

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY & EXHIBITS

OF

MATTHEW P. SCHELLINGER II

NOVEMBER 15, 2016



DOCKET NO. 2016-29-WS

**Application of Harbor Island Utilities, Incorporated for
Approval of a New Schedule of Rates and Charges for Water
and Sewer Service on Harbor Island, Beaufort County**

DIRECT TESTIMONY AND EXHIBITS OF

MATTHEW P. SCHELLINGER II

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2016-29-WS

**IN RE: APPLICATION OF HARBOR ISLAND UTILITES, INCORPORATED FOR
APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES FOR WATER
AND SEWER SERVICE ON HARBOR ISLAND, BEAUFORT COUNTY**

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

A. My name is Matthew P. Schellinger II. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the Office of Regulatory Staff (“ORS”) in the Utility Rates and Services Division as a Regulatory Analyst.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree with a major in Accounting from the University of South Florida in 2012. I received a Master of Business Administration with a focus in Management and Strategy from Western Governors University in 2016. From 2007 to 2013, I was employed as a controller for an insurance agency. In that capacity, I **PERFORMED** general corporate accounting functions on a daily and monthly basis. In February 2013, I began my employment with ORS as an Auditor. In May 2016, I joined the Utility Rates and Services Division as a Regulatory Analyst. I have previously testified before the Public Service Commission of South Carolina (“Commission”) on natural gas, water and wastewater related matters.

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

2 **A.** The purpose of my testimony is to set forth the findings and recommendations of
3 my review of the rate increase application submitted by Harbor Island Utilities, Inc.
4 (“HIU” or “Company”). Specifically, I will address HIU’s compliance with Commission
5 rules and regulations, ORS’s Business Compliance Review of HIU’s water storage and
6 distribution systems as well as the wastewater collection and treatment systems, test-year
7 revenue and proposed revenue, performance bond requirements, proposed deferral of
8 costs incurred due to Hurricane Matthew in 2016, and terms and conditions proposed by
9 the Company.

10 **Q. PLEASE EXPLAIN HOW YOU DEVELOPED YOUR TESTIMONY AND**
11 **EXHIBITS.**

12 **A.** I examined ORS’s Business Office Compliance Review results, information
13 provided by HIU in its application and additional information provided by HIU during
14 the course of our business review and facility site inspections. I also reviewed HIU’s
15 financial statements and performance bond documents submitted to the Commission.

16 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE TYPES**
17 **AND CUSTOMER BASE SERVED BY HIU.**

18 **A.** HIU is a public utility providing water storage and distribution services as well as
19 wastewater collection and treatment services. HIU is a National Association of
20 Regulatory Utility Commissioners (“NARUC”) Class B water and wastewater utility
21 according to water and sewer revenues reported on its application for the test year ending
22 December 31, 2015 (“Test Year”).

1 According to HIU’s application for the Test Year, water distribution services were
2 provided to 468 residential, irrigation, and commercial customers, and wastewater
3 collection and treatment services were provided to 442 residential and 6 commercial
4 customers. All of HIU’s customers are on Harbor Island in Beaufort County.

5 HIU currently provides adequate water distribution services to its residential,
6 irrigation, and commercial customers. The water is purchased from Beaufort-Jasper
7 Water and Sewer Authority via Fripp Island Public Service District (“FIPSD”) through an
8 interconnection meter located on Harbor Island. Potable water and irrigation
9 consumption is metered to all customers. The Company provides adequate wastewater
10 collection and treatment for its customers on Harbor Island. Effluent is pumped to a
11 holding pond on Fripp Island and additional treatment is provided by the FIPSD. The
12 final wastewater effluent is discharged to Ocean Point Golf Course on Fripp Island under
13 a no discharge permit.

