BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2005-13-W/S - ORDER NO. _____

FEBRUARY 5, 2007

IN RE: Application of Wyboo Plantation Utilities, Inc. ("Wyboo") for an Increase in Water and/or Sewer Rates and Charges.	)))	**PROPOSED** ORDER OF WYBOO PLANTATION UTILITES, INC.

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (hereinafter the "Commission") by way of an Application of Wyboo Plantation Utilities, Inc. (hereinafter "Wyboo" or the "Company"), filed on August 17, 2006, seeking approval of a new schedule of rates and charges for water and sewer service that Wyboo provides to its customers within its authorized service area in Manning, South Carolina. The Application was filed pursuant to S. C. Code Ann. Sections 58-5-210 et. seq. (1976, as amended), and 26 S.C. Ann. Regs. 103-512 and 712 (As amended).

Jocelyn G. Boyd, Esquire was appointed by the Commission and the Hearing Officer in this docket.

By letter, the Commission's Executive Director instructed Wyboo to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by Wyboo's Application. The Notice of Filing indicated the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings. In the same letter, the

Executive Director also instructed Wyboo to notify directly, by U. S. Mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing. Wyboo furnished the Commission with an Affidavit of Publication demonstrating that the Notice of Filing had been duly published and with a letter in which Wyboo certified that it had complied with the instructions of the Executive Director to mail a copy of the Notice of Filing to all customers affected by the Application. In response to the Notice of Filing, Petitions to Intervene were filed on behalf of the Wyboo Plantation Owners Association, Incorporated ("WPOA"), and the Villas of Wyboo Owners Association, Incorporated ("Villas"). The South Carolina Office of Regulatory Staff ("ORS") was a party pursuant to statute.

On October 30, 2006, a public night hearing was held in Manning, South Carolina in the Clarendon County Courthouse. All Commissioners were present at the night hearing. Also present at the hearing were many customers of Wyboo who were heard to express their positions in response to Wyboo's Application.

On January 22, 23 and 24, 2007, a public hearing concerning the matters asserted in Wyboo's Application was held in the Commission's hearing room located at Synergy Business Park, 101 Executive Center Drive – Saluda Building, Columbia, South Carolina. During the proceedings, Wyboo was represented by John F. Beach, Esquire. Intervenor Wyboo Plantation Owners Association, Incorporated was represented by Charles H. Cook, Esquire and Scott A. Elliott, Esquire. Intervenor Villas of Wyboo Owners Association, Incorporated was represented by Robert E. Tyson, Jr., Esquire. The Office of Regulatory Staff ("ORS") was represented by C. Lessie Hammonds, Esquire and Wendy Cartledge, Esquire.

The Commission first heard statements from public witnesses James McBride and Jame Stites. Wyboo presented the direct testimony of Mr. Mark Wrigley, the testimony of Christina L. Seale, who also testified as to the revised direct testimony she had prefiled on behalf of ORS, the testimony of Mr. Willie Morgan, who also testified as to the revised direct testimony he had prefiled on behalf of ORS, ORS employee Douglas Carlisle, the Rebuttal Testimony of Mr. Wrigley, and Mr. Wrigley's additional testimony specifically addressing the prudency of Wyboo's affiliated transactions. WPOA presented the testimony of Mr. Dwight Samuels, Mr. Daniel McDonald and Mr. Leo Gallagher. ORS presented the rebuttal testimony of Mr. Willie Morgan, and the direct testimony of Mr. Robert Sternberg.

In considering the Application of Wyboo, the Commission must consider competing interests. The interests of the consumers in receiving quality service and a quality product at a reasonable rate compete with the interests of the provider in having the opportunity to earn a fair rate of return. Public Utilities are permitted to establish rates that, at a minimum, will cover their revenue requirements. These rates must be "just and reasonable," with no "undue" discrimination. Charles F. Phillips, Jr., *The Regulation of Public Utilities,* (1993) at 172.

Moreover, in ruling upon this application, the Commission is mindful of the South Carolina legislature's recent codification of the definition of "Public Interest," which means a balancing of the following:

(1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customers;

(2) economic development and job attraction and retention in South Carolina; and

(3) preservation of the financial integrity of the state's public utilities and continued investement in and maintenance of utility facilitities so as to provide reliable and high quality utility services.

S.C. Code Ann., Section 58-4-10.

Thus, in considering the Application of Wyboo, the Commission must give due consideration to Wyboo's total revenue requirements, comprised of allowable operating costs and the opportunity to earn a fair return. To this end, the Commission will review the operating revenues and operating expenses of Wyboo and will endeavor to establish adequate and reasonable levels of revenues and expenses. Further, the Commission will consider a fair return for Wyboo, based upon the record before it. Should the Commission's determination show that rates should be increased, the Commission will then design rates that will meet the revenue requirements of Wyboo, but that are also just and reasonable and free of undue discrimination.

II. FINDINGS OF FACT

1. Wyboo is a water and sewer utility providing water and sewer service in its assigned service area within South Carolina, and its operations in South Carolina are subject to the jurisdiction of the Commission, pursuant to S. C. Code Ann. Section 58-5-10 et seq. (1976, as amended).

2. The appropriate test year period for the purposes of this proceeding is the twelve-month period ending December 31, 2005.

3. The Commission will use the operating margin as a guide in determining the lawfulness of the Company's rates and in the fixing of just and reasonable rates.

4. The appropriate operating revenues for Wyboo for the test year, under present rates and after accounting and pro forma adjustments, and after returns and allowances, are $181,366.

5. The appropriate operating expenses for Wyboo for the test year, under present rates and after accounting and pro forma adjustments and adjustments for known and measurable out-of-test year occurrences, are $385,622.

6. By its Application, Wyboo is seeking an increase in its rates and charges for water and sewer services which results in $577,770 of additional revenues to Wyboo.

7. The operating margin for the test year under present rates and after accounting and pro forma adjustments approved herein is negative 141.25.77% (Calculation set forth on **Exhibit 1**).

8. Based on the operating margin for the test year after accounting and pro forma adjustments, we find that Wyboo has demonstrated the need for an increase in rates.

9. When applied to as adjusted test year operations, the rates requested and proposed by Wyboo result in an operating margin of 30.81% (Calculation set forth on **Exhibit 2**).

10. The Commission finds that an operating margin of 30.81% is unjust and unreasonable as producing excessive revenues. The Commission finds and concludes that a fair operating margin that the Company should have an opportunity to earn is 13.14%.

11. The level of operating revenues, after returns and allowances, required in order for Wyboo to have an opportunity to earn a 13.14% operating margin is found to be $515,500 (Calculation set forth on **Exhibit 3**).

