THE OFFICE OF REGULATORY STAFF

SURREBUTTAL TESTIMONY AND EXHIBITS

OF

CHRISTINA L. SEALE

DOCKET NO. 2006-107-W/S

APPLICATION OF UNITED UTILITY COMPANIES, INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES AND MODIFICATION TO CERTAIN TERMS AND CONDITIONS FOR THE PROVISION OF WATER AND SEWER SERVICE

1

2 **SURREBUTTAL TESTIMONY OF CHRISTINA L. SEALE**

3 **FOR**

4 **THE OFFICE OF REGULATORY STAFF**

5 **DOCKET NO. 2006-107-W/S**

6 **IN RE: UNITED UTILITY COMPANIES, INC.**

7

8 **Q. HAVE YOU PRE-FILED DIRECT TESTIMONY ON BEHALF OF THE**
9 **SOUTH CAROLINA OFFICE OF REGULATORY STAFF ("ORS") IN THIS**
10 **PROCEEDING?**

11 A. Yes. I pre-filed direct testimony concerning the ORS Audit Report in this
12 proceeding on July 31, 2006.

13 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

14 A. The purpose of my surrebuttal testimony is to respond on behalf of ORS to the issues
15 raised in the United Utility Companies, Inc. ("UUCI") rebuttal testimony filed by
16 Lena Sunardio on August 7, 2006.

17 **Q. MS. SEALE, HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF**
18 **LENA SUNARDIO ON BEHALF OF UUCI IN THIS MATTER?**

19 A. Yes. I have reviewed her rebuttal testimony, and I would like to address the issues
20 Ms. Sunardio disagreed with in her rebuttal testimony.

21 **Q. WHAT IS YOUR POSITION REGARDING THE UNCOLLECTIBLE**
22 **ACCOUNTS ADJUSTMENTS?**

A. ORS originally adjusted uncollectible accounts (ORS Adjustments 3, 28 and 54) using a 1.5% uncollectible rate. After further review, the ORS Water/Wastewater Department determined that an uncollectible rate of 3.51% would be more appropriate. ORS Water/Wastewater Program Specialist, Dawn Hipp, will address this issue further in her surrebuttal testimony.

Q. WHAT IS YOUR POSITION REGARDING OPERATORS' SALARIES?

A. In order to incorporate the impact of any salary increases which should be included in the calculation of net income for return, ORS annualized operators' salaries that were in effect as of May 2006 (ORS Adjustment 4). UUCI is seeking to include in test year expenses, salary increases which were to be implemented on July 1, 2006. UUCI did not provide documentation in support of this requested increase until July 24, 2006. As my testimony in this matter was due on July 31, 2006, I did not have a reasonable opportunity for auditing and preparation and review of testimony. Because the salary increases, which were to be implemented on July 1, 2006, were not audited, ORS did not recommend inclusion in its rates.

Q. WHAT IS YOUR POSITION REGARDING OPERATING EXPENSE CHARGED TO PLANT?

A. ORS calculated operating expense charged to plant in ORS Adjustment 5 based on total operators' salaries, taxes, and benefits and a 30.12% capitalization percentage. ORS's adjustment to operating expense charged to plant did not include the salary increase proposed by UUCI for the same reasons put forth in our position regarding operators' salaries (ORS Adjustment 4).

1 **Q. WHAT IS YOUR POSITION REGARDING OFFICE SALARIES?**

2 A. ORS annualized office salaries using salaries in effect as of May 2006 and the latest
3 available salary allocation factors as of September 30, 2005 (ORS Adjustment 6).
4 ORS did not include the salary increase proposed by UUCI for the same reasons put
5 forth in our position regarding operators' salaries (ORS Adjustment 4).

6 **Q. WHAT IS YOUR POSITION REGARDING RATE CASE EXPENSE?**

7 A. ORS amortized actual current rate case expenses over a three-year period in ORS
8 Adjustment 7. ORS acknowledges that UUCI may incur additional costs for the rate
9 case proceeding. ORS included only known and measurable rate case expense as of
10 July 21, 2006 in its computation of rate case expense for testimony and exhibits.

11 **Q. WHAT IS YOUR POSITION REGARDING PENSION AND OTHER**
12 **BENEFITS?**

13 A. ORS calculated pension and other benefits in ORS Adjustment 8 based on total
14 operators' and office salaries as calculated for ORS Adjustments 4 and 6. ORS's
15 adjustment to pension and other benefits did not include the salary increase proposed
16 by UUCI for the same reasons put forth in our position regarding operators' salaries
17 (ORS Adjustment 4).

18 **Q. WHAT IS YOUR POSITION REGARDING TAXES OTHER THAN**
19 **INCOME?**

20 A. ORS calculated the adjustment to payroll taxes in ORS Adjustment 11 based on total
21 operators' and office salaries as calculated for ORS Adjustments 4 and 6. ORS's
22 adjustment to payroll taxes did not include the salary increase proposed by UUCI for

1 the same reasons put forth in our position regarding operators' salaries (ORS
2 Adjustment 4).

3 **Q. WHAT IS YOUR POSITION REGARDING OPERATORS' SALARIES**
4 **RELATING TO GEM LAKES?**

5 A. ORS adjusted its accounting and pro forma adjustment of operators' salaries to
6 reflect the transfer of Gem Lakes (ORS Adjustment 30). Since ORS did not include
7 the salary increase proposed by UUCI as previously explained, we do not propose to
8 include the salary increase in any of ORS's adjustments for Gem Lakes. These
9 adjustments include ORS Adjustments 31 (Operating Expense Charged to Plant), 33
10 (Office Salaries), 34 (Pension and Other Benefits), 38 (Payroll Taxes), 39
11 (Utility/Commission Tax), 40 (Income Taxes - State), 41 (Income Taxes - Federal),
12 43 (Customer Growth), 45 (Operating Expenses Charged to Plant related to Gross
13 Plant in Service), 47 (Cash Working Capital) and 52 (Interest Expense).

14 **Q. ARE THERE ANY CHANGES IN YOUR CALCULATIONS OF UUCI'S**
15 **OPERATING EXPERIENCE, RATE BASE OR RATES OF RETURN?**

16 A. Yes. As a result of the change in the uncollectible rate from 1.5% to 3.51%, net
17 income for return and returns on rate base and common equity have changed. After
18 accounting and pro forma adjustments net income changed to $91,586, the as
19 adjusted present changed to $84,450 and after the proposed increase changed to
20 $257,509. After accounting and pro forma adjustments the return on rate base
21 changed to 4.34%, the as adjusted present changed to 4.89% and after the proposed
22 increase changed to 14.90%. The return on common equity changed as adjusted

1 present to 2.67% and after the proposed increase changed to 27.16%. Attached is the
2 Report of the Audit Department with the exhibits reflecting these changes.

3 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 A. Yes, it does.

SURREBUTTAL

REPORT OF THE AUDIT DEPARTMENT

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2006-107-W/S

UNITED UTILITY COMPANIES, INC.

REPORT OF THE AUDIT DEPARTMENT
THE OFFICE OF REGULATORY STAFF
DOCKET NO. 2006-107-W/S
UNITED UTILITY COMPANIES, INC.

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REPORT OF THE AUDIT DEPARTMENT
THE OFFICE OF REGULATORY STAFF
DOCKET NO. 2006-107-W/S
UNITED UTILITY COMPANIES, INC.