14 **Q. DID ORS REVIEW THE REVISED OPERATIONS AND MAINTENANCE**
15 **CONTRACT ENTERED INTO WITH THE BEAUFORT GROUP, LLC?**

16 **A.**Yes. ORS reviewed the revised administrative, operations, maintenance,
17 management and engineering contract between the Company and The Beaufort Group,
18 LLC. ORS finds that the associated increases in expenses charged to the Company are
19 reasonable for the size and complexity of the utility and comparable to management fees
20 paid by similarly sized utilities.

21 **Q. PLEASE EXPLAIN EXHIBIT MPS-1 OF YOUR TESTIMONY.**

22 **A.**Exhibit MPS-1 provides a summary of the Business Office Compliance Review
23 completed by ORS and a summary of the water storage and distribution system as well as

1 the wastewater collection and treatment systems inspected by ORS on October 24, 2016.
2 During the Business Office Compliance Review, ORS reviewed HIU's office records to
3 determine compliance with Commission rules and regulations. ORS found that HIU is in
4 compliance with the Annual Report and Gross Receipts requirements. Required operator
5 logs were being kept at the facility and general housekeeping items including system
6 entry points, access roads and signage were found to be satisfactory during the review.

7 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE TEST YEAR**
8 **REVENUES OF HIU?**

9 **A.** Yes. ORS completed a comprehensive review of HIU's customer water and
10 wastewater revenue calculations for the Test Year. Based on that review, ORS made
11 revenue adjustments totaling (\$4,655) to normalize customer billing. These adjustments
12 are shown on Audit Exhibit ALB-1, sponsored by ORS witness Aisha Butler, and
13 discussed below. The difference in the operating revenue computed by ORS and the
14 operating revenue contained in HIU's application is largely attributed to two adjustments:
15 1) Three premises were damaged during Hurricane Matthew in 2016 and the lots are now
16 uninhabitable; and 2) ORS made an adjustment to eliminate revenue for the Safe
17 Drinking Water Act.

18 **Q. EXPLAIN THE TEST YEAR REVENUE INFORMATION COMPUTED BY ORS**
19 **FOR HIU.**

20 **A.** Exhibit MPS-2 summarizes HIU's service revenues for the Test Year. ORS used
21 consumption data provided by HIU and verified during the audit. In addition, ORS used
22 HIU's current and proposed rates as reflected in the application for these calculations. In
23 summary, ORS calculated HIU's Test Year service revenue for water operations, as

1 adjusted, of \$209,934. ORS calculated HIU's Test Year service revenue for wastewater
2 operations, as adjusted, of \$200,612. ORS calculated Test Year revenues for combined
3 operations, as adjusted, of \$410,546. For comparison purposes, ORS calculated HIU's
4 proposed water service revenues, as adjusted, of \$368,352. ORS calculated HIU's
5 proposed wastewater service revenues, as adjusted, of \$336,315. At HIU's proposed
6 rates, combined operations revenue, as adjusted, would total \$704,667. ORS did not
7 factor customer growth into these revenue comparisons. As shown in Exhibit MPS-3, the
8 projected growth for HIU is approximately 0.33%.

9 **Q. PLEASE EXPLAIN EXHIBIT MPS-4 OF YOUR TESTIMONY.**

10 **A.** Exhibit MPS-4 is a summary of the current Commission approved rates for HIU
11 and HIU's proposed rates.

12 **Q. DOES ORS FIND THE COMPANY'S REQUEST TO INCREASE ITS**
13 **NOTIFICATION FEE FOR DELINQUENT WATER AND SEWER CUSTOMERS**
14 **REASONABLE?**

15 **A.** Yes. As justification for the request to increase the notification fee, HIU
16 demonstrated the notification fee assesses the customer the clerical and mailing costs
17 related to issuing the required notices. ORS considers the increase from \$10 to \$15 for
18 water and sewer services to be reasonable and comparable to other similarly sized
19 utilities.

