BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2008-190-S – ORDER NO. 2008-__

OCTOBER__, 2008

IN RE: Application of Alpine Utilities, Inc. for adjustment of rates and charges for the provision of sewer service and establishment of additional rates and charges.	))))))))	**ORDER APPROVING CHARGES AND SETTLEMENT AGREEMENT**

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Application of Alpine Utilities, Inc., ("Alpine" or "the Company") for an increase in rates and charges for the provision of sewer services and establishment of additional rates which was filed May 7, 2008. The Application was filed pursuant to S.C. Code Ann. § 58-5-240 (Supp. 2007) and 26 S.C. Code Ann. Regs. 103-512.4.A. (Supp. 2007). By letter dated May 19, 2008, the Commission's Docketing Department instructed Alpine to publish a prepared Notice of Filing, one time, in newspapers of general circulation in the area affected by Alpine's Application. The Notice of Filing described 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 as a party of record. In the same letter, the Commission also instructed Alpine to notify directly, by U.S. Mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing.

Alpine filed an Affidavit of Publication demonstrating that the Notice of Filing had been duly published and provided a letter certifying that it had complied with the instructions of the Commission's Docket Department to mail a copy of the Notice of Filing to all customers.

James C. Cook and Carolyn Cook, General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge Townhomes ("Happy Rabbit" or "Intervenor") filed a petition to intervene in this matter which was granted by Commission Order No. 2008-572. No other petitions to intervene were filed in this case in response to the Notice of Filing. Pursuant to S.C. Code Ann. § 58-4-10(B)(Supp. 2007), the South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding.

On September 18, 2008, Alpine, ORS and Happy Rabbit (together referred to as the "Parties" or sometimes individually as a "Party") filed an Explanatory Brief and Joint Motion Requesting a Settlement Hearing and Adoption of the Settlement Agreement pursuant to this Commission's Settlement Policies and Procedures, as revised June 13, 2006. The Parties represented to the Commission that they had negotiated a resolution to the issues presented in this case and that Alpine and Intervenor had determined that their interests would best be served by settling under the terms and conditions set forth in the Settlement Agreement ("the Settlement Agreement" or "Agreement") which is attached hereto as Order Exhibit 1. ORS stated in the Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. By signing the Settlement Agreement, all counsel acknowledged their respective clients' consent to its terms. The Settlement Agreement provided that the Parties viewed the terms of the Agreement to be just and reasonable. The Settlement Agreement, *inter alia*, provides for a monthly residential service rate of $16.75, with corresponding increases in commercial rates which vary.

II. TESTIMONY RECEIVED IN SUPPORT OF THE SETTLEMENT AGREEMENT

A public hearing was held in the offices of the Commission on September 25, 2008, beginning at 10:30 a.m. The Honorable Elizabeth B. Fleming, Chairman of the Commission, presided. Alpine was represented by John M.S. Hoefer, Esq. and Benjamin P. Mustian, Esq. The South Carolina Office of Regulatory Staff was represented by Nanette S. Edwards, Esq. Happy Rabbit was represented by Richard L. Whitt, Esq.

As a preliminary matter, the Commission heard argument on a Motion in Limine filed by Happy Rabbit on September 24, 2008. The Commission granted the Motion and, thereafter, Counsel for the Happy Rabbit expressed support for the Settlement Agreement and was excused from the remainder of the hearing.

The Company presented the direct and settlement testimony of Robin Dial, President and General Manager of Alpine and Donald H. Burkett, a Certified Public Accountant with the firm of Burkett, Burkett, and Burkett, P.A. ORS presented the settlement testimony of Christina L. Seale, Auditor and Willie J. Morgan, Program Manager for the Water and Wastewater Department. Happy Rabbit did not submit testimony at the hearing.

Mr. Dial stated that he began his employment with Alpine in 1987 and in August 2007, he assumed responsibilities as General Manager for the Company. He testified that the last increase approved for Alpine was almost twenty (20) years ago and that, since that time, the Company has experienced increased operational expenses for purchased power, sludge disposal, and employee salaries, among other expenses.

