear the costs of conducting a water audit—Tr. p. 1250, lines 15-24—the costs of leak detection and a water audit (which could occur on an annual basis) could be exceedingly more than the cost of non-revenue water. (Tr. p. 1249). Additionally, the water audit and leak detection process would not “fix the problem”; follow-on infrastructure repairs and replacements would be necessary and may only result in a partial mitigation of losses. (Tr. p. 1249-50.)

It is uncontested that customers would be required to pay for any investment associated with mitigating non-revenue water, to include leak detection and any resulting infrastructure repairs or replacements. It would be unreasonable for this Commission to require customers to pay large sums for leak detection in cases where the related costs would exceed the non-revenue water costs. For that reason, for the four systems for which leak detection would actually be economical—Peachtree Acres, I-20, Hidden Lakes, and Hill and Dale—we direct that the Company begin leak testing and associated repairs within 12 months of this order. We will, moreover, disallow recovery of purchased water expenses for these four systems above the 20 percent non-revenue water level. While the AWWA has rejected a universal threshold for non-revenue water, we find that this blended approach—detecting and repairing leaks on problematic systems and disallowing recovery of excessive non-revenue water on those systems—strikes a rational and reasonable balance between incentivizing the utility to invest in its system while not being overly punitive against the utility, or requiring customers to bear costs when the investment is not economical.

The Company is further directed to contract with a third party for the purpose of conducting a water audit for its purchased water systems. Because these leak testing and water audit costs are unusual or extraordinary in nature, and because of their anticipated potential magnitude, the Company is authorized to defer the associated expenses into a regulatory asset account, and accrue carrying costs at the Company's authorized cost of debt until the time of recovery.

iv. Pass-Through Mechanism for Purchased Services

We find that the pass-through mechanism, as modified as described below, is a reasonable proposal that is in the best interests of both customers and the Company.

Blue Granite's Proposal

Blue Granite proposes to implement a mechanism by which its rates for recovery of purchased water and sewer treatment expenses would be updated on an annual basis to reflect increases or decreases in third-party service provider rates. Application ¶ 19. The changes in such rates would be isolated within a standalone “Purchased Sewer Treatment Adjustment Charge” and a standalone “Purchased Water Adjustment Charge,” and the annual rate adjustment for purchased water expense deferrals and annualized vendor rate changes would be applied to “Distribution only” customers, and purchased sewer treatment deferrals would be applied to “Collection only” customers. (Tr. p. 764.37.)

Under the proposed mechanism as described in the Application, changes in expenses would be deferred, and the Company would file for a rate adjustment within 60 days of the end of each annual deferral period. The ORS and the Commission would then review and audit the filing within 45 days thereafter, and the Company would notify its customers of the audited rate adjustment within 15 days of audit completion, with the approved rate would become effective 30 days thereafter. The interim adjustment rates would be reset to zero in the next base rate case as the vendor rate changes and deferred expenses are incorporated into the setting of base rates. Application ¶ 19.

In testimony, Blue Granite noted—and we take judicial notice of the fact—that no other water or wastewater utility with a pass-through mechanism provides the opportunity for a hearing as part of their mechanism. (Tr. p. 763.39.) The Company also explained that the mechanism is intended to reduce regulatory costs for customers and to free up Commission resources, and that it believed there would be little to gain from a hearing on a mechanism that simply passes through

third party costs. In spite of these reservations, the Company expressed a willingness to including the opportunity for a hearing as part of its annual mechanism proceeding. (Tr. p. 763.39.)

In response to ORS's argument that the pass-through mechanism should "de-consolidate" rates and instead pass through third-party expenses on a localized basis, the Company offered testimony that such a position is counter to a policy favoring greater consolidation of Blue Granite's rates. The Company also offered testimony that the Bonbright principles, often referred to in a regulatory context, strongly support implementation of the pass-through mechanism. (Tr. p. 764.8.) In particular, the Bonbright principles support: (1) the ability of the utility to earn its permitted revenue requirement without expanding rate base; (2) revenue stability and predictability through a once-annual rate adjustment; (3) rate stability and predictability through a once-annual rate adjustment, rather than a less frequent rate change that could result in rate shock or a more frequent rate change that could result in whiplash and customer confusion; (4) the reflection of all costs of service in rates by more prompt updates to the rate; and (5) a mechanism that tracks changes in rates on a dollar-for-dollar basis, and therefore tracks changes in supply patterns. (Tr. p. 764.8-9.)

In rebuttal testimony, Company witness DeStefano also pointed out that the ORS' position (discussed below) is inherently contradictory. The ORS proposes that rate consolidation should continue, but these third-party costs should be recovered on a non-consolidated basis; the ORS proposes that these third-party costs should continue to be deferred and recovered from customers in subsequent rate cases on a consolidated basis, but the ORS objects to the pass-through mechanism on the basis that recovery will take place on a consolidated basis. Tr. p. 764.6-764.7.

The Consumer Advocate's Position

The Consumer Advocate supports Blue Granite's proposed pass-through mechanism. The Consumer Advocate offered the following testimony:

Consolidated rates are an overall benefit for customers as they create economies of scale and lowers administrative and regulatory costs to all customers. In this instance, customers benefit, especially those on smaller systems, because the cost of providing safe and reliable service is minimized.

Also, I believe an annual rate filing to pass-through changes in the cost of purchased water and wastewater service will minimize the effect on BGWC's overall rates it charges for current water and wastewater services. In other words, if the current deferred accounting system, which accumulates the costs related to changes in the supplier rates for purchased water and wastewater services, continues, then there is likely to be large balances that will need to be recovered in every rate case. For instance, in this proceeding, the Company is seeking recovery of \$2.8 million of purchased water and wastewater costs that have been deferred. Annual rate filings will prevent the accumulation of such balances. To the extent there are any increases in the rates purchased water and wastewater suppliers charge, those increases will be pass-through in smaller increments that are more palatable to customers.

(Tr. p. 658.10). Consumer Advocate Witness Morgan also offered testimony at the merits hearing that the pass-through mechanism is not unreasonable and is in customers' interests because it supports gradualism in rates. The only concern he expressed was related to the non-revenue water issue, which we address in this Order. (Tr. p. 708.)

ORS's Position

ORS opposes the mechanism because—as originally proposed—it did not allow for public participation in the proceeding, though ORS acknowledges that the Company has clarified that it would be open to providing for the opportunity of a hearing. (Tr. p. 1213.21-22.) ORS recommends that the Company be permitted to continue deferring its third-party water and sewer treatment costs and recover these costs in the next base rate proceeding. (Tr. p. 1213.23.) ORS also opposes the pass-through mechanism as proposed by the Company because it does not account for non-revenue

water or inflow and infiltration. ORS notes that it “has proposed an adjustment to the Company’s purchased water deferral and purchased water expenses in this proceeding based on its review of the Company’s purchased water expense and management practices.” (Tr. p. 1214.3-4.)

During the merits hearing, ORS agreed that the Company’s deferred increases in third party expenses would be recovered on a consolidated basis, which conflicts with ORS’s position that these expenses be recovered on a localized basis. ORS also agreed that it supports further rate consolidation for Blue Granite. (Tr. p. 1225-29.)

York County’s Position

York County asserts that Blue Granite’s consolidated rate structure as implemented through the pass-through mechanism will disproportionately affect York County customers because the County has suspended its previously approved rate increases.

Commission’s Finding

We find that the pass-through mechanism, with certain limited modifications, is a reasonable method by which Blue Granite can be made whole for its necessary third-party purchased water and sewer treatment service expenses. We find that the pass-through mechanism benefits customers by regularly and predictably adjusting rates based on periodic changes—including increases and decreases—in third-party service providers’ rates. Nevertheless, as discussed above, we believe that a reasonable limit on non-revenue water is appropriate. Therefore, in addition to the water audit ordered above, which should reduce non-revenue water in the long-term, we also will require Blue Granite to exclude from its annual pass-through calculations the recovery of purchased water expenses for the Peachtree Acres, I-20, Hidden Lakes, and Hill and Dale systems above the 20 percent non-revenue water level. These are the

four systems for which leak testing would be economical. We reiterate that disallowing the Company's recovery of purchased water expenses on systems for which the associated investment would be uneconomical would require customers to bear costs of leak detection and repairs when such investment is not economical. This cost-benefit analysis can and should be updated on a system-by-system basis at the Company's next base rate proceeding.

We agree that the pass-through mechanism should utilize the same consolidated rate design of the Company's existing rates – i.e., Water Service Territories 1 and 2, and Consolidated Sewer. As described in the Consumer Advocate's testimony, we have long favored a consolidated rate design, as such represents an overall benefit for customers, creating economies of scale and lowering administrative and regulatory costs for all customers. (Tr. p. 658.9.) Further, customers benefit, especially those on smaller systems, because the cost of providing safe and reliable service is minimized. Whether a particular geographic area would benefit over another in the short term is inapposite to these considerations.

Similar to cost recovery mechanisms approved for energy efficiency and demand-side management programs—*see, e.g.*, Order No. 2015-596 at 10-12, Docket No. 2015-163-E (Aug. 19, 2015)—we approve the following procedure for the Company's annual pass-through mechanism:

- Beginning in Blue Granite's 2021 pass-through proceeding, the Company's rate adjustment period will include any changes in third-party rates occurring between that which is captured in this rate proceeding through December 31, 2020. Thereafter, the rate adjustment period will be the preceding full calendar year.

- On or before December 15th of each year, the Commission's Clerk's office will issue a notice to be provided to customers of the following pass-through proceeding and associated deadlines.¹ See Order Exhibit No. 1 for a sample Notice of Proceeding.
- On or before March 1st of each year, Blue Granite will file its annual pass-through application in the instant docket, Docket No. 2019-290-WS, and serve it upon the parties to this proceeding.
- On or before April 15th of each year, the ORS and any interested parties may file comments on the Company's application. In such comments, parties may request a hearing. While the calculation of changes in third party rates is strictly a mathematical exercise, to the extent there is an evidentiary dispute that can only be resolved through a hearing, such a request for hearing will be considered.
- On or before June 1st of each year, the Commission will rule on the Company's annual application. The Company will implement the authorized rates effective on the date of Commission approval.

Inasmuch as we are approving the pass-through mechanism in this proceeding, we will permit the Company to recover the costs associated with the notice and filing costs associated with the annual pass-through proceeding, as accounted for in Adjustment Nos. 15b and 16b. In addition, we authorize the Company to defer its pass-through expense increases and decreases incurred from

¹ We note that such "pre-notice" is consistent with that used in utilities' annual fuel filings, whereby notice of the proceeding is provided to customers ahead of the utility's filing. See, e.g., Notice of Hearing and Prefile Testimony Deadlines, Docket No. 2020-1-E (Dec. 9, 2019).

its vendors on an interim basis, as necessary until such changes are reflected in rates through the pass-through mechanism.

v. Deferred Maintenance Expenses

As discussed below, we find that the Company's demonstrated investment in multi-year maintenance activities should be normalized and amortized over the period for which the benefit will be realized, and such upfront investment, net of amortization incurred, shall be included in rate base so as to compensate the Company for the time value of its investment.

Company Proposal

Mr. DeStefano testified that deferred maintenance expense was adjusted to reflect amortization of systemwide hydrotank inspections which occurred after the end of the Test Year (as well as to remove Test Year activity for items now fully amortized). (Tr. p. 763.12.)

In rebuttal testimony, the Company agreed to the update to actual deferred maintenance costs made by ORS in Adjustment No. 9a. However, Company witness DeStefano testified that it is appropriate to defer the maintenance costs and include the unamortized balance of the deferred tank inspections in rate base. He stated that such maintenance costs, similar to tank painting, are significant and do not recur on an annual basis. He testified that they provide a multi-year benefit to the Company and its customers. He noted that in the case of tank inspections, they are performed every five years, and tank painting value can last approximately 20 years. He stated that this multi-year benefit is reflected first in the form of a deferral and amortization, but as the Company is funding the costs upfront for a benefit derived over multiple years, the amount is analogous to a prepaid item and therefore appropriately included in rate base. In any event, Mr. DeStefano

testified, these important but periodic maintenance costs should be included in rates and recovered over a reasonable period of time. (Tr. p. 764.26-27.)

Consumer Advocate Position

Consumer Advocate Witness Morgan opposes the deferral of the hydrotank inspection costs and recommends removing the unamortized deferred maintenance balance from rate base, under the rationale that these are simply routine maintenance costs. In surrebuttal testimony, Mr. Morgan stated that these costs are not eligible for capitalization under GAAP. He added that, even when regulatory commissions allow recovery of such deferred maintenance costs, they normalize such costs over a reasonable period of time rather than including them in rate base. (Tr. 651.12, 658.7-8.)

ORS Position

ORS Witness Sullivan proposed adjusting the Company's filing position to account for the actual deferred maintenance costs incurred for system-wide hydrotank inspections in the post-Test Year period, and recommended recovery of the actual costs over a 5-year amortization period. Witness Sullivan also recommended removing the unamortized deferred maintenance balance from rate base. In surrebuttal testimony, Mr. Sullivan reiterated that these expenses are maintenance expenses not capital investments, with the former traditionally not reflected in rate base. Additionally, he testified that ORS's exclusion of these expenses from rate base is consistent with Commission precedent. (Tr. p. 1115.21, 1116.4-6.)

Commission Findings

No party disputed that hydrotank inspections were necessary, nor did any party dispute the costs of such inspections. Rather, the dispute among the parties centers around whether such costs

should be reflected in rates in this proceeding and, if so, the proper ratemaking treatment for such costs, that is, rate base or expense treatment. We find that such costs should be reflected in rates. Hydrotank inspections are a reasonable and necessary part of providing water utility service, and the fact that inspections do not occur each and every year does not mean that a reasonable, normalized amount of tank inspection costs should be excluded from the ratemaking process. Accordingly, we reject the Consumer Advocate's recommendation.

Additionally, we agree with the Company that hydrotank inspection costs are effectively an upfront investment by the utility that benefits customers and supports capital investments made by the Company, even though the costs of such are recovered ratably over a period of years. The recovery of the dollar-for-dollar investment over multiple years does not fully compensate the Company for the upfront investment's impact, and therefore such costs that result in a multi-year benefit should generate a return, which is not otherwise accounted for in the revenue requirement. For this reason, we find it is appropriate to defer the maintenance costs and include the unamortized balance of the deferred tank inspections in the Company's rate base. Accordingly, we reject the ORS's proposal to reflect such costs as an O&M expense rather than as a rate base item.

vi. Amortization of Deferral Balances

As discussed below, we find that the amortization period for the decommissioning of the Stonegate water treatment plant ("WTP") and Friarsgate wastewater treatment plant ("WWTP") should be matched to the remaining lives of the actual retired assets. We also find that the deferral balances for hurricane costs, I-20 Phase 2, Stonegate decommissioning and net book value ("NBV"), Friarsgate decommissioning and net book value, and EDIT reserves should be calculated to 4/30/2020, because there are no known or measurable changes to the balances that will occur

after that time, and any date beyond this point is inconsistent with the historical test year approach utilized by the Commission in setting rates.

Company Proposal

Mr. DeStefano testified that, pursuant to Commission Order No. 2018-182, the Company has been deferring litigation expenses related to two cases before the Administrative Law Court – the DHEC Permit Denial case and the I-20 Interconnection case. He stated that the Company requests recovery of the related deferred costs of \$216,773 and \$65,948, respectively, in this case, over a five-year period. He confirmed that these proceedings have concluded as of the time of his testimony. (Tr. p. 763.9-10.) In addition, Mr. DeStefano testified that, pursuant to Commission Order No. 2018-308, Blue Granite has deferred the revenue impact of the difference between a 35% federal income tax rate and the 21% federal income tax rate per the TCJA, for the period of January 1, 2018 through June 29, 2018, the date of the 2017 rate case's change in customer rates. He stated that the Company proposes to refund this deferred liability \$335,713 to active customers at the time of the Order issued in this case, through a one-time credit of \$10.64 to each customer water and wastewater service account – that is, a customer served both water and sewer would receive a one-time credit of \$21.28. (Tr. p. 763.10.)

Mr. DeStefano also testified that the Company included in its revenue requirement the removal costs to decommission the Stonegate WTP and net book value of the related assets for a combined deferral of \$756,503, to be amortized over a 19.82 year period. He stated that the Company also included in its revenue requirement the removal costs to decommission the Friarsgate WWTP and net book value of the related assets for a combined deferral of \$7,006,490, to be amortized over a 19.72 year period. He explained that these amortization periods are derived

based on the weighted average of the remaining lives of the WTP and WWTP assets removed from service. The Company also requested authority to defer for subsequent recovery, capital costs associated with decommissioned plant assets including costs of removal and remaining net book value. (Tr. p. 763.10, 15.)

Finally, Mr. Destefano testified that the Company updated its Excess Deferred Income Tax (“EDIT”) balances – generated from the remeasurement of Accumulated Deferred Income Taxes (“ADIT”) based on the TCJA’s change in federal income tax rate from 35% to 21% - due to the filing of its final 2017 federal tax return after the inclusion of the EDIT reserve and amortization in its 2017 Rate Case. He stated that the updated EDIT reserve balance for protected assets is \$2,742,706 and for unprotected assets is \$111,437 as of December 31, 2019. (Tr. p. 763.10-11.)

In rebuttal testimony, Mr. DeStefano testified in opposition to the ORS’ proposed longer amortization periods for the decommissioned plant and associated remaining net book value of the removed assets. He noted the illogic of tying the amortization period to a new replacement asset rather than to the decommissioned assets that are the basis for the remaining costs. He also noted that the fact that the Company’s depreciation rates have been very low for many years necessarily resulted in assets at the end of their useful life but with a net book value remaining. He testified that, effectively, customers have received the benefit of the full life of these assets but the Company’s recovery was prescribed over a longer presumed asset life, and therefore the Company has under-recovered the cost of the assets. He stated that utilizing a longer period than is reflected in the Company’s calculation—which uses Witness Spanos’s proposed depreciation rates, correcting for past under-depreciation—would result in unreasonably extending the period of under-recovery for the Company of these now-retired assets. Rather, he testified, the Company’s

proposed remaining life calculation for amortizing the decommissioning and NBV asset amounts rectifies this issue of under-depreciation to date. (Tr. p. 764.29-30.)

Mr. DeStefano also indicated in his rebuttal testimony that the Company agrees with ORS Witness Briseno's calculations of the deferral balances for hurricane costs, I-20 Phase 2, Stonegate decommissioning and net book value, Friarsgate decommissioning and net book value, and EDIT reserves to 4/30/2020. However, he testified, the Company disagreed with ORS's calculation of the decommissioning/NBV and EDIT balances through 4/30/2021, a full 22 months beyond the Test Year-end and over 16 months past the audit cut-off date. Instead, Mr. DeStefano testified, the Company recommends all deferral balances be calculated as of the same cut-off date of 4/30/2020, as there is no foreseeable change in the amortizable balance that will occur between the audit cut-off and this date, which reflects the day before rates are estimated to be effective in this case. (Tr. p. 764.30, 764.35-36.)

ORS Position

Although the ORS updated some of the deferred amounts, the ORS did not object to the Company's proposed amortization periods except with respect to the Company's decommissioned plant and associated remaining net book value of the removed assets and the EDIT balances. For the decommissioned plant and associated remaining net book value deferrals, the ORS recommended longer amortization periods based on the estimated useful lives of the new, replacement interconnect project. The ORS also proposed that the decommissioning/NBV and EDIT balances be calculated through 4/30/2021. In addition, the ORS updated the one-time customer credit resulting from the TCJA regulatory liability, to \$10.59 per account. (Tr. p. 1128.6-7, 1213.12-13, 1129.2-4, 1214.9-11.)

Commission Findings

The parties appear to be in agreement on the amounts and amortization periods for litigation expenses and the TCJA regulatory liability and one-time customer account credit, and we approve such amounts and amortization periods. In addition, there appears to be no objection to the Company's request for authority to defer for subsequent recovery, capital costs associated with decommissioned plant assets including costs of removal and remaining net book value, and we so authorize the Company to defer such costs.

In dispute is the appropriate amortization period for the remaining net book value for decommissioned assets—assets that have been used and useful in providing service to customers for years. The Company has proposed that the costs of removal and remaining net book value associated with the decommissioned assets be amortized over slightly less than 20 years, based on the weighted average of the remaining lives of the WTP and WWTP assets removed from service. The ORS, on the other hand, proposes longer amortization periods for these costs tied to the estimated service lives of the new, replacement assets. We fail to see the logic of tying the amortization periods for old, retired assets to the estimated lives of the new, replacement assets, as opposed to basing the amortization periods on the remaining lives of the actual assets that were decommissioned. In addition, we find persuasive Mr. DeStefano's testimony that customers have received the benefit of the full life of these assets, while the Company's recovery of such asset costs was calculated on an artificially longer estimated asset life, due to the Company's low depreciation rates. The Company's proposal reasonably minimizes intergenerational inequity, while the ORS's proposal would exacerbate it. Accordingly, we find the Company's proposed

amortization periods for its costs of removal and remaining net book value associated with decommissioned assets to be reasonable, and we approve the use of such amortization periods.

The parties also appear to be in agreement with respect to the ORS's calculations of the deferral balances for hurricane costs, I-20 Phase 2, Stonegate decommissioning and net book value, Friarsgate decommissioning and NBV, and EDIT reserves to 4/30/2020. However, the Company disagrees with ORS's calculation of the decommissioning/NBV and EDIT balances through 4/30/2021. As Mr. DeStefano stated, that is a full 22 months beyond the Test Year-end and over 16 months past the audit cut-off date. We agree with the Company that all deferral balances be calculated as of the same cut-off date of 4/30/2020, as there is no evidence of foreseeable changes in the amortizable balance that will occur between the audit cut-off and this date, which approximates the timing of rates to be effective in this case. Carrying the amortization of these deferral balances beyond this point would result in recognizing impacts to rate base into the rate effective period, which would be inconsistent with the historic test year basis upon which rates are normally set by the Commission. Accordingly, we find that all deferral balances shall be calculated as of 4/30/2020 for purposes of this case.

vii. Accumulated Depreciation and Accumulated Amortization of CIAC

As discussed below, we agree with the Company that Accumulated Depreciation and CIAC amortization balances should not be updated for future depreciation rates that are not in effect at the time of the rate base cut-off date

ORS Position

The ORS proposed updating test year accumulated depreciation and CIAC amortization (see Adjustment Nos. 33 and 36). Specifically, in Adjustment No. 33, item 4, ORS Witness Briseno

proposes to adjust accumulated depreciation for the depreciation expense calculated using ORS Witness Garrett's proposed depreciation rates applied to ORS's calculation of gross plant in-service. In Adjustment No. 36, ORS proposes an adjustment to CIAC to reflect the amortization of CIAC expenses, pro forma CIAC additions and decommissioned plants, using ORS Witness Garrett's proposed depreciation rates and updates to CIAC provided by the Company on the audit cut-off date (December 20, 2019). (Tr. p. 1128.12-13.)

Company Response

Blue Granite Witness DeStefano testified that the Company disagrees with the calculation and application of Item 4 of Adjustment No. 33 and with Adjustment No. 36, sponsored by ORS Witness Briseno. Mr. DeStefano testified that it appears that ORS has applied a depreciation adjustment to Accumulated Depreciation and an amortization adjustment to Accumulated Amortization that utilizes future, *proposed* depreciation/amortization rates, which would not be in effect until after issuance of the Commission's Order, well after the audit cutoff of December 20, 2019. He stated that incorporating the effects of post-audit cutoff changes for only certain components of rate base, without the ability to similarly account for the effects of inter-related activity in Utility Plant in Service and CIAC (*i.e.*, capital and CIAC additions after 12/20/2019), creates a violation of the matching principle prioritized in utility regulation.

Instead of this approach, Mr. DeStefano recommended that the Commission approve a rate base balance with the balances of its components utilizing a consistent cutoff period for interrelated components, in this case Utility Plant in Service with Accumulated Depreciation and CIAC with Accumulated Amortization. Likewise, he stated, such rate base balances should not include the impacts of prospective depreciation and amortization rates that were not in effect during the post-

Test Year period before an Order in the current proceeding is effective. He stated that utilizing prospective activity in determining the actual, supported rate base balances goes beyond the historic Test Year basis for setting rates utilized by the Commission. For that reason, he emphasized that a single cut-off date should be used for inter-related rate base items to apply consistent, matching treatment to each item. (Tr. p. 764.34-36.)

Mr. DeStefano observed that, while the general matching principle identified above is relevant for Utility Plant in Service and CIAC, it is less of a consideration for deferral balances in rate base. This is because, while Utility Plant in Service and CIAC balances (and therefore, the fully dependent Accumulated Depreciation and Amortization balances) change regularly due to constant activity related to the Company's infrastructure after the audit cut-off date, deferral balances are discrete, unchanging original balances that, once approved, have no further variables that affect their rate base consideration. He stated this makes the deferral balances and their related amortization "known and measurable" in a complete sense, consistent with traditional ratemaking principles, which differentiates them from Utility Plant in Service and CIAC and their related Accumulated Depreciation and Amortization balances. For this reason, he explained, the Company has accepted ORS's adjustment of the unamortized balances for certain prior-approved deferrals – hurricane costs, I-20 Phase 2, purchased water/sewer treatment deferrals – as carried out to 4/30/2020, but rejects ORS's calculation of the decommissioning/net book value and EDIT balances through 4/30/2021. (Tr. p. 764.34-36.)

Commission Findings

We agree that Accumulated Depreciation and CIAC Amortization balances should not be updated for future depreciation rates that are not in effect at the time of the rate base cut-off date.

Mr. DeStefano is correct that adopting ORS's position would violate the matching principle by effectively mixing pre-Order balances with post-Order effects, such as new depreciation rates. Similar to the cut-off for deferral balances of 4/30/2020 as described above in this Order, incorporating activity beyond that which is historically supported and directly measurable results in rates that on Day 1 of their effective period would discount the true balances that were supported in the rate case. Additions and retirements to gross plant in-service and CIAC occur on a regular basis, and, as such, extrapolating the fully dependent Accumulated Depreciation and Amortization balances does not constitute a known and measurable activity. Further, by carrying Accumulated Depreciation and CIAC Amortization balances a full year into the rate effective period as proposed by ORS, the Company will never recoup over twelve months of investment in its infrastructure, nor the return on that balance. As a result, it would not have a reasonable opportunity to earn its authorized return. *See Southern Bell*, 270 S.C. 590 at 607-08 (1978) ("The rates established by a utility regulatory commission must not only provide the utility with the opportunity of recovering its reasonable operating expenses, but must also provide a fair and reasonable return on the investments made by the company in providing utility service to its customers.").

Accordingly, we find that a single cut-off date should be used for inter-related rate base items to apply consistent, matching treatment to each item – in this case, the December 20, 2019 cut-off date.

viii. Storm Recovery Expense

As discussed in more detail below, we will set the Company's Storm Recovery Expense using a five-year average, as such is more reflective of recent conditions and costs incurred.

Blue Granite's Proposal

For Storm Recovery Expense, Blue Granite had initially proposed an amount of \$51,802 based upon storm-related expenses experienced during the historic test year. (Tr. p. 763.22, 1190.15.) In response to ORS's position that storm expense should be based on a normalized multi-year average, the Company proposed to use an average of the last 5 years (2015-2019) of storm recovery expenses, which is \$42,494. (Tr. p. 764.21-22.) The Company stated that a more recent average than that used by ORS because South Carolina has experienced more severe storms in recent years, and as a result, the Company has experienced consistently higher levels of storm recovery costs in recent years. *Id.* The Company included the following table of annual storm expenses in its testimony, which removes costs requested and authorized for deferral from Hurricanes Joaquin, Florence and Michael, the contents of which no party contested:

Year	Storm Costs	Five-Year Average
2010	\$16,207.41	\$14,533.90
2011	\$31,631.02	
2012	\$1,510.19	
2013	\$4,942.69	
2014	\$18,378.21	
2015	\$47,938.40	\$42,493.62
2016	\$43,737.13	
2017	\$33,469.27	
2018	\$54,716.21	
2019	\$32,607.10	

(Tr. p. 764.22.)

ORS's Position

ORS recommends a ten-year normalization of storm costs (eliminating the highest and lowest years), because, in its view, that is "a reasonable period of time to form an accurate view of storm costs." (Tr. p. 1191.8.) At the merits hearing, ORS conceded that its proposed \$28,000

recovery would not cover any one of the previous five years of storm costs, and ORS recognized that the most recent five years had demonstrated an increase in the Company's storm expenses. (Tr. p. 1244-45.)

Commission's Findings

Based on the evidence in the record, we find and conclude that the Company's proposed five-year average, 2015 to 2019, of \$42,493.62 is an appropriate level at which to set the Storm Recovery Expense. The recent trend for the Company's storm costs has been an expense level well above that experienced in prior years. As elucidated during the merits hearing, were we to adopt ORS's recommendation of \$28,320.51, the Company would not have been made whole for storm costs in any one of the previous five years. (See Tr. p. 1244.) There is therefore no rational or evidentiary basis for setting the Storm Recovery Expense at that level. We instead adopt the most recent five-year average.

ix. Storm Reserve Fund

As discussed in more detail below, we will permit Blue Granite to establish a Storm Reserve Fund as originally proposed, to be reevaluated during the Company's next base rate proceeding.

Blue Granite's Proposal

The Company states that a Storm Reserve Fund will facilitate the expeditious repair and recovery of the Company's essential facilities, infrastructure, and services, and will minimize the need for deferred accounting petitions, reducing administrative burden, as well as mitigate the financial impact of such extraordinary costs that are otherwise unable to be considered in the setting of revenue requirement. (Tr. p. 763.20.) Blue Granite states that the \$200,000 funding level

was chosen based on the approximate level of storm recovery costs incurred by the Company in the wake of Hurricane Florence and Hurricane Michael in September/October 2018, which totaled \$208,713. (Tr. p. 763.22.) In rebuttal, the Company states that the \$50,000 funding level proposed by ORS would be insufficient to accomplish the fund's intended goals. (Tr. p. 764.24.)

ORS's Position

ORS supports the establishment of a Storm Reserve Fund, but recommends that the fund be limited to \$50,000, which, in its view, "is more closely aligned with the Company's average annual expenses for storm costs." (Tr. p. 1190.21-22.) ORS recommends that the fund be utilized for damage incurred by storms named by the World Meteorological Organization, and only if the Company's insurance does not cover all associated costs. (Tr. p. 1190.21.) ORS proposes that the Company report quarterly to the Commission and ORS the status updates of the fund including, but not limited to, dates and amounts of withdrawals and expenditures from the Fund, current balance, and current monthly surcharge. (Tr. p. 1190.21.)

The Consumer Advocate's Position

The Consumer Advocate opposes the establishment of a Storm Reserve Fund on the basis that "a significant portion of [Blue Granite's] infrastructure is below ground." (Tr. p. 651.19.) The Consumer Advocate also argues that the Company's storm costs are already included in the cost of service. (Tr. p. 651.20.)

Commission's Finding

We will permit Blue Granite to establish a Storm Reserve Fund as originally proposed, to be reevaluated during the Company's next base rate proceeding. We agree that such a fund will facilitate the expeditious repair and recovery of the Company's essential facilities, infrastructure,

and services, and will minimize the need for deferred accounting petitions, reducing administrative burden, as well as mitigate the financial impact of such extraordinary costs that are otherwise unable to be considered in the setting of revenue requirement based on a single historic test year. (*See* Tr. p. 763.20.) The \$200,000 funding level is roughly equivalent to that recently expended by the Company in response to Hurricanes Florence and Michael in 2018, which was \$208,713, and is sufficiently high to mitigate potential deferred accounting requests should a similar storm impact be incurred. (Tr. p. 763.22.) This fund would work in conjunction with the above authorized \$42,493.62 normalized Storm Recovery Expense level included in base rates, such that it would be utilized for costs incurred above the base rate level of recovery, and should expense levels fall below the base rate level in a 12 month period, the excess base rate recovery would be credited to the reserve fund to benefit customers.

We can reevaluate the utility of the fund in the Company's next base rate proceeding. In response to the Consumer Advocate's concern that Blue Granite's storm costs are already included in rates, we would point out that the Storm Reserve Fund is distinct from and in addition to the Company's more routine storm recovery expenses. (*See* Tr. p. 764.22 ("[T]hese [storm recovery expense] amounts exclude storm costs for Hurricanes Florence and Michael because Blue Granite has separately tracked and deferred those costs."))

x. Round Up Program and Associated Costs

As discussed below, we approve the Company's proposal to establish a Round Up program, and—as recommended by the Consumer Advocate—to defer for recovery in its next base rate case its implementation costs associated with the program, up to a cap of \$50,000 for such costs.

Company's Proposal

The Company seeks approval to implement a voluntary “Round Up” program under which participating customers’ bills would be “rounded up” to the nearest higher dollar, and the difference being accumulated in a reserve fund. The funds would be remitted to the South Carolina Office for Economic Opportunity (“OEO”) and then distributed by the OEO to Community Action Agencies in the Company’s service territory to assist Blue Granite’s low-income customers with their water and sewer bills. In connection with its request for approval of this program, Blue Granite seeks recovery of \$14,674 for bill inserts and flyers to be used to communicate with customers about this new program (included in the Company’s proposed revenue requirement as a pro forma adjustment). The Company also seeks approval to defer implementation costs for the Round Up program related to modifications of its billing system and MyUtilityConnect customer service application, for recovery in the Company’s next base rate case. Mr. DeStefano’s testimony explained that customers would “opt in” to the program either through the MyUtilityConnect mobile app or by calling the Company’s Customer Service Center. (Tr. p. 763.23-24.)

In its surrebuttal testimony, the Company responded to certain positions of ORS, noting that the program, although voluntary, is part of its service offering and part of its cost to serve customers. Further, although difficult to quantify, the existence of the Round Up Program and the accompanying assistance to lower income customers should result in fewer disconnect/reconnect (and therefore lower customer service expenses), as well as lower uncollectible expenses, which will benefit all customers. The Company believes that allowing deferral of its implementation and communication costs, without carrying costs, is reasonable for this program. Blue Granite believes that the Consumer Advocate’s position on this issue—to cap recovery of implementation costs and examine them in the next rate case—is a reasonable compromise position. The Company urges the

Commission to allow the Company to defer its implementation costs, capped at its estimate of \$50,000 as presented in this case, and subject to scrutiny before recovery through rates is authorized. (Tr. p. 764.25-26.)

Consumer Advocate Position

The Consumer Advocate supports the Company's proposal for a Round-Up program, but recommends that a cap be placed on the deferral of costs relating to modifying the billing and customer service systems to accommodate the Round Up program. The Consumer Advocate further recommends that the deferred costs be subject to scrutiny in the Company's next rate case. (Tr. p. 651.21.)

ORS Position

The ORS also supports the Round-Up program, but contends that Blue Granite's costs of implementing and communicating should be borne by shareholders. ORS therefore recommends that the pro forma adjustment for bill inserts and flyers be rejected, and recommends denial of the proposed deferral and recovery on the basis that Blue Granite's costs are not known and measurable, and do not contribute to the provision of safe and reliable water and sewer service. (Tr. p. 1190.14-15.)

Commission Findings

The Company's proposed "Round Up" program will, through voluntary customer participation, assist low income customers with their water and wastewater bills. As noted by the Company, over time the program can produce lower disconnect/reconnect costs and lower uncollectible expenses. We find the Company's proposal to establish a voluntary "Round Up" program, in conjunction with the OEO and Community Action Agencies, is reasonable and we

approve the establishment of the program. Further, the fact that Commission approval is needed for this program indicates it is a Company service offering, notwithstanding the fact it is voluntary on the part of participating customers. The Round Up program has the potential to benefit all customers through lower disconnect/reconnect and uncollectible expenses. We therefore find that the pro forma adjustment for bill insert/flyers is reasonable and should be approved. Because we are approving this program, the Company must be made whole for the associated costs of implementation. Contrary to ORS's assertion, there is no requirement in the consideration of deferral requests that the costs be known or measurable; that is instead a requirement applicable to consideration for recovery in rates, which would occur in a future base rate filing in this situation. We approve the Company's proposal, as modified by the Consumer Advocate, to defer for recovery in its next base rate case its implementation costs associated with the program, up to a cap of the Company's estimate of \$50,000 for such costs.

xi. Rate Case Expense and Other Legal Expenses

As discussed below, we find that the remaining unamortized rate case expenses from Docket Nos. 2015-199-WS and Docket No. 2017-292-WS were appropriately deferred and are appropriately recovered in this proceeding

Company Proposal

Mr. DeStefano testified that the Company's regulatory expense has been adjusted for the total estimated cost of the filing of this case and the unamortized portion of the prior case and rehearing process, amortized over 3 years. (Tr. p. 763.11.)

Consumer Advocate Position

Consumer Advocate Witness Morgan proposed to exclude the remaining unamortized rate case and rehearing expense deferrals from the prior rate case.

