THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY & EXHIBITS

OF

CHRISTINA L. SEALE

April 2, 2018

DOCKET NO. 2017-28-S

Application of Synergy Utilities, L.P. for Approval of Sewer Rates, Terms and Conditions

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DIRECT TESTIMONY AND EXHIBITS OF

CHRISTINA L. SEALE

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2017-28-S

IN RE: APPLICATION OF SYNERGY UTILITIES, L.P. FOR APPROVAL OF SEWER RATES, TERMS AND CONDITIONS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Christina L. Seale. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Auditor, in the Audit Department of the South Carolina Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree with a major in Accounting and a minor in Computer Systems and Applications from Columbia College in 2000. From 2000 to 2004, I was employed by the South Carolina Office of the State Auditor. In that capacity, I performed agreed-upon procedures engagements and statewide single audits of various state agencies in South Carolina. In 2005, I began my employment with ORS and have testified and participated in numerous rate cases and various other filings for utility companies.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

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A. The purpose of my testimony is to set forth my findings and recommendations resulting from ORS's examination of the application of Synergy Utilities, L.P. ("Synergy" or "Company") in this docket, 2017-28-S. The application was filed on December 1, 2017.

Q. PLEASE DESCRIBE THE PROCEDURES USED TO PERFORM THE EXAMINATION OF THE APPLICATION OF SYNERGY.

A. ORS's examination of the Company's application consisted of three major steps. In step one, ORS verified that the operating experience, reported by Synergy in its application, was supported by Synergy's accounting books and records for the twelve months ending June 30, 2017 ("test year"). In the second step, ORS tested the underlying transactions in the books and records for the test year to ensure that the transactions were adequately supported, had a stated business purpose, were allowable for ratemaking purposes, and were properly recorded. Lastly, ORS's examination consisted of adjusting, as necessary, the revenues, expenditures, and capital investments to normalize the Company's operating experience and operating margin, in accordance with generally accepted regulatory principles and prior Public Service Commission of South Carolina ("PSC") orders.

Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR TESTIMONY.

A. I have attached the following exhibits to my testimony relating to the application:

- Audit Exhibit CLS-1: Operating Experience, Operating Margin and Rate Base for Combined Operations
- Audit Exhibit CLS-2: Operating Experience, Operating Margin and Rate Base for Service Territory 1 Operations

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- Audit Exhibit CLS-3: Operating Experience, Operating Margin and Rate Base for Service Territory 2 Operations
- Audit Exhibit CLS-4: Explanation of Accounting and Pro Forma Adjustments
- Audit Exhibit CLS-5: Depreciation and Amortization Expense Adjustments
- Audit Exhibit CLS-6: Computation of Income Taxes
- Audit Exhibit CLS-7: Cash Working Capital Allowance
- Audit Exhibit CLS-8: Computation of Interest Expense
- Audit Exhibit CLS-9: Operating Experience, Operating Margin and Rate Base at ORS Proposed Rates for Combined Operations

These exhibits were either prepared by me or were prepared under my direction and supervision in compliance with recognized accounting and regulatory procedures for wastewater utility rate cases. These exhibits show various aspects of Synergy's operations and financial position.

Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT CLS-1 AND ELABORATE ON THE CALCULATIONS.

A. Audit Exhibit CLS-1 details Synergy's operating experience, operating margin and rate base for combined operations for the test year. The exhibit's format is designed to reflect the Company's application per book amounts, ORS's proposed accounting and pro forma adjustments necessary to normalize the results of the Company's test year operations, and calculate the impact of the Company's proposed increase on the normalized test year.

Column (1) details the application per book amounts reported by Synergy for the test year. ORS verified total operating revenues of $1,303,249, total operating expenses of

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$1,350,334 and net income for margin of $135,871 to the Company's books and records. The per books operating margin of 10.43% was calculated by using net income for margin divided by total utility operating revenues.

Column (2) details ORS's proposed accounting and pro forma adjustments designed to normalize the application per books. An explanation of each adjustment is contained in Audit Exhibit CLS-4.

Column (3) details ORS's calculation of a normalized test year for Synergy by adding columns (1) and (2). After the accounting and pro forma adjustments, net income for margin of $45,802 was computed using total operating revenues of $1,340,075, less total operating expenses of $1,246,412, less interest expense of $51,799, less interest on customer deposits of $440 and adding customer growth of $4,378. An operating margin of 3.42% was computed by dividing net income for margin by total operating revenues.

Column (4) reflects the Company's proposed increase, taxes and customer growth associated with the Company's proposed increase. An explanation of each adjustment is contained in Audit Exhibit CLS-4.

Column (5) details the effect of the Company's proposed increase by adding columns (3) and (4). Net income for margin of $228,055 was computed using total operating revenues of $1,581,410, less total operating expenses of $1,308,117, less interest expense of $51,799, less interest on customer deposits of $440 and adding customer growth of $7,001. An operating margin of 14.42% was computed by dividing net income for margin by total operating revenues.

Q. PLEASE EXPLAIN THE ADJUSTMENTS IN AUDIT EXHIBIT CLS-4.

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A. For comparative purposes, ORS's and Synergy's proposed adjustments are both presented in Audit Exhibit CLS-4.

Adjustment 1 – Operating Revenues – ORS's total operating revenue adjustment is $36,826. This adjustment is comprised of the following operating revenue adjustments:

Adjustment 1A – Residential Revenue – The ORS Utility Rates Department proposes to adjust residential revenue to reflect the number of customers billed at the end of the test year and to reclassify apartment revenue from commercial to residential. Details of this adjustment are reflected in ORS Utility Rates Department witness, Matthew Schellinger's Exhibit MPS-2.

Adjustment 1B – Commercial Revenue – The ORS Utility Rates Department proposes to adjust commercial revenue to reflect the number of customers billed at the end of the test year and to reclassify apartment revenue from commercial to residential. Details of this adjustment are reflected in ORS Utility Rates Department witness, Matthew Schellinger's Exhibit MPS-2.

Adjustment 1C – Pass-Through Revenue – The ORS Utility Rates Department proposes to adjust pass-through revenue to reflect the number of customers billed at the end of the test year. Service Territory 2 collects treatment revenue on behalf of the treatment providers. Details of this adjustment are reflected in ORS Utility Rates Department witness, Matthew Schellinger's Exhibit MPS-2.

Adjustment 1D – Miscellaneous Revenue – The ORS Utility Rates Department proposes to adjust miscellaneous revenue to at the end of the test year. Details of this adjustment are reflected in ORS Utility Rates Department witness, Matthew Schellinger's Exhibit MPS-2.

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1 Adjustment 1E – Building Rental Revenue – ORS and the Company propose to remove
2 rent revenue of $9,600 from the intercompany rental of an office building.
3 Adjustment 1F – Equipment Rental Revenue – ORS proposes to remove revenue of
4 $31,030 from the intercompany rental of a belt press. Synergy owns the belt press and it
5 is included and allocated between territories on the ORS depreciation schedules. See ORS
6 Adjustment 2I.
7 Adjustment 1G – Amortization of Excess Tax Collection – ORS proposes an adjustment
8 of $11,325 to the Company's revenue due to the Tax Cuts and Jobs Act. This adjustment
9 reflects the three year amortization of the $33,975 excess tax collection liability created by
10 ORS Adjustment 20. This adjustment is discussed in further detail in the testimony of ORS
11 Utility Rates Department witness, Matthew Schellinger, and reflected in Exhibit MPS-6.
12 Adjustment 2 – Operating Expenses – ORS's total operating expense adjustment is
13 ($150,291). This adjustment is comprised of the following operating expense adjustments:
14 Adjustment 2A – Employee Salaries – ORS and the Company propose to adjust employee
15 salaries. ORS proposes to adjust employee salaries by annualizing the latest available
16 salary information as of January 2018. ORS computed annualized salaries of $186,094,
17 less per book salaries of $211,046, for an adjustment of ($24,952).
18 Adjustment 2B – Officer Salary – ORS and the Company propose to adjust officer salary.
19 ORS proposes to adjust officer salary by annualizing the latest available salary information
20 as of January 2018. ORS computed annualized salaries of $122,614, less per book salaries
21 of $239,288, for an adjustment of ($116,674) not chargeable to customers.
22 Adjustment 2C – Pension and Benefits – ORS and the Company propose to adjust
23 employee benefits. ORS's adjustment also correctly allocates pension and benefits

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1 between territories using the allocation percentages for calculating the salary adjustments.
2 ORS adjusted employee benefits based on the most current annual health insurance
3 premium of $50,554 and test year pension expense of $1,535, less per book pension and
4 benefits of $48,328, for an adjustment of $3,761.