20 **Q. DOES ORS SUPPORT HIU'S PROPOSED MODIFICATION TO ITS TARIFF**
21 **LANGUAGE REGARDING TERMS AND CONDITIONS RELATED TO**
22 **ADMINISTRATIVE FEES?**

1 A. Yes. ORS supports HIU's proposed modification of terms and conditions listed
2 in its proposed tariff for the authority to recover administrative and legal fees. Specific
3 changes can be found on Exhibit MPS-4 and include:

4 Returned Check Charge (NSF) – All returned check accounts shall be assessed the
5 NSF fee allowed by S.C. Code Ann. Section 34-11-70(A)(3) (Supp. 2005).

6 Late Fees – Any unpaid balance within thirty (30) days of the billing cycle shall
7 be assessed a late charge of one and one-half percent (1½%) of the unpaid
8 balance.

9 Reconnection Fee – The Company is proposing to reduce the reconnection fee for
10 water customers from \$50 to \$40. The reconnection fee for sewer customers
11 without an elder valve will be \$500, and for sewer customers who were
12 disconnected and an elder valve was previously installed the Company is
13 proposing that reconnection fee to be reduced from \$50 to \$40. Specific tariff
14 language can be found at Exhibit MPS-4.

15 **Q. PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR HIU.**

16 A. The purpose of a utility's performance bond is to provide sufficient financial
17 assurance to both the customer and the Commission in the event that the utility fails to
18 provide safe and adequate service. Pursuant to S.C. Code Ann. Section 58-5-720 (Supp.
19 2005) 26 S.C. Code Regs. 103-512.3.1 and 103-712.3.1, "the amount of bond shall be
20 based on, but not limited to, the total amount of the following categories of expenses for
21 twelve months: Operation and Maintenance Expenses, General and Administrative
22 Expenses, Taxes Other Than Income Taxes, Income Taxes, and Debt Service including

1 Interest Expenses.” The Commission’s regulations state that the bond amounts must
2 range from an amount not less than \$100,000 and not more than \$350,000.

3 HIU has a current performance bond filed with the Commission for water and
4 wastewater operations which use a Personal Financial Statement as surety in the amount
5 of \$215,000 for water and \$145,000 for wastewater. ORS respectfully requests that the
6 Commission increase the HIU performance bond requirements for water and wastewater
7 operations to \$225,000 and \$245,000, respectively, as it is in the public interest for HIU
8 to obtain a bond that satisfies the criteria as set forth in S.C. Code Ann. Section 58-5-720
9 (Supp. 2005). Specifics as to the bond value components can be found at Exhibit MPS-5.

10 **Q. ON WHAT BASIS DOES ORS MAKE DEPRECIABLE SERVICE LIFE**
11 **RECOMMENDATIONS?**

12 **A.** ORS recommendations are based on the conclusions outlined in the Florida Public
13 Service Commission Water and Wastewater System Regulatory Law as recommended by
14 the NARUC staff. ORS’s approach and conclusions made concerning depreciation are
15 consistent with the Public Utility Depreciation Practices manual as published by NARUC
16 in 1996. Adjustments to service lives were made by ORS due to the specific conditions
17 associated with HIU’s coastal location and are reflected on Audit Exhibit ALB-5.

18 **Q. PLEASE ADDRESS THE COMPANY’S REQUEST TO RECOVER COSTS**
19 **ASSOCIATED WITH HURRICANE MATTHEW IN 2016.**

20 **A.** In Mr. Bob Gross’ testimony, the Company requests the ability to recover
21 expenses incurred during Hurricane Matthew in 2016. ORS believes the proper manner in
22 which to recover these out-of-test period costs is the establishment of a regulatory asset
23 via an accounting order to defer the expenses associated with service restoration. The

1 Company's request will not involve a change to any of the retail rates or prices at this
2 time. In addition, the issuance of an accounting order will not prejudice the right of any
3 party to address the reasonableness of these deferred costs in the next general rate case
4 proceeding. ORS recommends that any deferral of these expenses exclude carrying costs.