12. Wyboo has asked the Commission to approve several new nonrecurring and miscellaneous charges. We find that the following nonrecurring charges are fair and reasonable:

Water

1.	Connection Fee ¾" Meter (New Customer)	$825.00 per SFE
	1" Meter (New Customer)	$965.00 per SFE
	2" Meter (New Customer)	$1,145.00 per SFE
2.	Plant Impact Fee	$500 per SFE
3.	Disconnect/Re-connection Fee	$50 per SFE

Sewer

1.	Sewer Service Connection (new customer)	$825.00 per SFE
2.	Plant Impact Fee (new customer)	$500 per SFE
3.	Disconnection/Re-connection Fee	$250.00 per Connection

Water and Sewer

1.	Notification Fee (notice prior to disconnection)	$4.00
2.	Customer Account Set-up Charge (new customer)	$13.50

III. EVIDENCE TO JUSTIFY FINDINGS OF FACT

In this section, the Commission sets forth the evidence relied upon in making its Findings of Fact as set forth in Section II of this Order. As a threshold matter, the Commission notes that

Wyboo, in presenting its case, called ORS witnesses Christina Seale and Willie Morgan, and ORS employee Douglas Carlisle. The revenue and expenses aspects of Wyboo's rate application rest in large part upon the testimony of these ORS witnesses. The Commission notes that while Wyboo's decision to establish a large part of its case in this manner is unusual, Wyboo's accounting witness passed away just before this case was scheduled to be heard in December. Since the Office of Regulatory Staff, pursuant to its statutory duties, had conducted an audit or Wyboo's rate filing, the Commission finds that Wyboo's decision to call these witnesses as part of its case was an adequate way to present its rate case to the Commission under the circumstances. Since Wyboo presented these ORS witnesses, and their prefiled revised direct testimony and exhibits without objection from ORS, the Commission will refer to the matters set forth in that revised direct testimony as "the ORS position" or "the ORS adjustment" for shorthand purposes and for the sake of clarity.

1. EVIDENCE FOR FINDING OF FACT NO. 1

The evidence supporting this finding concerning the Company's business and legal status is contained in the Application filed by Wyboo, in the testimony of Wyboo witness Wrigley, and in prior Commission Orders in the docket files of the Commission, of which the Commission takes judicial notice. By the Application, Wyboo admits that it is a public utility within the meaning of S. C. Code Ann Section 58-5-10(3) (as amended) and that it is providing sewer services to 245 residential and commercial customers and water services to 361 residential and commercial customers at Wyboo Plantation. Wyboo also provides service to 48 customers at Cedar Hills Mobile Home Park and 63 customers at Granada Mobile Home Park in the Sumter

area. This finding of fact is essentially informational, procedural, and jurisdictional in nature, and the matters which it involves are not contested by any party.

2. EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NO. 2

The evidence supporting this finding, that the appropriate test year period for the purposes of this proceeding is the twelve-month period ending December 31, 2005 is contained in the Application filed by Wyboo in the testimony and exhibits of the parties' witnesses.

On August 17, 2006, Wyboo filed its revised Application requesting approval of rate schedules designed to produce an increase in gross revenues. Application of Wyboo, Exhibits 1 and 2. The Company utilized a test year ending December 31, 2005.

The test year is established to provide the basis for making the most accurate forecast of the utility's rate base, reserves, and expenses in the near future when the prescribed rates are in effect. Porter v. South Carolina Public Service Commission, 328 S.C. 222, 493 S.E.2d 92 (1997), citing Hamm v. S.C. Pub. Serv. Comm'n, 309 S.C. 282, 422 S.E.2d 110 (1992).

The Commission concludes that the appropriate test year to use in the instant proceeding is the twelve month period ending December 31, 2005. No party contested the use of that test year as proposed by Wyboo in its Application.

3. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 3

In its Application, Wyboo has proposed an operating margin rate setting methodology. No party opposed the operating margin methodology, or proposed a different rate-setting methodology.

"The Public Service Commission has wide latitude to determine an appropriate rate-setting methodology." Heater of Seabrook v. Public Service Commission of South Carolina, 324 S.C. 56, 64, 478 S.E.2d 826, 830 (1996).

The Commission finds that operating margin is the appropriate rate-setting methodology to use in this case.

4. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 4

Wyboo's Application shows per book test year total operating revenues of $202,689. Application, Exhibit 2. ORS began with the per book test year operating revenues of $202,689, and ORS proposed an adjustment to per book operating revenues to annualize service revenues using year-end customers. (Revised Audit Exhibit CLS-1). ORS's proposed adjustment results in an aggregate decrease to per book operating revenues of ($21,323). We find the adjustment proposed by ORS to be reasonable and adopt the ORS's adjustment. Therefore, we find the appropriate operating revenues for the test year after accounting and pro forma adjustments and after returns and allowances, are $181,366. The Commission reviews each revenue adjustment as follows:

The parties offered certain adjustments affecting operating revenues for the test year. Witnesses Morgan and Seale offered testimony and exhibits detailing adjustments proposed by the parties. See Revised Direct Testimonies of Willie Morgan and Christina Seale. Hearing Exhibit No. _____ (Revised Audit Exhibits CLS-1 and CLS-2).

(A) Water Service

Witness Seale proposed to adjust water revenues to $18,795 to reflect actual customer units. The Company agrees with Ms. Seale's proposal. The Commission finds that Ms. Seale's adjustment should be adopted.

(B) Sewer Service

Witness Seale proposed to adjust sewer revenues to $11,492 to reflect actual customer units. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(C) Water Tap Fees

Witness Seale proposed to remove water tap fees collected that have not been approved by the Commission ($31,545). The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(D) Sewer Tap Fees

Witness Seale proposed remove sewer tap fees collected in the amount of ($7,850). ORS includes these revenues in contributions in aid of construction. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(E) Water Reconnect Fees

Witness Seale proposed to remove fees collected from the customers to reconnect water that have not been approved by the Commission ($1,129). The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(F) DHEC Testing Revenues

Witness Seale proposed to remove from revenue fees collected from the customers for the Safe Drinking Water Fee and passed through to DHEC in the amount of ($9,852). The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(G) Returns and Allowances

Witness Seale proposed to reflect an uncollectible rate of 1.5% to total water and sewer services revenues of $184,128. This would reduce ($1,234) from the expense account. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable, and should be adopted. The Commission also finds that this 1.5% uncollectible rate is appropriate for determining new rates and operating margin

We adopt ORS's calculation for revenues because the ORS's calculation appropriately reflects annualized charges for water and sewer service without any additional miscellaneous charges. ORS's adjustment to annualize the rates recognizes revenues for water and sewer service for a full year under the approved rates. We find that the annualized revenues as calculated by the ORS to be appropriate to use in establishing rates.

5. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 5

Wyboo presented the testimony of Mark Wrigley, Willie Morgan and Christina Seale to establish test year expenses, appropriate accounting and pro forma adjustments, and adjustments for known and measurable out-of-test year occurrences. ORS witness Seale offered testimony and exhibits detailing the results of the ORS rate case audit as they affect test year expenses and such adjustments. See Hearing Exhibit No. __ (Revised Audit Exhibits CLS-1 and CLS-2).

The Commission notes that ORS revised direct testimony establishes Wyboo's proposed accounting and pro forma adjustments for each of the company's test year expenses except for four. Witness Seale testified that, in response to Commission, in Order No. 2006-729, her revised direct testimony reduced to zero four expense items related to three transactions ORS had identified as "affiliated," pending the Commission's determination of whether these transactions were prudent. In this regard, ORS deleted all As Adjusted expenses it proposed in its audit for Salaries and Wages (-$179,858), part of the As Adjusted expenses it proposed in its audit for Office Supplies and Expenses (-$1,254), all As Adjusted expenses it proposed in its audit for Taxes and Licenses (-$14,986 payroll taxes to correspond with $0.00 Salaries and Wages), and as adjusted expenses it proposed in its audit for Rental Expenses (Office and Equipment) (-$24,000).

The Commission finds that the ORS revised direct testimony presents sufficient factual evidence to establish a rate increase for Wyboo, when supplemented by Wyboo's additional record evidence on the existence and prudency of these four expense categories related to the three affiliated transactions.

(H) <u>Salaries and Wages</u>

In her Revised Direct Testimony, witness Seale identified all payroll as affiliated transactions, and proposed to remove all payroll expenses pending the Commission's ruling on prudency. The Commission, in Order No. 2006-729, allowed the Utility to demonstrate the

prudency of its salaries and wages during the course of the hearing. On this, the Utility presented both the testimony of Christina Seale and Mark Wrigley.

Wyboo witnesses Wrigley proposes to annualize salaries based on wage rates in effect beginning May 2006. Wyboo's actual test year salary was $50,488. Witness Wrigley testified that when Wyboo originally filed this rate application in 2005, Wyboo was paying its employees a fraction of what they could earn in other similar positions with other companies. He testified that this created two problems for Wyboo. First, certain employees would not work full time for these below-market wages, and second, those that would work full time were likely to leave for better opportunities at other area businesses. Mr. Wrigley testified that he became concerned that this could create a real problem for Wyboo with employee retention. He testified that retraining new employees to replace old employees is costly, and over time, this would make for a very inefficient and ineffective operation.

Mr. Wrigley testified that under Wyboo's current rates, it could not pay these market-rate salaries, and that Wyboo could not pay these market rate salaries even under *new* rates, if the new rates did not account for these higher salaries in Wyboo's as-adjusted test year financials.

Mr. Wrigley testified that he learned the Commission must base Wyboo's new rates upon the Company's test year financials, but that the Commission could allow adjustments to these financials for "known and measurable" expense increases that occurred after the test year.

So, to resolve this problem, in the Spring of 2006, Wyboo testified that it entered into binding agreements with Wyboo's key employees to increase their salaries towards market rates. Under these agreements, each employee would accept one-half of their new salary in cash and

one-half as an accumulated account payable. Beginning May 1, 2006, Wyboo testified that it implemented these new salaries, which are reflected in **Exhibit 1** in Mr. Wrigley's Testimony.

Mr. Wrigley further testified that of the employees listed in Exhibit 1, Eddie Barrett no longer worked for Wyboo. This resulted in a total salary figure of $$236,137.

Mr. Wrigley testified, and we find, that Wyboo's books reflect the entire salary set forth in Mr. Wrigley's **Exhibit 1**. Wyboo enters these salaries on its books as a full employee expense. 50% is paid out of Wyboo's operating account, and 50% goes to an increasing liability account for each employee.

Mr. Wrigley testified that each employee will receive a W-2 at the end of the year reflecting their entire salary, which includes the cash salary payments, plus the total account payable that has accrued during the year and that each employee should report the entire salary set forth on their W-2, and not just the cash salary payments.

Mr. Wrigley testified that Wyboo has agreed with each of these employees that it will begin to pay their salaries in 100% cash as soon as the rates this Commission approves are set into place, and collections begin. Within six months of that time, Wyboo will begin to pay off each of these employee's account payable on a monthly basis at a rate Wyboo sets based upon its then-current financial position.

Mr. Wrigley testified that, based upon his experience in this industry, these salaries are appropriate for the work each employee performs, and are close to, but probably slightly lower than, the going market for similar employment in Wyboo's geographic area.

Mr. Wrigley testified in detail that he had researched employment records for the State of South Carolina. He found employment positions similar to each of the employees at issue. The State records gave a range of salaries for these positions. Mr. Wrigley found that all of Wyboo's employees were within, but on the lower side, of these ranges.

Mr. Wrigley presented as part of Hearing Exhibit 15, copies of the check stubs for Wyboo's employees for September, 2006. Hearing Exhibit 15 also includes Wyboo's check register for most of 2006. This evidence further substantiates Wyboo's testimony in this regard. Mr. Wrigley also presented as part of Hearing Exhibit 16, the results of the study Mr. Wrigley conducted to confirm the salary ranges for Wyboo's employees.

In ORS's original audit, it proposed an as adjusted salary and wages expense of $179,858. Ms. Seale testified that ORS had arrived at this as adjusted amount by taking Wyboo's employees' most recent hourly rate from Wyboo's September 2006 paychecks, and multiplying it by 2,080 hours. Ms. Seale testified that during ORS audit it had learned information that Wyoo's owner, Environmental Manager, Accounting Manager, and Maintenance Supervisor were considered employees of other companies during the same time they were employed at Wyboo. Because of this, ORS in its audit proposed to disallow 50% of the employee salaries, which resulted in ORS proposed as adjusted expense for Salaries and Wages of $179,858.

The Commission notes that ORS arrived at this audit recommendation *after receiving and reviewing both Hearing Exhibits 15 and 16 from Wyboo.* These documents were actually responses to ORS data requests. Indeed, Ms. Seale testified that she had based ORS's audit

recommendation of $179,858 in salaries and wages upon the actual cancelled checks that were part of Hearing Exhibit 15.

The Commission finds that, while the salary deferral method utilized by Wyboo is not preferred, it was reasonably necessary under Wyboo's current financial circumstances. The Commission also finds that Wyboo has demonstrated the prudency of an as-adjusted salary and wage expense of $236,137.