5 Adjustment 2D – Purchased Treatment Costs – The ORS Utility Rates Department
6 proposes to adjust purchased wastewater treatment costs for increases in cost from the
7 treatment providers. Details of this adjustment are set forth in the direct testimony of ORS
8 Utility Rates Department witness, Matthew Schellinger.

9 Adjustment 2E – Accounting Expenses – ORS and the Company propose to remove
10 accounting expenses paid in the test year that were rate case expenses and should be
11 amortized. ORS proposes to reclassify accounting expenses of $24,756 paid in the test
12 year as rate case expenses and to remove accounting expenses of $1,100 that incurred
13 outside the test year. ORS's total adjustment is ($25,856).

14 Adjustment 2F – Legal Expenses – ORS and the Company propose to remove legal
15 expenses paid in the test year that were rate case expenses. ORS proposes to reclassify
16 legal expenses of $1,246 paid in the test year as rate case expenses and reclassify rate case
17 expenses of $4,872 as legal expenses incurred for normal day to day operations. ORS also
18 proposes to remove merger related expenses of $6,387 for a total adjustment of ($2,761).

19 Adjustment 2G – Rate Case Expenses – ORS and the Company propose to amortize rate
20 case expenses over three years. ORS proposes to include supported rate case expenses as
21 of March 2, 2018. ORS also proposes to include rate case expenses reclassified from
22 ORS's accounting expense Adjustment 2E of $24,756 and ORS's legal expense adjustment

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1 2F of 1,246. The total proposed ORS adjustment of $28,125 is computed using total
2 verified rate case expenses of $84,376, divided by three.
3 Adjustment 2H – Nonallowable Expenses – ORS proposes to remove nonallowable
4 expenses of $3,068 consisting of merger related expenses of $40, expenses outside the test
5 year of $250 and expenses with no documentation of $2,778.
6 Adjustment 2I – Equipment Rental Expense – ORS proposes to remove rental expenses of
7 $31,030 from the intercompany rental of the belt press. Synergy owns the belt press and it
8 is included and allocated between territories on the ORS depreciation schedules. See ORS
9 Adjustment 1F for removal of revenue and Audit Exhibit CLS-5 for the inclusion of the
10 belt press on ORS's depreciation schedules.
11 Adjustment 2J – Building Rental Expense – ORS proposes to allocate building rent
12 expenses of $9,600 between both territories that was recorded entirely in Service
13 Territory 1.
14 Adjustment 3 – Depreciation and Amortization Expense – ORS and the Company propose
15 to adjust depreciation expense. ORS proposes an adjustment to annualize depreciation
16 expense and adjust for plant additions, disposals, insurance proceeds, contributions in aid
17 of construction ("CIAC") and fully depreciated plant. The details of ORS's depreciation
18 and amortization expense adjustment are shown in Audit Exhibit CLS-5. ORS's total
19 depreciation and amortization expense amounted to $48,054.
20 Adjustment 4 – Utility Regulatory Assessment Fees – ORS and the Company propose to
21 adjust utility regulatory assessment fees after accounting and pro forma adjustments.
22 ORS's adjustment was calculated by using the applicable gross receipts factor of

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1 0.005241690 and applying it to total pro forma revenue less the per books amount of
2 $5,697.

3 Adjustment 5 – Property Taxes – ORS and the Company propose to adjust property taxes
4 by ($4,912). This adjustment is comprised of the following property tax adjustments:

5 Adjustment 5A – Property Taxes for New Asset – ORS and the Company propose to
6 include property taxes of $1,768 for the case skid steer purchased on June 30, 2017 for
7 Service Territory 1.

8 Adjustment 5B – Property Taxes for Non-Utility Building – ORS and the Company
9 propose to remove property taxes of $6,680 for the office building that Synergy rents from
10 a non-utility.

11 Adjustment 6 – Payroll Taxes – ORS and the Company propose to adjust payroll taxes
12 associated with salary adjustments 2A and 2B. Payroll taxes include Social Security,
13 Medicare and unemployment taxes. ORS used current payroll tax rates and computed taxes
14 of $23,919, less the per book amount of $34,754, resulting in an adjustment of ($10,835).

15 Adjustment 7 – Other Taxes and Licenses – ORS proposes to adjust corporate license fees
16 after accounting and pro forma adjustments using the South Carolina Department of
17 Revenue factor of 0.003. ORS's adjustment was calculated by multiplying the factor of
18 0.003 by the total operating revenues after accounting and pro forma adjustments less the
19 per books amount of $5,204.

20 Adjustment 8 – Federal Income Taxes – ORS and the Company propose to adjust federal
21 income taxes after accounting and pro forma adjustments. ORS used a 21% tax rate for its
22 calculation of federal income taxes. This rate takes into account known and measurable
23 changes resulting from the Tax Cuts and Jobs Act that is currently in effect and will be in

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1 effect for the Company's future federal income tax filings. Details of the computation of
2 income taxes are shown in Audit Exhibit CLS-6.
3 Adjustment 9 – State Income Taxes – ORS and the Company propose to adjust state income
4 taxes after accounting and pro forma adjustments using the South Carolina corporate
5 income tax rate of 5%. Details of the computation of income taxes are shown in Audit
6 Exhibit CLS-6.
7 Adjustment 10 – Gains from Dispositions – ORS and the Company propose to remove
8 insurance proceeds of $14,500 received for the stolen Case Bobcat equipment used at
9 Service Territory 1. ORS added the insurance proceeds to accumulated depreciation on
10 Audit Exhibit CLS-5 in accordance with the National Association of Regulatory
11 Commissioners Uniform System of Accounts for Class A Wastewater Utilities. See ORS
12 Adjustment 18 for further details.
13 Adjustment 11 – Interest and Dividend Income – ORS and the Company propose to remove
14 non-utility income of $28.
15 Adjustment 12 – Non-Utility Income – ORS and the Company propose to remove non-
16 utility income of $227,383.
17 Adjustment 13 – Miscellaneous Non-Utility Expenses – ORS and the Company propose to
18 remove non-utility expenses of $7,263.
19 Adjustment 14 – Interest on Long-Term Debt – ORS and the Company propose to adjust
20 interest expense. ORS proposes to synchronize the Company's interest expense with its
21 allowable rate base, cost of capital and income taxes, which is consistent with prior PSC
22 treatment of interest expense. ORS calculated a total rate base of $1,703,065 after
23 accounting and pro forma adjustments. A capital structure ratio of 55% long-term debt to

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45% equity and a weighted average cost of debt of 5.53% were applied to the rate base to generate the interest expense adjustment of $3,810.

Adjustment 15 – Amortization of Debt Discount and Expense – ORS proposes to remove the amortization of debt expense. Debt expense is included in the calculation of the weighted average cost of debt for the calculation of interest expense.