Mr. Burkett testified that he has advised the Company on various financial and tax matters for the past twenty-five (25) years. He testified that the test year used in the application

ended December 31, 2007, which was the most recent twelve month period for which full data was available at the time the application was filed. Since the last rate case, Mr. Burkett stated that the Company has experienced an increase in per book operating expenses of over $700,000 and that during the test year, the Company experienced a per book operating loss of (4.02%) which demonstrates the Company's need for rate relief. Mr. Burkett further testified that, as part of a comprehensive settlement of all issues in this matter, Alpine had agreed to certain accounting adjustments that will allow the Company the opportunity to earn an additional $329,224 in annual revenue. According to Mr. Burkett, the agreed upon monthly rate of $16.75 for residential customers and the corresponding commercial rates result in an operating margin of 22.42% before the inclusion of rate case expenses which is less than the Company's currently approved operating margin of 25.96%.[1] Mr. Burkett stated that, in the context of a comprehensive settlement, the resulting operating margin is fair and reasonable. Mr. Burkett further testified that the Settlement Agreement is beneficial to the Company and its customers in that it brings the matter to an end without delay and the uncertainty of further proceedings and allows the Company to focus on the continued improvement and expansion of its facilities and services.

In support of the settlement, Ms. Christina L. Seale and Mr. Willie J. Morgan testified on behalf of ORS. Ms. Seale explained that upon examining the books and records of the Company, ORS proposed accounting and pro forma adjustments necessary to normalize the results of Alpine's test year operations. ORS proposed forty (40) separate adjustments removing non-allowable, non-recurring, non-regulatory and outside the test year expenses as well as removing

[1] The Parties submitted a late-filed exhibit reflecting the inclusion of rate case expenses, verified by ORS, through the date of the hearing. The operating margin produced under the terms and conditions of the Settlement Agreement is 22.23%, but does not change the agreed upon monthly service rate.

a portion of the shared expenses relating to Alpine's affiliates. The net effect of the proposed adjustments was a reduction in the Company's per book operating expenses of $213,102 which were accepted as part of the Settlement Agreement.[2]

At the hearing, ORS witness Mr. Morgan testified that Alpine is a NARUC Class A wastewater utility providing sewer service in Lexington and Richland counties. According to Alpine's Application, wastewater and treatment services were provided to 882 residential customers, 134 apartment customers, and 243 commercial customer accounts. Mr. Morgan testified that as part of ORS's Business Office Compliance Review, ORS found that Alpine was in compliance with Commission rules and regulations and that during the test year, the Department of Health and Environmental Control ("DHEC") did not issue any notice of violation or take enforcement action against Alpine.[3] ORS made adjustments to the Company's per books operating revenue in the amount of $43,238. As part of calculating test year revenues, ORS applied the current Commission approved rates to all customers, including the Landmark Apartments and the Groves Homeowners Association.[4] With these adjustments, ORS calculated Alpine's test year service revenue for residential and commercial sewer operations, as adjusted to be $1,325,961.

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[2] Settlement Audit Exhibit CLS-1 attached to Ms. Seale's testimony reflected a reduction to operating expenses of $215, 976. As shown by Revised Exhibit CLS-1, the late filed exhibit incorporating rate case expenses through the date of the hearing, this amount changes to $213, 102.

[3] As part of the Settlement Agreement, the Parties agreed to stipulate to the admission of the affidavit of Mr. J. Robin Foy, Manager of the DHEC Water Pollution Enforcement Section in the Bureau of Water.

[4] Under the Settlement Agreement, and consistent with the testimony of Mr. Robin Dial, the test year revenues and the settlement revenues after the agreed-upon increase are based on the application of the Commission approved rates and the settled rates, respectively to all customers. Therefore, the under-collected revenue resulting from the rates charged to Landmark Apartments and the Groves Homeowners' Association has been imputed to the Company. Because of this imputation, the remaining customer base is not adversely impacted by the utility charging these reduced rates.

The Parties asserted before the Commission that the Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable to both the Company and its customers. As previously noted, the Settlement Agreement establishes a residential and apartment rate of $16.75 per unit per month with a commensurate increase to various classes of commercial customers. The rates proposed under the Settlement, as adjusted, result in an increase in annual revenues of $329,224 for total sewer service revenues of $1,655,185.

III. FINDINGS OF FACT

Based upon the Application, the direct and settlement testimony, and exhibits received into evidence at the hearing and the entire record of these proceedings, the Commission makes the following findings of fact:

1. By statute, the Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (1976).

2. After careful review and consideration by this Commission of the Settlement Agreement, the evidence contained in the record of this case, including the testimony of the witnesses, the Commission concludes as a matter of law that the Settlement Agreement results in just and reasonable rates and fees for sewer service agreed to by the Parties. Based on the operating revenues, income, and expenses agreed upon by the Parties, the resulting allowable operating margin for the Company is 22.23%. See S.C. Code Ann. § 58-5-240(H).