SYNOPSIS

Amount Requested -	Water Operations	$23,088
-	Sewer Operations	$264,006
-	Uncollectible Accounts	($10,077)
-	Combined Operations	$277,017

Return on Rate Base:	Combined Operations	Water Operations	Sewer Operations
Per Books	0.66%	(3.58%)	1.04%
After Accounting & Pro forma Adjustments	4.34%	1.39%	4.57%
As Adjusted Present	4.89%	1.39%	5.23%
After Proposed Increase	14.90%	10.23%	15.36%

Return on Common Equity:	Combined Operations	Water Operations	Sewer Operations
As Adjusted Present	2.67%	(5.87%)	3.51%
After Proposed Increase	27.16%	15.73%	28.28%

REPORT OF THE AUDIT DEPARTMENT
THE OFFICE OF REGULATORY STAFF
DOCKET NO. 2006-107-W/S
UNITED UTILITY COMPANIES, INC.

ANALYSIS

The South Carolina Office of Regulatory Staff ("ORS") Audit Department reviewed the application of United Utility Companies, Inc. ("UUCI") along with certain UUCI accounting records, relative to its application for authority to increase certain rates and charges as shown in Docket No. 2006-107-W/S.

UUCI is a water and wastewater utility operating in the State of South Carolina. As of the end of the test year, UUCI furnished both water and sewer service to residential and commercial customers in the counties of Aiken, Anderson, Cherokee, Greenville, Greenwood, Oconee, Spartanburg and Union. UUCI's home office is located at 2335 Sanders Road, Northbrook, Illinois, 60062. Its regional office is located at 110 Queens Parkway, West Columbia, South Carolina 29169. UUCI is a wholly-owned subsidiary of Utilities, Inc., which is also located at the same address in Northbrook, Illinois.

The ORS Audit Department respectfully submits the following results of its review:

1. UUCI filed an application on April 10, 2006 for approval of rates and charges for water and sewer services provided to its residential and commercial customers.
2. This matter is set for public hearing on Monday, August 28, 2006, at 10:30 a.m.
3. UUCI's application uses a test year ending September 30, 2005.
4. The following exhibits are related to UUCI's application for a proposed increase:

AUDIT EXHIBIT CLS-1: OPERATING EXPERIENCE, RATE BASE AND RATES OF RETURN – COMBINED OPERATIONS

Shown in this exhibit are UUCI's operating experience, rate base and rates of return for

the test year ended September 30, 2005. The exhibit's format is designed to reflect per book information, applicable accounting and pro forma adjustments necessary to correct or normalize the results of UUCI's test year operations and adjustments to reflect UUCI's transfer of Gem Lakes and relinquishment of its Keowee Townhomes service territory.

ORS verified the per book balances to the books and records of UUCI. The per book figures reflect Total Operating Revenues for UUCI of $902,941 and Total Operating Income of $10,924 plus interest during construction ("IDC") of $1,064, for Net Income for Return of $11,988. UUCI's per books reflect a Total Rate Base of $1,815,262. A per book Return on Rate Base of 0.66% was computed using Net Operating Income for Return and Total Rate Base. ORS's accounting and pro forma adjustments were added to per book operations. The net effect of these adjustments produced Total Operating Revenues of $921,606, Net Income for Return of $91,586 and a Total Rate Base of $2,112,201. Using the Net Income for Return and Total Rate Base, ORS computed a Return on Rate Base of 4.34% after accounting and pro forma adjustments. ORS has included the effects of UUCI's transfer of Gem Lakes and relinquishment of its Keowee Townhomes service territory. ORS verified the amounts to UUCI books and records and recomputed corresponding adjustments. ORS removed ($148,939) from revenue, ($141,982) from expenses and ($384,362) from rate base. After the effects of these adjustments, Total Operating Revenues totaled $772,667, Total Operating Expenses totaled $690,279 and Net Income for Return totaled $84,450. ORS computed Total Rate Base of $1,727,839 and a Return on Rate Base of 4.89%.

UUCI has requested an increase in rates, which would produce additional net annual revenues of $277,017, comprised of a water increase of $23,088, a sewer increase of $264,006, and uncollectible revenue of ($10,077). ORS adjusted utility/commission tax, gross receipts tax,

income taxes and customer growth for the proposed increase.

After the proposed increase, Total Operating Revenues totaled $1,049,684 and Net Income for Return totaled $257,509. Total Rate Base after the proposed increase totaled $1,727,839. Using Net Income for Return and Total Rate Base after the proposed increase, ORS computed a Return on Rate Base of 14.90%.

AUDIT EXHIBIT CLS-2: OPERATING EXPERIENCE, RATE BASE AND RATES OF RETURN – WATER OPERATIONS

Shown in this ORS exhibit are the operating experience, rate base and rates of return for UUCI's water operations.

AUDIT EXHIBIT CLS-3: OPERATING EXPERIENCE, RATE BASE AND RATES OF RETURN – SEWER OPERATIONS

Shown in this ORS exhibit are the operating experience, rate base and rates of return for UUCI's sewer operations.

AUDIT EXHIBIT CLS-4: EXPLANATION OF ACCOUNTING AND PRO FORMA ADJUSTMENTS – COMBINED, WATER AND SEWER OPERATIONS

Shown in this exhibit are the details to reflect accounting and pro forma adjustments made to correct or normalize UUCI's water and sewer operations, reflect UUCI's transfer of Gem Lakes and relinquishment of its Keowee Townhomes service territory and the proposed increase. For comparative purposes, ORS and UUCI's adjustments are both presented in this exhibit.

AUDIT EXHIBIT CLS-5: DEPRECIATION AND AMORTIZATION ADJUSTMENT

Shown in this exhibit are ORS's computations of the adjustments to depreciation expense and the amortization of contributions in aid of construction ("CIAC"). The depreciation rate of 1.5% (66.7 years) was used for plant in service and 25% (4 years) was used for vehicles and

computers as recommended by ORS Water/Wastewater Department.

AUDIT EXHIBIT CLS-6: COMPUTATION OF INCOME TAXES

Shown in this exhibit are ORS's computations of state and federal income taxes based on taxable income after the accounting and pro forma adjustments, after the additional adjustments to reflect UUCI's transfer of Gem Lakes and relinquishment of its Keowee Townhomes service territory, and after the proposed increase. ORS and UUCI used the state income tax rate of 5% and composite federal income tax rate of 35%.

AUDIT EXHIBIT CLS-7: CUSTOMER GROWTH COMPUTATION

Shown in this exhibit are the computations of UUCI's customer growth. ORS used the number of customers at October 1, 2004 and June 30, 2006 to compute the growth factor. Since ORS proposes to include plant additions as of June 30, 2006, the customer growth includes that date as well. ORS computed a growth factor of (3.13%) for water operations, which we will reflect as zero growth, and a growth factor of 2.57% for sewer operations. Combined customer growth was computed by adding water customer growth of 0.00% and sewer customer growth of 2.57%.

AUDIT EXHIBIT CLS-8: CASH WORKING CAPITAL ALLOWANCE

Shown in this exhibit is the calculation of cash working capital after accounting and pro forma adjustments and on as adjusted present operations at September 30, 2005. ORS uses a forty-five day cash working capital allowance since UUCI bills in arrears.