5 **Q. WHAT OPERATING MARGIN DOES ORS RECOMMEND FOR HIU IN THIS**
6 **RATE CASE?**

7 **A.** Using ORS's proposed adjustments for the Test Year, the Operating Margin
8 computed by ORS for the Company is -23.13%. HIU's proposed increase, with ORS
9 proposed adjustments, would generate an operating margin of 17.57%. ORS recommends
10 an operating margin range of 10 – 15% which will provide a prudent balance between the
11 consumer's need for affordable, quality services and HIU's financial health. It is the
12 position of ORS that this operating margin range, as recommended, is fair and reasonable
13 and balances the overall public interest.

14 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

15 **A.** Yes it does.



ORS BUSINESS OFFICE COMPLIANCE REVIEW: Water/Sewer Company

Utility: Harbor Island Utilities, Inc.
Inspector: Matthew Schellinger, Willie Morgan
Office: 12 Fairfield Road, Suite 1-B, Ladys Island, SC
Utility Type: Water/Sewer
Date: October 24, 2016
Company Representative: Bob Gross & Claudia McKeown

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R.103-510 and R. 103-710.	X		
2	Complaint records maintained in accordance with R.103-516 and R. 103-716.	X		Reviewed the complaint log in office as well as utilities response to complaints.
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530 and R.103-730.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530 and R. 103-730.	X		
5	Deposits charged within the limits established by R.103-531 and R. 103-731.	X		
6	Timely and accurate bills being rendered to customers in accordance with R.103-532 and R.103-732.	X		Customer bills are issued immediately following the reading of their meter.
7	Bill forms in accordance with R.103-532 and R.103-732.	X		
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535 and 103-735.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C and 103-714-C.	X		

Exhibit MPS-1

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, and emergencies during non-office hours.	X		
15	Utility verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the utility has at present time.			Water – 468 Sewer – 448
17	Utility has a current performance bond on file with the Commission. Amount of bond:	X		\$215,000 for water service and \$145,000 for sewer service
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		



ORS WATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected: October 24, 2016
Inspector Name: Matthew Schellinger and Willie Morgan
Docket Number: 2016-29-WS
Utility Name: Harbor Island Utilities, Inc.
Utility Representative: Robert Gross
Number of Customers: 450 residential, 9 irrigation, 8 commercial, 1 WWTF
System Type (distribution, well, etc): Storage and Distribution
Location of System: Harbor Island
Location of Utility Office: Ladys Island
Treatment Type: None
Permit #: 0750013
Last SC DHEC Compliance Rating: Needs Improvement
Frequency checked by Operator: Daily
Wastewater Provider: Harbor Island Utilities, Inc.

	System Components Inspected	Specific Type	#	P S I	Capacity	Compliance			Comments
						Yes	No	N/A	
1	Well Sites		0					N/A	
2	Pump Houses		0					N/A	1 service pump, 2 fire pumps
3	Storage Tank	Pressurized	0					N/A	
3a	Storage Tank	Non-Pressurized	1		350k	X			ground level
3b	Storage Tank	Overhead	0					N/A	
4	Chlorinator		0					N/A	
5	Other Chemicals in use		0					N/A	
6	Meters		468			X			
7	Hydrants		36			X			
8	Electrical Wiring acceptable					X			
9	Piping acceptable					X			
10	System free of leaks					X			
11	Access road adequate					X			
12	Ability for service area to expand					X			

Additional Comments: Company has new backup generator available on site.



ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected: October 24, 2016
Inspector Name: Matthew Schellinger and Willie Morgan
Docket Number: 2016-29-WS
Utility Name: Harbor Island Utilities, Inc.
Utility Representative: Robert Gross
Number of Customers: 442 residential, 6 commercial
System Type (collection, force main, lagoon, etc): Collection, force main, treatment in tanks
Location of System: Harbor Island
Location of Utility Office: Ladys Island
Treatment Type: Tertiary Treatment
Permit #: ND0088013
Last SC DHEC Compliance Rating: Non-Compliance
Frequency checked by WWTF Operator: Daily
Drinking Water Provider: Harbor Island Utilities, Inc.