Adjustment 16 – Customer Growth – ORS proposes to adjust customer growth for total net utility operating income after the accounting and pro forma adjustments. The ORS Utility Rates Department computed a growth factor of 2.36697% for Service Territory 1. This percentage was applied to the total net utility operating income after accounting and pro forma adjustments. Service Territory 2 did not have customer growth during the test year. The customer growth factors are found in ORS Utility Rates Department witness, Matthew Schellinger's Exhibit MPS-4.

Adjustment 17 – Gross Utility Plant in Service – ORS proposes to adjust for gross utility plant in service. ORS included utility plant in service on depreciation schedules from the prior, most recent rate cases (Docket Nos. 2014-406-S and 2004-297-S) and rolled the accumulated depreciation and amortization of assets forward through May 31, 2018. ORS sampled plant additions since the prior rate cases and adjusted the cost of two assets missing supporting documentation. In addition, ORS allocated a belt press between the two territories using an allocation percentage provided by the ORS Utility Rates Department.

Adjustment 18 – Accumulated Depreciation and Amortization – ORS proposes to adjust accumulated depreciation and amortization as of May 31, 2018 based on ORS proposed

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1 adjustments in ORS Adjustment 17. ORS also proposes to include the insurance proceeds
2 from ORS Adjustment 10 of $14,500 in the calculation of accumulated depreciation.
3 Adjustment 19 – Net Contributions in Aid of Construction – ORS proposes to adjust for
4 CIAC by including cumulative tap fees from Docket No. 2004-212-S of $23,843 and from
5 Docket No. 2004-259-S of $225,561. ORS used the service life and date in service for the
6 original plant in calculating accumulated amortization, as recommended by the ORS Utility
7 Rates Department. ORS's net CIAC adjustment is computed by subtracting total
8 accumulated CIAC of $244,869 from total CIAC of ($249,404).
9 Adjustment 20 – Excess Tax Collection Liability – ORS proposes an adjustment of
10 ($22,650) to the Company's rate base for excess tax collection due to the Tax Cuts and
11 Jobs Act. This adjustment reflects the balance of $33,975 from ORS Adjustment 1G, less
12 one year of amortization of $11,325. ORS estimated the excess tax collection the Company
13 should collect from January 1, 2018 through May 31, 2018 from customers due to current
14 rates having been calculated using 35% federal tax rate. ORS proposes to amortize this
15 liability over 3 years and the annual amortization of $11,325 is addressed in ORS
16 Adjustment 1G. This adjustment is discussed in further detail in the testimony of ORS
17 Utility Rates Department witness, Matthew Schellinger, and reflected in Exhibit MPS-6.
18 Adjustment 21 – Cash Working Capital – ORS proposes to adjust for cash working capital
19 after accounting and pro forma adjustments. ORS used a 45 day allowance or 1/8 of
20 expenses for the cash working capital adjustment. Details of this adjustment are included
21 in Audit Exhibit CLS-7.
22 Adjustment 22 – Operating Revenues – ORS's total operating revenue adjustment is
23 $241,335. This adjustment is comprised of the following operating revenue adjustments:

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1 Adjustment 22A – Residential Revenue – The ORS Utility Rates Department proposes to
2 adjust residential revenue for the Company's proposed increase. Details of this adjustment
3 are reflected in ORS Utility Rates Department witness, Matthew Schellinger's Exhibit
4 MPS-2.

5 Adjustment 22B – Commercial Revenue – The ORS Utility Rates Department proposes to
6 adjust commercial revenue for the Company's proposed increase. Details of this
7 adjustment are reflected in ORS Utility Rates Department witness, Matthew Schellinger's
8 Exhibit MPS-2.

9 Adjustment 22C – Miscellaneous Revenue – The ORS Utility Rates Department proposes
10 to adjust miscellaneous revenue for the Company's proposed increase. Details of this
11 adjustment are reflected in ORS Utility Rates Department witness, Matthew Schellinger's
12 Exhibit MPS-2.

13 Adjustment 23 – Utility Regulatory Assessment Fees – ORS and the Company propose to
14 adjust utility regulatory assessment fees associated with the Company's proposed increase.
15 ORS's adjustment was calculated by using the applicable gross receipts factor of
16 0.005241690.

17 Adjustment 24 – Other Taxes and Licenses – ORS and the Company propose to adjust
18 corporate license fees associated with the Company's proposed increase using the South
19 Carolina Department of Revenue factor of 0.003.

20 Adjustment 25 – Federal Income Taxes – ORS and the Company propose to adjust federal
21 income taxes for the Company's proposed increase. ORS used a 21% tax rate for its
22 calculation of federal income taxes. This rate takes into account known and measurable
23 changes resulting from the Tax Cuts and Jobs Act that is currently in effect and will be in

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effect for the Company's future federal income tax filings. Details of the computation of income taxes are shown in Audit Exhibit CLS-6.

Adjustment 26 – State Income Taxes – ORS and the Company propose to adjust state income taxes for the Company's proposed increase using the South Carolina corporate income tax rate of 5%. Details of the computation of income taxes are shown in Audit Exhibit CLS-6.

Adjustment 27 – Customer Growth – ORS and the Company propose to adjust customer growth after the Company's proposed increase. The ORS Utility Rates Department computed a growth factor of 2.36697% for Service Territory 1. This percentage was applied to the total net utility operating income after the Company's proposed increase. Service Territory 2 did not have customer growth during the test year. The customer growth factors are found in ORS Utility Rates Department witness, Matthew Schellinger's Exhibit MPS-4.

Q. PLEASE DESCRIBE THE REMAINING AUDIT EXHIBITS.

A. Audit Exhibit CLS-5 details the computation of ORS's depreciation and amortization expense adjustments. Audit Exhibit CLS-6 details the computation of income taxes. Audit Exhibit CLS-7 details the calculation of the cash working capital allowance. Audit Exhibit CLS-8 details the computation of interest expense and Audit Exhibit CLS-9 details the operating experience, operating margin and rate base at ORS proposed rates for combined operations. The direct testimony and Exhibit MPS-7 of ORS Utility Rates Department witness, Matthew Schellinger, further addresses and details ORS's proposed rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

1 **A.** Yes, it does.

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Synergy Utilities, L.P. Docket No. 2017-28-S
Operating Experience, Operating Margin and Rate Base
For the Test Year Ended June 30, 2017
Combined Operations

Description	(1) Application Per Books $	(2) Accounting & Pro Forma Adjustments $		(3) After Accounting & Pro Forma Adjustments $	(4) Applicant's Proposed Increase $		(5) After Applicant's Proposed Increase $
Utility Operating Revenues:							
Operating Revenues	1,303,249	36,826	(1)	1,340,075	241,335	(22)	1,581,410
Total Utility Operating Revenues	1,303,249	36,826		1,340,075	241,335		1,581,410
Utility Operating Expenses:							
Operating Expenses	1,124,178	(150,291)	(2)	973,887	0		973,887
Depreciation and Amortization Expense	98,493	48,054	(3)	146,547	0		146,547
Utility Regulatory Assessment Fees	5,697	1,328	(4)	7,025	1,265	(23)	8,290
Property Taxes	78,115	(4,912)	(5)	73,203	0		73,203
Payroll Taxes	34,754	(10,835)	(6)	23,919	0		23,919
Other Taxes and Licenses	9,097	(1,184)	(7)	7,913	724	(24)	8,637
Federal Income Taxes	0	11,129	(8)	11,129	47,749	(25)	58,878
State Income Taxes	0	2,789	(9)	2,789	11,967	(26)	14,756
Total Utility Operating Expenses	1,350,334	(103,922)		1,246,412	61,705		1,308,117
Total Operating Income (Loss)	(47,085)	140,748		93,663	179,630		273,293
Gains from Dispositions	14,500	(14,500)	(10)	0	0		0
Interest and Dividend Income	28	(28)	(11)	0	0		0
Non-Utility Income	227,383	(227,383)	(12)	0	0		0
Miscellaneous Non-Utility Expenses	7,263	(7,263)	(13)	0	0		0
Interest on Long-Term Debt	47,989	3,810	(14)	51,799	0		51,799
Interest on Customer Deposits	440	0		440	0		440
Amortization of Debt Discount & Expense	3,263	(3,263)	(15)	0	0		0
Customer Growth	0	4,378	(16)	4,378	2,623	(27)	7,001
Net Income for Margin	135,871	(90,069)		45,802	182,253		228,055
Operating Margin	10.43%			3.42%			14.42%
Original Cost Rate Base:							
Gross Utility Plant in Service	3,540,555	35,417	(17)	3,575,972	0		3,575,972
Accumulated Depreciation of Plant in Service	(2,362,795)	398,982	(18)	(1,963,813)	0		(1,963,813)
Net Utility Plant in Service	1,177,760	434,399		1,612,159	0		1,612,159
Contributions in Aid of Construction	0	(4,535)	(19)	(4,535)	0		(4,535)
Accumulated Deferred Income Taxes	0	0		0	0		0
Excess Tax Collection Liability	0	(22,650)	(20)	(22,650)			(22,650)
Customer Deposits	(3,645)	0		(3,645)	0		(3,645)
Cash Working Capital	0	121,736	(21)	121,736	0		121,736
Total Rate Base	1,174,115	528,950		1,703,065	0		1,703,065