ORS Position

ORS Witness Sullivan proposed several proposed adjustments to outside services-other expenses, particularly legal expenses (see Adjustment Nos. 21c and 21e). ORS's proposed adjustments relate to: (1) removal and deferral of \$31,788 in legal costs related to a pending action; (2) removal of \$151,589 of legal costs related to Congaree Riverkeeper litigation, consistent with the Commission's Rehearing Order in Docket No. 2017-292-WS, which is currently open to appeal; (3) addition of \$168,310 related to activity from the I-20 condemnation; and (4) removal of \$36,864 from Test Year activity related to regulatory proceedings that will be combined with the deferred rate case expenses from this current proceeding.

Company Response

Mr. DeStefano testified in rebuttal that the Company is in agreement with many of Mr. Sullivan's proposed adjustments to legal expenses. Specifically, the Company agrees to: (1) remove and defer \$31,788 in legal costs related to a pending action; (2) remove \$151,589 of legal costs related to Congaree Riverkeeper litigation, consistent with the Commission's Rehearing Order in Docket 2017-292-WS, which is currently open to appeal; (3) add \$168,310 related to activity from the I-20 condemnation; and (4) remove \$36,864 from Test Year activity related to regulatory proceedings that will be combined with the deferred rate case expenses from the current proceeding. (Tr. p. 764.30-31.)

However, Mr. DeStefano testified that the Company disagrees with the removal of \$7,143 in legal expenses related to services prior to the Test Year, without also reviewing post-Test Year

legal expenses for activity related to the Test Year period. Mr. DeStefano stated that the Company has identified \$7,203 in general legal expenses paid in the post-Test Year, that should be included for recovery if ORS's adjustment is accepted. Similarly, the Company has identified an additional \$16,132 in post-Test Year costs related to Docket Nos. 2018-358-WS and 2018-361-WS and recommends this amount be combined with the same activity identified in Adjustment No. 21c as Rate Case Expense for the current proceeding. Mr. DeStefano supported both the \$7,203 and \$16,132 figures noted above with his Rebuttal Exhibit No. 2. (Tr. p. 764.31.)

Mr. DeStefano added that the Company does not disagree with the rate case expense proposed by the ORS, which incorporates costs supported through the audit cut-of date. He noted that this amount is subject to change as the Company provides additional documentation for costs incurred during the pendency of this proceeding. (Tr. p. 764.31.)

With respect to the Consumer Advocate's proposed exclusions, Mr. DeStefano testified that Witness Morgan erroneously excluded remaining unamortized rate case deferrals from Docket 2015-199-WS, which are included in both the Company's and ORS's figures. Additionally, Mr. DeStefano noted, the Company and ORS have included the rehearing costs, as that proceeding was initiated by ORS's Request for Reconsideration after Order 2018-345 was issued in Docket 2017-292-WS. Despite the Consumer Advocate's assertion that it was "limited to a few issues," Mr. DeStefano testified that these issues were complex and required the preparation of direct and rebuttal testimony, a merits hearing, the preparation of a proposed order, and other matters requiring the incurrence of rate case expenses, none of which the Consumer Advocate challenges as being unreasonable. (Tr. p. 764.32.)

Commission Findings

We agree with Blue Granite and the ORS that the remaining unamortized rate case deferrals from Docket No. 2015-199-WS, and the rehearing costs associated with Docket No. 2017-292-WS, were appropriately deferred and are appropriately recovered as rate case expense in this proceeding. We understand that these are rate case expenses and involved complex issues. We find that the Company's proposal for recovery of these expenses, with which the ORS agrees, should be authorized.

The Company is authorized to include rate case expenses incurred in this rate case through the date of the last public night hearing, March 5, 2020. After the hearing, the Company presented documentation supporting total rate case expenses of \$873,542, to be amortized over a three-year period, or \$291,181 annually. Because the additional rate case expenses are known and measurable, the Commission will allow them to be included in the total rate case expense and amortized over three years. This amount amortized over three years less the Company's per book amount yields a post-hearing adjustment of \$182,886.

xii. Rent Expense

As discussed below, we find that the evidence in the record supports Blue Granite's proposed rent expense adjustment to account for employees allocated to the Company but who are physically located in Charlotte.

Company's Position

In its application, the Company adjusted rent expense to reflect pro forma annualized effective leases. (Tr. p. 763.13.) Witness DeStefano explained the Company's disagreement with ORS's proposed pro-forma rent expense. Mr. DeStefano testified that there are workspaces assigned to ten employees in the Greenville office, and two employees have job duties that allocate

their time across the Atlantic region. (Tr. p. 764.32.) However, other Atlantic region employees provide support for the Company who are not primarily located in Greenville, and the Company did not initially request allocations of the Charlotte regional office costs for other Atlantic region and Shared Services employees that support the Company; the cost of those customers to serve the Company's customers is \$18,568. (Tr. p. 764.32.) Therefore, should the Commission accept ORS's proposed rent expense adjustment of (\$11,019), that adjustment should be further modified by an increase of \$18,568 to account for employees serving the Company's customers from Charlotte. (Tr. p. 764.33.) The Company supported this adjustment modification with DeStefano Rebuttal Exhibit No. 3, which provided the underlying calculations.

ORS's Position

ORS proposed an adjustment in the amount of \$84,839 to rent expense for pro forma annualized leases, a decrease of \$10,987 from the Company's proposed adjustment of \$95,826. (Tr. p. 1115.13.) Mr. Sullivan explained the variance is attributable mainly to ORS's proposal to decrease the Greenville office annual lease expense to correctly allocate lease expense for two employees assigned to the Atlantic Division based on the Company's response to Audit Request #17 which stated only 34.94% of their duties are applicable to the Company. (Tr. p. 1115.13.)

In surrebuttal, Mr. Sullivan disagreed with the Company's proposal to increase rent expense for employees of the Charlotte office because the Company did not include these amounts in its application. (Tr. p. 1116.2.) As such, ORS claims it was unable to audit the claimed expenses. (Tr. p. 1116.3.)

Commission Finding

ORS correctly pointed out that the Company initially sought to include in its rent expense certain employees who work in the Greenville office but whose duties are not fully assigned to solely the Company but rather to the larger Atlantic division. It is therefore appropriate to adjust the proposed rent expense by (\$10,987). However, the evidence also demonstrated that other Atlantic division employees provide support for the Company who are not primarily located in Greenville, and the cost of those employees to serve the Company's customers is \$18,568. (Tr. p. 764.32). Therefore, because Commission accepted ORS's Rent Expense adjustment, the Commission believes it is reasonable and equitable—and the record evidence supports—an increase to the rent expense adjustment of \$18,568 to account for employees serving the Company's customers from Charlotte, resulting in a net rent expense adjustment of \$7,581.

xiii. Insurance Expense

As discussed below, we accept ORS's adjustment based on actual insurance expenses and find that the Consumer Advocate's concern is therefore moot.

Company's Position

Insurance expense was adjusted based on estimated policy premiums and deductible costs as of time of filing. The Company has since provided updates for the policy premiums determined upon renewal. (Tr. p. 763.13.) In its rebuttal, the Company agreed to ORS's position, which updates as-filed estimates for policy premiums confirmed in the Company's insurance renewal process, completed and effective November 1, 2019. (Tr. p. 764.33.) As such, the Consumer Advocate's concern about using estimates is moot. (Tr. p. 764.33.)

ORS's Position

ORS proposed an adjustment of \$163,371 to insurance to reflect the most recent insurance policy premiums and deductible expenses. (Tr. p. 1115.13.) Mr. Sullivan stated that the Company's proposed adjustment of \$201,243 to per book insurance expense based on policy premiums and deductible expenses as of the filing of the application. (Tr. p. 1115.13.) ORS's proposal is based on updates the Company provided to Audit Request #11, as of November 15, 2019, and ORS proposes to use the level of actual known and measurable 2019 deductibles in the calculation of the ORS adjustment. (Tr. p. 1115.13, 1115.14.)

Consumer Advocate's Position

Consumer Advocate Witness Morgan asserts that it is appropriate to reflect only the actual known insurance premiums rather than estimates. He recommended an adjustment to O&M expense to remove the estimated expense presented by the Company. (Tr. p. 651.17, 651.18.)

Commission Finding

The Commission initially notes that Blue Granite and ORS are in agreement that insurance policy premiums and deductibles, updated as of November 1, 2019, are the appropriate data points to use as opposed to estimates. We agree that the use of actual insurance expenses, which are known and measurable figures, is preferable to using estimated amounts. *See* Order No. 2004-434 at 16, Docket No. 2004-90-WS (Sept. 17, 2004) ("Using actual premium amounts is preferable to using estimated amounts."). We also note that this determination causes the Consumer Advocate's concern to become moot. We therefore find ORS's adjustment of \$163,371 is appropriate.

xiv. Administrative Office Upfit Costs

As discussed below, the evidence supports the conclusion that the Company made a reasonable business decision to relocate its headquarters office, and that the associated upfit costs

were necessary and reasonable. Additionally, while ORS gave testimony that, in its opinion, the office upfit costs should be disallowed, it offered no evidence that would overcome the presumption—in addition to the evidence offered by the Company—that the business decision to relocate and the resulting office upfit costs were reasonable. We therefore reject ORS’s proposal to exclude the office upfit costs from the Company’s revenue requirement.

Company Proposal

The Company’s proposed rates reflect costs associated with upfitting its new headquarters office.

ORS Position

ORS Witness Maurer proposed to disallow the Greenville office upfit costs in their entirety on the grounds that the decision to relocate the headquarters office from Columbia to Greenville was unreasonable. (Tr. p. 1201.7-13.) Witness Maurer asserts that the relocation of the Company’s office was part of its rebranding effort. (Tr. p. 1202.8.)

Company Response

The Company disagrees with the ORS’s proposed exclusion of the Greenville office upfit costs. In his rebuttal testimony, Company Witness Denton addressed both the reasonableness of the business decision to relocate its headquarters office, as well as the reasonableness of the upfit costs themselves. With regard to the relocation decision, Mr. Denton stated that the Company’s Columbia office was located in an industrial park with no other office buildings and no amenities, like restaurants, nearby. He stated that the former location was not viable for attracting and retaining talented employees. Accordingly, the Company made the decision to relocate its headquarters office. Mr. Denton noted that this decision was consistent with and important to the

Company's long-term strategic plan to improve performance and service to customers. He noted this business decision to relocate to Greenville was supported by labor data and statistics indicating that the attributes of Greenville versus Columbia/West Columbia better match the Company's long-term goals of attracting and retaining talented employees. Mr. Denton noted that the Company and the industry as a whole are facing aging workforce issues, and the eligible workforce is shrinking, so ensuring that the right professionals are being attracted to the Company and retained by the Company is fundamental to the Company's ability to continue providing quality and cost-effective service. He emphasized that the labor data and statistics relied on by the Company indicate that Greenville has a larger workforce and a larger expected population growth than Columbia and West Columbia. He stated that the Company believes that these demographics will help it in adding new employees. Additionally, he stated that the Greenville office is located close to the Company's outside engineering company and peer utilities. Finally, he noted that since the relocation to Greenville, the Company has been able to successfully attract several strategic new hires. (Tr. p. 355.4-8.)

With regard to the reasonableness of the upfit costs themselves, Mr. Denton emphasized the necessity of having a headquarters office, and once the decision to relocate was made, the necessity of incurring upfit costs whether it relocated within Columbia/West Columbia, to Greenville, or somewhere else. Mr. Denton also testified that virtually all of the costs were necessary to making the office space ready for work. These costs included putting up drywall, installing electrical and telecommunications lines, painting, purchasing desks, all the things necessary to work in an office space. He stated that the offices are up to date and functional, but they are not luxurious or gold-plated. He stated that a functional headquarters office space is

necessary for employees to provide utility service, and the associated costs should be reflected in rates. He provided cost benchmarking data indicating that on a per square foot basis, the Greenville upfit costs were below average when compared to other areas included in the benchmarking study. He also noted that the size of the Greenville office is reasonable; it houses 10 employees in 4,287 square feet, while the previous office housed 7 employees in 4,050 square feet. (Tr. p. 355.4-8.) It was also revealed at the hearing that Blue Granite had been able to make a number of new hires since its relocation of employees who appear to be well-qualified. (Tr. p. 472, line 9 through p. 473, line 8; Hearing Ex. No. 12.)

Commission Findings

The evidence indicates that the Company made a reasonable business decision to relocate its headquarters office to Greenville. Although the Commission hesitates to second-guess management business decisions such as this, we note that the Company supported the reasonableness of its decision with evidence about labor growth and availability, as well as convenience of the location vis-à-vis its outside engineering company and certain peer utilities. Additionally, the evidence indicates that the upfit costs themselves were reasonable. The Company demonstrated that the square footage is lower, the number of employees housed in the new office is greater, and the overall costs are below average per a benchmarking study.

Further, while ORS gave testimony that, in its opinion, the office upfit costs should be disallowed, it offered no evidence that would overcome the presumption—in addition to the evidence offered by the Company—that the business decision to relocate and the resulting office upfit costs were reasonable. *See Hamm v. S.C. Pub. Serv. Comm'n*, 309 S.C. 282, 286, 422 S.E. 110, 112 (1992); *Utils. Servs. of S.C., Inc. v. S.C. Office of Regulatory Staff*, 392 S.C. 96, 110, 708

S.E.2d 755, 762-63 (2011). The mere assertion by ORS that the upfit costs should be disallowed is insufficient to support its recommended disallowance. See *Young v. Tide Craft, Inc.*, 270 S.C. 453, 242 S.E.2d 671, 678 (1978) (finding that opinions are of no probative value without an evidentiary showing of the facts upon which the opinion is predicated); *Parker v. S.C. Pub. Serv. Comm'n*, 281 S.C. 215, 314 S.E.2d 597 (1984), modified, 288 S.C. 304, 342 S.E.2d 403 (1986) (finding same); *Hickman v. Aetna Life Ins. Co. of Hartford*, 166 S.C. 316, 164 S.E. 878 (S.C. 1932) (finding that a mere assertion or expression of opinion cannot create an issue of fact). Further, while ORS attempts to link the Company's relocation with its rebranding effort, the evidence does not support such a connection. Blue Granite's decision to relocate was strategic in light of relevant labor market data and the record evidence supports the conclusion that the relocation did, in fact, result in the hiring of well-qualified new employees.

Consistent with the above, we reject ORS's proposal to exclude the office upfit costs from the Company's revenue requirement.

xv. Employee Service Award Costs

As discussed below, we accept Blue Granite's inclusion of these nominal amounts for employee service awards, which represent a small part of the overall compensation package for the Company's employees.

Company Proposal

In its proposed revenue requirements, the Company included nominal amounts related to employee service awards.

ORS Position

ORS Witness Jackson recommended removal of the costs associated with the employee service awards (see Adjustment No. 17B). (Tr. p. 1133.6-7.)

Company Response

In rebuttal, Mr. Denton reiterated that Blue Granite is engaged in a long-term effort to substantially improve its performance. He stated that, as part of that effort, Blue Granite is working to attract and retain well-qualified employees who are dedicated to the Company's mission of improving its performance. He testified that running a utility is a complicated endeavor that requires talented and experienced employees, and the employee service awards at issue are a component of the Company's overall compensation package offered to its employees. Further, he testified the awards referenced by ORS are consistent with the Company's market-competitive compensation package, and the awards program supports the Company's efforts to successfully attract and retain well-qualified employees. He opined that the \$3,211 in employee awards was prudently incurred. (Tr. p. 354.8-9.)

Commission Findings

There is no evidence that Blue Granite's employee compensation as a whole is above-market or excessive. The evidence indicates, instead, that these nominal amounts for employee service awards are a small part of the overall compensation package for the Company's employees, and are consistent with the Company's goal of attracting and retaining talented employees. Accordingly, we reject the ORS's proposed exclusion of these amounts from revenue requirements, and we find that the service award amounts are reasonable.

xvi. LETTS Tank Pumping Charges

As discussed below, we approve the proposal contained in ORS Witness Bickley's surrebuttal testimony related to LETTS tank pumping charges, which includes language authorizing the Company to take immediate actions to pump a LETTS tank under a scenario which presented a health risk to the environment, public or customer.

Company's Position

In Paragraph 24 of its Application, the Company seeks authority to amend its tariff language and fees related to Solid Interceptor ("LETTS") Tanks. The Company proposes to change the Pumping Charge from \$150 to the actual cost to access, pump, and service the tanks on a periodic basis. This change is necessary to permit the Company to recover from the responsible customer the actual costs associated with the necessary task of pumping and cleaning a customer's tank when excessive solids have accumulated in the interceptor tank. The actual cost of performing this task, inclusive of the cost to access the tank, is often more than the currently effective charge of \$150 and needs to be performed every three to five years. The Company therefore proposes to bill the applicable customer for the actual cost of pumping and cleaning the tank, and that the pumping charge be included as a separate line item on the customer's next bill. The Company would allow, should the customer desire, to bill the customer's pumping charge in twelve equal monthly installments. (Tr. p. 362.13.)

In response to ORS's position, Mr. Mendenhall stated his concern that allowing customers to seek alternative service providers could lead to sanitary sewer overflows. (Tr. p. 363.11). When an interceptor or LETTS tanks is full, it requires prompt response, and ORS's proposal prevents

the Company or its on-call providers from acting immediately to pump an interceptor tank. (Tr. p. 363.11, 363.12.)

During cross-examination, Mr. Mendenhall stated the Company was close to an agreement with ORS in order to allow customers to seek out its own vendor to clean LETTS Tanks during non-emergency situations. (Tr. p. 364.) He testified that ORS's proposal remained subjective regarding the definition of an "emergency situation" that would justify the Company pumping the tank. (Tr. p. 395.)

ORS's Position

Mr. Bickley stated that the Company provided thirty instances of pumping charges during the Test Year, and the pumping work was generally completed by three different third-party vendors. (Tr. p. 1190.4.) ORS determined an average cost to preform pumping of a LETTS Tank was approximately \$750 during the Test Year. (Tr. p. 1190.4.) Mr. Bickley stated that under the proposed tariff language, a Blue Granite customer with a LETTS Tank does not have the option of obtaining quotes from the Company or another qualified third-party vendor or contractor. (Tr. p. 1190.4, 1190.5.) ORS's position is that Blue Granite customers should be allowed to choose to have pumping services performed by a third-party vendor, at the customer's expense. (Tr. p. 1190.6.) In order to facilitate this choice, the Company should be required to provide an estimate of the actual cost of the pumping service to the customer. (Tr. p. 1190.7.) Should the customer authorize the Company to perform the service, the Pumping Charge should not exceed the estimate, and be billed to the customer as a separate line item in the next bill, or in twelve equal monthly installments. (Tr. p. 1190.7, 1190.8.)

In surrebuttal testimony, Mr. Bickley modified ORS's proposal by adding language authorizing the Company to take immediate actions to pump a LETTS Tank under a scenario which presented a health risk to the environment, public or customer. (Tr. p. 1191.3.) He also suggested modified language related to third-party vendors following laws and regulations. (Tr. p. 1191.3, 1191.4.)

Commission Finding

The record demonstrates that the Company has agreed in large part with ORS's position. Specifically, the Company appears to have consented to providing the customer with the opportunity to seek out their own vendors to clean a LETTS Tank. In the circumstance of a non-emergency situation, the Company would provide an estimate of the actual cost of the pumping service for that customer, and the customer would then have the opportunity to either authorize the Company to perform the service at the estimated cost, or allow the customer to use another qualified third-party vendor or contractor to perform the service. We find these procedures balance the public health's interest in inspecting and pumping LETTS Tanks with the customer's interest in having the opportunity to seek such service from a qualified contractor or vendor.

The Company expressed a concern with allowing the above process in an emergency situation, due to the length of time it could take for a customer to obtain a Company estimate, seek alternative service providers, deliberate on their choice, and only then schedule and obtain pumping service. The ORS indicated they agreed with this approach. We agree with the Company's concern that this process could lead to sanitary sewer overflows, as the evidence and natural reason indicate that a full LETTS Tank requires a prompt response to prevent an overflow into the environment. We therefore approve the language proposed in ORS Witness Bickley's

surrebuttal testimony, which includes language authorizing the Company to take immediate actions to pump a LETTS Tank under a scenario which presented a health risk to the environment, public or customer.

xvii. Cost of Service and Tariff Rate Design

As discussed below, contrary to the Consumer Advocate's position, we believe that it would be premature to order changes to Blue Granite's rate designs based on an incomplete record, *i.e.*, without a cost of service study. We find and direct that Blue Granite should prepare and present a cost of service study in its next rate case, and we approve and authorize the Company to defer for subsequent recovery the costs associated with the preparation and presentation of such cost of service study, and to accrue carrying costs at the Company's cost of debt until recovery.

Company Proposal

The Company did not propose further rate consolidation in this case, and proposes to maintain its existing rate design structure for rates approved in this proceeding – that is, to continue use of 1) Water Service Territories 1 and 2, with segregation of Supply Only and Distribution Only customers based on purchased water supply by third-party vendors, and 2) Consolidated Sewer Service Territory, with segregation of Collection & Treatment Only and Collection Only customers based on purchased sewer treatment from third-party vendors. The Company proposed to split the volumetric charge for Distribution Only customers into a Distribution Charge and a Purchased Water Charge, the latter of which would explicitly recover purchased water supplier costs for the respective consolidated service territory. The Company also proposed a similar split for sewer Collection Only customer charges, shown as a Collection Charge and Treatment Charge,

the latter of which would explicitly recover purchased sewer treatment supplier costs for the consolidated sewer service territory.

Consumer Advocate Position

Consumer Advocate Witness Mierzwa testified as follows with respect to rate design:

- Blue Granite’s existing base facility/monthly customer charges should remain unchanged, and any revenue increases should be recovered through increases in volumetric usage charges. He stated that a cost of service study would show that the Company’s base charges are too high, and that they should be approximately \$10.00, as opposed to the Company’s proposed \$22.09 and \$38.58 for Water Service Territories 1 and 2, respectively.
- In rebuttal, Blue Granite should address whether it would be reasonable to assess volumetric charges for sewer service based on customer water service usage, which is a common practice and which may better match cost causation and cost recovery.
- In rebuttal, Blue Granite should also address whether its current system of assessing commercial customers sewer service charges based on each customer’s Single-Family Equivalent (“SFE”) is reasonable; SFE-based rate design may not provide for a reasonable matching of cost causation and recovery.

(Tr. p. 633.3-9.)

ORS Position

ORS Witness Sandonato recommends a gradual further consolidation of the Company’s Service Territory 1 and Service Territory 2 water rates, by allocating the revenue requirement in this case “in a more equitable manner” – specifically, by limiting the revenue requirement increase for Service Territory 2 to no more than 31% of the total water service revenue requirement. He

also suggested that the Company should present a cost of service study in its next rate case. (Tr. 1213.13-15.) Mr. Sandonato also recommends no segregation of charges, as proposed by the Company, for Distribution Only and Collection Only customers, but instead to maintain the current charge structures for these customer groups. (Tr. 1213.16.)

Company Response

Mr. DeStefano testified in rebuttal that the Company agrees with the ORS that continued rate consolidation is in the long-term best interest of its customers. Further, he testified that, as suggested by ORS, the Company is agreeable to filing a cost of service study in its next rate case, which would best delineate the cost drivers and provide the best roadmap to consolidating rates and setting appropriate base facility and volumetric charge levels for the Company's customer groups. He added that, should the Commission direct Blue Granite to preparing a Cost of Service Study before its next rate case, Blue Granite requests that the Commission approve such and authorize the deferral of the associated costs along with its other rate case filing and processing expenses. (Tr. p. 764.36-39.)

With regard to Consumer Advocate Witness Mierzwa's recommendations for the Company's water base facility charges, Mr. DeStefano disagreed. He stated that Witness Mierzwa's analysis using the base-extra capacity method to determine an appropriate Base Facility Charge is incomplete, as it does not account for post-Test Year plant additions, updated depreciation rates, allocations of cash working capital, and other pro forma adjustments incorporated into the Consumer Advocate's proposed revenue requirement. In addition, he stated that a comprehensive cost of service study would incorporate cost allocations between service territories and water and sewer on a more detailed level. As such, he testified that the Company

believes it is premature to draw conclusions about the appropriate Base Facility Charges based on the data available in the current proceeding. Rather, the Company recommends, in agreement with ORS witness Sandonato, that a cost of service study be filed in the next rate case to adequately support further adjustments to rate structure and revenue requirement consolidation. (Tr. p. 764.39-41.)

Mr. DeStefano also addressed Blue Granite's current system of assessing commercial customers' sewer service charges based on each customer's single-family equivalent ("SFE"). Mr. DeStefano testified that the Company believes it is most prudent to provide a cost of service study in its next base rate filing to support the potential for such changes in its rate structure.

With respect to the reasonableness of the Company assessing volumetric charges for sewer service based on customer water service usage, Mr. DeStefano noted that there are several considerations to implementing a volumetric component to sewer rates in the Company's service territories. First, he stated, only approximately half the Company's sewer customers are also provided water service by the Company, and thus the lack of water meter read data prevents Blue Granite from providing volumetric billing to the sewer-only customers. Additionally, he testified that the Company does not believe an unadjusted use of metered water usage is a reasonable proxy for sewer flows. He observed this is especially true in seasonal periods, where customers are using irrigation systems, filling pools, and otherwise increasing the proportion of water use that does not flow through the Company's sewer collection system. Finally, Mr. DeStefano noted that there are several ways to structure sewer volumetric rates (*i.e.*, winter averaging, usage caps), and a detailed analysis of the Company's customer data in future proceedings can be completed to further explore such a proposal. (Tr. p. 764.39-41.)

Commission Findings

We agree with the Company that it would be premature to order changes to Blue Granite's rate designs based on an incomplete record and evidentiary support, *i.e.*, without a full cost of service study. All parties appear to agree that Blue Granite should present a cost of service study in its next rate case. Accordingly, we find and direct that Blue Granite should prepare and present a cost of service study in its next rate case. Further, we approve and authorize the Company to defer the costs associated with the preparation and presentation of such cost of service study, to be considered for recovery along with rate case filing expenses incurred in the next base case. We also approve the Company's proposed segregation of purchased water and sewer treatment expense recovery for Distribution Only and Collection Only customers, as such segregation will allow great transparency into the cost drivers affecting the tariff rates and resulting customer bills. Finally, while we do not order further rate consolidation in this case, we encourage Blue Granite to continue to pursue rate consolidation in future rate cases.

xviii. Other Issues

I-20 Condemnation Proceeds

In response to Commissioner questioning and on redirect, the Company provided testimony that the I-20 system was removed from rate base in the last rate case; that the Company had an acquisition adjustment still on its books from the acquisition of Blue Granite's parent by Corix; that shareholders bore the risk of loss on that amount and the Company's stranded investment in the system; and that the ultimate gain was recorded "below the line", consistent with the Uniform System of Accounts (Tr. p. 985-986). Components of this testimony, including that the system was entirely removed from rate base, was confirmed by ORS Witness Sullivan, who

also confirmed that the Company's accounting treatment related to the system was appropriate. (Tr. p. 1142-1145.)

Consistent with this Commission's precedent, and with the principle that the "right to gain follows the risk of loss," we believe that the Company's accounting treatment associated with the I-20 condemnation was appropriate. Per our precedent, and consistent with reasoned judgment, when the utility, rather than ratepayers, bear the risk of loss on an asset, any gain that may instead result inures to the benefit of the utility. The Commission was faced with this exact situation in the 1980s as related to the Catawba nuclear facilities owned by Duke Power Company. The utility recorded the sale of the facilities on its books to Account 421.1, a nonoperating account, as "below-the-line" income. As explained in the Commission's order, this recording "is consistent with the Uniform System of Accounts which would preclude a charge against operating income has the sale of facilities resulted in a loss, thereby insulating the interests of the Company's ratepayers against the possibility of a loss." Order No. 80-474 at 33, Docket No. 79-300-E (Aug. 29, 1980). As discussed in a follow-on order, that treatment was unsuccessfully appealed to the Circuit Court and not pursued further even though other issues in that proceeding were further appealed to the S.C. Supreme Court. Order No. 85-1001 at 4, Docket No. 85-78-E (Nov. 7, 1985). As noted in that order, "[t]he purpose of not flowing the 1978 gain to the ratepayer in Order No. 80-474 was to insulate the ratepayer from a loss which could have occurred from a sale rather gain." That is precisely the situation in this case. The I-20 system was removed from rate base, the Company's shareholders risked a loss in litigation based on the liabilities remaining below-the-line on the Company's books, and it so happened that the Company was successful in obtaining a net gain on

the transfer of the system assets. We therefore find that the Company's accounting treatment was appropriate.

Clearwater Solutions Contract

Mr. DeStefano testified that the Company entered into a contract operator agreement with Clearwater Solutions after the end of the Test Year. In the case, the Company proposed adjustments to the Test Year balances for various expense accounts to reflect the Clearwater Solutions contract – both the addition of contract operator costs and the removal of associated Company labor, etc., that is superseded by the Clearwater Solutions contract. Mr. DeStefano noted that these adjustments net to a savings for customers in the current rate case. (Tr. p. 763.13, 763.18.)

At the hearing, counsel for the Town of Irmo suggested that customers were being asked to pay for O&M costs twice, that Clearwater Solutions somehow constituted an unregulated utility, and he implied that there might be an affiliated ownership interest between Blue Granite and its contractor, Clearwater Solutions. (*E.g.*, see Transcript at pp. 373-375; 479-484; 773-778; 858-870.)

During cross-examination, Mr. DeStefano made clear that, to the extent maintenance may not have been performed in previous years, customers would not have paid for such maintenance, because rates are set based upon actual, historical costs incurred by the utility (Tr. p. 868-870). In addition, during cross-examination, Mr. Mendenhall emphasized that Clearwater Solutions is but a contractor of Blue Granite's, and Blue Granite is responsible for overseeing its contractor and remains the utility regulated by this Commission. (Tr. p. 374.) Finally, Mr. Mendenhall confirmed

that there is no affiliate interest relationship between Blue Granite and its contractor, Clearwater Solutions. (Tr. p. 457.)

The evidence does not demonstrate that customers “paid twice” for maintenance expenses, nor does the evidence indicate any affiliate interest relationship between Blue Granite and its contractor, Clearwater Solutions. Further, the Commission is well aware that utilities retain contractors to assist them in the provision of utility services to customers. These contractors are not utilities; rather, the Company oversees the contractor’s work and remains the regulated entity subject to the Commission’s jurisdiction. We would also remind parties that the tools of discovery are continually available to the extent a party seeks information germane to the proceeding.

Finally, as related to S.C. Code Ann. Reg. 103-541—while the Clearwater Solutions contract relates to the provision of service by the Company to its customers—there is no evidence and there has been no suggestion that the contract has impacted, impaired, or pertains to Blue Granite’s “fitness, willingness, or ability” to provide service. Broadening our interpretation of that regulation to require pre-approval of any contract that pertained to the provision of water or sewerage service would unduly restrict utilities’ ability to conduct business and would be inconsistent with our intent in promulgating the regulation, which was instead to monitor the ability of utilities to provide service.

Elevated Storage Tank Property

Consumer Advocate Witness Morgan proposes to remove \$350,000 from rate base associated with the purchase of land to facilitate an elevated storage tank that was not complete in time to be eligible for inclusion in rates. (Tr. p. 658.11.) However, we note that the Company

removed this amount from rate base in its Direct Testimony, and such removal is reflected in ORS Adjustment No. 37. (Tr. p. 763.14, 1128.13.)

Hydrotank Expenses

Consumer Advocate Witness Morgan also recommends an adjustment to rate base of \$73,000 to remove certain hydro tank-related expenses because they were incurred after the Test Year. However, the inclusion of such expenses recognizes that known and measurable changes occurring after the end of the Test Year should be reflected in rate base. *See Southern Bell Tel. & Tel. Co. v. Pub. Serv. Comm'n*, 270 S.C. 590, 602, 244 S.E.2d 278, 284 (1978) (“[W]e believe that the Commission should make any adjustments for known and measurable changes in expenses, revenues and investments occurring after the test year, in order that the resulting rates will reflect the actual rate base, net operating income, and cost of capital.”).

Pro Forma Plant Additions

Consumer Advocate Witness Morgan proposed exclusion of the Company’s pro forma plant additions because the additions were scheduled to be placed in service after the end of the Test Year. (Tr. p. 651.12.) In his rebuttal testimony, Mr. DeStefano stated that the Company supplied multiple updates for actual plant activity post-Test Year, and such asset additions were confirmed to be in-service and benefitting customers during the ORS site visits in early January. For these reasons, Mr. DeStefano recommended that the Commission reject Witness Morgan’s proposed exclusions. (Tr. p. 764.41.)

The evidence demonstrates that the pro forma plant additions the Consumer Advocate proposes to exclude were in fact in-service and providing service to customers prior to the evidentiary hearings in this case, and that the associated costs were known and measurable and

therefore appropriately accounted for in this case. Accordingly, we find that such plant additions should be reflected in revenue requirements and rates in this case.

Return of EDIT Balance

Consumer Advocate Witness Morgan also proposes that the EDIT balance should be used to offset deferred purchased water and wastewater treatment deferred costs. (Tr. p. 651.15.) The Company proposed to return the EDIT balance to customers through a one-time credit on bills. (Tr. p. 763.10.) We find that these proposals are functionally equivalent, while the Company's proposal will be simpler to implement and more easily verifiable, as well as provide customers the benefit of the return of these funds more promptly; we therefore approve the Company's proposal, as adjusted by ORS.

xix. Use of Charlotte Interconnection

As discussed below, we deny York County's request to opine, in this base rate proceeding, on the requirements contained in its franchise agreement with the Company related to the Charlotte water connection.

York County's Position

York County states that the Company's connection with the City of Charlotte is only for the provision of emergency water service. (Tr. p. 1029.6.) York County asks the Commission to find that the Company's use of the Charlotte water connection in the absence of the declaration of an emergency violates the Company's franchise agreement with York County. (Tr. p. 1029.6.)

Blue Granite's Position

Blue Granite states that this rate case relates exclusively to Blue Granite's need for a rate adjustment, has no bearing on the legal interpretation of the franchise agreement, and therefore

this is an inappropriate context for the Commission to weigh in on this issue. (Tr. p. 355.9.) Blue Granite also states that, while the franchise agreement required the installation of the Charlotte water connection, it does not limit the Company's use of the connection only to times of emergency. (Tr. p. 355.9.) Blue Granite points out that the Charlotte water connection provides water at a rate of \$3.76/1,000 gallons, compared to York County's rate of \$4.42/1,000 gallons. (Tr. p. 355.10.) Therefore, the more the Company uses the Charlotte water connection, the lower the costs will be to Blue Granite's customers. (Tr. p. 355.10.)

Commission's Finding

We find that this rate case is not the appropriate context for consideration of this issue. Pursuant to S.C. Code Ann. § 58-5-240, this proceeding relates exclusively to the consideration of Blue Granite's filed rates and charges, not the construction of its franchise agreements. Further, were even this Commission inclined to provide an opinion on this issue, it is not vested with the authority to resolve what is essentially a breach of contract claim articulated by York County. *See* Order No. 1999-888, Docket No. 1999-339-E (Dec. 20, 1999) (providing a legal exegesis as to the Commission's lack of authority to resolve breach of contract claims). As a creature of statute, this Commission possesses "only those powers expressly conferred or necessarily implied for it to effectively fulfill the duties with which it is charged." *Captain's Quarters Motor Inn, Inc. v. S.C. Coastal Council*, 306 S.C. 488, 490, 413 S.E.2d 13, 14 (1991). We have not been conferred with the power to adjudicate breach of contract claims.

Finally, were this base rate proceeding the appropriate context for considering this breach of contract claim, and were this Commission statutorily empowered to adjudicate this breach of contract claim, we would find that the franchise agreement does not—by its plain terms—bear on

under what circumstances the Company must or may use the Charlotte water connection. We also find helpful the fact that the more Blue Granite uses the Charlotte water connection, the less its customers pay for water. *See* Order No. 2019-567 at 2, Docket No. 2019-223-W (Aug. 14, 2019) (“[T]he rate impact of purchased water will be evaluated by the Commission at the next rate case, and . . . ORS and other parties may address utilization of least-cost supply in any purchase water recovery sought by the Company.”). In light of all of these factors, we deny the relief requested by York County.

VI. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. We find and conclude that Mr. D’Ascendis’ recommended cost of equity of 10.25% for Blue Granite is reasonable and should be approved. This finding is supported not only by our analysis and findings concerning the ROE methodologies, inputs, and assumptions, but also by our view that the DCF method should be given relatively less weight, our view that the ECAPM method should be given consideration, our view that Blue Granite’s company-specific risks are relevant and support an ROE at the higher end of a reasonable range of ROEs, and evidence of the need for the Company to maintain financial integrity in light of its ongoing capital financing needs.

