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THE STATE OF SOUTH CAROLINA
In the 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-_____

NOTICE OF APPEAL

Blue Granite Water Company ("Blue Granite") appeals Order No. 2020-641 issued on September 23, 2020, Order No. 2020-549 issued on August 18, 2020, the directive issued on September 16, 2020, and Order No. 2020-306 issued on April 9, 2020, each issued in Docket No. 2019-290-WS by the South Carolina Public Service Commission. Copies of these issuances are attached as Exhibits A, B, C, and D, respectively.

Dated this 25th day of September, 2020.

s/Samuel J. Wellborn
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EXHIBIT A

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2019-290-WS - ORDER NO. 2020-641

SEPTEMBER 23, 2020

IN RE: APPLICATION OF BLUE GRANITE WATER COMPANY FOR APPROVAL TO ADJUST RATE SCHEDULES AND INCREASE RATES	))))))	ORDER ON PETITIONS FOR CLARIFICATION AND REHEARING/RECONSIDERATION BY BLUE GRANITE WATER COMPANY AND BY THE OFFICE OF REGULATORY STAFF

This matter comes before the Public Service Commission of South Carolina ("Commission") by way of the Petition for Reconsideration and Clarification (the "Petition for Reconsideration and Clarification" or "Petition") of Commission Order No. 2020-306 ("Order") filed by Blue Granite Water Company ("Blue Granite" or "Company") and by way of the Petition for Clarification and Rehearing/Reconsideration (the "Petition for Rehearing/Reconsideration" or "ORS Petition") of the Order filed by the Office of Regulatory Staff ("ORS"). The South Carolina Department of Consumer Affairs also filed a response in support of the Commission's ruling on a 7.46% Rate of Return on Equity commonly referred to as "ROE." For the reasons stated below, we deny Blue Granite's Petition for Reconsideration and Clarification and grant, in part, and deny, in part, the Petition for Clarification and Rehearing/Reconsideration filed by the Office of Regulatory Staff. The three issues raised by ORS in its Motion are also issues raised by Blue Granite which motions are addressed at the same time when the issues are discussed herein.

This Order sets out the Commission's clarification and reconsideration on issues and resulting changes to Order. No. 2020-306. To the extent that any rulings within this Order conflict with Order No. 2020-306, this Order supersedes the prior Order. Any matters not specifically addressed in this Order remain unchanged. Our holdings herein and the holdings contained in Order No. 2020-306, which remain unchanged, are all supported by the record of this case. Based upon the evidence in the record and the discussion herein, the Commission finds and concludes that it shall retain its ruling for a 7.46% ROE; therefore, the revised Revenue Requirement then is $29,191,874 due to these revised calculations herein.

I. ORS' PETITION FOR CLARIFICATION AND REHEARING RECONSIDERATION OF COMMISSION ORDER NO. 2020-306 AND BLUE GRANITE'S PETITION FOR RECONSIDERATION AND CLARIFICATION

A. BOTH ORS AND BLUE GRANITE SEEK CLARIFICATION ON THE COMMISSION'S ON RULING FOR ADJUSTMENT NO. 8 (PURCHASED WATER AND SEWER) AND REQUEST RECONSIDER TO INCLUDE THE UNAMORTIZED BALANCE OF ADJUSTMENT NO. 8 IN RATE BASE, SO AS TO ALLOW BLUE GRANITE THE OPPORTUNITY TO EARN ITS WEIGHTED COST OF CAPITAL ON PURCHASED WATER AND SEWER DEFERRAL OR THE PURCHASED WATER AND SEWER EXPENSES GOING FORWARD[1]

Both ORS and Blue Granite,[2] seek Clarification and Reconsideration of the Commission's ruling regarding Adjustment No. 8 to purchased water and sewer expenses which includes two parts. Adjustment 8a is Third-Party Purchased Water and Sewer

[1] The three issues raised by ORS in its Motion are also issues raised by Blue Granite in its Motion; therefore, the Commission addresses both motions by Blue Granite and ORS at the same time.
[2] See Item II.H, p. 25-26, and Item II.K.3, p. 29, of its Motion.

Treatment Deferral totaling $2,563,596. Adjustment 8b is Third-Party Purchased Water and Sewer Expenses Going Forward in the amount of $2,324,292, which already reflects the reduction for the non-revenue water limit of 10%.

First, ORS 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*. During the hearing on the merits, ORS and Blue Granite each proposed to amortize the total deferred amount over three years. The South Carolina Department of Consumer Affairs proposed a longer amortization period of five years. ORS proposed limiting recovery of non-revenue water to 10%. *Tr. p. 1128.3, ll. 5-22.* 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*. In its Order No. 2020-306, 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 No. 2020-306, p. 83*.

ORS further asserts that 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*. The Commission also 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 No. 2020-306, p. 84*. ORS further asserts in its Motion that 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*. ORS further asserts that 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.

In Order No. 2020-306, Commission Adjustment No. 8 is comprised of the sum 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*. ORS asserts in its Motion that only Adjustment No. 8a is limited to the purchased water and sewer deferral whereas 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. There, ORS requested 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, ORS asserts that 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.

Upon consideration of the request of ORS and Blue Granite, we agree that clarification and reconsideration are needed to make an accounting adjustment to the total amount of Purchased Water and Sewer Treatment Deferral as adjusted by ORS, and the proposed Purchased Water and Sewer Expenses Going Forward which is to be amortized over five years. The Commission finds and concludes upon review and reconsideration of the evidence in the record related to Adjustment No. 8 as provided by ORS, Blue Granite,

and all parties in this Docket to clarify its Order No. 2020-306 that the sum of the Purchased Water and Wastewater Treatment Deferral (Adjustment 8a), as adjusted by ORS, $2,563,596, and ORS's proposed Purchased Water and Sewer Expenses Going Adjustment (Adjustment 8b), $2,324,292, amortized over five years, equals $977,578. *See, ORS Motion, p.4; Tr. p. 1129.2, ll. 15-17; Tr. p. 1128.4, ll. 1-3; Tr. p. 1129.2, ll. 15-17; & Tr. p. 1115.6.*

The Commission further hereby clarifies Order No. 2020-306 by adopting the total amount of $4,887,888 as proposed by ORS on page 4 of their Motion for Clarification and Rehearing/Reconsideration to correct the dollar amount for Adjustment No. 8 regarding Third-Party Purchased Water and Sewer Treatment Deferral and Expenses and then the Commission finds, clarifies, and concludes to allow one-fifth of the corrected dollar amount for Adjustment No. 8 ($4,887,888), which is the amount of $977,578, shall be placed in expenses. The Commission finds, clarifies, and concludes that the remainder of Adjustment No. 8 following the deduction of one-fifth for expenses is the amount of $3,910,310 and that this remainder shall be amortized over the remaining four (4) years. The above clarification in the calculation of Adjustment 8 has addressed the concerns raised by Blue Granite in its Motion for Reconsideration and Clarification related to a calculation or numerical error have been corrected in granting, in part, the Motion of ORS and therefore, no further action is needed related to motion of Blue Granite regarding the numerical error. *See, Blue Granite's Motion, Item II.H, p. 25-26, and Item II.K.3, p. 29.*

Whereas the Commission has reconsidered and clarified the calculation of Adjustment 8, its accounting treatment authorized by the Commission, as well as the

amount to be placed in expenses and the amount to be amortized over the remaining four (4) years in a Regulatory Asset (*see, Order No. 2020-306, p. 83*), we deny the request by ORS to remove this item from the calculation of rate base, as well as the request by ORS and Blue Granite to otherwise change Adjustment 8a and 8b to provide for a resulting pro-forma adjustment of $2,837,011. *See, ORS Motion, pp. 5-8; Blue Granite's Motion, Item II.K.3, p. 29.*

B. ORS AND BLUE GRANITE SEEK CLARIFICATION AND RECONSIDERATION ON THE COMMISSION'S ON RULING FOR ADJUSTMENT NO. 16 (RATE CASE EXPENSES)[3]

The second issue raised by ORS is the request for clarification and reconsideration of Commission's decision concerning rate case expenses in Adjustment 16a. We find and conclude to grant ORS' request for reconsideration and clarification by removing an additional $16,132 from Rate Case Expenses. Blue Granite also requested reconsideration by the Commission of its decision to disallow certain rate case expense and other legal expenses.[4] ORS makes a compelling argument for reconsideration and grant of its request. Based upon the calculations provided by the Commission, [5] it appears that there was an inadvertent error including, while intending to exclude, $16,132 of post-test year legal expenses associated with Docket Nos. 2018-358-WS and 2018-361-WS 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

[3] The three issues raised by ORS in its Motion are also issues raised by Blue Granite in its Motion; therefore, the Commission addresses both motions by Blue Granite and ORS at the same time.
[4] See Blue Granite's Motion, Item II.G, p. 21-25.
[5] See Order No. 2020-306, Exhibit 1.

includes $5,377 per year associated with Docket Nos. 2018-358-WS and 2018-361-WS. The Commission finds and concludes to deny the Company's request except to the extent that such request is modified by granting of ORS' request herein which removes an additional $5,377 from Rate Case Expenses for three years which is an additional $16,132 removed from its total Rate Case Expenses. Blue Granite also raised a calculation error in its Motion for Reconsideration[6] that the Commission should have also removed $16,132, which is also addressed and corrected by this motion.

C. BOTH ORS AND BLUE GRANITE SEEK CLARIFICATION ON THE COMMISSION'S ON RULING FOR ADJUSTMENT NO. 8 (PURCHASED WATER AND SEWER) AND REQUEST RECONSIDER TO INCLUDE THE UNAMORTIZED BALANCE OF ADJUSTMENT NO. 8 IN RATE BASE, SO AS TO ALLOW BLUE GRANITE THE OPPORTUNITY TO EARN ITS WEIGHTED COST OF CAPITAL ON PURCHASED WATER AND SEWER DEFERRAL OR THE PURCHASED WATER AND SEWER EXPENSES GOING FORWARD[7]

The third issue raised by ORS is that the Commission clarify and reconsider the dollar amount of the Company's allowable rent expense that excluded the Greenville Office Rent Expense as well as other rent expenses. Blue Granite also requests we reconsider Rent Expense in the amount of $84,685.[8] Both ORS and the Company clarified post-hearing in subsequent filings that the annual rent for the Greenville Office was not $84,685 as testified at the hearing but that it was in fact $73,665. The Company and ORS failed to breakdown the Company's annual rent expenses so that the Commission could specifically disallow the Greenville Office rent expenses of $73,665. Based upon the above

[6] See Blue Granite's Motion, Item II.K.2

[7] The three issues raised by ORS in its Motion are also issues raised by Blue Granite in its Motion; therefore, the Commission addresses both motions by Blue Granite and ORS at the same time.

[8] See Blue Granite's Motion, Item II.F, p. 19-20

and additional clarifying evidence, the Commission grants ORS' motion to reconsider and adjust the Rent Expense to allow rent expense in the amount of $11,174 for other areas than the Greenville Office so that the total amount disallowed relating to the Greenville Office Upfit and Rent Expense is $579,890 and the only amount allowed is $11,174 for rent expenses associated with the Company's Rock Hill Office and warehouse, Anderson Office, Water Service Corporation Public Storage and Water Service Corporation Office. The Commission further finds and concludes to deny Blue Granite's request for reconsideration of the Commission's ruling denying recovery of the Greenville Office rent expense except as changed herein to allow recovery of "other than rent expense for the Greenville Office" in the amount of $11,174 which corrects the calculation error which was raised by Blue Granite.[9]

D. BLUE GRANITE SEEKS SPECIFIC RULINGS IN COMMISSION ORDER NO. 2020-306 IN SECTION II OF ITS MOTION AND REMAINING PORTIONS OF MOTION NOT SPECIFICALLY ADDRESSED.

Blue Granite's Petition for Reconsideration and Clarification of specific rulings in Commission Order No. 2020-306 separately set out in Section II of the Company's Motion multiple grounds for reconsideration and modification. The Commission finds, concludes and denies all requests for reconsideration and modification in Section II of the Company's Motion <u>except</u> for the following:

(1) The Commission finds and grants to make the technical typographical change requested by Blue Granite to delete reference on page 128 of the Commission's Order No.

[9] See Blue Granite's Motion, Item II.K.1.

2020-306 to "Operative Margin" and insert "the rate base rate of return methodology."[10] Upon review of the evidence in the record and application, the Commission finds that this typographical error should be corrected. *See, Blue Granite Application. p. 5; Blue Granite Direct Testimony of Dante DeStefano, p. 4, Tr. 763.4*.

(2) The Commission finds and grants the Company's request for the Commission to clarify certain rulings or matters in its Order as outlined in Item III.A, III.B, III.C and III.D of Blue Granite's Motion. The Commission finds and clarifies that with regard to Bill Format in Item III.A, the Company shall file a draft proposed Bill Format for review and approval. The Commission finds and clarifies that with regard to the recovery of Purchase Water and Sewer Treatment Charges in Item III.B of the Company's Motion, the above discussion of the ruling and clarification of Adjustment No. 8 has answered this question and not further action is needed.

The Commission finds and clarifies that Blue Granite, with reporting customer complaints to the Commission Item III.C of the Company's Motion, shall to file the quarterly reports without customer addresses, and to instead provide addresses to ORS on an as-needed basis and to the Commission as may be requested under seal.

With regard to Item III.D of the Company's Motion, the Commission finds and clarifies the Company shall continue to file semiannual capital improvement reports in this Docket in the same manner and format as required of the Company pursuant to Order No. 2018-345(A) in Docket No. 2017-292-WS.

[10] See Blue Granite's Motion, Item II.A.1, p. 3.

The Commission finds denies all other requests for reconsideration or rehearing not specifically addressed herein.

E. CLARIFICATION ON THE COMMISSION'S ORDER NO. 2020-306 REGARDING TESTING ON RULING FOR INFLOW & INFILTRATION TESTING AND REPORTING

The Commission's order the Company to address its "I & I" issues through testing and reporting the results to the Commission which must be done prior to its next rate proceeding. The Commission finds that the Company shall comply with the provisions of Order No. 2020-306 and shall further provide the "I&I" study and information to the Commission prior to its next rate proceeding. The Company may seek further approval or guidance from the Commission and ORS regarding any methods or studies sought to be used by the Company in providing information and addressing "I&I"

IT IS THEREFORE ORDERED that, based on the above stated findings and conclusions,

1. The Commission agrees that clarification and reconsideration are needed to make an accounting adjustment to the total amount of Purchased Water and Sewer Treatment Deferral as adjusted by ORS, and the proposed Purchased Water and Sewer Expenses Going Forward which is to be amortized over five years.

2. The Commission finds and concludes upon review and reconsideration of the evidence in the record related to Adjustment No. 8 as provided by ORS, Blue Granite, and all parties in this Docket to clarify its Order No. 2020-306 that the sum of the Purchased Water and Wastewater Treatment Deferral (Adjustment 8a), as adjusted by ORS, $2,563,596, and ORS's proposed Purchased Water and Sewer Expenses Going Adjustment (Adjustment 8b), $2,324,292, amortized over five years, equals $977,578.

3. The Commission further hereby clarifies Order No. 2020-306 by adopting the total amount of $4,887,888 to correct the dollar amount for Adjustment No. 8 regarding Third-Party Purchased Water and Sewer Treatment Deferral and Expenses.

4. The Commission finds, clarifies, and concludes to allow one-fifth of the corrected dollar amount for Adjustment No. 8 ($4,887,888), which is the amount of $977,578, shall be placed in expenses.

5. The Commission finds, clarifies, and concludes that the remainder of Adjustment No. 8 following the deduction of one-fifth for expenses is the amount of $3,910,310 and that this remainder shall be amortized over the remaining four (4) years.

6. The Commission finds and grants to make the technical typographical change requested by Blue Granite to delete reference on page 128 of the Commission's Order No. 2020-306 to "Operative Margin" and insert "the rate base rate of return methodology."

7. The Commission finds and concludes to deny the Company's request except to the extent that such request is modified by granting of ORS' request herein which removes an additional $5,377 from Rate Case Expenses for three years which is an additional $16,132 removed from its total Rate Case Expenses. Blue Granite also raised a calculation error in its Motion for Reconsideration[11] that the Commission should have also removed $16,132, which is also addressed and corrected by this motion.

8. Based upon the above and additional clarifying evidence, the Commission finds and grants ORS' motion to reconsider and adjust the Rent Expense to allow rent

[11] See Blue Granite's Motion, Item II.K.2

expense in the amount of $11,174 for other areas than the Greenville Office so that the total amount disallowed relating to the Greenville Office Upfit and Rent Expense is $579,890 and the only amount allowed is $11,174 for rent expenses associated with the Company's Rock Hill Office and warehouse, Anderson Office, Water Service Corporation Public Storage and Water Service Corporation Office.

9. The Commission further finds and concludes to deny Blue Granite's request for reconsideration of the Commission's ruling denying recovery of the Greenville Office rent expense except as changed herein to allow recovery of "other than rent expense for the Greenville Office" in the amount of $11,174 which corrects the calculation error which was raised by Blue Granite.[12]

10. Based upon the evidence in the record and the discussion herein, the Commission finds and concludes that it shall retain its ruling for a 7.46% ROE; therefore, the revised Revenue Requirement then is $29,191,874 due to these revised calculations herein.

11. The Commission finds and clarifies that with regard to Bill Format in Item III.A, the Company shall file a draft proposed Bill Format for review and approval.

12. The Commission finds and clarifies that with regard to the recovery of Purchase Water and Sewer Treatment Charges in Item III.B of the Company's Motion, the above discussion of the ruling and clarification of Adjustment No. 8 has answered this question and not further action is needed.

[12] See Blue Granite's Motion, Item II.K.1.

13. The Commission finds and clarifies that Blue Granite, with reporting customer complaints to the Commission Item III.C of the Company's Motion, shall to file the quarterly reports without customer addresses, and to instead provide addresses to ORS on an as-needed basis and to the Commission as may be requested under seal.

14. With regard to Item III.D of the Company's Motion, the Commission finds and clarifies the Company shall continue to file semiannual capital improvement reports in this Docket in the same manner and format as required of the Company pursuant to Order No. 2018-345(A) in Docket No. 2017-292-WS.

15. The Commission finds that the Company shall comply with the provisions of Order No. 2020-306 and shall further provide the "I&I" study and information to the Commission prior to its next rate proceeding. The Company may seek further approval or guidance from the Commission and ORS regarding any methods or studies sought to be used by the Company in providing information and addressing "I&I"

16. The Commission finds denies all other requests for reconsideration or rehearing not specifically addressed herein.

17. The Company shall update and refile the schedule of rates, terms and conditions to reflect values adjusted or clarified in this Order with this Commission as soon as practicable.

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

EXHIBIT A

BY ORDER OF THE COMMISSION:

Comer H. "Randy" Randall, District 3
for the Public Service Commission of South Carolina

(SEAL)

EXHIBIT A
Action Item 1

ACCEPTED FOR PROCESSING - 2020 May 28 4:19 PM - SCPSC - 2019-290-WS - Page 1 of 3

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE

ADMINISTRATIVE MATTER	☐	DATE	**May 28, 2020**
MOTOR CARRIER MATTER	☐	DOCKET NO.	**2019-290-WS**
UTILITIES MATTER	☑	ORDER NO.	

SUBJECT:
DOCKET NO. 2019-290-WS - Application of Blue Granite Water Company for Approval of Adjustment in Rates – Staff Presents for Commission Consideration Blue Granite Water Company's Petition for Reconsideration and Clarification, as well as the Office of Regulatory Staff's Petition for Clarification and Rehearing/Reconsideration.

COMMISSION ACTION:
Mr. Chairman, the Commission has received a Petition for Clarification and for Rehearing and Reconsideration on our ruling in Order No. 2020-306. These Requests come from the South Carolina Office of Regulatory Staff (ORS) and also from Blue Granite Water Company (Blue Granite). The South Carolina Department of Consumer Affairs also filed a response in support of the Commission's ruling on a 7.46% Rate of Return on Equity commonly referred to as "ROE".

The three issues raised by ORS in its Motion are also issues raised by Blue Granite; therefore, I would like to address them one issue at a time, and this will decide both as follows:

The first issue raised by ORS, and also raised by Blue Granite, [i] is the Clarification and Reconsideration of the Commission's ruling regarding Adjustment No. 8 to purchased water and sewer expenses which includes two parts – 8a is Third-Party Purchased Water and Sewer Treatment Deferral totaling $2,563,596 and 8b is a Third-Party Purchased Water and Sewer Expenses Going Forward in the amount of $2,324,292, which already reflects the reduction for the non-revenue water limit of 10%.

Mr. Chairman, I believe that we should clarify, reconsider, and make an accounting adjustment to the total amount of Purchased Water and Sewer Treatment Deferral as adjusted by ORS, and the proposed Purchased Water and Sewer Expenses Going Forward which is amortized over five years. I move that we reconsider and clarify by adopting the total amount of $4,887,888 as proposed by ORS on page 4 of their Motion to correct the dollar amount for Adjustment No. 8 regarding Third-Party Purchased Water and Sewer Treatment Deferral and Expenses and then proceed to allow one-fifth in the amount of $977,578 placed in expenses with the remainder of $3,910,310 amortized over the remaining four (4) years.

However, I move that the Commission deny the request by ORS to remove this item from the calculation of rate base, as well as the request by ORS and Blue Granite to otherwise change Adjustment 8a and 8b to provide for a resulting pro-forma adjustment of $2,837,011. Blue Granite's Motion for reconsideration [ii] related to the numerical error in the Deferred Charges in Adjustment 8a has been corrected with this Motion and no further action is needed.

The second issue raised by ORS is the request for clarification and reconsideration of Commission's decision concerning rate case expenses in Adjustment 16a. I move that the Commission grant ORS' request for reconsideration and clarification by removing an additional $16,132 from Rate Case Expenses. Blue Granite also requested reconsideration by the Commission of its decision to disallow certain rate case expense and other legal expenses. [iii] I move that we ***deny*** the Company's request except to the extent that such request is modified by granting of ORS' request herein which removes an additional $5,377 from Rate Case Expenses for three years which is an additional $16,132 removed from its total Rate Case Expenses.

Blue Granite also raised a calculation error in its Motion for Reconsideration [iv] that the Commission should have also removed $16,132, which is also addressed and corrected by this motion;

ACCEPTED FOR PROCESSING - 2020 May 28 4:19 PM - SCPSC - 2019-290-WS - Page 2 of 3

The third issue raised by ORS is that the Commission clarify and reconsider the dollar amount of the Company's allowable rent expense that excluded the Greenville Office Rent Expense as well as other rent expenses. Blue Granite also requests we reconsider Rent Expense in the amount of $84,685 [v] Both ORS and the Company clarified post-hearing in subsequent filings that the annual rent for the Greenville Office was not $84,685 as testified at the hearing but that it was in fact $73,665. The Company and ORS failed to breakdown the Company's annual rent expenses so that the Commission could specifically disallow the Greenville Office rent expenses of $73,665. I move that we grant ORS' motion to reconsider and adjust the Rent Expense to allow rent expense in the amount of $11,174 for other areas than the Greenville Office so that the ***total amount disallowed*** relating to the Greenville Office Upfit and Rent Expense is $579,890 and the only amount allowed is $11,174 for rent expenses associated with the Company's Rock Hill Office and warehouse, Anderson Office, Water Service Corporation Public Storage and Water Service Corporation Office. I further move that we ***deny*** Blue Granite's request for reconsideration of the Commission's ruling denying recovery of the Greenville Office rent expense except as changed herein to allow recovery of "other than rent expense for the Greenville Office" in the amount of $11,174 which corrects the calculation error which was raised by Blue Granite. [vi]

With regard to Blue Granite's Petition for Reconsideration and Clarification of specific rulings in Commission Order No. 2020-306 separately set out in Section II of the Company's Motion, I move that the Commission:

(1) ***Grant*** the technical typographical change to delete reference on page 128 of the Commission's Order to "Operative Margin" and insert "the rate base rate of return methodology" [vii] and

(2) ***Deny*** all other requests for reconsideration or rehearing not specifically addressed herein; and

(3) I move that we ***Grant*** the Company's request for the Commission to clarify certain rulings or matters in its Order as outlined in Item III.A, III.B, III.C and III.D of Commission Order No. 2020-306; and

Additionally, I move that the staff make any other appropriate changes needed to effectuate and provide a Final Order consistent with the above, as well clarify the Commission's order the Company to address its "I & I" issues through testing and reporting the results to the Commission which must be done prior to its next rate proceeding. I move the Commission retains its ruling for a 7.46% ROE. The revised Revenue Requirement then is $29,191,874 due to these revised calculations.

As part of my motion, I would request that we direct Blue Granite to provide a revised rate schedule as modified herein no later than Monday, June 8th at the close of business. A full written order will follow, Mr. Chairman. So moved.

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[i] See Item II.H, p. 25-26, and Item II.K.3, p. 29, of its Motion
[ii] See Item II.K.3
[iii] See Item II.G, p. 21-25.
[iv] See Item II.K.2
[v] See Item II.F, p. 19-20.
[vi] See Item II.K.1.
[vii] See Item II.A.1, p. 3.

PRESIDING: Randall SESSION: Regular TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER	
BELSER	☐	☐	☑		voting via videoconference
ERVIN	☑	☑	☐		voting via videoconference
HAMILTON	☐	☑	☐		voting via videoconference
HOWARD	☐	☑	☐		voting via videoconference
RANDALL	☐	☑	☐		voting via videoconference
WHITFIELD	☐	☑	☐		voting via videoconference

WILLIAMS ☐ ☐ ☐ Absent Military Leave

(SEAL)

RECORDED BY: J. Schmieding

ACCEPTED FOR PROCESSING - 2020 May 28 4:19 PM - SCPSC - 2019-290-WS - Page 3 of 3

EXHIBIT B

Special Agenda Item 1

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE

ADMINISTRATIVE MATTER	☐	DATE	**August 18, 2020**
MOTOR CARRIER MATTER	☐	DOCKET NO.	**2019-290-WS** **2020-106-A**
UTILITIES MATTER	☑	ORDER NO.	**2020-549**

THIS DIRECTIVE SHALL SERVE AS THE COMMISSION'S ORDER ON THIS ISSUE.

SUBJECT:
DOCKET NO. 2019-290-WS - Application of Blue Granite Water Company for Approval of Adjustment in Rates;

-and-

DOCKET NO. 2020-106-A - Actions in Response to COVID-19 – Staff Presents for Commission Consideration the Request for Clarification and Alternatives to the Proposed Rate Implementation, Filed on Behalf of the South Carolina Department of Consumer Affairs.

COMMISSION ACTION:
The Department of Consumer Affairs seeks clarification regarding the bond that was approved pursuant to S.C. Code Ann. Section 58-5-240(D).

Move to direct the Clerk's Office to schedule oral arguments on the request for clarification of the Department of Consumer Affairs. Further move that the rates under bond are stayed until further notice.

PRESIDING: Randall SESSION: Regular TIME: 11:00 a.m.

	MOTION	YES	NO	OTHER	
BELSER	☐	☑	☐		voting via videoconference
ERVIN	☑	☑	☐		voting via videoconference
HAMILTON	☐	☑	☐		voting via videoconference
HOWARD	☐	☐	☐	Absent	Sick Leave
RANDALL	☐	☑	☐		voting via videoconference
WHITFIELD	☐	☑	☐		voting via videoconference
WILLIAMS	☐	☐	☐	Absent	Military Leave

(SEAL) RECORDED BY: J. Schmieding

EXHIBIT B

EXHIBIT C

Action Item 3

ACCEPTED FOR PROCESSING - 2020 September 17 10:35 AM - SCPSC - 2019-290-WS - Page 1 of 2

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE

ADMINISTRATIVE MATTER	☐	DATE	**September 16, 2020**
MOTOR CARRIER MATTER	☐	DOCKET NO.	**2019-290-WS**
UTILITIES MATTER	☑	ORDER NO.	

SUBJECT:

DOCKET NO. 2019-290-WS - Application of Blue Granite Water Company for Approval of Adjustment in Rates – Staff Presents for Commission Consideration Blue Granite Water Company's Petition for Reconsideration of Commission Order No. 2020-549.

COMMISSION ACTION:

I move that the Commission deny the Petition for Reconsideration of Commission Order No. 2020-549 filed by Blue Granite. Blue Granite offered the accounting order as a alternative to putting rates in effect under bond, while at the same time, waiving any objection to the continuing Stay placed into effect by Order No. 2020-549. I further move that the Commission provide a detailed Order setting forth its rationale and basis for denying the Motion to Reconsider Order No. 2020-549.

PRESIDING: Williams SESSION: Regular TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER	
BELSER	☐	☑	☐		Present in Hearing Room
ERVIN	☑	☑	☐		Voting via Skype
HAMILTON	☐	☐	☐	Absent	Sick Leave
HOWARD	☐	☑	☐		Voting via Skype
RANDALL	☐	☑	☐		Present in Commission Office, Voting via Skype
WHITFIELD	☐	☑	☐		Voting via Skype
WILLIAMS	☐	☐	☐	Recused	Not Present at Hearing

(SEAL)

RECORDED BY: J. Schmieding

EXHIBIT C

ACCEPTED FOR PROCESSING - 2020 September 17 10:35 AM - SCPSC - 2019-290-WS - Page 2 of 2

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2019-290-WS - ORDER NO. 2020-306

APRIL 9, 2020

IN RE:	Application of Blue Granite Water Company for Approval to Adjust Rate Schedules and Increase Rates	))))	ORDER RULING ON APPLICATION FOR ADJUSTMENTS IN RATES

EXECUTIVE SUMMARY

■ **Executive Summary**

To provide a condensed summary explanation of our reasoning with respect to certain significant components of this Order for the convenience of the reader, we offer the following Executive Summary which is not exclusive all findings and actions below in the Order of the Commission. This Executive Summary shall not be controlling, or have any substantive impact, regarding all findings and rulings contained in this Order by the Commission if there is any conflict between the Executive Summary and remainder of the Order. The Commission deems that this Summary shall not be controlling if any conflict exists between the text of Executive Summary and the text of the findings and actions of the Commission below in this Order. It is the text of the findings and actions of the Commission's Order, beginning at Section I below, that is controlling in construing the plain meaning of any finding or ruling of the Commission.

► **Return on Equity ("ROE")**

The Commission is the fact finder in rate proceedings and must balance the interests of the using and consuming public with that of the utility appearing before it. From witnesses presented by the Office of Regulatory Staff (ORS) and the South Carolina Department of Consumer Affairs (Consumer Affairs), the record of evidence before the Commission indicates that the cost of common equity nationally is on the decline. Tr. p. 672.13. Also, the evidence in the record clearly supports the Commission's conclusion that Blue Granite Water Service Company ("Blue Granite," "Company," or "utility") witness D'Ascendis' proposed Return on Equity ("ROE") is too

high. Witness D'Ascendis initially recommended in his direct testimony a ROE between 10.20% and 10.70% Tr. p. 547.4, ln. 9-12. However, in his rebuttal testimony, witness D'Ascendis updated his analysis and recommended a range between 9.75% and 10.25%. Tr. p. 548.4, ln. 4-9. In contrast, both ORS witness Parcell and Consumer Affairs witness Rothschild presented ROE recommendations for Blue Granite that comply with the requirements set forth in *Federal Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 602-03(1944) ("*Hope*") and *Bluefield Water Works and Improvement Co. v. Pub. Ser. Comm'n of West Virginia*, 262 U.S. 679, 692-93 (1923) ("*Bluefield*").