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Synergy Utilities, L.P. Docket No. 2017-28-S
Operating Experience, Operating Margin and Rate Base
For the Test Year Ended June 30, 2017
Service Territory 1 Operations

Description	(1) Application Per Books $	(2) Accounting & Pro Forma Adjustments $		(3) After Accounting & Pro Forma Adjustments $	(4) Applicant's Proposed Increase $		(5) After Applicant's Proposed Increase $
Utility Operating Revenues:							
Operating Revenues	710,107	26,209	(1)	736,316	148,884	(22)	885,200
Total Utility Operating Revenues	710,107	26,209		736,316	148,884		885,200
Utility Operating Expenses:							
Operating Expenses	423,567	(82,110)	(2)	341,457	0		341,457
Depreciation and Amortization Expense	71,711	29,512	(3)	101,223	0		101,223
Utility Regulatory Assessment Fees	2,854	1,006	(4)	3,860	780	(23)	4,640
Property Taxes	39,925	1,768	(5)	41,693	0		41,693
Payroll Taxes	13,532	(3,148)	(6)	10,384	0		10,384
Other Taxes and Licenses	4,039	(765)	(7)	3,274	447	(24)	3,721
Federal Income Taxes	0	39,534	(8)	39,534	29,457	(25)	68,991
State Income Taxes	0	9,908	(9)	9,908	7,383	(26)	17,291
Total Utility Operating Expenses	555,628	(4,295)		551,333	38,067		589,400
Total Operating Income (Loss)	154,479	30,504		184,983	110,817		295,800
Gains from Dispositions	14,500	(14,500)	(10)	0	0		
Interest and Dividend Income	0	0	(11)	0	0		
Non-Utility Income	0	0	(12)	0	0		
Miscellaneous Non-Utility Expenses	0	0	(13)	0	0		
Interest on Long-Term Debt	31,876	4,386	(14)	36,262	0		36,262
Interest on Customer Deposits	0	0		0	0		
Amortization of Debt Discount & Expense	0	0	(15)	0	0		
Customer Growth	0	4,378	(16)	4,378	2,623	(27)	7,001
Net Income for Margin	137,103	15,996		153,099	113,440		266,539
Operating Margin	19.31%			20.79%			30.11%
Original Cost Rate Base:							
Gross Utility Plant in Service	2,187,479	115,013	(17)	2,302,492	0		2,302,492
Accumulated Depreciation of Plant in Service	(1,428,362)	289,336	(18)	(1,139,026)	0		(1,139,026)
Net Utility Plant in Service	759,117	404,349		1,163,466	0		1,163,466
Contributions in Aid of Construction	0	(4,535)	(19)	(4,535)	0		(4,535)
Accumulated Deferred Income Taxes	0	0		0	0		0
Excess Tax Collection Liability	0	(7,953)	(20)	(7,953)	0		(7,953)
Customer Deposits	(1,421)	0		(1,421)	0		(1,421)
Cash Working Capital	0	42,682	(21)	42,682	0		42,682
Total Rate Base	757,696	434,543		1,192,239	0		1,192,239

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Synergy Utilities, L.P. Docket No. 2017-28-S
Operating Experience, Operating Margin and Rate Base
For the Test Year Ended June 30, 2017
Service Territory 2 Operations

Description	(1) Application Per Books $	(2) Accounting & Pro Forma Adjustments $		(3) After Accounting & Pro Forma Adjustments $	(4) Applicant's Proposed Increase $		(5) After Applicant's Proposed Increase $
Utility Operating Revenues:							
Operating Revenues	593,142	10,617	(1)	603,759	92,451	(22)	696,210
Total Utility Operating Revenues	593,142	10,617		603,759	92,451		696,210
Utility Operating Expenses:							
Operating Expenses	700,611	(68,181)	(2)	632,430	0		632,430
Depreciation and Amortization Expense	26,782	18,542	(3)	45,324	0		45,324
Utility Regulatory Assessment Fees	2,843	322	(4)	3,165	485	(23)	3,650
Property Taxes	38,190	(6,680)	(5)	31,510	0		31,510
Payroll Taxes	21,222	(7,687)	(6)	13,535	0		13,535
Other Taxes and Licenses	5,058	(419)	(7)	4,639	277	(24)	4,916
Federal Income Taxes	0	(28,405)	(8)	(28,405)	18,292	(25)	(10,113)
State Income Taxes	0	(7,119)	(9)	(7,119)	4,584	(26)	(2,535)
Total Utility Operating Expenses	794,706	(99,627)		695,079	23,638		718,717
Total Operating Income (Loss)	(201,564)	110,244		(91,320)	68,813		(22,507)
Gains from Dispositions	0	0	(10)	0	0		0
Interest and Dividend Income	28	(28)	(11)	0	0		0
Non-Utility Income	227,383	(227,383)	(12)	0	0		0
Miscellaneous Non-Utility Expenses	7,263	(7,263)	(13)	0	0		0
Interest on Long-Term Debt	16,113	(576)	(14)	15,537	0		15,537
Interest on Customer Deposits	440	0		440	0		440
Amortization of Debt Discount & Expense	3,263	(3,263)	(15)	0	0		0
Customer Growth	0	0	(16)	0	0	(27)	0
Net Income for Margin	(1,232)	(106,065)		(107,297)	68,813		(38,484)
Operating Margin	-0.21%			-17.77%			-5.53%
Original Cost Rate Base:							
Gross Utility Plant in Service	1,353,076	(79,596)	(17)	1,273,480	0		1,273,480
Accumulated Depreciation of Plant in Service	(934,433)	109,646	(18)	(824,787)	0		(824,787)
Net Utility Plant in Service	418,643	30,050		448,693	0		448,693
Contributions in Aid of Construction	0	0	(19)	0	0		0
Accumulated Deferred Income Taxes	0	0		0	0		0
Excess Tax Collection Liability	0	(14,697)	(20)	(14,697)			(14,697)
Customer Deposits	(2,224)	0		(2,224)	0		(2,224)
Cash Working Capital	0	79,054	(21)	79,054	0		79,054
Total Rate Base	416,419	94,407		510,826	0		510,826