AUDIT EXHIBIT CLS-9: RETURN ON COMMON EQUITY – COMBINED, WATER AND SEWER OPERATIONS

UUCI's return on common equity is computed both before and after the requested increase. The rate base, as shown in Audit Exhibit CLS-1, is allocated among the various classes of debt and equity according to the respective ratios computed using UUCI's parent company's capital

structure as of September 30, 2005.

After accounting and pro forma adjustments, ORS computed the amount of total income for return necessary to cover an embedded cost rate of 6.42% on long-term debt. The remainder of total income for return for combined operations produces a return of 1.32% to common equity after accounting and pro forma adjustments. The overall cost of capital after accounting and pro forma adjustments was 4.34%. Such overall cost equals the return on rate base shown on Audit Exhibit CLS-1.

As adjusted present income available to common equity amounts to $18,892 and return on common equity amounts to 2.67%. Overall cost of capital as shown in this exhibit equals 4.89%. Such overall cost of capital equals the rate of return on rate base on Audit Exhibit CLS-1.

After the net requested increase of $277,017, income available to common equity increases to $191,951 and return on common equity increases to 27.16%. Overall cost of capital as shown in this exhibit equals 14.90%. Such overall cost of capital equals the return on rate base on Audit Exhibit CLS-1.

Included in this exhibit are the returns on common equity as allocated to UUCI's water and sewer operations.

EXHIBIT CLS-10: INCOME STATEMENT

UUCI's income statement for the test year ending September 30, 2005 is reflected in this exhibit. ORS verified the income statement to the books and records of UUCI.

EXHIBIT CLS-11: BALANCE SHEET

Shown in this exhibit is the balance sheet of UUCI as of September 30, 2005. ORS verified the balances contained in this statement to the books and records of UUCI.

United Utility Companies, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended September 30, 2005
Combined Operations

Description	(1) Per Company Books $	(2) Accounting & Pro Forma Adjustments $	(3) After Accounting & Pro Forma Adjustments $	(4) Gem Lakes and Keowee Townhomes Adjustments $	(5) As Adjusted Present $	(6) Proposed Increase $	(7) After Proposed Increase $
Operating Revenues:							
Service Revenues - Water	43,011	413 (A)	43,424	0 (Q1)	43,424	23,088 (R)	66,512
Service Revenues - Sewer	728,478	6,410 (A)	734,888	(6,368) (Q1)	728,520	264,006 (R)	992,526
Service Revenues - Adjustment GEM Lakes	146,265	0	146,265	(146,265) (Q2)	0	0	0
Miscellaneous Revenues	29,482	0	29,482	(1,663) (Q3)	27,819	0	27,819
Uncollectible Accounts	(44,295)	11,842 (B)	(32,453)	5,357 (Q4)	(27,096)	(10,077) (S)	(37,173)
Total Operating Revenues	902,941	18,665	921,606	(148,939)	772,667	277,017	1,049,684
Operating Expenses:							
Maintenance Expenses	504,072	143 (C)	504,215	(64,499) (Q5)	439,716	0	439,716
General Expenses	194,660	(8,287) (D)	186,373	(59,065) (Q6)	127,308	0	127,308
Depreciation Expense	103,145	(4,187) (E)	98,958	(10,060) (Q7)	88,898	0	88,898
Taxes Other Than Income	122,566	(41,411) (F)	81,155	(13,595) (Q8)	67,560	3,231 (T)	70,791
Income Taxes - State	1,281	(536) (G)	745	618 (Q9)	1,363	13,689 (U)	15,052
Income Taxes - Federal	10,606	(5,650) (H)	4,956	4,107 (Q10)	9,063	91,034 (V)	100,097
Amortization of CIAC	(44,313)	172 (I)	(44,141)	512 (Q11)	(43,629)	0	(43,629)
Total Operating Expenses	892,017	(59,756)	832,261	(141,982)	690,279	107,954	798,233
Total Operating Income	10,924	78,421	89,345	(6,957)	82,388	169,063	251,451
Interest During Construction	1,064	(1,064) (J)	0	0	0	0	0
Customer Growth	0	2,241 (K)	2,241	(179) (Q12)	2,062	3,996 (W)	6,058
Net Income for Return	11,988	79,598	91,586	(7,136)	84,450	173,059	257,509
Original Cost Rate Base:							
Gross Plant in Service	5,314,180	251,702 (L)	5,565,882	(670,662) (Q13)	4,895,220	0	4,895,220
Accumulated Depreciation	(582,416)	46,426 (M)	(535,990)	144,025 (Q14)	(391,965)	0	(391,965)
Net Plant in Service	4,731,764	298,128	5,029,892	(526,637)	4,503,255	0	4,503,255
Cash Working Capital	87,341	(1,017) (N)	86,324	(15,446) (Q15)	70,878	0	70,878
Contributions in Aid of Construction	(2,599,699)	(172) (O)	(2,599,871)	34,120 (Q16)	(2,565,751)	0	(2,565,751)
Accumulated Deferred Income Taxes	(381,953)	0	(381,953)	123,876 (Q17)	(258,077)	0	(258,077)
Customer Deposits	(34,743)	0	(34,743)	2,190 (Q18)	(32,553)	0	(32,553)
Water Service Corporation - Rate Base	12,552	0	12,552	(2,465) (Q19)	10,087	0	10,087
Total Rate Base	1,815,262	296,939	2,112,201	(384,362)	1,727,839	0	1,727,839
Return on Rate Base	0.66%		4.34%		4.89%		14.90%
Interest Expense	137,880	(57,738) (P)	80,142	(14,584) (Q20)	65,558	0	65,558

United Utility Companies, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended September 30, 2005
Water Operations

Description	(1) Per Company Books $	(2) Accounting & Pro Forma Adjustments $	(3) After Accounting & Pro Forma Adjustments $	(4) Gem Lakes and Keowee Townhomes Adjustments $	(5) As Adjusted Present $	(6) Proposed Increase $	(7) After Proposed Increase $
Operating Revenues:							
Service Revenues - Water	43,011	413 (A)	43,424	0	43,424	23,088 (R)	66,512
Miscellaneous Revenues	1,114	0	1,114	0	1,114	0	1,114
Uncollectible Accounts	(2,033)	509 (B)	(1,524)	0	(1,524)	(810) (S)	(2,334)
Total Operating Revenues	42,092	922	43,014	0	43,014	22,278	65,292
Operating Expenses:							
Maintenance Expenses	22,568	9 (C)	22,577	0	22,577	0	22,577
General Expenses	12,283	(333) (D)	11,950	0	11,950	0	11,950
Depreciation Expense	8,165	(806) (E)	7,359	0	7,359	0	7,359
Taxes Other Than Income	7,573	(2,613) (F)	4,960	0	4,960	260 (T)	5,220
Income Taxes - State	59	(358) (G)	(299)	0	(299)	1,101 (U)	802
Income Taxes - Federal	487	(2,476) (H)	(1,989)	0	(1,989)	7,321 (V)	5,332
Amortization of CIAC	(3,682)	(5) (I)	(3,687)	0	(3,687)	0	(3,687)
Total Operating Expenses	47,453	(6,582)	40,871	0	40,871	8,682	49,553
Total Operating Income	(5,361)	7,504	2,143	0	2,143	13,596	15,739
Interest During Construction	84	(84) (J)	0	0	0	0	0
Customer Growth	0	0	0	0	0	0	0
Net Income for Return	(5,277)	7,420	2,143	0	2,143	13,596	15,739
Original Cost Rate Base:							
Gross Plant in Service	426,655	3,990 (L)	430,645	0	430,645	0	430,645
Accumulated Depreciation	(51,379)	2,440 (M)	(48,939)	0	(48,939)	0	(48,939)
Net Plant in Service	375,276	6,430	381,706	0	381,706	0	381,706
Cash Working Capital	4,356	(40) (N)	4,316	0	4,316	0	4,316
Contributions in Aid of Construction	(206,977)	5 (O)	(206,972)	0	(206,972)	0	(206,972)
Accumulated Deferred Income Taxes	(23,787)	0	(23,787)	0	(23,787)	0	(23,787)
Customer Deposits	(2,192)	0	(2,192)	0	(2,192)	0	(2,192)
Water Service Corporation - Rate Base	792	0	792	0	792	0	792
Total Rate Base	147,468	6,395	153,863	0	153,863	0	153,863
Return on Rate Base	-3.58%		1.39%		1.39%		10.23%
Interest Expense	10,917	(5,079) (P)	5,838	0	5,838	0	5,838