(I) Maintenance and Repairs:

Witness Seale proposed to remove the truck payments from the Vehicle Lease Account and to capitalize the truck on the depreciation schedule ($5,964); to remove prior period, double-booked and unsupported expenses and credit card payments from the gas account ($3,780); to remove property taxes on the leased office that should have been paid by the lessor from the Tags/Taxes and Service Account ($4,153); to reclassify insurance expenses to the Insurance Account in Adjustment 25 ($2,439); to remove double-booked and unsupported expenses and mortgage and tractor payments from the Plant Equipment Account and to capitalize the tractor on the depreciation schedule ($9,145); to remove double-booked, unsupported and tap-on expenses from the Plant Parts and Supplies Account and to capitalize the tap-on expenses on the depreciation schedule ($3,429); to remove repair expenses on manhole covers from the Plant Parts and Supplies Account ($1,133). This results in as adjusted Maintenance and Repairs expense of $10,940. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustments are reasonable and should be adopted.

(J) Utilities:

Witness Seale proposed to remove mortgage and credit card payments, payments for the leased telephone and unsupported and other non-allowable expenses from the telephone account in the amount of ($3,313). This results in as adjusted Utilities expense of $23,407. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

(K) Office Supplies and Expenses:

ORS's audit set as-adjusted expense for Office Supplies and expenses at $7,311. ORS revised this number down to $6.057, to reduce to zero a $1,254 transaction that ORS has identified as affiliated. As with Salaries and Wages, ORS has made this revision pending the Commission's finding on the prudency of this transaction.

Mr. Wrigley, in demonstrating prudency, testified that while he did not remember the exact items purchased from Staples on the Wrigley & Associates' credit card, Wyboo would only have paid the Wrigley & Associates credit card bill if the items purchased had been for Wyboo's reasonable business purposes.

Mr. Wrigley's testimony, while a bit unspecific, is the only evidence in the record on the prudency of this transaction. It is with the Commission's sole discretion to determine the prudency of Mr. Wrigley's testimony in this regard. There is no requirement that Mr. Wrigley supports his sworn testimony with the actual receipts associated with this purchase.

Indeed, it is worth noting that the Commission, in a November 29, 2006 order, did not place upon Wyboo the burden of showing the existence of the affiliated transactions, only their prudency. Witness Seale has established the transactions and their amounts.

We find that Wyboo has established the existence of the $1,254 Staples transaction through the testimony of witnesses Seale and Wrigley, and has established the prudency of this transaction through the testimony of Mr. Wrigley. The Commission therefore finds that as adjusted Office Supplies and Expenses should be $7,311.

(L) DHEC Testing Expenses:

Witness Seale proposed to remove DHEC recoupment fee from expenses since this is a pass through in the amount of ($12,066). The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

(M) Alarm System:

Witness Seale proposed to remove non-allowable expenses from the Alarm System Account in the amount of ($2,221). This results in as adjusted Alarm System expense of $2,523. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

(N) Contract Services:

Witness Seale proposed to remove water tank expenses from the Contract Services Account ($600) and to capitalize the water tank on the depreciation schedule. This results in as adjusted Contract Services expense of $10,195. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

(O) Insurance:

Witness Seale proposed to reclassify insurance expenses of $2,805 from Adjustment 12 and 20 and to annualize insurance expenses to reflect the most recent insurance policy premiums ($4,385). The new total under the insurance category would be (1,580). This results in as adjusted insurance expense of $6,637. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

(P) Depreciation Expenses:

Witness Seale proposed to annualize depreciation on all plant-in-service in the amount of $20,877. This results in as adjusted Depreciation expense of $32,312. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

(Q) Taxes and Licenses:

Witness Seale testified that ORS had revised Licenses and Taxes from its original audit by reducing it to zero. ORS' initial proposed License and Taxes number consisted solely of payroll taxes resulting from Wyboo's annualized salaries and wages. Since ORS eliminated all Salaries and Wages as an affiliated transaction, this amount was also reduced to zero.

Since we have previously ruled that Wyboo's as-adjusted salaries and wages should be $236,137, we likewise find that corresponding licenses and taxes should be $19,675, which is 8.332% of total Salaries and Wages.

(R) Gross Receipts Taxes:

Witness Seale proposed to reclassify the gross receipts tax expenses from Adjustment 18 in the amount of $1,642 and to adjust the gross receipts taxes associated with the revenues after the accounting and pro forma adjustments of $430, for a total as adjusted expense of $2,072 in this category. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

(S) Rate Case Expenses:

Witness Seale proposed to amortize rate case expenses of $41,651 over a four-year period of $10,413. The Company presented evidence at the hearing that Wyboo's total rate case expenses have now risen to $120,607. The Commission finds that rate case expenses should reasonably be as follows: _____

Rental Expenses (Office and Equipment):

Witness Seale testified that while ORS's audit had placed the as-adjusted value for this expense at $24,000, she had decreased it in her revised testimony down to $0.00, because ORS had identified the Company's office and office equipment rental contract to be an affiliated transaction.

The record in this proceeding establishes that Mark Wrigley owns the building located at 19 Broad Street, where Wyboo maintains its offices. Mr. Wrigley's testimony establishes that he decided to locate Wyboo's offices in Sumter, as that location was relatively convenient to both Wyboo customers at Cedar Hills and Granada, which is located approximately 20 minutes on the western side of Sumter, and the Wyboo Plantation area, which is located approximately 30

minutes on the southeastern side of Sumter. The Commission finds that the Company's decision was reasonable and prudent from a business perspective.

The Company placed the lease between Mr. Wrigley and Wyboo into evidence. Through this lease, Wyboo pays Mr. Wrigley $1,500 per month to lease the premises, and $500 per month to lease the office furnishings and equipement.

Mr. Wrigley testified that he had looked at other possible locations, and found the location at 19 Broad Street to be superior to them. Mr. Wrigley specifically testified about a location at Westmark Plaza. This location was significantly smaller than the location at 19 Broad Street, and yet the total rental amount for this location was $2,200 per month, approximately $700 per month higher than the rent set forth in the lease between Mr. Wrigley and Wyboo. Mr. Wrigley testified that he had also compared other locations, and that, based upon this comparison, the $1,500 rent set forth in the lease was actually below the market rate for similar rental property. Based upon the evidence in the record, the Commission finds that the appropriate as-adjusted expense for rent is $18,000, and that this affiliated transaction meets the business prudency test.

Mr. Wrigley also owns all of the office furniture, computers, printers, and copiers Wyboo uses at 19 Broad Street. Rent for these office furnishings and equipment is $500 per month. In exchange for this rental agreement, Wyboo has not had to expend capital to purchased these necessary items.