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
		Accounting and Pro Forma Adjustments			
(1)		**Operating Revenues**			
(1A)	(1)	To adjust residential revenue to reflect number of customers billed at end of year and reclassify apartment revenue from commercial to residential. This adjustment was provided by the Utility Rates Department.			
		Per ORS	227,281	210,487	16,794
		Per Company	16,519	210,486	(193,967)
(1B)	(1)	To adjust commercial revenue to reflect number of customers billed at end of year and reclassify apartment revenue from commercial to residential. This adjustment was provided by the Utility Rates Department.			
		Per ORS	(187,678)	(188,258)	580
		Per Company	(204,118)	(204,421)	303
(1C)	(1)	To adjust pass-through revenue to reflect number of customers billed at the end of the test year. Service Territory 2 collects treatment revenue on behalf of the treatment providers. This adjustment was provided by the Utility Rates Department.			
		Per ORS	21,706	0	21,706
		Per Company	0	0	0
(1D)	(1)	To reflect adjustments to miscellaneous revenue at the end of the test year. This adjustment was provided by the Utility Rates Department.			
		Per ORS	4,822	4	4,818
		Per Company	0	0	0
(1E)	(2)	To remove revenue from intercompany rental of building.			
		Per ORS	(9,600)	0	(9,600)
		Per Company	(9,600)	0	(9,600)

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
(1F)		To remove revenue from intercompany rental of belt press. Synergy owns the belt press, which will be allocated between territories on the depreciation schedule. See ORS Adjustment 2I.			
		Per ORS	(31,030)	0	(31,030)
		Per Company	0	0	0
(1G)		To adjust revenue for the amortization of excess taxes collected by the Company due to the Tax Cuts and Jobs Act. This adjustment was provided by the Utility Rates Department.			
		Per ORS	11,325	3,976	7,349
		Per Company	0	0	0
(1)		Total Per ORS	36,826	26,209	10,617
		Total Per Company	(197,199)	6,065	(203,264)
(2)		**Operating Expenses**			
(2A)	(3)	To adjust salaries based on salary increase and to allocate salaries between territories.			
		Per ORS	(24,952)	18,493	(43,445)
		Per Company	(58,270)	12,369	(70,639)
(2B)	(3)	To annualize officer salaries.			
		Per ORS	(116,674)	(61,308)	(55,366)
		Per Company	(40,760)	(42,329)	1,569
(2C)	(4)	To adjust employee benefits based on most current annual premium and to allocate pension and benefits using allocations used in the salary adjustments.			
		Per ORS	3,761	(20,242)	24,003
		Per Company	2,878	2,878	0

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
(2D)	(5)	To adjust purchased wastewater treatment costs associated with the increase in cost from the treatment providers. This adjustment was provided by the Utility Rates Department.			
		Per ORS	22,164	0	22,164
		Per Company	(206,474)	0	(206,474)
(2E)	(6)	To reclassify accounting expenses paid in the test year as rate case expenses and remove accounting expenses outside the test year.			
		Per ORS	(25,856)	(4,709)	(21,147)
		Per Company	(24,757)	(4,903)	(19,854)
(2F)	(6)	To correctly classify legal expenses paid in the test year as rate case expenses or as test year legal expenses for normal day to day operations. Also, to remove merger related expenses.			
		Per ORS	(2,761)	3,767	(6,528)
		Per Company	(8,740)	0	(8,740)
(2G)	(7)	To amortize current rate case expenses over a 3 years.			
		Per ORS	28,125	17,719	10,406
		Per Company	34,317	21,654	12,663
(2H)		To remove nonallowable expenses consisting of merger related expenses, expenses outside the test year, and expenses with no supporting documentation.			
		Per ORS	(3,068)	0	(3,068)
		Per Company	0	0	0
(2I)		To remove rental expenses for belt press owned by the Company and included on the depreciation schedule. See ORS Adjustment 1F.			
		Per ORS	(31,030)	(31,030)	0
		Per Company	0	0	0

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
(2J)		To allocate office rent expense.			
		Per ORS	0	(4,800)	4,800
		Per Company	0	0	0
(2)		Total Per ORS	(150,291)	(82,110)	(68,181)
		Total Per Company	(301,806)	(10,331)	(291,475)
(3)	(8)	**Depreciation and Amortization Expense** To annualize depreciation and amortization expense for known and measurable plant in service. See Audit Exhibit CLS-5.			
		Per ORS	48,054	29,512	18,542
		Per Company	47,297	16,942	30,355
(4)	(9)	**Utility Regulatory Assessment Fees** To adjust utility regulatory assessment fees after the accounting and pro forma adjustments using a factor of 0.005241690.			
		Per ORS	1,328	1,006	322
		Per Company	9	33	(24)
(5)		**Property Taxes**			
(5A)	(10)	To increase property taxes for an asset added at end of year.			
		Per ORS	1,768	1,768	0
		Per Company	1,768	1,768	0
(5B)	(11)	To decrease property taxes for a non-utility building.			
		Per ORS	(6,680)	0	(6,680)
		Per Company	(6,680)	0	(6,680)
(5)		Total Per ORS	(4,912)	1,768	(6,680)
		Total Per Company	(4,912)	1,768	(6,680)

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
(6)	(12)	**Payroll Taxes** To adjust payroll taxes based on salary adjustments.			
		Per ORS	(10,835)	(3,148)	(7,687)
		Per Company	(7,608)	(2,185)	(5,423)
(7)		**Other Taxes and Licenses** To adjust corporate license fees after the accounting and pro forma adjustments using a factor of 0.003.			
		Per ORS	(1,184)	(765)	(419)
		Per Company	0	0	0
(8)	(13)	**Federal Income Taxes** To adjust federal income taxes after accounting and pro forma adjustments using a 21% tax rate.			
		Per ORS	11,129	39,534	(28,405)
		Per Company	(14,935)	35,951	(50,886)
(9)	(13)	**State Income Taxes** To adjust state income taxes after accounting and pro forma adjustments using a 5% tax rate.			
		Per ORS	2,789	9,908	(7,119)
		Per Company	(2,312)	5,565	(7,877)
(10)	(14)	**Gains from Dispositions** To remove insurance proceeds from theft loss.			
		Per ORS	(14,500)	(14,500)	0
		Per Company	(14,500)	(14,500)	0
(11)	(15)	**Interest and Dividend Income** To remove non-utility income.			
		Per ORS	(28)	0	(28)
		Per Company	(28)	0	(28)

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
(12)	(15)	**Non-Utility Income** To remove non-utility income.			
		Per ORS	(227,383)	0	(227,383)
		Per Company	(227,383)	0	(227,383)
(13)	(15)	**Miscellaneous Non-Utility Expenses** To remove non-utility expenses.			
		Per ORS	(7,263)	0	(7,263)
		Per Company	(7,263)	0	(7,263)
(14)	(16)	**Interest on Long-Term Debt** To synchronize interest expense with the portion of rate base financed by debt.			
		Per ORS	3,810	4,386	(576)
		Per Company	17,282	11,137	6,145
(15)		**Amortization of Debt Discount and Expense** To remove the amortization of debt expense. Debt expense is included in the calculation of the weighted average cost of debt for the calculation of interest expense.			
		Per ORS	(3,263)	0	(3,263)
		Per Company	0	0	0
(16)		**Customer Growth** To adjust for customer growth after the accounting and pro forma adjustments. The growth factor of 2.36697% for Service Territory 1 was computed by the Utility Rates Department.			
		Per ORS	4,378	4,378	0
		Per Company	0	0	0