2. We find that Blue Granite’s overall cost of capital is 8.12%, that such is just and reasonable and supported by the reliable, probative, and substantial evidence on the whole record. The cost of capital is computed as follows:

Description	Ratio	Cost	Weighted Cost
Common Equity	52.91%	10.25%	5.42%
Long Term Debt	47.09%	5.73%	2.70%
Total	100.00%		8.12%

3. We find that Mr. Spanos’ proposed service lives and net salvage estimates are the most reasonable and his recommended depreciation rates should be approved. We find and

conclude that Mr. Spanos' testimony and proffered evidence were highly credible given his expertise in the field, his depreciation studies and the rationales therefor, and his approach of combining mathematical calculations with the application of expert professional judgment and visual curve fitting techniques greatly support the credibility of his testimony over that of over parties.

4. We find that the Company should be required to conduct leak testing on the four systems for which leak testing is economic, and to contract with a third party to have a water audit conducted. We also find that Blue Granite should be permitted to recover its third party purchased water and sewer treatment expenses, except non-revenue water amounts over 20 percent for the four systems for which leak detection is economic, i.e., Peachtree Acres, I-20, Hidden Lakes, and Hill and Dale systems.

5. We find that the pass-through mechanism, with the modifications directed in this Order, is a reasonable method by which Blue Granite can be made whole for its necessary third-party purchased water and sewer treatment service expenses, and that it benefits customers by regularly and predictably adjusting rates based on periodic changes in third-party service providers' rates.

6. We find that the rate design applicable to the pass-through mechanism should reflect the consolidated rate design already approved by this Commission.

7. We approve the procedure for the Company's annual pass-through mechanism as described above in the body of this Order.

8. Because we are approving the pass-through mechanism in this proceeding, and because the mechanism will be conducted annually as described above, we find that the Company

should be permitted to recover the costs associated with the mechanism's annual notice and filing as part of base rates, and the Company should be authorized to defer, on an interim basis, its pass-through expenses incurred from its vendors, as necessary until such costs are recovered through the pass-through mechanism.

9. We find that the Company's deferred maintenance expenses related to hydrotank inspections should be reflected in rates, as they are a reasonable and necessary part of providing water utility service.

10. We find that the amortization period for the decommissioning of the Stonegate water treatment plant and Friarsgate wastewater treatment plant should be matched to the remaining lives of the actual retired assets.

11. We find that the deferral balances for hurricane costs, I-20 Phase 2, Stonegate decommissioning and net book value, Friarsgate decommissioning and net book value, and EDIT reserves should be calculated to 4/30/2020, because there are no known and measurable changes to the deferral balances that occur between the audit cut-off date and this date.

12. We find that accumulated depreciation and CIAC amortization balances should utilize the same cut-off date for inclusion in rate base as their related gross plant in-service and CIAC components.

13. We conclude that the Company's Storm Recovery Expense using a five-year average is a reasonable approach as such is more reflective of recent conditions.

14. We find that the Company's proposed Storm Reserve Fund is a reasonable method by which to address extreme storms costs, but that the fund should be reevaluated during the Company's next base rate proceeding. We find that, contrary to the Consumer Advocate's

assertion, the Storm Reserve Fund is distinct from and in addition to the Company's more routine storm recovery expenses.

15. We find that the Company's proposed Round Up program is reasonable, and that the Consumer Advocate's recommendation that the Company defer the related implementation costs, up to a cap of the Company's estimate of \$50,000 for such costs, is reasonable and should be approved. We also find that the Company's pro forma adjustment for bill insert and flyer costs related to the Round Up program should be approved.

16. We find that the remaining unamortized rate case expenses from Docket Nos. 2015-199-WS and Docket No. 2017-292-WS were appropriately deferred and are appropriately recovered in this proceeding.

17. We find that the evidence in the record supports Blue Granite's proposed rent expense adjustment to account for employees allocated to the Company but who are physically located in Charlotte.

18. We find that ORS's adjustment based on actual insurance expenses is appropriate, and therefore find that the Consumer Advocate's concern is moot.

19. We find that the Company made a reasonable business decision to relocate its headquarters office to Greenville, and that the associated upfit costs were reasonable. We also find that ORS offered no evidence that would overcome the presumption and the evidence offered by the Company that the business decision to relocate and the resulting office upfit costs were reasonable.

20. We find that Blue Granite's inclusion of nominal amounts for employee service awards are reasonable and should be recovered.

21. We find that the proposal contained in ORS Witness Bickley's surrebuttal testimony related to LETTS tank pumping charges is reasonable in that it balances customer choice with protection from risks to the environment, public or customer.

22. We find that it would be premature to order changes to Blue Granite's rate designs without a cost of service study. We find that Blue Granite should prepare and present a cost of service study in its next rate case.

23. We find and conclude that the I-20 system was removed from rate base, the Company's shareholders risked a loss in litigation based on the liabilities remaining below-the-line on the Company's books, and therefore find that the Company's accounting treatment for that system was appropriate.

24. We find that the evidence does not demonstrate that customers "paid twice" for maintenance expenses, nor that there is any affiliate interest relationship between Blue Granite and its contractor, Clearwater Solutions.

25. We find that the rate base adjustment to account for hydro tank-related expenses was due to known and measurable changes and is appropriately reflected in rate base.

26. We find that the Company's proposal to return the EDIT balance to customers through a one-time credit on bills is reasonable.

27. We find that it would be unlawful and inappropriate for this Commission to opine, in this base rate proceeding, on the requirements contained in the franchise agreement between York County and the Company related to the Charlotte water connection.

VII. ORDERING PARAGRAPHS

IT IS THEREFORE ORDERED THAT:

1. The calculation of base rates conforming to the findings contained within this Order shall be established based on a return on equity of 10.25% and an overall weighted cost of capital of 8.12%.

2. The calculation of base rates shall further be based on the Company's proposed service lives and net salvage estimates as reflected in the Company's proposed depreciation rates.

3. Blue Granite shall conduct or have conducted leak testing on the Peachtree Acres, I-20, Hidden Lakes, and Hill and Dale systems, and is authorized to defer the associated costs into a regulatory asset account, along with carrying costs at the Company's cost of debt.

4. Blue Granite is authorized to recover its third party purchased water and sewer treatment expenses, except non-revenue water amounts over 20 percent for the Peachtree Acres, I-20, Hidden Lakes, and Hill and Dale systems.

5. Blue Granite shall contract with a third party to have a water audit conducted, and is authorized to defer the associated costs into a regulatory asset account, along with carrying costs at the Company's cost of debt.

6. Blue Granite is authorized to implement the pass-through proceeding subject to the modifications and mechanism procedures directed in this Order, including the provision of a pre-filing notice, the filing of an annual application on or before March 1st of each year, the filing of comments by interested parties on or before April 15th of each year, and a Commission decision on or before June 1st of each year.

7. Blue Granite's rates shall be adjusted to account for the costs associated with the pass-through mechanism's annual notice and filing.

8. The calculation of base rates shall include the Company's deferred maintenance expenses related to hydrotank inspections.

9. The amortization period for the decommissioning of the Stonegate water treatment plant and Friarsgate wastewater treatment plant shall match the remaining lives of the actual retired assets.

10. The deferral balances for hurricane costs, I-20 Phase 2, Stonegate decommissioning and net book value, Friarsgate decommissioning and net book value, and EDIT reserves shall be calculated to April 30, 2020.

11. We find that accumulated depreciation and CIAC amortization balances should utilize the same cut-off date for inclusion in rate base as their related gross plant in-service and CIAC components.

12. Calculation of base rates shall include the Company's Storm Recovery Expense using a five-year average.

13. Blue Granite shall be authorized to establish a Storm Reserve Fund as proposed. The fund shall be reevaluated during the Company's next base rate proceeding.

14. Blue Granite shall be authorized to establish a Round Up program as proposed, and the Company is authorized to defer in a regulatory asset account the related implementation costs, up to a cap of the Company's estimate of \$50,000 for such costs, and is authorized to accrue carrying costs at the Company's cost of debt; calculation of base rates shall also reflect Blue Granite's pro forma adjustment relating to the Round Up program.

15. Calculation of base rates shall include the remaining unamortized rate case expenses from Docket Nos. 2015-199-WS and Docket No. 2017-292-WS.

16. Calculation of base rates shall include and account for the Company's office upfit costs.

17. Calculation of base rates shall include and account for any and all other findings made in this Order not expressly addressed in this section, including (1) a rate base of \$75,599,471, (2) Total Operating Expenses of 27,972,323, and 3) Total Operating Revenues of \$34,020,898, as shown in Order Exhibit No. 2, which is attached hereto.

18. Blue Granite is authorized to modify its LETTS tank pumping tariff language to conform to that set forth in ORS Witness Bickley's surrebuttal testimony.

19. Blue Granite shall prepare and present a cost of service study in its next rate case.

20. Blue Granite shall return the EDIT balance to customers through a one-time credit on bills as proposed.

21. The Company must include notice of its newly revised rates and provisions substantially in the form of the notice attached to this Order as Order Exhibit No. 3 to be included as a bill insert at the time rates are made effective.

BY ORDER OF THE COMMISSION:

Comer H. "Randy" Randall, Chairman

ATTEST:

Jocelyn Boyd, Chief Clerk/Executive Director

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

CLERK'S OFFICE

NOTICE OF PROCEEDING

DOCKET NO. 2019-290-WS

Annual Review and Update of Third Party Purchased Water and Sewer Treatment Costs of Blue Granite Water Company, LLC (For Potential Increase or Decrease in Purchased Water Adjustment Charge and Purchased Sewer Treatment Adjustment Charge)

Order No. 2019-___ authorized a procedure for annual hearings to allow the Commission and all interested parties to review the changes in third party purchased water and sewer treatment costs of Blue Granite Water Company, LLC, and for the Commission to determine whether any adjustments in the Purchased Water Adjustment Charge and Purchased Sewer Treatment Adjustment Charge are necessary and reasonable.

The Company's application will be filed on **March 1, 2021**, and will be available on the Commission's website at www.psc.sc.gov under Docket No. 2019-290-WS.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before **April 15, 2021**, by filing the Petition to Intervene with the Commission, by providing a copy to the Office of Regulatory Staff, and by providing a copy to all parties of record. For the receipt of future Commission correspondence, please include an email address in the Petition to Intervene. **Please refer to Docket No. 2019-290-WS and mail a copy to all other parties in this docket.** Any person who seeks to intervene and who wishes to testify and present evidence at the hearing, if scheduled, should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and the Company, on or before **April 15, 2021**. **Please refer to Docket No. 2019-290-WS.**

A public hearing, if scheduled, will be held in Columbia, South Carolina in the offices of the Commission located at 101 Executive Center Drive, Suite 100, Columbia, South Carolina 29210, for the purpose of receiving testimony and other evidence from all interested parties regarding this Application. The time and date of this hearing will be furnished to all interested parties at a later date.

IN ACCORDANCE WITH COMMISSION ORDER NO. 2019-___, PLEASE NOTE THAT INTERVENOR COMMENTS REGARDING BLUE GRANITE WATER COMPANY'S FILING ARE DUE ON OR BEFORE April 15, 2021. COMMENTS MUST BE FILED WITH THE COMMISSION AT THE ADDRESS LISTED BELOW, AND A COPY OF THE COMMENTS MUST BE SERVED ON ALL OF THE PARTIES OF RECORD IN DOCKET NO. 2019-290-WS.

If the Application or Petition in this case contains a request for adjustment of rates, the rates are subject to potential modification by the Commission during the course of this case.

For the most recent information regarding this docket, including changes in scheduled dates included in this Notice, please refer to www.psc.sc.gov and Docket No. 2019-290-WS.

Persons seeking information about the Commission's procedures should contact the Commission at (803) 896-5100 or visit its website at www.psc.sc.gov.

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Combined Operations - Water and Sewer Service Territory 1 & 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Authorized PSC Adjustments \$	(5) After PSC Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	11,868,922	280,468	(1) 12,149,390	4,984,305	(40) 17,133,695
Service Revenues - Sewer	10,929,933	504,321	(2) 11,434,254	5,293,807	(41) 16,728,061
Miscellaneous Revenues	445,566	4,043	(3) 449,609	76,585	(42) 526,194
Uncollectible Accounts	(250,471)	(7,644)	(4) (258,115)	(108,937)	(43) (367,052)
<u>Total Operating Revenues</u>	22,993,950	781,188	23,775,138	10,245,760	34,020,898
<u>Maintenance Expenses</u>					
Salaries and Wages	2,670,783	(1,344,062)	(5) 1,326,721	0	1,326,721
Capitalized Time	(333,423)	73,614	(6) (259,809)	0	(259,809)
Purchased Power	771,660	0	(7) 771,660	0	771,660
Purchased Sewer and Water - Pass Through	5,266,724	3,424,980	(8) 8,691,704	0	8,691,704
Maintenance and Repair	3,031,412	1,094,021	(9) 4,125,433	0	4,125,433
Maintenance Testing	314,455	(174,416)	(10) 140,039	0	140,039
Meter Reading	112,607	(72,815)	(11) 39,792	0	39,792
Chemicals	360,819	(99,043)	(12) 261,776	0	261,776
Transportation	238,985	(118,674)	(13) 120,311	0	120,311
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	12,434,022	2,783,605	15,217,627	0	15,217,627
<u>General Expenses</u>					
Salaries and Wages	871,623	538,807	(14) 1,410,430	0	1,410,430
Office Supplies & Other Office Exp	1,980,731	(1,542,054)	(15) 438,677	0	438,677
Regulatory Commission Exp.	138,293	186,280	(16) 324,573	0	324,573
Pension & Other Benefits	779,623	(161,830)	(17) 617,793	0	617,793
Rent	97,022	103,407	(18) 200,429	0	200,429
Insurance	348,323	163,371	(19) 511,694	0	511,694
Office Utilities	491,952	(98,634)	(20) 393,318	0	393,318
Outside Services - Other	1,062,984	(188,888)	(21) 874,096	0	874,096
Non-Utility Misc Expense	442,691	(442,691)	(22) 0	0	0
Miscellaneous	61,301	4,566	(23) 65,867	0	65,867
<u>Total General Expenses</u>	6,274,543	(1,437,666)	4,836,877	0	4,836,877
Depreciation	1,788,412	2,244,244	(24) 4,032,656	0	4,032,656
Amortization of CIAC	(406,510)	(617,726)	(25) (1,024,236)	0	(1,024,236)
Taxes Other Than Income	3,499,587	219,075	(26) 3,718,662	54,598	(44) 3,773,260
Income Taxes - Federal	(431,984)	(698,918)	(27) (1,130,902)	2,033,137	(45) 902,235
Income Taxes - State	(185,161)	(65,926)	(28) (251,087)	509,557	(46) 258,470
Sale of Utility Property	(20,253)	20,253	(29) 0	0	0
Amort. Investment Tax Credit	(8,854)	0	(8,854)	0	(8,854)
Amortization of PAA	(15,713)	0	(15,713)	0	(15,713)
<u>Total Other Expenses</u>	4,219,524	1,101,002	5,320,526	2,597,292	7,917,818
<u>Total Operating Expenses</u>	22,928,089	2,446,942	25,375,031	2,597,292	27,972,323
<u>Net Operating Income</u>	65,861	(1,665,754)	(1,599,893)	7,648,468	6,048,575
Customer Growth	0	0	(30) 0	92,640	(47) 92,640
Interest During Construction	(172,635)	172,635	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	238,496	(1,838,389)	(1,599,893)	7,741,108	6,141,215
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	103,656,698	910,493	(32) 104,567,191	0	104,567,191
Accumulated Depreciation	(16,190,845)	4,515,950	(33) (11,674,895)	0	(11,674,895)
Net Plant In Service	87,465,853	5,426,444	92,892,297	0	92,892,297
Deferred Charges	0	5,217,981	(34) 5,217,981	0	5,217,981
Cash Working Capital	1,680,231	(259,881)	(35) 1,420,350	0	1,420,350
Contributions In Aid of Construction	(20,300,003)	1,522,035	(36) (18,777,968)	0	(18,777,968)
Accumulated Deferred Income Taxes	(3,522,916)	0	(3,522,916)	0	(3,522,916)
Customer Deposits	(334,350)	0	(334,350)	0	(334,350)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(831,277)	0	(831,277)	0	(831,277)
Excess Book Value	0	(464,646)	(38) (464,646)	0	(464,646)
<u>Total Rate Base</u>	64,157,538	11,441,933	75,599,471	0	75,599,471
<u>Return on Rate Base</u>	0.37%		-2.12%		8.12%
<u>Operating Margin</u>	-6.91%		-15.31%		12.06%
<u>Interest Expense</u>	1,828,315	211,553	(39) 2,039,868	0	2,039,868

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Water Service Territory 1
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Authorized PSC Adjustments \$	(5) After PSC Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	6,307,416	272,372	(1) 6,579,788	3,445,250 (40)	10,025,038
Miscellaneous Revenues	84,940	(290)	(3) 84,650	12,108 (42)	96,758
Uncollectible Accounts	(62,865)	(2,933)	(4) (65,798)	(34,452) (43)	(100,250)
Total Operating Revenues	6,329,491	269,149	6,598,640	3,422,906	10,021,546
<u>Maintenance Expenses</u>					
Salaries and Wages	842,497	(484,042)	(5) 358,455	0	358,455
Capitalized Time	(101,347)	25,726	(6) (75,621)	0	(75,621)
Purchased Power	72,278	0	(7) 72,278	0	72,278
Purchased Water - Pass Through	2,859,944	875,597	(8) 3,735,541	0	3,735,541
Maintenance and Repair	628,927	594,933	(9) 1,223,860	0	1,223,860
Maintenance Testing	40,064	(33,212)	(10) 6,852	0	6,852
Meter Reading	31,148	(44,196)	(11) (13,048)	0	(13,048)
Chemicals	132,225	(25,360)	(12) 106,865	0	106,865
Transportation	84,341	(42,445)	(13) 41,896	0	41,896
Operating Exp. Charged to Plant	0	0	0	0	0
Total Maintenance Expenses	4,590,077	867,001	5,457,078	0	5,457,078
<u>General Expenses</u>					
Salaries and Wages	308,198	191,693	(14) 499,891	0	499,891
Office Supplies & Other Office Exp	788,991	(635,697)	(15) 153,294	0	153,294
Regulatory Commission Exp.	48,900	67,700	(16) 116,600	0	116,600
Pension & Other Benefits	275,491	(93,767)	(17) 181,724	0	181,724
Rent	25,824	36,920	(18) 62,744	0	62,744
Insurance	123,183	58,173	(19) 181,356	0	181,356
Office Utilities	167,049	(35,121)	(20) 131,928	0	131,928
Outside Services - Other	374,956	(58,653)	(21) 316,303	0	316,303
Non-Utility Misc Expense	156,637	(156,637)	(22) 0	0	0
Miscellaneous	21,275	1,217	(23) 22,492	0	22,492
Total General Expenses	2,290,504	(624,173)	1,666,332	0	1,666,332
<u>Other Expenses</u>					
Depreciation	464,276	734,280	(24) 1,198,556	0	1,198,556
Amortization of CIAC	(164,957)	(475,053)	(25) (640,010)	0	(640,010)
Taxes Other Than Income	1,111,788	7,215	(26) 1,119,003	18,230 (44)	1,137,233
Income Taxes - Federal	(154,415)	(398,168)	(27) (552,583)	679,233 (45)	126,650
Income Taxes - State	(99,023)	(28,004)	(28) (127,027)	170,233 (46)	43,206
Sale of Utility Property	(29,922)	29,922	(29) 0	0	0
Amort. Investment Tax Credit	(4,214)	0	(4,214)	0	(4,214)
Amortization of PAA	(13,504)	0	(13,504)	0	(13,504)
Total Other Expenses	1,110,029	(129,808)	980,221	867,696	1,847,917
Total Operating Expenses	7,990,610	113,021	8,103,631	867,696	8,971,327
Net Operating Income	(1,661,119)	156,128	(1,504,991)	2,555,210	1,050,219
Customer Growth	0	0	(30) 0	21,416 (47)	21,416
Interest During Construction	(74,253)	74,253	(31) 0	0	0
Net Income (Loss) For Return	(1,586,866)	81,875	(1,504,991)	2,576,626	1,071,635
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	25,669,070	1,517,896	(32) 27,186,966	0	27,186,966
Accumulated Depreciation	(5,359,140)	1,657,788	(33) (3,701,352)	0	(3,701,352)
Net Plant In Service	20,309,930	3,175,684	23,485,614	0	23,485,614
Deferred Charges	0	(9,585)	(34) (9,585)	0	(9,585)
Cash Working Capital	502,580	(79,097)	(35) 423,483	0	423,483
Contributions In Aid of Construction	(8,780,986)	(18,852)	(36) (8,799,838)	0	(8,799,838)
Accumulated Deferred Income Taxes	(964,199)	0	(964,199)	0	(964,199)
Customer Deposits	(105,884)	0	(105,884)	0	(105,884)
Plant Held for Future Use	0	0	0	0	-
Plant Acquisition Adjustment	(614,752)	0	(614,752)	0	(614,752)
Excess Book Value	0	(223,030)	(38) (223,030)	0	(223,030)
Total Rate Base	10,346,689	2,845,120	13,191,809	0	13,191,809
Return on Rate Base	-15.34%		-11.41%		8.12%
Operating Margin	-33.96%		-28.20%		7.14%
Interest Expense	562,651	(206,702)	355,949	0	355,949

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Water Service Territory 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Authorized PSC Adjustments \$	(5) After PSC Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	5,561,506	8,096	(1) 5,569,602	1,539,055 (40)	7,108,657
Miscellaneous Revenues	115,189	0	(3) 115,189	9,922 (42)	125,111
Uncollectible Accounts	(77,873)	(101)	(4) (77,974)	(21,547) (43)	(99,521)
<u>Total Operating Revenues</u>	5,598,822	7,995	5,606,817	1,527,430	7,134,247
<u>Maintenance Expenses</u>					
Salaries and Wages	668,288	(264,947)	(5) 403,341	0	403,341
Capitalized Time	(71,806)	12,190	(6) (59,616)	0	(59,616)
Purchased Power	180,096	0	(7) 180,096	0	180,096
Purchased Water - Pass Through	761,771	138,765	(8) 900,536	0	900,536
Maintenance and Repair	440,252	264,955	(9) 705,207	0	705,207
Maintenance Testing	97,005	(48,101)	(10) 48,904	0	48,904
Meter Reading	45,376	(9,488)	(11) 35,888	0	35,888
Chemicals	54,966	(14,317)	(12) 40,649	0	40,649
Transportation	52,482	(25,511)	(13) 26,971	0	26,971
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	2,228,430	53,546	2,281,976	0	2,281,976
<u>General Expenses</u>					
Salaries and Wages	192,149	115,859	(14) 308,008	0	308,008
Office Supplies & Other Office Exp	270,298	(171,345)	(15) 98,953	0	98,953
Regulatory Commission Exp.	30,488	40,319	(16) 70,807	0	70,807
Pension & Other Benefits	172,239	(4,330)	(17) 167,909	0	167,909
Rent	38,829	22,019	(18) 60,848	0	60,848
Insurance	76,740	35,004	(19) 111,744	0	111,744
Office Utilities	110,492	(21,368)	(20) 89,124	0	89,124
Outside Services - Other	235,453	(89,261)	(21) 146,192	0	146,192
Non-Utility Misc Expense	97,387	(97,387)	(22) 0	0	0
Miscellaneous	14,337	1,626	(23) 15,963	0	15,963
<u>Total General Expenses</u>	1,238,412	(168,864)	1,069,548	0	1,069,548
<u>Total Other Expenses</u>	1,367,175	509,298	1,876,473	387,223	2,263,696
<u>Total Operating Expenses</u>	4,834,017	393,980	5,227,997	387,223	5,615,220
<u>Net Operating Income</u>	764,805	(385,985)	378,820	1,140,207	1,519,027
Customer Growth	0	0	(30) 0	1,373 (47)	1,373
Interest During Construction	(5,925)	5,925	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	770,730	(391,910)	378,820	1,141,580	1,520,400
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	22,208,337	1,183,390	(32) 23,391,727	0	23,391,727
Accumulated Depreciation	(3,277,394)	658,509	(33) (2,618,885)	0	(2,618,885)
Net Plant In Service	18,930,943	1,841,898	20,772,841	0	20,772,841
Deferred Charges	0	(533,021)	(34) (533,021)	0	(533,021)
Cash Working Capital	338,134	(31,760)	(35) 306,374	0	306,374
Contributions In Aid of Construction	(351,720)	(12,343)	(36) (364,063)	0	(364,063)
Accumulated Deferred Income Taxes	(1,239,587)	0	(1,239,587)	0	(1,239,587)
Customer Deposits	(90,717)	0	(90,717)	0	(90,717)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(134,480)	0	(134,480)	0	(134,480)
Excess Book Value	0	0	(38) 0	0	0
<u>Total Rate Base</u>	17,452,573	1,264,774	18,717,347	0	18,717,347
<u>Return on Rate Base</u>	4.42%		2.02%		8.12%
<u>Operating Margin</u>	4.29%		-2.25%		14.23%
<u>Interest Expense</u>	530,582	(25,540)	(39) 505,042	0	505,042

BGW Order Exhibit No. 2, Schedule 4

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Sewer Service Territory 1 and 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Authorized PSC Adjustments \$	(5) After PSC Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Sewer	10,929,933	504,321 (2)	11,434,254	5,293,807 (41)	16,728,061
Miscellaneous Revenues	245,437	4,333 (3)	249,770	54,555 (42)	304,325
Uncollectible Accounts	(109,733)	(4,610) (4)	(114,343)	(52,938) (43)	(167,281)
<u>Total Operating Revenues</u>	11,065,637	504,044	11,569,681	5,295,424	16,865,105
<u>Maintenance Expenses</u>					
Salaries and Wages	1,159,998	(595,073) (5)	564,925	0	564,925
Capitalized Time	(160,270)	35,698 (6)	(124,572)	0	(124,572)
Purchased Power	519,286	0 (7)	519,286	0	519,286
Purchased Sewer	1,645,009	2,410,618 (8)	4,055,627	0	4,055,627
Maintenance and Repair	1,962,233	234,133 (9)	2,196,366	0	2,196,366
Maintenance Testing	177,386	(93,103) (10)	84,283	0	84,283
Meter Reading	36,083	(19,131) (11)	16,952	0	16,952
Chemicals	173,628	(59,366) (12)	114,262	0	114,262
Transportation	102,162	(50,718) (13)	51,444	0	51,444
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	5,615,515	1,863,058	7,478,573	0	7,478,573
<u>General Expenses</u>					
Salaries and Wages	371,276	231,255 (14)	602,531	0	602,531
Office Supplies & Other Office Exp	921,442	(735,012) (15)	186,430	0	186,430
Regulatory Commission Exp.	58,905	78,261 (16)	137,166	0	137,166
Pension & Other Benefits	331,893	(63,733) (17)	268,160	0	268,160
Rent	32,369	44,468 (18)	76,837	0	76,837
Insurance	148,400	70,194 (19)	218,594	0	218,594
Office Utilities	214,411	(42,145) (20)	172,266	0	172,266
Outside Services - Other	452,575	(40,974) (21)	411,601	0	411,601
Non-Utility Misc Expense	188,667	(188,667) (22)	0	0	0
Miscellaneous	25,689	1,723 (23)	27,412	0	27,412
<u>Total General Expenses</u>	2,745,627	(644,630)	2,100,997	0	2,100,997
Depreciation	915,558	928,965 (24)	1,844,523	0	1,844,523
Amortization of CIAC	(234,352)	(117,257) (25)	(351,609)	0	(351,609)
Taxes Other Than Income	1,395,111	207,082 (26)	1,602,193	28,201 (44)	1,630,394
Income Taxes - Federal	(243,799)	(265,290) (27)	(509,089)	1,050,811 (45)	541,722
Income Taxes - State	(109,751)	(4,022) (28)	(113,773)	263,361 (46)	149,588
Sale of Utility Property	27,966	(27,966) (29)	0	0	0
Amort. Investment Tax Credit	(4,640)	0	(4,640)	0	(4,640)
Amortization of PAA	(3,773)	0	(3,773)	0	(3,773)
<u>Total Other Expenses</u>	1,742,320	721,513	2,463,833	1,342,373	3,806,206
<u>Total Operating Expenses</u>	10,103,462	1,939,941	12,043,403	1,342,373	13,385,776
<u>Net Operating Income</u>	962,175	(1,435,897)	(473,722)	3,953,051	3,479,329
Customer Growth	0	0 (30)	0	69,851 (47)	69,851
Interest During Construction	(92,457)	92,457 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	1,054,632	(1,528,354)	(473,722)	4,022,902	3,549,180
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	55,779,291	(1,790,793) (32)	53,988,498	0	53,988,498
Accumulated Depreciation	(7,554,311)	2,199,654 (33)	(5,354,657)	0	(5,354,657)
Net Plant In Service	48,224,980	408,861	48,633,841	0	48,633,841
Deferred Charges	0	5,760,587 (34)	5,760,587	0	5,760,587
Cash Working Capital	839,517	(149,024) (35)	690,493	0	690,493
Contributions In Aid of Construction	(11,167,297)	1,553,230 (36)	(9,614,067)	0	(9,614,067)
Accumulated Deferred Income Taxes	(1,319,130)	0	(1,319,130)	0	(1,319,130)
Customer Deposits	(137,749)	0	(137,749)	0	(137,749)
Plant Held for Future Use	0	0 (37)	0	0	0
Plant Acquisition Adjustment	(82,045)	0	(82,045)	0	(82,045)
Excess Book Value	0	(241,616) (38)	(241,616)	0	(241,616)
<u>Total Rate Base</u>	36,358,276	7,332,038	43,690,314	0	43,690,314
<u>Return on Rate Base</u>	2.90%		-1.08%		8.12%
<u>Operating Margin</u>	2.89%		-14.28%		14.05%
<u>Interest Expense</u>	735,082	443,795 (39)	1,178,877	0	1,178,877

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

ELECTRONICALLY FILED - 2020 March 18 4:11 PM - SCPSC - Docket # 2019-290-WS - Page 5 of 27

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>Accounting and Pro Forma Adjustments</u>				
<u>Operating Revenues</u>				
(1) Service Revenues - Water				
To adjust water service revenues to reflect test year customer				
Per PSC	280,468	272,372	8,096	0
Per BGWC	481,681	488,815	(7,134)	0
(2) Service Revenues - Sewer				
To adjust sewer service revenues to reflect test year customer				
Per PSC	504,321	0	0	504,321
Per BGWC	129,970	0	0	129,970
(3) Miscellaneous Revenues				
To adjust miscellaneous revenues for the test year.				
Per PSC	4,043	(290)	0	4,333
Per BGWC	0	0	0	0
(4) Uncollectible Accounts				
To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.				
Per PSC	(7,644)	(2,933)	(101)	(4,610)
Per BGWC	(6,279)	(4,894)	158	(1,543)

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>Maintenance Expenses</u>				
(5) Salaries & Wages				
To annualize operators' salaries for the test year.				
Per PSC	(1,344,062)	(484,042)	(264,947)	(595,073)
Per BGWC	(1,155,286)	(418,425)	(229,614)	(507,247)
(6) Capitalized Time				
To adjust capitalized time based on pro forma salaries.				
Per PSC	73,614	25,726	12,190	35,698
Per BGWC	58,345	20,623	9,649	28,073
(7) Purchased Power				
No adjustment proposed for purchased power.				
Per PSC	0	0	0	0
Per BGWC	0	0	0	0
(8) Purchased Water and Sewer				
(8a) To adjust purchased water & sewer expense to remove non-revenue water and amortize uncollected purchased water and sewer expense increases over 3 years				
Per PSC	871,508	354,810	47,562	469,136
Per BGWC	934,656	402,984	53,940	477,732
(8b) To adjust purchased water & sewer expenses to remove non-revenue water and reflect going forward expense levels				
Per PSC	2,553,472	520,787	91,203	1,941,482
Per BGWC	2,640,647	404,870	106,342	2,129,435
(8) Total Purchased Water and Sewer Per PSC	3,424,980	875,597	138,765	2,410,618
Total Purchased Water and Sewer Per BGWC	3,575,303	807,854	160,282	2,607,167

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(9) Maintenance and Repair				
(9a) To adjust maintenance and repair for the amortization of deferred maintenance over 5 years.				
Per PSC	(232,402)	(62,470)	(59,317)	(110,615)
Per BGWC	(212,327)	(52,424)	(59,288)	(100,615)
(9b) To adjust test year expenses for Clearwater Solutions contract cost impacts.				
Per PSC	851,676	609,328	318,024	(75,676)
Per BGWC	892,513	623,802	327,093	(58,382)
(9c) To adjust for amortization of deferrals for litigation costs, decommissioning costs and NBV of decommissioned assets.				
Per PSC	496,888	55,814	11,143	429,930
Per BGWC	483,212	57,128	11,592	414,492
(9d) To normalize test year storm costs.				
Per PSC	(9,308)	(3,191)	(2,093)	(4,024)
Per BGWC	0	0	0	0
(9e) To remove rebranding expenses for ratemaking purposes.				
Per PSC	(12,832)	(4,548)	(2,802)	(5,482)
Per BGWC	0	0	0	0
(9) Total Maintenance and Repair Per PSC	<u>1,094,021</u>	<u>594,933</u>	<u>264,955</u>	<u>234,133</u>
Total Maintenance and Repair Per BGWC	<u>1,163,398</u>	<u>628,506</u>	<u>279,397</u>	<u>255,495</u>
(10) Maintenance Testing				
To adjust test year expenses for Clearwater Solutions contract cost impacts.				
Per PSC	<u>(174,416)</u>	<u>(33,212)</u>	<u>(48,101)</u>	<u>(93,103)</u>
Per BGWC	<u>(174,416)</u>	<u>(33,212)</u>	<u>(48,101)</u>	<u>(93,103)</u>

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(11) Meter Reading				
(11a) To adjust test year expenses for Clearwater Solutions contract cost impacts.				
Per PSC	(44,748)	(16,129)	(9,488)	(19,131)
Per BGWC	(44,748)	(16,129)	(9,491)	(19,128)
(11b) To remove meter reading expenses due to AMI deployment.				
Per PSC	(28,067)	(28,067)	0	0
Per BGWC	(28,067)	(28,067)	0	0
(11) Total Meter Reading Per PSC	<u>(72,815)</u>	<u>(44,196)</u>	<u>(9,488)</u>	<u>(19,131)</u>
Total Meter Reading Per BGWC	<u>(72,815)</u>	<u>(44,196)</u>	<u>(9,491)</u>	<u>(19,128)</u>
(12) Chemicals				
(12a) To adjust test year expenses for Clearwater Solutions contract cost impacts.				
Per PSC	(67,524)	(24,338)	(14,317)	(28,869)
Per BGWC	(67,524)	(24,338)	(14,322)	(28,864)
(12b) To remove chemical expense for decommissioned treatment				
Per PSC	(31,519)	(1,022)	0	(30,497)
Per BGWC	(31,519)	(1,022)	0	(30,497)
(12) Total Chemicals Per PSC	<u>(99,043)</u>	<u>(25,360)</u>	<u>(14,317)</u>	<u>(59,366)</u>
Total Chemicals Per BGWC	<u>(99,043)</u>	<u>(25,360)</u>	<u>(14,322)</u>	<u>(59,361)</u>
(13) Transportation				
(13a) To adjust test year expenses for Clearwater Solutions contract cost impacts.				
Per PSC	(110,230)	(39,452)	(23,667)	(47,111)
Per BGWC	(99,425)	(35,837)	(21,088)	(42,500)

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(13b) To remove rebranding expenses for ratemaking purposes.				
Per PSC	(8,444)	(2,993)	(1,844)	(3,607)
Per BGWC	0	0	0	0
(13) Total Transportation Per PSC	<u>(118,674)</u>	<u>(42,445)</u>	<u>(25,511)</u>	<u>(50,718)</u>
Total Transportation Per BGWC	<u>(99,425)</u>	<u>(35,837)</u>	<u>(21,088)</u>	<u>(42,500)</u>
<u>General Expenses</u>				
(14) Salaries & Wages				
To annualize office salaries for the test year.				
Per PSC	<u>538,807</u>	<u>191,693</u>	<u>115,859</u>	<u>231,255</u>
Per BGWC	<u>517,333</u>	<u>184,082</u>	<u>111,170</u>	<u>222,081</u>
(15) Office Supplies & Other Office Expense				
(15a) To remove expenses for items excluded by the Company.				
Per PSC	(1,542,022)	(636,499)	(170,477)	(735,046)
Per BGWC	(1,549,457)	(640,076)	(170,478)	(738,903)
(15b) To include costs for purchased services annual rate adjustment filing notices and annual round up bill inserts or flyers.				
Per PSC	22,670	8,907	3,984	9,779
Per BGWC	22,670	8,907	3,984	9,779
(15c) To remove expenses non-allowable for ratemaking purposes.				
Per PSC	(22,702)	(8,105)	(4,852)	(9,745)
Per BGWC	0	0	0	0
(15) Total Office Supplies & Other Office Expense Per PSC	<u>(1,542,054)</u>	<u>(635,697)</u>	<u>(171,345)</u>	<u>(735,012)</u>
Total Office Supplies & Other Office Expense Per BGWC	<u>(1,526,787)</u>	<u>(631,169)</u>	<u>(166,494)</u>	<u>(729,124)</u>