	System Components Inspected	Compliance			Comments
		Yes	No	N/A	
1	Chlorinator	X			
2	Other chemicals in use			N/A	
3	Aerators present			N/A	2 Blowers used instead of aerators
4	Plant fenced and locked	X			
5	Warning Signs Visible	X			
6	Fence in good condition	X			
7	Dikes in good condition			N/A	
8	Odor non-existent or limited	X			
9	Grass mowed	X			
10	Duckweed/Algae acceptable	X			
11	Grease build-up acceptable	X			
12	Plant free of debris	X			
13	Effluent Color acceptable	X			Discharge to holding pond on Fripp Island
14	Lift Stations present	X			8 lift stations
15	Failure Warning System adequate	X			
16	Electric Wiring adequate	X			
17	System free of leaks	X			
18	System free of overflows	X			
19	Access road adequate	X			
20	Ability for service area to expand	X			

Additional Comments: Effluent discharged to Fripp Island golf course through Fripp Island Public Service District. Company has backup generator on site and available for use.

Harbor Island Utilities, Inc.
Docket No. 2016-29-WS
Revenue Impact Analysis

Calculated HIU Test Year Revenue Overview

Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues
Revenue Overview for Period January 1 to December 31, 2015 Rates approved by PSC					
WATER					
Water Service					
3/4" Residential Water			391	\$17.24	\$80,890
3/4" Multiple Residence			58	\$17.24	\$11,999
1" Residential Water			1	\$21.00	\$252
Residential Usage	20,703,080	\$4.62			\$95,648 (1)
3/4" Commercial Water			5	\$24.00	\$1,440
1" Commercial Water			2	\$27.00	\$648
1 1/2" Commercial Water			1	\$33.00	\$396
Commercial Usage	2,734,320	\$4.62			\$12,633 (2)
3/4" Irrigation			4	\$17.24	\$828
1" Irrigation			3	\$21.00	\$756
1 1/2" Irrigation			2	\$26.50	\$636
Irrigation Usage	637,650	\$4.62			\$2,946
Hydrant Usage Charge	0	\$4.17	2	\$65.00	\$130
General					
Set-Up Fee for New Customers			29	\$12.50	\$363 (3)
Delinquent Accounts			3	\$5.00	\$15 (3)
Late Fees (1.5%)					\$329 (3)
Returned Check Fee			2	\$12.50	\$25 (3)
Water Service Total	24,075,050				\$209,934
SEWER					
Sewer Service					
Residential Sewer			442	\$37.18	\$197,203
Commercial Sewer (Up to 10,500 gallons)			6	\$37.18	\$2,677
General					
Set-Up Fee for New Customers			29	\$12.50	\$363 (3)
Delinquent Accounts			3	\$5.00	\$15 (3)
Late Fees (1.5%)					\$329 (3)
Returned Check Fee			2	\$12.50	\$25 (3)
Sewer Service Total	24,075,050				\$200,612
Water and Sewer Service Total					\$410,546

Calculation Assumptions:

Note: Consumption and Units reflected as reported during test year. Growth factor not included for comparison purposes.

(1) Residential Usage includes 3/4", 1", Water Used During Construction, and Closeout - Final Bills

(2) Commercial Usage includes 3/4", 1", 1 1/2", and Treatment Plant Water Usage

(3) Setup Fees (\$25), Delinquent Accounts (\$10), Late Fees (Test Year), and Returned Check Fees (\$25) split 50/50 between Water and Sewer Service