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
(17)		**Gross Utility Plant in Service** To adjust gross plant in service as of 5/31/18. See Audit Exhibit CLS-5.			
		Per ORS	35,417	115,013	(79,596)
		Per Company	0	0	0
(18)		**Accumulated Depreciation** To adjust accumulated depreciation as of 5/31/18. See Audit Exhibit CLS-5.			
		Per ORS	398,982	289,336	109,646
		Per Company	0	0	0
(19)		**Contributions in Aid of Construction** To adjust net contributions in aid of construction as of 5/31/18. See Audit Exhibit CLS-5.			
		Per ORS	(4,535)	(4,535)	0
		Per Company	0	0	0
(20)		**Excess Tax Collection Liability** To adjust rate base for the creation of an excess tax collection liability resulting from lower federal tax rates.			
		Per ORS	(22,650)	(7,953)	(14,697)
		Per Company	0	0	0
(21)		**Cash Working Capital** To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit CLS-7.			
		Per ORS	121,736	42,682	79,054
		Per Company	0	0	0

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
		Applicant's Proposed Increase			
(22)		**Operating Revenues**			
(22A)	(17)	To adjust residential revenues for ORS's recalculation of the Company's proposed rate increase.			
		Per ORS	124,129	55,911	68,218
		Per Company	121,131	55,912	65,219
(22B)	(17)	To adjust commercial revenues for ORS's recalculation of the Company's proposed rate increase.			
		Per ORS	111,716	92,501	19,215
		Per Company	111,459	92,313	19,146
(22C)	(1)	To reflect adjustments to miscellaneous revenue for the proposed increase.			
		Per ORS	5,490	472	5,018
		Per Company	0	0	0
(22)		Total Per ORS	241,335	148,884	92,451
	(17)	Total Per Company	232,590	148,225	84,365
(23)	(18)	**Utility Regulatory Assessment Fees** To adjust utility regulatory assessment fees associated with the proposed increase using a factor of 0.005241690.			
		Per ORS	1,265	780	485
		Per Company	1,255	800	455
(24)	(19)	**Other Taxes and Licenses** To adjust corporate license fees associated with the proposed increase using a factor of 0.003.			
		Per ORS	724	447	277
		Per Company	698	445	253

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Synergy Utilities, L.P. Docket No. 2017-28-S
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended June 30, 2017

ORS Adj. #	Co. Adj. #	Description	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
(25)	(20)	**Federal Income Taxes** To adjust federal income taxes for the Company's proposed increase using a 21% tax rate. See Audit Exhibit CLS-6.			
		Per ORS	47,749	29,457	18,292
		Per Company	74,495	47,474	27,021
(26)	(20)	**State Income Taxes** To adjust state income taxes for the Company's proposed increase using a 5% tax rate. See Audit Exhibit CLS-6.			
		Per ORS	11,967	7,383	4,584
		Per Company	11,532	7,349	4,183
(27)	(21)	**Customer Growth** To adjust for customer growth for the proposed increase. The growth factor of 2.36697% for Service Territory 1 was computed by the Utility Rates Department.			
		Per ORS	2,623	2,623	0
		Per Company	3,599	3,599	0

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Synergy Utilities, L.P. Docket No. 2017-28-S
For the Test Year Ended June 30, 2017

Service Territory 1 Operations
Depreciation and Amortization Expense Adjustments

UTILITY PLANT IN SERVICE

Asset	Property Description	Date In Service	Cost	Allocation	Allocated Amount	Service Life	Depreciation & Amort. Rate	Depreciation & Amortization Expense	Accumulated Deprec & Amort. as of 5/31/18
15	LAND	01/01/88	40,000	100%	40,000	0	0.00%	-	-
1	SEWER SYSTEM - NET	01/01/88	120,000	100%	120,000	32	3.13%	3,756	113,932
5	GENERAL PLANT - COMPUTER	11/01/88	1,500	100%	1,500	6	FD	-	1,500
4	1999 FORD F-150 (SERVICE TERRITORY 1 - 33%)	06/15/02	23,249	33%	7,672	6	FD	-	7,672
6	BR-EQUIPMENT SYSTEMS *(Adjusted by ORS)* *	01/01/03	428,699	100%	428,699	18	5.56%	23,836	365,486
6	BR-EQUIPMENT SYSTEMS *(Adjusted by ORS)* *	01/01/03	170,569	100%	170,569	18	5.56%	9,484	145,422
6	Less dispositions: BR-EQUIPMENT SYSTEMS	01/01/03	(170,569)	100%	(170,569)	-	-	-	(170,569)
26	BR-EQUIPMENT SYSTEMS - CASE BOBCAT *(Adjusted by ORS)* *	01/01/03	30,457	100%	30,457	18	5.56%	1,693	25,959
26	Less dispositions: BR-EQUIP. SYSTEMS-CASE BOBCAT	01/01/03	(30,457)	100%	(30,457)	-	-	-	(30,457)
	Add Insurance Proceeds: BR-EQUIP. SYSTEMS-CASE BOBCAT *(ORS)*	-	-	-	-	-	-	-	14,500
3	CAT BACKHOE (SERVICE TERRITORY 1 - 10%)	10/15/03	53,550	10%	5,355	12	FD	-	5,355
23	OFFICE DESK	03/01/04	300	100%	300	15	6.67%	20	283
8	CASE GENERATOR	08/31/04	24,468	100%	24,468	20	5.00%	1,223	16,820
9	2008 DODGE PICKUP	12/30/05	27,556	100%	27,556	6	FD	-	27,556
10	TOSHIBA GENERATOR	08/05/06	1,270	100%	1,270	20	5.00%	64	780
18	DIGESTOR/SLUDGE (20)	05/17/07	3,221	100%	3,221	20	5.00%	161	1,771
19	DIGESTOR/SLUDGE (32)	12/13/07	5,189	100%	5,189	32	3.13%	162	1,691
16	DIGESTOR/SLUDGE (15)	12/17/07	3,670	100%	3,670	15	6.67%	245	2,550
20	DIGESTOR/SLUDGE (35)	12/27/07	106,752	100%	106,752	35	2.86%	3,053	31,803
11	KOBELCO EXCAVATOR (SERVICE TERRITORY 1 - 75%)	12/31/07	119,967	75%	89,975	12	8.33%	7,495	78,073
12	BR-PLANT/SEWER SYSTEM	07/01/08	1,102,979	100%	1,102,979	32	3.13%	34,523	339,478
17	DIGESTOR/SLUDGE (18)	11/05/08	122,330	100%	122,330	18	5.56%	6,802	64,616
	BELT PRESS (SERVICE TERRITORY 1-96.5%) *(Allocated by ORS)*	06/30/10	133,750	96.5%	129,069	15	6.67%	8,609	68,154
13	2008 DODGE RAM (SERVICE TERRITORY 1 - 50%)	10/24/12	37,896	50%	18,948	6	16.67%	3,159	17,637
14	JOHN DEERE MOWER (SERVICE TERRITORY 1 - 75%)	06/19/13	10,486	75%	7,865	12	8.33%	655	3,221
25	BR PUMP	08/22/13	2,550	100%	2,550	18	5.56%	142	768
21	GENERATOR 125-149 KVA MAGNUM PRO	12/09/15	14,370	100%	14,370	20	5.00%	719	1,797
27	CASE SKID STEER	06/30/17	38,754	100%	38,754	12	8.33%	3,228	3,228
	Totals Proposed by ORS		2,422,506		2,302,492			109,029	1,139,026
	Less: Per Books				2,187,479			71,711	1,428,362
	ORS Proposed Accounting & Pro Forma Adjustments				115,013			37,318	(289,336)
	ORS Adjustment (#)				(17)				(18)
	Contributions in Aid of Construction (Cumulative Tap Fees) *(Added by ORS)*	01/01/88	(249,404)	100%	(249,404)	32	3.13%	(7,806)	(244,869)
	ORS Proposed Accounting & Pro Forma Adjustments							29,512	
	ORS Adjustment (#)				(19)			(3)	(19)

* Total Bush River (BR) Equipment Systems was $629,725 in the last rate case.
FD = Fully Depreciated

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Synergy Utilities, L.P. Docket No. 2017-28-S
For the Test Year Ended June 30, 2017