Considering the quality of service issues known to exist with Blue Granite and the setting of just and reasonable rates and all of the evidence, including the analysis and methodologies used by the three ROE witnesses in this proceeding, the Commission concludes that the analysis used by Consumer Affairs witness Rothschild is the most compelling, applies cost of equity models using water utility companies without the influence of non-utility companies, is objectively just and reasonable, and supported by ample evidence in the record. Tr. pp. 672.8-672.10. After review of all evidence and analysis provided by the witnesses of the parties, we conclude and find that the ROE of 7.46% provided by Consumer Affairs witness Rothschild is the appropriate ROE for Blue Granite based upon (a) the evidence on the whole record, (b) the rate of return methodology, and (c) a historical test year beginning July 1, 2018 and ending June 30, 2019. The Commission approves a ROE of 7.46% for Blue Granite.

With the above approved ROE of 7.46%, the Commission finds and adopts the resulting total Revenue Requirement for Blue Granite of $28,733,986, which is an

increase of $4,958,848 consisting of an additional $2,161,536 in water revenues and an additional $2,797,312 in sewer revenues. This represents an approximate 57% reduction from the Company's requested operating revenue increase of $11,589,537 made in its Application. Additionally, the resulting Operating Margin of 10.54% is found to be just and reasonable and is adopted by the Commission for Blue Granite in accordance with S.C. Code Ann. §58-5-240(H).

► **Depreciation Schedule**

As part of this Application proceeding, Blue Granite conducted its first depreciation study of its water and sewer plant assets in thirty-five (35) years. Blue Granite witness Spanos stated that the Company's current depreciation rates are outdated and were premised upon unrealistically long depreciable lives for facilities and equipment. Tr. p. 564, ln. 17 – p. 565, ln. 3. ORS witness Garrett recommended that the Commission reduce Blue Granite's depreciation accrual by approximately $760,236 calculated as of December 31, 2018. Tr. p. 1065, ln. 19. Based on the evidence in the record, Blue Granite's existing depreciation rates, which assume a 66 2/3-year useful life for all asset accounts, are largely inaccurate. The service lives proposed by witness Spanos for several of the plant accounts in the depreciation studies prepared by Company witness Spanos are too short given the evidence supporting such service life proposals. Tr. p. 1066, ln. 21-25.

The evidence is clear in this case that an update to Blue Granite's depreciation rates and depreciation expense is needed. Both Company witness Spanos and ORS witness Garrett agree on this. The evidence in the record shows that Blue Granite's

current depreciation rates are artificially low and out of date. The question before the Commission is whether witness Spanos or witness Garrett's proposed accrual rates and expense level are more reasonable and supported by the evidence in the record.

The Commission finds that ORS witness Garrett was credible and compelling in his analysis. Garrett employed reasonable and objective orientated methodology in proposing accrual rates, service lives, and net salvage estimates. In addition to reducing Blue Granite's depreciation accrual by approximately $760,236, the Commission further adopts ORS witness Garrett's recommended service life estimates and net salvage cost estimates for the purposes of setting Blue Granite's depreciation rates and depreciation expense.

► **Non-Revenue Water Loss Expense Recovery**

Based upon the Record and the public interest, the Commission deems that it is appropriate, just and reasonable to continue to the current ten percent (10%) threshold for recovery of non-revenue water set in Blue Granite's prior rate case. See Order No. 2018-345 & 2018-345(A). While Blue Granite is correct that the American Water Works Association (AWWA) no longer appears to recommend across-the-board thresholds, Blue Granite has not provided subdivision-specific proposals for the Commission to consider. Instead, Blue Granite proposes to recover all non-revenue water from customers, or that a threshold of 20% be set.

The Commission finds the approach of "recovering all non-revenue water from customers" is unreasonable and not beneficial to the customer. It also does not adequately incentivize Blue Granite to reduce nonrevenue water losses. With regard to

increasing the non-revenue water loss recovery threshold to twenty percent (20%), the Commission finds that Blue Granite has not provided sufficient justification to double the threshold set in the prior case. While Blue Granite testifies to projects undertaken to reduce non-revenue water, the Company did not provide any quantifiable support for how those projects have reduced non-revenue water. Therefore, the Commission finds that the current ten percent (10%) threshold for the recovery of non-revenue water shall remain in place at this time.

► **Annual Rate Adjustment Mechanism ("ARAM")**

The Commission denies Blue Granite's request in its Application for its proposed Annual Rate Adjustment Mechanism ("ARAM"). The ARAM originally proposed by Blue Granite would have allowed Blue Granite to charge customers for all water they did not consume and for all wastewater that they did not create. It is a "pass-through" mechanism to charge customers for changes in purchased water and wastewater expenses and to recover a significant expense with little to no review and inadequate consumer protections. Tr. p. 1214.2, ln. 13-15, 19-20.

Additionally, the Commission finds that the ARAM would not improve bill clarity for customers because the methodology for calculating the purchased water and sewer charges is confusing and does not yield a number that reflects the actual cost of the purchased water or sewer treatment charged by the third-party provider.

The Commission also declines to approve the changes Blue Granite proposed to its rate structure to add separate purchased water and sewer treatment charges, which were proposed to effectuate the ARAM. Blue Granite shall maintain its existing rate

structure of a Base Facility Charge (unchanged and without increase), a commodity charge based on water consumption for water customers, and per Single Family Equivalent charge for sewer customers. As further discussed herein, and as provided in the attached approved Rate Schedule in Attachment No. 2, the rate schedule/tariff incorporate the changes approved herein reflecting an Operating Margin of 10.54% and 7.46% ROE, including all adjustments approved and adopted by the Commission, which retains the present base facility charge for water service and distributes the rate increase volumetrically to lessen the impact of the rate increase on low-usage water customers.

► **Greenville Office Move, Upfit and Rent Expense**

The Commission approves the adjustment recommended by ORS to disallow the costs of the upfit to Blue Granite's new Greenville office in the amount of $495,206. Blue Granite indicated employee retention issues were the reason the Company moved its headquarters to Greenville. The Company testified that "[a]ttracting talent in the Columbia market [was] extremely difficult due to the legacy brand issues in that market." The legacy brand issues were caused by Carolina Water Service, which is now rebranded as Blue Granite. Blue Granite's customers should not have to pay the costs to upfit the Greenville office, given the move was necessitated by legacy brand problems the Company created, and Blue Granite previously represented to this Commission and its customers that the refreshing of its brand would be at no cost to customers. Exhibit KDM-2.

Additionally, based upon the record and for same legacy issues as the reason for the sale of its office and move to Greenville, the Commission further finds and

determines that the pro-forma rent expense of $84,839 should also be removed from the Company's recoverable General Expenses for Rent and is hereby denied.

► **LETTS Tank Pumping Charge**

Blue Granite, in its Application, requested authority to amend its tariff language and fees related to solids interceptor ("LETTS") tanks to change the pumping charge from $150 to the actual cost to access, pump, and service the tanks on a periodic basis. Tr. p. 362.13, ln. 3-8. Due to cost concerns for all customers, ORS does not oppose Blue Granite's request to change the treatment of LETTS tanks in its tariff such that customers who cause the expense will pay the actual cost of the service; however, ORS asserts that several customer protections must be incorporated into Blue Granite's revised LETTS tariff to protect its customers. Tr. p. 1190.7, ln. 3 - p. 1190.8, ln. 9. ORS witness Bickley provided proposed tariff language for Blue Granite to use and for the Commission to review which incorporated the ORS's proposed modifications to Blue Granite's LETTS tank tariff, including language of "what constitutes an emergency condition" under which Blue Granite could pump the tank without giving the customer the opportunity to select a different vendor. *Id*; Exhibit 38.

Based upon the testimony and evidence in the record, including that of Intervenor Forty Love Point Homeowners' Association, Commission grants Blue Granite's request to amend its tariff language and fees related to Solids Interceptor ("LETTS") Tanks to change the pumping charge from $150 to the actual cost to access, pump, and service the tanks on a periodic basis, with and incorporating the changes recommended by ORS to Blue Granite's proposal. The Commission further approves and adopts ORS's proposed

tariff language related to Solids Interceptor ("LETTS") Tanks in Exhibit 38, including ORS's language of what constitutes an emergency condition under which Blue Granite could pump the tank without giving the customer the opportunity to select a different vendor. Exhibit No. 38; *See, also*, Exhibit No. BSB-1. Blue Granite provided no alternate definition of "what constitutes an emergency condition" for the Commission to consider.

► **Contributions in Aid of Construction Under Tax Cuts and Jobs Act**

Due to a lower corporate tax rate as changed by the Tax Cuts and Jobs Act (TCJA), Blue Granite seeks Commission authority to initiate a one-time credit to each customer water and sewer account, to return overcollections of Federal tax expenses accumulated during the period of January 1, 2018 through June 28, 2018. Tr. p. 1115.25, ln. 11-13. Blue Granite witness DeStefano testified that Blue Granite over-collected $335,713. It is undisputed by Blue Granite and the ORS that this overcollection of funds needs to be returned to each customer water and sewer service account.

Consumer Affairs witness Morgan recommends that these over-collected tax funds from customers should be used to offset the deferred purchased water and sewer treatment costs instead of providing a direct refund to customers. Tr. p. 651.15. ORS verified the Company's calculations using updated pro forma customer bills of 31,710 and calculated a one-time credit of $10.59 per account. Tr. p. 1115.25, ln. 14-16. Blue Granite agreed with this updated calculation by ORS based on adjusted pro-forma customer counts. Tr. p. 764.4, ln. 18-19.

The Commission concurs with Blue Granite and ORS and finds that this overcollection of funds needs to be returned to each customer water and sewer service account by providing the one-time credit of $10.59. The evidence in the record supports the proposed adjustment in the amount of $335,713 and the calculated one-time credit of $10.59 as verified and calculated by ORS using the Company's updated data. The Commission further finds that the same is just and reasonable and therefore, orders this one-time credit by Blue Granite in the amount of $10.59 as proposed by ORS for each customer water account and sewer account effective upon the date of this 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.

► **Storm Reserve Fund**

In addition to an increase in base rates, Blue Granite is seeking the authority to create a Storm Reserve Fund for extraordinary storm restoration costs such as those experienced following Hurricane Florence. Tr. p. 354.22, ln 17-20. Blue Granite wants to set aside $200,000 which would be funded through a monthly surcharge of $0.53 per customer. Once the $200,000 threshold is reached, the monthly charge would be suspended, and any over-collections during that last month would be refunded to customers the following month. Tr. p. 764.24, ln. 18-20.

Blue Granite witness Mendenhall testified that major storm events cause the utility to experience service disruptions due to temporary power loss and damage to supply or treatment infrastructure. Tr. p. 363.11, ln. 3-6. The Storm Reserve Fund would

be used for extraordinary storm restoration costs that were not included in the Company's revenue requirement or part of its current rate base recovery.

Blue Granite witness DeStefano also rejected the modifications to the Storm Reserve Fund offered by ORS and by Consumer Affairs. Tr. p. 764.23, ln. 16-22. Even though witness DeStefano agreed that periodic reporting and utilization of funds only for named storms was reasonable, DeStefano testified that such modifications to the Storm Reserve Fund would not serve Blue Granite's ultimate purpose for the Fund.

ORS reviewed Blue Granite's past ten (10) years of storm restoration costs using a ten-year average. After removing the high and low values, ORS witness Bickley testified that ORS's review found the average yearly storm cost to be $28,320.51. Tr. p. 1186, ln. 15-19. The ORS also recommends a normalization adjustment of storm costs which would be $23,481. The "method of normalization of storm costs more accurately reflects storm costs for each year." Tr. p. 1186, ln. 23-25. ORS witness further testified that the proposed Storm Reserve Fund by Blue Granite did not have any guidelines on how the Company would access the Fund or customer protections to restrict use, access, or operation of the Fund. Tr. p. 1187, ln. 4-14; Tr. p. 1188.

ORS witness Bickley provided ORS's recommendation to modify the Fund to include sufficient customer protections. With these modifications, the ORS was willing to support a Storm Reserve Fund which limited the Fund balance to $50,000 and adoption of storm normalization so that once the Company had incurred $28,321 in storm damage, it could access the money in the account. Tr. p. 1187, ln. 7-14.

Consumer Affairs witness Morgan testified that the Storm Reserve Fund was not necessary because a significant portion of the water and sewer utility infrastructure is below ground. Tr. p. 651.19. He also testified that the establishment of the storm fund is not necessary at this time. Tr. p. 649, ln. 9; Tr. p. 651.19. Consumer Affairs also believed that a monthly surcharge of $0.53 per customer account was an unnecessary fee to impose on customers and that Blue Granite's data did not support the creation of a Storm Reserve Fund.

The Commission finds ORS witness Bickley's testimony compelling and agrees with Consumer Affairs witness Morgan that it is unreasonable to make a significant policy change based upon a rare occurrence. The current process established by the Commission allows the utility to seek deferred accounting treatment for unusual circumstances. There is no need to burden Blue Granite customers with higher rates to create a fund that history shows will likely end up unused on Blue Granite's balance sheet. We conclude that the Storm Reserve Fund is not necessary.

Based upon the evidence in the record, the Commission finds that Blue Granite's request to establish a $200,000 Storm Reserve Fund is not needed at this time and that the request is denied. According to the Company's own data, there have been only two times when the Company was allowed deferred accounting treatment. Tr. p. 658.5. The Commission further adopts the position of Consumer Affairs that not only is the fund not needed by Blue Granite to provide safe and reliable service, but also it is unreasonable to establish a $200,000 Reserve Fund because a level of storm costs was incurred one-time

due to unusual circumstances of two back to back hurricanes occurring in a short span of time from the other.

► **Round Up Program**

Like Consumer Affairs and ORS, the Commission encourages Blue Granite's efforts to assist and help its customers. Its proposed Round Up Program ("Program") can provide some level of financial aid to certain low-income customers in its service territories. There was no evidence presented by the Company to indicate how many of its customers, if any, would benefit from such a program in Blue Granite's service territory. The Commission also realizes in reviewing proposed rate schedule of Blue Granite and the average water and sewer bills that a $50 benefit level may not completely pay a customer's entire water bill, sewer bill, or water/sewer bill.

The Company also did not provide any supporting evidence for its estimated administrative costs for the Program; therefore, the costs are not known or measurable.

None of Blue Granite's affiliate companies have a similar program and ORS did not know of any other water or sewer utility regulated by the Commission with a similar program. The Program will not impact the ability of Blue Granite to provide safe and reliable services or to manage its administrative duties in maintaining and operating well-functioning water and sewer systems for the public. Therefore, the Commission finds that Blue Granite should pay for all the Program costs and not its ratepayers or customers.

As discussed herein and based upon the record, the Commission approves the Round Up Program as modified by ORS as reflected in testimony of ORS witness Bickley and in witness Sullivan's Audit Exhibit DFS-5, Adjustment 15b ($0). The

Commission denies Blue Granite's request to recover the estimated 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 rate proceeding. Blue Granite's request for recovery of the estimated cost for bill inserts/flyers to be used for the Round Up Program is also denied per recommendation of ORS that is adopted by the Commission.

The Commission further clarifies that Blue Granite is prohibited from passing onto its customers the administrative and implementation costs for the Program, including the bill inserts, notice or flyers, and for the modifications to Blue Granite's billing and customer service systems.

► **Cost of Service Study**

It became clear that throughout this proceeding that the parties recognized that a Cost of Service Study is essential to determine the proper rate design or that there cannot be significant rate design structural changes without such information. ORS recommends that the Commission require Blue Granite conduct a cost of service study to coincide with the test year and include it as part of its next rate case. Tr. p. 1214.7. Blue Granite agreed that it was willing to conduct and file a cost of service study in its next rate case. Tr. p. 764.37. ORS asserts a cost of service study is essential to determine the proper rate design and previously the Commission has required significant rate design changes to be fully supported by relevant data prior to implementing the proposed changes. Tr. 1214.7. Fundamentally, the cost of service study will demonstrate which costs need to be recovered and from which customer classes the cost should be recovered. Id. ORS

believes Blue Granite should retain its existing rate structure of a Base Facility Charge, a commodity charge based on water consumption for water customers and per Single Family Equivalent charge for sewer customers until a cost of service study is completed.

► **Service and Billing Issues**

The Commission held six public night hearings at locations spread throughout Blue Granite's two service territories: Lexington, Irmo, Union, Greenville, Columbia, and York. In the aggregate, over 500 people attended these hearings, and more than 150 requested the opportunity to testify. The witnesses who testified were angry at the size of Blue Granite's proposed increase. They also complained that the proposed rates, when compared to neighboring utilities, were extremely high, and that the flat-rate design used by the Company for its sewer customers was unfair to low-usage customers. The customers testified about poor service, including poor water quality, unresponsive customer service representatives, inaccurate meter readings, billing errors, and unwarranted service cut-offs, among other problems. The Commission found the customer testimony presented at the night hearings both credible and compelling. It is evident that customer service problems are persistent, widespread, and pervasive throughout Blue Granite's service territories.

While the applicable law set out by the South Carolina Supreme Court will not permit us to deny outright Blue Granite's application for a rate increase in this case, we are entitled to consider the night hearing testimony in creating incentives for the utility to improve its business practices, cut costs, improve efficiency, and enhance quality of service.

Accordingly, we order the Company to implement systems designed to improve customer service and to issue reports to the Commission periodically providing the results and details of its efforts.

► **Disallowed Expenditures**

Based upon the record and evidence presented by the parties in this Docket, the Commission did find that certain expenditures, costs and revenue recovery by the Company were imprudent and should not be allowed. These are discussed in detail in the Order below and in the adjustments supported in the record.

The Commission received detail information from ORS witness about its audit and examination of the Company, as well the responses and rebuttal by the Company's witnesses about costs, expenses, supporting documentation and its accounting for all revenues and expenditures. For example, the Commission received testimony about audited expenditures for employee service awards. It was discovered that Blue Granite had contained expenses for a 65" LED Curved Samsung TV and a 1.15 carat diamond ring for employee service awards. As explained in the Order, the Commission finds that these expenses are disallowed and cannot be recovered by the Company from the ratepayers. *See*, Tr. p. 1133.7, ln. 1-6. Also, expenses that did not have supporting data or that did not provide a benefit to the customer were also disallowed by the Commission. Another example is rejecting the Company's request to recover expenses for dinners with alcohol or items not supported by documentation. Tr. p. 1133.8, ln. 8-11. These were expenses incurred by Blue Granite that were not necessary to provide water and wastewater services and do not provide a benefit to customers.

The Commission ordered Blue Granite to provide the written reports on capital improvements no less than semiannually filed with the Commission and provided to ORS.

As stated in the beginning, the above Executive Summary is only provided for the convenience of the reader. It is not an exclusive summary of all findings and actions below in the Order of the Commission. The Commission deems that this Summary shall not be controlling if any conflict exists between the text of Executive Summary and the text of the findings and actions of the Commission below in this Order. It is the text of the findings and actions of the Commission's Order below that is controlling in construing the plain meaning of any finding or ruling of the Commission. Also, any heading in this Summary or anywhere contained in this Order shall not be construed to limit the plain meaning of the text. Although titles and headings are part of state statutes and rules, they may not be construed to limit or undo what the text makes plain. *Brotherhood of Railroad Trainmen v. Baltimore & O.R. Co.,* 331 U.S. 519, 67 S.Ct. 1387, 91 L.Ed. 1646 (1947); *Garner v. Houck*, 312 S.C. 481, 486, 435 S.E.2d 847, 849 (1993).

ORDER

I. Introduction

This matter is before the Public Service Commission of South Carolina (the "Commission") on the Application of Blue Granite Water Company ("Blue Granite" or "the Company") filed on October 2, 2019, requesting approval of an increase in the monthly water and sewer rates and charges, as well as approval of all fees and charges,

modification of certain terms and conditions for water and sewer services that Blue Granite provides to its customers in its Commission-approved service territories 1 and 2 throughout South Carolina. The Application was filed pursuant to S.C. Code Ann. § 58-5-240 and S.C. Code Ann. Regs. 103-712(4)(A) and 103-512(4)(A).

In its Application, Blue Granite requested to increase service revenues for combined operations by $11,731,803, consisting of a water revenue increase of $5,575,957 and a sewer revenue increase of $6,155,846, and a requested Return on Equity (ROE) of 10.70%. Tr. p. 354.21, ln. 12-17.[1]

Blue Granite Water Company
Summary of Proposed Revenue Increases

	Proposed Revenue Increase	Proposed Percentage Increase
Water Service Revenues – Territory 1	$ 3,636,850	53.5%
Water Service Revenues – Territory 2	$ 1,939,107	34.9%
Consolidated Sewer Service Revenues	$ 6,155,846	55.7%
Total Service Revenues	$ 11,731,803	

Blue Granite's requested revenue increase results in a potential Operating Margin (OM) of 12.26%. According to the Application, Blue Granite requires an increase in rates because it has invested approximately $23 million in its water and sewer systems in order to continue to provide reliable and high-quality water and sewer service to its customers. Tr. p. 362.4. These recent capital investments by Blue Granite include the Shandon Interconnect (Water) project, the Stonegate Interconnect project, the Friarsgate

[1] However, in his rebuttal testimony, Blue Granite witness D'Ascendis updated his analysis and recommended a ROE range between 9.75% and 10.25%. Tr. p. 548.4, ln. 4-9.

Wastewater (Sewer) Interconnect project, the Lake Wylie Charlotte water system interconnection and a series of wastewater collection system ("WWCS") improvement projects. Tr. p. 362.4, ln. 7-12.

Blue Granite has approximately 28,300 customers (16,500 water customers and 11,800 sewer customers) in sixteen (16) counties: Lexington, Richland, Sumter, Aiken, Saluda, Orangeburg, Beaufort, Georgetown, Abbeville, Union, Anderson, York, Cherokee, Greenville, Greenwood, and Williamsburg. Tr. p. 354.7, ln. 4-5; Tr. p. 362.3, ln. 18-21. The Company operates 105 water systems and 28 sewer systems in South Carolina and has 105 drinking water permits, 18 NPDES permits, and 10 satellite sewer system permits to support operations to these systems. Tr. p. 362.3, ln. 21 – p. 362.4, ln. 3. *See, also* Tr. p. 1213.4-1213.5 (ORS witness Sandonato provides updated and specific Test Year data on the exact number of customers of Blue Granite); Exhibit AMS-4.

Blue Granite provides water supply and distribution-only services to its residential and commercial customers in its service territories. Water is provided to its customers by Blue Granite through Blue Granite-operated wells or by third party water providers. Tr. p. 1213.4, ln. 15-16. ORS witness Sandonato testified that:

> During the Test Year, Blue Granite purchased water to distribute to its customers from governmental entities including the City of West Columbia, York County, City of Charlotte [North Carolina], Lexington County Joint Municipal Water and Sewer Authority, City of Columbia, town of Lexington, West Anderson Water District, Broadway Water and Sewer, Hammond Water, City of Rock Hill, City of York, Starr-Iva Water co., Electric City Utilities, and Sandy Springs Water District. There are one hundred and five (105) water supply and distribution-only systems with active South Carolina Department of Health and Environmental Control ("DHEC") Drinking Water Permits operated by Blue Granite. . . . Blue Granite provides fire protection service to customers in the Lake

> Wylie service area, the Oakwood Baptist Church, Washington Heights, and Hidden Valley Mobile Home Park located in the I-20 service area.

Tr. p. 1213.4, ln. 16 – p. 1213.5, ln 2.

Blue Granite operates a total of twenty-eight (28) sewer collection and treatment systems. Tr. p. 1213.5, ln 15-16. Blue Granite operates nine (9) sewer collection-only systems for which it collects wastewater from its customers and transports the sewer wastewater to another entity for treatment and disposal. Sewer treatment and disposal is provided to Blue Granite collection-only customers by York County, Richland County, Georgetown County Water and Sewer, the Town of Chapin, Beaufort-Jasper Water and Sewer, City of Columbia, and the Town of Lexington. Tr. p. 1213.5, ln 16-21.

Blue Granite states that it is making this Application for a rate increase at this time due to increases in expenses and the inability of the Company to earn its currently authorized rate of return. Blue Granite witness DeStefano testified that:

> With the plant investments the Company has made to maintain and improve its service to customers, and the increased operating expenses we have experienced since August of 2017, the end of the Test Year in the Company's last rate case, we are unable to earn our authorized rate of return and therefore are requesting rate relief. More specifically, we have made capital investments of over $23 million since the last rate case, including several interconnection projects and numerous wastewater collection system improvement projects, to serve our customers.

Tr. p.763.4, ln. 9-15.

Blue Granite asserts in its Application that its operation and maintenance expenses have increased by approximately $7.5 million since the last rate case, primarily driven by increases in rates from third-party providers for purchased water and wastewater treatment services, property tax expenses due to the aforementioned capital

investment, and updates in depreciation rates. According to the Company, rate relief is needed to enable the Company to provide safe, reliable, and compliant water and wastewater service to South Carolina customers, and to attract capital for future needed investments in its service territories. Tr. p.763.4, ln. 9-21. According to witness DeStefano, the Company's authorized rate of return is 8.62%[2]; however, Blue Granite is currently earning only 0.10% on an unadjusted basis which means it is actually earning negative 3% on an adjusted basis. Tr. p.763.6, ln. 10-13.

Blue Granite has a current performance bond for utility operations in the form of an Irrevocable Letter of Credit ("ILC") from JPMorgan Chase Bank, N.A. as surety in the amount of $350,000 for water and $350,000 for wastewater operations.[3] Tr. p. 1213.6.

In addition to an increase in base rates adjustment, Blue Granite is also seeking authority for the following new authorizations as discussed by Blue Granite witness DeStefano:

- Authority to create a Storm Reserve Fund for extraordinary storm restoration costs such as those experienced following Hurricane Florence;
- Authority to implement a purchased water and purchased sewer services rate adjustment mechanism; and
- Authority to implement a voluntary customer "Round Up" program.

Tr. pp. 354.22 – 354.23.

[2] Order No. 2018-802 at 35, Docket No. 2017-292-WS (Jan. 25, 2019). Blue Granite's authorized Operating Margin is 13.28% and authorized ROE is 10.50%. *Id.*

[3] As part of this proceeding, ORS does request that the Commission require blue Granite to continue to maintain its current performance bond amount for water operations in the amount of $350,000 and for sewer operations in the amount of $350,000 in compliance with S.C. Code Ann. §58-5-720 (2015).

II. Procedural History

Blue Granite Water Company filed its notice of intent to apply to adjust its rates on August 30, 2019, and it filed its Application on October 2, 2019. The Company filed amended exhibits to its application on October 16, 2019. The Clerks' Office filed the revised customer and newspaper notices on October 24, 2019. On December 3, 2019, the Company filed an Affidavit of Mailing of the revised notice to all customers, a Certification of Mailing to County and City Administrators, and proofs of publication for The State, the Post and Courier, the Greenville News, the Herald Fort Mill Times, and the Greenwood Index-Journal.

On December 19, 2019, ORS filed a Motion for Partial Summary Judgment Regarding the Proposed Annual Rate Adjustment Mechanism. After an extension, Blue Granite responded on January 6, 2020. ORS withdrew its motion on January 15, 2020, in light of representations in Blue Granite's direct testimony that the Company was willing to agree to procedural protections in connection with the ARAM that were not delineated in its application.

The Commission Clerk's Office established a deadline to file a petition to intervene of December 16, 2019. The Commission received petitions to intervene from Forty Love Point Homeowners' Association ("Forty Love"); the Building Industry Associations of South Carolina; the South Carolina Department of Consumer Affairs ("Consumer Affairs"); the Town of Irmo; James S. ("Jim") Knowlton; Stefan Dover; and

York County, South Carolina. The Commission granted all petitions to intervene filed in this docket[4].

Pursuant to the schedule for prefiled testimony established by the Clerk's Office, the deadline for the Company's Direct Testimony was December 30, 2019; Intervenor Direct Testimony was due January 22, 2020; the Company's Rebuttal Testimony was due February 5, 2020; and Intervenor Surrebuttal testimony was due February 12, 2020.

Blue Granite filed the Direct Testimony of Dylan D'Ascendis, Donald Denton, Dante DeStefano, Shawn Elicegui (confidential and public versions), Bryce Mendenhall, and John Spanos on December 30, 2020. Blue Granite filed the Corrected Testimony and Exhibit of Dylan D' Ascendis on January 10, 2020.

Following request for a one-day extension of the remaining prefiled testimony deadlines, the deadline to file direct testimony was extended to January 23, 2020. See Order No. 2020-7-H. ORS, Consumer Affairs, York County, Forty Love, Jim Knowlton, and Stefan Dover filed Direct Testimony. ORS filed the Direct Testimony and Exhibits of Daniel F. Sullivan, David J. Garrett, Kyle D. Maurer, Sr., P.E., Anthony D. Briseno, Anthony M. Sandonato, Brandon S. Bickley, and David C. Parcell, and the Direct Testimony of Charles E. Jackson. Consumer Affairs filed the Direct Testimony and Exhibits of Jerome D. Mierzwa, Lafayette K. Morgan, and Aaron L. Rothschild. Consumer Affairs filed corrected Direct Testimony of Lafayette K. Morgan and Aaron L. Rotshchild on January 31, 2020 and Corrected Exhibits for Mr. Morgan and Mr. Rothschild on February 2, 2020.

[4] See Orders No. 2020-22; 2020-21; 20200-20; 2020-19; 2019-849; 2019-799; 2019-746.

Forty Love filed the Direct Testimony of Barbara King and Reid Radtke. York County filed the Direct Testimony of Eric Rekitt. Stefan Dover and Jim Knowlton also prefiled Direct Testimony. Mr. Dover filed corrected testimony on March 3, 2020.

On February 6, 2020, Blue Granite filed the Rebuttal Testimony and Exhibits of Dante DeStefano, J. Bryce Mendenhall, and Dylan D'Ascendis, and the Rebuttal Testimony of John Spanos and Donald Denton.

Following ORS's request for a one-day extension, the deadline to file Surrebuttal Testimony was extended to February 14, 2020[5]. Consumer Affairs filed the Surrebuttal Testimony of Jerome D. Mierzwa (with Exhibit), Aaron L. Rothschild, and Lafayette Morgan, Jr. Consumer Affairs filed updated Corrected Exhibits for Aaron L. Rothschild on February 25, 2020.

ORS filed the Surrebuttal Testimony and Exhibits of Brandon S. Bickley, Anthony D. Briseno, Dr. Kyle Maurer, Sr., P.E., Daniel F. Sullivan, David C. Parcell, and Testimony of Charles E. Jackson and David J. Garrett. On February 24, 2020, ORS filed the Revised Surrebuttal Testimony and Exhibits of Daniel F. Sullivan, and Anthony M. Sandonato, and the Revised Surrebuttal Testimony of Kyle D. Maurer Sr. and Anthony D. Briseno. The revisions primarily reflected a change to ORS's recommended adjustment for purchased water and sewer expenses going forward.

As discussed in Item IV herein, six (6) public night hearings were held in Lexington, Union, Greenville, York and Richland Counties. A total of more than one hundred sixty (160) Blue Granite customers provided testimony at the night hearings.

[5] Order No. 2020-l0H.

These public witnesses voiced objections to the amount of the requested increase in rates and raised general and specific concerns about the quality of water and customer service provided to them by Blue Granite.

The evidentiary hearing was held at the Commission's Hearing Room, beginning on February 26, 2020, at 10:00 a.m. to receive testimony from the parties and any public witnesses. The Honorable Comer H. "Randy" Randall, Chairman of the Commission, presided.