3. The Commission finds that the rates agreed to by the Parties in the Settlement Agreement, which is hereby adopted and attached to this Order as Order Exhibit 1, are just and reasonable and allow Alpine to continue to provide its customers with adequate sewer service. We find that the Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable. Further, the agreed upon rates allow the Company to earn a reasonable return on its investment. We find that the proposed rates contained in the Settlement Agreement, which have been entered into the record of this case without objection and are attached to this Order as Exhibit 2, are just and reasonable and hereby approved.

NOW, THEREFORE, IT IS HEREBY ORDERED as follows:

1. The Settlement Agreement, including attachments is attached hereto as Order Exhibit 1, and is incorporated into and made a part of this Order by reference.

2. The Settlement Agreement between the Parties is approved and adopted by this Commission as producing rates that are just and reasonable and in the public interest as well as authorizing a reasonable operating margin for the Company.

3. The rates imposed shall be those rates agreed upon in the Settlement Agreement between the Parties as shown in Order Exhibit 2 and shall be effective for service rendered by the Company on and after November 15, 2008.

4. The Company is entitled to the opportunity to earn a 22.23% operating margin.

5. The Company's books and records shall continue to be maintained according to the NARUC Uniform System of Accounts.

6. The Company shall continue to maintain a performance bond in the amount of $350,000 pursuant to S.C. Code Ann. § 58-5-720 (Supp. 2007).

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

BY ORDER OF THE COMMISSION:

Elizabeth E. Fleming, Chairman

ATTEST:

John E. Howard, Vice-Chairman

ORDER EXHIBIT 1

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2008-190-S

IN RE:

Application of Alpine Utilities, Inc. for adjustment of rates and charges for the provision of sewer service and establishment of additional rates and charges.	))))))	**SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and between the South Carolina Office of Regulatory Staff ("ORS"), James C. Cook and Carolyn Cook, General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge Townhomes ("Intervenors"), and Alpine Utilities, Incorporated. ("Alpine" or "the Company") (together referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, the Company has prepared and filed an Application seeking an adjustment of its rates and charges and establishment of additional rates and charges for the provision of its sewer service; and

WHEREAS, the above-captioned proceeding has been established by the South Carolina Public Service Commission ("Commission") pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2007); and

WHEREAS, ORS has examined the books and records of the Company relative to the matters raised in the Application and, in connection therewith, has requested of and received from the Company additional documentation; and

WHEREAS, the Parties have varying legal positions regarding the issues in this case; and

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in the best interests of the Company and the Intervenors and in the case of ORS, in the public interest; and

WHEREAS, on or about August 29, 2008, following those discussions the Company and Intervenors determined that their interests, and ORS determined that the public interest, would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein,

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding.

1. The Parties stipulate and agree that the accounting exhibits prepared by ORS and attached as Exhibit "A" to this Settlement Agreement fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates and revenue requirement. Additionally, the Parties agree to include rate case expenses incurred by Alpine and subject to verification by ORS auditors through the date of the hearing; however, the inclusion of the additional rate case expenses will not alter the agreed upon monthly rates for residential, apartment, and commercial customers nor the total operating revenue as set forth in Paragraph 4 below. The Parties stipulate and agree that, other than the updated rate case expenses, they will not seek, request or otherwise propose or present any evidence supporting additional expenses, revenues, or accounting adjustments other than those identified in Exhibit "A" attached hereto.

2. The Parties stipulate and agree that the rate schedule attached hereto as Exhibit "B", including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its sewer customers at rates and terms and conditions of service that are fair, just and reasonable and provides the opportunity to recover a fair and reasonable level of revenue.

3. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

> . . . 'public interest' 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 customer;
> (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 investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

4. In its Application, the Company has requested an increase in total operating revenues of $1,378,472, a monthly rate of $28.00 for residential and apartment customers, and a commensurate increase in the rates charged to various classes of commercial customers. As a

compromise to their respective positions, the Parties stipulate and agree to an increase in total operating revenues of $329,244, a monthly rate of $16.75 for residential and apartment customers, and a commensurate increase in the rates charged to various classes of commercial customers. This increase is supported by the adjustments reflected in Exhibit "A."

5. The Company, the Intervenors, and ORS recognize the value of resolving this proceeding by settlement rather than by litigation and, therefore stipulate and agree for purposes of settlement in this case that the rates described in Exhibit B and giving rise to the revenues as described in Exhibit A are just and reasonable under the specific circumstances of this case in the context of a comprehensive settlement.