Harbor Island Utilities, Inc.
Docket No. 2016-29-W5
Revenue Impact Analysis

Calculated HIU Revenue - Proposed Increase

Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues	Increase Amount	% Increase
Revenue Overview for Period January 1 to December 31, 2015 @ Proposed Rates							
Water Service							
3/4" Residential Water			391	\$35.61	\$167,082	\$86,192	106.55%
3/4" Multiple Residence			58	\$27.09	\$18,855	\$6,856	57.14%
1" Residential Water			1	\$39.37	\$472	\$220	87.30%
Residential Usage	20,703,080	\$7.17			\$148,441	\$52,793	55.20%
3/4" Commercial Water			5	\$42.37	\$2,542	\$1,102	76.53%
1" Commercial Water			2	\$45.37	\$1,089	\$441	68.06%
1 1/2" Commercial Water			1	\$51.37	\$616	\$220	55.56%
Commercial Usage	2,734,320	\$7.17			\$19,605	\$6,972	55.19%
3/4" Irrigation			4	\$35.61	\$1,709	\$881	106.40%
1" Irrigation			3	\$39.37	\$1,417	\$661	87.43%
1 1/2" Irrigation			2	\$44.87	\$1,077	\$441	69.34%
Irrigation Usage	637,650	\$7.17			\$4,572	\$1,626	55.19%
Hydrant Usage Charge	0	\$7.17	2	\$65.00	\$130	\$0	0.00%
General							
Set-Up Fee for New Customers			29	\$12.50	\$363	\$0	0.00%
Delinquent Accounts			3	\$7.50	\$23	\$8	53.33%
Late Fees (1.5%)					\$329	\$0	0.00%
Returned Check Fee			2	\$15.00	\$30	\$5	20.00%
Water Service Total	24,075,050				\$368,352	\$158,418	75.46%
Sewer Service							
Residential Sewer			442	\$62.42	\$331,076	\$133,873	67.89%
Commercial Sewer (Up to 10,500 gallons)			6	\$62.42	\$4,494	\$1,817	67.87%
General							
Set-Up Fee for New Customers			29	\$12.50	\$363	\$0	0.00%
Delinquent Accounts			3	\$7.50	\$23	\$8	53.33%
Late Fees (1.5%)					\$329	\$0	0.00%
Returned Check Fee			2	\$15.00	\$30	\$5	20.00%
Sewer Service Total					\$336,315	\$135,703	67.64%
Water and Sewer Service Total	24,075,050				\$704,667	\$294,121	71.64%

Calculation Assumptions:

Note: Consumption and Units reflected as reported during test year. Growth factor not included for comparison purposes.

[1] Residential Usage includes 3/4", 1", Water Used During Construction, and Closeout - Final Bills

[2] Commercial Usage includes 3/4", 1", 1 1/2", and Treatment Plant Water Usage

[3] Setup Fees (\$25), Delinquent Accounts (\$10), Late Fees (Test Year), and Returned Check Fees (\$25) split 50/50 between Water and Sewer Service

**Harbor Island Utility, Inc.
Docket No. 2016-29-WS
Customer Growth Analysis**

Exhibit MPS-3

Date	Water Customers	Sewer Customers	Total Customers
1/1/2015	466	449	915
12/31/2015	470	451	921
Average	468	450	918

Growth Factor for Water

Date	# of Customers	
12/31/2015	470	
Average	468	
Growth Factor	0.0042735	0.42735%

Growth Factor for Wastewater

Date	# of Customers	
12/31/2015	451	
Average	450	
Growth Factor	0.0022222	0.22222%

Growth Factor for Combined Operations

Date	# of Customers	
12/31/2015	921	
Average	918	
Growth Factor	0.0032680	0.32680%