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(16) Regulatory Commission Expense				
(16a) To amortize current and unamortized prior rate case expenses over a three-year period.				
Per PSC	182,886	64,907	39,718	78,261
Per BGWC	104,130	36,995	22,519	44,616
(16b) To include legal costs for purchased services annual rate adjustment mechanism annual filings.				
Per PSC	3,394	2,793	601	0
Per BGWC	3,394	2,793	601	0
(16) Total Regulatory Commission Expense Per PSC	<u>186,280</u>	<u>67,700</u>	<u>40,319</u>	<u>78,261</u>
Total Regulatory Commission Expense Per BGWC	<u>107,524</u>	<u>39,788</u>	<u>23,120</u>	<u>44,616</u>
(17) Pension & Other Benefits				
(17a) To annualize pension and other benefits associated with pro forma salaries.				
Per PSC	(161,830)	(93,767)	(4,330)	(63,733)
Per BGWC	(62,113)	(54,671)	13,899	(21,341)
(17b) To remove service awards for ratemaking purposes.				
Per PSC	0	0	0	0
Per BGWC	0	0	0	0
(17) Total Pension & Other Benefits Per PSC	<u>(161,830)</u>	<u>(93,767)</u>	<u>(4,330)</u>	<u>(63,733)</u>
Total Pension & Other Benefits Per BGWC	<u>(62,113)</u>	<u>(54,671)</u>	<u>13,899</u>	<u>(21,341)</u>
(18) Rent				
To adjust rent expense for pro forma annualized leases.				
Per PSC	103,407	36,920	22,019	44,468
Per BGWC	95,826	34,233	20,363	41,230

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(19) Insurance				
To adjust insurance expense based on most recent policy premiums and deductible costs.				
Per PSC	163,371	58,173	35,004	70,194
Per BGWC	201,243	71,596	43,274	86,373
(20) Office tilities				
To adjust test year expenses for Clearwater Solutions contract cost impacts.				
Per PSC	(98,634)	(35,121)	(21,368)	(42,145)
Per BGWC	(27,003)	(9,733)	(5,725)	(11,545)
(21) Outside Services - Other				
(21a) To adjust corporate costs allocations to annualize Corix parent expenses.				
Per PSC	(341,915)	(120,738)	(75,787)	(145,390)
Per BGWC	(362,759)	(128,125)	(80,339)	(154,295)
(21b) To include costs for ork County franchise agreement and Lake Wylie AMI Neptune data support.				
Per PSC	214,731	83,955	0	130,776
Per BGWC	214,731	83,955	0	130,776
(21c) To reclassify annual rate adjustment mechanism and pumping interceptor tank legal expenses incurred during the test year to rate case expenses.				
Per PSC	(36,864)	(13,066)	(8,050)	(15,748)
Per BGWC	0	0	0	0
(21d) To remove rebranding expenses for ratemaking purposes.				
Per PSC	(9,833)	(3,485)	(2,147)	(4,201)
Per BGWC	0	0	0	0

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(21e) To remove legal expenses that should not be included for ratemaking purposes.				
Per PSC	(15,007)	(5,319)	(3,277)	(6,411)
Per BGWC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(21) Total Outside Services Expense Per PSC	<u>(188,888)</u>	<u>(58,653)</u>	<u>(89,261)</u>	<u>(40,974)</u>
Total Outside Services Expense Per BGWC	<u>(148,028)</u>	<u>(44,170)</u>	<u>(80,339)</u>	<u>(23,519)</u>
(22) Non- utility Miscellaneous Expense				
To remove non-utility activity.				
Per PSC	<u>(442,691)</u>	<u>(156,637)</u>	<u>(97,387)</u>	<u>(188,667)</u>
Per BGWC	<u>(442,691)</u>	<u>(156,637)</u>	<u>(97,387)</u>	<u>(188,667)</u>
(23) Miscellaneous				
(23a) To include customer deposit interest expense.				
Per PSC	11,244	3,584	3,084	4,576
Per BGWC	11,244	3,584	3,084	4,576
(23b) To remove expenses non-allowable for ratemaking purposes.				
Per PSC	(6,678)	(2,367)	(1,458)	(2,853)
Per BGWC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(23) Total Miscellaneous Per PSC	<u>4,566</u>	<u>1,217</u>	<u>1,626</u>	<u>1,723</u>
Total Miscellaneous Per BGWC	<u>11,244</u>	<u>3,584</u>	<u>3,084</u>	<u>4,576</u>
(24) Depreciation Expense				
To annualize depreciation expense for known and measurable plant in service. See BGW Order Exhibit 6.				
Per PSC	<u>2,244,244</u>	<u>734,280</u>	<u>580,999</u>	<u>928,965</u>
Per BGWC	<u>2,093,637</u>	<u>710,395</u>	<u>554,066</u>	<u>829,176</u>

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(25) Amortization of Contributions in Aid of Construction (CIAC)				
To adjust amortization of CIAC for known and measurable changes. See BGW Order Exhibit 6.				
Per PSC	(617,726)	(475,053)	(25,416)	(117,257)
Per BGWC	(618,100)	(473,764)	(25,421)	(118,915)
(26) Taxes Other Than Income				
(26a) To adjust payroll taxes associated with adjusted salaries.				
Per PSC	(33,874)	(22,237)	2,425	(14,062)
Per BGWC	(14,449)	(14,507)	5,800	(5,742)
(26b) To adjust gross receipts taxes for the adjustments to accounting and pro forma revenue using a factor of .00527282.				
Per PSC	4,160	1,435	43	2,682
Per BGWC	3,226	2,577	(37)	686
(26c) To adjust pro forma property taxes for pro forma plant balances.				
Per PSC	248,789	28,017	2,310	218,462
Per BGWC	543,084	250,725	156,101	136,258
(26) Total Taxes Other Than Income Per PSC	219,075	7,215	4,778	207,082
Total Taxes Other Than Income Per BGWC	531,861	238,795	161,864	131,202
(27) Income Taxes - Federal				
To adjust federal income taxes after accounting and pro forma adjustments. See BGW Order Exhibit 7.				
Per PSC	(698,918)	(398,168)	(35,460)	(265,290)
Per BGWC	(884,773)	(408,999)	(99,526)	(376,248)

Blue Granite Water Company
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(28) Income Taxes - State				
To adjust state income taxes after accounting and pro forma adjustments. See BGW Order Exhibit 7.				
Per PSC	(65,926)	(28,004)	(33,900)	(4,022)
Per BGWC	(112,509)	(32,547)	(47,569)	(32,393)
(29) Sale of Utility Property				
To reflect the removal of sale of utility property for ratemaking purposes.				
Per PSC	20,253	29,922	18,297	(27,966)
Per BGWC	20,253	29,922	18,297	(27,966)
(30) Customer Growth				
No accounting and pro forma adjustment proposed for customer growth.				
Per PSC	0	0	0	0
Per BGWC	0	0	0	0
(31) Interest During Construction ("IDC")				
To eliminate IDC for rate making purposes.				
Per PSC	172,635	74,253	5,925	92,457
Per BGWC	172,636	74,253	5,925	92,458
(32) Gross Plant in Service				
To adjust for pro forma general ledger additions, pro forma plant, pro forma retirements and decommissioned plant.				
Per PSC	910,493	1,517,896	1,183,390	(1,790,793)
Per BGWC	2,600,952	1,231,445	1,653,985	(284,478)

Blue Granite Water Company
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(33) Accumulated Depreciation				
To adjust accumulated depreciation for current depreciation, decommissioned plant and prior rate case adjustments.				
Per PSC	4,515,950	1,657,788	658,509	2,199,654
Per BGWC	3,701,703	1,650,578	957,319	1,093,806
(34) Deferred Charges				
(34a) To include unamortized balances for deferred maintenance.				
Per PSC	277,923	171,966	105,957	0
Per BGWC	348,417	185,162	114,088	49,167
(34b) To include unamortized balances for removal costs on decommissioned assets, NBV on decommissioned assets, and excess deferred income taxes.				
Per PSC	4,940,058	(181,551)	(638,978)	5,760,587
Per BGWC	4,596,244	(183,548)	(652,326)	5,432,118
(34) Total Deferred Charges Per PSC	5,217,981	(9,585)	(533,021)	5,760,587
Total Deferred Charges Per BGWC	4,944,661	1,614	(538,238)	5,481,285
(35) Cash Working Capital				
(35a) To adjust cash working capital after accounting and pro forma adjustments. See BGW Order Exhibit 8.				
Per PSC	826,582	387,846	80,807	357,929
Per BGWC	898,666	399,600	94,180	404,886
(35b) To adjust cash working capital for Company proposed rate mitigation by eliminating purchased water and sewer from the calculation. See BGW Order Exhibit 8.				
Per PSC	(1,086,463)	(466,943)	(112,567)	(506,953)
Per BGWC	(1,105,254)	(458,475)	(115,257)	(531,522)
(35) Total Cash Working Capital Per PSC	(259,881)	(79,097)	(31,760)	(149,024)
Total Cash Working Capital Per BGWC	(206,588)	(58,875)	(21,077)	(126,636)

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(36) Contributions in Aid of Construction ("CIAC")				
To adjust CIAC to reflect the amortization of CIAC expense, pro forma CIAC additions and decommissioned plant. See BGW				
Per PSC	<u>1,522,035</u>	<u>(18,852)</u>	<u>(12,343)</u>	<u>1,553,230</u>
Per BGWC	<u>1,068,166</u>	<u>(36,839)</u>	<u>(14,689)</u>	<u>1,119,694</u>
(37) Plant held for Future use				
To adjust for post test year land purchase to be used for one million gallon elevated tank in Lake Wylie Subdivision.				
Per PSC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Per BGWC	<u>350,000</u>	<u>350,000</u>	<u>0</u>	<u>0</u>
(38) Excess Book value				
To remove excess book value for ratemaking purposes.				
Per PSC	<u>(464,646)</u>	<u>(223,030)</u>	<u>0</u>	<u>(241,616)</u>
Per BGWC	<u>(435,586)</u>	<u>(207,236)</u>	<u>0</u>	<u>(228,350)</u>
(39) Interest Expense				
To adjust interest on debt using a 47.09% and 52.91% debt to equity ratio and 5.73% cost of debt. PSC computed allowable interest expense after accounting and pro forma adjustments. See BGW Order Exhibit 9.				
Per PSC	<u>211,553</u>	<u>(206,702)</u>	<u>(25,540)</u>	<u>443,795</u>
Per BGWC	<u>228,871</u>	<u>(204,109)</u>	<u>(4,278)</u>	<u>437,258</u>

Blue Granite Water Company
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>ORS Adjustments</u>				
(40) Service Revenues - Water				
To adjust water service revenues for the return on equity recommendation of ORS witness Parcell.				
Per PSC	4,984,305	3,445,250	1,539,055	0
Per BGWC	5,575,958	3,636,851	1,939,107	0
(41) Service Revenues - Sewer				
To adjust sewer service revenues for the return on equity recommendation of ORS witness Parcell.				
Per PSC	5,293,807	0	0	5,293,807
Per BGWC	6,155,846	0	0	6,155,846
(42) Miscellaneous Revenues				
To adjust miscellaneous revenues.				
Per PSC	76,585	12,108	9,922	54,555
Per BGWC	0	0	0	0
(43) Uncollectible Accounts				
To adjust uncollectible accounts for PSC's adjustments to revenues.				
Per PSC	(108,937)	(34,452)	(21,547)	(52,938)
Per BGWC	(142,266)	(36,021)	(29,914)	(76,331)
(44) Taxes Other Than Income				
To adjust gross receipts using a factor of .00527282 after PSC's adjustments to revenues.				
Per PSC	54,598	18,230	8,167	28,201
Per BGWC	61,859	19,176	10,225	32,458

Blue Granite Water Company
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(45) Income Taxes - Federal				
To adjust federal income taxes after PSC's adjustments to revenues and gross receipts. See BGW Order Exhibit 7.				
Per PSC	2,033,137	679,233	303,093	1,050,811
Per BGWC	2,299,770	714,539	378,844	1,206,387
(46) Income Taxes - State				
To adjust state income taxes after PSC's adjustments to revenues and gross receipts. See BGW Order Exhibit 7.				
Per PSC	509,557	170,233	75,963	263,361
Per BGWC	576,385	179,083	94,949	302,353
(47) Customer Growth				
To adjust for customer growth after PSC's adjustments to revenues and taxes. The growth factors of 2.0392% for water territory 1, 0.0904% for water territory 2, and 2.0076% for sewer were computed by ORS witness Sandonato.				
Per PSC	92,640	21,416	1,373	69,851
Per BGWC	0	0	0	0

BGW Order Exhibit No. 2, Schedule 7

Blue Granite Water Company
Computation of Income Taxes
Docket No. 2019-290-WS
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After Accounting & Pro Forma Adjustments				
	\$			\$
	Combined	Water Terr. 1	Water Terr. 2	Sewer
	Operations	Operations	Operations	Operations
Operating Revenues	23,775,138	6,598,640	5,606,817	11,569,681
Less: Operating Expenses	26,757,020	8,783,241	5,307,514	12,666,265
Net Operating Income Before Taxes	(2,981,882)	(2,184,601)	299,303	(1,096,584)
Less: Annualized Interest Expense	2,039,868	355,949	505,042	1,178,877
Taxable Income - State	(5,021,750)	(2,540,550)	(205,739)	(2,275,461)
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	(251,087)	(127,027)	(10,287)	(113,773)
Less: State Income Taxes Per Book	(185,161)	(99,023)	23,613	(109,751)
State Income Tax Adjustment #28	(65,926)	(28,004)	(33,900)	(4,022)
Taxable Income - Federal	(4,770,663)	(2,413,523)	(195,452)	(2,161,688)
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	(1,001,839)	(506,840)	(41,045)	(453,954)
Add: Excess Deferred Income Taxes Amortization	(129,063)	(45,743)	(28,185)	(55,135)
Less: Federal Income Taxes Per Book	(431,984)	(154,415)	(33,770)	(243,799)
Federal Income Tax Adjustment #27	(698,918)	(398,168)	(35,460)	(265,290)
After Proposed Adjustments				
	\$	\$	\$	\$
	Combined	Water Terr. 1	Water Terr. 2	Sewer
	Operations	Operations	Operations	Operations
Operating Revenues	34,020,898	10,021,546	7,134,247	16,865,105
Less: Operating Expenses	26,811,618	8,801,471	5,315,681	12,694,466
Net Operating Income Before Taxes	7,209,280	1,220,075	1,818,566	4,170,639
Less: Annualized Interest Expense	2,039,868	355,949	505,042	1,178,877
Taxable Income - State	5,169,412	864,126	1,313,524	2,991,762
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	258,470	43,206	65,676	149,588
Less: State Income Taxes As Adjusted	(251,087)	(127,027)	(10,287)	(113,773)
State Income Tax Adjustment #46	509,557	170,233	75,963	263,361
Taxable Income - Federal	4,910,942	820,920	1,247,848	2,842,174
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	1,031,298	172,393	262,048	596,857
Add: Excess Deferred Income Taxes Amortization	(129,063)	(45,743)	(28,185)	(55,135)
Less: Federal Income Taxes As Adjusted	(1,130,902)	(552,583)	(69,230)	(509,089)
Federal Income Tax Adjustment #45	2,033,137	679,233	303,093	1,050,811

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
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Account No.	Item	Water Territory 1	Depreciation Rate	Depreciation Expense
1020	ORGANIZATION	84,616	1.50%	1,269
1025	FRANCHISES	25,864	1.50%	388
1030	LAND & LAND RIGHTS PUMP	6,920	0.00%	-
1040	LAND & LAND RIGHTS TRAN	28,237	0.00%	-
1045	LAND & LAND RIGHTS GEN	288,337	0.00%	-
1050	STRUCT & IMPRV SRC SUPP	1,040,231	2.76%	28,710
1055	STRUCT & IMPRV WTR TRT	470,724	2.61%	12,286
1060	STRUCT & IMPRV TRANS DI	3,434	2.19%	75
1065	STRUCT & IMPRV GEN PLT	166,157	2.26%	3,755
1070	COLLECTING RESERVOIRS	-	1.50%	-
1075	LAKE, RIVER, OTHER INTA	-	1.50%	-
1080	WELLS & SPRINGS	1,366,210	3.85%	52,599
1085	INFILTRATION GALLER	-	1.50%	-
1090	SUPPL MAINS	1,325,569	1.91%	25,318
1095	POWER GENERATION EQUIP	-	1.50%	-
1100	ELECTRIC PUMP EQUIP SRC	224,376	4.53%	10,164
1105	ELECTRIC PUMP EQUIP WTP	1,468,331	5.00%	73,417
1110	ELECTRIC PUMP EQUIP TRA	189,746	4.76%	9,032
1115	WATER TREATMENT EQUIP PT	905,219	6.77%	61,283
1120	DIST RESV & STANDPIPES	3,287,317	4.40%	144,642
1125	TRANS & DISTR MAINS	7,414,856	1.85%	137,175
1130	SERVICE LINES	3,379,661	7.00%	236,576
1135	METERS	2,588,959	6.07%	157,150
1140	METER INSTALLATIONS	338,235	5.13%	17,351
1145	HYDRANTS	322,831	2.47%	7,974
1150	BACKFLOW PREVENTION DEV	8,525	5.06%	431
1155	OTH PLT&MISC EQUIP INTA	2,216	4.56%	101
1160	OTH PLT&MISC EQUIP SRC	-	2.67%	-
1165	OTH PLT&MISC EQUIP WTP	-	3.28%	-
1170	OTH PLT&MISC EQUIP TRAN	1,457	4.19%	61
1175	OFFICE STRUCT & IMPRV	589,115	2.24%	13,196
1180	OFFICE FURN & EQUIP PT	317,420	13.03%	41,360
1185	STORES EQUIPMENT	-	1.50%	-
1190	TOOL SHOP & MISC EQUIP PT	318,495	10.11%	32,200
1195	LABORATORY EQUIPMENT	73,863	10.72%	7,918
1200	POWER OPERATED EQUIP	1,043	8.93%	93
1205	COMMUNICATION EQUIP PT	100,439	23.35%	23,453
1210	MISC EQUIPMENT	1,688	6.14%	104
1220	OTHER TANGIBLE PLT WATE	-	7.56%	-
1555	TRANSPORTATION EQUIP PT WTR	209,408	2.90%	6,073
1560	TRANSPORTATION EQUIP PT SWR	-	2.90%	-
1575	DESIGN TOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	104	20.00%	21
1585	MINI COMPUTERS WTR	133,572	33.33%	44,520
1590	COMPUTER SOFTWARE WTR	369,707	12.50%	46,213
1595	MICRO SOFTWARE WTR	48	33.33%	16
2620	UTIL PLANT ACQUIRED DISPOSED	134,036	0.00%	-
Total PIS Water		27,186,966		1,194,925
		Indian Pines Extraordinary Retirement (Ends 2029)		3,631
		ORS Total Water Territory 1 Depreciation		1,198,556
		Less Per Books		464,276
		ORS Adj. #24 for Water Territory 1		734,280

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Account No.	Item	Water Territory 2	Depreciation Rate	Depreciation Expense
1020	ORGANIZATION	213,814	1.50%	3,207
1025	FRANCHISES	33,687	1.50%	505
1035	LAND & LAND RIGHTS WTR	38	0.00%	-
1040	LAND & LAND RIGHTS TRAN	655	0.00%	-
1045	LAND & LAND RIGHTS GEN	273,996	0.00%	-
1050	STRUCT & IMPRV SRC SUPP	2,496,082	2.76%	68,892
1055	STRUCT & IMPRV WTR TRT	832,780	2.61%	21,736
1060	STRUCT & IMPRV TRANS DI	27,267	2.19%	597
1065	STRUCT & IMPRV GEN PLT	104,588	2.26%	2,364
1070	COLLECTING RESERVOIRS	-	1.50%	-
1075	LAKE, RIVER, OTHER INTA	-	1.50%	-
1080	WELLS & SPRINGS	1,513,241	3.85%	58,260
1085	INFILTRATION GALLER	-	1.50%	-
1090	SUPPL MAINS	346,988	1.91%	6,627
1095	POWER GENERATION EQUIP	-	1.50%	-
1100	ELECTRIC PUMP EQUIP SRC	302,499	4.53%	13,703
1105	ELECTRIC PUMP EQUIP WTP	1,361,123	5.00%	68,056
1110	ELECTRIC PUMP EQUIP TRA	565,868	4.76%	26,935
1115	WATER TREATMENT EQUIP PT	776,460	6.77%	52,566
1120	DIST RESV & STANDPIPES	4,003,368	4.40%	176,148
1125	TRANS & DISTR MAINS	6,473,528	1.85%	119,760
1130	SERVICE LINES	2,258,844	7.00%	158,119
1135	METERS	250,306	6.07%	15,194
1140	METER INSTALLATIONS	202,430	5.13%	10,385
1145	HYDRANTS	92,469	2.47%	2,284
1150	BACKFLOW PREVENTION DEV	14,320	5.06%	725
1155	OTH PLT&MISC EQUIP INTA	678	4.56%	31
1160	OTH PLT&MISC EQUIP SRC	2,211	2.67%	59
1165	OTH PLT&MISC EQUIP WTP	1,073	3.28%	35
1170	OTH PLT&MISC EQUIP TRAN	-	4.19%	-
1175	OFFICE STRUCT & IMPRV	223,471	2.24%	5,006
1180	OFFICE FURN & EQUIP PT	164,341	13.03%	21,414
1185	STORES EQUIPMENT	-	1.50%	-
1190	TOOL SHOP & MISC EQUIP PT	261,313	10.11%	26,419
1195	LABORATORY EQUIPMENT	52,855	10.72%	5,666
1200	POWER OPERATED EQUIP	2,053	8.93%	183
1205	COMMUNICATION EQUIP PT	71,225	23.35%	16,631
1210	MISC EQUIPMENT	14,201	6.14%	872
1220	OTHER TANGIBLE PLT WATE	18,922	7.56%	1,431
1555	TRANSPORTATION EQUIP PT WTR	127,913	2.90%	3,709
1560	TRANSPORTATION EQUIP PT SWR	-	2.90%	-
1575	DESKTOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	-	20.00%	-
1585	MINI COMPUTERS WTR	81,609	33.33%	27,200
1590	COMPUTER SOFTWARE COST WTR	225,511	12.50%	28,189
1595	MICRO SOFTWARE COST WTR	-	33.33%	-
2620	UTIL PLANT ACQUIRED DISPOSED	-	0.00%	-
Total PIS Water		23,391,727		942,908
		Purdy Shores & Foxwood Retirement (Ends 2024)		46,668
		ORS Total Water Territory 2 Depreciation		989,576
		Less Per Books		408,578
		ORS Adj. #24 for Water Territory 2		580,998

Blue Granite Water Company
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Account No.	Item	Sewer	Depreciation Rate	Depreciation Expense
1245	ORGANIZATION	32,423	1.50%	486
1250	FRANCHISES INTANG PLT	-	1.50%	-
1255	FRANCHISES RECLAIM WTR	-	1.50%	-
1265	LAND & LAND RIGHTS COLL	664	0.00%	-
1285	LAND & LAND RIGHTS GEN	80,785	0.00%	-
1290	STRUCT IMPRV COLL PLT	31,886	3.68%	1,173
1295	STRUCT IMPRV PUMP PLT L	3,581,162	2.85%	102,063
1300	STRUCT IMPRV TREAT PLT	3,355,950	2.34%	78,529
1305	STRUCT IMPRV RECLAIM WT	11,832	2.24%	265
1310	STRUCT IMPRV RECLAIM WT	24,333	3.41%	830
1315	STRUCT IMPRV GEN PLT	1,764,223	2.15%	37,931
1320	POWER GEN E UIP COLL PL	7,473	4.17%	312
1325	POWER GEN E UIP PUMP PL	47,763	4.08%	1,949
1330	POWER GEN E UIP TREAT P	32,459	4.17%	1,354
1335	POWER GEN E UIP RECLAIM	-	1.50%	-
1340	POWER GEN E UIP RCL WTR	-	1.50%	-
1345	SEWER FORCE MAIN	4,044,864	1.98%	80,088
1350	SEWER GRAVIT MAIN	16,586,096	1.78%	295,233
1353	MANHOLES	187,845	3.37%	6,330
1355	SPECIAL COLL STRUCTURES	53,757	2.16%	1,161
1360	SERVICES TO CUSTOMERS	2,285,513	3.86%	88,221
1365	FLOW MEASURE DEVICES	39,201	5.50%	2,156
1370	FLOW MEASURE INSTALL	1,544	5.14%	79
1375	RECEIVING WELLS	602	2.99%	18
1380	PUMPING E UIPMENT PUMP	4,030,384	4.77%	192,249
1385	PUMPING E UIPMENT RECLA	4,741,179	5.79%	274,514
1390	PUMPING E UIPMENT RCL W	68,372	5.49%	3,754
1395	TREAT DISP E UIP LAGOON	1,545,215	3.63%	56,091
1400	TREAT DISP E UIP TRT PL	8,728,984	4.73%	412,881
1405	TREAT DISP E UIP RCL WT	1,541	3.31%	51
1410	PLANT SEWERS TRTMT PLT	302,038	5.50%	16,612
1415	PLANT SEWERS RECLAIM WT	3,877	5.88%	228
1420	OUTFALL LINES	295,515	2.17%	6,413
1425	OTHER PLT TANGIBLE	2,424	7.76%	188
1430	OTHER PLT COLLECTION	10,833	6.01%	651
1435	OTHER PLT PUMP	42,136	7.58%	3,194
1440	OTHER PLT TREATMENT	20,988	7.63%	1,601
1445	OTHER PLT RECLAIM WTR T	1,720	7.79%	134
1450	OTHER PLT RECLAIM WTR D	-	1.50%	-
1455	OFFICE STRUCT & IMPRV	74,830	2.25%	1,684
1460	OFFICE FURN & E PT	9,050	6.62%	599
1465	STORES E UIPMENT	723	6.22%	45
1470	TOOL SHOP & MISC E PT	198,028	5.69%	11,268
1475	LABORATOR E PT	45,007	6.18%	2,781
1480	POWER OPERATED E UIP	70,608	5.42%	3,827
1485	COMMUNICATION E PT	4,199	15.24%	640
1490	MISC E UIP SEWER	534,713	6.74%	36,040
1495	SEWER PLANT ALLOCATED	(778)	0.00%	-
1500	OTHER TANGIBLE PLT SEWE	-	7.56%	-
1530	REUSE MTR INSTALLATIONS	511	5.13%	26
1535	REUSE DIST RESERVOIRS	5,086	4.40%	224
1540	REUSE TRANSMISSION & DIST	76,390	1.85%	1,413
1555	TRANSPORTATION E PT WTR	251,800	2.90%	7,302
1560	TRANSPORTATION E PT SWR	-	2.90%	-
1575	DES TOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	102	20.00%	20
1585	MINI COMPUTERS WTR	160,609	33.33%	53,531
1590	COMP S S COST WTR	444,321	12.50%	55,540
1595	MICRO S S COST WTR	47	33.33%	16
2620	UTIL PLANT AC UIRED DISPOSED	147,670	0.00%	-
Total PIS Sewer		53,988,497		1,841,696
Prior Rate Case Adjustment for Engineering Over 10 Years (Ends 2026)				2,826
ORS Total Sewer Depreciation				1,844,522
Less Per Books				915,557
ORS Adj. #24 for Sewer				928,965

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 1	Amortization Rate Rate	Amortization Expense
3255	CIAC-ORGANIZATION	-	1.50%	-
3260	CIAC-FRANCHISES	-	1.50%	-
3265	CIAC-STRUCT & IMPRV SRC	-	2.76%	-
3270	CIAC-STRUCT & IMPRV WTP	-	2.61%	-
3275	CIAC-STRUCT & IMPRV TRA	-	2.19%	-
3280	CIAC-STRUCT & IMPRV GEN	-	2.26%	-
3285	CIAC-COLLECTING RESERVO	-	1.50%	-
3290	CIAC-LAKE, RIVER, OTHER	-	1.50%	-
3295	CIAC-WELLS & SPRINGS	-	3.85%	-
3300	CIAC-INFILTRATION GALLE	-	1.50%	-
3305	CIAC-SUPPL MAINS	(384,108)	1.91%	(7,336)
3310	CIAC-POWER GENERATION E	-	1.50%	-
3315	CIAC-ELEC PUMP E P SRC	-	4.53%	-
3320	CIAC-ELEC PUMP E P WTP	-	5.00%	-
3325	CIAC-ELEC PUMP E P TRAN	-	4.76%	-
3330	CIAC-WATER TREATMENT E	-	6.77%	-
3335	CIAC-DIST RESV & STANDP	(5,378)	4.40%	(237)
3340	CIAC-TRANS & DISTR MAIN	(542,174)	1.85%	(10,030)
3345	CIAC-SERVICE LINES	(303,758)	7.00%	(21,263)
3350	CIAC-METERS	(21,094)	6.07%	(1,280)
3355	CIAC-METER INSTALLS	-	5.13%	-
3360	CIAC-HYDRANTS	(18,809)	2.47%	(465)
3365	CIAC-BACKFLOW PREVENT D	-	5.06%	-
3370	CIAC-OTH PLT&MISC E P I	-	4.56%	-
3375	CIAC-OTH PLT&MISC E P S	-	2.67%	-
3380	CIAC-OTH PLT&MISC E P W	-	3.28%	-
3385	CIAC-OTH PLT&MISC E P D	-	4.19%	-
3390	CIAC-OFFICE STRUCTURE	-	2.24%	-
3395	CIAC-OFFICE FURN E PT	-	13.03%	-
3400	CIAC-STORES E UPIPMENT	-	1.50%	-
3405	CIAC-TOOL SHOP & MISC E	-	10.11%	-
3410	CIAC-LABORATORY E UPIPM	-	10.72%	-
3415	CIAC-POWER OPERATED E U	-	8.93%	-
3420	CIAC-COMMUNICATION E PT	-	23.35%	-
3425	CIAC-MISC E UPIPMENT	-	6.14%	-
3430	CIAC-OTHER TANGIBLE PLT	(4,413,782)	7.56%	(333,682)
3435	CIAC-WATER-TAP	(4,846,251)	5.13%	(248,613)
3440	CIAC-WTR MGMT FEE	(450)	5.13%	(23)
3442	CIAC-WTR LINE E T FEE	-	1.50%	-
3445	CIAC-WTR RES CAP FEE	-	1.50%	-
3450	CIAC-WTR PLT MOD FEE	(553,994)	2.26%	(12,520)
3455	CIAC-WTR PLT MTR FEE	(75,140)	6.07%	(4,561)
TOTAL CIAC Water		(11,164,938)		(640,010)
			Less: Per Books Amortization of CIAC	(164,957)
			ORS Adjustment #25 for Water Territory 1	(475,053)

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Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 2	Amortization Rate Rate	Amortization Expense
3255	CIAC-ORGANIZATION	-	1.50%	-
3260	CIAC-FRANCHISES	-	1.50%	-
3265	CIAC-STRUCT & IMPRV SRC	-	2.76%	-
3270	CIAC-STRUCT & IMPRV WTP	-	2.61%	-
3275	CIAC-STRUCT & IMPRV TRA	-	2.19%	-
3280	CIAC-STRUCT & IMPRV GEN	-	2.26%	-
3285	CIAC-COLLECTING RESERVO	-	1.50%	-
3290	CIAC-LAKE, RIVER, OTHER	-	1.50%	-
3295	CIAC-WELLS & SPRINGS	-	3.85%	-
3300	CIAC-INFILTRATION GALLE	-	1.50%	-
3305	CIAC-SUPPL MAINS	-	1.91%	-
3310	CIAC-POWER GENERATION E	-	1.50%	-
3315	CIAC-ELEC PUMPE P SRC	-	4.53%	-
3320	CIAC-ELEC PUMPE P WTP	-	5.00%	-
3325	CIAC-ELEC PUMPE P TRAN	-	4.76%	-
3330	CIAC-WATER TREATMENT E	-	6.77%	-
3335	CIAC-DIST RESV & STANDP	-	4.40%	-
3340	CIAC-TRANS & DISTR MAIN	-	1.85%	-
3345	CIAC-SERVICE LINES	-	7.00%	-
3350	CIAC-METERS	-	6.07%	-
3355	CIAC-METER INSTALLS	-	5.13%	-
3360	CIAC-HYDRANTS	-	2.47%	-
3365	CIAC-BACKFLOW PREVENT D	-	5.06%	-
3370	CIAC-OTH PLT&MISC E P I	-	4.56%	-
3375	CIAC-OTH PLT&MISC E P S	-	2.67%	-
3380	CIAC-OTH PLT&MISC E P W	-	3.28%	-
3385	CIAC-OTH PLT&MISC E P D	-	4.19%	-
3390	CIAC-OFFICE STRUCTURE	-	2.24%	-
3395	CIAC-OFFICE FURN E PT	-	13.03%	-
3400	CIAC-STORES E UIPMENT	-	1.50%	-
3405	CIAC-TOOL SHOP & MISC E	-	10.11%	-
3410	CIAC-LABORATORY E UIPME	-	10.72%	-
3415	CIAC-POWER OPERATED E U	-	8.93%	-
3420	CIAC-COMMUNICATION E PT	-	23.35%	-
3425	CIAC-MISC E UIPMENT	-	6.14%	-
3430	CIAC-OTHER TANGIBLE PLT	(301,970)	7.56%	(22,829)
3435	CIAC-WATER-TAP	(185,496)	5.13%	(9,516)
3440	CIAC-WTR MGMT FEE	-	5.13%	-
3442	CIAC-WTR LINE E T FEE	-	1.50%	-
3445	CIAC-WTR RES CAP FEE	-	1.50%	-
3450	CIAC-WTR PLT MOD FEE	(1,200)	2.26%	(27)
3455	CIAC-WTR PLT MTR FEE	(4,037)	6.07%	(245)
TOTAL CIAC Water		(492,703)		(32,617)
		Less: Per Books Amortization of CIAC		(7,201)
		ORS Adjustment #25 for Water Territory 2		(25,416)

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Sewer	Amortization Rate Rate	Amortization Expense
3480	CIAC-ORGANIZATION	-	1.50%	-
3485	CIAC-FRANCHISES INTANG	-	1.50%	-
3490	CIAC-FRANCHISES RCLM WT	-	1.50%	-
3495	CIAC-STRUCT IMPRV COLL	-	3.68%	-
3500	CIAC-STRUCT IMPRV PUMP	(183,120)	2.85%	(5,219)
3505	CIAC-STRUCT IMPRV TREAT	-	2.34%	-
3510	CIAC-STRUCT IMPRV RCLM	-	2.24%	-
3515	CIAC-STRUCT IMPRV RCLM	-	3.41%	-
3520	CIAC-STRUCT IMPRV GEN P	(9,448,856)	2.15%	(203,150)
3525	CIAC-POWER GEN E UIP CO	-	4.17%	-
3530	CIAC-POWER GEN E UIP PU	(47,763)	4.08%	(1,949)
3535	CIAC-POWER GEN E UIP TR	-	4.17%	-
3540	CIAC-POWER GEN E UIP RC	-	1.50%	-
3545	CIAC-POWER GEN E UIP RC	-	1.50%	-
3550	CIAC-SEWER FORCE MAIN	(21,003)	1.98%	(416)
3555	CIAC-SEWER GRAVIT MAIN	(1,064,507)	1.78%	(18,948)
3557	CIAC-MANHOLES	(28,600)	3.37%	(964)
3560	CIAC-SPECIAL COLL STRUC	-	2.16%	-
3565	CIAC-SERVICES TO CUSTOM	(62,000)	3.86%	(2,393)
3570	CIAC-FLOW MEASURE DEVIC	-	5.50%	-
3575	CIAC-FLOW MEASURE INSTA	-	5.14%	-
3580	CIAC-RECEIVING WELLS	-	2.99%	-
3585	CIAC-PUMP E P PUMP PLT	-	4.77%	-
3590	CIAC-PUMP E P RCLM WTP	-	5.79%	-
3595	CIAC-PUMP E P RCLM DIST	-	5.49%	-
3600	CIAC-TREAT DISP E UIP L	-	3.63%	-
3605	CIAC-TREAT DISP E UIP T	-	4.73%	-
3610	CIAC-TREAT DISP E UIP R	-	3.31%	-
3615	CIAC-PLANT SEWERS TRTMT	-	5.50%	-
3620	CIAC-PLANT SEWERS RCLM	-	5.88%	-
3625	CIAC-OUTFALL LINES	-	2.17%	-
3630	CIAC-OTHER PLT TANGIBLE	-	7.76%	-
3635	CIAC-OTHER PLT COLLECTI	-	6.01%	-
3640	CIAC-OTHER PLT PUMP	-	7.58%	-
3645	CIAC-OTHER PLT TREATMEN	-	7.63%	-
3650	CIAC-OTHER PLT RCLM WTR	-	7.79%	-
3655	CIAC-OTHER PLT RCLM WTR	-	1.50%	-
3660	CIAC-OFFICE STRUCTURE	-	2.25%	-
3665	CIAC-OFFICE FURN E PT	-	6.62%	-
3670	CIAC-STORES E UIPMENT	-	6.22%	-
3675	CIAC-TOOL SHOP & MISC E	-	5.69%	-
3680	CIAC-LABORATOR E PT	-	6.18%	-
3685	CIAC-POWER OPERATED E U	-	5.42%	-
3690	CIAC-COMMUNICATION E PT	-	15.24%	-
3695	CIAC-MISC E UIP SEWER	-	6.74%	-
3700	CIAC-OTHER TANGIBLE PLT	(800)	7.56%	(60)
3705	CIAC-SEWER-TAP	(2,762,524)	3.86%	(106,633)
3710	CIAC-SWR MGMT FEE	(1,400)	3.86%	(54)
3712	CIAC-SWR LINE E T FEE	-	1.50%	-
3715	CIAC-SWR RES CAP FEE	-	1.50%	-
3720	CIAC-SWR PLT MOD FEE	(548,444)	2.15%	(11,792)
3725	CIAC-SWR PLT MTR FEE	(780)	3.86%	(30)
Total CIAC Sewer		(14,169,797)		(351,609)
Less: Per Books Amortization of CIAC				(234,352)
ORS Adjustment #25 for Sewer				(117,257)