6. The Parties further stipulate and agree that this Settlement Agreement conclusively demonstrates the following: (i) the proposed accounting and pro forma adjustments and depreciation rates reflected in Settlement Exhibit A are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) an annual increase in total operating revenues of $329,244 is fair, just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) Alpine's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of sewer service, and (iv) Alpine's rates as proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement, are just and reasonable and should be adopted by the Commission for service rendered by the Company on and after November 15, 2008.

7. The Parties stipulate and agree to include in the record the pre-filed direct testimony of Mr. Robin Dial and Mr. Donald H. Burkett and the settlement testimony and

exhibits of Ms. Christina L. Seale, Mr. Willie Morgan, Mr. Robin Dial, and Mr. Donald H. Burkett attached hereto as Exhibit "C" without cross-examination. Each party reserves its right to present its case in support of the Settlement Agreement including but not limited to the presentation of the witnesses whose pre-filed testimony is included in Exhibit "C" to this Settlement Agreement. In addition to the aforementioned pre-filed direct testimony and settlement testimony, the Parties stipulate and agree to include in the record the August 20, 2008, affidavit of Mr. Robin Foy, an employee of the Department of Health and Environmental Control, included as Exhibit WJM-2 of Mr. Willie Morgan's testimony.

8. The Company agrees to notify its customers of the implementation of these new rates.

9. The Company agrees to continue to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners ("NARUC") Uniform Systems of Accounts.

10. The Parties further agree and stipulate that the rate schedule attached hereto as Exhibit "B", including the rates and charges and the terms and conditions set forth therein, is just and reasonable, reasonably designed, and should be approved and adopted by the Commission.

11. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The

Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

12. The Parties agree not to introduce or use this Settlement Agreement to constrain, inhibit, impair, or prejudice the other party in other proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

13. This Settlement Agreement shall be interpreted according to South Carolina law.

14. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

Representing the South Carolina Office of Regulatory Staff

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WE AGREE:

Representing Alpine Utilities, Inc.

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WE AGREE:

Representing James C. Cook and Carolyn Cook, General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge Townhomes

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ORIGINAL

Exhibit A

Alpine Utilities, Inc.
Docket No. 2008-190-S
Operating Experience and Operating Margin
For the Test Year Ended December 31, 2007

	(1) Application Per Books	(2) ORS's Proposed Accounting & Pro forma Adjustments	(3) After ORS's Proposed Accounting & Pro forma Adjustments	(4) Settlement Proposed Increase	(5) After Settlement Proposed Increase
Operating Revenues					
Sewer Service - Residential	$ 124,200	$ 756 (A)	$ 124,956	$ 35,442 (V)	$ 160,398
Sewer Service - Commercial	1,164,906	32,112 (B)	1,197,018	292,371 (W)	1,489,389
Adjustments	(4,187)	339 (C)	(3,848)	0 (X)	(3,848)
Late Charges	5,694	0	5,694	1,411 (Y)	7,105
Vacancies	(7,890)	7,890 (D)	0	0 (Z)	0
Miscellaneous Income	0	2,141 (E)	2,141	0	2,141
Total Operating Revenues	$ 1,282,723	$ 43,238	$ 1,325,961	$ 329,224	$ 1,655,185
Operating Expenses					
Power Purchased for Pumping	$ 72,002	$ (2,208) (F)	$ 69,794	$ 0	$ 69,794
Treatment and Disposal	771,550	(186,596) (G)	584,954	0	584,954
Salaries and Benefits	273,961	(66,466) (H)	207,495	0	207,495
Building and Equipment Rental	10,231	3,864 (I)	14,095	0	14,095
Administrative Materials & Supplies	15,321	(5,953) (J)	9,368	0	9,368
Contractual Services	94,958	(44,585) (K)	50,373	0	50,373
Insurance	15,091	(3,725) (L)	11,366	0	11,366
Miscellaneous	11,833	(5,855) (M)	5,978	0	5,978
Depreciation	26,935	(4,716) (N)	22,219	0	22,219
Rate Case	16,925	18,409 (O)	35,334	0 (AA)	35,334
Taxes Other Than Income	45,041	(12,438) (P)	32,603	2,442 (AB)	35,045
Income Taxes (State and Federal)	0	94,293 (Q)	94,293	126,096 (AC)	220,389
Total Operating Expenses	$ 1,353,848	$ (215,976)	$ 1,137,872	$ 128,538	$ 1,266,410
Net Operating Income (Loss)	$ (71,125)	$ 259,214	$ 188,089	$ 200,686	$ 388,775
Add: Customer Growth	$ 0	$ 287 (R)	$ 287	$ 306 (AD)	$ 593
Add: Miscellaneous Income	11,814	(11,814) (S)	0	0	0
Add: Tap Fees	24,241	(24,241) (T)	0	0	0
Less: Interest Expense	16,550	1,760 (U)	18,310	0	18,310
Total Income (Loss) for Return	$ (51,620)	$ 221,686	$ 170,066	$ 200,992	$ 371,058
Operating Margin	-4.02%		12.83%		22.42%