United Utility Companies, Inc.
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended September 30, 2005
Sewer Operations

Description	(1) Per Company Books	(2) Accounting & Pro Forma Adjustments	(3) After Accounting & Pro Forma Adjustments	(4) Gem Lakes and Keowee Townhomes Adjustments	(5) As Adjusted Present	(6) Proposed Increase	(7) After Proposed Increase
	$	$	$	$	$	$	$
Operating Revenues:							
Service Revenues - Sewer	728,478	6,410 (A)	734,888	(6,368) (Q1)	728,520	264,006 (R)	992,526
Service Revenues - Adjustment GEM Lakes	146,265	0	146,265	(146,265) (Q2)	0	0	0
Miscellaneous Revenues	28,368	0	28,368	(1,663) (Q3)	26,705	0	26,705
Uncollectible Accounts	(42,262)	11,333 (B)	(30,929)	5,357 (Q4)	(25,572)	(9,267) (S)	(34,839)
Total Operating Revenues	860,849	17,743	878,592	(148,939)	729,653	254,739	984,392
Operating Expenses:							
Maintenance Expenses	481,504	134 (C)	481,638	(64,499) (Q5)	417,139	0	417,139
General Expenses	182,377	(7,954) (D)	174,423	(59,065) (Q6)	115,358	0	115,358
Depreciation Expense	94,980	(3,381) (E)	91,599	(10,060) (Q7)	81,539	0	81,539
Taxes Other Than Income	114,993	(38,798) (F)	76,195	(13,595) (Q8)	62,600	2,971 (T)	65,571
Income Taxes - State	1,222	(178) (G)	1,044	618 (Q9)	1,662	12,588 (U)	14,250
Income Taxes - Federal	10,119	(3,174) (H)	6,945	4,107 (Q10)	11,052	83,713 (V)	94,765
Amortization of CIAC	(40,631)	177 (I)	(40,454)	512 (Q11)	(39,942)	0	(39,942)
Total Operating Expenses	844,564	(53,174)	791,390	(141,982)	649,408	99,272	748,680
Total Operating Income	16,285	70,917	87,202	(6,957)	80,245	155,467	235,712
Interest During Construction	980	(980) (J)	0	0	0	0	0
Customer Growth	0	2,241 (K)	2,241	(179) (Q12)	2,062	3,996 (W)	6,058
Net Income for Return	17,265	72,178	89,443	(7,136)	82,307	159,463	241,770
Original Cost Rate Base:							
Gross Plant in Service	4,887,525	247,712 (L)	5,135,237	(670,662) (Q13)	4,464,575	0	4,464,575
Accumulated Depreciation	(531,037)	43,986 (M)	(487,051)	144,025 (Q14)	(343,026)	0	(343,026)
Net Plant in Service	4,356,488	291,698	4,648,186	(526,637)	4,121,549	0	4,121,549
Cash Working Capital	82,985	(977) (N)	82,008	(15,446) (Q15)	66,562	0	66,562
Contributions in Aid of Construction	(2,392,722)	(177) (O)	(2,392,899)	34,120 (Q16)	(2,358,779)	0	(2,358,779)
Accumulated Deferred Income Taxes	(358,166)	0	(358,166)	123,876 (Q17)	(234,290)	0	(234,290)
Customer Deposits	(32,551)	0	(32,551)	2,190 (Q18)	(30,361)	0	(30,361)
Water Service Corporation - Rate Base	11,760	0	11,760	(2,465) (Q19)	9,295	0	9,295
Total Rate Base	1,667,794	290,544	1,958,338	(384,362)	1,573,976	0	1,573,976
Return on Rate Base	1.04%		4.57%		5.23%		15.36%
Interest Expense	126,963	(52,659) (P)	74,304	(14,584) (Q20)	59,720	0	59,720

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Accounting and Pro forma Adjustments			
(A) Service Revenues			
1 ORS and UUCI propose to adjust service revenues to reflect test year customer billings.			
Per ORS	6,823	413	6,410
Per UUCI	9,717	412	9,305
2 UUCI proposes to remove sewer revenues relating to Gem Lakes which are not part of the test year period. ORS adjusts for revenues relating to Gem Lakes in ORS Adjustment 26.			
Per ORS	0	0	0
Per UUCI	(59,023)	0	(59,023)
(B) Uncollectible Accounts			
3 ORS proposes to adjust uncollectible accounts after accounting and pro forma adjustments to service revenues. ORS applied an uncollectible rate of 3.51% to total service revenues of $924,577, less the uncollectible accounts per book amount of ($44,295) for an adjustment of $11,842.			
Per ORS	11,842	509	11,333
Per UUCI	0	0	0
(C) Maintenance Expenses			
4 ORS and UUCI propose to adjust operators' salaries for the test year. ORS proposes to annualize operators' salaries using salaries as of May 2006 and salary allocation factors as of September 30, 2005. ORS did not include a 4% cost of living increase, since supporting documentation was not received in sufficient time to allow for its audit. UUCI included a 4% cost of living increase.			
Per ORS	2,265	143	2,122
Per UUCI	16,387	1,037	15,350

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
5 ORS and UUCI propose to adjust operating expense charged to plant to reflect the proposed adjustment to operators' salaries and related taxes and benefits. ORS computed a factor of 30.12% using actual test year data. UUCI used a capitalization factor of 30.20% which was based on annualized salaries.			
Per ORS	(2,122)	(134)	(1,988)
Per UUCI	(7,210)	(455)	(6,755)
Total Per ORS	143	9	134
(D) General Expenses			
6 ORS and UUCI propose to adjust office salaries for the test year. ORS proposes to annualize office salaries using salaries as of May 2006 and salary allocation factors as of September 30, 2005. ORS did not include a 4% cost of living increase, since supporting documentation was not received in sufficient time to allow for its audit. UUCI included a 4% cost of living increase.			
Per ORS	1,568	99	1,469
Per UUCI	3,311	210	3,101
7 ORS and UUCI propose to include current rate case expenses amortized over a three-year period. ORS included rate case expenses of $84,928 amortized over a three-year period for a total of $28,309 less per book amount of $35,000 for an adjustment of ($6,691). The current rate case expenses include UUCI's portion of the Utilities Management Audit costs. ORS adjusted rate case expenses for actual expenses documented as of July 21, 2006.			
Per ORS	(6,691)	(422)	(6,269)
Per UUCI	22,155	1,398	20,757
8 ORS and UUCI propose to adjust pension and other benefits associated with the adjusted test year salaries.			
Per ORS	(164)	(10)	(154)
Per UUCI	1,050	67	983
9 ORS proposes to remove DHEC fines paid for Briarcreek Subdivision (Consent Order 04-180-W) that are not allowable for rate making purposes.			
Per ORS	(3,000)	0	(3,000)
Per UUCI	0	0	0
Total Per ORS	(8,287)	(333)	(7,954)