**Harbor Island Utilities, Inc.
Docket No. 2016-29-WS
Rates Overview**

Exhibit MPS-4

SCHEDULE OF CURRENT AND PROPOSED RATES AND CHARGES

Water

1. Charges

WATER		
	CURRENT RATE	PROPOSED NEW RATE
Residential ¾" meter (base)	\$17.24/month	\$35.61/month
Multiple Residence Meters (base)	\$17.24/month	\$27.09/month
Residential 1" meter (base)	\$21.00/month	\$39.37/month
Residential 1½" meter (base)	\$26.50/month	\$44.87/month
Usage	\$4.62/1,000 gallons	\$7.17/1,000 gallons
Commercial ¾" meter (base)	\$24.00/month	\$42.37/month
Commercial 1" meter (base)	\$27.00/month	\$45.37/month
Commercial 1½" meter (base)	\$33.00/month	\$51.37/month
Usage	\$4.62/1,000 gallons	\$7.17/1,000 gallons
Irrigation ¾" meter (base)	\$17.24/month	\$35.61/month
Irrigation 1" meter (base)	\$21.00/month	\$39.37/month
Irrigation 1½" meter (base)	\$26.50/month	\$44.87/month
Usage	\$4.62/1,000 gallons	\$7.17/1,000 gallons
FIRE HYDRANT USAGE		
Meter Usage Charge	\$65.00	\$65.00
Water Deposit	\$75.00	\$75.00
Usage	\$4.17/1,000 gallons	\$7.17/1,000 gallons

2. Nonrecurring Charges

A. Existing Water Tap-In Fee

Residential Meter

¾" water meter	\$ 1,200.00
1" water meter	\$ 1,600.00
1 1/2" water meter	\$ 1,800.00
2" water meter	\$ 2,700.00

Multiple Residence Meter

1"-2" meter	\$1,200 /unit
Greater than 2" meter	\$ 600.00

B. Proposed Water Tap-In Fee (New Connections Only)

Actual cost of installing a water tap at the property.

Harbor Island Utilities, Inc.
Docket No. 2016-29-WS
Rates Overview

Exhibit MPS-4

3. Administrative and Legal Fees

A. Administrative Set-up Fee:

Current:

New Customers Only

\$25.00

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

B. Delinquent Notification Fee:

Current:

A fee of ten dollars (\$10.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-735.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

Proposed:

A fee of fifteen dollars (\$15.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-735.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

C. Returned Check Charge (NSF): Company may charge an NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

D. Late Penalty Charge: Company may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

E. Reconnection Charges: Customers who ask to be reconnected within nine months of disconnection shall be charged the monthly charge for the service period they were disconnected. The reconnection fee also shall be due prior to reconnection if water or sewer service has been disconnected at the request of the customer. In the case where a customer's water service has been disconnected for any reason as set forth in Commission Rule R. 103-732.5 a reconnection fee in the amount of \$40.00 shall be due at the time the customer requests reconnection of service.

4. Billing Cycle: Recurring charges will be billed every month in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Wholesale Water Increases Pass Through

Company may pass through increases in wholesale water rates from Beaufort-Jasper Water & Sewer Authority to customers after giving them at least 30 days' notice and also providing notice and proof of the increase to the Public Service Commission of South Carolina.

**Harbor Island Utilities, Inc.
Docket No. 2016-29-WS
Rates Overview**

Exhibit MPS-4

Sewer

1. Charges

SEWER		
	CURRENT RATE	PROPOSED NEW RATE
Residential	\$37.18/month	\$62.42/month
Commercial	\$37.18 for 10,500 gallons plus \$1.50/1,000 excess usage	\$62.42 for 10,500 gallons plus \$1.50/1,000 excess usage

2. Flat Rate:

Commercial customers should be charged a sewer rate in proportion to residential rates using the contributory loading schedule for wastewater load allocation. With a residential load allocation of 300 gpd, commercial rates should be:

<u>Customer Type</u>	<u>Load Allocation</u>	<u>Factor</u>
Residential	300 gpd	1.0
Country Clubs	50 gpd/member	1.0
Restaurants	30 gpd/seat	0.1 x number of seats
Retail	200 gpd/1,000 ft ²	0.67 x no, 1,000 ft ²
Office	25 gpd/employee	0.083 x no. employees

3. Nonrecurring Charges

A. Sewer Tap-In Fee

Residential	\$ 500.00
Commercial	\$ 850.00

Sewer Tap (New Connections Only)

Actual cost of installing a sewer tap at the property.