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Blue Granite Water Company
Cash Working Capital Allowance
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

After Accounting & Pro Forma Adjustments - Standard Adjustment

	\$	\$	\$	\$
Description	Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	Sewer Operations
Maintenance Expenses	15,217,627	5,457,078	2,281,976	7,478,573
General Expenses	4,836,877	1,666,332	1,069,548	2,100,997
Total Expenses for Computation	20,054,505	7,123,410	3,351,525	9,579,570
Allowable Rate	12.50%	12.50%	12.50%	12.50%
Computed Cash Working Capital	2,506,813	890,426	418,941	1,197,446
Less: Cash Working Capital - Application Per Books	1,680,231	502,580	338,134	839,517
Cash Working Capital Adjustment #35a.	826,582	387,846	80,807	357,929

After Accounting & Pro Forma Adjustments - Company Mitigation Adjustment - Removing Purchased Water & Sewer

	\$	\$	\$	\$
Description	Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	Sewer Operations
Less: Purchased Water and Sewer	(8,691,704)	(3,735,541)	(900,536)	(4,055,627)
Allowable Rate	12.50%	12.50%	12.50%	12.50%
Cash Working Capital Adjustment #35b.	(1,086,463)	(466,943)	(112,567)	(506,953)

BGW Order Exhibit No. 2, Schedule 9

Blue Granite Water Company
Return on Equity
Docket No. 2019-290-WS
Capital Structure at June 30, 2019

Combined Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			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	\$ 251,780,649	47.09%	\$ 30,211,785	5.73%	2.70%	\$ 1,731,135	\$ 35,599,791	5.73%	2.70%	\$ 2,039,868	\$ 35,599,791	5.73%	2.70%	\$ 2,039,868
Common Equity	282,859,007	52.91%	33,945,753	-4.40%	-2.33%	(1,492,639)	39,999,680	-9.10%	-4.81%	(3,639,761)	39,999,680	10.25%	5.42%	4,101,347
Totals	\$ 534,639,656	100.00%	\$ 64,157,538		0.37%	\$ 238,496	\$ 75,599,471		-2.11%	\$ (1,599,893)	\$ 75,599,471		8.12%	\$ 6,141,215

Water Terr. 1 Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			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	\$ 251,780,649	47.09%	\$ 4,872,256	5.73%	2.70%	\$ 279,180	\$ 6,212,023	5.73%	2.70%	\$ 355,949	\$ 6,212,023	5.73%	2.70%	\$ 355,949
Common Equity	282,859,007	52.91%	5,474,433	-34.09%	-18.04%	(1,866,046)	6,979,786	-26.66%	-14.11%	(1,860,940)	6,979,786	10.25%	5.42%	715,686
Totals	\$ 534,639,656	100.00%	\$ 10,346,689		-15.34%	\$ (1,586,866)	\$ 13,191,809		-11.41%	\$ (1,504,991)	\$ 13,191,809		8.12%	\$ 1,071,635

Water Terr. 2 Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			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	\$ 251,780,649	47.09%	\$ 8,218,417	5.73%	2.70%	\$ 470,915	\$ 8,813,999	5.73%	2.70%	\$ 505,042	\$ 8,813,999	5.73%	2.70%	\$ 505,042
Common Equity	282,859,007	52.91%	9,234,156	3.25%	1.72%	299,815	9,903,349	-1.27%	-0.67%	(126,222)	9,903,349	10.25%	5.42%	1,015,358
Totals	\$ 534,639,656	100.00%	\$ 17,452,573		4.42%	\$ 770,730	\$ 18,717,347		2.03%	\$ 378,820	\$ 18,717,347		8.12%	\$ 1,520,400

Sewer Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			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	\$ 251,780,649	47.09%	\$ 17,121,112	5.73%	2.70%	\$ 981,040	\$ 20,573,769	5.73%	2.70%	\$ 1,178,877	\$ 20,573,769	5.73%	2.70%	\$ 1,178,877
Common Equity	282,859,007	52.91%	19,237,164	0.38%	0.20%	73,592	23,116,545	-7.15%	-3.78%	(1,652,599)	23,116,545	10.25%	5.42%	2,370,303
Totals	\$ 534,639,656	100.00%	\$ 36,358,276		2.90%	\$ 1,054,632	\$ 43,690,314		-1.08%	\$ (473,722)	\$ 43,690,314		8.12%	\$ 3,549,180

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

NOTICE TO CUSTOMERS**DOCKET NO. 2019-290-WS****Application of Blue Granite Water Company for Approval of an
Adjustment in Rate Schedules and an Increase in Rates**

On October 2, 2019, Blue Granite Water Company ("Blue Granite" or the "Company") filed with the Public Service Commission of South Carolina ("Commission") an application requesting authority to adjust its rate schedules and to increase its rates ("Application"). On April 9, 2020, the Commission issued Order No. 2019-_____, which authorizes increases in the Company's rates. The newly authorized rates are reflected in the below tables.

As part of the Commission's order, it also authorized a one-time credit to customers resulting from the federal Tax Cuts and Jobs Act in the amount of \$10.59, the implementation of annual rate adjustment procedures for Purchased Water Charges and Purchased Wastewater Treatment Charges, the establishment a storm reserve fund, and the implementation an opt-in "Round Up" program to assist customers in need, among other changes that are reflected in Order No. 2019-_____.

WATER**Service Territory 1****Monthly Charges - Water Supply Customers Only**

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

	<u>Previous Rates</u>	<u>Newly Authorized Rates</u>
Base Facilities Charge	\$ 14.38 per unit	\$ 21.91 per unit
Commodity Charge	\$ 5.59 per 1,000 gal. or 134 cft.	\$ 8.53 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter *	\$ 14.38 per unit	\$ 21.91 per unit
3/4" meter	\$ 14.38 per unit	\$ 21.91 per unit
1" meter	\$ 37.43 per unit	\$ 54.78 per unit
1.5" meter	\$ 74.86 per unit	\$ 109.55 per unit
2" meter	\$ 119.78 per unit	\$ 175.28 per unit
3" meter	\$ 224.59 per unit	\$ 328.65 per unit
4" meter	\$ 374.42 per unit	\$ 547.75 per unit
8" meter	\$1,150.51 per unit	\$1,752.80 per unit
Commercial Commodity Charge	\$ 5.59 per 1,000 gal. or 134 cft.	\$ 8.53 per 1,000 gal. or 134 cft.

Monthly Charges – Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

<u>Previous Rates</u>	<u>Newly Authorized Rates</u>

Order Exhibit No. 3

Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$14.38 per unit	\$21.91 per unit
Residential Distribution Charge	\$ 7.55 per 1,000 gal. or 134 cft.	\$ 4.33 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 7.19 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter *	\$ 14.38 per unit	\$ 21.91 per unit
3/4" meter	\$ 14.38 per unit	\$ 21.91 per unit
1" meter	\$ 37.43 per unit	\$ 54.78 per unit
1.5" meter	\$ 74.86 per unit	\$ 109.55 per unit
2" meter	\$ 119.78 per unit	\$ 175.28 per unit
3" meter	\$ 224.59 per unit	\$ 328.65 per unit
4" meter	\$ 374.42 per unit	\$ 547.75 per unit
8" meter	\$1,150.51 per unit	\$1,752.80 per unit
Commercial Distribution Charge	\$ 7.55 per 1,000 gal. or 134 cft.	\$ 4.33 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 7.19 per 1,000 gal. or 134 cft.

Service Territory 2Monthly Charges - Water Supply Customers

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

	<u>Previous Rates</u>	<u>Newly Authorized Rates</u>
Base Facilities Charge	\$ 28.59 per unit	\$ 36.49 per unit
Commodity Charge	\$ 10.27 per 1,000 gal. or 134 cft.	\$ 13.12 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter*	\$ 28.59 per unit	\$ 36.49 per unit
1" meter	\$ 79.59 per unit	\$ 91.23 per unit
1.5" meter	\$ 146.27 per unit	\$182.45 per unit
3" meter	\$ 499.14 per unit	\$547.35 per unit
Commercial Distribution Charge	\$ 10.27 per 1,000 gal. or 134 cft.	\$13.12 per 1,000 gal. or 134 cft.

Monthly Charges – Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

Order Exhibit No. 3

	<u>Previous Rates</u>	<u>Newly Authorized Rates</u>
Base Facilities Charge	\$28.59 per unit	\$36.49 per unit
Distribution Charge	\$11.85 per 1,000 gal. or 134 cft.	\$ 4.35 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 10.79 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge by meter size:

5/8" meter*	\$ 28.59 per unit	\$ 36.49 per unit
1" meter	\$ 79.59 per unit	\$ 91.43 per unit
1.5" meter	\$ 146.27 per unit	\$182.45 per unit
3" meter	\$ 499.14 per unit	\$547.35 per unit
Commercial Distribution Charge	\$ 11.85 per 1,000 gal. or 134 cft.	\$ 4.35 per 1,000 gal. or 134 cft.
Purchased Water Charge	\$ N/A per 1,000 gal. or 134 cft.	\$ 10.79 per 1,000 gal. or 134 cft.

SEWERMonthly Charges – Sewer Collection & Treatment Only

Where sewage collection and treatment are provided through facilities owned and operated by the Utility, the following rates apply:

	<u>Previous Rates</u>	<u>Newly Authorized Rates</u>
Residential	\$65.08 per unit	\$95.21 per unit
Mobile Homes	\$47.50 per unit	\$69.49 per unit
Commercial, per Single Family Equivalent	\$65.08 per SFE	\$95.21 per SFE

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Monthly Charges – Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

	<u>Previous Rates</u>	<u>Newly Authorized Rates</u>
Residential – per single-family house, condominium, or apartment unit	\$65.08 per unit	\$45.81 per unit
Sewer Treatment Charge	\$ N/A per unit	\$49.40 per unit
Commercial	\$65.08 per SFE*	\$45.81 per SFE*
Sewer Treatment Charge	\$ N/A per SFE*	\$49.40 per SFE*
The Village Sewer Collection	\$33.86 per SFE*	\$49.54 per SFE*

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
Docket No. 2019-290-WS

In Re:	)	
	)	
Application of Blue Granite Water	)	Petition for Reconsideration and Clarification
Company for Approval to Adjust Rate	)	of Blue Granite Water Company
Schedules and Increase Rates	)	
	)	

Pursuant to S.C. Code Ann. §§ 1-23-380 and 58-5-330, S.C. Code Ann. Regs. 103-854, and applicable law, Blue Granite Water Company (“Blue Granite” or the “Company”) hereby petitions the Public Service Commission of South Carolina (“Commission”) to reconsider and clarify certain rulings contained in Order No. 2020-306 (“Order”). The Order was served on the Company on April 9, 2020. The specific rulings that are the subject of this petition are set out below.

I. Introduction

There are a number of legal principles that must guide every Commission determination made in a base rate case such as this one. Several of the most important of these principles are: (1) rates set by the Commission must be just and reasonable¹; (2) rates set by the Commission must accurately and truly reflect the actual rate base, net operating income, and cost of capital²; (3) rates set by the Commission must provide the utility with the opportunity to earn a return on equity that is adequate to attract capital at reasonable terms, sufficient to ensure its financial integrity, and

¹ S.C. Code Ann. § 58-5-210.

² *Southern Bell Tel. & Tel. Co. v. Pub. Serv. Comm’n*, 270 S.C. 590, 602-03 (1978).

commensurate with returns on investments in enterprises having corresponding risks³; (4) in setting rates, the Commission must balance investor and the consumer interests⁴; (5) the Commission's determinations must be documented fully in its findings of fact and based exclusively on reliable, probative, and substantial evidence on the whole record⁵; and (6) the utility is entitled to a presumption that its expenses are reasonable and were incurred in good faith.⁶ Commission determinations that violate these principles, that otherwise violate statutory or constitutional provisions, or that are arbitrary and capricious, are subject to reversal on appeal.⁷

The Commission's Order violates the above legal principles in several ways and, if not significantly modified, will produce rates that are unjust, unreasonable, and confiscatory. Substantial rights of the Company are prejudiced by unlawful, arbitrary and capricious rulings by the Commission on certain issues. The specific rulings that are the subject of this petition are set out separately below, in Section II. Accordingly, pursuant to S.C. Code Ann. §§ 1-23-380 and 58-5-330, S.C. Code Ann. Regs. 103-854, and applicable South Carolina and federal law, Blue Granite hereby petitions the Commission to reconsider and modify certain rulings contained in the Order so as to cure the deficiencies identified below.

³ *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-03 (1944) ("*Hope*") and *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679, 692-93 (1923) ("*Bluefield*"). The Commission may not set rates that "depriv[e] investors of the opportunity to earn reasonable returns on the funds devoted to such use as that would constitute a taking of private property without just compensation." *Southern Bell*, 270 S.C. at 605.

⁴ *Southern Bell*, 270 S.C. at 596 (quoting *Hope*, 320 U.S. at 602-03).

⁵ The Commission's ratemaking decisions are entitled to deference, and will be affirmed if supported by substantial evidence. *S.C. Energy Users Comm. v. S.C. Public Service Comm'n*, 388 S.C. 486, 490, 697 S.E.2d 587, 589 (2010). "Substantial evidence is relevant evidence that, considering the record as a whole, a reasonable mind would accept to support an administrative agency's action." *Porter v. S.C. Public Service Comm'n*, 333 S.C. 12, 20, 507 S.E.2d 328, 332 (1998).

⁶ *Hamm v. S.C. Pub. Serv. Comm'n*, 309 S.C. 282, 286, 422 S.E. 110, 112 (1992). However, according to *Utils. Servs. of S.C., Inc. v. S.C. Office of Regulatory Staff*, 392 S.C. 96, 110, 708 S.E.2d 755, 762-63 (2011), "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."

⁷ S.C. Code Ann. § 1-23-380(5).

In addition, there are provisions of the Order that require clarification in order for Blue Granite to properly implement them. These provisions are outlined below, in Section III, and Blue Granite requests that the Commission provide sufficient clarification so that Blue Granite may properly implement them.

II. Grounds for Reconsideration and Modification

A. Return on Equity

1. The Order Commits Error by Finding that Blue Granite Requested that its Rates Be Set Using the Operating Margin Method.

In Ordering paragraph 17 the Order states that "...Blue Granite requested [Operating Margin] treatment in its Application." Order, p. 128. That finding or conclusion is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record. In its Application, Blue Granite clearly requests that its rates be set using "the rate base rate of return methodology." Application at 5 ("Applicant requests rate base treatment in this proceeding."); Direct Testimony of Dante DeStefano at 4, Tr. 763.4 ("The Company proposes that its rates continue to be determined utilizing the rate of return on rate base methodology."). No party opposed the use of the rate base rate of return methodology and there is no evidence in the record supporting a decision by the Commission to set rates based on the operating margin methodology. Blue Granite requests that the Commission reconsider its finding or conclusion that Blue Granite requested the use of the Operating Margin method for setting its rates.

2. The Order Commits Error by Setting Blue Granite's Rates Using a Return on Equity Figure that Is Not Supported by the Record.

The Commission's decision in the Order to set rates using a Return on Equity ("ROE") of 7.46% is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record. The only evidence in the record on the appropriate ROE was provided by the expert testimony of three witnesses: Dylan D'Ascendis, testifying for Blue Granite; David Parcell,

testifying for the S.C. Office of Regulatory Staff (“ORS”); and Aaron Rothschild, testifying for the Consumer Advocate.⁸ With respect to the appropriate cost of equity calculation all three expert witnesses testified that the standard to be used by the Commission in determining the correct ROE for Blue Granite was set by the U.S. Supreme Court in the leading cases of *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1942), and *Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923).

All three expert witnesses provided their expert opinions as to the appropriate ROE to be used by the Commission that would meet the standards of *Hope* and *Bluefield* in setting rates for Blue Granite. No evidence on that issue was presented other than the testimony of the three experts. While the three experts did not agree on the appropriate ROE to be used to set Blue Granite’s rates, none of the experts testified that a 7.46% ROE would meet the requirements of *Hope* and *Bluefield*. More specifically, there was no expert testimony that an ROE of 7.46% would permit Blue Granite to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being earned at the same time and in the same general part of the country on investments in other business undertakings which are attended by similar risks and uncertainties, including non-utility investments. Also, there was no expert testimony that an ROE of 7.46% would be reasonably sufficient to assure confidence in the financial soundness of Blue Granite and would be adequate to maintain and support its credit and enable it to raise the funds necessary for the proper discharge of its public duties. Accordingly, the Commission’s decision to set rates for Blue Granite using an ROE of 7.46% is not supported by substantial evidence and is arbitrary and capricious. The Commission’s decision to set rates for

⁸ York County witness Erik Rekitt also provided brief testimony on return on equity issues, but did not provide any cost of equity analyses and did not recommend a cost of equity for Blue Granite.

Blue Granite using an ROE well below a level supported by the substantial evidence in the record is also an error of law. Setting rates using a 7.46% ROE results in confiscatory rates that fail to meet the constitutional standards described in *Hope* and *Bluefield* and therefore constitutes a taking of Blue Granite's property without due process prohibited by the U.S. Constitution. See *Southern Bell Tel. & Tel. Co., v. Public Service Commission*, 270 S.C. 590, 244 S.E.2d 278 (1978). The Commission should reconsider its decision to set rates using an ROE of 7.46% and issue a revised decision using an ROE supported by substantial evidence.

B. Non-Revenue Water

The Commission's decision to disallow Blue Granite's recovery of non-revenue water levels of greater than 10% is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record; is arbitrary and capricious; is characterized by an abuse of discretion or a clearly unwarranted exercise of discretion; and amounts to an unconstitutional taking. Further, no evidence was proffered that overcame the presumption of the reasonableness of the Company's purchased water expenses, particularly as compared to the investment required to mitigate non-revenue water.

While the Commission excerpted testimony in Section V—the Section titled “Review of Evidence and Evidentiary Conclusions”—at pages 44 through 46 of the Order, its actual findings or conclusions addressing non-revenue water, contained in the section that followed, were limited to the following:

[T]he Commission finds that Blue Granite failed to rebut ORS witness Maurer's testimony that the Company regarding the adjustments [sic] for purchased water deferral account and the ten percent (10%) threshold limitation, and it therefore finds ORS's adjustment just and reasonable to limit the customer's responsibility for non-revenue water expenses to 10% in each subdivision for Blue Granite Service Territories 1 and 2

Order at 83-84 (discussing Adjustment Nos. 8a and 8b). It is unclear exactly what the first finding is intended to communicate, except that the Commission believes the Company failed to rebut ORS's testimony in some regard on this issue (despite the plethora of rebuttal evidence the Company provided on this issue). As for the second finding, the Commission appears to find—based on the substance of witness Maurer's testimony—that (a) limiting recovery from customers to no more than 10% of non-revenue water expenses will (b) limit customers' responsibility to no more than 10% of non-revenue water expenses. The first finding is not supported by the evidence in the record and is clearly erroneous, and the second finding is circular and without a rational basis.

1. Blue Granite Provided Ample Evidence Rebutting Witness Maurer's Testimony.

The Commission's first finding on this issue is that "Blue Granite failed to rebut ORS witness Maurer's testimony that the Company regarding the adjustments for purchased water deferral account and the ten percent (10%) threshold limitation...." It is unclear exactly what the Commission intended to communicate with this statement, and the Company seeks clarification as to which portion of Mr. Maurer's testimony to which the Commission refers. Witness Maurer made the following contentions:

- Limiting recovery to 10% non-revenue water insulates the ratepayer from non-revenue water impacts and incentivizes the Company to monitor and mitigate non-revenue water; and
- A 10% non-revenue water threshold is consistent with American Water Works Association's ("AWWA") benchmark for non-revenue water.

Tr. 1201.5. Company Witness Mendenhall did, in fact, rebut these positions, explaining that leak detection and subsequent capital improvements would cost customers more than non-revenue water at a 10% level for the 12 of its 16 systems experiencing more than 10% water loss. Based on the table provided in Company witness Mendenhall's rebuttal testimony, it would cost \$232,231

to perform leak detection on those systems, which does not include actual remediation, whereas the cost of non-revenue water noted by Mr. Maurer is \$82,998. As explained in the Company's proposed order, the Commission's order would require the Company to make an uneconomic investment, which would actually cost customers more money.

As for witness Maurer's testimony that a 10% non-revenue water threshold is consistent with the AWWA's benchmark for non-revenue water, Company witness Mendenhall explained in his rebuttal testimony that the AWWA no longer supports across-the-board thresholds, and included as an exhibit to his testimony a Committee report supporting that position, which was accepted into evidence as Hearing Exhibit No. 11. As explained in witness Mendenhall's testimony, the AWWA now considers such thresholds to be "arbitrary" and instead recommends benefit-cost analyses such as the one presented by the Company—Tr. 363.4 (quoting AWWA Manual 36 at 15 (4th Ed. 2016))—and none of this rebuttal testimony was challenged by any party in the proceeding.

To address the non-revenue water issue, the Company included a detailed proposal in its proposed order, filed pursuant to S.C. Code Ann. Regs. 103-851. The proposal was subdivision-specific and addressed the tension between insulating customers from non-revenue water expenses and the need for the utility to only make investments that are economic (thereby protecting customers from uneconomic investments). The Company proposed that, for the four subdivisions for which leak testing would be economic for customers, recovery above the Commission's non-revenue water level be disallowed, and the Company begin leak testing and associated repairs and remediation.

Such an approach—detecting and repairing leaks on problematic systems and disallowing recovery of excessive non-revenue water on those systems—strikes a rational and reasonable

balance between incentivizing the utility to invest in its system while not requiring customers to bear investment costs on systems where it is not economical. Instead of this rational, reasonable and balanced approach proposed by the Company, the Commission found that a disallowance based on an across-the-board threshold of 10% would somehow protect customers. It does not. Instead, the Commission's determination forces Blue Granite to either accept the "penalty" of the disallowance or to make an uneconomic investment that will actually drive up costs for its customers. Because the Commission's decision purports to protect customers from the costs of non-revenue water above 10%, while requiring the Company to make an investment that will increase costs above the cost of the water loss, the Commission's decision is clearly erroneous, arbitrary and capricious. To the extent the disallowance is intended as a penalty against the Company, rather than an incentive for the Company to make an investment that demonstrated in the record as uneconomic for customers, the disallowance is characterized by an abuse of discretion and amounts to an unconstitutional taking as it is merely confiscatory. *See Duquesne Light Co. v. Barasch*, 488 U.S. 299, 307-08 (1989).

2. No Evidence Was Presented by Any Party to Overcome the Company's Presumption of Reasonableness.

The S.C. Supreme Court has concluded that a utility is entitled to a presumption that its expenses are reasonable and were incurred in good faith. *Hamm v. S.C. Pub. Serv. Comm'n*, 422 S.E.2d 110, 309 S.C. 282 (1992) (internal citations omitted). Other parties are therefore required to produce evidence that overcomes both this presumption and any evidence the utility has proffered that further substantiates its position. *See Utilities Servs. of S.C., Inc. v. S.C. Office of Regulatory Staff*, 392 S.C. 96, 110, 708 S.E.2d 755, 762-63 (2011).

In this proceeding, no evidence was proffered that overcame the presumption of the reasonableness of the Company's purchased water expenses, particularly as compared to the

investment required to mitigate non-revenue water. While ORS witness Maurer opined that non-revenue water above 10% should be disallowed, “opinion testimony, without an underlying showing of the evidentiary basis on which it relies, is of no probative value.” Order No. 2019-341 at 32, Docket No. 2018-318-E (May 21, 2019) (citing *Parker v. S.C. Pub. Serv. Comm’n*, 281 S.C. 215, 217, 314 S.E.2d 597, 599 (1984)). The only evidence proffered on this issue was that (1) the costs of leak detection and remediation would be greater for a majority of Blue Granite’s systems than the non-revenue water ORS proposes to disallow, and (2) that the AWWA has rejected as arbitrary ORS’s proposed across-the-board disallowance. It is clear that the presumption of reasonableness due to Blue Granite has not been overcome, and that the Commission’s determination has no rational or evidence-supported basis.

3. The Commission’s Determination Contains No Underlying Rationale.

The Commission’s determination regarding the Company’s recovery of non-revenue water expenses is arbitrary and capricious because it has no underlying rationale. The Commission’s finding was that recovery from customers should be limited to no more than 10% of non-revenue water because customers should not pay for non-revenue water above 10%. Such a “rationale” is tautological and circular, and contains no actual reasoning. For that reason, this finding is arbitrary or capricious, and is characterized by an abuse of discretion or a clearly unwarranted exercise of discretion. Without a well-reasoned finding that the costs of leak detection and remediation are justified by the amount of non-revenue water costs, the Commission’s determination is facially arbitrary and capricious and represents an abuse of discretion.

C. Pass-Through Mechanism for Purchased Services

In the Order, the Commission rejected Blue Granite’s proposal for a pass-through mechanism for purchased water and wastewater services expenses provided by third parties. The

Commission gives three reasons for rejecting the proposal. First, the Commission claims the proposed mechanism as designed would recover significant annual expenses with little to no review and without adequate customer protections and participation (Order, at p. 123), along with a citation to Blue Granite's view that public participation in the annual rate adjustment process would be "strictly a mathematical exercise" (Order, at p. 54). Second, the Commission contends the proposed mechanism does not incentivize the Company to reduce non-revenue water losses and wastewater inflow and infiltration (Order, at p. 123), along with a citation to Blue Granite's view that the threshold for non-revenue water loss recovery could not be altered in the annual rate adjustment proceedings (Order, at p. 54). And third, the Commission cited Blue Granite's failure to demonstrate that the pass-through mechanism would improve bill clarity for customers, agreeing with the ORS position that because the pass-through costs would be allocated on a consolidated rate basis, customers would be confused. (Order, at pp. 6, 51, 54, 123). Nowhere in the Order does the Commission explain why Blue Granite should be treated differently from other utilities that have pass-through mechanisms in place for the same or similar expenses. The Commission's decision rejecting the proposed pass-through mechanism is not supported by the record evidence and is arbitrary and capricious. Additionally, in the absence of an approved pass-through mechanism, the Commission's failure to allow the Company to defer its purchased water and wastewater service costs with carrying costs is unreasonable and confiscatory.

None of the Commission's rationales for rejecting the proposed pass-through mechanism are supported by the record or sufficient to support such different treatment and rejection of the Company's proposal. It is indeed Blue Granite's view that annual rate adjustments to the pass-through mechanism should be a mostly mathematical exercise not requiring much in the way of

public participation,⁹ as that is precisely how the Commission has implemented pass-through mechanisms for all other water and wastewater utilities.¹⁰ However, the Company made clear that it was amenable to both Commission and ORS review and public participation in such reviews.¹¹ And, as Mr. DeStefano testified, the Company is incentivized to track water loss and I&I because it gives the Company better data as to where costs are being incurred, where to prioritize capital investments, etc. (Transcript, at p. 965.) While it is Blue Granite's view that non-revenue water thresholds should not be re-litigated in annual pass-through mechanism proceedings,¹² if the Commission reasonably believes that a pass-through mechanism for Blue Granite should be implemented differently than such mechanisms are for other utilities – for example, providing for more issues to be litigated or re-litigated in the reconciliation proceedings – and if it can articulate legitimate reasons why Blue Granite's pass-through mechanism should be implemented differently from all other water and wastewater utilities with pass-through mechanisms,¹³ it has the authority

⁹ Mr. DeStefano's testimony on this issue made clear that "the company's amenable to . . . the public being included in the process and having hearings." Mr. DeStefano also stated that "customers . . . can present whatever evidence is . . . available to them or comments they would like to provide." But, Mr. DeStefano noted that due to the fact that pass-through mechanisms are used to pass through actual costs incurred by the utility from third parties, it should be mostly an auditing and mathematical process, with little room for interpretation: "[a]s long as there's documentation supporting the changes and the calculations tick and tie, the result is the result." Transcript, at pp. 910-11.

¹⁰ See, for example, *In Re Application of Kiawah Island Utility, Inc.*, Docket No. 2001-164-W/S, Order No. 2002-285 (PSCSC; Apr. 18, 2002); *In Re Ocean Lakes Utility, L.P.*, Docket No. 2013-380-S, Order No. 2014-48 (PSCSC; Jan. 14, 2014); *In Re Application of Utilities Services of South Carolina, Inc.*, Docket No. 2005-217-WS, Order No. 2013-32 (PSCSC; Jan. 16, 2013); *In Re Lisa Lochbaum et al v. Utilities Services of South Carolina, Inc.*, Docket Nos. 2009-39-W, 2009-75-W, 2009-101-W, 2009-102-W, Order No. 2010-111 (PSCSC; Sept. 3, 2009); *In Re Application of Kiawah Island Utility, Inc.*, Docket No. 2001-164-W/S, Order No. 2006-54 (PSCSC; Jan. 24, 2006); *In Re Dowd Water Systems, Inc.*, Docket No. 2003-7-W, Order No. 2003-520 (PSCSC; Aug. 29, 2003).

¹¹ See footnote 8, *supra*.

¹² Mr. DeStefano's testimony on this issue made clear that while the Company's proposal that the non-revenue water threshold established in a base rate case should not be re-litigated in annual pass-through mechanism proceedings, the public and the ORS would be entitled to submit comments on this or other issues in such annual proceedings. Transcript, at pp. 915-22. Of course, the Commission has the authority to modify the Company's proposal on this issue, if it can provide a reasonable basis for its decision to treat Blue Granite differently than other utilities with respect to this issue.

¹³ Notably, no other utilities are required to re-litigate water loss thresholds in pass-through proceedings. See water utility pass-through cases cited in footnote 9, *supra*.]

to approve a modified pass-through mechanism for Blue Granite. For example, the Company offered that “the Commission could set a water loss threshold for a particular provider, and any water loss beyond that threshold would count against the Company’s purchased water and wastewater expense and would not be able to be recovered in the deferral or rate reconciliation process.” Tr. at 763.43. Rather than denying Blue Granite the ability to timely recover substantial expenses over which it has little or no control, while at the same time affording other similarly situated utilities the ability to timely recover such expenses, the Commission should fashion a reasonable pass-through mechanism for Blue Granite.

Further, the purported issue of “bill clarity” cited by the Commission is not sufficient to deny the pass-through mechanism. As mentioned above, the basis for this Commission conclusion is the fact that Blue Granite’s rates are designed on a consolidated basis – as approved and preferred by this Commission¹⁴ – while pass-through costs are incurred in a more discrete geographical basis from third party suppliers. Accordingly, the pass-through costs cannot be allocated to customers on a dollar for dollar basis corresponding to each customer’s geographical causation of the third-party supplier costs. Rather, the pass-through costs will be allocated to all customers whose service is supported by third parties, regardless of their precise geographic location within a consolidated service territory. The Commission’s bill clarity rationale relies on a distinction without a meaningful difference. Whether implemented on a consolidated rate basis, or

¹⁴ See Order No. 2015-876 at 22-23, Docket No. 2015-199-WS (Dec. 22, 2015) (“We conclude the rate design proposed by the Settlement Agreement is reasonable as this rate design fairly distributes the revenue requirement of the Company among the classes of customers.”); Direct Testimony of ORS Witness Matthew Schellinger at 13-14, Docket No. 2017-28-S (Apr. 2, 2018) (A consolidated rate design “result[s] in just, reasonable, sufficient, and nondiscriminatory rates” for all customers.); Testimony of Consumer Advocate Witness Morgan, Tr. 656 (“[I]t is apparent to me that since 2015 -- since Docket Number 2015-199-WS, the Commission has pursued a consolidated rate structure policy when setting rates for the company.”); Testimony of Consumer Advocate Witness Morgan, Tr. 692 (“[U]nder a consolidated rate structure, you’re not going to isolate one service area to -- to pass through water rated -- a purchased water increase, because you’re -- it’s one system, one rate.”).

on a more granular geographical basis, the utility's third-party actual purchased water and wastewater service costs will be allocated to and recovered from customers, no more and no less, in accordance with the utility's approved rate structure.¹⁵ Moreover, there is no evidence, only ORS argument, that customers will be confused by a line item on their bills showing their allocated third-party supplier costs, computed on a consolidated rate basis. Nor is there evidence (or even argument) that any imagined customer confusion outweighs the many benefits of a pass-through mechanism such as that proposed by Blue Granite. These benefits include the timely recovery of significant expenses; periodic adjustments to reflect changes in these expenses, both increase and decreases; providing for more gradual increases in rates between rate cases, mitigating "rate shocks" resulting from large base rate increases; providing more accurate price signals to customers; supporting the utility's ability to finance needed investments on reasonable terms; and potentially deferring the need for future base rate cases. (Transcript, at pp. 763.31-32.)

The Commission's decision treats Blue Granite differently from other utilities with pass-through mechanisms, without reasonable justification or explanation as to why Blue Granite should be treated differently. The Commission has approved pass-through mechanisms for purchased water and wastewater service cost for several other utilities. For example, the Commission has approved pass-through mechanisms for Kiawah Island Utility, Ocean Lakes Utility, Utilities Services of South Carolina and Dowd Water Systems.¹⁶ Agency action is arbitrary

¹⁵ Notably, this same purported lack of bill clarity is present in other approved rate adjustment mechanisms that allocate actual incurred costs of providing service to customers. For example, electric utilities pass-through their energy efficiency program costs in a similar manner as that proposed by Blue Granite in this case for its purchased water and wastewater service costs. Yet the Commission has approved energy efficiency pass-through mechanisms, without even mentioning the issue of bill clarity. See Order No. 2010-472, Docket No. 2009-261-E (July 15, 2010); Order No. 2013-826, Docket No. 2013-208-E (Nov. 26, 2013); Order No. 2013-889, Docket No. 2013-298-E (Dec. 20, 2013); Order No. 2015-596, Docket No. 2015-163-E (Aug. 19, 2015).

¹⁶ See orders cited in footnote 10, *supra*.

and capricious if the agency offers insufficient reasons for treating similar situations differently, or if the agency consistently follows a contrary practice in similar circumstances and provides no reasonable explanation for the change in practice. *Deese v. S.C. State Bd. of Dentistry*, 286 S.C. 182, 184, 332 S.E.2d 539, 541 (S.C. Ct. App. 1985)(A decision is deemed arbitrary under this section if it is “without a rational basis, is based alone on one’s will and not upon any course of reasoning and exercise of judgment, is made at pleasure, without adequate determining principles, or is governed by no fixed rules or standards.”); *see also, ANR Pipeline Co. v. FERC*, 315 U.S. App. D.C. 189, 71 F.3d 897, 901 (D.C. Cir. 1995)(“it is textbook administrative law that an agency must provide a reasoned explanation for departing from precedent or treating similar situations differently.”) In this case, the Commission has failed to justify its different treatment of Blue Granite with respect to the proposed pass-through mechanism.