Blue Granite was represented by Frank R. Ellerbe, III, Esquire, and Samuel J. Wellborn, Esquire.

ORS was represented by Andrew M. Bateman, Esquire, Christopher M. Huber, Esquire, and Alexander W. Knowles, Esquire.

Consumer Affairs was represented by Carri Grube Lybarker, Esquire, Laura Becky Dover, Esquire, Roger P. Hall, Esquire, and Richard L. Whitt, Esquire.

Intervenor Town of Irmo was represented by S. Jahue Moore, Esquire.

Intervenor Forty Love Point Homeowner's Association was represented by Laura P. Valtorta, Esquire.

Intervenor York County, South Carolina, was represented by Michael Kendree, Esquire.

Intervenor James S. Knowlton represented himself pro se.

Intervenor Stefan Dover represented himself pro se.

The other intervenor, the Building Industry Association of South Carolina, represented by John J. Pringle, Esquire, did not file any prefiled testimony or otherwise

participate or appear at any public night hearing or in the evidentiary hearing in this Docket. The Building Industry Association of South Carolina did not present any witnesses, nor appear to cross-examine the other party witnesses.

All witnesses were sworn in and had their pre-filed Direct and Rebuttal/Surrebuttal Testimonies, as applicable, accepted into the record, including any corrections and corresponding accompanying exhibits. All witnesses presented summaries of their testimonies and were made available for cross-examination by the other parties to this proceeding. The Town of Irmo did not present any additional witnesses other than those citizen-customers being served by Blue Granite who testified at the night public hearing(s) whose testimony was made part of the record. Tr. pp. 331-336. However, Town of Irmo did cross-examine the other party witnesses during the evidentiary hearing.

III. Public Night Hearings

The Commission held six public night hearings at locations spread throughout Blue Granite's two service territories: Lexington, Irmo, Union, Greenville, Columbia, and York[6]. In the aggregate, over 500 people attended these hearings, and more than 150 requested the opportunity to testify[7]. Most of the customers who testified at these hearings expressed anger at the magnitude of the rate increase sought by the Company in its application, and several of them also complained that the rates charged by Blue Granite were much higher than those charged by neighboring utilities. Many customers

[6] An additional night hearing was scheduled to be held in Anderson, but it was canceled due to severe weather conditions. Anderson-area customers were invited to attend the Greenville night hearing instead.
[7] The night hearing sign-in sheets were entered into evidence as Hearing Exhibits No. 1, 6, 9, 10, 24, and 43.

also complained of the inequity of flat sewer rates. Customers also reported numerous incidents of poor water quality, unresponsive customer service, inaccurate meter readings, billing errors, and unwarranted cut-offs, among other problems. Perhaps the most egregious example of the Company's poor service was presented at the Irmo night hearing, where Pat Steadman testified that the Company had wrongfully plugged his sewer line in July 2019, resulting in his house being flooded with sewage[8].

Many customers urged the Commission to deny the application outright. Some customers complained of the number of increases Blue Granite and related companies had been granted in the recent past, and at least one customer complained that the Company had not been denied a rate increase since 2004.[9] Another accused the Commission of being a "rubberstamp."[10] Neither of these assertions has any basis in fact.

While we find the customer testimony at the public night hearings in this case to be very compelling and indicative of persistent, widespread, and pervasive problems consistent with those which have frustrated customers of this utility for many years, the Supreme Court of South Carolina has made amply clear that these problems are insufficient justification for an outright denial of the Company's application for a rate increase.

In its *USSC* decision, the Supreme Court made several rulings directly relevant to the case before us today. The Court held that the PSC, while no longer charged with the

[8] Tr. pp. 158-61.
[9] Lexington witness Johnny R. Cribb, Jr., Tr. p. 26, ll. 16-17.
[10] Irmo witness Chris Kessler, Tr. p. 178, ll. 9-10.

investigative duties it had performed prior to 2004, remained entitled to create incentives for utilities to improve their business practices, to determine what portions of expenses incurred by utilities should be passed on to their customers, and to encourage measures to cut costs and improve efficiency. *USSC,* 708 S.E.2d 755, 760, 392 S.C. 96, 105. The PSC is the ultimate factfinder in a ratemaking application, with the power to determine, independent of any party, whether a utility has shown that its expenses should be passed on to its customers. 708 S.E.2d at 761, 392 S.C. at 106.

While the *USSC* decision reiterated the longstanding rule that the utility is entitled to a presumption that its expenditures were reasonable and incurred in good faith, 708 S.E.2d at 762-63, 392 S.C. at 109-110, *citing*, *Hamm v. S.C. Pub. Service Comm'n*, 422 S.E.2d 110, 112, 309 S.C. 282, 286 (1992), the PSC is entitled to consider the testimony of non-party customers or other members of the public ("protestants"), which may, when supported by other evidence, overcome the utility's presumption of reasonableness.[11]

One case in which the utility's presumption of reasonableness was overcome by the testimony of a non-party protestant was *Hilton Head Plantation Utilities, Inc. v. Public Service Comm'n of S.C.*, 441 S.E.2d 321, 312 S.C. 448 (1994). In *Hilton Head*, the president of the development's property owner's association testified that some of the expenses incurred by the utility were paid to an affiliate entity. On appeal, the Supreme Court held that affiliate transactions were not entitled to a presumption of reasonableness, and that where the Commission found that the utility failed to present sufficient evidence

[11] "Because the PSC is both entitled and required to consider the evidence presented to it in the formal record, we hold that the PSC is entitled to rely on sworn testimony by non-party protestants to overcome the presumption of reasonableness." 708 S.E.2d at 763, 392 S.C. at 111.

to ascertain reasonableness of the expenditure, the Commission could disallow it. 441 S.E.2d at 323, 312 S.C. at 451.

Construing the Court's opinion in *Hilton Head*, the Court in *USSC* held that the Commission's right to rely upon non-party protestant testimony was not limited to cases in which affiliate transactions are at issue. Rather, the Court held that the Commission was required to "believe or disbelieve [the] evidence submitted," including non-party protestant testimony. *USSC,* 708 S.E.2d 755, 763, 392 S.C. 96, 110-11, *quoting*, *Hilton Head*, 441 S.E.2d at 323, 312 S.C. at 451. The Commission had credited the testimony of several non-party protestants alleging that the quality of the water provided by USSC had not improved, and that they saw no evidence that the Company had made capital improvements as it had claimed in its application. On appeal, however, the Supreme Court held that while the customer testimony raised the specter of imprudence, there was insufficient evidence in the record to overcome the Company's presumption of reasonableness as to its expenditures.

The *USSC* decision also made clear that it was error for the Commission to have denied the Company's application entirely where some of the utility's claimed expenditures were not contested. The Court held that the Commission should have evaluated each claimed expenditure individually and should have credited the Company with those expenditures that were not specifically disallowed based upon the evidence presented. Therefore, where a utility's expenses are found to have increased, even after disallowance of expenditures found imprudent, the utility would be entitled to a rate increase. 708 S.E.2d at 763-64, 392 S.C. at 111-12.

The Supreme Court also held that the Commission erred in finding the rates charged by USSC to distribution-only water customers unfair based upon comparisons to rates charged by neighboring utilities, absent a showing that the utilities were similar enough to be meaningfully compared. 708 S.E.2d at 765, 392 S.C. at 114. And lastly, the Court held that to the extent that the PSC relied upon the recency of the Company's prior rate increase as justification for denial of the application, such reliance was in error. 708 S.E.2d at 765, 392 S.C. at 114-15.

Giving effect to the above-cited Supreme Court decisions as we must, we are legally foreclosed from denying Blue Granite's application for a rate increase in its entirety. Applying the standards set by the Supreme Court, we have evaluated the evidence presented and determined which expenditures we deem properly recoverable from ratepayers and which ones we believe should be disallowed. We have further considered all the customer night hearing testimony and used it to guide us in creating incentives for Blue Granite to improve its business practices, cut costs, improve efficiency, and enhance quality of service.

Accordingly, in response to the customer testimony we received in the night hearings, we order the Company to implement systems designed to monitor customer complaints and track resolution of these complaints to ensure that they are timely and effectively addressed. The Company shall prepare quarterly reports to the Commission and the ORS detailing its efforts to improve responsiveness and customer satisfaction. Additionally, the reports shall provide details of every complaint and the resolution of every complaint, as well as the names and addresses of all complainants for use by ORS

in the event follow-up contacts are necessary. The first quarterly reports must be submitted on or before July 1, 2020.

IV. Statutory Standards and Applicable Laws

The current rates now in effect, were approved in Commission Order No. 2018-802, in Docket No. 2017-292-WS. (Commission Order No. 2018-802 and Application, p. 4, ¶ 16). Blue Granite proposes a Test Year of July 1, 2018 to June 30, 2019. (Application, p. 2, ¶ 5).

The Application, testimony, exhibits, affidavits of publication, and public notices submitted by Blue Granite comply with the procedural requirements of the South Carolina Code of Laws and the Regulations promulgated by this Commission.

South Carolina Code Ann. § 58-5-210 provides,

> "[t]he Public Service Commission is hereby, to the extent granted, vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, 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 and the State hereby asserts its rights to regulate the rates and services of every 'public utility.'"

S.C. Code Ann. § 58-5-210 (2015). Also, "adjustments for known and measurable changes in expenses may be necessary in order that the resulting rates reflect the actual rate base, net operating income, and cost of capital. The adjustments are within the discretion of the Commission and must be known and measurable within a degree of reasonable certainty. Absolute precision, however, is not required." *Hamm v. S.C. Pub. Serv. Comm'n*, 309 S.C. 282, 291, 422 S.E.2d 110, 115 (1992) (citing *Michaelson v. New England Tel. & Tel. Co.,* 121 R.I. 722, 404 A.2d 799 (1979).

> Although the burden of proof of the reasonableness of all costs incurred which enter into a rate increase request rests with the utility, the utility's expenses are presumed to be reasonable and incurred in good faith. *Missouri ex rel. Southwestern Bell Co. v. Public Service Comm'n of Missouri,* 262 U.S. 276, 43 S.Ct. 544, 67 L.Ed. 981 (1923) (Brandis, Jr., J., concurring); *West Ohio Co. v. Pub. Util. Comm'n,* 294 U.S. 63, 55 S.Ct. 316, 79 L.Ed. 761 (1935); *Boise Water Corp. v. Idaho Pub. Util. Comm'n,* 97 Idaho 832, 555 P.2d 163 (1976); *City of Chicago v. Illinois Commerce Comm'n,* 133 Ill.App.3d 435, 88 Ill.Dec. 643, 478 N.E.2d 1369 (1985) (modified by statute as noted in *People ex rel. Hartigan v. Illinois,* 117 Ill.2d 120, 109 Ill.Dec. 797, 510 N.E.2d 865 (1987); *Long Island Lighting Co. v. Pub. Serv. Comm'n,* 134 A.D.2d 135, 523 N.Y.S.2d 615 (1987); *City of Norfolk v. Chesapeake & Potomac Tel. Co.,* 192 Va. 292, 64 S.E.2d 772 (1951). This presumption does not shift the burden of persuasion but shifts the burden of production on to the . . . other contesting party to demonstrate a tenable basis for raising the specter of imprudence. *Long Island, supra.* . . . . The ultimate burden of showing every reasonable effort to minimize . . . costs remains on the utility. *Hamm v. South Carolina Pub. Serv. Comm'n and Carolina Power and Light Co.,* 291 S.C. 119, 352 S.E.2d 476 (1987).

Hamm v. S.C. Pub. Serv. Comm'n, 309 S.C. 282, 286–87, 422 S.E.2d 110, 112–13 (1992). The Commission's ratemaking authority "to supervise and regulate" rates and service and "to fix just and reasonable standards, classifications, regulations, practices, and measurements of service," S.C. Code Ann. § 58–3–140(A) (1976 & Supp.2020), entitles the Commission

> **to create incentives for utilities to improve their business practices**. Accordingly, the **PSC may determine that some portion of an expense** actually incurred by a utility **should not be passed on to consumers**. *Patton v. S.C. Public Service Comm'n,* 280 S.C. 288, 292, 312 S.E.2d 257, 259–60 (1984); *see Southern Bell Telephone,* 270 S.C. at 599, 244 S.E.2d at 283 (finding it was not improper for the PSC to consider whether a utility could undertake measures to cut costs and improve efficiency).

Utilities Servs. of S.C., Inc. v. S.C. Office of Regulatory Staff, 392 S.C. 96, 105, 708 S.E.2d 755, 760 (2011) (emphasis added).

The Commission must determine a fair rate of return that the utility should be allowed the opportunity to earn after recovery of the 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 Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. at 692-93.

When determining an appropriate return for public utilities, this Commission and South Carolina courts have consistently applied the principles set forth in *Bluefield* and *Hope*. In *Southern Bell Tel. &Tel. Co. v. Pub. Serv. Comm'n,* 270 S.C. 590, 597, 244 S.E. 2d 278, 281 (1978), quoting *Hope*, the South Carolina Supreme Court held:

> …[u]nder 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.

Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 602-03(1944). It is the responsibility, duty and delegated charge granted by the Legislature for the Commission to weigh the evidence and to draw "the ultimate conclusion therefrom as to what return is necessary to enable a utility to attract capital . . . . It has been said many times that this is so because the Commission is a body of experts 'composed of men [and women] of special knowledge, observation, and experience' in the field of rate regulation." *S. Bell Tel. & Tel. Co. v. Pub. Serv. Comm'n*, 270 S.C. 590, 597, 244 S.E.2d 278, 282 (1978), holding modified by *Parker v. S.C. Pub. Serv. Comm'n,* 280 S.C. 310, 313 S.E.2d 290 (1984).

This Commission must exercise its dual responsibility of permitting utilities an opportunity to earn a reasonable return, on the one hand, and protecting customers from rates that are so excessive as to be unjust or unreasonable, on the other, by "(a) Not 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) Not permitting rates which are excessive." *Southern Bell*, 270 S.C. at 605.

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. South Carolina Public Service Commission*, 332 S.C. 93, 99, 504 S.E2d 320, 323 (1998).

> In establishing rates, it is incumbent upon the Commission to fix rates which "distribute fairly the revenue requirements [of the utility.]" See *Seabrook Island Property Owners Association v. S. C, Public Service Comm'n,* 303 S.C. 493, 499, 401 S.E.2d 672, 675 (1991). Our determination of "fairness" with respect to the distribution of the Company's revenue requirement is subject to the requirement that it be based upon some objective and measurable framework.

See *Utilities Services of South Carolina, Inc. v. South Carolina Office of Regulatory Staff*, 392 S.C. 96, 113-114, 708 S.E.2d 755, 764-765 (2011).

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, 422 S.E.2d 110 (1992) (internal citations omitted). 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) "…[I]f 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."

A fundamental principle of the ratemaking process is the establishment of a historical test year as the basis for calculating a utility's operating margin, and, consequently, the amount of the utility's requested rate increase. In order to determine what a utility's expense and revenues are for purposes of determining the reasonableness of proposed rates, one must select a 'test year' for the measurement of the expenses and revenues. *Heater of Seabrook v. Public Service Commission of South Carolina*, 324 S.C. 56, 478 S.E.2d 826, 828 n.1 (1996). While the Commission considers a utility's

proposed rate increase based upon occurrences within the test year, the Commission will also consider adjustments for any known and measurable out-of-test year changes in expenses, revenues, and capital investments, and will also consider adjustments for any unusual situations which occurred in the test year. Where an unusual situation exists showing that the test year amounts are atypical, the Commission should adjust the test year data. *See Southern Bell v. The Public Service Commission*, 270 S.C. 590, 244 S.E. 2d 278 (1978); *see also*, *Parker v. South Carolina Public Service Commission*, 280 S.C. 310, 313 S.E.2d 290 (1984), *citing City of Pittsburgh v. Pennsylvania Public Utility Commission*, 187 P.A. Super. 341, 144 A.2d 648 (1958); *Southern Bell v. The Public Service Commission*, 270 S.C. 590, 244 S.E.2d 278 (1978).

Finally, according to Commission Regulation § 103-503(B) governing sewerage utilities:

> All rates, contract forms, and rules and regulations, proposed to be put into effect by any utility as defined in 103-502(11) shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute or other provision of law.

S.C. Code Ann. Regs. § 103-503(B) (2007). Likewise, with water utilities, Commission rule and regulation state:

> All rates, contract forms, or rules and regulations, proposed to be put into effect by any utility as defined in 103-702(14), shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute or other provision of law.

S.C. Code Ann. Regs. § 103-703(B) (2007). The findings of facts and conclusions of the Commission herein reflect these standards and they were employed by the Commission upon review of the evidence in the record.

V. Review of Evidence and Evidentiary Conclusions

A. Return on Equity

In its Application and testimony, Blue Granite requests that the Commission determine the just and reasonableness of its proposed rates in accordance with the rate base methodology, i.e., the rate base and rate of return treatment. Blue Granite presented Direct and Rebuttal Testimony of witness D'Ascendis recommending a capital structure, overall rate of return, and range of return on equity. Witness D'Ascendis initially recommended in his direct testimony a ROE between 10.20% and 10.70% Tr. p. 547.4, ln. 9-12. However, in his rebuttal testimony, witness D'Ascendis updated his analysis and recommended a range between 9.75% and 10.25%. Tr. p. 548.4, ln. 4-9.

No other party of record proposed an alternative method for determining just and reasonable rates. Both ORS witness Parcell and Consumer Affairs witness Rothschild presented ROE recommendations for Blue Granite. Tr. p. 672.4, ln. 19; 672.12, ln. 14-16.

The Commission has wide latitude in selecting a rate setting methodology. *Heater of Seabrook, Inc. v. Public Service Comm'n*, 324 S.C. 56, 64, 478 S.E. 2d 826, 830 (1996).

While the record of evidence before it from witnesses presented by the ORS and Consumer Affairs indicates that the cost of common equity nationally is on the decline.

Tr. p. 672.13. Also, the evidence in the record clearly supports the Commission's conclusion that Blue Granite witness D'Ascendis' Return on Equity ("ROE") is too high.

In considering the quality of service issues known to exist with Blue Granite and the setting of just and reasonable rates, the Commission concludes that the analysis used by Consumer Affairs witness Rothschild is the most compelling, applies cost of equity models using water utility companies without the influence of non-utility companies, is objectively just and reasonable, and supported by ample evidence in the record. Tr. pp. 672.8-672.10. We conclude that the average ROE of 7.46% by Consumer Affairs witness Rothschild is the approved and appropriate ROE for Blue Granite based upon (a) the evidence on the whole record, (b) the three witnesses, Consumer Affairs Rothschild's approach was unique in that he included the use of both historical and forward-looking, market-based data in his analysis. rate of return methodology, and (c) a Test Year beginning July 1, 2018 and ending June 30, 2019.

With the above approved ROE of 7.46%, the Commission finds and adopts the resulting total Revenue Requirement for Blue Granite of $28,733,986, which is an increase of $4,958,848 consisting of an additional $2,161,536 in water revenues and an additional $2,797,312 in sewer revenues. This represents an approximate 57% reduction from the Company's requested increase of $11,589,537 made in its Application. Additionally, the resulting Operating Margin of 10.54% is found to be just and reasonable and is adopted by the Commission for Blue Granite in accordance with S.C. Code Ann. §58-5-240(H).

The ROE is a key figure used in calculating a utility's overall rate of return. *Porter v. South Carolina Public Service Commission*, 333 S.C. 12, 504 S.E2d 320 (1998). A utility is entitled to the opportunity to earn a fair rate of return. *Hope*, *supra*; *Bluefield, supra*. There were three ROE witnesses presented in this Docket: Blue Granite witness D'Ascendis, ORS witness Parcell and Consumer Affairs witness Rothschild. Each of these three witnesses agreed that "ratemaking and the cost of capital are prospective in nature, i.e., forward looking." Tr. p. 546.19; p. 683.10; p. 1004.9.

The disagreement is on the overall rate of return or cost of capital, on the cost of equity or return on equity, and the methodology or analysis used to determine this value. Tr. p. 541.2, p. 661.2, pp. 1000.3-1000.4. All three ROE witnesses arrived at their recommended rates and ranges of rates by applying common equity models including Constant Growth Discounted Cash Flow ("DCF") and Capital Asset Pricing Model ("CAPM"). Tr. p. 541.2, p. 661.5, p. 1000.3-1000.4. Witness D'Ascendis also utilized Empirical Capital Asset Pricing Model ("ECAPM") and the Risk Premium Model ("RPM"). Tr. p. 541.2. ORS witness Parcell's additional model included the Comparable Earnings Model ("CEM"). Tr. pp. 1000.3-1000.4. Consumer Affairs witness Rothschild included the Non-Constant DCF method as his third approach. Tr. p. 661.5. Blue Granite witness D'Ascendis was the only witness to use a non-price regulated proxy group ("NonPrice Regulated Group") for application in his models, which was heavily criticized by ORS witness Parcell and Consumer Affairs witness Rothschild. Tr. pp. 541.2 – 541.3.

In his Direct, Rebuttal and live hearing testimony, Blue Granite witness D'Ascendis was not transparent regarding the data or methodology he used in applying criteria (iii) and (iv) to his Non-Price Regulated Group. Tr. pp. 564-584. Company witness D'Ascendis stated he purchased proprietary data from Value Line in the form of "hard-coded," "raw numbers" without "the data behind it" and which is "not included in the subscription to Value Line". Tr. p. 567. Even assuming this is the case, it was clear on cross examination by the Consumer Advocate Lybarker that witness D'Ascendis erroneously mixed the statistical concepts of simple data distribution and sampling errors. Tr. pp. 564-584. When asked, he was unable to clarify whether the Standard Deviation of Beta in his schedule corresponded to the Standard Deviation of historical returns provided by Value Line. Tr. p. 571. D'Ascendis stated that this Standard Deviation does not refer to the standard deviation of the unadjusted betas of the entire proxy group, yet his description and application to the average beta of the proxy group imply he used it as such. *Id*. For example, D'Ascendis stated "two standard deviations cover 95.5 percent of the population" but also stated "if two standard deviations only came up with three companies and three standard deviations came up with eight companies, I would use three standard deviations." Tr. p. 572-573. When asked about the entire population he was referring to, he stated "the entire population in the database is over 6,000 stocks"[12] yet in his parallel formula for the Standard Deviation of the Standard Error of the Regression he used "N=259" as the number of observations, a concept related to sampling error in the calculation of the beta coefficient for each company, implying a

[12] Tr. pp.573- 574.

larger relevant "population" of observations, which simply did not exist. Exhibit No. 17, p.25; Exhibit DWD-1R, p. 25.

While the concept of attempting to find companies with comparable overall risk by finding companies with similar beta coefficients and residual standard errors is not completely unreasonable, the process used by Blue Granite witness D'Ascendis in this case lacks analytical transparency and statistical coherence. This is further supported by the fact that witness D'Ascendis' resulting NonPrice Regulated Group indicated an average unadjusted beta that is twenty-five percent (25%) higher than his Water Proxy Group, making it inappropriate for comparison purposes regarding the most fundamental measurement of risk. Tr. p. 575. We find the methodology and analysis performed by Consumer Affairs witness Rothschild, which clearly and appropriately applied three different equity models to his Water Proxy Group, to be more thorough and compelling in this case. Having considered all evidence presented by the parties, the Commission finds that Consumer Affairs witness Rothschild presented a compelling, reasonable analysis regarding Blue Granite's Cost of Capital and Return on Equity. Tr. pp. 672.3-672.75.

Also, Consumer Affairs witness Rothschild fully rebutted witness D'Ascendis' testimony,[13] offering a more comprehensive and transparent application of his Constant Growth DCF, Non-Constant Growth DCF, and CAPM models to his proxy group. Further, the thorough critique presented by Consumer Affairs witness Rothschild

[13] For example, Consumer Affairs witness Rothschild addressed Blue Granite witness D'Ascendis' criticisms regarding his use of current market data to determine cost of capital by pointing out that witness D'Ascendis relies on non-market based data (Blue Chip consensus interest rate forecasts) in his analysis. Tr. p. 581, ln 25 - p.582, ln 6.

regarding the use of the non-price regulated proxy group is persuasive. The evidence in this proceeding clearly shows that the non-price regulated proxy group used by witness D'Ascendis is not comparable to the risk faced by Blue Granite.[14]

The primary reasons why witness Rothschild and Blue Granite witness D'Ascendis differ in their calculations for Blue Granite is because D'Ascendis includes a group of "14 non-price regulated companies" (i.e., non-public utilities) in his analysis. Tr. p. 672.5, ln. 4-11. These "non-price regulated companies" are not comparable in total risk to water utilities as witness D'Ascendis claims. Tr. p. 672.5. ln. 7-8. Therefore, witness Rothschild did not use these non-price regulated companies as they are significantly riskier than the six (6) water utilities used by witness D'Ascendis in his calculations. Tr. p. 672.5. ln. 10-11. Rothschild did use the same six (6) publicly traded water utilities used by witness D'Ascendis when Rothschild made his recommendations and applied three models to provide an ROE in the range of 7.46% to 8.75%. Tr. pp. 672.7-672.9; *See*, Table 4, Exhibit ALR-2; Tr. p. 672.9.

Table 1 below indicates the capital structure of the Company, as approved in this Order, which both Company witness D'Ascendis and Consumer Affairs witness Rothschild agree:

[14] As stated previously, Blue Granite witness D'Ascendis' Non-Price Regulated Group indicated an average unadjusted beta that is twenty-five percent (25%) higher than his Water Proxy Group, making it inappropriate for comparison purposes regarding the most fundamental measurement of risk. Tr. p. 575.

Table 1: Summary of Blue Granite's Capital Structure

Type of Capital	Ratios
Long-Term Debt	47.09%
Common Equity	52.91%
Total	100.00%

Tr. p. 672.12.

Amongst the three witnesses, Consumer Affairs Rothschild's approach was unique in that he included the use of both historical and forward-looking, market-based data in his analysis. Based on the testimony and facts presented, the Commission therefore adopts the recommended ROE of 7.46% proposed by witness Rothschild. This ROE allows Blue Granite to raise the capital it needs to provide safe and reliable service to its' customers.

B. Depreciation Schedule

As part of his Application proceeding, Blue Granite conducted its first depreciation study of its water and sewer plant assets in thirty-five (35) years. Blue Granite witness Spanos stated that the Company's current depreciation rates are outdated and were premised upon unrealistically long depreciable lives for facilities and equipment. Tr. p. 564, ln. 17 – p. 565, ln. 3. ORS witness Garrett recommended that the Commission reduce Blue Granite's depreciation accrual by approximately $760,236 calculated as of December 31, 2018. Tr. p. 1065, ln. 19. Based on the evidence in the

record, Blue Granite's existing depreciation rates, which assume a 66 2/3 useful life for all asset accounts, are largely inaccurate. The service lives proposed by witness Spanos for several of the plant accounts in the depreciation studies prepared by Company witness Spanos are too short given the evidence supporting such service life proposals. Tr. p. 1066, ln. 21-25. The evidence is clear in this case that an update to Blue Granite's depreciation rates and depreciation expense is needed. Both Company witness Spanos and ORS witness Garrett agree on this. The evidence in the record shows that Blue Granite's current depreciation rates are artificially low and out of date. The question before the Commission is whether witness Spanos or witness Garrett's proposed accrual rates and expense level are more reasonable and supported by the evidence in the record. The Commission finds that ORS witness Garrett was credible and that he employed reasonable, objective methodology in proposing accrual rates, service lives, and net salvage estimates. In addition to reducing Blue Granite's depreciation accrual by approximately $760,236, the Commission further adopts ORS witness Garrett's recommended service life estimates and net salvage cost estimates for the purposes of setting Blue Granite's depreciation rates and depreciation expense.

C. Non-Revenue Water Loss Expense Recovery

The parties disagree on whether a limit should be placed on the amount of non-revenue water Blue Granite can recover through rates and if so, what the limit should be. Currently, Blue Granite is operating under a current ten percent (10%) threshold for recovery of non-revenue water as set in Blue Granite's prior rate case. See Order No. 2018-345 & 2018-345(A); Docket No. 2017-292-WS. Prior to its most recent rate case

proceeding, Docket No. 2017-292-WS, Blue Granite reported three (3) subdivisions served by third-party providers for which non-revenue water exceeded ten percent (10%) during the test year. In the prior proceeding, ORS requested an adjustment limiting non-revenue water expense to ten percent (10%). Blue Granite did not oppose the adjustment and it was accepted by the Commission.

However, in this proceeding Blue Granite proposed a twenty percent (20%) non-revenue water threshold. Company witness Mendenhall disagrees and believes

> that the Company's non-revenue performance should be evaluated consistent with the AWWA's recommendations, including recognizing the benefit-cost analysis to evaluate alternative activities for achieving compliance. While the Company is taking measures to actively address non-revenue water, infrastructure investigations, repairs, and replacements can be extremely expensive, and these costs would be passed along to customers. Tr. p. 363.7, ln. 3-8.

See, also, Tr. pp. 363.2-363.10. Company witness Mendenhall claims that while the cost of leak detection would cost more than the annual cost of non-revenue water expense, he did acquiesce that leak detection studies are the first step in addressing the non-revenue water issue. Tr. p. 363.7, ln. 14-19 ("…a leak detection study is not guaranteed to identify any and all water losses that lead to non-revenue water …, but such efforts would be an essential early step in addressing non-revenue water.").

In this case, ORS recommends that Blue Granite's recovery of non-revenue water from the purchase water deferral account[15] also be limited to ten percent (10%), resulting in an amortized annual adjustment of $16,976. Tr. p. 1202.7. As ORS witness Maurer

[15] In Docket No. 2015-199-WS, the Commission authorized the creation of a deferral account by Blue Granite to record rate increases by third-party water and sewer treatment providers. *See*, Order No. 2015-876, p. 29.

testified, the total adjustment is $50,929 amortized over three years. Tr. p. 1202.7, fn. 10. "[B]ecause 10% is both appropriate and reasonable, the monetary size of the adjustment should not change the non-revenue water threshold used by ORS or the Company's position on the previously utilized non-revenue water threshold." Tr. p. 1202.7., ln. 7-10.

D. Annual Rate Adjustment Mechanism

In its Application, Blue Granite sought approval of an Annual Rate Adjustment Mechanism ("ARAM" or "Mechanism'*) for purchased water and sewer treatment expenses. All the parties, except for Blue Granite, opposed the Mechanism.

The Mechanism Blue Granite proposes would initiate a rate adjustment between base rate filings to recover deferral of changes in third-party service provider rates. Application, p. 5. The annual rate adjustment for purchased water expense deferrals would be applied to "Distribution only" customers, and the annual rate adjustment for purchased sewer treatment deferrals would be applied to "Collection only" customers. Application pp. 5-6. 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. Application p. 6. The Application proposed 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." Id.

In describing how the proposed adjustments would be calculated, Blue Granite witness DeStefano testified as follows:

> The expense amount for which the Company is seeking recovery through the rate adjustment represents the difference between the amount of purchased water or wastewater expense approved in this rate case, compared to the amount of expense that is known and measurable at the time of the annual rate adjustment, which could be higher or lower. The current amount of expense will be calculated by summing the consumption data from invoices making up the approved amount of expense in this rate case and applying the most current rates charged by third party suppliers where the rate has changed since this rate case. This method would be used to isolate the impact that changes in rates from third party providers have on changes to the expense level, not changes in expense levels due to consumption or customer growth. In addition, the Company will continue to accrue monthly the impact of the rate change from the vendor to a regulatory asset. The combined deferral balance and annualized impact of the change in vendor rates versus authorized will be divided by the annualized authorized consumption of the applicable customer group to determine the adjustment rate. After the initial implementation, the rate adjustments would include true-up calculations for over or under-collection on revenues attributed to the rate adjustments approved in the prior application. Any over- or under-recovery related to the difference between the revenues billed and the authorized recovery through the mechanism would be reconciled and charged or credited to customers, as appropriate, in the next Annual Purchased Water and Wastewater Rate Adjustment filing.