Alpine Utilities, Inc.
Docket No. 2008-190-S
Explanation of Adjustments
For the Test Year Ended December 31, 2007

Revenues and Expenses	Adj.#	Description	$ Settlement	$ Application
ORS's Proposed Accounting and Pro forma Adjustments				
(A) Sewer Service - Residential	1	To adjust residential sewer revenues to reflect actual customer units.	756	0
(B) Sewer Service - Commercial	2	To adjust commercial sewer revenues to reflect actual customer units.	32,112	0
(C) Adjustments	3	To correct Adjustments to reflect actual test year amounts.	339	0
(D) Vacancies	4	To remove revenues associated with vacancies recorded by the utility in the test year.	7,890	0
(E) Miscellaneous Income	5	To reclassify as miscellaneous income in total operating revenues.	2,141	0
(F) Power Purchased for Pumping	6	ORS does not propose to adjust fuel costs for estimated increases.	0	3,600
	7	To remove electric bills paid for Woodland's customers.	(2,208)	0
		Total Power Purchased for Pumping Adjustment	(2,208)	3,600
(G) Treatment and Disposal	8	ORS does not propose to adjust materials & supplies costs for estimated increases.	0	17,126
	9	To remove nonrecurring lease payments of the old belt press. Alpine purchased a new one which is included in plant-in-service.	(138,000)	(113,000)
	10	To remove and capitalize plant-in-service expenditures expensed in the test year.	(32,719)	0
	11	To remove expenses for services received outside the test year.	(15,722)	0
	12	To remove Alpine's affiliates' portion of the shared security system expense.	(155)	0
		Total Treatment and Disposal Adjustment	(186,596)	(95,874)
(H) Salaries and Benefits	13	To adjust salaries to reflect Alpine's allocated portion of merit bonuses and salaries for current employees.	(69,682)	(30,213)
	14	To adjust employee benefits to reflect Alpine's allocated portion of employee benefits for current employees.	3,216	4,476
		Total Salaries and Benefits Adjustment	(66,466)	(25,737)
(I) Building and Equipment Rental	15	To adjust office rent for an increase in space and to remove Alpine's affiliates' portion of rent for the shared office.	4,525	202
	16	To remove nonallowable expenses and to remove Alpine's affiliates' portion of rent for the shared equipment.	(661)	0
		Total Building and Equipment Rental Adjustment	3,864	202
(J) Administrative Materials & Supplies	17	To remove and capitalize office furniture expenditures expensed in the test year.	(624)	0

Alpine Utilities, Inc.
Docket No. 2008-190-S
Explanation of Adjustments
For the Test Year Ended December 31, 2007