Mr. Wrigley testified that the equipment included two copiers, three computers, and three printers. The equipment inventory is listed as an attachment to the lease, which is part of

Hearing Exhibit 15. Mr. Wrigley testified that, based upon his experience, the rental amount on the computers and printers alone would exceed this $500 per month.

The Commission notes that Mr. Wrigley's testimony establishing prudency of these affiliated transactions is the only record evidence in this proceeding on this issue. More importantly, the Commission finds Mr. Wrigley's testimony credible. The Commission therefore finds that the as-adjusted expense for office equipment rental should be $6,000, and that this transaction meets the business prudence test. The total as adjusted amount for Rental Expenses (Office and Equipment) is therefore $24,000.

The Commission notes that the check register that is part of Hearing Exhibit 15 shows monthly rental payments to Mark Wrigley of $1,000.18. Mr. Wrigley testified that because of the Company's financial difficulty, he was taking this rent partly in cash, and partly as an account payable from Wyboo to Mr. Wrigley. Mr. Wrigley testified that he was doing this voluntarily, in order to address the Company's difficult financial situation, and that the Company books were accurately reflecting this transaction by showing a total payment of $2,000 per month, partly paid through a check for $1,000.18, and partly as an increase of the account payable in the amount of $999.82. The Commission finds that it is the affiliated nature of this transaction that allows Mr. Wrigley to exercise this flexibility, and that the arrangement is both prudent and reasonable under the circumstances.

The Commission hereby finds that the as adjusted expense of $24,000 and the transactions reflected thereunder meet the business prudency test.

(T) Income Taxes (State and Federal):

Witness Seale proposed to adjust income taxes associated with ORS' accounting and pro-forma adjustments in the amount of $4,789 The Commission notes, however, that Ms. Seale's proposed adjustment is based upon the assumption that the expenses that Ms. Seale has identified as related to affiliated transactions remain zero. Based upon this assumption, Ms. Seale shows an as adjusted net operating income for the Company. Since the Commission finds that the Company has demonstrated prudency of the transactions and related expenses set forth herein, the result is not an as adjusted net operating income, but an as adjusted net operating loss. Consequently, the Commission finds that the as adjusted income taxes, state and federal, should be $0.00.

6. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 6

The Company's application, and the testimony of witness Morgan provide the evidence supporting this finding. Mr. Morgan's testimony establishes that the Company's proposed increase, if approved, would result in $577,770 in additional revenue, which results in total revenues, after returns and allowances, of $759,136. The individual adjustments related to this finding are as follows:

(W) Water Service:

Witness Seale proposed an adjust water revenues for the Company's proposed rate increase to $370,618. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(X) Sewer Service:

Witness Seale proposed to adjust sewer revenues for the Company's proposed rate increase to $215,951. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(Y) Returns and Allowances:

Witness Seale proposed to increase returns and allowances to reflect an uncollectible rate of 1.5% of the Company's total proposed revenues of $586,569 for a total adjustment of ($8,799). This results in Returns and Allowances after Company's proposed increase of $11,561. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

7. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 7

The operating margin for the test year under present rates and after accounting and pro forma adjustments approved herein is (141.25)%. The calculation for the operating margin using the test year as adjusted operating revenues of $181,366 as approved herein and test year as adjusted operating expenses of $385,622 as approved herein is set forth in **Exhibit** 1. Adjusted test year operations result in a Net Loss for Return of ($204,256). Using the adjusted Net Loss for Return minus Interest Expense divided by Operating Revenues, the Commission calculated a negative operating margin of (141.25)%. The specific adjustments related to this calculation are as follows:

(U) Customer Growth:

Witness Seale proposed to adjust Customer Growth for the purposes of calculating Total Income (Loss) for Return and thus Operating Margin to $10,971. The Commission notes, however, that Ms. Seale's proposed adjustment is based upon the assumption that the expenses that Ms. Seale has identified as related to affiliated transactions remain zero. Based upon this assumption, Ms. Seale shows an as adjusted net operating income for Company. Since the Commission finds that the Company has demonstrated prudency of the transactions and related expenses set forth herein, the result is not an as adjusted net operating income, but an as adjusted net operating loss. Consequently, the Commission finds that the as adjusted customer growth should be $0.00.

(V) Interest Expense for Operating Margin:

Witness Seale proposed to annualize interest expense for the test year. ORS calculated the total interest expense of $51,931 on long-term debt of $527,416, and proposes that Interest Expense for Operating Margin be set at $51,931. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment is reasonable and should be adopted.

8. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 8

Based upon the Finding of Fact 7, we find that Wyboo has demonstrated a need for rate relief in the form of a rate increase. Adjusted test year operations reveal an operating margin of (141.25)%. Clearly, expenses of operating the system outweigh the revenues of the system.

9. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 9

The rates requested and proposed by Wyboo produce an operating margin of 30.81% when applied to adjusted test year operations. The calculation of this operating margin is set forth in **Exhibit** 2, and incorporated therein by reference. The rates proposed by Wyboo, which would produce additional revenues of $577,770, result in an operating margin of 30.81%. Specific adjustments related to the effect of the proposed rates when applied to as adjusted test year operations of Wyboo are addressed below:

(Z) Gross Receipts Taxes:

Witness Seale proposed to adjust gross receipts taxes associated with the Company's proposed rates increase in the amount of $6,600, for a total gross receipts tax after Company's proposed increase of $8,672. The Company agrees with Ms. Seale's proposal. The Commission finds that the ORS's adjustment should be adopted.

(AA) Income Taxes:

Witness Seale proposed to adjust income taxes associated with the Company's proposed rate increase in the amount of $217,537, for total Income Taxes after Company's proposed increase of $222,326. The Commission notes, however, that Ms. Seale's proposed adjustment is based upon the assumption that the expenses that Ms. Seale has identified as related to affiliated transactions remain zero. Based upon this assumption, Ms. Seale shows an as adjusted net operating income after Company's proposed rate increase that is substantially greater than it should be. Since the Commission finds that the Company has demonstrated prudency of the transactions and related expenses set forth herein, the result is Income Taxes after Company proposed rate increase of $115,700, as set forth on Exhibit 2.

(BB) Customer Growth:

Witness Seale proposed to adjust customer growth associated with the Company's proposed rate increase in the amount of $53,867, for total Customer Growth after Company's proposed rate increase of $64,838. The Commission notes, however, that Ms. Seale's proposed adjustment is based upon the assumption that the expenses that Ms. Seale has identified as related to affiliated transactions remain zero. Based upon this assumption, Ms. Seale shows an as adjusted net operating income after Company's proposed rate increase that is substantially greater than it should be, which results in an inflated Customer Growth value. Since the Commission finds that the Company has demonstrated prudency of the transactions and related expenses set forth herein, the result is Customer Growth after Company proposed rate increase of $34,614, as set forth on **Exhibit 2**.

10. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 10

The Commission finds that an operating margin of 30.81% is unjust and unreasonable as such an operating margin produces excessive revenues for the Company. The Commission concludes that a fair operating margin for Wyboo operations is 13.14%.

Wyboo has opined that it is seeking the requested increase in rates so that Wyboo may continue to provide water and sewer service to its customers. According to witness Wrigley, Wyboo must continue to upgrade and repair various components of the Company's water and wastewater systems. Wyboo asserts that in order to continue to serve its customers, the Company requires a significant increase in rates. The Commission recognizes that Wyboo faces

increased costs in continuing to serve its customers and that Wyboo requires increased revenues just to meet day-to-day operations, without considering the costs associated with any necessary capital improvements required on the system.

While the Commission recognizes a need for increased rates and increased revenues by Wyboo, the Commission is not without sympathy for the customers. The Commission recognizes that the customers are being requested to pay a sizeable rate for water and sewer service. However, the documentation provided in this case, along with the standards of ratemaking, substantiate the need for a rate increase. The utility is operating in the negative. The Commission must allow for the utility to be viable in order to provide the services to the public.

The Commission recognizes that it must consider the value of the services provided. The Commission must strike a balance between the revenue needs of the utility and the value of the service to the public. Wyboo has demonstrated a need for the rate increase. The Commission must consider that Wyboo will need to show financial viability and an ability to repay debt in order to obtain necessary financing for future capital projects. However, while keeping in mind the financial status and viability of Wyboo, the Commission does not ignore the impact of rate increases on the public. In light of these factors and based upon the record in the instant proceeding, the Commission concludes that a reasonable and fair operating margin which Wyboo should have an opportunity to earn is 13.14%.

11. EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT 11

In order to have the opportunity to earn a 13.14% operating margin, Wyboo will require service revenues of $515,500. **Exhibit 3**, incorporated herein by reference, sets forth the Commission's calculation of the necessary operating margin and associated revenues necessary in order to produce the same.

12. EVIDENCE FOR FINDINGS OF FACT NOS. 12

Wyboo has asked the Commission to approve several new nonrecurring and miscellaneous charge consisting of a connection fee, plant impact fee and disconnect/re-connect fee for water service and a service connection fee, a new customer plant impact fee, and a disconnect/re-connect fee for sewer service and a notification fee and customer set-up charge for both water and sewer customers. ORS Witness Morgan testified and recommends that the Commission adopt and approve a water tap fee based on the following cost structure:

	Material Equipment	Labor	Boring	
¾" Meter (New Customer)	$224.10 +	$250 +	$350 =	$ 825
1" Meter (New Customer)	$363.80 +	$250 +	$350 =	$ 965
2" Meter (New Customer)	$493.90 +	$300 +	$350 =	$1,145

	Material Equipment	Labor	Boring	
Sewer Service Connection (New Customer)	$224.10 +	$250 +	$350 =	$825

Ms. Morgan testified that some of the elements of the impact fee were already included in the operating expenses, therefore the proposed impact fee would cause customers to pay double for some of the work performed. Because no formal plans for capital improvements or expansion have been submitted to DHEC, ORS recommends that the Commission deny Wyboo's proposed impact fee for both water and sewer service. Revised Testimony of Willie J. Morgan, pp. 18-19.

The Commission finds that the Company has demonstrated a need for a contribution toward recovery of its capital costs. Therefore, the Commssion hereby approves a plant impact fee of $500. per SFE. See Application of Midlands Utility Incorporated for Approval of New Schedule of Rates and Charges for Sewerage Service Provided to its Customers in Richland, Lexington, Fairfield and Orangeburg Counties, Docket No. 2004-297-S, Order No. 2005-168, pp. 47-48.

Mr. Morgan also testified that the proposed $250 sewer disconnection/reconnection fee is consistent with Commission regulations provided that the customer is physically disconnected from the system. ORS requests that the Company's tariff language be revised to limit applications of the $250 fee to situations where an elder valve or similar cutoff device does not exist and the customer has been physically disconnected from the sewer system. ORS supports a $35 reconnection fee as outlined in Commission Order No. 94-367 for those instances where an

elder valve or similar cutoff device is in use. Revised Testimony of Willie J. Morgan, p. 20. The Company agrees with Mr. Morgan's proposal. The Commission finds that the ORS's proposal is reasonable and should be adopted.

STEP SYSTEMS

As a final matter, the Commission addresses Wyboo's request for rates to operate and maintain Wyboo's STEP systems. The Commission notes that Wyboo agrees that it is obligated to operate and maintain these STEP systems, and that it will do so as part of its regulated services. The Commission finds that the most fair and reasonable way to allow Wyboo to be reimbursed for its expenses associated with this operation and maintenance is to allow Wyboo to pass the costs associated with such directly on to each customer whose STEP system need maintenance. This arrangement is similar to what this Commission has approved for several other utilities in South Carolina, as far back as 1990. See Application of Carolina Water Service Inc. for approval of new schedules of rates and charges, Docket No. 89-610-W/S, Order No. 90-694. The Commission therefore approves the language set forth in the attached Schedule of Rates and Charges related to such operation and maintenance.

IV. CONCLUSIONS OF LAW

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

1. Operating margin is the appropriate guide for the Commission to use in determining the lawfulness of the rates of Wyboo and in fixing just and reasonable rates for Wyboo to charge its customers in South Carolina.

2. A fair operating margin for the water and sewer operations of Wyboo is 13.14%.

3. For the test year of December 31, 2005, the appropriate operating revenues, under present rates and as adjusted in this Order, are $181,366.

4. Using the operating margin of 13.14% found to be fair and reasonable in this Order, the total revenue requirements for Wyboo are $515,500,.

In order for Wyboo to have an opportunity to earn the operating margins found reasonable and approved in this Order and to meet the revenue requirements, Wyboo must be allowed additional revenues of $515,500.

5. The rates approved in this Order are designed to be just and reasonable without undue discrimination and are also designed to meet the revenue requirements of the Company.

IT IS THEREFORE ORDERED THAT:

1. Wyboo is granted an increase in rates and charges as provided herein for its water and sewer operations in South Carolina.

2. The schedule of rates and charges on the document attached hereto as Appendix A are hereby approved for service rendered on or after the date of this Order. Further the schedules are deemed to be filed with the Commission pursuant to S. C. Code Ann. Section 58-5-240 (Supp. 2003).