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(E) Depreciation Expense			
10 ORS proposes to annualize depreciation expense as of June 30, 2006 for known and measurable plant in service. UUCI proposes to annualize depreciation expense using estimated plant additions. See Audit Exhibit CLS-5.			
Per ORS	(4,187)	(806)	(3,381)
Per UUCI	4,897	(151)	5,048
(F) Taxes Other Than Income			
11 ORS and UUCI propose to adjust for payroll taxes associated with the adjusted test year salaries.			
Per ORS	(1,193)	(75)	(1,118)
Per UUCI	6	1	5
12 ORS proposes to adjust utility/commission tax and gross receipts tax after the accounting and pro forma adjustments using a factor of .0112524 (.0082524 for PSC/ORS and .003 for SCDOR).			
Per ORS	77	5	72
Per UUCI	0	0	0
13 ORS and UUCI propose to remove a tax accrual for property taxes to reflect actual test year expense.			
Per ORS	(40,295)	(2,543)	(37,752)
Per UUCI	(40,295)	(2,543)	(37,752)
Total Per ORS	(41,411)	(2,613)	(38,798)
(G) Income Taxes - State			
14 ORS and UUCI propose to adjust state income taxes after accounting and pro forma adjustments. See Audit Exhibit CLS-6.			
Per ORS	(536)	(358)	(178)
Per UUCI	(6,678)	(553)	(6,125)

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(H) Income Taxes - Federal			
15 ORS and UUCI propose to adjust federal income taxes after accounting and pro forma adjustments. See Audit Exhibit CLS-6.			
Per ORS	(5,650)	(2,476)	(3,174)
Per UUCI	(46,495)	(3,770)	(42,725)
(I) Amortization of Contributions in Aid of Construction (CIAC)			
16 ORS and UUCI propose to annualize amortization of CIAC expense as of September 30, 2005. The purpose of this adjustment is to properly calculate amortization expense associated with CIAC. See Audit Exhibit CLS-5.			
Per ORS	172	(5)	177
Per UUCI	1,230	54	1,176
(J) Interest During Construction (IDC)			
17 ORS and UUCI propose to eliminate IDC for rate making purposes. ORS and UUCI did not include construction work in progress in rate base. Therefore, IDC is eliminated as an addition to net income.			
Per ORS	(1,064)	(84)	(980)
Per UUCI	(1,064)	(84)	(980)
(K) Customer Growth			
18 ORS proposes to adjust for customer growth after the accounting and pro forma adjustments. ORS used customers as of June 30, 2006, since plant additions through that date have been included. See Audit Exhibit CLS-7.			
Per ORS	2,241	0	2,241
Per UUCI	0	0	0
(L) Gross Plant in Service			
19 ORS and UUCI propose to adjust for pro forma projects, general ledger additions and deletions and capitalized time. ORS adjusted plant in service for actual plant additions documented as of June 30, 2006.			
Per ORS	249,580	3,856	245,724
Per UUCI	271,020	6,774	264,246

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
20 ORS proposes to capitalize 30.12% of the operators' salaries, taxes and benefits as a result of the salary adjustment.			
Per ORS	2,122	134	1,988
Per UUCI	0	0	0
Total Per ORS	251,702	3,990	247,712
(M) Accumulated Depreciation			
21 ORS proposes to reduce accumulated depreciation for the annualized depreciation expense adjustment of $4,187 and general ledger retirements from October 1, 2005 to June 30, 2006 of $42,239. UUCI proposes to reduce accumulated depreciation using estimated plant additions and retirements.			
Per ORS	46,426	2,440	43,986
Per UUCI	15,754	(160)	15,914
(N) Cash Working Capital			
22 ORS and UUCI propose to adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit CLS-8.			
Per ORS	(1,017)	(40)	(977)
Per UUCI	4,462	282	4,180
(O) Contributions in Aid of Construction (CIAC)			
23 ORS proposes to adjust CIAC to reflect the amortization of CIAC expense as of September 30, 2005, as a result of ORS Adjustment 16.			
Per ORS	(172)	5	(177)
Per UUCI	0	0	0
(P) Interest Expense			
24 ORS and UUCI propose to adjust interest on debt using 59.10% and 40.90% as the debt to equity ratio and 6.42% cost of debt. ORS and UUCI propose to compute allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit CLS-9.			
Per ORS	(57,738)	(5,079)	(52,659)
Per UUCI	(57,968)	(5,061)	(52,907)

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
Gem Lakes (Docket No. 2006-130-S) and Keowee Townhomes (Docket No. 2006-122-S) Adjustments			
(Q1) Service Revenues			
25 ORS proposes to remove service revenues based on test year customer billings to reflect UUCI's relinquishment of its Keowee Townhomes service territory.			
Per ORS	(6,368)	0	(6,368)
Per UUCI	0	0	0
(Q2) Service Revenues - Adjustment Gem Lakes			
26 ORS proposes to remove per book service revenues of Gem Lakes from total revenues to reflect the transfer of Gem Lakes. UUCI proposes to reduce revenues of Gem Lakes of ($59,023) in Adjustment 2.			
Per ORS	(146,265)	0	(146,265)
Per UUCI	0	0	0
(Q3) Miscellaneous Revenues			
27 ORS proposes to remove per book miscellaneous revenues of ($1,648) of Gem Lakes and ($15) of Keowee Townhomes from total revenues to reflect UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory.			
Per ORS	(1,663)	0	(1,663)
Per UUCI	0	0	0
(Q4) Uncollectible Accounts			
28 ORS proposes to adjust uncollectible accounts to reflect UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory. ORS used the adjustments to service revenues of ($6,368) and ($146,265) multiplied by an uncollectible rate of 3.51% to calculate uncollectible revenues.			
Per ORS	5,357	0	5,357
Per UUCI	0	0	0
(Q5) Maintenance Expenses			
29 ORS proposes to remove per book maintenance expenses of Gem Lakes from total expenses to reflect the transfer of Gem Lakes.			
Per ORS	(64,496)	0	(64,496)
Per UUCI	0	0	0

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
30 ORS proposes to adjust its accounting and pro forma adjustment of operators' salaries to reflect the transfer of Gem Lakes by applying a ratio of .0262 (Gem Lakes operators' salaries per book to total UUCI operators' salaries per book) to Adjustment 4 of $2,265.			
Per ORS	(59)	0	(59)
Per UUCI	0	0	0
31 ORS proposes to adjust its accounting and pro forma adjustment of operating expense charged to plant to reflect the transfer of Gem Lakes by applying a ratio of .0262 (Gem Lakes operators' salaries per book to total UUCI operators' salaries per book) to Adjustment 5 of ($2,122).			
Per ORS	56	0	56
Per UUCI	0	0	0
Total Per ORS	(64,499)	0	(64,499)
(Q6) General Expenses			
32 ORS proposes to remove per book general expenses of Gem Lakes from total expenses to reflect the transfer of Gem Lakes.			
Per ORS	(46,013)	0	(46,013)
Per UUCI	0	0	0
33 ORS proposes to adjust its accounting and pro forma adjustment of office salaries to reflect the transfer of Gem Lakes by applying a ratio of .1477 (Gem Lakes office salaries per book to total UUCI office salaries per book) to Adjustment 6 of $1,568.			
Per ORS	(232)	0	(232)
Per UUCI	0	0	0
34 ORS proposes to adjust its accounting and pro forma adjustment of pension and other benefits to reflect the transfer of Gem Lakes by applying a ratio of .0547 (Gem Lakes pension & other benefits per book to total UUCI pension & other benefits per book) to Adjustment 8 of ($164).			
Per ORS	9	0	9
Per UUCI	0	0	0