Revenues and Expenses	Adj.#	Description	$ Settlement	$ Application
ORS's Proposed Accounting and Pro forma Adjustments (Continued)				
(J) Administrative Materials & Supplies (Continued)	18	To remove nonallowable expenses and Alpine's affiliates' portion of shared office expenses.	(5,329)	0
		Total Administrative Materials & Supplies Adjustment	(5,953)	0
(K) Contractual Services	19	To reclassify rate case expenses, remove non-regulatory legal expenses and amortize non-recurring legal expenses over a five-year period.	(44,585)	0
(L) Insurance	20	To adjust insurance associated with the vehicles on the depreciation schedule and to remove Alpine's affiliates' portion of insurance covering shared items.	(3,725)	0
(M) Miscellaneous	21	To remove nonallowable and nonrecurring expenses and Alpine's affiliates' portion of shared miscellaneous expenses.	(5,855)	0
(N) Depreciation	22	To adjust depreciation on all plant in service which includes capital expenditures, replaced assets and CIAC identified by ORS.	(4,716)	5,624
(O) Rate Case	23	To amortize rate case expenses, including expenses reclassified from Adjustment 19, of $106,001 over a three-year period.	18,409	0
(P) Taxes Other Than Income	24	To adjust payroll taxes associated with the adjusted salaries.	(6,527)	(6,296)
	25	To adjust the gross receipts taxes associated with the revenues after ORS's accounting and pro forma adjustments.	(3,938)	0
	26	To adjust property taxes associated with vehicles on the depreciation schedule and to remove Alpine's affiliates' portion of property taxes on the shared assets.	(1,973)	0
		Total Taxes Other Than Income Adjustment	(12,438)	(6,296)
(Q) Income Taxes (State and Federal)	27	To adjust income taxes associated with ORS's accounting and pro forma adjustments.	94,293	8,228
(R) Customer Growth	28	To calculate customer growth using net income after ORS's accounting and pro forma adjustments.	287	0
(S) Miscellaneous Income	29	To remove miscellaneous revenues and reclassify $2,141 to operating revenues in Adjustment 5.	(11,814)	(11,814)
(T) Tap Fees	30	To remove tap fees from revenues and include in CIAC.	(24,241)	(24,241)
(U) Interest Expense	31	To synchronize interest expense with the Company's assets.	1,760	(8,275)
Settlement Proposed Increase				
(V) Sewer Service - Residential	32	To adjust the applicant's residential sewer revenues to reflect actual customer units.	35,442	138,216
(W) Sewer Service - Commercial	33	To adjust the applicant's commercial sewer revenues to reflect actual customer units.	292,371	1,233,873
(X) Adjustments	34	ORS does not propose an adjustment using the proposed rate increase.	0	4,187

Alpine Utilities, Inc.
Docket No. 2008-190-S
Explanation of Adjustments
For the Test Year Ended December 31, 2007

Revenues and Expenses	Adj.#	Description	$ Settlement	$ Application
Settlement Proposed Increase (Continued)				
(Y) Late Charges	35	To adjust late charges to reflect the actual test year customers using the proposed rate increase.	1,411	(5,694)
(Z) Vacancies	36	ORS proposes its adjustment above in Adjustment 4.	0	7,890
(AA) Rate Case	37	ORS proposes its adjustment above in Adjustment 23.	0	16,408
(AB) Taxes Other Than Income	38	To adjust gross receipts taxes associated with the applicant's proposed rate increase.	2,442	0
(AC) Income Taxes (State & Federal)	39	To adjust income taxes associated with the applicant's proposed rate increase.	126,096	539,021
(AD) Customer Growth	40	To adjust customer growth associated with the applicant's proposed increase.	306	0

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description		Cost	Service Life	Rate	Expense	Accumulated
			$	years	%	$	$
Assets Per Alpine Application							
	Common Assets Shared between Alpine and its Affiliates:						
04/06/01	2001 Infinity		33,324	6	16.67%	FD	33,324
04/06/01	2001 Infinity - Sold		(33,324)	6	16.67%	FD	(33,324)
06/20/03	2003 Lexus		59,595	6	16.67%	9,934	59,595
05/03/91	Renovation - Middleburg		6,930	10	10.00%	FD	6,930
05/13/91	Renovation - Middleburg		5,127	10	10.00%	FD	5,127
05/31/91	Refrigerator		153	15	6.67%	FD	153
05/31/91	Microwave		125	15	6.67%	FD	125
05/31/91	Executive Phone System		359	10	10.00%	FD	359
11/27/91	Printer		1,150	15	6.67%	FD	1,150
11/27/91	Printer Stand		487	15	6.67%	FD	487
05/31/91	Typewriter		170	15	6.67%	FD	170
03/16/94	Computer Hardware/Software		1,222	6	16.67%	FD	1,222
03/12/97	Sys-Acer Pentium		2,639	6	16.67%	FD	2,639
06/24/98	Twinhead Laptop Pentium		2,483	6	16.67%	FD	2,483
05/15/88	Telephone Answering Machine		142	10	10.00%	FD	142
03/15/88	New Compact Computer		3,879	6	16.67%	FD	3,879
03/15/88	Auto Telephone		330	10	10.00%	FD	330
11/15/88	Secretary Chair		221	15	6.67%	FD	221
01/08/90	Xerox Copier		2,082	15	6.67%	FD	2,082
09/30/90	Blencome-Computer		2,775	6	16.67%	FD	2,775
10/31/90	Software		500	6	16.67%	FD	500
07/31/91	Mats		336	15	6.67%	FD	336
01/22/99	Xerox - DC214		1,470	15	6.67%	98	980
04/28/99	Typewriter		412	15	6.67%	27	270
01/17/00	Killoy Office Equipment		366	15	6.67%	24	216
01/06/01	Computer		1,825	6	16.67%	FD	1,825
11/22/02	HP Fax Machine		500	15	6.67%	33	231
01/15/05	Telephone System		1,189	10	10.00%	119	476
07/15/05	Computer		2,420	6	16.67%	403	1,612
10/13/05	Computer		2,184	6	16.67%	364	1,456
12/18/06	Printer		313	15	6.67%	21	63
12/17/07	Computer Systems		5,231	6	16.67%	872	1,744
	Common Assets Shared		106,615			11,895	99,578
	Less 35% for Alpine's Affiliates		(37,315)			(4,163)	(34,852)
	Alpine's Portion of Assets	(a)	69,300			7,732	64,726