Finally, while the Commission permits the continuation of deferral accounts in order to track and recover, in the next rate case, increases in purchased water and wastewater services expenses, it does not permit the accrual of carrying costs on the deferred amounts. The Commission’s reasoning for this decision is unclear and unsupported; it merely states that “Blue Granite is not authorized to apply carrying costs to these deferral accounts other than as approved and directed herein.” Order at p. 55. By denying approval of the pass-through mechanism and also disallowing carrying costs for deferred cost increases, the Company will be required to shoulder these costs indefinitely without any return to compensate it for the time value of its money. Such a position arbitrarily and unconstitutionally denies the utility complete recovery of its prudently incurred costs necessary to provide service to customers.

Expenses deferred for recovery require upfront cash from the utility, which must be obtained from the utility’s debt and equity investors. Those investors require interest, or a return,

on the cash they have invested in the utility. These financing costs (the return on the deferred costs) are a real cost that the utility incurs, and to disallow recovery of these costs during the deferral period or the amortization period effectively disallows prudently incurred costs. Such a disallowance is confiscatory and, where it is imposed without any reasoning as in the Order, it is arbitrary, without a rational basis, and not supported by the record.

In sum, the Company's proposed pass-through mechanism is a reasonable method of allowing for the timely recovery of significant expenses incurred to provide adequate and reliable service to customers – expenses which are largely outside the Company's control. The Commission has approved similar pass-through mechanisms for other water and wastewater utilities for the same types of expenses. And the Commission has approved similar pass-through mechanisms for electric utilities for third-party expenses. The Commission's Order gives no reason for departing from its past practice and treating Blue Granite differently. Moreover, the procedural reasons cited by the Commission in the Order for rejecting the proposal are insufficient and unpersuasive – and even if they were reasonable, the Commission could have and should have approved a modified version of the proposed pass-through mechanism, in order to give Blue Granite the same opportunity other utilities have to recovery such third party expenses on a timely basis. The Commission's reliance on the bill clarity issue is likewise unpersuasive, in light of Blue Granite's consolidated rate structure and the many other rate design objectives fulfilled by the proposed rate adjustment mechanism. The Commission's decision on this issue is arbitrary and capricious and should be reconsidered and modified by approving a pass-through mechanism for Blue Granite. Should the Commission decline to grant reconsideration of its denial of the proposed pass-through mechanism, the law requires the Commission to grant the accrual and recovery of carrying costs.

D. Deferred Maintenance Expenses

The Commission's treatment of the Company's unamortized balance for deferred maintenance violates the Company's right to recovery of the prudently incurred expenses of providing service to its customers. Pursuant to the principles established in *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), the Company has a constitutional right to a reasonable opportunity to recover its prudently incurred costs of providing service. In this proceeding, the deferred costs for hydrotank inspections were both prudently incurred and used and useful, and there was no evidence in the record to the contrary. Yet, the Commission's decision to refuse to allow the Company to recover any return on substantial portions of its deferrals will prevent the Company from recovering its prudently incurred expenses in a manner that is required by the constitution.

The Commission has not made any finding that the expenses were imprudent, or otherwise not used and useful. Moreover, the evidence conclusively established that such maintenance costs are significant, do not recur on an annual basis, and provide a multi-year benefit, the costs of which the Company is funding upfront. As such, the unamortized balance of the deferred maintenance should be given rate base treatment. By refusing to allow the Company to recover any return on a substantial portion of the deferred balances, the Order offends the constitution as it denies the Company the appropriate return on prudently incurred expenses. The Commission should reconsider its decision to refuse to allow the recovery of a return on the full amount of the deferred balances.

E. Storm Recovery Expense

The Commission's reasoning supporting its decision to normalize storm recovery expenses based on a 10-year level rather than the most recent 5-year period consisted solely of the following:

There is disagreement between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

Order at 86 (discussing Adjustment No. 9d). Without any supporting reasoning, the Commission's determination is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record; is arbitrary and capricious; is characterized by an abuse of discretion or a clearly unwarranted exercise of discretion; and amounts to an unconstitutional taking as it is merely confiscatory. *See Duquesne Light Co. v. Barasch*, 488 U.S. 299, 307-08 (1989); *Daufuskie Island Util. Co. v. S.C. Office of Regulatory Staff*, 427 S.C. 458, 464 (S.C. 2019) ("A decision by the commission is arbitrary 'if it is without a rational basis, is based ... not upon any course of reasoning and exercise of judgment, is made at pleasure, without adequate determining principles, or is governed by no fixed rules or standards.'") (quoting *Deese v. S.C. State Bd. of Dentistry*, 286 S.C. 182, 184-85, 332 S.E.2d 539, 541 (Ct. App. 1985)).

F. Greenville Upfit Costs and Rent Expense

In the Order, the Commission disallowed \$495,206 in upfit costs for the Company's new Greenville headquarters office. The basis for this disallowance, according to the Order, is the Commission's conclusion that the Company's decision to sell its office building in West Columbia, and relocate to Greenville, was unreasonable. More specifically, the Order concludes that the decision to relocate was "due to legacy brand issues which were caused by the Company itself" while the Company had previously committed to rebrand Carolina Water Service as Blue Granite at no cost to customers. (Order, at p. 57.) Further, the Commission found that "[t]he evidence in the record supports the finding by the Commission that the Greenville move and its

resulting rent and upfit costs are directly and casually [sic] related to Blue Granite rebranding itself, and that the Company's customers should not have to pay the costs associated with Blue Granite continuing its rebranding process." *Id.*

The Commission's decision to disallow the Greenville upfit costs is arbitrary and capricious, and it ignores both substantial evidence of record and the presumption that a utility's expenses are made in good faith and are reasonable.¹⁷ The Company represented in Docket No. 2018-365-WS that the name change will have no impact on the Company's service or rates – a representation that remains accurate. The costs associated with the name change (new logo design, new signage, new uniforms, new truck decals, etc.) have been removed from the Company's revenue requirements. The decision to relocate the Company's headquarters office is a separate and distinct matter that has nothing to do with the name change and rebranding. Instead, the only evidence in the record on this issue is that the relocation was driven by the Company's need to attract and retain talented employees. Tr. 355.6.

The evidence demonstrates that the decision to relocate Blue Granite's headquarters office resulted from the fact that its West Columbia office was located in an industrial park, with no restaurants or other amenities nearby; these facts translated to an adverse impact on Blue Granite's ability to attract and retain high quality employees. (Tr. at p. 355.4.) Once a decision to relocate the office was made – for valid management reasons – both upfit and rent expenses were going to be incurred, *wherever* the ultimate location of the relocated headquarters office ended up. (*Id.*) After deciding that relocation was the right decision, for purposes of attracting and retaining high quality employees, Blue Granite then studied various options, and decided upon Greenville, for

¹⁷ The Order erroneously stated that "[t]he adjustments to gross plant in-service are not disputed." Order at 111. The Company has disputed and continues to dispute the disallowance of its headquarters office costs, which is a component of Gross Plant In-Service.

several reasons. (Tr. at p. 355.6-7.) Those reasons included the labor force, projected population growth, and the balance between labor supply and labor affordability in Greenville -- and the concomitant ability to attract and retain employees -- as well as the “legacy brand issues” cited by the Commission in the Order. (*Id.*) This relocation decision was reasonable, as it was made in order to support the attraction and retention of high quality employees. Moreover, the decision where to relocate a company’s headquarters is uniquely a management, not a Commission, decision.¹⁸ Most important for purposes of this case, *there is no evidence whatsoever that the decision to relocate in Greenville as opposed to relocating in Columbia or some other city resulted in unreasonable costs*. In fact, the evidence shows that the Greenville upfit costs actually incurred by Blue Granite were eminently reasonable. (Tr. at p. 355.5.)

The Commission also disallowed \$84,839 in rent expense relating to the Greenville office,¹⁹ concluding that such disallowance was “just and reasonable.” (Order, at p. 58.) The Commission fails to provide a rationale for its conclusion (and fails to fully document its conclusion). This disallowance is also flawed, for several reasons. First, the record shows that the costs associated with the old West Columbia headquarters office (sold in 2018) had been removed from rate base in Blue Granite’s last rate case, and were not included in rate base in this case either. (Transcript, at p. 1151.) Consequently, without this rent expense, there will be no allowance in

¹⁸ As this Commission has previously recognized, the Commission has no authority to manage the utility and make management decisions, and its determination to the contrary in the Order is arbitrary and capricious. See Order No. 2005-42 at 31, Docket No. 2004-212-S (Feb. 2, 2005) (“While this Commission’s decisions are often based on the prudence or imprudence of management decisions, those decisions involve a review of the management decisions, and this Commission has no authority to manage the utility.”); Order No. 2019-323 at 56, Docket No. 2018-319-E (May 21, 2019) (“No party has alleged that the ‘rank and file’ employees are overpaid, and how the Company decided to compensate its employees is a managerial decision, which is the sole responsibility of the Company. How to pay employees is a managerial decision, and as long as the costs and results are reasonable this Commission has no basis to reject the compensation at issue.”).

¹⁹ As discussed *infra*, this dollar amount is incorrect as it reflects an annualized amount of all the Company’s leases, not just the lease for the Greenville office.

rates whatsoever for Blue Granite's headquarters office. Second, there is no evidence whatsoever that this rent expense is unreasonable or imprudent. Lastly, the record reflects that this rent expense was actually incurred, and the utility is entitled to a presumption that its expenses are reasonable and incurred in good faith. The Commission's Order is arbitrary and capricious because it ignores these presumptions, is based on no evidence whatsoever, and fails to even document its conclusion.

In sum, the evidence demonstrates that Blue Granite made a reasonable, management decision to relocate its headquarters, given the industrial park location of its office. This management decision was made for a valid purpose – to improve its ability to attract and retain high quality employees. Once that management decision was made, there were necessarily going to be costs incurred associated with renting new office space and upfitting the new office with furniture, equipment, etc., regardless of the location of the new office. Although the Greenville location was chosen, in part, due to the relative difficulty in attracting employees in the West Columbia area due to “legacy brand issues,” the evidence clearly supports that the decision was made primarily because Greenville offered better near and long-term work force potential. The evidence also demonstrates that the actual upfit costs incurred were quite reasonable. Additionally, the Commission's decision unreasonably conflates the costs of re-branding (new signage, new logos, etc.) with the Company's use of the phrase “legacy brand issues” to describe one aspect of its reasoning for choosing Greenville over West Columbia for its relocated headquarters. Finally, the Commission's decision to disallow both the upfit and the rent expenses, combined with the fact that the old West Columbia headquarters costs were removed from rates in a previous rate case and not included in this case either, results in zero costs being included in rates for the costs of a headquarters office. The Commission should reconsider and modify its decisions to allow recovery through rates of both the Greenville office upfit costs and the Greenville rent expense.

G. Rate Case Expense and Other Legal Expenses

1. The Order Commits Error in the Decision to Disallow Recovery of Legal Expenses from Docket Nos. 2018-358-WS and 2018-361-S.

In the Order, at p. 101, the Commission makes the finding that Blue Granite should not be allowed to recover its legal expenses associated with Docket 2018-358-WS in which Blue Granite sought approval of an Annual Rate Adjustment Mechanism (“ARAM”) and Docket 2018-361-S in which Blue Granite sought changes to Interceptor Tank Charges (“ITC”). The Order denies recovery of those expenses based on a finding that they are duplicative.²⁰ The two dockets in question were pending immediately prior to the filing of the Blue Granite rate case application and the issues pending in the two dockets were addressed in this proceeding. Blue Granite requested withdrawal without prejudice of the two petitions on July 17, 2019 and filed its notice of intent for the current proceeding on August 30, 2019.

In its application and exhibits Blue Granite sought recovery of \$36,864 legal expenses from the two dockets as test year expenses. The ORS accepted the amount of the expenses but proposed that they be reclassified as rate case expenses and amortized over three years. *See Sullivan Direct Testimony*, p. 12. In its rebuttal testimony Blue Granite accepted the ORS proposal to reclassify the ARAM and ITC legal expenses as rate case expenses and requested similar treatment for \$16,131 in additional legal expenses from the two dockets. *See DeStefano Rebuttal Testimony*, pp. 30-31. ORS examined and accepted the additional legal expenses and included those expenses in its ultimate rate case expense adjustment. *See Sullivan Surrebuttal Testimony*, p. 2.²¹ When questioned by the Commission as to these expenses, the ORS affirmed its finding that these costs

²⁰ The Order actually uses the word “duplicitous” to describe the expenses. In this Petition, Blue Granite assumes that “duplicative” was intended.

²¹ The Order did not exclude the \$16,131. To the extent that the failure to exclude that amount was a clerical or scrivener’s error and the Commission clarifies its intent to exclude recovery of those fees, Blue Granite includes such amount in its request for reconsideration.

were prudently incurred and appropriately included as rate case expenses: “ORS determined that they were prudently incurred expenses, and that's why we've included them in our adjustment.” Tr. 1147.

The Commission’s finding that the legal expenses from Dockets 2018-358-WS and 2018-361-S were duplicative is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record. No party opposed recovery of the legal expenses and no party made any suggestion—or proffered any evidence—supporting a conclusion that the expenses were duplicative of any other expenses. ORS was a party to the ARAM and ITC dockets and was in a position to know if the legal expenses from the two dockets were duplicative of any other expenses. Instead of making any such contention, ORS proposed, and the Company accepted, that the ARAM and ITC legal expenses be recovered as rate case expenses instead of test year legal expenses. That modification resulted in the expense being amortized over three years instead of being recovered in base rates, a substantial savings to customers. Instead of accepting the reasonable compromise reached by the parties, the Order makes a finding that the expenses are duplicative. This finding lacks support in the record, is arbitrary and capricious, and constitutes clear error.

The finding in the Order that the ARAM and ITC legal expenses were duplicative is affected by an error of law because the Commission failed to provide Blue Granite any opportunity to respond to the issue of whether those legal expenses were duplicative. In *Utilities Service of South Carolina, Inc. v. South Carolina Office of Regulatory Staff*, 392 S.C. 96, 708 S.E.2d 755 (2011), the South Carolina Supreme Court held that it was error of law for the Commission to fail to give a utility “...a meaningful opportunity to rebut the evidence presented in opposition to its proposed rates.” *Utilities Services, supra*, p.107. In this case Blue Granite had no opportunity whatsoever to address the question of whether its ARAM and ITC legal expenses were duplicative.

Accordingly, the Commission's finding was a clear error of law and the Commission should reconsider its ruling.

2. The Order Commits Error in Failing to Allow Recovery of Deferred Legal Expenses for Proceedings in the Administrative Law Courts.

In its Directive issued on March 25, 2020 ("March 25th Directive") and in Exhibit 1 of the Order, the Commission excluded recovery of deferred legal expenses relating to two proceedings in the Administrative Law Court: the DHEC Permit Denial and the I-20 Interconnection (jointly "ALC Proceedings").²² Legal expenses from the ALC Proceedings had been deferred by Blue Granite pursuant to Commission Order No. 2018-182. DeStefano Direct Testimony, p. 9. In this proceeding Blue Granite proposed the amortization of \$216,773 (DHEC Permit Denial) and \$65,948 (I-20 Interconnection) over five years. ORS agreed with the Blue Granite proposal. Briseno Direct, pp. 6-7. Ex. ARB 1.

In the March 25th Directive the Commission provided this rationale for its decision to exclude any recovery for the ALC Proceeding expenses:

I move that the Commission remove and deny recovery of the Administrative Law Court legal expenses for the DHEC Permit Denial (\$43,355) and I-20 Interconnection (\$13,190) on the grounds that the Company should have sought recovery of legal expenses related to the condemnation proceedings as provided by law to the prevailing party. This amounts to remove from proforma adjustments total \$56,545.

No party to this proceeding presented any evidence to support the Commission's apparent conclusion that Blue Granite could have recovered its expenses from the ALC Proceedings in the condemnation proceedings. No witness offered any such testimony. Blue Granite had no opportunity to rebut or address the contention that "it should have sought recovery of legal

²² At page 85 of the Order the Commission appears to accept ORS's Adjustment 9(c) in which ORS accepted and supported amortization of the expenses from the ALC Proceedings. However, based on the ruling in the March 25th Directive and the figures in Exhibit 1 to the Order Blue Granite assumes that the Commission intended to exclude any recovery of the ALC Proceeding Expenses.

expenses in the condemnation proceedings...”, and the decision therefore violates the Company’s due process rights because the Company was not on notice as to this treatment and has had no opportunity to be heard or introduce evidence related to it. *Kurschner v. City of Camden Planning Comm’n*, 376 S.C. 165, 171 (2008) (“The fundamental requirements of due process include notice, an opportunity to be heard in a meaningful way, and judicial review.”).

The Commission’s decision to disallow any recovery of legal expenses from the ALC proceedings is flawed in the same way as its decision regarding recovery of the ARAM and ITC legal expenses discussed above. The decision on the ALC Proceedings’ expenses is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record. There is no evidence in the record to support it. In addition, the decision fails again to comply with the Supreme Court’s guidance in the *Utilities Services* case that it is error of law to refuse to allow a utility a meaningful opportunity to respond to the evidence presented in opposition to its proposed rates. In addition to these clear errors of law, the Commission apparently failed to review or consider the provisions of the South Carolina Eminent Domain Act, S.C. Code Ann. §§28-2-10 *et seq.* which defines potentially recoverable “litigation expenses” as legal expenses incurred in the condemnation proceeding and which would not allow recovery of legal expenses in related but separate administrative proceedings. Further, inasmuch as the Commission’s decision was “without a rational basis, is based alone on one’s will and not upon any course of reasoning and exercise of judgment, is made at pleasure, without adequate determining principles, or is governed by no fixed rules or standards,” such decision is arbitrary and capricious. *Deese v. S.C. State Bd. of Dentistry*, 286 S.C. 182, 184, 332 S.E.2d 539, 541 (S.C Ct. App. 1985).

The Commission’s treatment of the ALC Proceedings’ legal expenses is without evidentiary support and based on fundamental errors of law. The Commission should reconsider

its decision on this issue and allow recovery as proposed by Blue Granite and supported by the ORS.

H. Purchased Water and Sewer Expense

The Order's treatment of Blue Granite's purchased water and sewer expenses is clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record and will result in rates that are arbitrary, capricious and confiscatory. The pro-forma adjustment to the Test Year of \$3,178,824 per ORS is comprised of two parts — ORS Adjustments 8a and 8b, from witness Sullivan's Revised Surrebuttal, Exhibit DFS-5, page 2 of 14. Adjustment 8a relates to the annual amortization of the accumulated purchased water and sewer deferral balance of \$2,563,596, proposed to be amortized over 3 years, or \$854,532. Adjustment 8b accounts for the annualization of ongoing purchased water and sewer expenses, adjusting the Test Year actuals by \$2,324,292, and incorporating ORS's proposed 10% non-revenue water threshold. The Commission erred by apparently presuming the entire \$3,178,824 pro-forma adjustment reflected the full accumulated deferral balance, and the Commission then retained only 1/5th of that amount in expense by authorizing a 5-year term on the deferral's amortization (as opposed to ORS's and Blue Granite's year proposals). To remedy this error, should it retain a 5-year amortization period and a 10% non-revenue water threshold,²³ the Commission should modify the Order to reflect \$512,719 annually in rates for a 5-year amortization of the deferred balance, while also including \$2,324,292 annually in rates to reflect the ongoing level of purchased water and sewer expenses, for a resulting pro-forma adjustment of \$2,837,011.

²³ Note that Blue Granite maintains, as discussed previously in this petition for reconsideration, that the recovery of the deferral balance should also include carrying costs at Blue Granite's weighted average cost of capital. These numbers do not reflect such carrying costs. The Company additionally maintains, as discussed previously in this petition for reconsideration, that the use of a 10% non-revenue water threshold is erroneous, arbitrary and capricious.

Pursuant to the principles established in *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), the Company has a constitutional right to a reasonable opportunity to recover its prudently incurred costs of providing service. The Order's treatment of Blue Granite's expenses for purchased water and sewer services does not allow a reasonable opportunity to recover its costs of providing service and is therefore violative of Blue Granite's rights secured under the due process provisions of the South Carolina and U.S. Constitutions. Further, the Commission's "amortization" of these ongoing expenses over a 5-year period is not supported by the evidence in the record, is arbitrary and capricious, and was not proposed or supported by any party in this proceeding and therefore violates the Company's due process rights because the Company was not on notice as to this treatment and has had no opportunity to be heard or introduce evidence related to it. *Kurschner v. City of Camden Planning Comm'n*, 376 S.C. 165, 171 (2008) ("The fundamental requirements of due process include notice, an opportunity to be heard in a meaningful way, and judicial review.").

I. Round Up Program and Associated Costs

The Commission's Order determined that it is just and reasonable to approve the Company's proposal to implement the Round Up Program, as modified by the ORS. However, the Commission denied the Company's request to recover the costs associated with the Round Up Program. This unjust result is not in accordance with South Carolina law and should be reconsidered in order that the Round Up Program may be implemented.

The record in this proceeding supported the proposition that the Round Up Program, even as a voluntary program, is part of the Company's service offering. The record included evidence that the assistance to lower income customers should result in lower customer service expenses

due to fewer disconnections/reconnections, as well as lower uncollectible expenses, which will benefit all customers. Further, the Round Up Program has costs associated with its implementation. While the costs may be difficult to quantify, the administrative and communication expenses of implementing the Round Up Program are real and reasonable costs to serve its customers, which should be recoverable from customers. The Company, in its rebuttal testimony, had even adopted a position of encouraging the Commission to follow the Consumer Advocate's reasonable position in placing a cap on the deferral of costs relating to the billing and customer service systems to accommodate the Round Up Program, and scrutinizing the deferred costs in the Company's next base rate case. Instead, the Commission denied all costs outright, finding that the Company or its shareholders should pay for these costs of providing this service to its customers.

The Commission should reconsider its Order on this issue. Without assurance of cost recovery, the Company does not intend to implement the Round Up program.

J. Tax Cuts and Jobs Act Credit

The Company seeks reconsideration of the Commission's order to issue the one-time credit resulting from the Tax Cuts and Jobs Act "within [the Company's] next billing cycle following the date of this Order." Order at 134. Blue Granite instead requests that it be permitted to provide the one-time credit coincidental to the implementation date of the Company's new rates beginning September 1, 2020.

In light of the COVID-19 pandemic, as a courtesy to its customers, the Company offered, and the Commission accepted—at page 133 of the Order—to delay the implementation of new rates until September 1, 2020. Blue Granite's offer encompassed delaying the implementation of *all* components of its rates, including depreciation rates and other revenue requirement

components, the rates billed to customers, and the issuance of the one-time Tax Cuts and Jobs Act credit. In addition to the cash flow issues that such a significant rate implementation delay presents, the Order grants less than 43 percent of Blue Granite's investment in its system and services for customers. It would be financially imprudent for the Company to implement this one component of the rate case in the next billing cycle, while delaying the necessary increase in revenues until September 1, 2020. Finally, the Company notes that the immediate nature of the issuance of the credit is not supported by the record or by any underlying reasoning in the Commission's order ("Blue Granite is to issue these credits to customers as soon as possible and within its next billing cycle following the date of this Order." Order at 64, 135).

K. Calculation Errors

There are several pure calculation errors in the Order, which the Commission should correct in its order on reconsideration. These errors are inconsistent with the evidence of record. If these errors are allowed to stand, the Order will not be supported by evidence, will be arbitrary and capricious, and will result in unreasonable and/or confiscatory rates. The errors are described below.

1. Rent Expense

The pro-forma adjustment to the Test Year of \$84,839 per ORS includes annualization of *all* Company leases, not just inclusion of the Greenville Office lease to the Test Year actuals. The Test Year included several months of the Greenville Office lease, as well as other leases, all of which were annualized in this adjustment. Per ORS witness Sullivan's direct testimony at page 13, the Greenville Office rent expense was included in pro-forma expenses at an annualized amount

of \$73,665. Therefore, to remove only the Greenville Office lease expenses from rates,²⁴ the Commission should remove \$73,665, not the \$84,839, leaving \$11,174 in rates for expenses related to the other Company leases.

2. Rate Case Expense

ORS's position in Adjustment 16a in its proposed order included rate case expenses related to Dockets 2018-358-WS and 2018-361-S. These values were identified as \$36,864 (Sullivan Surrebuttal, Exhibit DFS-5, Adjustment 21c) and \$16,132 (DeStefano Rebuttal Exhibit No. 2, accepted in Sullivan Revised Surrebuttal page 2). However, the Commission only removed the \$36,864 portion of ORS's adjustment in their Exhibit 1.

3. Deferred Charges

The Commission included 4/5ths of the ORS pro-forma adjustment for Purchased Sewer and Water Expense (combined Adjustments 8a and 8b), or \$2,543,059, as rate base in the Deferred Charges line item. If the Commission intended to include the unamortized balance of the purchased sewer and water deferral in rate base, the correct amount from ORS's position is 4/5ths of the \$2,563,596 accumulated balance, aligning with ORS Adjustment 8a.²⁵

III. Requests for Clarification

There are several statements or directives in the Order for which the Company seeks clarification.

²⁴ Blue Granite maintains, as explained previously in this petition for reconsideration, that the Greenville office rent expenses should be included in its revenue requirement, that the ORS' exclusion of 1.5 employees, should be rejected, and that a portion of the Charlotte, NC rent should properly be allocated to Blue Granite.

²⁵ Notwithstanding this correction, Blue Granite maintains its opposition to the Commission's disallowance of non-revenue water amounts of greater than 10%, included within ORS Adjustment 8a.

A. Bill Format

Ordering Paragraph 18 of the Order states that “Blue Granite will provide the Commission an update on information provided in its bill format on or before July 1, 2020.” (Order, at p. 136.) This is the only mention of such a bill format update in the Order, and it is not at all clear to Blue Granite what the Commission is directing in this Ordering Paragraph. Accordingly, Blue Granite requests that the Commission clarify what, if anything, is required with respect to a bill format update.

B. Recovery of Purchased Water and Sewer Treatment Charges

On page 51 of the Order, the Commission states the following:

If the Commission determines the Company should recover its purchased water and sewer treatment charges more quickly than a general rate proceeding, [sic]

The Company requests clarification from the Commission as to under what circumstances and how the Commission envisions it recovering its purchased water and sewer treatment charges more quickly than through general rate proceedings.

C. Customer Complaint Reporting

Blue Granite also seeks clarification that, as part of its ongoing (now quarterly) customer complaint reporting, it should not file customer addresses with the Commission. Providing customer addresses to the Commission, in combination with customer names, would require that the Company make—and the Commission rule on—quarterly requests for confidential treatment. To ease this regulatory burden, the Company proposes to file the quarterly reports without customer addresses, and to instead provide addresses to ORS on an as-needed basis.

D. Capital Improvement Reporting

Blue Granite also seeks clarification as related to reports on capital improvements. The Order directs the Company to “provide the written reports on capital improvements no less than

semiannually as described above to ORS and filed with the Commission.” Order at 136 (emphasis added). However, these written reports were not described in the Order, and therefore clarification is necessary. The Company notes that Order No. 2018-345(A) in Docket No. 2017-292-WS required the Company to file semiannual capital improvement reports. The Company is willing to continue filing these reports (in the instant docket) should the Commission direct same.

IV. Conclusion

The Commission should reconsider Order No. 2020-306 to address and remedy the unlawful rulings described in this petition. In addition, the Commission should clarify certain provisions of its Order No. 2020-306 as requested in this petition. Pursuant to S.C. Code Ann. §58-5-330, Blue Granite requests that the Commission grant this petition, vacate order No. 2020-306 and issue a new order consistent with the arguments and requests for clarification set out in this petition.

Respectfully submitted,

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Columbia, South Carolina
 April 29, 2020

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2019-290-WS

IN RE: Application of Blue Granite Water) **PETITION FOR CLARIFICATION**
 Company for Approval to Adjust) **AND**
 Rate Schedules and Increase Rates) **REHEARING/RECONSIDERATION**

Pursuant to S.C. Code § 58-5-330 and S.C. Code Ann. Regs. 103-825, 103-854, and applicable South Carolina law, the South Carolina Office of Regulatory Staff (“ORS”) hereby respectfully petitions the Public Service Commission of South Carolina (“Commission”) for clarification of certain findings and conclusions in Order No. 2020-306 (“Order”) and rehearing or reconsideration. ORS largely supports the Order and recognizes that this case was challenging; however, ORS recommends that the Commission should consider clarifying its ruling on certain issues. Specifically, ORS respectfully requests the Commission clarify its ruling regarding Adjustment No. 8¹ and reconsider its decision to include the unamortized balance of Adjustment No. 8 in rate base, which thereby allows Blue Granite Water Company (“Blue Granite”) the opportunity to earn its weighted cost of capital on the Purchased Water and Wastewater Treatment Deferral or the Purchased Water and Sewer Expenses Going Forward adjustment. ORS also seeks clarification as to whether certain aspects of the Order dealing with Adjustment No. 8 may have been included by mistake. In addition, ORS seeks clarification of the Commission’s determination regarding Adjustment No. 16a - recovery of post-test year legal expenses as they relate to Docket

¹ Adjustment No. 8 is the Purchased Water and Sewer adjustment.

Nos. 2018-358-WS and 2018-361-WS and Adjustment No. 18 - the appropriate amount to remove corresponding to the Blue Granite's Greenville Office rent. Should the Commission reconsider all of the points discussed below, Blue Granite's revenue requirement will increase.

1. Adjustment No. 8 – Purchased Water and Sewer

ORS respectfully requests limited clarification of the Commission's ruling regarding Adjustment No. 8, adjustment to purchased water and sewer expenses. ORS only seeks reconsideration of Commission Adjustment No. 8 to the extent the Commission determines that, upon clarification, the total sum of expenses that correlate to Adjustment Nos. 8(a) and 8(b) need to be altered or the unamortized portion of Adjustment No. 8 should be removed from the calculation of rate base.

Adjustment No. 8 consisted of two distinct accounting adjustments. Adjustment No. 8a (the "Purchased Water and Wastewater Treatment Deferral") is an adjustment to reduce the deferral account Blue Granite had been authorized to create to record purchased water and wastewater treatment costs resulting from rate increases by third-party water and sewer treatment providers. Tr. p. 763.9, ll. 9-18. The total deferred amount for which Blue Granite sought recovery was \$2,803,968. Tr. p. 763.9, ll. 14-15. ORS and Blue Granite proposed to amortize the total deferred amount over three years. The South Carolina Department of Consumer Affairs proposed an amortization period of five years. Among other changes that ORS proposed to the Purchased Water and Wastewater Treatment Deferral, ORS proposed limiting recovery of non-revenue water to 10%. Tr. p. 1128.3, ll. 5-22. Cumulatively, the changes proposed by ORS resulted in recovery of the Purchased Water and Wastewater Treatment Deferral that totaled \$2,563,596. *Id.* ORS's proposed Adjustment No. 8a was \$854,532, which was \$2,563,596 amortized over three years. Tr. p. 1128.3, ll. 5-6. Regarding Adjustment No. 8a, the Commission "[found] ORS's adjustment just

and reasonable to limit the customer's responsibility for non-revenue water expenses to 10% in each subdivision for Blue Granite Service Territories 1 and 2....” Order, p. 83.

Adjustment No. 8b (referred to as “Purchased Water and Sewer Expenses Going Forward”), in the amount of \$2,324,292 was made, in part, to adjust test year expenses for purchased water and sewer expenses to allow the Company recovery of the expenses going forward at approximately the current levels experienced by the Company, with recovery of non-revenue water limited to 10%. Tr. p. 1128.4, ll. 1-20, Tr. p. 1129.2, l. 17. According to the Order, the Commission found ORS's Adjustment 8b to be “just and reasonable to limit the customer's responsibility for non-revenue water expenses to 10% in each subdivision and to adopt the adjustment of \$271,930 to reduce purchased water expenses for all Blue Granite's service territories.” Order, p. 84. ORS respectfully asserts the correct amount of non-revenue water is \$251,311, as updated in witness Briseno's Revised Surrebuttal testimony. Tr. p. 1129.2, ll. 15-17. ORS's proposed adjustment of \$2,324,292 constituted a reduction of the Company's proposed adjustment of \$2,640,647. Tr. p. 1128.4, ll. 1-3. The \$2,324,292 was not an amortized amount and reflected the \$251,311 reduction for the non-revenue water limit of 10%. Tr. p. 1129.2, ll. 15-17.

ORS's proposed Adjustment No. 8 appeared as an adjustment of \$3,178,824 to Purchased Sewer and Water – Pass Through Maintenance Expense in exhibit 1 to ORS's proposed order and consisted of Adjustment No. 8a, which equals \$854,532, plus Adjustment No. 8b, which equals \$2,324,292.

The sum of Commission Adjustment No. 8 is also comprised of Adjustment Nos. 8a and 8b. The Commission ordered that Adjustment No. 8, in its entirety, be amortized over five years with one year's expense in the amount of \$635,765 placed in expenses and the unamortized remainder, in the amount of \$2,543,059, placed in a Regulatory Asset. Order No. 2020-306, p. 83.

The Order erroneously characterizes *all* of Adjustment No. 8 as corresponding wholly to purchased water and sewer deferrals; however, only Adjustment No. 8a is limited to the purchased water and sewer deferral. Adjustment No. 8b does not correspond to the deferral and reflects the accounting treatment necessary to establish the purchased water and sewer expenses *going-forward* to current expense levels experienced by the Company.

ORS respectfully requests clarification regarding the accounting treatment authorized by the Commission, which amortized the sum of the Purchased Water and Wastewater Treatment Deferral, as adjusted by ORS, and ORS's proposed Purchased Water and Sewer Expenses Going Forward adjustment over five years. The sum of the Purchased Water and Wastewater Treatment Deferral, as adjusted by ORS, and ORS's proposed Purchased Water and Sewer Expenses Going Forward adjustment equals \$4,887,888. As a result, if the Commission intended to amortize to the total of the Purchased Water and Wastewater Treatment Deferral, as adjusted by ORS, and ORS's proposed Purchased Water and Sewer Expenses Going Forward adjustment over five years, the adjustment should be \$977,578,² and the adjustment calculated by the Commission should be reconsidered. However, calculating the adjustment in this manner effectively limits the recovery through Blue Granite's rates to only a portion of its current annual purchased water and sewer expenses (even after a reduction to limit recovery of non-revenue water to 10%). Additionally, the accounting treatment authorized by the Commission's Order would contribute to an ever-growing deferral balance even if rates charged by third-party water and sewer treatment providers remain unchanged.

²The sum of the Purchased Water and Wastewater Treatment Deferral, as adjusted by ORS, \$2,563,596, and ORS's proposed Purchased Water and Sewer Expenses Going adjustment, \$2,324,292, amortized over five years, equals \$977,578.

Moreover, ORS recommends the Commission should remove the remaining unamortized balance of Adjustment No. 8, which equals four-fifths of \$4,887,888 or \$3,910,310, from rate base.³ ORS respectfully requests the Commission clarify and reconsider its accounting treatment to include in Blue Granite's rate base calculation the \$2,543,059 described by the Commission as the unamortized balance of purchased water and sewer treatment expenses.⁴ ORS respectfully asserts that no part of the Purchased Water and Wastewater Treatment Deferral or the Purchased Water and Sewer Expenses Going Forward adjustment should be included in the calculation of Blue Granite's rate base. No party provided evidence to support awarding Blue Granite the ability to earn a return of weighted average cost of capital on these operating expenses. Witness DeStefano testified that,

should the Commission not approve an annual pass-through mechanism as part of this proceeding, the Company should be authorized to accrue carrying costs on its purchased water/sewer treatment deferrals *going forward* until time of recovery at the Company's *authorized cost of debt*. (DeStefano Rebuttal, p. 21, ll. 6-9). (emphasis added)

The Company, thus, only requested carrying costs at its authorized cost of debt on any *new* deferrals for purchased water/sewer treatment expenses going forward, not on any part of the existing Purchased Water and Wastewater Treatment Deferral or the Purchased Water and Sewer Expenses Going Forward adjustment. ORS opposed the approval of carrying costs requested by DeStefano. Accordingly, the record contains no basis on which the Commission may rely in awarding the Company the opportunity to earn its weighted average cost of capital on the

³ Exhibit 1 to Order No. 2020-306 indicates that the Commission included in Blue Granite's rate base the unamortized balance of adjustment 8, thereby giving Blue Granite the opportunity to earn its weighted average cost of capital on the unamortized balance.

⁴ The Commission included in rate base its ordered unamortized amount of \$2,543,059. This is reflected on exhibit 1 to the Order, as the Commission's Deferred Charges adjustment to Original Cost Rate Base is \$7,362,033, which is \$2,543,059 more than the \$4,818,974 ORS had listed in its proposed order exhibit 1. This means Blue Granite will have the opportunity to earn its weighted average cost of capital on the ordered unamortized amount of \$2,543,059. It is unclear from the Order whether this \$2,543,059 constitutes part of the Purchased Water and Wastewater Treatment Deferral or the Purchased Water and Sewer Expenses Going Forward adjustment or both.

unamortized balance of its purchased water and sewer deferral expenses or the Purchased Water and Sewer Expenses Going Forward adjustment. While ORS asserts no carrying costs should be awarded, if any such costs are awarded, they should be at the Company's cost of debt as requested by Company witness DeStefano on any new deferral amounts going forward.