Tr. pp. 763.33-763.34.

Prior to Blue Granite's 2015 rate case, the Company utilized a pass-through approach whereby when a third-party water or wastewater services provider increased its rates, those increases were passed through to the customers serviced by that provider after a notice period and approval from the Commission. Tr. p. 763.25. In 2015, with ORS's support, Blue Granite moved away from the former pass-through system because of administrative issues with constantly altering 39 different rates due to changes in rates by the various third-party providers. Tr. pp. 763.25-763.26. Blue Granite asserts the newly

proposed system will not have these issues because rates will change no more often than once per year, they will change on a consolidated basis utilizing the Company's current consolidated rate system, and the rate changes will be easier to understand because the purchased water and purchased sewer treatment costs will be reflected in separate line items on customer bills. Tr. p. 763.26. Purchased water and wastewater treatment expenses represent over 40% of the increase in costs Blue Granite seeks to recover in this rate proceeding. Tr. p. 763.27. From 2017 to 2018, purchased water expenses increased by 27% and purchased wastewater services expenses increased by 58%. Tr. p. 763.30.

DeStefano asserts purchased water expenses and wastewater services expenses are comparable to fuel costs in electric cases that vary significantly from year to year. Tr. p. 763.30. He testified "[p]ermitting recovery to track, on a one-to-one basis, actual costs—outside of a general rate proceeding—will match expenses to recovery on a more timely basis and mitigate large rate shocks in rate cases, thereby benefitting customers." Tr. p. 763.31. "Additionally, mechanisms such as these can help to alleviate large fluctuations in rates from base rate cases (ke., mitigate rate shock) by providing for more gradual adjustments to rates, while at the same time sending more accurate price signals to customers that reflect the true cost of service." Tr. p. 763.32.

Blue Granite is opposed to a pass-through mechanism that is territory-specific whereby a change in rates by third-party provider is only passed through to the customers who receive water or wastewater treatment from that provider. Tr. p, 763.38. Blue Granite asserts such an approach is inconsistent with the Commission-approved

consolidated rate design it has and would disproportionately impact certain customer groups whose third-party providers have greater rate increases. *Id*.

Blue Granite asserts the ARAM is permissible under S.C. Code 5 58-5-240(G) because it does not require a determination of the Company's entire rate structure. Tr. pp. 763.40-763.41. Rather, the ARAM would adjust a single, segregated charge on customer's bills related to recovery of third-party provider rate changes. Id. Consequently, the notice and hearing process of a full rate case are not necessary. Tr. pp. 763.39-763.41. Nonetheless, Blue Granite is open to providing notice and opportunity for a hearing in the annual Mechanism proceedings, if the Commission deems it appropriate. (Tr. p, 907, I 11-p. 909, l. 13). The Company is agreeable to the public being given the opportunity to participate in the hearing process, also. (Tr. p. 910, ln. 19-21). However, Blue Granite's position is the calculation of the ARAM is "strictly a mathematical exercise," without much room for interpretation. (Tr. p. 909, l. 14-p. 911, 1. 3; p. 764.18, 11. 5-8). If a threshold is set for non-revenue water in this proceeding, that threshold could not be altered during the ARAM proceedings because that would affect base rates. (Tr. p. 918, 11. 4-14; p. 919, l. 20-p. 920, 1. 8; p. 922, ln. 6-14). Blue Granite is agreeable to whatever threshold for non-revenue set in this proceeding, if any, being factored into the ARAM calculation and carried forward until the next full rate case. (Tr. p. 917, l. 16-p. 918, l. 3; p. 925, 11. 13-25).

In response to York County's arguments in opposition to the ARAM, Blue Granite asserts York County has benefited from the consolidated rate structure which exists. Tr. pp. 764.12- 764.13. Also, rate increases York County has imposed since the last rate case

are a significant component of the increased purchased water and purchased wastewater treatment costs Blue Granite seeks to recover in this proceeding. Id. These increased costs from York County will be spread among customers under the Company's consolidated rate structure. Id. In addition, Blue Granite argues York County can, at any time, amend the ordinance it enacted limiting further rate increases.

ORS opposes the ARAM as seeking to recover significant annual expenses with little to no review and inadequate customer protections. Tr. p. 1214.2. ORS asserts, through witness Sandonato, that the ARAM is not a pass-through of a change in rates but rather a pass-through of expenses. Id. The "pass-through" of a change in rates is fundamentally different than the "passthrough" of a change in expenses. Id. The Company's proposed ARAM bases the calculation of the annual rate change to customers on the level of expenses incurred by the Company which includes non-revenue water, changes in customer consumption, and inflow and infiltration. Tr. p. 1213.22. While Blue Granite stated the ARAM allows the Company to track and pass on to customers changes in third party rates on a dollar-for-dollar basis without markup or margin, this is not correct because the Company would be passing on additional costs that could be attributed to non-revenue water or inflow and infiltration ("I&I") for purchased sewer treatment systems. Tr. p. 1214.3. Non-revenue water and I&I are appropriately reviewed in a general rate proceeding. *Id.*

ORS witness Sandonato provided the following example to illustrate how additional costs such as non-revenue water and I&I would be passed on. Tr. pp. 1214.2-1214.3. If a third-party water provider increased the purchased water rate by $0.05 per

1,000 gallons and the Company was billed for 100,000,000 gallons of water at the updated purchased water rate for the year, then the Company's total increase in purchased water expense would be $5,000. *Id*. Under the pass-through of expenses the Company proposes in its Application, there would be an allocation of the increased purchased water expense to customers resulting in them paying the $3,750 attributed to customer consumption plus an additional $ 1,250 not attributable to customer consumption. Id.

In addition, the proposed additional, separate purchased water and sewer treatment charges do not improve clarity, as they do not reflect the actual cost of the purchased water or sewer treatment costs incurred by each customer. Tr. pp. 1211-1212, 1214.8. In other words, if a third-party water supplier for customers is charging $5 for 1,000 gallons, those customers bills are not going to reflect they are paying $5 per 1,000 gallons. The bills will reflect some other number because of the consolidated nature of Blue Granite's rate structure. Until Blue Granite is able to provide customers the actual purchased water or purchased sewer treatment expenses related to the services the customer receives from the third-party provider, clarity and transparency will not be improved. Tr. pp. 1212, 1214.8-1214.9. ORS recommends the Commission deny Blue Granite's request to establish an ARAM and continue the current system under which increases by third-party providers are placed into a deferral account to be considered as part of the next general rate proceeding. Tr. p. 1210. If the Commission determines the Company should recover its purchased water and sewer treatment charges more quickly than a general rate proceeding,

ORS recommends that any rate customers pay for purchased water and sewer treatment be established in a way such as to reflect the actual rate from the third-party provider that provides the service to the customer. Tr. p. 1211. In other words, any mechanism approved should be the type of dollar-for-dollar pass-through utilities such as Kiawah Island Utilities, Inc. and Ocean Lakes Utility, L.P. have in place.

Should the Commission deny approval of the ARAM and continue the current deferral system, ORS further recommends the Commission not approve Blue Granite's request to apply carrying costs at the Company's cost of debt to the purchased water and sewer treatment deferral accounts. Tr. 1214.9. The request to receive carrying costs in addition to recovery of the deferral will impact customers negatively by increasing the amount to be recovered from them. Id. Purchased water and sewer treatment expenses are similar to power, contract labor, and chemicals. Id. The continuation of the deferral allows the Company the opportunity to recover expenses outside of the historic test year. Id. This benefit accrues to the Company and is sufficient. Id. The addition of carrying costs is not necessary and does not benefit the customer. Id. ORS also recommends the Commission require Blue Granite conduct a cost of service study that coincides with the test year and is included as part of its next rate case. Tr. p. 1214.7. Blue Granite stated it is open to filing a cost of service study in its next rate case. Tr. p. 764.37. ORS asserts a cost of service study is essential to determine the proper rate design and previously the Commission has required significant rate design changes to be fully supported by relevant data prior to implementing the proposed changes. Tr. 1214.7. Fundamentally, the cost of service study will demonstrate which costs need to be recovered and from which

customer classes the cost should be recovered. Id. ORS believes Blue Granite should retain its existing rate structure of a Base Facility Charge, a commodity charge based on water consumption for water customers and per Single Family Equivalent charge for sewer customers until a cost of service study is completed. *Id*.

York County, through its witness Eric Rekitt, indicated it was opposed to the ARAM. York County, in December 2019, passed an ordinance suspending water and sewer rate increases. Tr. pp. 1029.2-1029.3. It is concerned that if other third-party providers increase their rates in the future, rates for York County customers could be impacted because of Blue Granite's consolidated rate structure. Tr. p. 1029.3. The County has concerns similar to that of ORS which are that an ARAM does not adequately incentivize Blue Granite to reduce I&I and non-revenue water loss. *Id*. York County supports a dollar for dollar territory-specific pass-through under which the rates for Blue Granite customers in York County only change in accordance with the rates of third-parties servicing customers in the County. *Id*. If an annual mechanism is approved, York County asserts it should include an opportunity for interested parties such as it to participate in the process. Tr. 1029.4.

The two witnesses for Forty Love Point Homeowners Association also expressed opposition to Blue Granite's proposed ARAM. Tr. pp. 732.1-732.3, 737.1-737.3.

Consumer Affairs witness Morgan testified to Consumer Affairs concerns about how non-revenue water loss recovery is treated under the ARAM and regarding the Blue Granite's effort to recover 100% of its non-revenue water from customers. (Tr. p. 698,1.

15-p. 700,1. 8). Witness Morgan agrees that Blue Granite's proposal is not a pass-through of rates. *Id*.

The Commission is charged with setting "just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed." S.C. Code Ann. §58-5-210. Applying this statutory charge, the Commission declines to approve the ARAM that Blue Granite proposes based upon the record.

While Blue Granite has sought to address some of the concerns raised by the parties through incorporation of the non-revenue water threshold set in this Order and through agreeing to notice and a hearing in which the public can participate as part of the annual process, it also has stated the process would be a "strictly a mathematical exercise," without much room for interpretation. Blue Granite has indicated the threshold set for non-revenue water loss recovery herein could not be altered in the annual proceedings, as that would constitute a change in base rates and require a full rate case.

Blue Granite also has not demonstrated the ARAM would improve bill clarity for customers, as the methodology for calculating the purchased water and sewer charges is confusing and would not yield a number that reflects the actual cost of the purchased water or sewer treatment costs incurred by each customer.

The Commission finds that Blue Granite is authorized to continue the deferral accounting treatment of changes in purchased water and wastewater treatment rates established in Docket Number 2015-199-WS.

Additionally, with regard to additional adjustment to the Company's "Rate Base – Deferred Charges," the Commission finds and determines that Blue Granite is authorized to amortize $3,178,824 of Purchased Water and Sewer Deferrals over five (5) years and to remove the first year's amortization of $635,765 for a total increase of $2,543,059 in a regulatory asset.

With 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.

The Commission finds and determines that Blue Granite is not authorized to apply carrying costs to these deferral accounts other than as approved and directed herein.

Lastly, the Commission also declines to approve the changes Blue Granite proposes to its rate structure to add separate purchased water and sewer treatment charges, which were proposed to effectuate the ARAM. Blue Granite shall maintain its existing rate structure of a Base Facility Charge, a commodity charge based on water consumption for water customers, and per Single Family Equivalent charge for sewer customers.

E. Greenville Office Move, Upfit and Rent Expense - $580,045

The evidence in record clearly supports the conclusion that Blue Granite's decision to sell its office building in West Columbia, South Carolina, and to relocate its

office to downtown Greenville, South Carolina is unreasonable and that the cost of upfitting the leased space, as well as the cost of the leased space (i.e., in the form of rent) should not be the responsibility of Blue Granite's customers. Tr. p. 1201.8, ln. 3-5.

ORS witness Maurer recommends an adjustment of $495,206 to eliminate cost recovery for the Blue Granite Office Upgrades. This is reflected in ORS Adjustment 32. Tr. p. 1201.7, ln. 20-22.

ORS's recommendation is based on its position that Blue Granite's decision to relocate its West Columbia, South Carolina office to Greenville was unreasonable and the cost of upfitting the space the Company leased in Greenville should not be the responsibility of customers. Tr. p. 1201.8. When asked during discovery about its justification for moving the office, Blue Granite stated:

> The primary focus of the office relocation was to attract and retain the professionals needed to maintain and improve the Company's ability to provide utility service at reasonable cost. The Company and the industry as a whole has an aging workforce, 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. The Company looked at Greenville and Columbia/West Columbia as location options. We used CBRE data (attached) to compare labor statistics of Columbia versus Greenville and decided upon Greenville. The Greenville office is within walking distance of our outside engineers (GMC) and peer utilities, Pacolet Milliken and Duke Energy, and offers additional conveniences to current and potential employees. The Columbia area did not have these same benefits. Customers benefit from the acquisition and retention of talented employees for the Company, which can minimize turnover costs and institutional knowledge loss over time. Please see attached file "Office Expenses" for the Columbia office costs offset by rent expense for the Greenville office."

Id.

Blue Granite witness Denton objected to the disallowance of these upfit costs with the move and relocation of its office to Greenville. However, Company witness Denton testified on cross examination that the Blue Granite's relocation and lease of Greenville office space was due to legacy brand issues which were caused by the Company itself. Tr. p.355.6; Tr. p. 445, ln. 15 – p. 446, ln. 8. Witness Denton also repeatedly pointed to employee retention issues as the driving force behind the Greenville move, and further admitted through his testimony that "[a]ttracting talent in the Columbia market has been extremely difficult due to the legacy brand issues in that market." Tr. p.355.6, ln. 5-7.

ORS witness Maurer provided undisputed evidence of Blue Granite's prior statements before the Commission in Docket No. 2018-365-WS that rebranding by Carolina Water Service, now known as Blue Granite Water Company, would be "at no cost to [Blue Granite's] customers." Tr. p. 1202.8, ln. 5-25; *see, also*, Exhibit KDM-2. Now by seeking recovery from the ratepayers for these costs associated with the Greenville Office in this proceeding, Blue Granite is contradicting its prior representation by attempting to pass onto customers office upgrade costs and Greenville expenses that were part of its rebranding plan and self-caused talent acquisition issues. Tr. p. 1202.8.. The 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 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.

Notably, Blue Granite sought through its Application to have ratepayers pay for other expenses associated with its rebranding such as vehicle logo and decal expenses,

new uniforms, and legal fees. Tr. pp. 1133.3- 1133.4, 1133.7-1133.8. Blue Granite agrees to the adjustments proposed by ORS witness Jackson to remove these other rebranding expenses but opposes the removal of the Greenville office upfit, moving and associated rent expenses. Tr. p. 764.4

Based upon the record, the Commission further finds that an additional adjustment or reduction of $84,839 to Blue Granite's revenue request for additional rent is just and reasonable. Blue Granite's headquarters were formerly located at 150 Foster Brothers Drive in West Columbia, South Carolina ("Property"). This Property was acquired by Blue Granite in 2014 for the sum of $214,500 and consists of a 4,050 square-foot office building along with 1.88 acres of treed acreage. *See,* Blue Granite Late-Filed Exhibit No. 1. The Property was sold during the Test Year on September 28, 2018 for $356,400 to Palmetto Services Properties, LLC. Id. Net proceeds received were $325,769. *See,* Blue Granite Late-Filed Exhibit No. 1, Attachment B.

> The Company removed the Property from the rate base in October 2018. At that time, the original cost of the Property, inclusive of improvements since acquisition, was credited as a reduction of the amount carried upon the books of the Company under NARUC Account 304, "Utility Plant in Service – Structures and Improvements," for $254,395. An offsetting entry was made to NARUC Account 421.1, Gain on Disposition of Property.

See, Blue Granite Late-Filed Exhibit No. 1.

The substantial evidence in record as a whole indicates that these adjustments reducing the additional revenue sought by Blue Granite related to the Greenville Office Move, Upfit and Rent/Lease as proposed by ORS and determined by Commission in the amount of $580,045 are just and reasonable.

F. LETT's Tank Pumping Charge

Blue Granite, in its Application, requested authority to amend its tariff language and fees related to solids interceptor ("LETTS") tanks to change the pumping charge from $150 to the actual cost to access, pump, and service the tanks on a periodic basis. Tr. p. 362.13, ln. 3-8. Blue Granite witness Mendenhall testified that this change is necessary to permit Blue Granite to recover from the responsible customer the actual costs associated with the necessity 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 the cost to access the tank, is often more than the currently effective charge of $150 and it needs to be performed every three to five years. Blue Granite 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. Tr. p. 362.13, ln. 9-16. If requested by the customer, Blue Granite would divide the pumping charge into twelve equal monthly installments. Tr. p. 362.13, ln. 17-18.

Blue Granite previously filed a request to amend its tariff in the manner it proposes in November 2018 in docket number 2018-361-S and subsequently withdrew that application without prejudice, indicating judicial economy would be best served by including the matter in its next general rate case. Blue Granite identified 581 tanks in its service territory and indicated it owned 301 of those tanks. Tr. p. 1191.3, 1n. 4-5. Blue Granite typically hired a third-party contractor to perform the work. Blue Granite confirmed to ORS the actual cost it would seek to recover from customers is the total cost

quoted by a contractor to perform the service without any additional costs or markup. Tr. p. 1191.4, 1n. 8-11.

Blue Granite indicated that in advance of filing docket number 2018-361-S, it suspended charging customers the $150 fee for pumping the tanks, although one instance was identified during 2018 to 2019 where a customer was charged. Tr. p. 1190.4, 1n. 4-8. Blue Granite provided the ORS with thirty (30) instances of pumping charges during the Test Year. *Id*. 1n. 8-9. The work generally was performed by three different third-party vendors during the test year, with the average cost being approximately $750. *Id*. 1n. 9-13. Blue Granite did not bill twenty-nine (29) customers for the approved $150 pumping charge and included the full expense from the third-party vendors as an expense to be recovered from all customers. *Id*. 1n. 13-15. ORS recommends a miscellaneous revenue adjustment of $4,350 reflected in ORS's Adjustment No 3 (*see*, item VII.C below) for imputed revenue for services Blue Granite was able to charge for pumping LETTS tanks but for which Blue Granite did not. Tr. p. 1213.8-1213.9. Blue Granite indicated it agreed to this adjustment. Tr. pp. 764.3-764.4.

When ORS witness Bickley suggested that Blue Granite provide customers faced with the pumping of their LETTS tank the option of seeking alternative service providers, Company witness Mendenhall rejected the idea and was concerned that it could lead to unsanitary sewer overflows. When an interceptor or LETTS tank is full and in need of pumping, it creates the potential for an unsanitary sewer overflow or back-up into the customer's residence unless there is prompt response to pump out the interceptor tank in order to limit or prevent such overflows. Tr. p. 363.12, ln. 19-23.

For cost causation reasons, ORS does not oppose Blue Granite's request to change the treatment of LETTS tanks in its tariff such that customers who cause the expense will pay the actual costs of this service, but ORS asserts the proposal should be modified to incorporate the following customer protections:

(1) require Blue Granite to provide an estimate of the actual cost of the pumping service to the customer prior to the work being scheduled and completed;

(2) allow customers to seek alternative options for the pumping services by obtaining quotes/estimates from qualified and appropriately licensed third-party vendors and contractors;

(3) require customers to approve and authorize Blue Granite providing pumping services in writing prior to service being performed;

(4) the pumping charge may not exceed the estimate of the actual cost Blue Granite provided to the customer and the charge may not exceed the amount Blue Granite paid to any third-party vendor to perform the work;

(5) if the customer chooses to use an alternative third-party vendor to perform services on their LETTS tank, Blue Granite may oversee and inspect the work but will not charge the affected customers for the personnel and overhead costs incurred in managing the LETTS tank-related work;

(6) require the customer to provide, in a timely manner, Blue Granite proof the pumping and service on the tank occurred;

(7) if the customer authorizes Blue Granite to perform the work, require the pumping charge be included as a separate line item on the customer's next bill and allow the customer the choice to have the charge billed in twelve equal monthly installments; <u>and</u>

(8) if an emergency condition arises that presents a health risk to the customer, the public, or the environment, Blue Granite may proceed with pumping the tank without giving the customer the opportunity to select a different vendor. Blue Granite shall present, upon request, evidence supporting the need for immediate action.

Tr. p. 1190.7, ln. 3 - p. 1190.8, ln. 9. ORS witness Bickley also provided proposed tariff language for Blue Granite to use which would incorporate their proposed modifications to the LETTS tank tariff, including its language of what constitutes an emergency condition under which Blue Granite could pump the tank without giving the customer the opportunity to select a different vender. Exhibit No. 38; *See, also*, Exhibit No. BSB-1. Blue Granite witness Mendenhall testified in his Rebuttal that Blue Granite was in agreement with ORS's proposed modifications, with the exception of the exact definition of what constitutes an emergency condition under which Blue Granite could pump a tank without giving the customer the opportunity to select a different vendor. Tr. p. 395, ln. 8 -p. 396, ln. 5. However, Blue Granite did not provide an alternate definition for emergency condition for the Commission to consider other than what was in ORS's proposed tariff language.

Based upon the testimony and evidence in the record, including that of Intervenor Forty Love Point Homeowners' Association, Commission grants Blue Granite's request to amend its tariff language and fees related to Solids Interceptor ("LETTS") Tanks to change the pumping charge from $150 to the actual cost to access, pump, and service the tanks on a periodic basis, with and incorporating the changes recommended by ORS to Blue Granite's proposal. The Commission further approves and adopts ORS's proposed tariff language related to Solids Interceptor ("LETTS") Tanks in Exhibit 38, including ORS's language of what constitutes an emergency condition under which Blue Granite could pump the tank without giving the customer the opportunity to select a different vender. Exhibit No. 38; *See, also*, Exhibit No. BSB-1. Blue Granite provided no

alternate definition of "what constitutes an emergency condition" for the Commission to consider.

G. Contributions in Aid of Construction Under Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act (TCJA) lowered the federal corporate income tax rate from 35% to 21%. Due to this lower corporate tax rate, Blue Granite seeks Commission authority to initiate a one-time credit to each customer water and sewer account, to return overcollections of Federal tax expenses. Blue Granite witness DeStefano proposes to initiate a one-time credit of $10.64 to each customer water and sewer service account in order to return overcollections of federal income tax expenses accumulated between January 1, 2018 to June 28, 2018 related to the TCJA in the amount $335,713. Tr. p. 763.10. Blue Granite witness DeStefano testified that Blue Granite over-collected $335,713. It is undisputed by Blue Granite and the ORS that this overcollection of funds needs to be returned to each customer water and sewer service account.

SCDCA witness Morgan recommends that the deferred liability of $335,713 be used to offset the deferred purchased water and sewer treatment costs instead of providing a direct refund to customers. Tr. p. 651.15.

ORS verified the Company's calculations using updated pro forma customer bills of 31,710 and calculated a one-time credit of $10.59 per account. Tr. p. 1115.25, ln. 14-16. Blue Granite agreed with this updated calculation by ORS based on adjusted pro-forma customer counts. Tr. p. 764.4, ln. 18-19.

The Commission concurs with Blue Granite and ORS and finds that this overcollection of funds needs to be returned to each customer water and sewer service

account by providing the one-time credit of $10.59. The evidence in the record supports the proposed adjustment in the amount of $335,713 and the calculated one-time credit of $10.59 as verified and calculated by ORS using the Company's updated data. The Commission further finds that the same is just and reasonable and therefore, orders this one-time credit by Blue Granite in the amount of $10.59 as proposed by ORS for each customer water account and sewer account effective upon the date of this 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.

H. Storm Reserve Fund

In addition to an increase in base rates, Blue Granite is seeking the authority to create a Storm Reserve Fund for extraordinary storm restoration costs such as those experienced following Hurricane Florence. Tr. p. 354.22, ln 17-20. Blue Granite wants set aside $200,000 which would be funded through a monthly surcharge of $0.53 per customer. Once the $200,000 threshold is reached, the monthly charge would be suspended once the threshold amount was reached, and any overcollections during that last month would be refunded to customers the following month. Tr. p. 764.24, ln. 18-20.

Blue Granite witness Mendenhall testified that major storm events cause the utility to experience service disruptions due to temporary power loss and damage to supply or treatment infrastructure. Tr. p. 363.11, ln. 3-6. Storm damage can also cause main breaks which result in low pressure and boil water advisories. Tr. p. 363.11, ln. 6-7. Repairs can take less than an hour to several days to restore full service to customers depending on the nature of the damage to Blue Granite's systems. Tr. p. 363.11, ln. 7-9.

The Storm Reserve Fund would be used for extraordinary storm restoration costs that were not included in the Company's revenue requirement. For example, this could be generator services, damage assessments, damage inspections, site preparation and facilities repair. Tr. p. 363.11, ln. 9-13.

Blue Granite witness DeStefano also rejected the modifications to the Storm Reserve Fund offered by ORS and by Consumer Affairs. Tr. p. 764.23, ln. 16-22. Even though witness DeStefano agreed that periodic reporting and utilization of funds only for named storms was reasonable, DeStefano testified that such modifications to the Storm Reserve Fund:

> would not serve the ultimate purpose of the Storm Reserve Fund. The purpose of the fund is to set aside capital for immediate deployment in cases of an extraordinary level of storm recovery expense, an amount significantly above the annual average 'normal' level of storm-related expense we typically experience."

Tr. p. 764.23, ln 22 – p. 764.24, ln. 2. The $50,000 fund as proposed by ORS, according to witness DeStefano, would not accomplish the goals of the Company in maintaining the Fund which are: (a) to have funds on hand to respond to extraordinary storms, and (b) to save the administrative burden and expense of filing repeated deferred accounting petitions with the Commission. Absent a Storm Reserve Fund and absent a filing before the Commission by the Company for deferred accounting treatment, witness DeStefano states that Blue Granite has no available recourse to recover costs related to major storm events. Tr. p. 764.24, ln 3-20. Blue Granite believes that the potential for a catastrophic storm will erode the Company's earnings and impair the Company's financial ability; thus, adversely affecting customers because such issues or pressures lead to increasing

capital costs, diminish resources for other operating needs, and contribute to the need for more frequent regulatory filings. Tr. p. 764.25, ln. 10-13.

ORS reviewed Blue Granite's past ten (10) years of storm restoration costs using a ten-year average. After removing the high and low values, ORS witness Bickley testified that ORS's review found the average yearly storm cost to be $28,320.51. Tr. p. 1186, ln. 15-19. The ORS also recommends a normalization adjustment of storm costs which was be $23,481. The "method of normalization of storm costs more accurately reflects storm costs for each year" and is a method approved by the Commission for use by utilities. Tr. p. 1186, ln. 23-25. ORS witness further testified that the proposed Storm Reserve Fund by Blue Granite did not have any guidelines on how the Company would access the Fund or customer protections to restrict use, access, or operation of the Fund. Tr. p. 1187, ln. 4-14; Tr. p. 1188.

ORS witness Bickley provided ORS's recommendation to modify the Fund to include sufficient customer protections. With these modifications, the ORS would support a Storm Reserve Fund if : (1) only allowed to be used for damage incurred as a result of a named storm (as named by the World Meteorological Organization); (2) use the Fund if the Company's insurance does not cover all costs related to damage from a named storm; (3) mandatory quarterly reporting to the Commission and ORS of the status of the Fund including, but not limited to, dates and amounts of withdrawals and expenditures from the Fund, current balance, and current monthly surcharge; (4) limit the maximum Fund balance to $50,000; and (5) the balance of Storm Reserve Fund should be included as a reduction to rate base. Tr. p. 1188, ln. 14 – p. 1189, ln. 8. ORS also

recommends that the Commission approve its recommendation for storm normalization so that Blue Granite would have access to the Fund once the company had incurred $28,321 in storm damage. Tr. p. 1187, ln. 7-14.

Consumer Affairs witness Morgan testified that the Storm Reserve Fund was not necessary because a significant portion of the water and sewer utility infrastructure is below ground. Tr. p. 651.19. He also testified that the establishment of the storm fund is necessary at this time. Tr. p. 649, ln. 9; Tr. p. 651.19. While Blue Granite cites Hurricane Florence in September 2018 as an example of the type of storm where the resulting damage which would be covered by such a fund, the data shows that this type of storm is not incurred frequently. Tr. p. 649, ln. 10-15; Tr. p. 651.19, ln. 20-21. A monthly surcharge of $0.53 per customer account is an unnecessary fee to impose on customers. Tr. p. 649, ln. 15-17. Consumer Affairs witness Morgan continued to testify that in the data presented by Blue Granite in support of its request does not support a historical need for a fund. Tr. p. 649, ln. 15-17. See the following Table[16] from Rebuttal Testimony of witness DeStefano which was relied upon and referenced by witness Morgan as being "significantly less than $200,000". Tr. p. 658.5, ln. 17.

[16] Tr. p. 764.22, ln. 2-3.

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	

Given that storm costs are already included in the cost of service, witness Morgan testified that an adequate allowance has been provided to the Blue Granite in its rate base to cover storm damage costs. Tr. p. 649, ln. 15-17; Tr. p. 658.3, ln. 16-19.

The Commission finds ORS witness Bickley's testimony compelling and agrees with Consumer Affairs witness Morgan that it is unreasonable to make a significant policy change based upon a rare occurrence. The current process established by the Commission allows the utility to seek deferred accounting treatment for unusual circumstances. There is no need to burden Blue Granite customers with higher rates to create a fund that history shows will likely end up unused on Blue Granite's balance sheet. We conclude that the Storm Reserve Fund is not necessary.

Based upon the evidence in the record, the Commission finds that Blue Granite's request to establish a $200,000 Storm Reserve Fund is not needed at this time and that the request is denied. According to the Company's own data, there have been only two times

when the Company was allowed deferred accounting treatment. Tr. p. 658.5. Due to a storm in 2016, the Company was authorized to defer approximately $60,000 which is being amortized over a 5-year period. The other storm deferral occurred as a result of back to back Hurricanes in September and October 2018. Blue Granite incurred approximately $209,000 in storm restoration costs and is being allowed to recover those costs over a 5-year period. These are the only two instances over the most recent four (4) years of the Company's history where it incurred significant storm damage expenses to receive authority to defer the expenses. Blue Granite explains that the $200,000 amount that it seeks to accumulate in the Storm Reserve Fund is based upon the level of expenses incurred for back to back storms, Hurricane Florence and Hurricane Michael, in September and October 2018. The Commission further adopts the position of Consumer Affairs that not only is the fund needed by Blue Granite to provide safe and reliable service, but also it is unreasonable to establish a $200,000 Reserve Fund because a level of storm costs was incurred one-time due to unusual circumstances of two back to back hurricanes occurring in a short span of time from the other.