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
35 ORS proposes to remove allocation amounts from the parent company for UUCI's transfer of Gem Lakes and its relinquishment of Keowee Townhomes service territory.			
Per ORS	(12,829)	0	(12,829)
Per UUCI	0	0	0
Total Per ORS	(59,065)	0	(59,065)
(Q7) Depreciation Expense			
36 ORS proposes to reduce depreciation expense to reflect UUCI's transfer of Gem Lakes and its relinquishment of Keowee Townhomes service territory. ORS used the reduction in gross plant in service amount of ($670,606) plus salaries charged to plant of ($56) totaling ($670,662) multiplied by the depreciation rate of 1.5%.			
Per ORS	(10,060)	0	(10,060)
Per UUCI	0	0	0
(Q8) Taxes Other than Income (TOTI)			
37 ORS proposes to remove per book TOTI of Gem Lakes from total expenses to reflect the transfer of Gem Lakes.			
Per ORS	(13,634)	0	(13,634)
Per UUCI	0	0	0
38 ORS proposes to adjust its accounting and pro forma adjustment of payroll taxes to reflect the transfer of Gem Lakes by applying a ratio of .0428 (Gem Lakes payroll taxes per book to total UUCI payroll taxes per book) to Adjustment 11 of ($1,193).			
Per ORS	51	0	51
Per UUCI	0	0	0
39 ORS proposes to adjust its accounting and pro forma adjustment of utility/commission tax and gross receipts tax to reflect the transfer of Gem Lakes by applying a ratio of .1617 (Gem Lakes gross revenues per book to total UUCI gross revenues per book) to Adjustment 12 of $77.			
Per ORS	(12)	0	(12)
Per UUCI	0	0	0
Total Per ORS	(13,595)	0	(13,595)

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(Q9) Income Taxes - State			
40 ORS proposes to adjust state income taxes to reflect UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory. See Audit Exhibit CLS-6.			
Per ORS	618	0	618
Per UUCI	0	0	0
(Q10) Income Taxes - Federal			
41 ORS proposes to adjust federal income taxes to reflect UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory. See Audit Exhibit CLS-6.			
Per ORS	4,107	0	4,107
Per UUCI	0	0	0
(Q11) Amortization of CIAC			
42 ORS proposes to reduce amortization of CIAC to reflect the transfer of Gem Lakes. ORS used the reduction in CIAC of $34,120 in Adjustment 48 multiplied by the amortization rate of 1.5%.			
Per ORS	512	0	512
Per UUCI	0	0	0
(Q12) Customer Growth			
43 ORS proposes to adjust for customer growth after the Gem Lakes and Keowee Townhomes adjustments. ORS used customers as of June 30, 2006, since plant additions through that date have been included. See Audit Exhibit CLS-7.			
Per ORS	(179)	0	(179)
Per UUCI	0	0	0
(Q13) Gross Plant in Service			
44 ORS proposes to remove per book gross plant in service of ($662,010) of Gem Lakes and ($8,596) of Keowee Townhomes from total gross plant in service to reflect UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory.			
Per ORS	(670,606)	0	(670,606)
Per UUCI	0	0	0

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
45 ORS proposes to adjust its accounting and pro forma adjustment of operating expense charged to plant to reflect the transfer of Gem Lakes by applying a ratio of .0262 (Gem Lakes operators' salaries per book to total UUCI operators' salaries per book) to Adjustment 20 of $2,122.			
Per ORS	(56)	0	(56)
Per UUCI	0	0	0
Total Per ORS	(670,662)	0	(670,662)
(Q14) Accumulated Depreciation			
46 ORS proposes to remove per book accumulated depreciation of $143,965 of Gem Lakes and $60 of Keowee Townhomes from total accumulated depreciation to reflect UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory.			
Per ORS	144,025	0	144,025
Per UUCI	0	0	0
(Q15) Cash Working Capital			
47 ORS proposes to adjust cash working capital to reflect the transfer of Gem Lakes. See Audit Exhibit CLS-8.			
Per ORS	(15,446)	0	(15,446)
Per UUCI	0	0	0
(Q16) Contributions in Aid of Construction (CIAC)			
48 ORS proposes to remove per book CIAC of Gem Lakes from total CIAC to reflect the transfer of Gem Lakes.			
Per ORS	34,120	0	34,120
Per UUCI	0	0	0
(Q17) Accumulated Deferred Income Taxes (ADIT)			
49 ORS proposes to remove per book ADIT of Gem Lakes from total ADIT to reflect the transfer of Gem Lakes.			
Per ORS	123,876	0	123,876
Per UUCI	0	0	0

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(Q18) Customer Deposits			
50 ORS proposes to remove per book customer deposits of Gem Lakes from total customer deposits to reflect the transfer of Gem Lakes.			
Per ORS	2,190	0	2,190
Per UUCI	0	0	0
(Q19) Water Service Corporation - Rate Base			
51 ORS proposes to adjust Water Service Corporation - Rate Base amount to reflect UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory.			
Per ORS	(2,465)	0	(2,465)
Per UUCI	0	0	0
(Q20) Interest Expense			
52 ORS proposes to adjust interest on debt using 59.10% and 40.90% as the debt to equity ratio and 6.42% cost of debt. ORS proposes to compute allowable interest expense after UUCI's transfer of Gem Lakes and the relinquishment of its Keowee Townhomes service territory. See Audit Exhibit CLS-9.			
Per ORS	(14,584)	0	(14,584)
Per UUCI	0	0	0
Proposed Increase			
(R) Service Revenues			
53 ORS and UUCI propose an increase in service revenues.			
Per ORS	287,094	23,088	264,006
Per UUCI	294,707	23,079	271,628
(S) Uncollectible Accounts			
54 ORS and UUCI propose to adjust uncollectible accounts for the proposed increase. ORS proposes to use an uncollectible rate of 3.51% to calculate uncollectible revenues.			
Per ORS	(10,077)	(810)	(9,267)
Per UUCI	(21,638)	(1,081)	(20,557)

United Utility Companies, Inc.
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended September 30, 2005

Description	$ Combined Operations	$ Water Operations	$ Sewer Operations
(T) Taxes Other Than Income			
55 ORS and UUCI propose to adjust utility/commission tax and gross receipts tax for the proposed increase using a factor of .0112524 (.0082524 for PSC/ORS and .003 for SCDOR).			
Per ORS	3,231	260	2,971
Per UUCI	3,310	259	3,051
(U) Income Taxes - State			
56 ORS and UUCI propose to adjust state income taxes for the proposed increase. See Audit Exhibit CLS-6.			
Per ORS	13,689	1,101	12,588
Per UUCI	13,488	1,087	12,401
(V) Income Taxes - Federal			
57 ORS and UUCI propose to adjust federal income taxes for the proposed increase. See Audit Exhibit CLS-6.			
Per ORS	91,034	7,321	83,713
Per UUCI	89,695	7,228	82,467
(W) Customer Growth			
58 ORS proposes to adjust customer growth for the proposed increase. ORS used customers as of June 30, 2006, since plant additions through that date have been included. See Audit Exhibit CLS-7.			
Per ORS	3,996	0	3,996
Per UUCI	0	0	0