If the Commission intended to adopt ORS's proposed accounting treatment related to Adjustment No. 8 but amortize the Purchased Water and Wastewater Treatment Deferral over five years instead of three, then the total for Adjustment No. 8 should be \$2,837,012. This figure is calculated by adding one-fifth of the adjusted Purchased Water and Wastewater Treatment Deferral, which is \$512,720, to ORS's proposed Adjustment No. 8b, which is \$2,324,292. ORS asserts there should be no carrying costs on the remaining four-fifths of the Purchased Water and Wastewater Treatment Deferral as no such costs were authorized by the Commission when the deferral was established and approved in Blue Granite's 2015 rate case in Order No. 2015-876. Further, no party requested carrying costs in this proceeding be awarded on the Purchased Water and Wastewater Treatment deferral balance. In addition, as discussed by ORS witness Sandonato, allowing recovery of carrying costs will negatively impact customers by increasing the amount to be recovered from them. Tr. p. 1214.9, ll. 5-16. Purchased water and sewer treatment expenses are similar to other expenses on which carrying costs are not allowed such as power, contract labor, and chemicals. *Id.* The approval of a deferral account allowed Blue Granite the opportunity to recover expenses outside of the test year. *Id.* That benefit accrued to Blue Granite and is sufficient; the addition of carry costs is neither necessary nor beneficial to customers. *Id.*

If the Commission did intend to include the unamortized purchased water and sewer deferral balance in deferred charges in rate base, then ORS asserts the above corrections should be considered. The total deferral balance for Adjustment No. 8a was \$2,563,596; therefore, if the

Commission intends to place four-fifths into rate base, the correct unamortized purchased water and sewer deferral balance in deferred charges in rate base would equal \$2,050,878. As a result, when added to the deferred charges as calculated in Commission Adjustment No. 34, the total deferred charges adjustment for rate base becomes \$6,869,852.⁵

The ORS, therefore, respectfully requests that the Commission clarify the accounting treatment authorized in its Order regarding Adjustment No. 8 and reconsider its decision, if appropriate, to correct the stated sums. Additionally, ORS respectfully requests that the Commission reconsider its decision to include the unamortized balance of Adjustment No. 8 in the calculation of Blue Granite's rate base, which allows Blue Granite the opportunity to earn its weighted average cost of capital on part of the Purchased Water and Wastewater Treatment Deferral or the Purchased Water and Sewer Expenses Going Forward adjustment.

Further, paragraph 30 on pages on 130 to 131 of Order No. 2020-306 states:

[w]ith regard to additional adjustment to the Company's "Maintenance Expenses - Purchased Water and Sewer Expense," the Commission finds and determines that Blue Granite is authorized to amortize this expense over five (5) years and that one year's amortized expense of \$635,765 will be included in expenses in this rate case. The unamortized portion, a total of \$2,119,000, will be placed in a Regulatory Asset to be recovered annually.

A similar paragraph appears on page 55 of the Order. It appears these paragraphs may have been included in error, as they conflict with the paragraphs preceding them in the Order and are not consistent with the Commission's ruling regarding Adjustment No. 8. Also, the \$2,119,000 figure listed in paragraph 30 and on page 55 is not reflected on the Commission's reconciliation of the Blue Granite's revenue requirement that is Exhibit 1 to the Order. ORS, therefore, respectfully

⁵ Commission Adjustment 34 delineates \$4,818,974 for unamortized balances of decommissioned assets and excess deferred income taxes. When that figure is added to the \$2,050,878 unamortized purchased water and sewer deferral balance, the corrected total deferred charges figure is \$6,869,852.

recommends that paragraph 30 on pages 130 and 131 and the similar paragraph on page 55, along with any other similar language, be removed from the Order.

2. Adjustment No. 16a-Rate Case Expenses

ORS respectfully requests clarification and reconsideration of the amount ordered by Commission Adjustment No. 16a, Rate Case Expenses. The Commission disallowed legal expenses associated with Docket Nos. 2018-358-WS and 2018-361-WS. Order, p. 94. However, based upon the calculations provided by the Commission,⁶ it seems the Commission may have inadvertently included, while intending to exclude, \$16,132 of post-test year legal expenses associated with the above dockets from its calculation of rate case expenses amortized over a three-year period. Tr. p. 1116.2, l. 9. As a result, the Commission's amortization of rate case expenses over a three-year period includes \$5,377 per year associated with Docket Nos. 2018-358-WS and 2018-361-WS. ORS respectfully requests that the Commission clarify and reconsider the amount that corresponds to its Adjustment 16a.

3. Greenville Office – Rent Expense

ORS respectfully seeks clarification limited to the dollar amount corresponding to the Commission's determination of the Company's allowable rent expense. Order, pp. 58, 96-97. The Commission's ruling excludes the Greenville Office rent expense as well as other rent expenses.

While ORS did propose an adjustment to the Company's per books rent expense in the amount of \$84,839, that adjustment was comprised of costs associated with the Greenville Office, as well as other rent expenses associated with the Company's Rock Hill Office and warehouse, Anderson Office, Greenville Office, Water Service Corporation Public Storage, and Water Service Corporation Office. Tr. p. 1115.13, ll. 4-8; Tr. p. 1201.7, ln. 20-22. The \$84,839 appears as a

⁶ See Order Exhibit 1.

proposed Rent adjustment under General Expenses on exhibit 1 to ORS's proposed order. The Commission's Order adopted a Rent adjustment under General Expenses of \$0. Order No. 2020-306, p. 58. If the Commission intended only to disallow "the additional revenue sought by Blue Granite related to the Greenville Office Move, Upfit and Rent/Lease,"⁷ then ORS's proposed rent expense adjustment of \$84,839 must be adjusted by only the amount of the adjusted Greenville Office rent expense to avoid excluding rent expenses other than for the Greenville Office.

According to the Company, the annual rent for the Greenville Office is \$84,685. *See* Tr. p. 1201.12, ll. 6-7. Incorporating a downward adjustment of \$11,019,⁸ made to correctly allocate lease expense for two employees that were assigned to the Atlantic Division based on Company response to ORS Audit Request #17, the amount representing only the *Greenville Office rent* expense equals \$73,665.⁹ ORS, therefore, respectfully requests clarification of the amount that corresponds to the Commission adjustment for the Greenville Office Move, Upfit and Rent Expense. ORS submits that if the Commission intended to exclude only the Greenville Office rent expense from recovery, the appropriate adjustment to the Company's per books rent expense is \$11,174 (\$84,839 minus \$73,665), and the *total* amount disallowed relating to the Greenville Office upfit and rent expense is \$579,890.¹⁰

Conclusion

For the reasons stated herein, ORS respectfully requests the Commission clarify its ruling with regard to certain issues. ORS seeks this clarification to bring these issues to the Commission's attention and to provide the opportunity for the Commission to clarify its reasoning. ORS seeks

⁷See Order, p. 58.

⁸See Tr. p. 1115.13, ll. 9-14.

⁹ Annual Greenville Office rent of \$84,685 minus an allocation of \$11,019 equals an annual rent expense of \$73,665.

¹⁰ The total amount related to the Greenville Office upfit and rent expense equals the sum of the adjusted Greenville Office rent, \$73,665, the figure corresponding to employees assigned to the Atlantic Division, \$11,019, and the Greenville Office upfit costs of \$495,206.

clarification regarding Adjustment No. 8 but only requests reconsideration to the extent the Commission determines that upon clarification the total sum of expenses that correlate to Adjustment Nos. 8a and 8b need to be altered or that the unamortized portion of Adjustment No. 8 should be taken out of rate base. ORS also seeks clarification of the Commission's determination regarding Adjustment No. 16a - recovery of post-test year legal expenses as they relate to Docket Nos. 2018-358-WS and 2018-361-WS and Adjustment No. 18 - the appropriate amount to remove corresponding to the Company's Greenville Office rent.

Dated this 29th day of April 2020.

/s/Andrew Bateman

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June 8, 2020

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk / Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: Application of Blue Granite Water Company for Approval to Adjust Its
Rate Schedules and Increase Rates
Docket No. 2019-290-WS

Dear Ms. Boyd:

Please find attached for filing a Motion for Approval of Bond of Blue Granite Water Company ("Motion"). A copy of this filing is being provided to the parties of record. As explained in the Motion, pursuant to Order No. 2020-306, the Company intends to provide at least thirty days' notice to its customers of the rates discussed therein and attached to the Motion as Exhibit No. 1 prior to the rates and schedules being put into effect on September 1, 2020. The Company therefore respectfully requests approval of the proposed bond on or before July 15, 2020.

Pursuant to the request contained in the directive issued by the Commission on May 28, 2020 in the above-referenced proceeding, we have also included with this filing revised rate schedules reflecting the Commission's decision on reconsideration. Those rate schedules are attached hereto as Attachment A.

Kind regards,

Sam Wellborn

SJW:tch

Enclosures

cc w/enc: Parties of Record (via email)
Donald H. Denton, President (via email)
Dante Destefano, Financial Planning & Analysis Manager (via email)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
Docket No. 2019-290-WS

In Re:	)	
	)	
Application of Blue Granite Water	)	Motion for Approval of Bond
Company for Approval to Adjust Rate	)	of Blue Granite Water Company
Schedules and Increase Rates	)	
_____	)	

Pursuant to S.C. Code Ann. § 58-5-240(D), S.C. Code Ann. Regs. 103-829, and applicable law, Blue Granite Water Company (“Blue Granite” or the “Company”) moves that the Commission issue an order approving the bond described herein pursuant to S.C. Code Ann. § 58-5-240(D) (“Motion”). In support of such Motion, the Company would show the following:

1. S.C. Code Ann. § 58-5-240(D) authorizes utilities to put rates into effect under bond, if the utility files with the Commission a petition for rehearing, during the appeal and until final disposition of the case.

2. S.C. Code Ann. § 58-5-240(D) requires that the bond “be in a reasonable amount approved by the Commission, with sureties approved by the Commission.”

3. As the Commission has previously found:

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 No. 2008-269 at 3-4, Docket No. 2007-286-WS (Apr. 25, 2008); Order No. 2010-543 at 3-4, Docket No. 2009-479-WS (Aug. 12, 2010); Order No. 2016-156 at 4, Docket No. 2014-346-WS (Mar. 1, 2016).

4. On April 9, 2020, the Commission issued Order No. 2020-306, which set a Return on Equity that is not supported by the record, erroneously disallowed reasonable office expenses, erroneously “amortized” ongoing purchased water and sewer expenses over a five-year period, among other errors specified in the Company’s request for reconsideration.

5. On April 29, 2020, Blue Granite appealed the Commission’s final order in this case by filing a petition for rehearing.

6. At its business meeting on May 28, 2020, the Commission issued its decision on reconsideration, authorizing the implementation of an annual revenue requirement the amount of \$29,191,874.

7. Beginning September 1, 2020, the Company intends to implement under bond a revenue requirement of \$31,371,085, a difference of \$2,179,211 from that authorized by the Commission. The rate design implemented by the Company will be consistent with that approved in Order No. 2020-280 (i.e., the rate schedule will retain the previous base facility charge for water consumption, applying the revenue requirement increase to the volumetric commodity charge for water consumption). The tariff rate schedules to be implemented are attached hereto as Exhibit No. 1.¹

8. Consistent with S.C. Code Ann. § 58-5-240(D), Blue Granite moves that the Commission approve a bond in the amount of \$3,874,516, which is the difference in revenue

¹ Pursuant to Order No. 2020-306, the Company intends to provide at least thirty days’ notice of these rates to customers of its water and wastewater services prior to the rates and schedules being put into effect. *See* Order No. 2020-306 at 134.

requirement amounts over an eighteen-month period plus interest. The draft bond form is attached hereto as Exhibit No. 2.

9. Blue Granite is in the process of securing this bond from Liberty Mutual Insurance Company, which is reliable and sound surety worthy of the Commission's approval.

WHEREFORE, Blue Granite moves that the Commission enter an order approving the proposed bond pursuant to S.C. Code Ann. § 58-5-240(D).

Respectfully submitted,

s/Samuel J. Wellborn
Frank R. Ellerbe, III
Samuel J. Wellborn
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Attorneys for Blue Granite Water Company

Columbia, South Carolina
June 8, 2020

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

WATER

Service Territory 1

Monthly Charges - Water Supply Customers Only

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$ 14.38 per unit
Residential Commodity Charge	\$ 8.70 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge by meter size	
5/8" meter *	\$ 14.38 per unit
3/4" meter	\$ 14.38 per unit
1" meter	\$ 37.43 per unit
1.5" meter	\$ 74.86 per unit
2" meter	\$ 119.78 per unit
3" meter	\$ 224.59 per unit
4" meter	\$ 374.42 per unit
8" meter	\$1,150.51 per unit
Commercial Commodity Charge	\$ 8.70 per 1,000 gal. or 134 cft.

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$ 14.38 per unit
Residential Commodity Charge	\$ 11.76 per 1,000 gal. or 134 cft.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

CommercialBase Facilities Charge
by meter size

5/8" meter *	\$ 14.38 per unit
3/4" meter	\$ 14.38 per unit
1" meter	\$ 37.43 per unit
1.5" meter	\$ 74.86 per unit
2" meter	\$ 119.78 per unit
3" meter	\$ 224.59 per unit
4" meter	\$ 374.42 per unit
8" meter	\$1,150.51 per unit

Commercial Commodity Charge \$ 11.76 per 1,000 gal.
or 134 cft.

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

A contractor, developer, or other commercial customer (the "Hydrant Customer") requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility's nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer's deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility's loss.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

Service Territory 2**Monthly Charges - Water Supply Customers**

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:

\$ 28.59 per unit

Residential Commodity Charge

\$ 13.28 per 1,000 gal.
or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter*

\$ 28.59 per unit

1" meter

\$ 79.59 per unit

1.5" meter

\$ 146.27 per unit

3" meter

\$ 499.14 per unit

Commercial Commodity Charge

\$ 13.28 per 1,000 gal.
or 134 cft.

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:

\$ 28.59 per unit

Residential Commodity Charge

\$ 15.33 per 1,000 gal.
or 134 cft.

Commercial

Base Facilities Charge by meter size:

5/8" meter*

\$ 28.59 per unit

1" meter

\$ 79.59 per unit

1.5" meter

\$ 146.27 per unit

3" meter

\$ 499.14 per unit

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

Commercial Commodity Charge	\$ 15.33 per 1,000 gal. or 134 cft.

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

A contractor, developer, or other commercial customer (the "Hydrant Customer") requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility's nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer's deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility's loss.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

**WATER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES**

1. Terms and Conditions

A. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

B. Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

C. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

D. When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

E. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

F. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

G. Cross-Connection Inspection

Any customer installing, permitting to be installed, or maintain any cross connection between the Utilities water system and any other non-public water system, sewer, or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended for time to time. Such a customer shall have such cross connection inspected by a licensed certified tester and provide to Utility a copy of written inspection report indicating the back-flow device is functioning properly and testing results submitted by the tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later June 30th of each year for required commercial customers and no later than June 30th of every other year for required residential customers. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customer's next bill. If after inspection and testing by the Utility's certified tester, the back-flow device fails to function properly, the customer will be notified and given a 30 day period in which to have the back-flow device repaired or replaced with a subsequent follow-up inspection by a licensed certified tester indicating the back-flow device is functioning properly. Failure to submit a report indicating the back-flow device is functioning properly will result in discontinuation of water service to said customer until such time as a passing inspection report is received by Utility.

H. A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

I. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing water utilities.

2. Non-Recurring Charges

A. Water Service Connection (New connections only) - \$300 per SFE*

The fees in this Section are subject to the considerations noted in Section G below.

B. Plant Impact Fee (New connections only) - \$400 per SFE*

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES

The fees in this Section are subject to the considerations noted in Section G below.

The Plant Capacity Fee reflects the portion of plant capacity which will be used to provide service to the new customers as authorized by Commission Rule R. 103-702.13. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing water production, treatment and/or distribution facilities that are essential to provide adequate water service to the new customer's property.

C. Water Meter Installation - 5/8 inches x 3/4 inches meter \$45.00

All 5/8 inch x 3/4 inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$45 shall be due upon installation for those locations where no 5/8 inch x 3/4 inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's actual cost of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

The fees in this Section are subject to the considerations noted in Section G below.

D. Customer Account Charge – (New customers only) \$30.00

A one-time fee to defray the costs of initiating service.

E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, a reconnection fee shall be due in the amount of \$40.00 and shall be due prior to the Utility reconnecting service.

F. Tampering Charge: In the event the Utility's equipment, water mains, water lines, meters, curb stops, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

SEWER

Service Territory 1 and 2

Monthly Charges – Sewer Collection & Treatment Only

Where sewage collection and treatment are provided through facilities owned and operated by the Utility, the following rates apply:

Residential - charge per single-family house, condominium, villa, or apartment unit:	\$88.01 per unit
Mobile Homes:	\$64.24 per unit
Commercial	\$88.01 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Monthly Charges – Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

Residential – per single-family house, condominium, or apartment unit	\$88.01 per unit
Commercial	\$88.01 per SFE*
The Village Sewer Collection	\$45.79 per SFE*

* Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

**SEWER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES**

1. Terms and Conditions

A. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

B. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

C. Billing Cycle

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

D. Toxic and Pretreatment Effluent Guidelines

The utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

E. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving sewer system.

In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

- F. A Single Family Equivalent ("SFE") shall be determined by 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service, plant impact fee and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.
- G. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing wastewater utilities.

2. Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

On such regular intervals as the Utility deems prudent, upon discovery that excessive solids have accumulated in the interceptor tank, or for any instance when a customer's interceptor tank is in need of access, pumping, cleaning, maintenance/repair, or requires any work ("Pumping Charge") related to a Pumping Charge, the Utility shall provide an estimate of the actual cost of the Pumping Charge to that customer for the specified work to be done. Should a customer choose, the customer may seek quotes/estimates from third-party vendors not affiliated with the Utility. The Utility shall not proceed with any work related to an interceptor tank until such time as the Utility secures the customers approval, in writing, for the work to be performed.

If the customer chooses to have the Utility perform the work associated with the interceptor tank, then the cost charged to the customer shall not exceed the estimate of the actual cost the Utility provided to the customer (whether the work is performed by the Utility or if the Utility utilizes a third-party vendor). If the customer chooses to contract with a third-party vendor, then the Utility may oversee the work but will not charge the affected customer for the personnel and overhead costs incurred in managing the work. The customer shall utilize third-party vendors

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

who meet and operate with all required qualifications and certifications/licenses and adhere to any laws and regulations related to pumping of an interceptor tank. The customer shall provide the Utility with sufficient documentation to demonstrate the work was performed by the third-party vendor.

The Pumping Charge will be included as a separate line item on the next regular billing to the customer. Alternatively, at the customer's request, the Pumping Charge may be billed to the customer in twelve (12) equal monthly installments.

Emergency Condition Authority: Should a condition arise that presents a health risk to the customer, the public, or the environment, the Utility shall have the authority to proceed with pumping a customer's interceptor tank. The Utility shall present, upon request, evidence supporting the need for immediate action.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

3. Non-recurring Charges

A. Sewer Service Connection (New connections only) \$300 per SFE

The fees in this Section are subject to the considerations noted in Section G below.

B. Plant Capacity Fee (New connections only) \$400 per SFE

The fees in this Section are subject to the considerations noted in Section G below.

The Plant Capacity Fee shall be computed by using South Carolina DHEC "Guide Lines for Unit Contributory Loadings to Wastewater Treatment Facilities" (1972) to determine the single family equivalency rating. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing treatment and/or collection system facilities that are essential to provide adequate treatment and disposal of the wastewater generated by the development of the new property.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

C. Notification Fee

A fee of \$15.00 shall be charged to each customer per notice 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.

D. Customer Account Charge - (New customers only) \$30.00

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's 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 reconnects service. Where an elder valve has been previously installed, a reconnection fee of \$40.00 shall be charged.

F. Tampering Charge: In the event the Utility's equipment, sewage pipes, meters, curb stops, service lines, elder valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
Docket No. 2019-290-WS

In Re:	)	
	)	
Application of Blue Granite Water	)	
Company for Approval to Adjust Rate	)	BOND
Schedules and Increase Rates	)	
	)	

KNOW ALL PEOPLE BY THESE PRESENTS, that Blue Granite Water Company, as Principal, and Liberty Mutual Insurance Company, a corporation under the laws of the State of Massachusetts, duly authorized to transact business in the State of South Carolina as surety, are held and firmly bound unto the customers of Blue Granite Water Company affected by Order No. 2020-306 of the Public Service Commission of South Carolina ("Commission"), dated April 9, 2020, and any Order denying reconsideration thereof (collectively, "Orders"), issued in the above-captioned proceeding, for the sum of three million eight hundred seventy-four thousand five hundred and sixteen dollars (\$3,874,516) in lawful money of the United States of America, for payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that if the Commission Orders under appeal are ultimately determined to be valid and enforceable, then, Blue Granite Water Company hereby promises to refund amounts it has collected in excess of the amounts finally determined to be correct under the appropriate rate schedules. Any such refunds shall include interest as provided by law.

Exhibit No. 2

SIGNED, sealed and dated this ____ day of ____, 2020.

As to Principal

Blue Granite Water Company

Witness

ATTEST:

Witness

As to Surety

Liberty Mutual Insurance Company

Witness

Witness

Exhibit No. 2

WITNESS AS TO PRINCIPAL

STATE OF _____, _____ County

Before me, the subscribing Notary Public, personally appeared _____
and made oath that he/she saw the within named Blue Granite Water Company represented by
sign, seal, and deliver the within Bond, and that he/she with _____ and
_____ subscribed their names as witnesses thereto.

Sworn to and subscribed before me this _____ day of _____, 2020.

Notary Public

My commission expires: _____

WITNESS AS TO SURETY

STATE OF _____, _____ County

Before me, the subscribing Notary Public, personally appeared _____
and made oath that he/she saw the within named Liberty Mutual Insurance Company represented
by sign, seal, and deliver the within Bond, and that he/she with _____ and
_____ subscribed their names as witnesses thereto.

Sworn to and subscribed before me this _____ day of _____, 2020.

Notary Public

My commission expires: _____

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

WATER

Service Territory 1

Monthly Charges - Water Supply Customers Only

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$ 14.38 per unit
Residential Commodity Charge	\$ 8.37 per 1,000 gal. or 134 cft.

Commercial

Base Facilities Charge by meter size	
5/8" meter *	\$ 14.38 per unit
3/4" meter	\$ 14.38 per unit
1" meter	\$ 37.43 per unit
1.5" meter	\$ 74.86 per unit
2" meter	\$ 119.78 per unit
3" meter	\$ 224.59 per unit
4" meter	\$ 374.42 per unit
8" meter	\$1,150.51 per unit
Commercial Commodity Charge	\$ 8.37 per 1,000 gal. or 134 cft.

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	\$ 14.38 per unit
Residential Commodity Charge	\$ 11.30 per 1,000 gal. or 134 cft.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

CommercialBase Facilities Charge
by meter size

5/8" meter *	\$ 14.38 per unit
3/4" meter	\$ 14.38 per unit
1" meter	\$ 37.43 per unit
1.5" meter	\$ 74.86 per unit
2" meter	\$ 119.78 per unit
3" meter	\$ 224.59 per unit
4" meter	\$ 374.42 per unit
8" meter	\$1,150.51 per unit

Commercial Commodity Charge \$ 11.30 per 1,000 gal.
or 134 cft.

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

A contractor, developer, or other commercial customer (the "Hydrant Customer") requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility's nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer's deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility's loss.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

Service Territory 2**Monthly Charges - Water Supply Customers**

Where water is supplied by wells owned and operated by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:

\$ 28.59 per unit

Residential Commodity Charge

\$ 12.71 per 1,000 gal.
or 134 cft.

Commercial

Base Facilities Charge
by meter size

5/8" meter*	\$ 28.59 per unit
1" meter	\$ 79.59 per unit
1.5" meter	\$ 146.27 per unit
3" meter	\$ 499.14 per unit

Commercial Commodity Charge

\$ 12.71 per 1,000 gal.
or 134 cft.

Monthly Charges - Water Distribution Customers Only

Where water is purchased from a governmental body or agency or other entity for distribution and resale by the Utility, the following rates apply:

Residential

Base Facilities Charge per single-family house, condominium, mobile home or apartment unit:

\$ 28.59 per unit

Residential Commodity Charge

\$ 14.66 per 1,000 gal.
or 134 cft.

Commercial

Base Facilities Charge by meter size:

5/8" meter*	\$ 28.59 per unit
1" meter	\$ 79.59 per unit
1.5" meter	\$ 146.27 per unit
3" meter	\$ 499.14 per unit

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

Commercial Commodity Charge	\$ 14.66 per 1,000 gal. or 134 cft.

***A "Fire Line" customer will be billed a monthly base facilities charge of a 5/8" meter or at the rate of any other meter size used as a detector.**

Hydrant Meter Program

A contractor, developer, or other commercial customer (the "Hydrant Customer") requiring water service for a limited duration, where no other water service is available to the customer, may, where practicable, take water service from the Utility's nearest available hydrant. In such cases, the Hydrant Customer shall obtain from the Utility a 2-inch meter and affix the meter to the hydrant(s) closest to its work site(s). The Hydrant Customer shall be charged the appropriate Base Facilities Charge for a 2-inch meter and for actual water consumption. Every 25 to 35 days, the Hydrant Customer shall make the meter available to the Utility for the reading of its water usage and associated monthly billing. In addition, the Hydrant Customer shall pay Utility a deposit of \$1,100.00, which represents the approximate cost of the meter, prior to receiving the 2-inch meter. The Utility shall refund the Hydrant Customer's deposit upon the prompt return of the meter in good working order. If the meter is lost or determined to be damaged upon return, the Utility may withhold all, or a portion, of the deposit amount as reasonable compensation for the Utility's loss.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

WATER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES

1. Terms and Conditions

A. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

B. Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

C. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

D. When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

E. Billing Cycle

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

F. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES

G. Cross-Connection Inspection

Any customer installing, permitting to be installed, or maintain any cross connection between the Utilities water system and any other non-public water system, sewer, or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended for time to time. Such a customer shall have such cross connection inspected by a licensed certified tester and provide to Utility a copy of written inspection report indicating the back-flow device is functioning properly and testing results submitted by the tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F.2, as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later June 30th of each year for required commercial customers and no later than June 30th of every other year for required residential customers. Should a customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the customer's next bill. If after inspection and testing by the Utility's certified tester, the back-flow device fails to function properly, the customer will be notified and given a 30 day period in which to have the back-flow device repaired or replaced with a subsequent follow-up inspection by a licensed certified tester indicating the back-flow device is functioning properly. Failure to submit a report indicating the back-flow device is functioning properly will result in discontinuation of water service to said customer until such time as a passing inspection report is received by Utility.

H. A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

I. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing water utilities.

2. Non-Recurring Charges

A. Water Service Connection (New connections only) - \$300 per SFE*

The fees in this Section are subject to the considerations noted in Section G below.

B. Plant Impact Fee (New connections only) - \$400 per SFE*

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

The fees in this Section are subject to the considerations noted in Section G below.

The Plant Capacity Fee reflects the portion of plant capacity which will be used to provide service to the new customers as authorized by Commission Rule R. 103-702.13. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing water production, treatment and/or distribution facilities that are essential to provide adequate water service to the new customer's property.

C. Water Meter Installation - 5/8 inches x 3/4 inches meter \$45.00

All 5/8 inch x 3/4 inch water meters shall meet the Utility's standards and shall be installed by the Utility. A one-time meter fee of \$45 shall be due upon installation for those locations where no 5/8 inch x 3/4 inch meter has been provided by a developer to the Utility.

For the installation of all other meters, the customer shall be billed for the Utility's actual cost of installation. All such meters shall meet the Utility's standards and be installed by the Utility unless the Utility directs otherwise.

The fees in this Section are subject to the considerations noted in Section G below.

D. Customer Account Charge – (New customers only) \$30.00

A one-time fee to defray the costs of initiating service.

E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, a reconnection fee shall be due in the amount of \$40.00 and shall be due prior to the Utility reconnecting service.

F. Tampering Charge: In the event the Utility's equipment, water mains, water lines, meters, curb stops, service lines, valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

SEWER

Service Territory 1 and 2

Monthly Charges – Sewer Collection & Treatment Only

Where sewage collection and treatment are provided through facilities owned and operated by the Utility, the following rates apply:

Residential - charge per single-family house, condominium, villa, or apartment unit: \$78.25 per unit

Mobile Homes: \$57.11 per unit

Commercial \$78.25 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

Monthly Charges – Sewer Collection Only

When sewage is collected by the Utility and transferred to a government body or agency, or other entity for treatment, the Utility's rates are as follows:

Residential – per single-family house, condominium, or apartment unit \$78.25 per unit

Commercial \$78.25 per SFE*

The Village Sewer Collection \$40.71 per SFE*

* Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

**SEWER SERVICE
TERMS AND CONDITIONS
AND
NON-RECURRING CHARGES**

1. Terms and Conditions

A. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

B. The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units (or in such other circumstances as the law may allow from time to time), which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

C. Billing Cycle

Recurring charges will be billed monthly in arrears. Non-recurring charges will be billed and collected in advance of service being provided.

D. Toxic and Pretreatment Effluent Guidelines

The utility will not accept or treat any substance or material that has not been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

E. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, and pay the appropriate fees and charges as set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service unless sewer capacity is unavailable or unless the South Carolina Department of Health and

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES

Environmental Control or other government entity has for any reason restricted the Utility from adding additional customers to the serving sewer system.

In no event will the Utility be required to construct additional sewer treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

- F. A Single Family Equivalent ("SFE") shall be determined by 6 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service, plant impact fee and tap fee. The Company shall have the right to request and receive water usage records from the water provider to its customers. In addition, the Company shall have the right to conduct an inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Company shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.
- G. The liability of the Company, its agents and employees for damages arising out of interruption of service or the failure to furnish service, whether caused by acts or omission, shall be limited to those remedies provided in the Public Service Commission's rules and regulations governing wastewater utilities.

2. Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

On such regular intervals as the Utility deems prudent, upon discovery that excessive solids have accumulated in the interceptor tank, or for any instance when a customer's interceptor tank is in need of access, pumping, cleaning, maintenance/repair, or requires any work ("Pumping Charge") related to a Pumping Charge, the Utility shall provide an estimate of the actual cost of the Pumping Charge to that customer for the specified work to be done. Should a customer choose, the customer may seek quotes/estimates from third-party vendors not affiliated with the Utility. The Utility shall not proceed with any work related to an interceptor tank until such time as the Utility secures the customers approval, in writing, for the work to be performed.

If the customer chooses to have the Utility perform the work associated with the interceptor tank, then the cost charged to the customer shall not exceed the estimate of the actual cost the Utility provided to the customer (whether the work is performed by the Utility or if the Utility utilizes a third-party vendor). If the customer chooses to contract with a third-party vendor, then the Utility may oversee the work but will not charge the affected customer for the personnel and overhead costs incurred in managing the work. The customer shall utilize third-party vendors

**Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES**

who meet and operate with all required qualifications and certifications/licenses and adhere to any laws and regulations related to pumping of an interceptor tank. The customer shall provide the Utility with sufficient documentation to demonstrate the work was performed by the third-party vendor.

The Pumping Charge will be included as a separate line item on the next regular billing to the customer. Alternatively, at the customer's request, the Pumping Charge may be billed to the customer in twelve (12) equal monthly installments.

Emergency Condition Authority: Should a condition arise that presents a health risk to the customer, the public, or the environment, the Utility shall have the authority to proceed with pumping a customer's interceptor tank. The Utility shall present, upon request, evidence supporting the need for immediate action.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement as a separate item in the next regular billing to the customer and may be paid for over a one-year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

3. Non-recurring Charges

A. Sewer Service Connection (New connections only) \$300 per SFE

The fees in this Section are subject to the considerations noted in Section G below.

B. Plant Capacity Fee (New connections only) \$400 per SFE

The fees in this Section are subject to the considerations noted in Section G below.

The Plant Capacity Fee shall be computed by using South Carolina DHEC "Guide Lines for Unit Contributory Loadings to Wastewater Treatment Facilities" (1972) to determine the single family equivalency rating. The plant capacity fee represents the Utility's investment previously made (or planned to be made) in constructing treatment and/or collection system facilities that are essential to provide adequate treatment and disposal of the wastewater generated by the development of the new property.

Blue Granite Water Company
Docket No. 2019-290-WS
SCHEDULE OF RATES AND CHARGES

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of non-residential customer is less than one (1). If the equivalency rating of a non-residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

C. Notification Fee

A fee of \$15.00 shall be charged to each customer per notice 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.

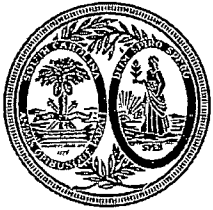
D. Customer Account Charge - (New customers only) \$30.00

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

E. Reconnection Charges: In addition to any other charges that may be due, in those cases where a customer's 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 reconnects service. Where an elder valve has been previously installed, a reconnection fee of \$40.00 shall be charged.

F. Tampering Charge: In the event the Utility's equipment, sewage pipes, meters, curb stops, service lines, elder valves or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed \$250. The tampering charge shall be paid in full prior to the Utility re-establishing service or continuing the provision of service.

G. All contributions and advances, whether in the form of property or cash, shall be increased by a cash payment to the utility. Cash contributions and advances shall include an amount equal to 33.24% of the face value of the contribution or advance. Property contributions and advances shall include an amount equal to 18.28% of the original cost of the contribution or advance.



South Carolina

DEPARTMENT OF CONSUMER AFFAIRS

293 Greystone Boulevard Suite 400
P. O. BOX 5757
COLUMBIA, SC 29250-5757

Carri Grube Lybarker
Administrator/
Consumer Advocate

PROTECTING CONSUMERS SINCE 1975

Commissioners
David Campbell
Chair
Columbia
W. Fred Pennington, Jr.
Vice Chair
Simpsonville
Mark Hammond
Secretary of State
Columbia
William Geddings
Florence
James E. Lewis
Myrtle Beach
Renee I. Madden
Columbia
Jack Pressly
Columbia
Lawrence D. Sullivan
Summerville

August 7, 2020

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Executive Director
The Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Docket 2019-290-WS
Application of Blue Granite Water Company for Approval to Adjust Rate
Schedules and Increase Rates
Request for Clarification

Dear Ms. Boyd:

On June 8, 2020, Blue Granite Water Company ("Blue Granite") filed a Motion for Approval of Bond pursuant to S.C. Code Ann. § 58-5-240(D). On July 15, 2020, the Commission issued a Directive granting the bond request. It has come to the Department's attention that Blue Granite recently sent notice to customers of rate increases to take effect September 1, 2020. This being our first instance of exposure to the bond process, the Department of Consumer Affairs seeks clarification from the Commission regarding the bond, Commission Directive, and schedule for the proposed rate increases.

The Commission's Directive finds the bond amount to be reasonable and Liberty Mutual to be an acceptable surety, able to refund customers should Blue Granite's appeal be unsuccessful. In reviewing past dispositions of bond requests, the Commission specifically discussed the method of consumer refunds. Further, the decisions were issued via an "Order" as opposed to a "Directive." With these variances, the Department pondered whether the Directive constitutes the final decision on this matter or whether the Commission intends to issue an Order reflecting its July 15th vote. Further, based on the Commission's actions to date, the Department is uncertain

if Blue Granite is permitted to charge the new rates referenced in its customer notice on September 1, 2020. We appreciate any clarification you can provide on these issues.

If the Commission's Directive does constitute a final disposition of the bond request, permitting September implementation of increased rates, the Department is concerned about the effect these new rates will have upon the company's customers during this unprecedented pandemic. South Carolina residents continue to face significant unemployment and decreased financial security.

Due to COVID-19, the Department urges Blue Granite and the Commission to consider the impacts of implementing the increased rates under the proposed bond. We suggest the implementation could be delayed either voluntarily by the company or by the Commission pursuant to its inherent authority. *See as examples* S.C. Code Ann. Sections 58-5-320 and 58-5-290. Alternatively, Blue Granite could be permitted to implement the rates "set by the Commission" as it proposed in its March 19, 2020 letter. At this time, the only rates "set by the Commission" in this matter are those contained in Order 2020-306. *See also* Order 2020-260.

The Department recognizes no blueprint exists for the handling of this public health emergency and related financial crisis. We are hopeful creative options to prevent any additional burden, or otherwise lessen the impact, on customers can be reached. We would be happy to participate in any discussions or proceeding to accomplish this goal.

Thank you for your time and consideration of the questions/ concerns raised above. Please feel free to reach out to us with any questions.