I. Round Up Program

With its Application, Blue Granite requests Commission authority to implement a voluntary Round Up Program ("Program"). This program would round the bills of participating customers to the nearest higher dollar, with the difference accumulated in a reserve fund for remittance to the South Carolina Office for Economic Opportunity ("SCOEO"). Tr. p. 1190.8, ln. 12-15. The funds would be distributed to community action agencies in Blue Granite's service territory to assist low income customers with the

payment of their water and sewer bills. Tr. p. 1190.8, ln. 15-17. The funds would be (1) distributed to Community Action Agencies in Blue Granite's service territory to assist low income customers with their water and sewer bills; (2) issued in an amount not to exceed fifty dollars ($50) per qualifying household for the payment of outstanding water or sewer service charges, or a deposit on a residential customer account; and (3) provided as a one-time service for eligible residential customers during the Program Year. Tr. pp. 1190.10, ln. 1-12. Blue Granite also seeks approval from the Commission to defer implementation costs from the customer Round Up Program related to modification of its billing system and "MyUtilityConnect" customer service application, for recovery in the Company's next rate proceeding. Tr. p. 763.23-763.24; Tr. p. 1190.8, ln. 17-20; *See, also*, Application, page 7 of 8, item 26.

In its request for approval of the Round Up Program, Blue Granite also requested additional revenue adjustment in its office supplies and other office expenses to include expenses for annual filing notices associated with the bill inserts and notices associated with the Program's estimated costs as proposed Pro-Forma Adjustments within this rate case in the amount of $14,674. Tr. p. 1190.12, ln 16 – p. 1190.13, ln. 13. Blue Granite witness DeStefano continued to testify that the Company seeks to "defer implementation costs" for the recovery of the Program in the next base rate case. Tr. p. 763.24, ln. 2; *See, also*, Application, page 7 of 8, item 26.

Consumer Affairs was supportive of the Program to aid low-income customers but concerned that Blue Granite's customers would be shouldering the costs of implementing the Round Up Program. In fact, Consumer Affairs witness Morgan

testified that Consumer Affairs was "opposed to the deferral of costs that assumes an automatic recovery in the next rate case." Tr. p. 650, ln 6-9; Tr. p. 651.20. Consumer Affairs recommended "that a cap be placed on the deferral of costs related to modifying the billing system and customer service applications…also …that the Commission require[] the deferred cost to be subject to scrutiny in the Company's next rate case." Tr. p. 650, ln 10-15; Tr. p. 651.20.

ORS witness Bickley testified that neither Blue Granite, nor its affiliates, currently have a similar Round Up Program. Tr. p. 1190.11, ln. 8-12. "ORS is not aware of any water or sewer utilities under the Commission's jurisdiction that utilize a Round Up Program that is the same or similar to the one proposed in this proceeding" testified witness Bickley. Tr. p. 1190.11, ln. 17-18. ORS was able to identify two electric utilities in the State of South Carolina subject to the jurisdiction of the Commission that have similar programs which work with local agencies to help customers pay their electric and/or natural gas bills and that the shareholders of those electric utilities pay for the program costs. Tr. p. 1190.11, ln. 20 – p. 1190.12, ln. 6.

ORS witness Bickley testified that ORS's review in this matter discovered that Blue Granite's actual total estimated cost range for implementation of the Program is between $29,000 and $50,000. Tr. p. 1190.13, ln. 19-20. Witness Bickley further testified that:

> the Round Up Program, as proposed by the Company, is a voluntary program that customers can opt in or out of at any time. It is not a program that would be required to assist, aid, or otherwise support the Company's ability to provide safe and reliable service to its customers. The proposed Round Up Program also does not impact the Company's

> ability to provide safe and reliable water and sewer service to customers.

Tr. p. 1190.14, ln. 5-9. ORS opposes Blue Granite's adjustment to include annual expenses associated with the Round-Up program as discussed in the direct testimony of ORS witness Bickley. Tr. p. 1190.14, ln. 10 – p. 1190.15, ln. 2; *See, also*, ORS Witness Sullivan's Audit Exhibit DFS-5, Adjustment 15b.

While ORS is supportive of a Round Up Program to assist the low-income customers of Blue Granite, ORS recommended changes to Blue Granite's Round Up Program to ensure that customers of Blue Granite did not pay the Company's estimated costs associated with the development, implementation, maintenance, and communication expenses. Tr. p. .1190.14, ln. 12-15. The ORS wanted to make modifications and adjustments ensuring that Blue Granite customers are treated in a similar manner as customers of Duke Energy customers. Tr. p. 1190.14, ln. 15-17.

The ORS recommends that the Commission deny Blue Granite's request to recover the estimated 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 rate proceeding. Additionally, ORS recommends that the Commission deny Blue Granite's request for recovery of the estimated cost for bill inserts/flyers to be used for the Round Up Program. The Company's estimated costs are not known and measurable and this Program does not contribute to the provision of safe and reliable water and sewer service. ORS's adjustment is reflected in ORS Witness Sullivan's Audit Exhibit DFS-5, Adjustment 15b. Tr. p. 1190.14, ln. 10 - p. 1190.15, ln. 2; Tr. pp. 1191.5-1191.7.

The Commission encourages Blue Granite's efforts to assist and help its customers. Its proposed Round Up Program ("Program") can provide some level of financial aid to certain low-income customers in its service territories. There was no evidence presented by the Company to indicate how many of its customers, if any, would actually benefit from such a program in Blue Granite's service territory. The Commission also realizes in reviewing proposed rate schedule of Blue Granite and the average water and sewer bills that a $50 benefit level may not completely pay a customer's entire water bill, sewer bill, or water/sewer bill.

The Company also did not provide any supporting evidence for its estimated administrative costs for the Program; therefore, the costs are not known or measurable.

None of Blue Granite's affiliate companies have a similar program and ORS did not know of any other water or sewer utility regulated by the Commission with a similar community assistance program. The Program will not impact the ability of Blue Granite to provide safe and reliable services or to manage its administrative duties in maintaining and operating well-functioning water and sewer systems for the public. Therefore, and based upon the record, the Commission finds that it is just and reasonable that Blue Granite (i.e., its shareholders) should pay for all the costs associated with a Round Up Program authorized for it by the Commission and that Blue Granite's rate payers or customers should not pay for the costs of such Program.

Additionally, evidence in the record supports the Commission finding that it is just and reasonable to approve the Round Up Program for Blue Granite as modified by ORS in testimony of ORS witness Bickley and in Witness Sullivan's Audit Exhibit DFS-

5, Adjustment 15b ($0). Additionally, the Commission finds support in the record to deny Blue Granite's request to recover estimated costs for a Round Up Program related to modifications of its billing system and MyUtilityConnect customer service application in the Company's next rate proceeding when such costs are unknown and not measurable. The Commission further denies Blue Granite's request for recovery of the estimated cost for bill inserts/flyers to be used for the Round Up Program based upon the record.

Among other things, based upon the record, the Commission further finds that it is just and reasonable to prohibit Blue Granite from passing onto its customers the administrative and implementation costs for the Program, including the bill inserts, notice or flyers, and for the modifications to Blue Granite's billing and customer service systems. It is just and reasonable that Blue Granite, or its shareholders, should pay all the costs associated with a Round Up Program authorized for the Company by the Commission and that Blue Granite's rate payers or customers should not pay for the costs of such Program.

J. Cost of Service Study

Blue Granite did not perform a Class Cost of Service Study in order to justify the proposed rates in its application. Tr. p. 633.6, l. 1-4. Blue Granite's current base facility/monthly charge for water service in Territory 1 is $14.38 and it is $28.59 in its Service Territory 2. Tr. p. 631. Under Blue Granite's application, these charges would increase to approximately $22.09 in Territory 1 and $38.58 in Territory 2 for water service. Tr. p. 633.6.

It became clear that throughout this proceeding that the parties recognized that a Cost of Service Study is essential to determine the proper rate design or that there cannot be significant rate design structural changes without such information. Blue Granite agreed that it was willing to conduct and file a cost of service study in its next rate case. Tr. p. 764.37.

Consumer Affairs presented an analysis with its witness Mierzwa of the cost-based base facility charges for Blue Granite. Witness Mierzwa used the base-extra capacity method in the American Water Works Association's *Principles of Water Rates, Fees and Charges* ("AWWA M1 Manual"). His initial analysis indicated an appropriate cost-based facility charge for residential water service customers was approximately $10.00 per month in each Service Territory. Tr. p. 633.9. However, the Company's current and proposed base facility charges are higher than that calculated by Consumer Affairs witness Mierzwa using the base-extra capacity method. Witness Mierzwa testified that Blue Granite's proposed increases in the base facility/monthly customer charges were unreasonable and that any increase in revenue authorized by the Commission should be recovered through increases in the volumetric usage (commodity and distribution) charges. Tr. p. 633.4.

ORS witness Sandonato also recommends that Blue Granite conduct a cost of service study. "A Cost of Service Study is essential to determine the proper rate design. Fundamentally, the Cost of Service Study will demonstrate which costs need to be recovered and from which customer classes the cost should be recovered. Due to its importance, ORS recommends the Commission require Blue Granite conduct a Cost of

Service Study that coincides with the test year and is included as part of its next rate case." Tr. p. 1214.7, ln. 1-5. Witness Sandonato continued to testify that the Company should retain its existing rate structure of a Base Facility Charge, a commodity charge based on water consumption for water customers and a Base Facility Charge for sewer customers until the Company completes a Cost of Service Study. Tr. p. 1214.7.

VI. Review of Evidence and Evidentiary Conclusions – Other Adjustments

In the rebuttal testimony of Dante DeStefano, Director of Financial Planning and Analysis for the Company, Blue Granite witness DeStefano stated that there were several areas of agreement and that the purpose of his testimony was to identify these points of agreement between the Company, ORS, Consumer Affairs and other intervenors. Tr. p. Tr. pp. 764.3, ln. 11-13. The record will show that the Company agreed with ORS' Adjustments No. 1, 2, 3, 4, 5, 6, 9b, 9e, 13a, 13b, 14, 15a, 15c, 16a, 17a, 19, 20, 21a, 21c, 21d, 21e, 23b, 26a, 26b, 27, 28, 35a, 35b, 37, and 39. *See*, Tr. p. 764.4, ln. 1-19. ORS also agreed without change to some of Blue Granite's filed Application known as Adjustments No. 7, 10, 11a, 11b, 12a, 12b, 21b, 22, 23a, 29, 30 and 31. *See*, Tr. p. 764.4, ln. 19-22.

A. Adjustment No. 1 – Water Service Revenues

ORS Witness Sandonato testified that during ORS' comprehensive review of the Company's Application and Test Year information, discrepancies were discovered in the water billing units used to calculate Blue Granite's water service revenue for the Test Year. ORS proposed this adjustment to more accurately reflect the total revenues for the Company. ORS' Accounting and Pro Forma Adjustment No. 1 is $280,468. Ex. DFS-1.

Blue Granite witness DeStefano agreed with ORS on this adjustment. Tr. p. 764.4, ln. 1-2. No party contested the $280,468 accounting and proforma adjustment proposed by ORS Witness Sandonato. The Commission finds that the evidence in the record supports the ORS proposed accounting and proforma adjustment and the Commission further finds the accounting and proforma adjustment to be just and reasonable.

With regard to the revenue adjustment for water service revenues following accounting and proforma adjustments (Adjustment No. 40), using the ROE methodology and the 7.46% ROE adopted by the Commission as supported by the evidence in the record and as discussed in this Order, the resulting revenue increase in water revenues is $2,176,490. For these reasons discussed herein, this Commission finds the revenues detailed in Order Exhibit 1 (PSC Prepared Reconciliation Document) to be just and reasonable.

B. Adjustment No. 2 – Sewer Service Revenues

There were also discrepancies discovered by ORS in the Company's Application and Test Year for sewer billing units per the direct testimony of ORS Witness Sandonato. (Dir. Pp. 6-7). Like the discrepancies found during ORS' comprehensive review of the Company's Application and Test Year information for water billing units, there were also errors in the sewer billing units used by Blue Granite to calculate its sewer service revenue for the Test Year. ORS proposed an accounting and proforma adjustment in the amount of $504,321 as Adjustment No. 2 to more accurately reflect the total revenues for the Company. Ex. DFS-1. Blue Granite witness DeStefano agreed with ORS on this adjustment. Tr. p. 764.4, ln. 1-2. No party contested the $504,321 accounting and

proforma adjustment proposed by ORS Witness Sandonato. The Commission finds that the evidence in the record supports the ORS proposed accounting and proforma adjustment and the Commission further finds the accounting and proforma adjustment to be just and reasonable.

With regard to the revenue adjustment for sewer service revenues following accounting and proforma adjustments (Adjustment No. 41), using the ROE methodology and the 7.46% ROE adopted by the Commission as supported by the evidence in the record and as discussed in this Order, the resulting revenue increase in sewer revenues is $2,785,194. For these reasons discussed herein, this Commission finds the revenues detailed in Order Exhibit 1 (PSC Prepared Reconciliation Document) to be just and reasonable.

C. Adjustment No. 3 – Miscellaneous Revenues

ORS witness Sandonato also proposed an adjustment in the amount of $4,350 to the total miscellaneous revenues for water and sewer services. *See*, Exhibit AMS-3. This adjustment was due to the imputed revenue attributable to the Company regarding its suspension of charging its sewer customers $150 for pumping the LETTS tanks. Tr. p. 1214.7-1217.8. During the Test Year, Blue Granite identified one customer that was charged the $150 fee which was included in the Company's miscellaneous revenue. However, the Test Year showed that there were thirty (30) Blue Granite customers for which the Company's LETT's tank pumping service was performed, but while the Company was able to charge, it chose not to charge them for the service. ORS calculated that the imputed miscellaneous revenue adjustment of $4,350 for the twenty-nine (29)

customers whose charge for the pumping service was not accounted. *Id*. Blue Granite witness DeStefano agreed with ORS on this adjustment. Tr. p. 764.4, ln. 1-2. No party contested the $4,350 accounting and proforma adjustment proposed by ORS Witness Sandonato. The Commission finds that the evidence in the record supports the ORS proposed adjustment and the Commission further finds the adjustment to be just and reasonable.

With regard to the revenue adjustment for miscellaneous revenues following accounting and proforma adjustments (Adjustment No. 41), using the ROE methodology and the 7.46% ROE adopted by the Commission as supported by the evidence in the record and as discussed in this Order, the resulting miscellaneous revenue increase is $49,482. For these reasons discussed herein, this Commission finds the revenues detailed in Order Exhibit 1 (PSC Prepared Reconciliation Document) to be just and reasonable.

D. Adjustment No. 4 – Uncollectible Accounts

Based upon the revenue requirements proposed by the Company and ORS, ORS witness Sullivan proposed to adjust uncollectible accounts of ($89,309) associated with the company's revenues after ORS's proposed accounting and pro forma Adjustments. (tr. P. 1115.6, 11. 2-3). The percentages used to calculate uncollectible accounts were provided by the company and were verified and found reasonable by ORS. (Tr. p. 1115.6, ln. 34). Company Witness DeStefano testified that Blue Granite agrees with ORS's proposed service uncollectible account adjustment as it relates to the uncollectible expenses for the utility; meaning that Blue Granite also agreed with the percentages used

by the ORS to calculate the adjusted amount of uncollectible accounts. (tr. P. 764.4, ln. 1-2).

The record further clearly demonstrates that no party contested the percentages used by ORS witness Sullivan to calculate the uncollectible accounts based upon the proposed revenue increase. Instead rather, the percentages used by ORS for the calculation were accepted in the record. Other than the accounting and proforma adjustments by ORS, the Commission does not agree to and does not adopt the revenue adjustments or requests in Adjustment No 4 proposed by the Company or ORS. However, using the ROE methodology and the Commission's 7.46% ROE adopted herein, the Commission does adopt the percentages used by ORS witness Sullivan to calculate the adjusted amount in the utilities uncollectible accounts based upon the Commission's adopted total revenue increase for Blue Granite of $4,958,848.

Therefore, resulting in the adjusted amount of ($52,318) which is adopted, and found to be just and reasonable, by the Commission. The evidence in the record supports the proposed adjustment of ($52,318) regarding the utility's uncollectible accounts. See, Order Exhibit 1.

E. Adjustment No. 5 – Salaries and Wages – Maintenance

In its Application, the Company proposed an adjustment in the amount of ($1,155,286). ORS proposes to annualize operator's salaries for maintenance expenses details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p.1133.3. Blue Granite witness DeStefano testified that this an Adjustment to which Blue Granite and ORS agree. Tr. p. 674.4, ln. 3. There is no dispute between the parties

regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

The evidence in the record supports the ORS's proposed adjustment of ($1,344,062). The Commission finds that this adjustment is just and reasonable and adopts the same.

F. Adjustment No. 6 – Capitalized Time

ORS witness Charles E. Jackson testified that an adjustment is need in the revenue requirement of Blue Granite "to reflect the capitalized time based on pro forma salaries." Tr. p. 1133.3, ln. 11-12. Blue Granite had proposed an adjustment of $58,345 using the salary and wages data as of June 30, 2019 which was the end of the Test Year. However, upon review and verification by ORS, witness Jackson updated the calculation and testified that an additional adjustment needed to be made of $73,614. Tr. p. 1133.3, ln. 13-15. "ORS verified the capitalized time percentages from the data as of June 30, 2019 and used those percentages on the annualized salary and wages data from October 31, 2019 to propose an adjustment of $73,614." Id.

The evidence in the record supports the ORS's proposed reduction adjustment of $73,614. Additionally, no party contests the adjustment that ORS witness Jackson proposed. In fact, in his rebuttal testimony Blue Granite witness DeStefano agrees with the proposal by ORS and its witness Jackson to the adjustment in Capitalized Time of $73,614. Tr. p. 764.4, ln. 3-4.

Blue Granite witness DeStefano testified that this an Adjustment to which Blue Granite and ORS agree. Tr. p. 674.4, ln. 3. There is no dispute between the parties

concerning this adjustment. Supported by the record, the Commission finds this adjustment of $73,614 to be just and reasonable and hereby adopts the same.

G. Adjustment No. 7 – Purchased Power

The Company has purchased power expenses in the amount of $250,091 for Transmission and Distribution Expenses and in the amount of $531,717 for Treatment and Disposal Expenses in its Schedule 302 Operating Expenses (Operation and Maintenance Account No. 401). *See*, Application, p. 118 & p. 151 (Exhibit E).

Per the testimony of ORS witness Sullivan, ORS made no adjustments to the Company's purchased power amount of $771,660 as documented by the Company in its Application. Tr. p. 1115.6, ln. 11-12. Thus, there is zero ($0) adjustment by ORS who is agreeing with Company's position and request as provided in Blue Granite's Application as testified by Company witness DeStefano. Tr. p. 764.4, ln. 19-22. There is no disagreement and the parties agree regarding this adjustment. The Commission finds that there is $0 adjustment for No. 7, purchased power and hereby adopts the same.

H. Adjustment No. 8 – Purchased Water and Sewer

The purchased water and sewer adjustments are items of disagreement between the parties. ORS witness Sullivan testified in his direct that ORS's total purchased water and sewer adjustment is $3,178,824 . Tr. p. 1115.6; Surrebuttal Exhibit DFS-5.

In addition to the adjustments determined and adopted by the Commission related to "Maintenance Expenses – Purchased Water and Sewer Expense" above, the following additional adjustments are made to Adjustments No. 8a and No. 8b related to the ten percent (10%) threshold limitation more fully discussed in Section V.C above concerning

the non-revenue recovery expense and Section V.D regarding the Commission finding and ordering that (1) Blue Granite amortize "Maintenance Expenses – Purchased Water and Sewer Expense" over five (5) years and include one year's expense in the amount of $635,765 in expenses in this case so that the unamortized portion in the amount of $2,543,059 shall be placed in a Regulatory Asset; and (2) Blue Granite amortize $3,178,824 of Purchased Water and Sewer Deferral over five (5) years and remove one year's amortization in the amount of $635,765 for a total increase of $2,543,059 in a Regulatory Asset.

(1) Adjustment No. 8a - Adjustment to Purchase Water Deferral Account $50,929

For the reasons discussed more fully above in Item V.C and findings herein, the Commission finds 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, 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 and to adopt the adjustment of $50,929 to reduce the Purchased Water Deferral Account for all of Blue Granite's service territories.

(2) Adjustment No. 8b – Adjustment to Purchase Water Expense $271,930

For the reasons discussed more fully above in Item VII.C and findings herein, the Commission finds that Blue Granite failed to rebut ORS witness Maurer's testimony that the Company regarding the adjustments for purchased water expense and the 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 and to adopt the adjustment of $271,930 to reduce purchased water expenses for all Blue Granite's service territories.

I. Adjustment No. 9 – Maintenance and Repair

ORS's total maintenance and repair adjustment is $937,334 . This adjustment is comprised of the following maintenance and repair adjustments as noted below in the record. The Commission finds that this adjustment is supported by evidence in the record and is just and reasonable.

During the hearing, Blue Granite admitted that it did not seek or obtain approval from the Commission of its ClearWater Solutions, LLC contract ("ClearWater Solutions") as is required by S.C. Ann. Regs. 103-541 and 103-743. Tr. p. 775; *See, also*, Blue Granite Late-File Exhibit No. 4. The Commission further finds that Blue Granite immediately file with the Commission the contract between itself and ClearWater Solutions for review and possible approval by the Commission. The Commission further cautions the Company that it must file its contracts for approval in the future in compliance with the Commission's regulations.

(1) Adjustment No. 9a - Deferred Maintenance Adjustment

ORS proposes an adjustment to maintenance and repair for the amortization of deferred maintenance in amount of ($232,402). Details of this adjustment are reflected in the direct testimony of ORS witness Briseno. Tr. pp. 1128.4-5. Blue Granite witness DeStefano testified that this an Adjustment to which Blue Granite and ORS agree. Tr. p.

674.4, ln. 5. There is no dispute between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

(2) Adjustment No. 9b - ClearWater Solutions – Maintenance and Repair

ORS proposes an adjustment in the amount of $851,676 to maintenance and repair for Clearwater Solutions contract cost impacts. Details of this adjustment are reflected in the direct Testimony of ORS witness Briseno. Tr. pp. 1128.5-6. Blue Granite witness DeStefano testified that this an Adjustment to which Blue Granite and ORS agree. Tr. p. 674.4, ln. 6. There is no dispute between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

(3) Adjustment No. 9c - Amortization of Litigation Deferrals, Deferred Storm Costs Decommissioning Costs and Net Book Value ("NBV") of Decommissioned Assets

ORS proposes an adjustment in the amount of $354,373 to maintenance and repair for the amortization of deferred litigation expenses, deferred storm costs, decommissioning costs and the NBV of decommissioned assets. Details of this adjustment are reflected in the revised surrebuttal testimony of ORS witness Sullivan. Tr. p. 1128.6.

There is disagreement between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

(4) Adjustment No. 9d - Normalize Storm Costs

ORS proposes an adjustment in the amount of ($23,481) to maintenance and repair to normalize test year storm costs. Details of this adjustment are reflected in the direct testimony of ORS witness Bickley. Tr. pp. 1186-87.

There is disagreement between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

(5) Adjustment No. 9e - Rebranding – Maintenance

It is ORS's position that the rebranding expenses in the amount of $12,832requested by Blue Granite should not be allowable for ratemaking purposes as they are not necessary to provide water and sewer services and do not provide a benefit to customers. ORS witness Jackson testified that ORS views rebranding expenses as comparable to the transition costs deemed not recoverable from customers in Commission Order No. 2018-804. Tr. p. 1133.3, ln. 18-21.

ORS proposes an adjustment to maintenance and repair for the removal of rebranding expenses incurred within the test year. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.7-8. Blue Granite witness DeStefano testified that this an Adjustment to which Blue Granite and ORS agree. Tr. p. 674.4, ln. 19-22. There is no dispute between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

J. Adjustment No. 10 – ClearWater Solutions – Maintenance Testing

ORS agrees to the adjustment of ($174,416) regarding maintenance testing for ClearWater Solutions contract cost impacts proposed by Blue Granite. Blue Granite

witness DeStefano testified that this item is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application in adjustment 10. Tr. p. 674.4, ln. 19-22. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno. Tr. p. 1128.8. There is no dispute between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

K. Adjustment No. 11 – Meter Reading

ORS's total meter reading adjustment is ($72,815). Blue Granite witness DeStefano testified that this item is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application in these two adjustments 11a and 11b by ORS. Tr. p. 674.4, ln. 19-22. This adjustment is comprised of the following meter reading adjustments detailed below in items K(1) & K(2) and there is no dispute by the parties. The evidence in the record supports the ORS's proposed reduction adjustment of $72,815. The Commission finds that this adjustment is just and reasonable and adopts the same.

(1) Adjustment No. 11a - ClearWater Solutions – Meter Reading

ORS proposes an adjustment of ($44,748) to meter reading for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno. Tr. p. 1128.8.

(2) Adjustment No. 11b - Remove Meter Reading Expenses due to Advance Metering Infrastructure ("AMI")

ORS proposes an adjustment of ($28,067) to meter reading to reflect the reduction in meter reading expenses due to the deployment of AMI. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.4.

l. Adjustment No. 12 – Chemicals

ORS's total chemicals adjustment is ($99,043). Blue Granite witness DeStefano testified that this item is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application in these two adjustments 12a and 12b by ORS. Tr. p. 674.4, ln. 19-22. This adjustment is comprised of the following chemical adjustments in items L(1) and L(2) below and there is no dispute by the parties. The evidence in the record supports the ORS's proposed reduction adjustment of ($99,043). The Commission finds that this adjustment is just and reasonable and adopts the same.

(1) Adjustment #12a - ClearWater Solutions – Chemicals

ORS proposes an adjustment of ($67,524) to chemicals for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno. Tr. p. 1128.8. There was no dispute between the parties.

(2) Adjustment #12b – Remove Chemicals Associated with Decommissioned Plants

ORS proposes an adjustment of ($31,519) to adjust test year chemical expenses for the removal of chemical expenses associated with the decommissioned Stonegate and

Friarsgate treatment plants. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.4. There was no dispute between the parties.

M. Adjustment No. 13 – Transportation

ORS'S total Transportation Adjustment is ($118,674). This Adjustment is comprised of the following Transportation Adjustment as more fully detailed in items M(1) and M(2) below. Blue Granite witness DeStefano testified that Blue Granite agreed with these two adjustments 13a and 13b by ORS which were greater that the originally proposed adjustments in blue Granite's application. Tr. p. 674.3-674.4. The evidence in the record supports the ORS's proposed reduction adjustment of $118,674. The Commission finds that this adjustment is just and reasonable and adopts the same.

(1) Adjustment #13a - ClearWater Solutions – Transportation

ORS proposes an adjustment of ($110,230) to transportation for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno. Tr. p. 1128.8. Blue Granite fully agrees with the Adjustment 13a made by ORS. Tr. p. 764.4, ln. 6. The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $110,230. The Commission finds that this adjustment is just and reasonable and adopts the same.

(2) Adjustment #13b - Rebranding - Transportation

ORS proposes an adjustment of ($8,444) to transportation expenses for the removal of rebranding expenses incurred within the test year. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.4. Blue Granite fully agrees with the Adjustment 13b made by ORS. Tr. p. 764.4, ln. 8. The

evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $8,444. The Commission finds that this adjustment is just and reasonable and adopts the same.

N. Adjustment No. 14 – Salaries and Wages - General

ORS proposes to annualize office employee salaries for general expenses in the amount of ($118,674). Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.9.

Blue Granite fully agrees with the Adjustment 14 made by ORS which is greater than the adjustment originally proposed by Blue Granite. Tr. p. 764.4, ln. 3. The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $118,674. The Commission finds that this adjustment is just and reasonable and adopts the same.

O. Adjustment No. 15 – Office Supplies and Other Office Expenses

ORS's total office supplies and other office expenses adjustment is ($1,564,724). ORS witness Sullivan testified that this adjustment is comprised of the following office supplies and other office expense adjustments detailed below. Tr. p. 1115.10, ln. 5-7. Adjustment No. 15 has three subparts, 15a to 15c. Adjustment 15b is the only adjustment in dispute as it relates to Blue Granite's proposed Round Up Program and its proposed Annual Rate Adjustment Mechanism ("ARAM"). There is no dispute between the parties regarding adjustments 15a and 15c.

The evidence in the record supports this adjustment of ($1,564,724) as more fully explained below in the subitems regarding Adjustments 15a, 15b, 15c, 15d and 15e. The

Commission finds that Adjustment 15 and all of its subitems, Adjustment No. 15a, 15b, and 15c, are just and reasonable and adopts the same.

(1) Adjustment No. 15a - Company Excluded Items

Blue Granite proposed removing $1,549,457 in expenses from the Test Year which were the following items: (a) $758,000 for I-20 settlement expenses, (b) $16,024 for Congaree River Keeper litigation, (c) $759,730 for vandalized site restoration, and (d) $15,703 for penalties, fines and contributions. Blue Granite witness DeStefano testified as to this expenses and the Company's agreement with ORS. Tr. p. 764.4, ln. 8-9.

The ORS proposed the same adjustments to remove these same items that Blue Granite has removed and excluded, as well as correctly removing an additional $8,268 in penalties, fines and contributions recorded on Blue Granite's books and records. Tr. p. 1115.10, ln. 9-17. However, according ORS witness Sullivan, Blue Granite inadvertently removed allowable bank charges rather than contributions in the calculation of the adjustment. Tr. p. 1115.10, ln. 9-17. Thus, ORS's adjustment 15a is in the amount of $1,542,022.

Blue Granite fully agrees with the Adjustment 15a made by ORS. Tr. p. 764.4, ln. 8. The evidence in the record supports ORS's adjustment of $1,542,022. There is also no dispute between the parties regarding this adjustment. The Commission finds that this adjustment is just and reasonable and adopts the same.

(2) Adjustment No. 15b - Purchased Services Annual Filing Notices and Round-Up Inserts or Flyers

For the reason discussed herein, particularly in Section V.I, the Commission adopts and approves ORS's Adjustment 15b of $0. Blue Granite has asked for an additional $22,670 in its Application. Based upon the record, the Commission approves the Round Up Program as modified by ORS as reflected in testimony of ORS witness Bickley and in Witness Sullivan's Audit Exhibit DFS-5, Adjustment 15b ($0). Additionally, the Commission finds supports in the record that it is just and reasonable to deny Blue Granite's request to recover the estimated 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 rate proceeding, and for the Commission to deny Blue Granite's request for recovery of the estimated cost for bill inserts/flyers to be used for the Round Up Program.

Among other things, based upon the record, the Commission further finds that it is just and reasonable to prohibit Blue Granite from passing onto its customers the administrative and implementation costs for the Program, including the bill inserts, notice or flyers, and for the modifications to Blue Granite's billing and customer service systems. Therefore, the Company cannot charge ratepayers $22,670 for this expense.

(3) Adjustment No. 15c - Non-Allowables – Office Supplies & Other Office Expenses

ORS proposes an adjustment to office supplies and other office expenses to remove expenses within the Test Year that should not be allowable for ratemaking purposes. Details of this adjustment are reflected in the direct testimony of ORS witness

Jackson. Tr. p. 1133.5-6. Blue Granite fully agrees with the Adjustment 15c made by ORS. Tr. p. 764.4, ln. 8. The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $22,702. The Commission finds that this adjustment is just and reasonable and adopts the same.

P. Adjustment No. 16 – Regulatory Commission Expense

For the reasons discussed below, the Commission finds that an adjustment in the amount of $164,724 to be just and reasonable and adopts the same. Details are reflected in and comprised of the following regulatory commission expense adjustments:

(1) Adjustment 16a - Rate Case Expenses

Blue Granite fully agrees with the Adjustment 16a made by ORS. Tr. p. 764.4, ln. 12. ORS proposes an adjustment to regulatory commission expense for the amortization of rate case expenses over a three (3) year period. Tr. p. 1115.11, ln. 14 – p. 1115.13, ln. 7.