B. Capacity Fees

If sewer service does not exist at a property and service for that property has not been reserved in the sewer system, the Utility may charge a Sewer Capacity Fee in addition to the Sewer Tap Fee. That Sewer Capacity Fee will be the same as the Sewer Capacity Fee charged by BJWSA. That rate currently is:

One sewer Residential Equivalent Unit (REU) = 300 gallons per day (GPD)

Wastewater Capacity Fee: \$9.20/GPD

Fee for one sewer REU: \$2,760 (\$9.20 X 300 GPD)

4. Administrative and Legal Fees

A. Administrative Set-up Fee:

Current:

New Customers Only

\$25.00

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

Harbor Island Utilities, Inc.
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Rates Overview

Exhibit MPS-4

B. Delinquent Notification Fee:

Current:

A fee of ten dollars (\$10.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

Proposed:

A fee of fifteen dollars (\$15.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

C. Returned Check Charge (NSF): Company may charge an NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

D. Late Penalty Charge: Company may charge a late-payment penalty up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

E. Reconnection Charges: Customers who ask to be reconnected within nine months of disconnection shall be charged the monthly charge for the service period they were disconnected. The reconnection fee also shall be due prior to reconnection if water or sewer service has been disconnected at the request of the customer. In the case where a customer's sewer service has been disconnected for any reason as set forth in Commission Rule R. 103-532.4 a reconnection fee in the amount of \$500.00 shall be due at the time the customer requests reconnection of service. Where an elder valve or equivalent device has been previously installed, a reconnection fee of \$40.00 shall be charged.

5. Billing Cycle: Recurring charges will be billed every month in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

Harbor Island Utility, Inc.
Docket No. 2016-29-WS
Performance Bond Requirement

Exhibit MPS-5

Bond Value Components	Water		
	Per Revised Application	After Proposed Accounting & Pro Forma Adjustments	After Proposed Increase
Administrative	\$44,615	\$44,427	\$44,427
Operation & Maintenance	\$82,202	\$85,875	\$85,875
Cost of Water	\$82,249	\$83,590	\$83,590
Rate Case Expenses	\$0	\$1,259	\$1,259
Taxes Other Than Income	\$1,918	\$1,763	\$3,093
State & Federal Income Tax	\$0	\$0	\$49,445
Interest Expense	\$11,703	\$4,104	\$4,104
Bond Value Requirement	\$222,687	\$221,018	\$271,793
Bond Value Components	Wastewater		
	Per Revised Application	After Proposed Accounting & Pro	After Proposed Increase
Administrative	\$22,795	\$23,629	\$23,629
Operation & Maintenance	\$188,350	\$209,105	\$209,105
Cost of Water	\$0	\$0	\$0
Rate Case Expenses	\$0	\$1,260	\$1,260
Taxes Other Than Income	\$1,918	\$1,685	\$2,825
State & Federal Income Tax	\$0	\$0	\$23,919
Interest Expense	\$11,703	\$7,664	\$7,664
Bond Value Requirement	\$224,766	\$243,343	\$268,402
Bond Value Components	Combined Operations		
	Per Revised Application	After Proposed Accounting & Pro	After Proposed Increase
Administrative	\$67,410	\$68,056	\$68,056
Operation & Maintenance	\$270,552	\$294,980	\$294,980
Cost of Water	\$82,249	\$83,590	\$83,590
Rate Case Expenses	\$0	\$2,519	\$2,519
Taxes Other Than Income	\$3,836	\$3,448	\$5,918
State & Federal Income Tax	\$0	\$0	\$73,364
Interest Expense	\$23,406	\$11,768	\$11,768
Bond Value Requirement	\$447,453	\$464,361	\$540,195

Current Performance Bond Structure (1)	Bond Value	Expiration Date
Personal financial Statement (Robert Gross)	\$360,000	2/16/2017
Total Financial Assurance	\$360,000	

(1) Personal Financial Statement secures performance bond of \$215,000 for water operations and \$145,000 for wastewater operations