Regards,



Roger Hall, Esq.
Assistant Consumer Advocate

Carri Grube Lybarker, Esq.
Administrator/ Consumer Advocate

Enclosure

CC w/ Enclosure: Parties of Record (via email)

*Redacted
OK*

293342



**ROBINSON
GRAY**

Litigation + Business

SAMUEL J. WELLBORN

DIRECT 803 231.7829 DIRECT FAX 803 231.7878

swellborn@robinsongray.com

August 17, 2020

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk / Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: Application of Blue Granite Water Company for Approval to Adjust Its
Rate Schedules and Increase Rates
Docket No. 2019-290-WS

Dear Ms. Boyd:

Please find attached for filing the surety bond in the amount of \$
issued by Liberty Mutual Insurance Company which was procured pursuant to
S.C. Code Ann. § 58-5-240(D). An original of the bond forms are being sent to
the Commission for its records. A copy of this filing is being provided to the
parties of record.

Kind regards,

Sam Wellborn

SJW:tch

Enclosure

cc w/enc: Parties of Record (via email)
Donald H. Denton, President (via email)
Dante Destefano, Financial Planning & Analysis Manager (via email)

Exhibit No. 2

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
Docket No. 2019-290-WS

In Re:

Application of Blue Granite Water
Company for Approval to Adjust Rate
Schedules and Increase Rates

BOND NO.

KNOW ALL PEOPLE BY THESE PRESENTS, that Blue Granite Water Company, as Principal, and Liberty Mutual Insurance Company Surety Company, a corporation under the laws of the State of Massachusetts duly authorized to transact business in the State of South Carolina as surety, are held and firmly bound unto the customers of Blue Granite Water Company affected by Order No. 2020-306 of the Public Service Commission of South Carolina ("Commission"), dated April 9, 2020, and any Order denying reconsideration thereof (collectively, "Orders"), issued in the above-captioned proceeding, for the sum of _____ dollars _____ in lawful money of the United States of America, for payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, that if the Commission Orders under appeal are ultimately determined to be valid and enforceable, then, Blue Granite Water Company hereby promises to refund amounts it has collected in excess of the amounts finally determined to be correct under the appropriate rate schedules. Any such refunds shall include interest as provided by law.

Exhibit No. 2

SIGNED, sealed and dated this 13th day of August, 2020.

As to Principal

Blue Granite Water Company

Shawn M. Elugui

ATTEST:

As to Surety

Liberty Mutual Insurance Company

Laura L. Kneitz

Laura L. Kneitz, Attorney-in-Fact

Jari Petersen
Witness

Janet Harrell
Witness

Adam Kneitz
Witness Adam Kneitz

Erica Kneitz
Witness Erica Kneitz

Exhibit No. 2

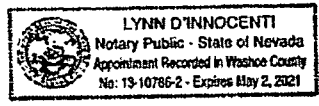
WITNESS AS TO PRINCIPAL

STATE OF Nevada, Washoe County

Before me, the subscribing Notary Public, personally appeared Shawn Elicegui
and made oath that he/she saw the within named Blue Granite Water Company represented by
sign, seal, and deliver the within Bond, and that he/she with Jane Harrell and
Lori Petersen subscribed their names as witnesses thereto.

Sworn to and subscribed before me this 17 day of August 2020.

Lynn D'Innocenti
Notary Public
My commission expires: May 2, 2021



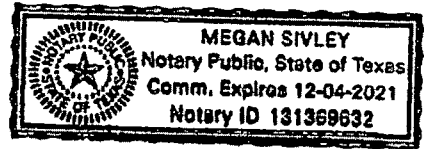
WITNESS AS TO SURETY

STATE OF Texas, Harris County

Before me, the subscribing Notary Public, personally appeared Laura L. Kneitz
and made oath that he/she saw the within named Liberty Mutual Insurance Company Surety Company
represented by sign, seal, and deliver the within Bond, and that he/she with
Adam Kneitz and Erica Kneitz subscribed their names as witnesses
thereto.

Sworn to and subscribed before me this 13th day of August, 2020.

Megan Sivley
Notary Public
My commission expires: December 4, 2021





This Power of Attorney limits the acts of those named herein; and they have no authority to bind the Company except in the manner and to the extent herein stated.

Liberty Mutual Insurance Company
The Ohio Casualty Insurance Company
West American Insurance Company

Certificate No: _____

POWER OF ATTORNEY

KNOWN ALL PERSONS BY THESE PRESENTS: That The Ohio Casualty Insurance Company is a corporation duly organized under the laws of the State of New Hampshire, that Liberty Mutual Insurance Company is a corporation duly organized under the laws of the State of Massachusetts, and West American Insurance Company is a corporation duly organized under the laws of the State of Indiana (herein collectively called the "Companies"), pursuant to and by authority herein set forth, does hereby name, constitute and appoint, Dan W. Burton, Melissa Haddick, Teresa D. Kelly, Laura L. Kneitz, Craig C. Payne, Megan Sivley

all of the city of Houston state of TX each individually if there be more than one named, its true and lawful attorney-in-fact to make, execute, seal, acknowledge and deliver, for and on its behalf as surety and as its act and deed, any and all undertakings, bonds, recognizances and other surety obligations, in pursuance of these presents and shall be as binding upon the Companies as if they have been duly signed by the president and attested by the secretary of the Companies in their own proper persons.

IN WITNESS WHEREOF, this Power of Attorney has been subscribed by an authorized officer or official of the Companies and the corporate seals of the Companies have been affixed thereto this 18th day of March, 2019.



Liberty Mutual Insurance Company
The Ohio Casualty Insurance Company
West American Insurance Company

By: David M. Carey
David M. Carey, Assistant Secretary

State of PENNSYLVANIA ss
County of MONTGOMERY

On this 18th day of March, 2019 before me personally appeared David M. Carey, who acknowledged himself to be the Assistant Secretary of Liberty Mutual Insurance Company, The Ohio Casualty Company, and West American Insurance Company, and that he, as such, being authorized so to do, execute the foregoing instrument for the purposes therein contained by signing on behalf of the corporations by himself as a duly authorized officer.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my notarial seal at King of Prussia, Pennsylvania, on the day and year first above written.



COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Teresa Pastella, Notary Public
Upper Merion Twp., Montgomery County
My Commission Expires March 28, 2021
Member, Pennsylvania Association of Notaries

By: Teresa Pastella
Teresa Pastella, Notary Public

This Power of Attorney is made and executed pursuant to and by authority of the following By-laws and Authorizations of The Ohio Casualty Insurance Company, Liberty Mutual Insurance Company, and West American Insurance Company which resolutions are now in full force and effect reading as follows:

ARTICLE IV - OFFICERS: Section 12. Power of Attorney.

Any officer or other official of the Corporation authorized for that purpose in writing by the Chairman or the President, and subject to such limitation as the Chairman or the President may prescribe, shall appoint such attorneys-in-fact, as may be necessary to act in behalf of the Corporation to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations. Such attorneys-in-fact, subject to the limitations set forth in their respective powers of attorney, shall have full power to bind the Corporation by their signature and execution of any such instruments and to attach thereto the seal of the Corporation. When so executed, such instruments shall be as binding as if signed by the President and attested to by the Secretary. Any power or authority granted to any representative or attorney-in-fact under the provisions of this article may be revoked at any time by the Board, the Chairman, the President or by the officer or officers granting such power or authority.

ARTICLE XIII - Section 5. Surety Bonds and Undertakings.

Any officer of the Company authorized for that purpose in writing by the chairman or the president, and subject to such limitations as the chairman or the president may prescribe, shall appoint such attorneys-in-fact, as may be necessary to act in behalf of the Company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations. Such attorneys-in-fact subject to the limitations set forth in their respective powers of attorney, shall have full power to bind the Company by their signature and execution of any such instruments and to attach thereto the seal of the Company. When so executed such instruments shall be as binding as if signed by the president and attested by the secretary.

Certificate of Designation - The President of the Company, acting pursuant to the Bylaws of the Company, authorizes David M. Carey, Assistant Secretary to appoint such attorneys-in-fact as may be necessary to act on behalf of the Company to make, execute, seal, acknowledge and deliver as surety any and all undertakings, bonds, recognizances and other surety obligations.

Authorization - By unanimous consent of the Company's Board of Directors, the Company consents that facsimile or mechanically reproduced signature of any assistant secretary of the Company, wherever appearing upon a certified copy of any power of attorney issued by the Company in connection with surety bonds, shall be valid and binding upon the Company with the same force and effect as though manually affixed.

I, Renee C. Llewellyn, the undersigned, Assistant Secretary, The Ohio Casualty Insurance Company, Liberty Mutual Insurance Company, and West American Insurance Company do hereby certify that the original power of attorney of which the foregoing is a full, true and correct copy of the Power of Attorney executed by said Companies, is in full force and effect and has not been revoked.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seals of said Companies this 13th day of August, 2020



By: Renee C. Llewellyn
Renee C. Llewellyn, Assistant Secretary

Not valid for mortgage, note, loan, letter of credit, currency rate, interest rate or residual value guarantees.

To confirm the validity of this Power of Attorney call 1-800-368-8228 or 0628-8228-019-1

DOCKET NO. 2019-290-WS

Blue Granite Water Company (the “Company”) pursuant to S.C. Code Ann §§ 58-3-140, 58-5-210 and 58-5-220 and S.C. Code Ann. Regs. 103-825 and other applicable Rules and Regulations of the Public Service Commission of South Carolina (the “Commission”), conditionally petitions the Commission for an accounting order authorizing the Company to defer in a regulatory asset certain costs associated with the delayed implementation of new rates. The costs the Company conditionally seeks to defer are (1) the difference between the rates approved by the Commission through Order No. 2020-306, as amended by the Commission’s decision on reconsideration issued on May 28, 2020 (“Rates on Reconsideration”), and the rates it has planned to implement under bond, at a rate of \$5,970 per day, (2) the cost of providing additional notice to customers, and (3) carrying costs on these amounts until recovered from customers. The instant petition for an accounting order is conditional because, if the Commission lifts the stay on the Company’s rates under bond prior to September 1, 2020, the petition for an accounting order would be rendered moot.

This request for an accounting order does not involve a change to any of the Company's rates at this time or require any change in any Commission rule, regulation, or policy. In addition, the issuance of the requested accounting order will not prejudice the right of any party to address the recovery of these costs in a subsequent rate case proceeding. Accordingly, neither notice to the

public-at-large, nor a hearing is required regarding this petition.

The Company seeks expedited Commission consideration of this petition. The stay on the implementation of rates under bond—if continued beyond September 1, 2020—would prevent the Company from implementing rates that it has a right to implement under South Carolina law and would constitute a taking in violation of constitutional requirements. There are two possible remedies to avoid such a taking. The preferred remedy, which would result in the least customer confusion and future rate impact, is to lift the stay and permit the Company to implement the rates under bond for which the Company's customers are on notice. An alternative remedy is to grant the instant deferral request and permit recovery of the foregone amounts, including carrying costs and necessary noticing costs, following the Company's next general rate proceeding. Either remedy must be approved and implemented by September 1, 2020 to avoid an unconstitutional taking.

I. Background

On October 2, 2019, the Company filed its Application for Approval to Adjust Its Rate Schedules and Increase Rates ("Application"). The Commission conducted an evidentiary hearing on the Application from February 26, 2020 through March 2, 2020. On April 9, 2020, in Order No. 2020-306, the Commission ruled on the proposed rate relief. The Order was served on April 9, 2020, and on April 29, 2020, Blue Granite filed a Petition for Rehearing or Reconsideration with the Commission. On May 28, 2020, the Commission issued its decision on reconsideration, authorizing the implementation of an annual revenue requirement in the amount of \$29,191,874.

On June 8, 2020, the Company filed a motion for approval of a bond that would secure for customers the difference between the revenue requirement authorized by the Commission and that which the Company intended to implement under bond pursuant to S.C. Code Ann. § 58-5-240(D),

in addition to annual interest. On July 15, 2020, the Commission approved the Company's request for approval of the bond by a 6-0 vote. On August 7, 2020, for the Commission's convenience, the Company filed a proposed order memorializing the Commission's approval of the Company's bond request. Also on August 7, 2020, the Consumer Advocate filed a letter seeking clarification as to whether the Commission intended to issue a final order related to the bond and whether Blue Granite was permitted to implement rates under bond effective September 1, 2020. The Company filed a response to the Consumer Advocate on August 13, 2020, and filed its executed surety bond on August 17, 2020. On August 18, 2020, the Commission issued Order No. 2020-549, which directed the Clerk's office to schedule oral arguments on the issues raised by the Consumer Advocate and stayed the implementation of rates under bond "until further notice."

II. Relevant Legal Authorities

S.C. Code Ann. § 58-5-240(D) authorizes utilities to put rates into effect under bond, if the utility files with the Commission a petition for rehearing, until final disposition of the case. S.C. Code Ann. § 58-5-240(D) requires that the bond "be in a reasonable amount approved by the Commission, with sureties approved by the Commission." The Commission approved the Company's bond amount and surety by unanimous vote at its July 15, 2020 business meeting and the Company has a clear right to implement the rates under bond. However, in response to the Consumer Advocate's letter requesting clarification, the Commission suspended the implementation of the Company's rates under bond.

The Commission has repeatedly found that it is "without discretion to prohibit the utility from imposing its proposed rates under an appropriate bond," and that the statute grants utilities the authority to "impose its proposed rates under bond as a matter of right" Order No. 2008-269 at 3-4, Docket No. 2007-286-WS (Apr. 25, 2008); Order No. 2010-543 at 3-4, Docket No.

2009-479-WS (Aug. 12, 2010); Order No. 2016-156 at 4, Docket No. 2014-346-WS (Mar. 1, 2016). The U.S. Supreme Court explained the reasoning behind such provisions in the context of the Natural Gas Act:

It seems plain that Congress, in so drafting the statute, was not only expressing its conviction that the public interest requires the protection of consumers from excessive prices for natural gas, but was also manifesting its concern for the legitimate interest of natural gas companies in whose financial stability the gas-consuming public has a vital stake. Business reality demands that natural gas companies should not be precluded by law from increasing the prices of their product whenever that is the economically necessary means of keeping the intake and outgo of their revenues in proper balance; otherwise procurement of the vast sums necessary for the maintenance and expansion of their systems through equity and debt financing would become most difficult, if not impossible.

United Gas Pipeline Co. v. Memphis Light, Gas and Water Division, 358 U.S. 103, 113 (1958) (*United Gas Pipeline*). Likewise, in *Holt v. Yonce, Chairman of the S.C. Public Service Commission*, 370 F.Supp. 374 (D. S.C. 1973) (*Holt*), affirmed by the Supreme Court at 94 S.Ct. 1553 (1974), the Court was faced with a challenge to the statutory allowance of permitting utilities to put rates into effect under bond, in that case involving South Carolina Electric & Gas (“SCE&G”). The Court relied upon *United Gas Pipeline*, finding that, while rate increases may be difficult for certain customers, such increases “make possible expanded utility service to all who need it.” 370 F.Supp. 374, 379. The Court in that case rejected the plaintiffs’ challenge.

III. Costs the Company Conditionally Seeks to Defer

The costs the Company seeks to defer are (1) the difference between the Company’s Rates on Reconsideration and the rates it has planned to implement under bond, at a rate of \$5,970 per day, (2) the cost of providing additional notice to customers, and (3) carrying costs on these amounts until recovered from customers.

But for the Commission’s stay, the Company would implement rates under bond effective September 1, 2020 as has been planned by the Company and communicated to its customers. By

enjoining the Company from implementing the rate change, the Commission is requiring the Company to forego revenues to which it is statutorily entitled. As the Commission has repeatedly found, S.C. Code Ann. § 58-5-240 grants utilities the right to implement rates under bond during the pendency of the utility's rehearing and appeal. Denying the availability of this statutory right and denying the Company the ability to recover these additional revenues beginning September 1, 2020 would effect an unconstitutional taking. *See King v. S.C. State Highway Dept.*, 248 S.C. 64, 68 (1966) ("South Carolina has consistently taken the broadest possible view of what is a 'taking' and has construed the least actual 'damage' to be a taking. In the construction of Article I, Sec. 17 of the Constitution of 1895, no distinction is recognized between 'taking' and 'damaging', and the deprivation of the ordinary beneficial use and enjoyment of one's property is equivalent to the taking of it, and is as much a 'taking' as though the property were actually appropriated."); *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 308 (1989) ("If the rate does not afford sufficient compensation, the State has taken the use of utility property without paying just compensation and so violated the Fifth and Fourteenth Amendments.").

There are two possible remedies to avoid an unconstitutional taking. The preferred remedy, which would result in the least customer confusion and future rate impact, is to lift the stay and permit the Company to implement the rates under bond for which the Company's customers are on notice. An alternative remedy is to grant the instant deferral request. Either remedy must be approved and implemented by September 1, 2020 to avoid an unconstitutional taking. With the Commission's stay of the Company's implementation of new rates, the Company would be required to forego additional revenues at a rate of \$5,970 per day.

The rates under bond are those for which customers are currently on notice—see the Company's June 8, 2020 filing in this proceeding—and implementing rates other than those for

which customers are on notice would lead to customer confusion. Further, deferring the amounts to which the Company is constitutionally and statutorily permitted—the rates under bond and associated carrying costs, which will accumulate over time—will lead to incremental rate impacts for customers once recovered at a future date. For these reasons, the preferred remedy would be for the Commission to affirm its previous approval of the bond and lift the stay, thereby permitting recovery of the Company's rates under bond.

To the extent additional notices become necessary for the Company's customers as related to the delayed implementation of the Company's new rates, the Company also seeks to defer the costs for such notices. For example, should the Commission grant the Company's deferral request, customers should receive notice that the rates under bond will not be implemented, and that the Rates on Reconsideration will instead be applied. As part of this deferral request, the Company also seeks to defer the carrying costs associated with the deferred amounts at the Company's weighted average cost of capital. Carrying costs on the deferral balance are an actual cost incurred by the utility, which requires cash. Further, the Company's significant accommodations for its customers during the COVID-19 pandemic have been at substantial cost to the Company.

IV. Conclusion

WHEREFORE, the Company conditionally requests that the Commission issue an accounting order authorizing the Company to defer in a regulatory asset (1) the difference between the Company's Rates on Reconsideration and the rates it has planned to implement under bond, at a rate of \$5,970 per day, (2) the cost of providing additional notice to customers, and (3) carrying costs on these amounts until recovered from customers. An accounting order will enable the Company to have continued access to necessary capital during these uncertain and rapidly changing economic times, and the granting of an accounting order will not preclude the

Commission or parties from addressing the recovery of these costs in a future rate case proceeding.

Respectfully submitted this 24th day of August, 2020.

s/Samuel J. Wellborn

Frank R. Ellerbe, III (SC Bar No. 1866)
Samuel J. Wellborn (SC Bar No. 101979)
ROBINSON GRAY STEPP & LAFFITTE, LLC
Post Office Box 11449
Columbia, SC 29211
(803) 929-1400
fellerbe@robinsongray.com
swellborn@robinsongray.com

Attorneys for Blue Granite Water Company

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2019-290-WS

In Re:	)	
	)	
Application of Blue Granite Water	)	Petition for Reconsideration
Company for Approval to Adjust Rate	)	of Blue Granite Water Company
Schedules and Increase Rates	)	
_____	)	

Pursuant to S.C. Code Ann. §§ 1-23-380 and 58-5-330, S.C. Code Ann. Regs. 103-854, and applicable law, Blue Granite Water Company (“Blue Granite” or the “Company”) hereby petitions the Public Service Commission of South Carolina (“Commission”) to reconsider its stay of the Company’s implementation of rates under bond imposed by Order No. 2020-549 and maintained by the Commission’s August 31, 2020 directive. The stay is an *ultra vires* act that exceeds the bounds of the Commission’s authority. The stay also constitutes arbitrary and capricious decision-making and violates the Company’s substantive due process rights by depriving the Company of a statutorily granted property interest. Because the Commission has approved the Company’s proposed bond, it has no authority to prevent the Company from implementing the rates secured by the bond and must now issue its final order approving the bond, or affirm that the bond has been approved, and rescind its stay orders. While the regulatory asset authorized by the Commission was necessary to protect the Company’s potential ability to recover the revenues to which it is entitled, there is no adequate substitute for the Commission issuing final approval of the bond and permitting the Company to implement rates under bond.

I. The Commission lacks authority to stay the implementation of rates under bond.

The Commission lacks the authority to stay the implementation of a utility's rates under bond, and such a stay is therefore an *ultra vires* act. The South Carolina Supreme Court has concluded the following concerning the limits on administrative agencies' authority:

It is elementary law that administrative agencies are creatures of statute and their power is dependent upon statute, so that they must find within the statute warrant for the exercise of any authority which they claim. . . . Such (administrative) bodies, being unknown to the common law, and deriving their authority wholly from constitutional and statutory provisions, will be held to possess only such powers as are conferred, expressly or by reasonably necessary implication, or such as are merely incidental to the powers expressly granted. . . . Any reasonable doubt of the existence in the commission of any particular power should ordinarily be resolved against its exercise of the power.

Calhoun Life Ins. Co. v. Gambrell, 245 S.C. 406, 408 (1965) (internal citations omitted). The narrow ambit of the Commission's authority as related to rates under bond granted by S.C. Code Ann. § 58-5-240(D) (the "Bond Statute") is to consider and approve the reasonableness of the amount of the bond and the adequacy of the surety. As the Commission has repeatedly held, it is "without discretion to prohibit the utility from imposing its proposed rates under an appropriate bond," and that the statute grants utilities the authority to "impose its proposed rates under bond as a matter of right" Order No. 2008-269 at 3-4, Docket No. 2007-286-WS (Apr. 25, 2008); Order No. 2010-543 at 3-4, Docket No. 2009-479-WS (Aug. 12, 2010); Order No. 2016-156 at 4, Docket No. 2014-346-WS (Mar. 1, 2016). It is clear from the Bond Statute, and from the Commission's interpretation of the Bond Statute for more than a decade, that the Commission lacks the authority to stay the implementation of rates under bond.

While the Bond Statute provides that "there may be substituted for the bond other arrangements satisfactory to the Commission for the protection of parties interested," such does not confer upon the Commission the authority to stay a utility's right to implement rates under

bond. S.C. Code Ann. § 58-5-240(D) (emphasis added). The substitution authorized by the statute is “for the bond,” not for the utility’s statutorily authorized option to implement rates that are secured by a bond or by some other substitute arrangement. *See Nucor Steel v. S.C. Pub. Serv. Comm’n*, 310 S.C. 539, 543 (1992) (“In interpreting a statute, it is imperative that the statute be accorded its clear meaning.”). Previous substitute arrangements have included, for example, letters of credit and letters of undertaking while the utility implemented new rates. *See* Order No. 1982-491, Docket No. 1982-247-W (July 14, 1982); Order No. 1981-176, Docket No. 1981-84-S (Mar. 18, 1981); Order No. 1982-218, Docket No. 1982-111-W (Mar. 31, 1982); Order No. 1980-352, Docket No. 1980-162-WS (June 13, 1980). Such types of guarantees¹—bonds, letters of credit, and letters of undertaking—protect (1) customers by providing a reserve of funds should rates later be reduced and (2) the utility by permitting new rates to go into effect.

A deferral—in contrast to implementing rates protected by a guarantee—provides no certainty of recovery and is therefore not a “substitute” as contemplated and required by the Bond Statute. A deferral is a regulatory accounting mechanism, not a recovery guaranty. Emphasizing the Company’s **lack** of guaranty of recovery, in approving the deferral request, the Commission’s unanimous motion stated that issuance of the accounting order “will not prejudice the right of any party to address or challenge the recovery of these costs in a subsequent rate proceeding.” Aug. 31, 2020 Directive, Docket No. 2019-290-WS. Moreover, the deferral mechanism does not, in stark contrast to implementing rates under bond pending an appeal, subject to potential refund requirement, provide any cash liquidity. While deferrals have a role in utility ratemaking, they are an incomplete and inadequate remedy as compared to implementing rates under bond. While customers would be protected by the bond obtained by the Company, there is no similar protection

¹ “Guarantee” is defined as “[s]omething given or existing as security, such as to fulfill a future engagement or a condition subsequent.” *Guarantee*, Black’s Law Dictionary (11th ed. 2019).

for the utility in the approved deferred accounting authority. Further, the prohibition on retroactive ratemaking serves to prevent the Company from retroactively correcting its rates at the conclusion of its appeal. There is, therefore, no substitute for implementation of rates that are secured, whether by a bond, letter of credit, letter of undertaking, or otherwise.

Notwithstanding the adequacy or inadequacy of a regulatory asset as a substitute for implementing rates under bond, the approval of a regulatory asset does not resolve the Commission's simple lack of authority to stay the implementation of rates under bond and its acting beyond the authority granted by the General Assembly in the Bond Statute. "Administrative discretion can be exercised *only . . . in accordance with the standards prescribed by statute or ordinance.*" *Atlantic Coast Line R. Co. v. S.C. Pub. Serv. Comm'n*, 245 S.C. 229, 235 (1965) (emphasis added) (citing *Hodge v. Pollock*, 223 S.C. 342 (1953)). While the Commission has the authority to identify and approve the implementation of a substitute to the bond under the Bond Statute, such does not go so far as to empower the Commission to stay the implementation of rates under bond.

I. The Commission's stay on the implementation of rates under bond violates the Company's substantive due process rights by depriving the Company of a property interest granted by state law, and is itself arbitrary and capricious decision-making.

Because the Commission's stay deprives the Company of a property interest in the revenues obtained from the rates under bond, the stay violates the Company's substantive due process rights. Additionally, the Commission's stay constitutes arbitrary and capricious decision-making.² As explained above, the Commission has routinely and repeatedly held that it is without

² *Deese v. S.C. State Bd. of Dentistry*, 286 S.C. 182, 184, 332 S.E.2d 539, 541 (S.C. Ct. App. 1985)(A decision is deemed arbitrary if it is "without a rational basis, is based alone on one's will and not upon any course of reasoning and exercise of judgment, is made at pleasure, without adequate determining principles, or is governed by no fixed rules or standards.").

discretion to prohibit utilities from imposing rates under bond, and that the statute grants utilities the authority to implement rates under bond “as a matter of right.” Order No. 2008-269 at 3-4, Docket No. 2007-286-WS (Apr. 25, 2008); Order No. 2010-543 at 3-4, Docket No. 2009-479-WS (Aug. 12, 2010); Order No. 2016-156 at 4, Docket No. 2014-346-WS (Mar. 1, 2016). Indeed, the Company holds a due process right to implement rates under bond, and the Commission’s action to stay the utility’s implementation of rates under bond arbitrarily and capriciously deprives the Company of this right.

The South Carolina Supreme Court has provided guidance on this issue:

[T]o prove a denial of substantive due process, a party must show that he was arbitrarily and capriciously deprived of a cognizable property interest rooted in state law. Thus, parties claiming such violations must first show they have a legitimate property interest.

Property interests are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law—rules or understandings that secure certain benefits and that support claims of entitlement to those benefits. To determine if the expectation of entitlement is sufficient will depend largely upon the extent to which the statute contains mandatory language that restricts the discretion of the agency.

Grimsley v. S.C. Law Enforcement Div., 396 S.C. 276, 283-84 (2012) (emphasis added) (internal citations omitted) (*Grimsely*). The Bond Statute provides clear, “mandatory language that restricts the discretion of the agency.” The Company undeniably holds a property interest in the revenues resulting from implementing rates under bond pursuant to the Bond Statute. The discretion of the Commission is extremely narrow in approving the amount of the bond and the surety (which it has done), and the Commission has unwaveringly found that the Bond Statute grants utilities the authority to implement rates under bond “as a matter of right.”

The Commission’s stay is an arbitrary and capricious (and punitive) act against Blue Granite. Never before has the Commission determined that it has discretion or flexibility as related

to a utility's right to implement rates under bond. As noted, the Commission has repeatedly found that it, in fact, "is without discretion to prohibit the utility from imposing its proposed rates under an appropriate bond." Order No. 2008-269 at 3-4, Docket No. 2007-286-WS (Apr. 25, 2008); Order No. 2010-543 at 3-4, Docket No. 2009-479-WS (Aug. 12, 2010); Order No. 2016-156 at 4, Docket No. 2014-346-WS (Mar. 1, 2016); Order No. 2016-156 at 4, Docket No. 2014-346-WS (Mar. 1, 2016). Further, despite its broad finding in the August 31, 2020 directive that the pandemic is causing "troubling effects" for South Carolina utility customers, the Commission's actions have been against Blue Granite alone. On August 20, 2020, the Commission issued Order No. 2020-561, authorizing a significant rate increase for Palmetto Utilities, Inc. to begin on September 20, 2020. Further, although the Commission's very recent actions have been against Blue Granite alone, as far back as May 14, 2020—in Docket No. 2020-106-A, a generic docket applicable to all South Carolina regulated utilities—while thanking the state's utilities "for their work and actions during the COVID-19 State of Emergency," the Commission rescinded the broad-based customer protections it had implemented in March 2020. Order No. 2020-374, Docket No. 2020-106-A (May 14, 2020). Now, nearly four months later, the Commission finds that due to the "troubling effects of the COVID-19 pandemic,"³ Blue Granite's customers should be spared from the rates under bond to which the utility is statutorily entitled. In summary, the Commission overturned more than a decade of its own precedent finding that it had no discretion as related to rates under bond, approved another similarly situated utility's rate increase, and rescinded the broad customer protections it had implemented in March 2020, but will not permit Blue Granite to implement rates under bond. This conduct is patently arbitrary and capricious, and amounts to a violation of the Company's substantive due process rights.

³ Aug. 31, 2020 Directive, Docket No. 2019-290-WS.

As explained in the Company's letter to the Commission dated August 13, 2020, Blue Granite has taken and is taking significant actions to assist customers during the pandemic. First, the Company voluntarily delayed the implementation of increased rates until September 1, 2020, a delay of nearly five months after the Commission's issuance of an order on the Company's application, causing Company to forego approximately \$2 million of revenues from customers to the Company. Additionally, to its knowledge, Blue Granite was the first utility in South Carolina to suspend nonpayment disconnections, an accommodation it initiated on March 10, 2020, several days before Governor McMaster issued Executive Order No. 2020-08 and requested that utilities suspend nonpayment disconnections, and more than a week before the Commission issued Order No. 2020-228 effectuating same. The Company also suspended its collection processes and the assessment of late charges effective March 10, 2020, and reconnected those customers shut off for non-payment back to March 1, 2020. Additionally, the Company has continued its practice of referring customers who are unable to make payment to assistance agencies, as well as continuing to establish long-term payment arrangements for customers who fall behind on bills. Blue Granite should not now be singled out, particularly in light of the actions the Company continues to take for the benefit of customers.

II. Because the Commission has approved by unanimous vote the Company's proposed bond, it must now issue its final order approving the bond or affirm that the bond approval has been granted.

As required by the Bond Statute, the Commission has approved the Company's bond and surety. Such approval was granted by unanimous vote in a business meeting of the Commission on July 15, 2020 and memorialized by a directive issued on the same day, which reads:

I move that the Commission find the proposed bond amount reasonable and Liberty Mutual Insurance Company an acceptable surety to ensure that ratepayers are protected and would be reimbursed with interest in the event Blue Granite's appeal is unsuccessful, and I move that the Commission approve the requested bond.

The Commission should affirm that this unanimous vote constitutes the approval required by the Bond Statute. Should the Commission find that it instead needs to issue a final order, it should do so promptly. The issuance of a final order is ministerial in nature, and “[i]t is the positive duty of the commission to decide matters properly submitted within its jurisdiction without unreasonable delay.” *City of Columbia v. Pearman*, 180 S.C. 296 (1936); *see id.* (“The city is entitled to the writ. The Commission was under a plain ministerial duty to render a decision on the merits. It has expressly refused to decide. Mandamus is the proper remedy.”). Further, for the Commission’s convenience, the Company filed a proposed order approving the bond on August 7, 2020.

Establishment of the regulatory asset authorized by the Commission in the August 31, 2020 directive is an inadequate remedy. As indicated in the Commission’s directive and explained above, unlike implementing rates under bond, future recovery of a regulatory asset is not guaranteed, and it is therefore not a substitute for implementing rates under bond. As explained in the Commission’s August 31, 2020 directive, issuance of the accounting order “will not prejudice the right of any party to address or challenge the recovery of these costs in a subsequent rate proceeding.” While the regulatory asset was necessary to protect the Company’s potential ability to recover the revenues to which it is entitled, there is no adequate substitute for the Commission issuing final approval of the bond and permitting the Company to implement rates under bond.

III. Conclusion

The Commission should reconsider the stay of the Company’s implementation of rates under bond because it has no authority to impose such a stay, and because the stay violates the Company’s substantive due process rights by arbitrarily and capriciously depriving it of a statutorily granted property interest. Further, because the Commission has approved the

Company's proposed bond, it must affirm that it has provided the approval required by S.C. Code Ann. § 58-5-240(D), or issue a final order memorializing same.

Respectfully submitted,

s/Samuel J. Wellborn

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Columbia, South Carolina
September 4, 2020

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2019-290-WS

In Re:	)	
	)	PETITION FOR RECONSIDERATION AND
Application of Blue Granite Water	)	COMMENTS REGARDING STAY AND
Company for Approval to Adjust Rate	)	ACCOUNTING ORDER OF BLUE GRANITE
Schedules and Increase Rates	)	WATER COMPANY
	)	

Pursuant to S.C. Code Ann. §§ 1-23-380 and 58-5-330, S.C. Code Ann. Regs. 103-825 and 103-854, and applicable law, Blue Granite Water Company (“Blue Granite” or the “Company”) petitions the Public Service Commission of South Carolina (the “Commission”) to reconsider certain rulings contained in Order No. 2020-758, which was served on the Company on November 6, 2020. This pleading may also stand in the place of the Company’s comments pursuant to the provision in Order No. 2020-758 that parties have “further opportunity to be heard on the Company’s Conditional Petition for Approval of Accounting Order before this Commission’s preliminary Stay has expired.” The Company reserves the right to respond to any comments filed by other parties pursuant to same.

I. Background

In Order No. 2020-758 issued in this proceeding, the Commission (i) approved the bond filed by the Company pursuant to S.C. Code Ann. § 58-5-240(D); (ii) ordered that the stay of the Company’s implementation of rates under bond imposed by Order No. 2020-549 continue until December 31, 2020; and (iii) granted the Company’s request for an accounting order and ordered that it remain in effect until December 31, 2020. Order No. 2020-758 also stated that the parties

to this proceeding “will have further opportunity to be heard before the Commission’s preliminary Stay has expired,” and that the Commission will consider renewal of the accounting order at a later date. For the Commission’s information, the bond obtained from Liberty Mutual Insurance Company and filed with the Commission on August 17, 2020 remains valid and in effect.

II. Petition for Reconsideration & Comments

The Company requests reconsideration of the Commission’s imposition of the stay, and reasserts and incorporates by reference the positions articulated in its petition for reconsideration filed on September 4, 2020, namely that: (i) the Commission lacks the requisite authority to stay the implementation of rates under bond, and therefore the stay is an *ultra vires* act; (ii) the substitute arrangements contemplated by the plain language of S.C. Code Ann. § 58-5-240(D) are “for the bond,” and such does not confer upon the Commission the authority to stay a utility’s right to implement rates under bond; (iii) an accounting order, in contrast to implementing rates protected by a guarantee, is not a “substitute” as contemplated and required by S.C. Code Ann. § 58-5-240(D); (iv) the Commission’s stay of Blue Granite’s implementation of rates under bond is arbitrary and capricious; (v) the stay violates the Company’s substantive due process rights by depriving the Company of a property interest granted by state law; and (vi) other grounds stated in the previous request for reconsideration. Given these issues, the Company believes that the stay should be immediately lifted.

Notwithstanding and without waiving the aforementioned positions opposing the stay, the Company seeks reconsideration of the Commission’s end date of December 31, 2020 for the accounting order. Blue Granite needs at least 45 days to provide notice of the rate change to customers, i.e., a 30-day billing cycle and additional lead time to prepare issuance. In an effort to avoid customer confusion, the Company should not begin to provide notice of the rate change

beginning on December 1, 2020 if it is not certain the Company will be permitted to implement rates under bond beginning January 1, 2021. For these reasons, the Company requests that the Commission reconsider its ruling that the accounting order end precisely on December 31, 2020, and instead find that the accounting order will end only after the Company has had an adequate opportunity to prepare to issue the customer notice of the rate change, and has had a 30-day billing cycle to issue the customer notice. Blue Granite believes that such an arrangement is in customers' interest as it will avoid the confusion and unnecessary expense that would result from issuing a notice beginning December 1, 2020 and then potentially needing to rescind and reissue the notice.

WHEREFORE, Blue Granite requests that the Commission reconsider certain rulings contained in Order No. 2020-758, as explained herein.

Respectfully submitted,

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