United Utility Companies, Inc.
Depreciation and Amortization Adjustment
For the Test Year Ended September 30, 2005

	Combined Operations $	Water Operations $	Sewer Operations $
Depreciation Adjustment			
Gross Plant @ 9-30-05	5,314,180	426,655	4,887,525
Add:			
GL Additions & Deletions, Capitalized Time & Pro forma Projects @ 6-30-06	251,702	3,990	247,712
Less:			
Organization @ 6-30-06	(27,128)	(6,000)	(21,128)
Land @ 6-30-06	(21,090)	(2,150)	(18,940)
Vehicles @ 6-30-06	(82,267)	(5,193)	(77,074)
Computers @ 6-30-06	(1,122)	(71)	(1,051)
Net Plant	5,434,275	417,231	5,017,044
Plant Depreciation @ 1.5% (66.67 years)	81,514	6,258	75,256
Vehicles @ 6-30-06	82,267	5,193	77,074
Less: Fully Depreciated Vehicles	(21,260)	(1,342)	(19,918)
	61,007	3,851	57,156
Vehicle Depreciation @ 25% (4 years)	15,252	963	14,289
Computers @ 6-30-06	1,122	71	1,051
Less: Fully Depreciated Computers	(1,122)	(71)	(1,051)
	0	0	0
Computer Depreciation @ 25% (4 years)	0	0	0
WSC Office Depreciation Allocation	1,876	118	1,758
Regional Office Depreciation Allocation	316	20	296
Total Depreciation	98,958	7,359	91,599
Less: Per Books Depreciation	103,145	8,165	94,980
ORS Adjustment	**(4,187)**	**(806)**	**(3,381)**
Company's Adjustment	4,897	(151)	5,048
Amortization of CIAC Adjustment			
CIAC @ 9-30-05	(2,942,737)	(245,828)	(2,696,909)
CIAC Amortization @ 1.5% (66.67 years)	(44,141)	(3,687)	(40,454)
Less: Per Books Amortization of CIAC	(44,313)	(3,682)	(40,631)
ORS Adjustment	**172**	**(5)**	**177**
Company's Adjustment	1,230	54	1,176

United Utility Companies, Inc.
Computation of Income Taxes
For the Test Year Ended September 30, 2005

After Accounting & Pro Forma Adjustments

	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	921,606	43,014	878,592
Operating Expenses	826,560	43,159	783,401
Net Operating Income Before Taxes	95,046	(145)	95,191
Less: Annualized Interest Expense	80,142	5,838	74,304
Taxable Income - State	14,904	(5,983)	20,887
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	745	(299)	1,044
Less: State Income Taxes Per Book	1,281	59	1,222
Adjustment to State Income Taxes	**(536)**	**(358)**	**(178)**
Taxable Income - Federal	14,159	(5,684)	19,843
Federal Income Taxes %	35.0%	35.0%	35.0%
Federal Income Taxes	4,956	(1,989)	6,945
Less: Federal Income Taxes Per Book	10,606	487	10,119
Adjustment to Federal Income Taxes	**(5,650)**	**(2,476)**	**(3,174)**

As Adjusted Present

	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	772,667	43,014	729,653
Operating Expenses	679,853	43,159	636,694
Net Operating Income Before Taxes	92,814	(145)	92,959
Less: Annualized Interest Expense	65,558	5,838	59,720
Taxable Income - State	27,256	(5,983)	33,239
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	1,363	(299)	1,662
Less: State Income Taxes - After Accounting & Pro Forma Adjustments	745	(299)	1,044
Adjustment to State Income Taxes	**618**	**0**	**618**
Taxable Income - Federal	25,893	(5,684)	31,577
Federal Income Taxes %	35.0%	35.0%	35.0%
Federal Income Taxes	9,063	(1,989)	11,052
Less: Federal Income Taxes After Accounting & Pro Forma Adjustments	4,956	(1,989)	6,945
Adjustment to Federal Income Taxes	**4,107**	**0**	**4,107**

United Utility Companies, Inc.
Computation of Income Taxes
For the Test Year Ended September 30, 2005

	After Proposed Increase		
	$ Combined Operations	$ Water Operations	$ Sewer Operations
Operating Revenues	1,049,684	65,292	984,392
Operating Expenses	683,084	43,419	639,665
Net Operating Income Before Taxes	366,600	21,873	344,727
Less: Annualized Interest Expense	65,558	5,838	59,720
Taxable Income - State	301,042	16,035	285,007
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	15,052	802	14,250
Less: State Income Taxes As Adjusted Present	1,363	(299)	1,662
Adjustment to State Income Taxes	**13,689**	**1,101**	**12,588**
Taxable Income - Federal	285,990	15,233	270,757
Federal Income Taxes %	35.0%	35.0%	35.0%
Federal Income Taxes	100,097	5,332	94,765
Less: Federal Income Taxes As Adjusted Present	9,063	(1,989)	11,052
Adjustment to Federal Income Taxes	**91,034**	**7,321**	**83,713**

United Utility Companies, Inc.
Customer Growth Computation
For the Test Year Ended September 30, 2005

Combined Operations: Description			After Accounting & Pro Forma Adjustments	Gem Lakes & Keowee Townhomes Adjustments	As Adjusted Present	Proposed Increase	After Proposed Increase
			$	$	$	$	$
Water Customer Growth			0	0	0	0	0
Sewer Customer Growth			2,241	(179)	2,062	3,996	6,058
Combined Customer Growth			2,241	(179)	2,062	3,996	6,058
Number of Customers:							
Beginning	1,878	Formula:					
Ending	1,967	Ending - Average		=	44	=	2.29%
Average	1,923	Average			1,923		
Water Operations:							
Total Operating Income			2,143	0	2,143	13,596	15,739
Growth Factor			-3.13%	-3.13%	-3.13%	-3.13%	-3.13%
Customer Growth			0	0	0	0	0
Number of Customers:							
Beginning	99	Formula:					
Ending	93	Ending - Average		=	(3)	=	-3.13%
Average	96	Average			96		
Sewer Operations:							
Total Operating Income			87,202	(6,957)	80,245	155,467	235,712
Growth Factor			2.57%	2.57%	2.57%	2.57%	2.57%
Customer Growth			2,241	(179)	2,062	3,996	6,058
Number of Customers:							
Beginning	1,779	Formula:					
Ending	1,874	Ending - Average		=	47	=	2.57%
Average	1,827	Average			1,827		

Note: Combined customer growth equals water operations plus sewer operations customer growth

Beginning customer growth is @ 10/1/2004.
Ending customer growth is @ 6/30/2006.