The Company's proposed adjustment includes $227,077 of rehearing expenses, $152,196 of 2017 and prior unamortized rate case expenses as of December 31, 2019, and current estimated rate case expenses of $258,000, for total rate case expenses of $637,273. The Company's per book rate case expense amount was $108,294, resulting in a Company adjustment of $104,130. *Id*.

ORS's adjustment includes $232,435 of rehearing expenses based on updated supporting documentation provided by the Company and $116,608 of prior unamortized rate case expenses as of April 30, 2020. ORS's adjustment also includes actual incurred current rate case expenses based on supporting documentation provided by the Company

as of the audit cutoff date of December 20, 2019 of $145,148, for total rate case expenses of $494,191. ORS's calculation of current rate case expenses includes legal expenses of $36,864 associated with Docket Nos. 2018-358-WS and 2018-361-WS and Company provided supporting documentation as of December 20, 2019. The Company's per book rate case expense amount was $108,294, resulting in an ORS adjustment of $61,813. Tr. p. 1115.11, ln. 14 – p. 1115.13, ln. 7. Subsequent to the hearing, Blue Granite submitted to ORS, and ORS verified additional rate case expenses in the amount of $345,590.

The evidence in the record supports that the amount of rate case expenses submitted to, and verified by, ORS are just and reasonable with the exception of legal expenses associated with Docket Nos. 2018-358-WS and 2018-361-WS. Disallowance of these expenses is discussed below in section U, Adjustment 21c - Reclassify Annual Rate Adjustment Mechanism and Pumping Interceptor Tank Legal Expenses to Rate Case Expenses. Rate case expenses amortized over three years less the Company's per book amount yields an adjustment of $164,724. The Commission finds that this adjustment is just and reasonable.

(2) Adjustment 16b – Purchased Services – Annual Rate Adjustment Mechanism Legal Fees

There is disagreement between Blue Granite and ORS regarding Adjustment 16b reflecting legal cost associated with purchased services annual rate adjustment mechanism filings by Blue Granite. ORS recommends denying the request by Blue Granite to recover $3,394 for expenses related to annual rate adjustment mechanism for which Blue Granite is not authorized to utilize.

The Company proposes an adjustment to regulatory commission expense to include annual legal expenses associated with the purchased water and sewer annual rate adjustment mechanism. ORS opposes this adjustment as discussed in the direct testimony of ORS witness Sandonato. Tr. p. 1213.24-25. Additionally, the record is clear that Consumer Affairs, York County, and Forty Love Homeowners Association also oppose the ARAM.

The evidence in the record supports that the Commission adopt the recommendation of ORS and there was no dispute and it supports proposed reduction adjustment of $56,437 to $0 as proposed by ORS. This is the current and unamortized prior rate case expenses over a three-year period. The Commission finds that this adjustment of $0 recommended by ORS to be just and reasonable and adopts the same.

Q. Adjustment No. 17 – Pension & Other Benefits

ORS's total pension and other benefits adjustment is ($165,041). Blue Granite sought ($62,113) in total Pension and Other Benefits Expense. For the reasons discussed below, the Commission finds that ORS's adjustment in the amount of ($165,041) to be just and reasonable and adopts the same. Details are reflected in and comprised of the following regulatory commission expense adjustments:

(1) Adjustment 17a - Pension & Other Benefits

Blue Granite fully agrees with the Adjustment 17a made by ORS. Tr. p. 764.4, ln. 3. ORS proposes an adjustment to annualize pension and other benefits associated with pro forma salaries in the amount of $(161,830). Blue Granite had sought an adjustment of ($62,113). Details of this adjustment are reflected in the direct testimony of

ORS witness Jackson. Tr. p. 1133.6, ln. 7-12. The evidence in the record supports the proposed reduction recommended by ORS. The Commission finds that this adjustment is just and reasonable and adopts the same.

(2) Adjustment 17b – Service Awards

ORS proposes an adjustment in the amount of ($3,211) to remove Blue Granite's service award for ratemaking purposes. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.6, ln. 13 – p. 1133.7, ln. 6. ORS reviewed the service award for employees reaching career milestones. Witness Jackson testified that sample was selected and analyzed by ORS which contained expenses for a 65" LED Curved Samsung TV and a 1.15 carat diamond ring from a vender named Awards Network. ORS determined that all the items from this vendor were service awards and should be treated as expenses that are not necessary to provide water and wastewater services and do not provide a benefit to customers. Tr. p. 1133.7, ln. 1-6.

The evidence in the record supports the proposed reduction of $3,211 as recommended by ORS. The Commission finds that this adjustment is just and reasonable and adopts the same.

R. Adjustment No. 18 – Rent Expense

For the reasons discussed more fully above in Section V.E regarding rent expense and findings herein, the Commission denied any increase or additional revenue for rent expense to the Company as the it found that the evidence contained in the record did not support such an increase adjustment, and that such a finding by the Commission is just and reasonable.

Blue Granite sought an increase in its rent expense of $84,839. See Exhibit DFS-1. Its current rent expense is $97,022. *Id*. The Company testified that "[a]ttracting talent in the Columbia market [was] extremely difficult due to the legacy brand issues in that market." The legacy brand issues were caused by Carolina Water Service, which is now rebranded as Blue Granite. Blue Granite's customers should not have to pay the costs to upfit the Greenville office, given the move was necessitated by legacy brand problems the Company created, and Blue Granite previously represented to this Commission and its customers that the refreshing of its brand would be at no cost to customers. Exhibit KDM-2.

Additionally, based upon the record and for same legacy issues as the reason for the sale of its office and move to Greenville above in Section V.E, the Commission further finds and determines that the proforma rent expense of $84,839 should be removed from the Company's recoverable General Expenses for Rent and is hereby denied.

S. Adjustment No. 19 – Insurance Expense

As testified by Blue Granite witness DeStefano, the company agrees with ORS Adjustment No. 19 in the amount of $163,371 as detailed in the testimony of ORS witness Sullivan. Tr. p. 764.33, ln. 8-18 Witness Sullivan's testimony updates as-filed estimates for policy premiums confirmed in the company's insurance renewal process, completed and effective November 1, 2019. Blue Granite has therefore provided data sufficient to support ORS Adjustment No. 19 and the pro-forma amount included in ORS Exhibit DFS-1. Accordingly, Consumer Affairs' concern about using estimates is moot.

The parties appear to agree with the same as a result of these updates. The Commission finds that this adjustment is supported by evidence in the record and is just and reasonable.

T. Adjustment No. 20 – ClearWater Solutions – Lawn Care

Blue Granite fully agrees with the Adjustment 20 of ($98,634) made by ORS to adjust for the removal of lawn care expenses that will no longer be applicable due to the Company entering into a contract with ClearWater Solutions to run and maintain their Midlands BUs. Tr. p. 764.4, ln. 3. Blue Granite's proposed adjustment was($27,003) in its Application for this item. ORS proposes an adjustment to office utilities for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno. Tr. p. 1128.9, ln. 11-22. The difference between the two figures proposed by ORS and Blue Granite is the removal of an additional $71,631, as calculated by the Company for lawn care/landscaping expenses which Blue Granite admitted to ORS that "it was an oversight to not remove these costs in the preparation of their adjustment request." Tr. p. 1128.9, ln. 19-20.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $98,634 as recommended by ORS. The Commission finds that this adjustment is just and reasonable and adopts the same.

U. Adjustment No. 21 – Outside Services – Other

ORS's total outside services adjustment is ($188,889). For the reasons discussed below, the Commission finds that ORS's adjustment in the amount of $196,091 to be just

and reasonable and adopts the same. Details are reflected in and comprised of the following outside services adjustments:

(1) Adjustment 21a – Outside Services – Annualize Corix Allocations

Blue Granite fully agrees with the Adjustment 21a of ($341,915) made by ORS. Tr. p. 764.4, ln. 11. ORS proposed this adjustment to outside services to reflect the annualized Corix corporate cost allocations.

Blue Granite had proposed an adjustment of ($362,759) in its Application, calculated by annualizing the first and second quarters of 2019 for a total of $426,283, less per book management fees of $789,042. Whereas, ORS's adjustment is calculated by annualizing the first, second and third quarters of 2019 as provided by Blue Granite in response to its Audit Request to the Company for a total of $447,126, less per book management fees of $789,042.

The Company provided the Corix Group of Companies Cost Allocation Manual ("CAM"), which provides an explanation of services performed and the methods used to allocate indirect costs to the operating businesses. ORS reviewed the CAM and verified the methods specified in the CAM to allocate costs were followed by the Company to calculate the allocation of costs to Blue Granite. Corporate services performed by Corix for Blue Granite and its other operating businesses include: communications, finance, information technology, human resources, legal, and chief executive officer functions. ORS found the allocation of Corix corporate costs to Blue Granite for this Docket to be reasonable. Tr. p. 1115.15, ln. 1-5.

ORS witness Sullivan testified that ORS will continue to examine, test and analyze the corporate services performed by Corix for Blue Granite, the costs incurred by Corix, and the allocation of those costs to Blue Granite in future dockets to ensure these costs continue to be reasonable and beneficial for Blue Granite customers. Tr. p. 1115.15, ln. 6-9.

The evidence in the record supports that there was no dispute and it supports proposed adjustment of ($341,915). Tr. p. 1115.14, ln. 12 – p. 1115.15, ln. 9. The Commission finds that this adjustment is just and reasonable and adopts the same.

(2) Adjustment 21b – AMI Data Support, York County Franchise Fees and York County Asset Lease

Blue Granite witness DeStefano testified that Adjustment 21b of $214,731 is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application regarding this adjustment by the Company. Tr. p. 674.4, ln. 19-22.

ORS witness Jackson proposes the same adjustment as Blue Granite to outside services reflecting the cost of AMI data support for AMI installation in Lake Wylie, York County franchise fees and York County asset leases. Tr. p. 1133.7, ln. 9-15. The York County franchise agreement describes the terms and conditions with respect to the lease of certain water and sewer service facilities in York County that provide Blue Granite the non-exclusive franchise to operate water and sewer systems in designated areas of the county. The franchise agreement was approved by this Commission on May 2, 2018, per Order No. 2018-325. *Id*.

There is no dispute by the parties. The evidence in the record supports the ORS's proposed adjustment of $214,731. Tr. p. 1115.15, ln. 10-14. The Commission finds that this adjustment is just and reasonable and adopts the same.

(3) Adjustment 21c – Reclassify Annual Rate Adjustment Mechanism and Pumping Interceptor Tank Legal Expenses to Rate Case Expenses

Blue Granite fully agrees with the Adjustment 21c made by ORS. Tr. p. 764.4, ln. 12. ORS witness Sullivan proposed to remove legal expenses associated with the annual rate adjustment mechanism and pumping interceptor tanks of ($36,864) from Test Year legal expenses and reclassify them as current rate case expenses as part of ORS Adjustment #16a to be amortized over a three-year period. The Company withdrew its petition in Docket Nos. 2018-358-WS and 2018-361-WS and has included the requests as part of this docket.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $36,864. Tr. p. 1115.15, ln. 15-22. The Commission finds that this adjustment is just and reasonable, but reclassification of these legal expenses as rate case expenses is denied. The Company filed proceeding in Docket Nos. 2018-358-WS and 2018-361-WS and later requested to withdraw its applications in each docket. Ratepayers should not bear the burden of expenses from proceedings that are duplicitous in nature to the Company's current rate case before this Commission.

(4) Adjustment No. 21d – Rebranding- Outside Services - Other

Blue Granite fully agrees with the Adjustment 21d of ($9,833) made by ORS. Tr. p. 764.4, ln. 8. ORS proposed this adjustment to outside services for the removal of

rebranding expenses incurred within the Test Year. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.7, ln. 16 – p. 1133.8, ln. 3. Witness Jackson testified that ORS's position is that rebranding expenses should not be allowable for ratemaking purposes as they are not necessary to provide water and wastewater services and do not provide a benefit to customers. Tr. 1133.7, ln. 18-20. When responding to an Audit request by ORS to the utility, ORS discovered that Blue Granite has included legal fees as expenses related to the rebranding of Carolina Water Service to Blue Granite Water Company. ORS also found additional legal fees related to rebranding that the Company did not identify, and those expenses were removed as well. Tr. p. 1133.8, ln. 1-3.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $9,833. Tr. p. 1115.16, ln. 1-3. The Commission finds that this adjustment is just and reasonable and adopts the same.

(5) Adjustment No. 21e – Remove Legal Expenses - Outside Services – Other

Blue Granite fully agrees with the Adjustment 21e of ($15,008) made by ORS. Tr. p. 764.12, ln. 3. ORS proposes to remove and defer $31,788 of legal expenses associated with civil actions that have not yet concluded for Blue Granite. ORS also proposes to remove $151,589 of legal expenses associated with Congaree River Keeper litigation that were not removed by the Company. The Commission deemed and ordered legal expenses for the Congaree River Keeper ("CRK") litigation as not recoverable by Blue Granite from its customers in Commission Order No. 2020-57.

In addition, ORS proposes to add back $168,310 to eliminate the effects of transactions related to I-20 condemnation. This is comprised of legal fees in the amount of $7,844 and a credit in the amount of $176,154 that Blue Granite posted to Account 6025 for reimbursement from the Town of Lexington for a previous condemnation attempt in the early 2000's (see, Civil Action No. 2001-CP-32-0711). ORS testified that it will continue to review the appropriate accounting treatment for the reimbursement and reserves its rights to make further recommendations. The Company is not seeking treatment of I-20 condemnation related expenses as part of the determination of the Company's revenue requirement. ORS also proposes to remove $7,143 of legal expenses for services performed outside of the Test Year.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $15,008. Tr. p. 1115.16, ln. 4–22. The Commission finds that this adjustment is just and reasonable and adopts the same.

V. Adjustment No. 22 – Non-Utility Miscellaneous Expense

Blue Granite witness DeStefano testified that Adjustment 22 is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application regarding this adjustment by the Company. Tr. p. 674.4, ln. 19-22. ORS witness Sullivan testified that ORS removed non-utility activity from the Test Year. The activity is related to the CRK litigation and Commission ordered adjustments. Tr. p. 1115.17, ln. 1-3.

There is no dispute by the parties. The evidence in the record supports the ORS's proposed reduction adjustment of $442,691. Tr. p. 1115.17, ln. 1-3. The Commission finds that this adjustment is just and reasonable and adopts the same.

W. Adjustment No. 23 – Miscellaneous

ORS's total miscellaneous adjustment is $4,566. For the reasons discussed below, the Commission finds that ORS's adjustment in the amount of $4,566 to miscellaneous to be just and reasonable and adopts the same. Details are reflected in and comprised of the following miscellaneous expense adjustments:

(1) Adjustment No. 23a – Customer Deposit Interest Expense

Blue Granite witness DeStefano testified that Adjustment 23a is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application regarding this adjustment by the Company. Tr. p. 674.4, ln. 19-22.

There is no dispute by the parties. The evidence in the record supports the ORS's proposed reduction adjustment of $442,691. The Commission finds that this adjustment is just and reasonable and adopts the same.

(2) Adjustment No. 23b – Non-Allowables - Miscellaneous

Blue Granite fully agrees with the Adjustment 23b of ($6,678) recommended by ORS. Tr. p. 764.4, ln. 8. ORS recommended an adjustment to miscellaneous expenses to remove items from the Test Year should not be included by the Company and would not be allowable for ratemaking purposes. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson. Tr. p. 1133.8, ln. 4-11. These were expenses incurred by Blue Granite that were not necessary to provide water and wastewater

services and do not provide a benefit to customers. Tr. p. 1133.8, ln. 6-7. ORS witness Jackson testified that these expenses were for dinners with alcohol in the amount of $3,992, and for items not supported by sufficient documentation in the amount of $2,686. The items which were removed for lack of supporting documentation did not contain a clear or valid business purpose or were not supported by itemized receipts. Tr. p. 1133.8, ln. 8-11. As a result, ORS proposes an adjustment in the amount of $6,678. *Id*.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $6,678. The Commission finds that this adjustment is just and reasonable and adopts the same.

X. Adjustment No. 24 – Depreciation Expense

ORS proposes an adjustment of $1,494,488 to annualize depreciation expense for known and measurable plant in service. Details of this adjustment are reflected in Audit Exhibit DFS-6 and the direct testimony of ORS witness Briseno. Tr. p. 1128.10; Exhibit DFS-6. ORS witness Briseno presented credible evidence from his audit and review of the Company supporting ORS's recommendation.

The evidence in the record supports proposed depreciation expense adjustment proposed by ORS of $1,494,488. The Commission finds that this adjustment is just and reasonable, and adopts the same.

Y. Adjustment No. 25 – Amortization of Contributions in Aid of Construction ("CIAC")

ORS proposes an adjustment of (538,846) to the amortization of CIAC for known and measurable changes. Details of this adjustment are reflected in Audit Exhibit DFS-6

and the direct testimony of ORS witness Briseno. Tr. p. 1128.10; Exhibit DFS-6. ORS witness Briseno presented credible evidence from his audit and review of the Company supporting ORS's recommendation.

The evidence in the record supports proposed depreciation expense adjustment proposed by ORS of ($538,846). The Commission finds that this adjustment is just and reasonable, and adopts the same

Z. Adjustment No. 26 – Taxes Other Than Income

ORS's total taxes other than income adjustment is $166,467. For the reasons discussed below, the Commission finds that ORS's adjustment in the amount of $356,303 to taxes other than income to be just and reasonable and adopts the same. Details are reflected in and comprised of the following taxes other than income adjustments:

(1) Adjustment No. 26a - Payroll Taxes

Blue Granite fully agrees with the Adjustment 26a made by ORS of ($33,874). Tr. p. 764.4, ln. 8. Blue Granite proposes in its Application an adjustment of ($14,449) using the salary and wages data as of June 30, 2019.

ORS witness Jackson testified that ORS's recommended adjustment in the amount of ($33,874) is based on the annualized salary and wages data from October 31, 2019 that was provided to ORS by the Company. This adjustment reflects the payroll taxes associated with the pro forma adjusted salaries & wages. Tr. p. 1133.8, ln. 12-17.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $33,874. The Commission finds that this adjustment is just and reasonable and adopts the same.

(2) Adjustment No. 26b - Gross Receipts Taxes

ORS witness Sullivan testified regarding Adjustment No. 26b to adjust gross receipts taxes for the adjustments to accounting and pro forma revenue using a factor of .00527282 in the amount of $4,160. Details of this adjustment are reflected in the Surrebuttal Testimony of ORS witness Sullivan. Tr. pp. 1116.6-7; Surrebuttal Exhibit DFS-5.

The evidence in the record supports proposed depreciation expense adjustment proposed by ORS of $4,160. The Commission finds that this adjustment is just and reasonable and adopts the same.

(3) Adjustment No. 26c - Pro Forma Property Taxes

ORS proposes to adjust taxes other than income for property taxes on pro forma plant balances in the amount of $196,181. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno. Tr. pp. 1128.10-11.

The evidence in the record supports proposed depreciation expense adjustment proposed by ORS of $196,181. The Commission finds that this adjustment is just and reasonable and adopts the same.

AA. Adjustment No. 27 – Federal Income Taxes

Blue Granite fully agrees with the Adjustment 27 made by ORS. Tr. p. 764.4, ln. 15. ORS proposes to adjust federal income taxes after accounting and pro forma adjustments using the federal income tax rate of 21%. In addition, ORS and the Company propose to reduce the calculated federal income taxes by the amortization of protected and unprotected Excess Deferred Income Taxes ("EDIT"). The amortization of

EDIT reduces federal income taxes by $129,064, which is comprised of $50,402 related to protected EDIT and $78,662 related to unprotected EDIT. The amortization of EDIT of $129,064 in this Docket differs from the amount ordered by the Commission of $136,924 in Docket No. 2017-292-WS due to the tax net operating loss ("NOL") balance for the Company per the 2017 tax return. Based on ORS Audit Request #20, the original entry booked in December 2017 to remeasure Accumulated Deferred Income Taxes did not include a component for NOL remeasurement. ORS accepts the Company's calculation of $129,064 for the amortization of EDIT that is included as a reduction to federal income taxes in this docket. Details of this adjustment are reflected in Audit Exhibit DFS-7. Tr. p. 1115.18, ln. 16 – p. 1115.19, ln. 6; Exhibit DFS-7.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $456,552. The Commission finds that this adjustment is just and reasonable and adopts the same.

BB. Adjustment No. 28 – State Income Taxes

Blue Granite fully agrees with the Adjustment 28 made by ORS. Tr. p. 764.4, ln. 15. ORS witness Sullivan testified regarding an adjustment of $5,184 to state income taxes after accounting and pro forma adjustments using the state income tax rate of five percent (5%). Details of this adjustment are reflected in Exhibit DFS-7. Tr. p. 1115.19, ln. 7-9.

The evidence in the record supports that there was no dispute and it supports proposed reduction adjustment of $5,184. The Commission finds that this adjustment is just and reasonable and adopts the same.

CC. Adjustment No. 29 – Sale of Utility Property

Blue Granite witness DeStefano testified that Adjustment 29 is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application regarding this adjustment by the Company. Tr. p. 674.4, ln. 19-22. ORS witness Sullivan testified that the ORS proposes for the Commission to adopt an adjustment in the amount of $20,253 to remove the sale of utility property for ratemaking purposes from the Test Year. Tr. p. 1115.19, ln. 11-13.

There is no dispute by the parties. The evidence in the record supports the ORS's proposed reduction adjustment of $$20,253. The Commission finds that this adjustment is just and reasonable and adopts the same.

DD. Adjustment No. 30 – Customer Growth

According to the ORS witness Sullivan, no accounting and pro forma adjustments have been proposed for customer growth by ORS. Tr. p. 1115.19, ln. 14-15. Blue Granite witness DeStefano testified that Adjustment 30 is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed Application regarding this adjustment by the Company. Tr. p. 674.4, ln. 19-22. There is no dispute by the parties. The Commission finds that this adjustment is just and reasonable and adopts the same.

EE. Adjustment No. 31 – Interest During Construction ("IDC")

Blue Granite witness DeStefano testified that Adjustment 31 is one in which Blue Granite and ORS agree as ORS did not make any adjustment from Blue Granite's filed

Application regarding this adjustment by the Company. Tr. p. 674.4, ln. 19-22. There is no dispute by the parties.

The adjustment is in the amount of $172,635 to remove IDC from the test year for rate making purposes. Construction work in progress is not included in rate base. Tr. p. 1115.19, ll. 16-18. The Commission finds that this adjustment is supported by evidence in the record and is just and reasonable.

FF. Adjustment No. 32 – Gross Plant in Service

ORS proposes an adjustment in the amount of $415,288 to adjust gross plant in service to reflect plant additions and retirements since the last rate case as well as pro forms general ledger additions, pro forma plant, pro forma retirements, removal of the Company's Northbrook Office, removal of the Stonegate WTP and Friarsgate WWTP, and the removal of vehicles sold to Clearwater Solutions as part of the contract. The Company proposes an adjustment in the amount of $2,600,952 Tr. p. 1128.11, ll. 4-9. ORS Witness Briseno testified that the difference in adjustment amounts is attributable to the following:

1. ORS opposes the recovery by the Company of $495,206 in upgrades to its Greenville office. Tr. p. 1201.7, ln. 20-22.

2. ORS proposes to increase gross plant in service by $19,361 to account for the Company's erroneous removal of the Stonegate WTP decommissioning balance. ORS also proposes a corresponding adjustment to accumulated depreciation.

3. ORS proposes to adjust gross plant in service by $98 to account for errors in the Company's calculation of the Northbrook Office removal.

4. ORS used actual numbers provided by the Company through its audit, while the Company used estimates.

See, Tr. pp. 1128.11-12.

We have reviewed the recommendations of ORS and found them to be just and reasonable. The adjustments to gross plant in service are not disputed.

GG. Adjustment No. 33 – Accumulated Depreciation

ORS proposes an adjustment in the amount of $3,337,761 to adjust accumulated depreciation to reflect the updated gross plant in service whereas the Company proposes an adjustment in the amount of $3,701,703. Tr. p. 1128.12, ll. 5-7. ORS witness Briseno testified that the difference in adjustment amounts is attributable to the following:

1. ORS proposes to adjust accumulated depreciation by $4,929 to correctly account for the Company's erroneous Stonegate WTP decommissioning removal.

2. ORS proposes to adjust accumulated depreciation by ($310,276) for prior rate case adjustments related to the Indian Pines extraordinary retirement, Purdy Shores & Foxwood retirement, and engineering expenses.

3. ORS proposes to adjust accumulated depreciation by ($98).

4. ORS proposes to adjust accumulated depreciation for the depreciation expense ORS calculated utilizing ORS witness Garrett's depreciation rates applied to ORS's calculation of gross plant in service.

See, Tr. p. 1128.12, ll. 7-21.

ORS adjusted accumulated depreciation and accumulated amortization of CIAC using the proposed depreciation rates as proposed by ORS witness Garrett. Tr. p. 1129.5, ll. 6-8. Witness Briseno testified that Blue Granite's accounting books must balance, like a scale. Tr. p. 1129.5, l. 15. Accordingly, he testified that if one side of the scale receives increased depreciation expense, the other side of the scale should receive an equal increase to accumulated depreciation expense. Tr. p. 1129.5, ll. 15-17. When a journal entry is made to record a debit to depreciation expense, a corresponding credit entry is made in the same amount to accumulated depreciation. Tr. p. 1129.6, ll. 13-14. The Accounting for Public Utilities Manual, Chapter 7.08, Section 2, states:

> Depreciation and amortization expenses are also based upon forecasted levels or upon historical levels with proforma adjustments to recognize changes in depreciation rates or changes in test year depreciable plant (e.g., to recognize depreciation requirements on year-end plant levels or construction projects added to the rate base because of imminent completion and use). Some commissions, in annualizing depreciation expenses to a year-end rate base, have concurrently added an equal amount (or sometimes one-half of the expense amount) to the recorded yearend depreciation reserve. The adjustment to the reserve is generally based on the rationale that double entry accounting concepts will produce an equal impact on the accumulated provisions for depreciation and on the assumption that to fail to recognize the impact on net plant will result in an overstated rate base on a prospective basis.

Tr. p. 1129.7, ll. 10-21.

Briseno also cited the Accounting for Public Utilities Manual, Chapter 6.04:

> Regulators typically require recording the depreciation reserve at the same depreciable group level used for calculating annual provisions.

Tr. p. 1129.7, ll. 23-26.

Briseno further testified that several past Commission rulings concur with ORS's proposed treatment. He cited Dockets No. 2018-319-E (Duke Energy Carolinas), 2018-318-E (Duke Energy Progress), and 2017-292-WS (Carolina Water Service) as three recent dockets in which the Commission adopted the methodology recommended by ORS. Tr. p. 1129.7, ll. 28-30.

Finally, witness Briseno testified that by only utilizing 1.5% on the impact to accumulated depreciation and accumulated amortization of CIAC, Blue Granite fails to adjust for known and measurable changes. Tr. p. 1129.5, ll. 11-13. A rate case adjusts a test year for known and measurable changes to reflect the expected expense levels and rate base in order to set fair and reasonable rates providing a company an opportunity to earn a fair and reasonable return. Tr. p. 1129.5, ll. 18-21. Incorporating the impact of depreciation expense based upon proposed rates without accounting for the impact of proposed rates in the calculation of accumulated depreciation does not reflect known and measurable changes. Tr. p. 1129.5-6. Briseno testified that Blue Granite's proposal is not fair or reasonable for customers in that Blue Granite seeks to receive the benefit of increased depreciation expense using the new depreciation rates to determine the revenue requirement without being required to make an equal offsetting entry to accumulated depreciation. Tr. p. 1129.6, ll. 3-8).

Company witness DeStefano testified that ORS is improperly 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 interrelated activity in Utility Plant in Service and CIAC (*i.e.,* capital and CIAC additions after 12/20/2019), thereby violating

the matching principle prioritized in utility regulation. Tr. p. 764.34, ll. 12-19. He recommends that the Commission approve a rate base balance utilizing a consistent cutoff period for interrelated components, in this case Utility Plant in Service with Accumulated Depreciation and CIAC with Accumulated Amortization. Tr. p. 764.34, ll. 20-23.

The Commission has considered the positions of ORS and the Company. Furthermore, we credit ORS witness Briseno's observation that ORS's treatment of accumulated depreciation is consistent with that adopted by the Commission in recent rate proceedings. The substantial evidence on the whole record indicates that the adjustments proposed by ORS are just and reasonable.

HH. Adjustment No. 34 – Deferred Charges

ORS's total deferred charges adjustment is $4,818,974. This adjustment, set out in Hearing Exhibit 34, is comprised of the following:

(1) <u>Adjustment #34a</u> – Unamortized Balance for Deferred Maintenance

The Company proposes an adjustment of $348,417 to include the unamortized balance of proposed deferred maintenance in deferred charges in rate base. The Company's adjustment included an unamortized amount of $49,167 related to a wastewater treatment plant tank recoating and $299,250 related to hydrotank inspections. Tr. p. 1115.20, ll. 8-12.

Company witness DeStefano testified that it should be permitted to defer the costs associated with the hydrotank inspection and include the unamortized balance of the deferred tank inspections in rate base because they are significant, do not recur annually,

and provide the Company and its customers a multi-year benefit. The Company seeks rate base treatment for these deferred maintenance costs. Tr. p. 764.27, ll. 4-13.

Blue Granite provided documentation to support the hydrotank inspection expenses, but no documentation to support the wastewater treatment tank recoating. ORS has included annual amortization of $62,926 for the hydrotank inspections as part of ORS Adjustment #9a as reflected in the direct testimony of ORS witness Briseno. ORS's calculated unamortized balance for the hydrotank inspections is $251,704. ORS takes the view that this unamortized balance should not be included in rate base. Such treatment is consistent with the treatment of deferred maintenance in several recent rate cases[17]. Tr. pp. 1115.20-21.

ORS recommends that the recovery of the costs associated with the hydrotank inspections be amortized over a five-year period rather than placed in rate base. We agree with ORS. This treatment is consistent with prior treatment of similar expenditures in previous rate cases and is just and reasonable to both the utility and its customers.

(2) <u>Adjustment #34b</u> – Unamortized Balances for Decommissioned Assets, NBV on Decommissioned Assets and EDIT

ORS proposes an adjustment in the amount of $4,818,974 to adjust deferred charges to include the unamortized balances as of April 30, 2020 net of a full year of amortization for removal costs on decommissioned assets, NBV on decommissioned assets and EDIT. Witness Briseno testified that the difference in adjustment amounts is

[17] *See, e.g.*, Dockets No. 2015-199-WS and 2017-292-WS (Carolina Water Service) and 2018-257-WS (Kiawah Island Utility).

attributable to the differences identified in the Amortization of Litigation Deferrals, Deferred Storm Costs, Decommissioning Costs and Net Book Value of Decommissioned Assets adjustment and the full year of amortization netted against the April 30, 2020, balances. Based upon calculations that were updated in the Amortization of Litigation Deferrals, Deferred Storm Costs, Decommissioning Costs and Net Book Value of Decommissioned Assets adjustment, this adjustment is updated to total $4,818,972. Tr. p. 1129.3, ll. 1-7. ORS witness Briseno testified that a similar adjustment was accepted by the Commission in Docket No. 2017-292-WS (Carolina Water Service), Order No. 2018-345(A), p. 24.