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description		Cost	Service Life	Rate	Expense	Accumulated
			$	years	%	$	$
Assets Per Alpine Application (Continued)							
	Alpine's Plant Assets:						
03/02/01	Applies Ind Tech-Plant		1,629	18	5.56%	91	728
03/09/01	Applies Ind Tech-Plant		13,003	18	5.56%	723	5,784
03/09/01	Disc-Half, Orbal Aeration		13,500	15	6.67%	900	7,200
09/15/88	Security System		2,230	15	6.67%	FD	2,230
09/15/88	Security System - Replaced		(2,230)	15	6.67%	FD	(2,230)
01/17/90	Fiberglas with Equipment		11,153	10	10.00%	FD	11,153
02/15/90	Concrete Slab		638	10	10.00%	FD	638
02/26/90	Baffle Wall		695	15	6.67%	FD	695
02/26/91	Power Cable, Etc.		7,840	18	5.56%	436	7,840
05/13/91	Pipes, Etc.		7,440	35	2.86%	213	3,834
02/13/92	Pump - JD Mangle		4,532	15	6.67%	FD	4,532
03/10/92	Deck		1,333	32	3.13%	42	714
02/28/92	Building - Hoover System		13,499	32	3.13%	423	7,191
04/23/92	Fence		11,030	27	3.70%	408	6,936
05/12/92	Sludge Pump		12,263	15	6.67%	FD	12,263
05/21/92	Curtains		1,721	18	5.56%	96	1,632
07/28/92	Gearbox - 251 TP Motor		8,338	15	6.67%	FD	8,338
11/12/93	Parkson Aqua Guard Bar		38,800	18	5.56%	2,157	34,512
08/11/94	4 in Pipe		9,616	35	2.86%	275	4,125
07/24/98	Clarifier Influent Line		73,500	18	5.56%	4,087	44,957
01/22/99	Control Panel		2,386	15	6.67%	159	1,590
04/21/99	8" Pipe for Landmark		36,016	18	5.56%	2,002	20,020
01/01/00	125 KW Generator Set		13,860	20	5.00%	693	6,237
03/08/00	Screen Assembly		6,869	18	5.56%	382	3,438
09/02/06	Mobile Office		21,853	16	6.25%	1,366	4,098
04/27/07	Pump - Stoops Creek		8,093	15	6.67%	540	1,080
07/31/08	Belt Press (Down Payment)		40,000	18	5.56%	2,224	2,224
11/15/07	Security Equipment		1,816	15	6.67%	121	242
	Alpine's Plant Assets	(a)	361,423			17,338	202,001
Additional Assets Capitalized/Replaced by ORS							
	Common Assets Shared between Alpine and its Affiliates:						
06/20/03	2003 Lexus		(59,595)	6	16.67%	(9,934)	(59,595)
06/20/03	2003 Ford Taurus (Replacement Vehicle)		19,990	6	16.67%	3,332	19,990
12/11/07	Executive Chair and Legal Filing Cabinet		624	10	10.00%	62	124
	Common Assets Shared		(38,981)			(6,540)	(39,481)
	Less 35% for Alpine's Affiliates		13,643			2,289	13,818
	Alpine's Portion of Assets	(a)	(25,338)			(4,251)	(25,663)