Service Territory 2 Operations
Depreciation and Amortization Expense Adjustments

UTILITY PLANT IN SERVICE

Asset	Property Description	Date In Service	Cost	Allocation	Allocated Amount	Service Life	Depreciation & Amort. Rate	Depreciation & Amortization Expense	Accumulated Deprec & Amort. as of 5/31/18
79	LAND	07/01/78	8,000	100%	8,000	0	0.00%	-	-
6	FLOW METER	08/01/86	3,087	100%	3,087	32	FD	-	3,087
11	CONCRETE FENCING	05/01/88	1,254	100%	1,254	25	FD	-	1,254
16	PUMP	12/01/91	840	100%	840	15	FD	-	840
21	FLOORING OFFICE	01/01/94	3,243	100%	3,243	10	FD	-	3,243
24	AC - OFFICE	07/01/95	3,260	100%	3,260	15	FD	-	3,260
28	SEWER TAPS - VANARSDALE	11/01/95	63,000	100%	63,000	15	FD	-	63,000
26	VAN ARSDALE LINE	11/01/95	14,997	100%	14,997	45	2.22%	333	7,963
30	OFFICE & LAB EQUIPMENT	12/01/96	21,686	100%	21,686	15	FD	-	21,686
31	PRESSURE TRUCK	02/01/97	67,543	100%	67,543	6	FD	-	67,543
32	BACKHOE	03/01/97	25,850	100%	25,850	12	FD	-	25,850
42	PVC PIPE - 6 IN O RING	10/01/97	19,505	100%	19,505	18	FD	-	19,505
34	PUMPS-ORANGEBURG	11/01/99	20,685	100%	20,685	18	FD	-	20,685
37	CONTROL PANEL - ORANGEBURG	01/01/00	6,042	100%	6,042	18	FD	-	6,042
38	PIPE-WINNSBORO	03/01/00	18,021	100%	18,021	30	3.33%	600	11,351
40	BORING TOOL	05/01/00	8,080	100%	8,080	15	FD	-	8,080
39	TAPS-ORANGEBURG	05/01/00	18,250	100%	18,250	15	FD	-	18,250
41	LINE-WINNSBORO	11/01/00	11,263	100%	11,263	30	3.33%	375	7,095
84	1999 FORD F-150 (SERVICE TERRITORY 2 - 67%)	06/15/02	23,249	67%	15,577	6	FD	-	15,577
45	BENSHAW DRIVE - HOBGOOD	08/01/03	5,197	100%	5,197	18	5.56%	289	4,599
85	CAT BACKHOE (SERVICE TERRITORY 2 - 90%)	10/15/03	53,550	90%	48,195	12	FD	-	48,195
46	PUMP - INTERSTATE UTILITIES	12/01/03	1,771	100%	1,771	15	FD	-	1,771
47	TECO MOTOR	02/01/04	534	100%	534	15	FD	-	534
48	PUMP - ELECTRIC MOTOR AND REPAIR	03/01/04	3,393	100%	3,393	15	6.67%	226	3,375
49	SEWAGE PUMP - HUGHES	03/01/04	844	100%	844	15	6.67%	56	839
50	PUMP - PETE DUTY	04/01/04	1,092	100%	1,092	15	FD	-	1,092
52	PUMP - HUGHES	05/01/04	2,828	100%	2,828	15	6.67%	189	2,814
73	COMPUTER & SOFTWARE	05/01/05	6,350	100%	6,350	6	FD	-	6,350
66	2006 TOYOTA	06/01/06	26,214	100%	26,214	6	FD	-	26,214
74	PUMP STATION ** *(Adjusted by ORS)*	05/10/07	0	100%	-	15	6.67%	-	-

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Synergy Utilities, L.P. Docket No. 2017-28-S
For the Test Year Ended June 30, 2017

Service Territory 2 Operations
Depreciation and Amortization Expense Adjustments

UTILITY PLANT IN SERVICE

Asset	Property Description	Date In Service	Cost	Allocation	Allocated Amount	Service Life	Depreciation & Amort. Rate	Depreciation & Amortization Expense	Accumulated Deprec & Amort. as of 5/31/18
75	ULTRAVIOLET DISINFECTANT UNIT ** *(Adjusted by ORS)*	07/01/07	549,071	100%	549,071	25	4.00%	21,963	239,761
86	KOBELCO EXCAVATOR (SERVICE TERRITORY 2 - 25%)	12/31/07	119,967	25%	29,992	12	8.33%	2,498	26,024
60	CHEVY TRUCK	02/11/08	15,622	100%	15,622	6	FD	-	15,622
61	DUMP TRUCK	07/01/08	35,300	100%	35,300	12	8.33%	2,940	29,159
53	COPIER	07/01/09	3,788	100%	3,788	6	FD	-	3,788
54	UTILITY PLANT WIP COMPLETE	01/01/10	28,890	100%	28,890	32	3.13%	904	7,610
55	VARNVILLE PUMPING EQUIPMENT	05/27/10	7,761	100%	7,761	25	4.00%	310	2,483
56	BELT PRESS (SERVICE TERRITORY 2 - 3.5%) *(Allocated by ORS)*	06/30/10	133,750	3.5%	4,681	15	6.67%	312	2,472
71	LOW BOY	06/30/10	37,000	100%	37,000	12	8.33%	3,082	24,400
72	TRUCK T-800 KENWORTH	06/30/10	58,400	100%	58,400	12	8.33%	4,865	38,513
57	NORTHWOOD ESTATE PROJECT	12/21/10	5,040	100%	5,040	15	6.67%	336	2,493
58	ADDL SALES TAX ON EQUIPMENT *(Adjusted by ORS)*	07/01/11	23,947	100%	23,947	18	5.56%	1,331	9,209
87	2008 DODGE RAM (SERVICE TERRITORY 2 - 50%)	10/24/12	37,896	50%	18,948	6	16.67%	3,159	17,637
65	RAINTREE PHASE II	06/05/13	9,963	100%	9,963	32	3.13%	312	1,557
88	JOHN DEERE MOWER (SERVICE TERRITORY 2 - 25%)	06/19/13	10,486	25%	2,621	12	8.33%	218	1,080
59	VANARSDALE PUMP STATION	06/27/13	1,175	100%	1,175	25	4.00%	47	231
76	OFFICE HEATER	11/19/13	1,664	100%	1,664	15	6.67%	111	504
81	EBARA SEWAGE PUMP	07/14/15	1,903	100%	1,903	15	6.67%	127	370
82	PUMPS (2) VOLUTE	10/13/15	9,220	100%	9,220	15	6.67%	615	1,486
83	EBARA SEWAGE PUMP	01/28/16	1,893	100%	1,893	15	6.67%	126	294
	Totals Proposed by ORS		1,532,364		1,273,480			45,324	824,787
	Less: Per Books				1,353,076			26,782	934,433
	ORS Proposed Accounting & Pro Forma Adjustments				(79,596)			18,542	(109,646)
	ORS Adjustment (#)				**(17)**			**(3)**	**(18)**

** Book cost was trued up to actual supported costs incurred.

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Audit Exhibit CLS-6

Synergy Utilities, L.P. Docket No. 2017-28-S
Computation of Income Taxes
For the Test Year Ended June 30, 2017

After Accounting & Pro Forma Adjustments

	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
Operating Revenues	1,340,075	736,316	603,759
Operating Expenses	1,232,494	501,891	730,603
Net Operating Income Before Taxes	107,581	234,425	(126,844)
Less: Annualized Interest Expense	51,799	36,262	15,537
Taxable Income - State	55,782	198,163	(142,381)
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	2,789	9,908	(7,119)
Less: State Income Taxes Per Book	0	0	0
ORS State Income Tax Adjustment #9	**2,789**	**9,908**	**(7,119)**
Taxable Income - Federal	52,993	188,255	(135,262)
Federal Income Taxes %	21.0%	21.0%	21.0%
Federal Income Taxes	11,129	39,534	(28,405)
Less: Federal Income Taxes Per Book	0	0	0
ORS Federal Income Tax Adjustment #8	**11,129**	**39,534**	**(28,405)**