United Utility Companies, Inc.
Cash Working Capital Allowance
For the Test Year Ended September 30, 2005

After Accounting & Pro Forma Adjustments	$ Combined Operations	$ Water Operations	$ Sewer Operations
Maintenance Expenses	504,215	22,577	481,638
General Expenses	186,373	11,950	174,423
Total Expenses for Computation	690,588	34,527	656,061
Allowable Rate	12.50%	12.50%	12.50%
Computed Cash Working Capital	86,324	4,316	82,008
Cash Working Capital - Per Books	87,341	4,356	82,985
Cash Working Capital Adjustment - ORS After Accounting & Pro Forma Adjustments	**(1,017)**	**(40)**	**(977)**
Cash Working Capital Adjustment - UUCI	4,462	282	4,180

As Adjusted Present	$ Combined Operations	$ Water Operations	$ Sewer Operations
Maintenance Expenses	439,716	22,577	417,139
General Expenses	127,308	11,950	115,358
Total Expenses for Computation	567,024	34,527	532,497
Allowable Rate	12.50%	12.50%	12.50%
Computed Cash Working Capital - As Adjusted	70,878	4,316	66,562
Cash Working Capital - After Accounting & Pro Forma Adjustments	86,324	4,316	82,008
Cash Working Capital Adjustment - ORS As Adjusted Present	**(15,446)**	**0**	**(15,446)**
Cash Working Capital Adjustment - UUCI	0	0	0

United Utility Companies, Inc.
Return on Common Equity
Capital Structure at September 30, 2005

Combined Operations

Description	Capital Structure	Ratio	-----After Accounting & Pro Forma Adjustments----- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	-------As Adjusted Present------- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	-------After Proposed Increase------- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
	$	%	$	%	%	$	$	%	%	$	$	%	%	$
Long-Term Debt	136,789,585	59.10%	1,248,311	6.42%	3.79%	80,142	1,021,153	6.42%	3.79%	65,558	1,021,153	6.42%	3.79%	65,558
Common Equity	94,651,855	40.90%	863,890	1.32%	0.55%	11,444	706,686	2.67%	1.10%	18,892	706,686	27.16%	11.11%	191,951
Totals	231,441,440	100.00%	2,112,201		4.34%	91,586	1,727,839		4.89%	84,450	1,727,839		14.90%	257,509

Water Operations

Description	Capital Structure	Ratio	-----After Accounting & Pro Forma Adjustments----- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	-------As Adjusted Present------- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	-------After Proposed Increase------- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
	$	%	$	%	%	$	$	%	%	$	$	%	%	$
Long-Term Debt	136,789,585	59.10%	90,933	6.42%	3.79%	5,838	90,933	6.42%	3.79%	5,838	90,933	6.42%	3.79%	5,838
Common Equity	94,651,855	40.90%	62,930	-5.87%	-2.40%	(3,695)	62,930	-5.87%	-2.40%	(3,695)	62,930	15.73%	6.44%	9,901
Totals	231,441,440	100.00%	153,863		1.39%	2,143	153,863		1.39%	2,143	153,863		10.23%	15,739

Sewer Operations

Description	Capital Structure	Ratio	-----After Accounting & Pro Forma Adjustments----- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	-------As Adjusted Present------- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	-------After Proposed Increase------- Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return
	$	%	$	%	%	$	$	%	%	$	$	%	%	$
Long-Term Debt	136,789,585	59.10%	1,157,378	6.42%	3.79%	74,304	930,220	6.42%	3.79%	59,720	930,220	6.42%	3.79%	59,720
Common Equity	94,651,855	40.90%	800,960	1.89%	0.78%	15,139	643,756	3.51%	1.44%	22,587	643,756	28.28%	11.57%	182,050
Totals	231,441,440	100.00%	1,958,338		4.57%	89,443	1,573,976		5.23%	82,307	1,573,976		15.36%	241,770

Note: ORS used the capital structure of the parent company @ 9/30/2005.

SURREBUTTAL
Audit Exhibit CLS-10

United Utility Companies, Inc.
Income Statement
For the Test Year Ended September 30, 2005

	Combined Operations	Water Operations	Sewer Operations
	$	$	$
Operating Revenues			
Service Revenues - Water	43,011	43,011	0
Service Revenues - Sewer	728,478	0	728,478
Service Revenues - GEM Lakes Adj.	146,265	0	146,265
Miscellaneous Revenues	29,482	1,114	28,368
Uncollectible Accounts	(44,295)	(2,033)	(42,262)
Total Operating Revenues	902,941	42,092	860,849
Maintenance Expenses			
Salaries and Wages	164,507	10,380	154,127
Purchased Power	90,360	3,508	86,852
Purchased Sewer & Water	7,601	0	7,601
Maintenance and Repair	207,550	6,727	200,823
Maintenance Testing	35,200	2,024	33,176
Meter Reading	0	0	0
Chemicals	27,199	1,716	25,483
Transportation	22,599	1,426	21,173
Operating Expense Charged to Plant	(59,722)	(3,768)	(55,954)
Outside Services - Other	8,777	554	8,223
Total	504,071	22,567	481,504
General Expenses			
Salaries and Wages	37,400	2,360	35,040
Office Supplies & Other Office Expense	36,079	2,277	33,802
Regulatory Commission Expense	35,001	2,209	32,792
Pension & Other Benefits	32,339	2,041	30,298
Rent	0	0	0
Insurance	34,512	2,178	32,334
Office Utilities	8,730	551	8,179
Miscellaneous	10,601	669	9,932
Total	194,662	12,285	182,377
Depreciation	103,145	8,165	94,980
Taxes Other Than Income	122,566	7,573	114,993
Income Taxes - Federal	10,606	487	10,119
Income Taxes - State	1,281	59	1,222
Amortization of ITC	0	0	0
Amortization of PAA	0	0	0
Amortization of CIAC	(44,313)	(3,682)	(40,631)
Total	193,285	12,602	180,683
Total Operating Expenses	892,018	47,454	844,564
Net Operating Income	10,923	(5,362)	16,285
Interest During Construction	(1,064)	(84)	(980)
Interest on Debt	137,880	10,917	126,963
Net Income	(125,893)	(16,195)	(109,698)

United Utility Companies, Inc.
Balance Sheet
As of September 30, 2005

Assets	$	$	$
Plant In Service			
Water	426,655		
Sewer	4,887,525		
Total		5,314,180	
Accumulated Depreciation - Water	(51,379)		
Accumulated Depreciation - Sewer	(531,037)		
Total		(582,416)	
Net Utility Plant			4,731,764
Plant Acquisition Adjustment - Water	0		
Plant Acquisition Adjustment - Sewer	0		
Total			0
Construction Work In Process - Water	0		
Construction Work In Process - Sewer	167,122		
Total			167,122
Current Assets			
Cash	5		
Accounts Receivable - Net	151,066		
Other Current Assets	0		
Total			151,071
Deferred Charges			36,778
Total Assets			5,086,735
Liabilities and Other Credits		$	$
Capital Stock and Retained Earnings			
Common Stock and Paid In Capital		670,435	
Retained Earnings		(1,050,772)	
Total			(380,337)
Current and Accrued Liabilities			
Accounts Payable - Trade		13,105	
Taxes Accrued		41,740	
Customer Deposits		34,743	
Customer Deposits - Interest		29,141	
A/P - Associated Companies		2,366,691	
Total			2,485,420
Advances In Aid of Construction			
Water		0	
Sewer		0	
Total			0
Contributions In Aid of Construction			
Water		206,977	
Sewer		2,392,722	
Total			2,599,699
Accumulated Deferred Income Tax			
Unamortized ITC		0	
Deferred Tax - Federal		383,591	
Deferred Tax - State		(1,638)	
Total			381,953
Total Liabilities and Other Credits			5,086,735