The Company proposes an adjustment in the amount of $4,596,244. Company witness DeStefano testified that deferral balances and their related amortization are "known and measurable" in a complete sense, and he therefore rejects ORS's calculation of the decommissioning/NEV and EDIT balances through 4/30/2021. Instead, Blue Granite recommends all deferral balances be calculated as of the same cut-off date of 4/30/2020, because no foreseeable change in the amortizable balance would occur between the audit cut-off and 4/30/2020. Tr. pp. 764.35-36.

Having reviewed the evidence in the record, including the testimony of ORS witness Briseno which we find credible, we credit his testimony and adopt the ORS position.

II. Adjustment No. 35 – Cash Working Capital

According to witness Sullivan, ORS's total cash working capital adjustment is ($300,581), as detailed in Hearing Exhibit 34. After ORS was able to verify additional

rate case expenses, Order Exhibit 1 indicates a cash working capital adjustment of ($286,181).

(1) Adjustment 35a – Cash Working Capital – Accounting and Pro-Forma Adjustments

Witness Sullivan testified that ORS proposes an adjustment to reflect cash working capital after accounting and proforma adjustments. According to witness Sullivan, ORS and the Company used a 45-day allowance or 1/8 of maintenance and general expenses for the cash working capital adjustment. According to witness DeStefano, the Company agrees with ORS's proposed Cash Working Capital adjustment. Tr. p. 764.4, ll. 13-17. No party contests this adjustment. The evidence contained in the record supports this adjustment, and the Commission finds it to be just and reasonable.

(2) Adjustment 35b -- Cash Working Capital Rate Mitigation

ORS proposes to remove purchased services from the calculation of cash working capital. ORS requested the Company to explain the change in methodology for calculating cash working capital from Carolina Water Service Docket Nos. 2015-199-WS and 2017-292-WS. According to Blue Granite's response, it removed purchased services expenses as that is the practice with the Company's North Carolina affiliate and Blue Granite proposed this adjustment to mitigate the overall rate request. Tr. p. 1115.21-22. ORS accepts the Company's methodology in this docket to calculate cash working capital. (Tr. p. 1115.22, ll. 10-11). ORS's adjustment to remove purchased services from the calculation of cash working capital results in a reduction to cash working capital of $1,055,693. Hearing Exhibit 34. The Company agrees with this adjustment. No party

contests the adjustment that ORS has proposed. The evidence in the record supports the ORS proposed adjustment, and this Commission finds it to be just and reasonable.

JJ. Adjustment No. 36 – CIAC

ORS proposes an adjustment in the amount of $2,205,788 to adjust CIAC to reflect the amortization of CIAC expenses, pro forma CIAC additions, and decommissioned plants. The Company proposes an adjustment in the amount of $1,068,166. Witness Briseno testified that the difference is attributable to the utilization of ORS witness Garrett's depreciation rates and the updates to CIAC provided by Blue Granite to ORS. ORS updated its calculation to capture the inverse of its calculation of CIAC expense, resulting in a total adjustment of $2,205,787. Tr. p. 1128.13, ll. 8-13. The Commission approves this adjustment.

KK. Adjustment No. 37 – Plant Held for Future Use

ORS has accepted Company witness DeStefano's proposal to remove $350,000 associated with a land purchase. Tr. p. 1128.13, ll. 15-21. Witness DeStefano testified that the Company agrees with ORS's proposed Plant Held for Future Use adjustment. Tr. p. 764.4, l. 14. No party contests the adjustment that ORS has proposed. As a result, the evidence in the record supports the ORS proposed adjustment of $0 for plant held for future use and this Commission finds it to be just and reasonable.

LL. Adjustment No. 38 – Excess Book Value

ORS proposes to remove excess book value for ratemaking purposes by removing $1,937,905 from plant and $1,473,259 from accumulated depreciation through April 30, 2020, due to new rates going into effect in May 2020. The Company proposes an

adjustment in the amount of ($435,586). According to witness Briseno, there has historically been a difference between ORS and Blue Granite's calculations of the excess book value adjustment because Blue Granite utilized the incorrect carry forward amount in Docket No. 2004-357-WS. Tr. p. 1128.14, 1n. 1-8. Company witness DeStefano testified that excess book value has been included for ratemaking purposes in prior proceedings. Tr. p. 763.15, ll. 1-2.

The Commission finds that Blue Granite failed to rebut ORS witness Briseno's testimony that the Company had utilized an incorrect carry forward amount, and it therefore finds ORS's adjustment just and reasonable.

MM. Adjustment No. 39 – Interest Expense

ORS proposes an adjustment to synchronize interest expense with rate base after accounting and pro forma adjustments, using the capitalization ratio of 47.09% for long-term debt and 52.91% for equity, with a cost of debt of 5.73%. Tr. p. 1115.23, II. 4-7.

ORS Witness Sullivan testified that ORS's calculated synchronized interest expense of $2,001,300, less the Company's per book interest expense of $1,828,315, yields an ORS adjustment of $172,985, as indicated in Hearing Exhibit 34. As a result of the addition of verified rate case expenses, the interest expense adjustment becomes $173,374, as indicated in Order Exhibit 1. Company witness DeStefano agrees with ORS's proposed Interest Expense adjustment. Tr. p. 764.4, ll. 15-17. No party contests the adjustment that ORS has proposed, and the Commission finds it to be just and reasonable.

NN. Adjustment No. 40 – Service Revenues -Water

For the reasons discussed herein and based upon the record, this Commission finds the revenues detailed in Order Exhibit 1 to be just and reasonable.

OO. Adjustment No. 41 – Service Revenues – Sewer

For the reasons discussed herein and based upon the record, this Commission finds the revenues detailed in Order Exhibit 1 to be just and reasonable.

PP. Adjustment No. 42 – Service Revenues – Miscellaneous Accounts

For the reasons discussed herein and based upon the record, this Commission finds the revenues detailed in Order Exhibit 1 to be just and reasonable.

QQ. Adjustment No. 43 – Uncollectible Accounts

ORS proposes to adjust uncollectible accounts for ORS's adjustments to revenues. The percentages used to calculate uncollectible accounts were provided by the Company and were verified and found reasonable by ORS. While Blue Granite contests ORS's proposed treatment of Blue Granite's revenues, because this Commission has accepted ORS's proposed adjustment, as indicated in this Order, it finds ORS's proposed uncollectible account adjustment to be reasonable. Tr. p. 1115.24, ll. 1-3.

RR. Adjustment No. 44 – Taxes Other Than Income – Gross Receipts

ORS proposes an adjustment to gross receipts taxes after ORS's adjustments to revenues using a factor of .00527282. Tr. p. 1115.24, ll. 5-6. This Commission has found ORS's proposed taxes other than income-gross receipts adjustment to be reasonable and accepted it.

SS. Adjustment No. 45 – Federal Income Taxes

ORS proposes to adjust federal income taxes after ORS's adjustments to revenues and gross receipts taxes using the federal income tax rate of 21%. In addition, ORS proposes to reduce the calculated federal income taxes by the amortization of protected and unprotected Excess Deferred Income Taxes EDIT. Tr. p. 1115.24, ll. 8-11. While Blue Granite contests certain ORS adjustments that impact ORS's proposed Federal Income Tax adjustment, this Commission has found ORS's proposed Federal Income Tax adjustment to be reasonable and has accepted it.

TT. Adjustment No. 46 – State Income Taxes

ORS proposes to adjust state income taxes after ORS's adjustments to revenues and gross receipts taxes using the state income tax rate of 5%. Tr. p. 1115.24, ll. 13-15). While Blue Granite contests certain ORS adjustments that impact ORS's proposed State Income Tax adjustment, this Commission has found ORS's proposed State Income Tax adjustment to be reasonable and has accepted it.

UU. Adjustment No. 47 – Customer Growth

According to ORS witness Sullivan's testimony, the growth factors of 2.0392% for water territory 1, 0.0904% for water territory 2 and 2.0076% for sewer are discussed in the direct testimony of ORS witness Sandonato. Tr. p. 1115.24, ll. 19-20. This Commission accepts ORS's proposed customer growth factors for water territories 1 and 2 as reasonable.

VII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the Discussion, Findings of Fact as set forth herein, and the record of the instant proceeding, the Commission makes the following Findings of Fact and Conclusions of Law:

1. Blue Granite is a water and sewer utility providing water and sewer service in its assigned service areas located in sixteen (16) counties throughout South Carolina. The Commission is vested with authority to regulate rates of every public utility in this state and to ascertain and fix just and reasonable rates for service. S.C. Ann. §58-5-210, et. seq. Blue Granite's operations in South Carolina are subject to the jurisdiction of the Commission.

2. Blue Granite is a direct subsidiary of CRU (previously named Utilities, Inc.) which in turn is an indirect subsidiary of CII. In addition to Blue Granite, CRU has 15 utility subsidiaries in several other states. CII is a diversified, privately held corporation that designs, builds, installs, finances and operates local utility infrastructure on behalf of municipal, institutional, military, and private-sector customers.

3. The appropriate Test Year period for this proceeding, selected by Blue Granite, is July 1, 2018 through June 30, 2019. Blue Granite submitted evidence in this case with respect to its revenues and expenses using a Test Year consisting of the twelve (12) months ending June 30, 2019.

4. Blue Granite requested an overall increase in revenue requirements of $11,731,803 for combined operations of water and sewer services and which is an increase of 49.18% over pro-forma present rate revenues of $23,856,072. Tr. p. 354.21,

ln. 12-14. Blue Granite is seeking a grand total of $35,587,875 in total revenue. Blue Granite's requested revenues increase consists of a $5,575,957 water revenue increase and a sewer revenue increase of $6,155,846; meaning, that Blue Granite is seeking an overall 44.42% increase in water revenue and an overall 54.45% increase in wastewater (sewer) revenues. Tr. p. 354.21, ln. 12-17.

5. Of the $11,731,803 in additional revenue sought by Blue Granite, $4,774,305 results from third-party purchased water and sewer treatment expenses while the remaining $6,987,498 is primarily recovering revenue for shareholders from investments in infrastructure needed to serve customers. With its plant investments made to maintain and improve its service to customers and the increased operating expenses that the Company has experienced, Blue Granite asserts that it has been unable to earn its authorized rate of return and it is requesting rate relief. Tr. p. 750, ln. 12-22; p.763.4, ln. 9-21.

6. The Commission declines to approve the Annual Rate Adjustment Mechanism ("ARAM") requested by Blue Granite, as well as declines to approve any proposed ARAM for the Company as suggested, modified, or altered by any other another party in this Docket. The Commission finds and holds that an ARAM does not incentivize Blue Granite to reduce wastewater infiltration and inflow or non-revenue water losses and that it is just and reasonable to deny and decline this request. The Commission further finds that the proposed ARAM as designed would recover significant annual expenses with little to no review and does not provide adequate customer protections. All risk is borne by the customers under this mechanism.

Additionally, the Commission also finds that the proposed ARAM in this Docket would not improve bill clarity. The methodology for calculating the purchased water and sewer charges is confusing under this mechanism and does not yield a number reflecting the actual costs of the purchased water or sewer treatment charged by the third-party provider.

7. Based upon the above findings and discussion regarding an ARAM, the Commission further refuses to adopt the changes the Company proposed to its rate structure to add separate purchased water and sewer treatment charges. The Commission finds that it is just and reasonable to adopt the Company's its existing rate structure at this time which provides for a Base Facility Charge, a commodity charge based on water consumption and per Single Family Equivalent charge (a/k/a flat rates) for sewer customers.

8. The Commission finds that the evidence in the record demonstrates that flat rates for sewer service are burdensome to Blue Granite's customers who have low water usage, who only have one or two people in a household, who are senior citizens on fixed incomes, and who are on low and moderate income customers. However, the Commission finds that Blue Granite does not have any other rate methodology at this time available for its sewer service customers. The Commission finds that it is just and reasonable to direct and order that Blue Granite provide alternate rate designs for its water and sewer services in its next rate proceeding. Additionally, the Commission finds that is also just and reasonable given the continued complaints and issues raised by the more than one hundred and fifty (150) customers testifying in the hearings before the

Commission and the utility's ongoing problems wastewater infiltration and inflow and its increased non-revenue water losses, to order the Company to investigate the feasibility of converting its sewer rate to a volumetric rate design and to provide a report to the Commission when Blue Granite files its next rate case.

9. The Commission finds that Blue Granite has water usage data for a little more than fifty-three percent (53%) of its customers per ORS witness Sandonato with 16,848 of its overall 31,710 customers from Service Territories 1 and 2 receiving water service from Blue Granite as provided in the Chart below and in Exhibit AMS-4.[18]

Date	6/30/2018	6/30/2019	Average	Growth Factor
Service Territory 1 Water # of Customers	9,800	10,208	10,004	2.0392%
Service Territory 2 Water # of Customers	6,628	6,640	6,634	0.0904%
Service Territory 1 & 2 Sewer -- # of Customers	14,277	14,862	14,570	2.0076%
Consolidated # of Customers	30,705	31,710	31,208	1.6102%

10. Given the issues with Blue Granite's sewer service rates as discussed herein and more fully detailed in the whole record, it is reasonable and just for the Commission to find and to order that Blue Granite should obtain water usage, or volumetric water consumption, data from entities providing water service to Blue Granite's sewer only customers so that this information may be used in the development

[18] See, Exhibit AMS-4. As of the end of the Test Year, Blue Granite was providing water supply/distribution services to 16,848 residential and commercial customers and wastewater (sewer) collection/treatment services to 14,862 residential and commercial customers. Tr. p. 1213.4, ln. 5-7.

of a just and reasonable volumetric sewer service rate methodology to be reviewed, and subject to approval, by the Commission in its next rate case.

11. Additionally, the Commission finds that it is just and reasonable to order that, within one hundred and twenty (120) days from the date of this Decision, Blue Granite shall provide to the Commission a Report on its progress to obtain water usage, or volumetric water consumption, data from other entities providing water service to Blue Granite's sewer only customers, as well as the cost of installing flow meters. The Report must be filed in the Docketing Management System (DMS) for this Docket and served upon all parties in accordance with S.C. Code Ann. Reg. 103-830.1 and applicable rules.

12. The Company originally requested the opportunity to earn a 10.7% Return on Equity (ROE); however, later in its rebuttal testimony of witness D'Ascendis, Blue Granite updated its analysis and recommended a range between 9.75% and 10.25%. Tr. p. 548.4, ln. 4-9. The Commission agreed with witnesses from ORS and Consumer Affairs and finds that witness D'Ascendis' ROE recommendation is too high.

13. The Commission finds that analysis and testimony provided by Consumer Affairs witness Rothschild is credible, compelling, unbiased and without prejudice in balancing the interests of the consumer and the utility by allowing the utility the opportunity to earn a 7.46% return on equity. *See*, Tr. pp. 672.8-672.10.

14. The Commission finds that analysis of witness Rothschild shows that it is just and reasonable to conclude the approved and appropriate ROE for Blue Granite is 7.46% based upon (a) the evidence in the whole record, (b) the rate of return

methodology, and (c) a historical test year beginning July 1, 2018 and ending June 30, 2019.

15. With the above approved ROE of 7.46% for utility, the Commission finds that it is just and reasonable to further adopt the resulting Revenue Requirement for Blue Granite of $28,733,986, resulting in an increase of $4,958,848 consisting of an increase in water revenues of $2,161,536 and an increase in sewer revenues of $2,797,312. This represents an approximate 57% reduction from the Company's requested increase of $11,589,537 made in its Application, and therefore, the resulting Operating Margin of 10.54% is likewise adopted by the Commission for Blue Granite pursuant to S.C. Code Ann. §58-5-240(H).

Blue Granite Water Company
Summary of Commission Revenue Increase and Findings (7.46% ROE)

	Approved Additional Revenue Increase	Percentage Increase
Water Service Revenues – Territory 1	$1,491,460	23%
Water Service Revenues – Territory 2	$670,076	12%
Consolidated Sewer Service Revenues	$2,797,312	24%
Total Operating Revenues	**$4,958,848**	**21%**

16. For the reasons discussed herein, the Commission finds the revenues detailed in Order Exhibit No. 1 to be just and reasonable and based upon credible evidence in the record.

17. Blue Granite filed its application with rates set on an ROE and OM basis, as well as requesting a purchased water and purchased sewer services rate adjustment mechanism. Tr. p. 763.3; Tr. pp. 1214.2-1214.6. While there is no requirement that OM

methodology be used in determining a fair rate of return, Blue Granite requested OM treatment in its Application. ORS performed its audit and recommendation based on an OM methodology. No party contested Blue Granite's use of an OM methodology. The weight of the evidence, including witnesses' testimony, supports this methodology.

18. The ROE and OM methodology are appropriate for determining the lawfulness of the Company's rates and in fixing just and reasonable rates.

19. Consumer Affairs proposed the option and analysis for the ROE of 7.46% with witness Rothschild. We conclude that the weight of the evidence, including witnesses' testimony and the credibility of Rothschild analysis which demonstrated flawed ROE calculations based upon non-utility business by Blue Granite witness DeStefano, support the 7.46% ROE and OM of 10.54% for Blue Granite as determined by the Commission.

20. Supported by the evidence, we conclude that the ROE of 7.46% and resulting OM of 10.54% herein is just and reasonable while allowing Blue Granite to continue to provide its customers with quality water and sewer service.

21. The requested revenue increase of $11,731,803 for a total revenue requested of $35,587,875 by Blue Granite results in a potential OM of 12.26% and ROE of 10.70%.

22. Even the adjusted revenue increase of $8,435,953 by ORS results in a potential OM of 11.34% and ROE of 9.45%.

23. Blue Granite apportioned its requested revenue requirement equally to all base facility charges and monthly water consumption rates. The proposed increase to all

customer classes proposed by Blue Granite and by ORS is approximately the following Table:

		COMPANY PROPOSAL			ORS PROPOSAL		
	Current Rate	Proposed Rate	Proposed Increase	% Increase	Proposed Rate	Proposed Increase	% Increase
Service Territory 1							
Water Supply Customers	$	$	$	%	$	$	%
Monthly Residential Base Facilities Charge	14.38	21.91	7.53	52.36%	20.13	5.75	39.99%
Water Commodity Charge per 1,000 gallons	5.59	8.53	2.94	52.59%	7.88	2.29	40.97%
Monthly Residential Water Rate based on 6,000 gallons usage	47.92	73.09	25.17	52.53%	67.41	19.49	40.67%
Water Distribution Customers Only							
Monthly Residential Base Facilities Charge	14.38	21.91	7.53	52.36%	20.13	5.75	39.99%
Water Commodity Charge per 1,000 gallons	7.55	4.33	(3.22)	-42.65%	10.65	3.10	41.06%
Purchased Water Charge per 1,000 gallons	N/A	7.19	6.85	N/A	0.00	0.00	N/A
Monthly Residential Water Rate based on 6,000 gallons usage	59.68	91.03	31.35	52.53%	84.03	24.35	40.80%
Service Territory 2							
Water Rates - Water Supply Customers	$	$	$	%	$	$	%
Monthly Residential Base Facilities Charge	28.59	36.49	7.90	27.63%	34.74	6.15	21.51%
Water Commodity Charge per 1,000 gallons	10.27	13.12	2.85	27.75%	12.45	2.18	21.23%
Monthly Residential Water Rate based on 6,000 gallons usage	90.21	115.21	25.00	27.71%	109.44	19.23	21.32%
Water Distribution Customers Only							
Monthly Residential Base Facilities Charge	28.59	36.49	7.90	27.63%	37.74	9.15	32.00%
Water Commodity Charge per 1,000 gallons	11.85	4.35	(7.50)	-63.29%	14.36	2.51	21.18%
Purchased Water Charge	N/A	10.79	11.08	N/A	0.00	0.00	N/A
Monthly Residential Water Rate based on 6,000 gallons usage	99.69	127.33	27.64	27.73%	123.90	24.21	24.29%

24. With regard to the changes or increases in the sewer rates for customers using the same ROE and OM respectively proposed by Blue Granite and ORS for Service Territories 1 & 2 is as follows:

		COMPANY PROPOSAL			ORS PROPOSAL		
	Current Rate	Proposed Rate	Proposed Increase	% Increase	Proposed Rate	Proposed Increase	% Increase
Service Territories 1 & 2							
Sewer Collection and Treatment Rates							
Monthly Residential Base Facilities Charge	65.08	95.21	30.13	46.30%	91.25	26.17	40.21%
Monthly Residential Base Facilities Charge - Mobile Home	47.50	69.49	21.99	46.29%	66.60	19.10	40.21%
Service Territories 1 & 2							
Sewer Collection Only Rates							
Monthly Residential Base Facilities Charge	65.08	45.81	(19.27)	-29.61%	91.25	26.17	40.21%
Sewer Treatment Charge	N/A	49.40	54.20	N/A	0.00	0.00	0.00%
The Village Sewer Collection	33.86	49.54	15.68	46.31%	47.48	13.62	40.22%

25. The Commission finds that it is just and reasonable to accept ORS's recommendation to limit the water service Territory 2 increase to 31% of total water service revenue requirement and finds that it is just and reasonable. The Commission

orders that Blue Granite prepare a rate schedule consist with this finding, as well as all other findings, so that water service Territory 2 increase to 31% of total water service revenue requirement.

26. The Commission finds that Blue Granite did not seek or obtain approval from the Commission of its ClearWater Solutions contract as is required by S.C. Ann. Regs. 103-541 and 103-743 prior to use and engagement thereof.

27. The Commission further finds that Blue Granite immediately file with the Commission the contract between itself and ClearWater Solutions for review and possible approval by the Commission. The Commission further cautions the Company that it must file its contracts for approval in the future in compliance with the Commission's regulations.

28. The Commission finds that Blue Granite is authorized to continue the deferral accounting treatment of changes in purchased water and wastewater treatment rates established in Docket Number 2015-199-WS.

29. Additionally, with regard to additional adjustment to the Company's "Rate Base – Deferred Charges," the Commission finds and determines that Blue Granite is authorized to amortize $3,178,824 of Purchased Water and Sewer Deferrals over five (5) years and to remove the first year's amortization of $635,765 for a total increase of $2,543,059 in a regulatory asset.

30. With 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.

31. The Commission finds and determines that Blue Granite is not authorized to apply carrying costs to these deferral accounts other than as approved and directed herein.

32. The Commission finds that it is just and reasonable to decline approval of the changes proposed by Blue Granite to its rate structure to add separate purchased water and sewer treatment charges, which were proposed to effectuate the ARAM.

33. The Commission finds that Blue Granite shall maintain its existing rate structure of a Base Facility Charge, a commodity charge based on water consumption for water customers, and per Single Family Equivalent charge for sewer customers.

34. The Commission finds that the adjustments as discussed and listed previously above in this Order are just and reasonable and the Commission hereby adopts and approves the same.

35. Attached as Order Exhibit No 2, Blue Granite filed the rate schedule/tariff on March 30, 2020 incorporating the changes approved herein reflecting an Operating Margin of 10.54% and 7.46% ROE which retains the present base facility charge for water service and distributes the rate increase volumetrically to lessen the impact of the rate increase on low-usage water customers.[19]

[19] On April 1, 2020, the Commission issued Commission Directive Order No. 2020-280 adopting the rate schedule during the Commission's regularly scheduled Business Meeting which is Order Exhibit No. 2. On

VIII. ORDERING PROVISIONS

IT IS THEREFORE ORDERED THAT:

1. The accounting adjustments reflected in Order Exhibit No. 1 are approved, adopted and accepted into the record and are incorporated and made part of this Order by reference. Order Exhibit 1 includes adjustments and modifications by the Commission as discussed herein this Order to adjustments which may have been agreed upon by Blue Granite, ORS, and other parties, as well as to adjustments for which no party objected.

2. While the record contains ample credible evidence supporting the Commission's concern as to what rate increase, or any rate increase, is appropriate in this Docket, existing law binds the Commission and there is credible evidence in the record supporting a limited increase in the Company's revenue requirement.

3. The record of evidence, and the controlling law binding the Commission, support a finding that the rate request or revenue requirement sought by Blue Granite is not just and reasonable and as Blue Granite witness testified is equal to "rate shock." See, Tr. pp. 887-894 (Company witness DeStefano testifying that "rate shock would be -- again, generally is --- a steep – or spike in – in end cost to – to consumers" when being cross examined about a 50% rate increase by Intervenor York County. Tr. p. 887, ln. 11-13); Tr. pp. 1055.8-1055.9.

March 25, 2020, Blue Granite was ordered pursuant to Commission Directive of the same date to provide and file alternate rate schedules on March 30, 2020 consistent with the Commission's findings so that this rate schedule would be included in this final Order dated April 9, 2020.

4. Based on the information provided by the parties, the Commission concludes the appropriate rate setting methodology to use as a guide in determining the lawfulness of Blue Granite's proposed rates and for fixing just and reasonable rates is return on equity base with a resulting operating margin.

5. Based upon the rates, charges and accounting adjustments discussed, adopted and approved herein in Order Exhibit Nos. 1 & 2, Blue Granite is authorized to have the opportunity to earn an 7.46% ROE and the resulting 10.54% Operating Margin is approved for Blue Granite.

6. For Blue Granite to have the opportunity to earn the 7.46% ROE, found fair and reasonable herein and within the public's interest, Blue Granite must be allowed additional revenues of $4,958,848.

7. The Commission orders Blue Granite to limit the water service Territory 2 increase to 31% of total water service revenue requirement and further orders that Blue Granite shall prepare a rate schedule consist with this ruling, as well as all other findings and rulings, so that water service Territory 2 increase to 31% of total water service revenue requirement.

8. As offered by the utility, Blue Granite is ordered to delay implementation of any new rates authorized and allowed by this Order until September 1, 2020 so that there will be no change in the current rates for water and for sewer charges to Blue Granite customers until on or after September 1, 2020.[20]

[20] Commission Directive dated March 25, 2020 references the March 19, 2020 letter offer by Blue Granite to delay implementation of any rate increase or change in Docket No. 2019-290-WS in response to Commission Order No. 2020-240 dated March 18, 2020. Upon issuance of a final order by the

9. The schedule of rates, terms and conditions in the attached Exhibit 2 are approved for use by Blue Granite effective on September 1, 2020 and are just and reasonable without undue discrimination and are also designed to meet revenue requirements for Blue Granite as discussed herein.

10. Due to the Company's voluntary offer to delay implementation of any rates until September 1, 2020, the Company has time and is ordered to provide at least thirty (30) days' advance notice of the increase to customers of its water and wastewater services prior to the rates and schedules being put into effect for service rendered. The schedules shall be deemed to be filed with the Commission pursuant to S.C. Code Ann. § 58-5-240.

11. The following Table reflects an operating margin of 10.54%:

Operating Revenues	$28,733,986
Operating Expenses	23,715,106
Net Operating Income (Loss)	5,018,880
Customer Growth	78,664
Total Income for Margin	$ 5,097,544
Operating Margin (After Interest)	10.54%
Return on Equity	7.46%
Interest Expense for Operating Margin	$ 2,069,789

See, Order Exhibit No. 1.

12. Blue Granite's capital structure is 47.09% debt and 52.91% common equity.

Commission, Blue Granite states that it "would commit to not putting new rates into effect until September 1, 2020." Letter on behalf of Blue Granite, dated March 19, 2020 and filed in this Docket.

13. Blue Granite is ordered to provide a one-time credit in the amount of $10.59 for each customer water account and sewer account effective upon the date of this 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.

14. The Commission finds Blue Granite's updated rate case expenses submitted at the conclusion of the hearing following review by the ORS, to be reasonable and that Blue Granite's rate case expenses shall be amortized over a 3-year period as the Company and ORS agreed.

15. The Company shall continue to maintain current performance bonds in the amounts of $350,000 for water operations and $350,000 for wastewater operations pursuant to S.C. Code Ann. § 58-5-720.[21]

16. Blue Granite shall conduct a cost of service study prior to filing its next adjustment to rates case in order to ensure that cost allocation is appropriate and to propose a rate design methodology that eliminates subsidization. Evidence does exist in the record to conclude there is inequity in the existing rate design among Blue Granite's customers. However, in order for the Commission to set rates that fairly distribute the revenue requirement of the utility equitably between its customers, the Commission finds and directs that Blue Granite conduct a cost of service study prior to filing its next rate case.

[21] ORS requested that Commission continue to require a performance bond for Blue Granite. Currently, Blue Granite has a Commission required performance bond pursuant to S.C. Code Ann. §58-5-720 for utility operations for Blue Granite, which is in the form of an Irrevocable Letter of Credit ("ILC") from JP Morgan Chase Bank, N.A. as surety in the amount of $350,000 for water and $350,000 for sewer operations.

17. Blue Granite's books and records shall be maintained according to NARUC Uniform System of Accounts. The Company is directed to make any necessary adjustments to its accounting system to conform to the NARUC Uniform System of Accounts.

18. Blue Granite will provide the Commission an update on information provided in its bill format on or before July 1, 2020.

19. Blue Granite shall prepare quarterly reports to the Commission and the ORS detailing its efforts to improve responsiveness and customer satisfaction. Additionally, the reports shall provide details of every complaint and the resolution of every complaint, as well as the names and addresses of all complainants for use by ORS in the event follow-up contacts are necessary. The first quarterly reports must be submitted on or before July 1, 2020.

20. The Company shall provide the written reports on capital improvements no less than semiannually as described above to ORS and filed with the Commission.

21. The Commission further orders Blue Granite to immediately file with the Commission the contract between itself and ClearWater Solutions for review and possible approval by the Commission. The Commission further cautions the Company that it must file its contracts for approval in the future in compliance with the Commission's regulations.

22. The Commission overrules Blue Granite's objection to York County Councilwoman Allison Love's testimony at the Public Night Hearing in this Docket held in York, South Carolina, on March 5, 2020. Further, all hearing exhibits presented at the

evening public hearings in this case are admitted into the evidence as well as any late filed exhibits.