3. Wyboo shall maintain its books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for Water and Sewer Utilities, as adopted by this Commission.

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

BY ORDER OF THE COMMISSION:

_____
G. O'Neal Hamilton, Chairman

ATTEST:

_____
C. Robert Mosely, Vice-Chairman

(SEAL)

Exhibit 1

Wyboo
Operating Margin Calculation
Test Year Ended December 31, 2005

	Operating Margin Test Year As Adjusted	
Service Revenues	184,128	
Returns and Allowances	(2,762)	
Operating Revenues	181,366	
Operating Expenses:		
Salaries & Wages (ORS)	236,137	*
Operating & Maintenance	10,940	*
General & Administrative	74,073	*
Rate Case Expenses	10,413	*
Depreciation and Amortization	32,312	*
Taxes Other Than Income (Payroll)	19,675	*
Gross Receipts Assessment & SCDOR Utility Tax	2,072	*
State Income Taxes	-	
Federal Income Taxes	-	
Total Operating Expenses	385,622	
Total Operating Income (Loss)	(204,256)	
Customer Growth	-	
Net Income for Return (Loss)	(204,256)	
Interest Expense For Operating Margin	51,931	
Operating Margin	-141.25%	

	SC Tax
Gross Income	181,366
Less:	
Salaries & Wages	236,137
Operating & Maintenance	10,940
General & Administrative	74,073
Rate Case Expenses	10,413
Depreciation and Amortization	32,312
Taxes Other Than Income (Payroll)	19,675
Gross Receipts Assessment & SCDOR Utility Ta	2,072
Annualized Interest Expense	51,931
SC Taxable Income	(256,187)
Corp Tax Rate	5%
State Tax Expense	-

* Operating Expenses included in Computation of Taxable Income

Exhibit 2

Wyboo
Operating Margin Calculation
Test Year Ended December 31, 2005

	Proposed Increase Based on Wyboo Request	
Service Revenues	770,696	
Returns and Allowances	(11,560)	
Operating Revenues	759,136	
Operating Expenses:		
Salaries & Wages (ORS)	236,137	*
Operating & Maintenance	10,940	*
General & Administrative	74,073	*
Rate Case Expenses	10,413	*
Depreciation and Amortization	32,312	*
Taxes Other Than Income (Payroll)	19,675	*
Gross Receipts Assessment & SCDOR Utility Tax	8,672	*
State Income Taxes	15,749	
Federal Income Taxes	99,951	
Total Operating Expenses	507,922	
Total Operating Income	251,214	
Customer Growth	34,614	
Net Income for Return	285,828	
Interest Expense For Operating Margin	51,931	
Operating Margin	30.81%	

	SC Tax
Gross Income	759,136
Less:	
Salaries & Wages	236,137
Operating & Maintenance	10,940
General & Administrative	74,073
Rate Case Expenses	10,413
Depreciation and Amortization	32,312
Taxes Other Than Income (Payroll)	19,675
Gross Receipts Assessment & SCDOR Utility Ta	8,672
Annualized Interest Expense	51,931
SC Taxable Income	314,982
Corp Tax Rate	5%
State Tax Expense	15,749

* Operating Expenses included in Computation of Taxable Income

Exhibit 3

Wyboo
Operating Margin Calculation
Test Year Ended December 31, 2005

	Approved Increase 13.14% Operating Margin	
Service Revenues	515,500	
Returns and Allowances	(7,733)	
Operating Revenues	507,768	
Operating Expenses:		
Salaries & Wages (ORS)	236,137	*
Operating & Maintenance	10,940	*
General & Administrative	74,073	*
Rate Case Expenses	10,413	*
Depreciation and Amortization	32,312	*
Taxes Other Than Income (Payroll)	19,675	*
Gross Receipts Assessment & SCDOR Utility Tax	5,801	*
State Income Taxes	3,324	
Federal Income Taxes	10,790	
Total Operating Expenses	403,465	
Total Operating Income	104,302	
Customer Growth	14,372	
Net Income for Return	118,674	
Interest Expense For Operating Margin	51,931	
Operating Margin	13.14%	
Additional Service Revenue Requirement	323,640	

	SC Tax
Gross Income	507,768
Less:	
Salaries & Wages	236,137
Operating & Maintenance	10,940
General & Administrative	74,073
Rate Case Expenses	10,413
Depreciation and Amortization	32,312
Taxes Other Than Income (Payroll)	19,675
Gross Receipts Assessment & SCDOR Utility Ta	5,801
Annualized Interest Expense	51,931
SC Taxable Income	66,486
Corp Tax Rate	5%
State Tax Expense	3,324

* Operating Expenses included in Computation of Taxable Income

APPENDIX A

WYBOO PLANTATION UTILITY COMPANY, INC.
P.O. Box 2099
Sumter, S.C. 29151

DOCKET NO. 2005-13-WS

SCHEDULE OF RATES AND CHARGES

AVAILABILITY: Available within the Company's service area.

APPLICABILITY: **Residential** rates apply to all single family residences within the Company's service area upon which either a dwelling or one or more of its appurtenances is permanently affixed or located.

Residential Swimming Pool rates apply to all residential customers who have a swimming pool installed on the premises.

Irrigation rates apply to all residential and commercial customers who do not irrigate their property through a well or lake water system.

Commercial Customers are those not included in the Residential category above and include, but are not limited to hotels, community pools, comfort stations, stores, restaurants, offices, industry, etc. Commercial rates apply to any commercial customer for any purpose.

Mobile Home applies to each unit within any mobile home park in the Company's service area that is owned or operated as a unitary business by the landlord.

Mobile Home Irrigation applies to any Mobile Home Customer who does not irrigate its property through a well or lake water system.

WATER SERVICE RATES AND CHARGES

MONTHLY CHARGES:

Residential:	**$43.55**
Residential Swimming Pool:	
Seasonal Filling Charge (April):	**$ 0.00**
Monthly rate (April – September)	**$25.00**
Irrigation:	**$25.00**
Commercial:	**$52.00 per SFE***
Mobile Home:	**$43.55 per Connected Unit**
Mobile Home Irrigation:	**$15.00 per Connected Unit**

NONRECURRING CHARGES:

Connection Fee	**¾" Meter (New Customer)**	**$ 825.00 per SFE***
	1" Meter (New Customer)	**$ 965.00 per SFE***
	2" Meter (New Customer)	**$1,145.00 per SFE***

This charge is to reimburse the Company for all costs, including labor and materials, associated with establishing the initial service connection. Connection fees for meters larger than 2" are pursuant to contractual agreement between the prospective customer and the Utility. The Utility will only charge a connection fee when the Utility expends labor and installs materials at the Customer premises. In the event that the Utility does not expend labor and install materials at the Customer premises, it will charge the Disconnection/Re-Connection Fee set forth below for such newly-established service connections.