After Applicant's Proposed Increase

	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
Operating Revenues	1,581,410	885,200	696,210
Operating Expenses	1,234,483	503,118	731,365
Net Operating Income Before Taxes	346,927	382,082	(35,155)
Less: Annualized Interest Expense	51,799	36,262	15,537
Taxable Income - State	295,128	345,820	(50,692)
State Income Tax %	5.0%	5.0%	5.0%
State Income Taxes	14,756	17,291	(2,535)
Less: State Income Taxes As Adjusted	2,789	9,908	(7,119)
ORS State Income Tax Adjustment #26	**11,967**	**7,383**	**4,584**
Taxable Income - Federal	280,372	328,529	(48,157)
Federal Income Taxes %	21.0%	21.0%	21.0%
Federal Income Taxes	58,878	68,991	(10,113)
Less: Federal Income Taxes As Adjusted	11,129	39,534	(28,405)
ORS Federal Income Tax Adjustment #25	**47,749**	**29,457**	**18,292**

Synergy Utilities, L.P. Docket No. 2017-28-S
Cash Working Capital Allowance
For the Test Year Ended June 30, 2017

After Accounting & Pro Forma Adjustments

	$ Combined Operations	$ Service Territory 1	$ Service Territory 2
Operating Expenses	973,887	341,457	632,430
Allowable Rate	12.50%	12.50%	12.50%
Computed Cash Working Capital	121,736	42,682	79,054
Less: Cash Working Capital - Application Per Books	0	0	0
ORS Cash Working Capital Adjustment #21	**121,736**	**42,682**	**79,054**

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Audit Exhibit CLS-8

Synergy Utilities, L.P. Docket No. 2017-28-S
Computation of Interest Expense
Capital Structure at June 30, 2017

Combined Operations

			Application Per Books				After Accounting and Pro forma Adjustments				After Applicant's Proposed Increase			
Description	Capital Structure	Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *
Long-Term Debt	$ 1,059,347	55.00%	$ 645,763	5.53%	3.04%	$ 35,711	$ 936,686	5.53%	3.04%	$ 51,799	$ 936,686	5.53%	3.04%	$ 51,799
Members' Equity	866,739	45.00%	528,352	28.04%	12.62%	148,149	766,379	5.98%	2.69%	45,802	766,379	29.76%	13.39%	228,055
Totals	$ 1,926,086	100.00%	$ 1,174,115		15.66%	$ 183,860	$ 1,703,065		5.73%	$ 97,601	$ 1,703,065		16.43%	$ 279,854

Service Territory 1 Operations

			Application Per Books				After Accounting and Pro forma Adjustments				After Applicant's Proposed Increase			
Description	Capital Structure	Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *
Long-Term Debt	$ 1,059,347	55.00%	$ 416,733	5.53%	3.04%	$ 23,045	$ 655,731	5.53%	3.04%	$ 36,262	$ 655,731	5.53%	3.04%	$ 36,262
Members' Equity	866,739	45.00%	340,963	42.80%	19.26%	145,934	536,508	28.54%	12.84%	153,099	536,508	49.68%	22.36%	266,539
Totals	$ 1,926,086	100.00%	$ 757,696		22.30%	$ 168,979	$ 1,192,239		15.88%	$ 189,361	$ 1,192,239		25.40%	$ 302,801

Service Territory 2 Operations

			Application Per Books				After Accounting and Pro forma Adjustments				After Applicant's Proposed Increase			
Description	Capital Structure	Ratio	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *	Rate Base	Embedded Cost/Return	Overall Cost/Return	Income For Return *
Long-Term Debt	$ 1,059,347	55.00%	$ 229,030	5.53%	3.04%	$ 12,665	$ 280,954	5.53%	3.04%	$ 15,537	$ 280,954	5.53%	3.04%	$ 15,537
Members' Equity	866,739	45.00%	187,389	1.18%	0.53%	2,216	229,872	-46.68%	-21.01%	(107,297)	229,872	-16.74%	-7.53%	(38,484)
Totals	$ 1,926,086	100.00%	$ 416,419		3.57%	$ 14,881	$ 510,826		-17.97%	$ (91,760)	$ 510,826		-4.49%	$ (22,947)

* Income for return is calculated using "Net Income for Margin" plus "Interest on Long-Term Debt" from Audit Exhibits CLS-1, CLS-2 and CLS-3.

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Synergy Utilities, L.P. Docket No. 2017-28-S
Operating Experience, Operating Margin and Rate Base at ORS Proposed Rates
For the Test Year Ended June 30, 2017
Combined Operations

Description	(1) Application Per Books $	(2) Accounting & Pro Forma Adjustments $		(3) After Accounting & Pro Forma Adjustments $	(4) ORS's Proposed Increase $		(5) After Applicant's Proposed Increase $
Utility Operating Revenues:							
Operating Revenues	1,303,249	36,826	(1)	1,340,075	201,316	(22)	1,541,391
Total Utility Operating Revenues	1,303,249	36,826		1,340,075	201,316		1,541,391
Utility Operating Expenses:							
Operating Expenses	1,124,178	(150,291)	(2)	973,887	0		973,887
Depreciation and Amortization Expense	98,493	48,054	(3)	146,547	0		146,547
Utility Regulatory Assessment Fees	5,697	1,328	(4)	7,025	1,055	(23)	8,080
Property Taxes	78,115	(4,912)	(5)	73,203	0		73,203
Payroll Taxes	34,754	(10,835)	(6)	23,919	0		23,919
Other Taxes and Licenses	9,097	(1,184)	(7)	7,913	604	(24)	8,516
Federal Income Taxes	0	11,129	(8)	11,129	39,831	(25)	50,960
State Income Taxes	0	2,789	(9)	2,789	9,983	(26)	12,772
Total Utility Operating Expenses	1,350,334	(103,922)		1,246,412	51,473		1,297,885
Total Operating Income (Loss)	(47,085)	140,748		93,663	149,843		243,506
Gains from Dispositions	14,500	(14,500)	(10)	0	0		0
Interest and Dividend Income	28	(28)	(11)	0	0		0
Non-Utility Income	227,383	(227,383)	(12)	0	0		0
Miscellaneous Non-Utility Expenses	7,263	(7,263)	(13)	0	0		0
Interest on Long-Term Debt	47,989	3,810	(14)	51,799	0		51,799
Interest on Customer Deposits	440	0		440	0		440
Amortization of Debt Discount & Expense	3,263	(3,263)	(15)	0	0		0
Customer Growth	0	327	(16)	327	850	(27)	1,177
Net Income for Margin	135,871	(94,120)		41,751	150,693		192,444
Operating Margin	10.43%			3.12%			12.49%
Original Cost Rate Base:							
Gross Utility Plant in Service	3,540,555	35,417	(17)	3,575,972	0		3,575,972
Accumulated Depreciation of Plant in Service	(2,362,795)	398,982	(18)	(1,963,813)	0		(1,963,813)
Net Utility Plant in Service	1,177,760	434,399		1,612,159	0		1,612,159
Contributions in Aid of Construction	0	(4,535)	(19)	(4,535)	0		(4,535)
Accumulated Deferred Income Taxes	0	0		0	0		0
Excess Tax Collection Liability	0	(22,650)	(20)	(22,650)			(22,650)
Customer Deposits	(3,645)	0		(3,645)	0		(3,645)
Cash Working Capital	0	121,736	(21)	121,736	0		121,736
Total Rate Base	1,174,115	528,950		1,703,065	0		1,703,065