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

BY ORDER OF THE COMMISSION:

Comer H. "Randy" Randall, Chairman

ATTEST:

Jocelyn Boyd, Chief Clerk/Executive Director

BLUE GRANITE WATER COMPANY
OPERATING EXPERIENCE, RATE BASE AND RATE OF RETURN - 7.46% ROE
TEST YEAR ENDED JUNE 30, 2019
COMBINED OPERATIONS

Description	(1) Per Books	(2) Accounting & Pro Forma Adjustments	(3) As Adjusted	(4) Effect of Proposed Increase	(5) After Increase
	$	$	$	$	$
Operating Revenue:					
Service Revenue-Water	11,868,922	280,468	12,149,390	2,176,490	14,325,880
Service Revenue-Sewer	10,929,933	504,321	11,434,254	2,785,194	14,219,448
Miscellaneous Revenue	445,566	4,043	449,609	49,482	499,091
Uncollectibles	(250,471)	(7,644)	(258,115)	(52,318)	(310,433)
Total Operating Revenues	22,993,950	781,188	23,775,138	4,958,848	28,733,986
Maintenance Expenses					
Salaries and Wages	2,670,783	(1,344,062)	1,326,721	0	1,326,721
Capitalized Time	(333,423)	73,614	(259,809)	0	(259,809)
Purchased Power	771,660	0	771,660	0	771,660
Purchased Water and Sewer	5,266,724	635,765	5,902,489	0	5,902,489
Maintenance and Repair	3,031,412	880,789	3,912,201	0	3,912,201
Maintenance Testing	314,455	(174,416)	140,039	0	140,039
Meter Reading	112,607	(72,815)	39,792	0	39,792
Chemicals	360,819	(99,043)	261,776	0	261,776
Transportation	238,985	(118,674)	120,311	0	120,311
Operating Exp. Charged to Plant	0	0	0	0	0
Total Maintenance Expenses	12,434,022	(218,842)	12,215,180	0	12,215,180
General Expenses					
Salaries and Wages	871,623	538,807	1,410,430	0	1,410,430
Office Supplies and Other Office Exp	1,980,731	(1,564,724)	416,007	0	416,007
Regulatory Commission Exp	138,293	164,724	303,017	0	303,017
Pension and Other Benefits	779,623	(165,041)	614,582	0	614,582
Rent	97,022	0	97,022	0	97,022
Insurance	348,323	163,371	511,694	0	511,694
Office Utilities	491,952	(98,634)	393,318	0	393,318
Outside Services	1,062,984	(188,889)	874,095	0	874,095
Non-Utilitiy Misc Income	442,691	(442,691)	0	0	0
Miscellaneous	61,301	4,566	65,867	0	65,867
Total General Expenses	6,274,543	(1,588,511)	4,686,032	0	4,686,032
Depreciation	1,788,412	1,494,488	3,282,900	0	3,282,900
Amortization of CIAC	(406,510)	(538,846)	(945,356)	0	(945,356)
Taxes Other Than Income	3,499,587	166,467	3,666,054	26,423	3,692,477
Income Taxes - Federal	(431,984)	68,529	(363,455)	984,019	620,564
Income Taxes - State	(185,161)	126,416	(58,745)	246,621	187,877
Sale of Utility Property	(20,253)	20,253	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)
Total Other Expenses	4,219,524	1,337,307	5,556,831	1,257,063	6,813,894
Total Operating Expenses	22,928,089	(470,046)	22,458,043	1,257,063	23,715,106
Net Operating Income	65,861	1,251,234	1,317,095	3,701,785	5,018,880
Customer Growth	0	0	0	78,664	78,664
Interest During Construction	(172,635)	172,635	0	0	0
Net Income For Return	**238,496**	**1,078,599**	**1,317,095**	**3,780,449**	**5,097,544**
Original Cost Rate Base:					
Gross Plant In Service	103,656,698	415,288	104,071,986	0	104,071,986
Accumulated Depreciation	(16,190,845)	3,337,761	(12,853,084)	0	(12,853,084)
Net Plant In Service	87,465,853	3,753,049	91,218,902	0	91,218,902
Deferred Charges	0	7,362,033	7,362,033	0	7,362,033
Cash Working Capital	1,680,231	(305,391)	1,374,840	0	1,374,840
Contributions in Aid of Construction	(20,300,003)	2,205,788	(18,094,215)	0	(18,094,215)
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)
Advances in Aid of Construction	0	0	0	0	0
Plant Acquisition Adjustment	(831,277)	0	(831,277)	0	(831,277)
Excess Book Value	0	(464,646)	(464,646)	0	(464,646)
Total Rate Base	64,157,538	12,550,833	76,708,371	0	76,708,371
Return on Rate Base	0.37%		1.72%		6.65%
Operating Margin After Interest Exp.	-6.91%		-3.17%		10.54%
Return on Equity					7.46%
Interest Expense for Oper. Margin	1,828,315	241,474	2,069,789		2,069,789

EXHIBIT D

Attachment A – No changes to base charges

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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:

	Current	Per Order
Base Facilities Charge	$ 14.38 per unit	$ 14.38 per unit
Commodity Charge	$ 5.59 per 1,000 gal. or 134 cft.	$ 7.39 per 1,000 gal. or 134 cft.
Commercial		
Base Facilities Charge by meter size		
5/8" meter *	$ 14.38 per unit	$ 14.38 per unit
3/4" meter	$ 14.38 per unit	$ 14.38 per unit
1" meter	$ 37.43 per unit	$ 37.43 per unit
1.5" meter	$ 74.86 per unit	$ 74.86 per unit
2" meter	$ 119.78 per unit	$ 119.78 per unit
3" meter	$ 224.59 per unit	$ 224.59 per unit
4" meter	$ 374.42 per unit	$ 374.42 per unit
8" meter	$1,150.51 per unit	$1,150.51 per unit
Commercial Commodity Charge	$ 5.59 per 1,000 gal or 134 cft.	$ 7.39 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:

	Current	Per Order
Base Facilities Charge per single-family house, condominium, mobile home, or apartment unit	$14.38 per unit	$14.38 per unit
Residential Commodity Charge	$ 7.55 per 1,000 gal. or 134 cft.	$ 9.98 per 1,000 gal. or 134 cft.
Commercial		
Base Facilities Charge by meter size		
5/8" meter *	$ 14.38 per unit	$ 14.38 per unit
3/4" meter	$ 14.38 per unit	$ 14.38 per unit
1" meter	$ 37.43 per unit	$ 37.43 per unit

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1.5" meter	$ 74.86 per unit	$ 74.86 per unit
2" meter	$ 119.78 per unit	$ 119.78 per unit
3" meter	$ 224.59 per unit	$ 224.59 per unit
4" meter	$ 374.42 per unit	$ 374.42 per unit
8" meter	$1,150.51 per unit	$1,150.51 per unit
Commercial Commodity Charge	$ 7.55 per 1,000 gal. or 134 cft.	$ 9.98 per 1,000 gal. or 134 cft.

***

Service Territory 2

Monthly Charges - Water Supply Customers

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

	Current	Per Order
Base Facilities Charge	$ 28.59 per unit	$ 28.59 per unit
Commodity Charge	$ 10.27 per 1,000 gal. or 134 cft.	$ 12.34 per 1,000 gal. or 134 cft.
Commercial		
Base Facilities Charge by meter size		
5/8" meter*	$ 28.59 per unit	$ 28.59 per unit
1" meter	$ 79.59 per unit	$ 79.59 per unit
1.5" meter	$ 146.27 per unit	$146.27 per unit
3" meter	$ 499.14 per unit	$499.14 per unit
Commercial Commodity Charge	$ 10.27 per 1,000 gal. or 134 cft.	$12.34 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:

	Current	Proposed
Base Facilities Charge	$28.59 per unit	$28.59 per unit
Commodity Charge	$11.85 per 1,000 gal. or 134 cft.	$14.24 per 1,000 gal. or 134 cft.
Commercial		
Base Facilities Charge by meter size:		
5/8" meter*	$ 28.59 per unit	$ 28.59 per unit
1" meter	$ 79.59 per unit	$ 79.59 per unit
1.5" meter	$ 146.27 per unit	$146.27 per unit
3" meter	$ 499.14 per unit	$499.14 per unit

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Commercial Commodity Charge	$ 11.85 per 1,000 gal. or 134 cft.	$ 14.24 per 1,000 gal. or 134 cft.

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:

	Current	Per Order
Residential	$65.08 per unit	$80.93 per unit
Mobile Homes	$47.50 per unit	$59.07 per unit
Commercial, per Single Family Equivalent	$65.08 per SFE	$80.93 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:

	Current	Per Order
Residential – per single-family house, condominium, or apartment unit	$65.08 per unit	$80.93 per unit
Commercial	$65.08 per SFE*	$80.93 per SFE*
The Village Sewer Collection	$33.86 per SFE*	$42.11 per SFE*

Blue Granite Water Company
Calculated Revenues
Docket No. 2019-290-WS

ATTACHMENT A-1

Calculated Revenue Summary - BGWC (Service Territory #1 and Service Territory #2)

A	B	C	D	E
Operating Revenue	**Calculated Test Year Revenue**	**Additional Revenue at Calculated Rates**	**Revenue at Calculated Rates**	**% Increase**
Service Territory 1 - Well Water	$1,022,329	$233,227	$1,255,556	23%
Service Territory 1 - Purchased Water	$5,557,459	$1,283,227	$6,840,686	23%
Service Territory 1 - Water - Misc. Revenue	$84,650	$5,275	$89,926	6%
Total Service Territory 1 Water	**$6,664,438**	**$1,521,729**	**$8,186,168**	23%
Service Territory 2 - Well Water	$3,917,788	$458,219	$4,376,007	12%
Service Territory 2 - Purchased Water	$1,651,814	$201,403	$1,853,217	12%
Service Territory 2 - Water - Misc. Revenue	$115,189	$4,197	$119,386	4%
Total Service Territory 2 Water	**$5,684,791**	**$663,819**	**$6,348,610**	12%
Service Territory 1 & 2 - Sewer	$11,434,254	$2,784,790	$14,219,043	24%
Service Territory 1 & 2 - Sewer - Misc. Revenue	$249,770	$37,194	$286,964	15%
Total Service Revenue Sewer	**$11,684,024**	**$2,821,984**	**$14,506,008**	24%
Total Water and Sewer Service Revenues	**$24,033,254**	**$5,007,532**	**$29,040,786**	21%

EXHIBIT D

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Blue Granite Water Company
Calculated Revenues
Docket No. 2019-290-WS

ATTACHMENT A-2

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Calculated Revenue at Current Rates - Service Territory 1

A	B	C	D	E		G	H
	Customer Classi ication	**Average Mont ly Consumption per Customer**	**sage C arge per 1,000 gallons**	**Test Year End Customers [1]**	**Annuali ed Service nits**	**Base acility C arge (B C)**	**Test Year Revenue (D C 1000) (G)**
WATER							
	400PW M - 1" Purchase Water o ercial	12,561	$7.55	5	60	$37.43	$7,936
	400PW M - 1.5" Purchase Water o ercial	1,166	$7.55	1	12	$74.86	$1,004
	400PW M - 2" Purchase Water o ercial	60,650	$7.55	7	84	$119.78	$48,526
	400PW M - 3" Purchase Water o ercial	108,723	$7.55	1	12	$224.59	$12,545
	400PW M - 3 4" Purchase Water o ercial	0	$7.55	2	24	$14.38	$345
	400PW M - 5 8" Purchase Water o ercial	7,336	$7.55	20	240	$14.38	$16,744
	400PW R - 1" Purchase Water o ercial - Riverhills	12,212	$7.55	41	492	$37.43	$63,778
	400PW R - 1.5" Purchase Water o ercial - Riverhills	35,220	$7.55	38	456	$74.86	$155,392
	400PW R - 2" Purchase Water o ercial - Riverhills	66,720	$7.55	43	516	$119.78	$321,734
	400PW R - 3" Purchase Water o ercial - Riverhills	121,237	$7.55	5	60	$224.59	$68,396
	400PW R - 3 4" Purchase Water o ercial - Riverhills	4,500	$7.55	22	264	$14.38	$12,766
	400PW R - 4" Purchase Water o ercial - Riverhills	107,190	$7.55	3	36	$374.42	$42,613
	400PW R - 5 8" Purchase Water o ercial - Riverhills	6,137	$7.55	101	1,212	$14.38	$73,586
	400PW R - 8" Purchase Water o ercial - Riverhills	592,148	$7.55	1	12	$1,150.51	$67,455
	400PWR S - 1" Purchase Water Residential	3,302	$7.55	88	1,056	$14.38	$41,511
	400PWR S - 1.5" Purchase Water Residential	1,845	$7.55	56	672	$14.38	$19,024
	400PWR S - 2" Purchase Water Residential	2,957	$7.55	93	1,116	$14.38	$40,963
	400PWR S - 3 4" Purchase Water Residential	10,752	$7.55	1	12	$14.38	$1,147
	400PWR S - 4" Purchase Water Residential	599	$7.55	16	192	$14.38	$3,629
	400PWR S - 5 8" Purchase Water Residential	4,636	$7.55	3,028	36,336	$14.38	$1,794,337
	400PWRR - Purchase Water Res - R ll Meter Si es	4,610	$7.55	4,683	56,196	$14.38	$2,764,028
	400W M - 1" o ercial	611	$5.59	1	12	$37.43	$490
	400W M - 5 8" o ercial	7,998	$5.59	7	84	$14.38	$4,963
	400W R - o ercial rrigation	30,295	$7.55	16	192	$0.00	$43,916
	400WR R - Residential rrigation	7,412	$7.55	212	2,544	$0.00	$142,364
	400WR S - Water Residential ll Meter Si es	4,716	$5.59	1,545	18,540	$14.38	$755,365
	402WR S - Water Residential ll Meter Si es	3,948	$5.59	172	2,064	$14.38	$75,231
	Water Service Total						**$6,579,788**
	Miscellaneous Revenues - ate ees						$23,123
	ew usto er harges						$28,731
	Miscellaneous Service Revenue						$36
	S hec & Reconnect ee						$32,760
	Total Miscellaneous Revenues						**$84,650**
	Total Operating Revenues						**$6,664,438**

EXHIBIT D

Blue Granite Water Company
Calculated Revenues
Docket No. 2019-290-WS

ATTACHMENT A-2

Revenue at Calculated Rates - Service Territory 1

A	B	C	D	E		G	H
	Customer Classi ication	**Average Mont ly Consumption per Customer**	**C sage arge per 1,000 gallons**	**Test Year End Customers [1]**	**Annuali ed Service nits**	**Base acility C arge (B C)**	**Test Year Revenue (D C 1000) (G)**
WATER							
	400PW M - 1" Purchase Water o ercial	12,561	$9.98	5	60	$37.43	$9,767
	400PW M - 1.5" Purchase Water o ercial	1,166	$9.98	1	12	$74.86	$1,038
	400PW M - 2" Purchase Water o ercial	60,650	$9.98	7	84	$119.78	$60,906
	400PW M - 3" Purchase Water o ercial	108,723	$9.98	1	12	$224.59	$15,716
	400PW M - 3 4" Purchase Water o ercial	0	$9.98	2	24	$14.38	$345
	400PW M - 5 8" Purchase Water o ercial	7,336	$9.98	20	240	$14.38	$21,022
	400PW R - 1" Purchase Water o ercial - Riverhills	12,212	$9.98	41	492	$37.43	$78,378
	400PW R - 1.5" Purchase Water o ercial - Riverhills	35,220	$9.98	38	456	$74.86	$194,418
	400PW R - 2" Purchase Water o ercial - Riverhills	66,720	$9.98	43	516	$119.78	$405,393
	400PW R - 3" Purchase Water o ercial - Riverhills	121,237	$9.98	5	60	$224.59	$86,072
	400PW R - 3 4" Purchase Water o ercial - Riverhills	4,500	$9.98	22	264	$14.38	$15,653
	400PW R - 4" Purchase Water o ercial - Riverhills	107,190	$9.98	3	36	$374.42	$51,990
	400PW R - 5 8" Purchase Water o ercial - Riverhills	6,137	$9.98	101	1,212	$14.38	$91,660
	400PW R - 8" Purchase Water o ercial - Riverhills	592,148	$9.98	1	12	$1,150.51	$84,722
	400PWR S - 1" Purchase Water Residential	3,302	$9.98	88	1,056	$14.38	$49,985
	400PWR S - 1.5" Purchase Water Residential	1,845	$9.98	56	672	$14.38	$22,037
	400PWR S - 2" Purchase Water Residential	2,957	$9.98	93	1,116	$14.38	$48,982
	400PWR S - 3 4" Purchase Water Residential	10,752	$9.98	1	12	$14.38	$1,460
	400PWR S - 4" Purchase Water Residential	599	$9.98	16	192	$14.38	$3,909
	400PWR S - 5 8" Purchase Water Residential	4,636	$9.98	3,028	36,336	$14.38	$2,203,680
	400PWRR - Purchase Water Res - R ll Meter Si es	4,610	$9.98	4,683	56,196	$14.38	$3,393,553
	400W M - 1" o ercial	611	$7.39	1	12	$37.43	$503
	400W M - 5 8" o ercial	7,998	$7.39	7	84	$14.38	$6,173
	400W R - o ercial rrigation	30,295	$9.98	16	192	$0.00	$58,050
	400WR R - Residential rrigation	7,412	$9.98	212	2,544	$0.00	$188,184
	400WR S - Water Residential ll Meter Si es	4,716	$7.39	1,545	18,540	$14.38	$912,747
	402WR S - Water Residential ll Meter Si es	3,948	$7.39	172	2,064	$14.38	$89,899
	Water Service Total						**$8,096,242**
	Miscellaneous Revenues - ate ees						$28,399
	ew usto er harges						$28,731
	Miscellaneous Service Revenue						$36
	S hec & Reconnect ee						$32,760
	Total Miscellaneous Revenues						$89,926
	Total Operating Revenues						**$8,186,168**

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EXHIBIT D

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Blue Granite Water Company
Calculated Revenues
Docket No. 2019-290-WS

ATTACHMENT A-3

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Calculated Revenue at Current Rates - Service Territory 2

A	B	C	D	E		G	H
	Customer Classi ication	**Average Mont ly Consumption per Customer**	**sage C arge per 1,000 gallons**	**Test Year End Customers [1]**	**Annuali ed Service nits**	**Base acility C arge (B C)**	**Test Year Revenue (D C 1000) (G)**
WATER							
	401W M - 5 8" o ercial Water Service	8,498	$10.27	1	12	$28.59	$1,390
	401W M - 1" o ercial Water Service	1,006	$10.27	2	24	$79.59	$2,158
	401W M - 1.5" o ercial Water Service	5,492	$10.27	1	12	$146.27	$2,432
	401W M - 3" o ercial Water Service	3,820	$10.27	3	36	$499.14	$19,381
	401WR S - Water Residential ll Meter Si es	3,880	$10.27	4,641	55,692	$28.59	$3,811,427
	401PWR W - o wood Purchased Water	1,089	$11.85	210	2,520	$28.59	$104,567
	401WRP R - 1" Water istri ution and Purchased Water harge	22,758	$11.85	4	48	$28.59	$14,317
	401WRP R - 2" Water istri ution and Purchased Water harge	33,126	$11.85	18	216	$28.59	$90,965
	401WRP R - 3 4" Water istri ution and Purchased Water harge	23,996	$11.85	1	12	$28.59	$3,755
	401WRP R - 5 8" Water istri ution and Purchased Water harge	3,640	$11.85	1,671	20,052	$28.59	$1,438,210
	403WR S - Water Residential ll Meter Si es	4,685	$10.27	88	1,056	$28.59	$81,000
	Water Service Total						**$5,569,602**
	Miscellaneous Revenues - ate ees						$35,884
	ew usto er harges						$21,985
	Miscellaneous Service Revenue						$0
	S hec & Reconnect ee						$57,320
	Total Miscellaneous Revenues						**$115,189**
	Total Operating Revenues						**$5,684,791**

EXHIBIT D

Blue Granite Water Company
Calculated Revenues
Docket No. 2019-290-WS

ATTACHMENT A-3

Revenue at Calculated Rates - Service Territory 2

A	B	C	D	E		G	H
	Customer Classi ication	**Average Mont ly Consumption per Customer**	**sage C arge per 1,000 gallons**	**Test Year End Customers [1]**	**Annuali ed Service nits**	**Base acility C arge (B C)**	**Test Year Revenue (D C 1000) (G)**
WATER							
	401W M - 5 8" o ercial Water Service	8,498	$12.34	1	12	$28.59	$1,601
	401W M - 1" o ercial Water Service	1,006	$12.34	2	24	$79.59	$2,208
	401W M - 1.5" o ercial Water Service	5,492	$12.34	1	12	$146.27	$2,568
	401W M - 3" o ercial Water Service	3,820	$12.34	3	36	$499.14	$19,666
	401WR S - Water Residential ll Meter Si es	3,880	$12.34	4,641	55,692	$28.59	$4,258,723
	401PWR W - o wood Purchased Water	1,089	$14.24	210	2,520	$28.59	$111,125
	401WRP R - 1" Water istri ution and Purchased Water harge	22,758	$14.24	4	48	$28.59	$16,928
	401WRP R - 2" Water istri ution and Purchased Water harge	33,126	$14.24	18	216	$28.59	$108,066
	401WRP R - 3 4" Water istri ution and Purchased Water harge	23,996	$14.24	1	12	$28.59	$4,444
	401WRP R - 5 8" Water istri ution and Purchased Water harge	3,640	$14.24	1,671	20,052	$28.59	$1,612,654
	403WR S - Water Residential ll Meter Si es	4,685	$12.34	88	1,056	$28.59	$91,241
	Water Service Total						**$6,229,224**
	Miscellaneous Revenues - ate ees						$40,081
	ew usto er harges						$21,985
	Miscellaneous Service Revenue						$0
	S hec & Reconnect ee						$57,320
	Total Miscellaneous Revenues						**$119,386**
	Total Operating Revenues						**$6,348,610**

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EXHIBIT D

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Blue Granite Water Company
Docket No. 2019-290-WS

ATTACHMENT A-4

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Calculated Revenue at Current Rates - Service Territory 1 2

A	B	C	D		G
	Customer Classi ication	**Test Year End Customers [1]**	**Annuali ed Service nits [1]**	**B C**	**Test Year Revenues (D)**
SEWER					
	400WW M - WW o ercial ll Meter Si es	233	2,796	$65.08	$181,964
	400WW R - o ercial WW Treat ent - R ll Meter Si es	1,896	22,752	$65.08	$1,480,700
	400WWR P - Residential WW Service ll Meter Si es	414	4,968	$65.08	$323,317
	400WWR S - WW Residential ll Meter Si es	6,171	74,052	$65.08	$4,819,304
	400WWR - Residential WW Service ll Meter Si es	89	1,068	$65.08	$69,505
	400WWRR - Residential WW Treat ent - ll Meter Si es	4,455	53,460	$65.08	$3,479,177
	400WWRT - Town of ha in Purchase WW Res ll Meter Si es	88	1,056	$65.08	$68,724
	400WWTR - WW Trailer Residential ll Meter Si es	2	24	$47.50	$1,140
	400WWTRT - an rsdale WW Treat ent ll Meter Si es	2	24	$33.86	$813
	400WW P - o ercial Wastewater Service Richland ounty	2	24	$65.08	$1,562
	400WWR T - Riverhills WW Treat ent ll Meter Si es	10	120	$65.08	$7,810
	401WWR S - Residential WW Service ll Meter Si es	358	4,296	$65.08	$279,584
	401WW M - o ercial WW Treat ent - ll Meter Si es	16	192	$65.08	$12,495
	403WWR S - Residential WW Service ll Meter Si es	593	7,116	$65.08	$463,109
	403WWM - Mo ile o e Wastewater Service	174	2,088	$47.50	$99,180
	403WW - Wastewater Residential ollection harge	359	4,308	$33.86	$145,869
	Sewer Service Total		**178,344**		**$11,434,254**
	Miscellaneous Revenues - ate ees				$79,143
	ew usto er harges				$39,595
	Miscellaneous Service Revenue				$113,153
	S hec & Reconnect ee				$17,880
	Total Miscellaneous Revenues				**$249,770**
	Total Operating Revenues				**$11,684,024**

EXHIBIT D

Blue Granite Water Company
Docket No. 2019-290-WS

ATTACHMENT A-4

Revenue at Calculated Rates - Service Territory 1 2

A	B	C	D		G
	Customer Classi ication	**Test Year End Customers [1]**	**Annuali ed Service nits [1]**	**B C**	**Test Year Revenues (D)**
SEWER					
	400WW M - WW o ercial ll Meter Si es	233	2,796	$80.93	$226,280
	400WW R - o ercial WW Treat ent - R ll Meter Si es	1,896	22,752	$80.93	$1,841,319
	400WWR P - Residential WW Service ll Meter Si es	414	4,968	$80.93	$402,060
	400WWR S - WW Residential ll Meter Si es	6,171	74,052	$80.93	$5,993,028
	400WWR - Residential WW Service ll Meter Si es	89	1,068	$80.93	$86,433
	400WWRR - Residential WW Treat ent - ll Meter Si es	4,455	53,460	$80.93	$4,326,518
	400WWRT - Town of ha in Purchase WW Res ll Meter Si es	88	1,056	$80.93	$85,462
	400WWTR - WW Trailer Residential ll Meter Si es	2	24	$59.07	$1,418
	400WWTRT - an rsdale WW Treat ent ll Meter Si es	2	24	$42.11	$1,011
	400WW P - o ercial Wastewater Service Richland ounty	2	24	$80.93	$1,942
	400WWR T - Riverhills WW Treat ent ll Meter Si es	10	120	$80.93	$9,712
	401WWR S - Residential WW Service ll Meter Si es	358	4,296	$80.93	$347,675
	401WW M - o ercial WW Treat ent - ll Meter Si es	16	192	$80.93	$15,539
	403WWR S - Residential WW Service ll Meter Si es	593	7,116	$80.93	$575,898
	403WWM - Mo ile o e Wastewater Service	174	2,088	$59.07	$123,338
	403WW - Wastewater Residential ollection harge	359	4,308	$42.11	$181,410
	Sewer Service Total		**178,344**		**$14,219,043**
	Miscellaneous Revenues - ate ees				$98,424
	ew usto er harges				$39,595
	Miscellaneous Service Revenue				$131,066
	S hec & Reconnect ee				$17,880
	Total Miscellaneous Revenues				**$286,964**
	Total Operating Revenues				**$14,506,008**

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EXHIBIT D

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Blue Granite Water Company
Bill Comparison
Docket No. 2019-290-WS

ATTACHMENT A-5

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Service Territory #1 Residential Customers

Rate description	Mont ly sage in Gallons	Current olume Rate	Current Base C arge	Current Bill	roposed olume Rate	roposed Base C arge	roposed Bill	% C ange
Residential - Wells	1,000	$5.59	$14.38	$19.97	$7.39	$14.38	$21.77	9.01%
Residential - Wells	2,000	$5.59	$14.38	$25.56	$7.39	$14.38	$29.16	14.08%
Residential - Wells	3,000	$5.59	$14.38	$31.15	$7.39	$14.38	$36.55	17.34%
Residential - Wells	4,000	$5.59	$14.38	$36.74	$7.39	$14.38	$43.94	19.60%
Residential - Wells	5,000	$5.59	$14.38	$42.33	$7.39	$14.38	$51.33	21.26%
Residential - Wells	6,000	$5.59	$14.38	$47.92	$7.39	$14.38	$58.72	22.54%
Residential - Wells	7,000	$5.59	$14.38	$53.51	$7.39	$14.38	$66.11	23.55%
Residential - Wells	8,000	$5.59	$14.38	$59.10	$7.39	$14.38	$73.50	24.37%
Residential - Wells	9,000	$5.59	$14.38	$64.69	$7.39	$14.38	$80.89	25.04%
Residential - Wells	10,000	$5.59	$14.38	$70.28	$7.39	$14.38	$88.28	25.61%

Rate description	Mont ly sage in Gallons	Current olume Rate	Current Base C arge	Current Bill	roposed olume Rate	roposed Base C arge	roposed Bill	% C ange
Residential - Purchased Water	1,000	$7.55	$14.38	$21.93	$9.98	$14.38	$24.36	11.08%
Residential - Purchased Water	2,000	$7.55	$14.38	$29.48	$9.98	$14.38	$34.34	16.49%
Residential - Purchased Water	3,000	$7.55	$14.38	$37.03	$9.98	$14.38	$44.32	19.69%
Residential - Purchased Water	4,000	$7.55	$14.38	$44.58	$9.98	$14.38	$54.30	21.80%
Residential - Purchased Water	5,000	$7.55	$14.38	$52.13	$9.98	$14.38	$64.28	23.31%
Residential - Purchased Water	6,000	$7.55	$14.38	$59.68	$9.98	$14.38	$74.26	24.43%
Residential - Purchased Water	7,000	$7.55	$14.38	$67.23	$9.98	$14.38	$84.24	25.30%
Residential - Purchased Water	8,000	$7.55	$14.38	$74.78	$9.98	$14.38	$94.22	26.00%
Residential - Purchased Water	9,000	$7.55	$14.38	$82.33	$9.98	$14.38	$104.20	26.56%
Residential - Purchased Water	10,000	$7.55	$14.38	$89.88	$9.98	$14.38	$114.18	27.04%

Service Territory #2 Residential Customers

Rate description	Mont ly sage in Gallons	Current olume Rate	Current Base C arge	Current Bill	roposed olume Rate	roposed Base C arge	roposed Bill	% C ange
Residential - Wells	1,000	$10.27	$28.59	$38.86	$12.34	$28.59	$40.93	5.33%
Residential - Wells	2,000	$10.27	$28.59	$49.13	$12.34	$28.59	$53.27	8.43%
Residential - Wells	3,000	$10.27	$28.59	$59.40	$12.34	$28.59	$65.61	10.45%
Residential - Wells	4,000	$10.27	$28.59	$69.67	$12.34	$28.59	$77.95	11.88%
Residential - Wells	5,000	$10.27	$28.59	$79.94	$12.34	$28.59	$90.29	12.95%
Residential - Wells	6,000	$10.27	$28.59	$90.21	$12.34	$28.59	$102.63	13.77%
Residential - Wells	7,000	$10.27	$28.59	$100.48	$12.34	$28.59	$114.97	14.42%
Residential - Wells	8,000	$10.27	$28.59	$110.75	$12.34	$28.59	$127.31	14.95%
Residential - Wells	9,000	$10.27	$28.59	$121.02	$12.34	$28.59	$139.65	15.39%
Residential - Wells	10,000	$10.27	$28.59	$131.29	$12.34	$28.59	$151.99	15.77%

Rate description	Mont ly sage in Gallons	Current olume Rate	Current Base C arge	Current Bill	roposed olume Rate	roposed Base C arge	roposed Bill	% C ange
Residential - Purchased Water	1,000	$11.85	$28.59	$40.44	$14.24	$28.59	$42.83	5.91%
Residential - Purchased Water	2,000	$11.85	$28.59	$52.29	$14.24	$28.59	$57.07	9.14%
Residential - Purchased Water	3,000	$11.85	$28.59	$64.14	$14.24	$28.59	$71.31	11.18%
Residential - Purchased Water	4,000	$11.85	$28.59	$75.99	$14.24	$28.59	$85.55	12.58%
Residential - Purchased Water	5,000	$11.85	$28.59	$87.84	$14.24	$28.59	$99.79	13.60%
Residential - Purchased Water	6,000	$11.85	$28.59	$99.69	$14.24	$28.59	$114.03	14.38%
Residential - Purchased Water	7,000	$11.85	$28.59	$111.54	$14.24	$28.59	$128.27	15.00%
Residential - Purchased Water	8,000	$11.85	$28.59	$123.39	$14.24	$28.59	$142.51	15.50%
Residential - Purchased Water	9,000	$11.85	$28.59	$135.24	$14.24	$28.59	$156.75	15.91%
Residential - Purchased Water	10,000	$11.85	$28.59	$147.09	$14.24	$28.59	$170.99	16.25%

Service Territory Consolidated Sewer

Rate description			Current Base C arge	Current Bill		roposed Base C arge	roposed Bill	% C ange
Residential - Per S			$65.08	$65.08		$80.93	$80.93	24.35%

EXHIBIT D

RECEIVED
Sep 25 2020
S.C. SUPREME COURT

THE STATE OF SOUTH CAROLINA
In the 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-_____

PROOF OF SERVICE

This is to certify that I, Toni C. Hawkins, a paralegal with the law firm of Robinson Gray Stepp & Laffitte, LLC have this day served a copy of the **Notice of Appeal on behalf of Blue Granite Water Company** in the referenced matter to the parties listed below by electronic mail and/or by placing a copy of same in the United States Mail, as follows:

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SC Public Service Commission
via electronic filing

Dated at Columbia, South Carolina, this 25th day of September, 2020.

Joni C. Hawkins