Disconnection/Re-Connection Fee **$50.00 per SFE***

This charge is to reimburse the Company for all costs, including labor and materials, associated with disconnecting service and then re-establishing service after disconnect for non-payment, failure to make deposit, fraudulent, or seasonal use. For customers who request to be reconnected within ten months of disconnection, Utility will charge the monthly utility rate for the service period during which they were disconnected. The Customer must pay such accrued monthly rates, along with the Reconnection Fee, prior

to reconnection. This accrued monthly rate provision also applies to Commercial/Mobile Home Customers in calculating total mobile home connections.

Plant Impact Fee (new customer) **$ 500.00 per SFE***

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

SEWER SERVICE RATES AND CHARGES

MONTHLY CHARGES:

Residential:	**$48.75**
Commercial:	**$57.72 per SFE***
Mobile Home:	**$48.75 per Connected Unit**

NONRECURRING CHARGES:

Sewer Service Connection (New Customer) **$825 per SFE***

This charge is to reimburse the Company for all costs, including labor and materials associated with establishing the initial service connection. The Utility will only charge a connection fee when the Utility expends labor and installs materials at the Customer premises. In the event that the Utility does not expend labor and install materials at the Customer premises, it will charge the applicable Disconnection/Re-Connection Fee set forth below for such newly-established service connections.

Plant Impact Fee (new customer) **$ 500.00 per SFE***

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

Disconnection/Re-Connection Fee	**$250.00 per Connection**
Disconnection/Re-Connection Fee – Elder Valve	**$35.00 Per Connection**

This charge is to reimburse the Company for all costs, including labor and materials, associated with disconnecting service and then establishing service after disconnect for non-payment, failure to make deposit, fraudulent, or seasonal use. Customers who ask to be reconnected within ten months of disconnection will be charged the monthly utility rate for the service period they were disconnected. The Customer must pay such accrued monthly rates, along with the Reconnection Fee, prior to reconnection. This accrued monthly rate provision also applies to Commercial/Mobile Home Customers in calculating total mobile home connections.

The nonrecurring charges listed above are minimum charges and apply even if the DHEC Single Family Equivalency (SFE)* rating of a customer is less than one (1). If the Single

Family Equivalency rating of a customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

TERMS OF SERVICE APPLYING TO WATER AND SEWER CUSTOMERS

Notification and Account Set-Up Charges

a. Notification Fee

A fee of four dollars ($4.00) shall be charged each Customer to whom the Utility mails the notice required by Commission Rule R.103.535.1 prior to service disconnection. This fee assesses a portion of the clerical and mailng costs of such notices upon the customer creating the cost.

b. Customer Account Set-up Charge – for new customers only.

A one-time fee of $13.50 shall be charged to defray the Utility's costs of initial account set-up.

Billing Cycle

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

Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any new customer or development to connect to the Utility's Water or Sewer System. However, the Utility shall not deny service to any prospective customer or developer that will enter into an appropriate agreement with the Utility related to design, construction and ownership of the new facilities, including the new customer or developer's agreement to pay 1) all costs associated with designing, permitting, and constructing the collection system within a new development; 2) all costs associated with designing, permitting and constructing the necessary connection between the Utility's existing system and the new customer or development; 3) an appropriate contribution in aid of construction based upon what it would cost the utility to construct new capacity (whether or not Utility actually must construct new capacity) necessary to serve the new customer(s), and transfer ownership of the new infrastructure to the Utility upon completion.

Utility shall have no obligation to provide water or sewer service to a new development or customer if the Utility has no available additional capacity, or if DHEC or any other governmental entity has restricted the Utility for any reason from adding the requested additional customers on to the Water or Sewer System.

Construction Standards:

The Utility requires all construction to be performed in accordance with DHEC, EPA, and other generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed.

Toxic and Pretreatment Effluent Guidelines

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

Grinder Pumps, Step Systems, and Solids Interceptor Tanks

Design of the Utility Sewer System requires grinder pumps, step systems, and/or solids interceptor tanks to exist on certain Customer premises in order for those Customers to pass sewerage influent into the Utility's System. In these instances, prior to initial connection, the Customer shall be responsible to purchase and install the appropriate grinder pump, step system, and/or solids interceptor tank at the Customer's expense, and pursuant to the Utility's specifications.

The Customer shall own his/her/its installed grinder pump, step system, and/or solids interceptor tank. The Utility shall be responsible for operation and all necessary maintenance. The Utility shall maintain all lateral connection lines, including any associated grinder pump, step system, and/or solids interceptor tank, extending from the STEP system to the interconnection with the Utility's sewer main. .The Customer shall maintain all lateral connection lines from the STEP system to the Customer's home/office location.

In the event that it is necessary, in order to maintain proper operation of the Utility's system, for the Utility to perform any maintenance on or related to a grinder pump, step system, and/or solids interceptor tank, including their installation or replacement, the Customer shall be fully responsible to reimburse the Utility for all costs, including materials, third party labor, Utility labo,r and overhead, associated with such maintenance. In such event, the Utility agrees to use only unrelated third party

contractors to perform such work, and shall include a detailed statement of all costs on the Customer's next monthly invoice. All such amounts shall become a part of the Utility's regulated charges for sewer service, and the Customer shall pay all such amounts when due. Any non-payment shall be treated as a non-payment of regulated utility service rates and charges, and the Utility may utilize all available methods of collection, through statute, rule or regulation, including disconnection of service, as appropriate.

In the event that Utility must pump out a customer's solids interceptor tank, the Utility shall charge the Customer $155 for such service.

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

Cross Connection Control, Inspection, and Inspection Fee

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer, sprinkler system, swimming pool, or line from any container of liquids or other substances, must install any approved back-flow prevention device in accordance with 24A, S.C. Code Ann., Regs, R.61-58.7F2 (Supp., 2005), as may be amended from time to time. Such Customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A, S.C. Code Ann. Regs. R.61-58.7F8 (Supp. 2005), as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. Should a Customer subject to these requirements fail to timely provide such report and results, Utility may arrange for inspection and testing by a licensed certified tester and add the charges incurred by the Utility in that regard to the Customer's next bill.

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Environmental Control ("DHEC") Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (2005 Supp.), as amended from time to time. In the event that Appendix A fails to set forth sufficient information for Utility to determine the number of SFE's applicable to a particular customer connection, the Utility may consult directly with DHEC in order to make that determination.