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description		Cost	Service Life	Rate	Expense	Accumulated
			$	years	%	$	$
Additional Assets Capitalized/Replaced by ORS (Continued)							
	Alpine's Plant Assets:						
	Land		40,842	NA	NA	NA	NA
03/13/01	Orbital Shaft Chain Repair		3,234	18	5.56%	180	1,440
03/14/01	Orbital Shaft Chain Repair		1,003	18	5.56%	56	448
03/15/01	Orbital Shaft Chain Repair		2,288	18	5.56%	127	1,016
03/19/01	Orbital Shaft Chain Repair		300	18	5.56%	17	136
03/27/01	Orbital Shaft Roller Repair		355	18	5.56%	20	160
04/06/01	Orbital Shaft Chain Repair		167	18	5.56%	9	72
04/11/01	Orbital Shaft Elastometric Coupling Repair		585	18	5.56%	33	264
04/25/01	Orbital Aeration Disc Repair		1,800	18	5.56%	100	800
05/14/01	Orbital Shaft Repair		477	18	5.56%	27	216
05/18/01	Orbital Shaft Repair - Labor		670	18	5.56%	37	296
08/03/01	Orbital Aeration Discs		4,602	18	5.56%	256	2,048
01/05/07	Water & Sewer Line Installation at WWTP		800	35	2.86%	23	46
05/11/07	Pump Installation at WWTP		711	18	5.56%	40	80
08/17/07	80' x 44" Belt Press		1,717	18	5.56%	95	190
08/22/07	12" x 48" Rollers for Belt Press		7,243	18	5.56%	403	806
12/20/07	2 Pump Station Control Cabinets		14,908	25	4.00%	596	1,192
12/27/07	2 Pump Station Control Cab. Installation		8,140	25	4.00%	326	652
07/31/08	Belt Press		233,165	18	5.56%	12,964	12,964
07/31/08	Aeration		8,390	15	6.67%	560	560
	Alpine's Plant Assets	(a)	331,397			15,869	23,386
	Alpine's Total Plant Assets Total	(a)	736,782			36,688	264,450
Less: Contributions in Aid of Construction ("CIAC") Reclassified by ORS							
1988	Cumulative Tap Fees		(76,637)	15	6.67%	FA	(76,637)
1989	Cumulative Tap Fees		(42,446)	15	6.67%	FA	(42,446)
1990	Cumulative Tap Fees		(12,848)	15	6.67%	FA	(12,848)
1991	Cumulative Tap Fees		(2,241)	15	6.67%	FA	(2,241)
1992	Cumulative Tap Fees		(28,197)	15	6.67%	FA	(28,197)
1993	Cumulative Tap Fees		(30,654)	15	6.67%	FA	(30,654)
1994	Cumulative Tap Fees		(21,399)	15	6.67%	(1,427)	(21,399)
1995	Cumulative Tap Fees		(5,144)	15	6.67%	(343)	(4,802)
1996	Cumulative Tap Fees		(7,594)	15	6.67%	(507)	(6,591)
1997	Cumulative Tap Fees		(5,243)	15	6.67%	(350)	(4,200)
1998	Cumulative Tap Fees		(33,642)	15	6.67%	(2,244)	(24,684)
1999	Cumulative Tap Fees		(17,700)	15	6.67%	(1,181)	(11,810)
2000	Cumulative Tap Fees		(5,144)	15	6.67%	(343)	(3,087)
2001	Cumulative Tap Fees		(4,653)	15	6.67%	(310)	(2,480)
2002	Cumulative Tap Fees		(16,462)	15	6.67%	(1,098)	(7,686)
2003	Cumulative Tap Fees		(8,664)	15	6.67%	(578)	(3,468)
2004	Cumulative Tap Fees		(14,425)	15	6.67%	(962)	(4,810)
2005	Cumulative Tap Fees		(15,580)	15	6.67%	(1,039)	(4,156)
2006	Cumulative Tap Fees		(32,937)	15	6.67%	(2,197)	(6,591)
2007	Cumulative Tap Fees		(24,241)	15	6.67%	(1,617)	(3,234)
2008	Cumulative Tap Fees (through July)		(4,092)	15	6.67%	(273)	(273)
	Total CIAC		(409,943)			(14,469)	(302,294)

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description	Cost	Service Life	Rate	Expense	Accumulated
		$	years	%	$	$
	Net Plant	326,839			22,219	(37,844)
	Total Net Depreciation Expense for Test Year				22,219	
	Less: Per Application Depreciation Expense				(26,935)	
	ORS's Proposed Depreciation Expense Adjustment				(4,716)	

FD = Fully Depreciated
FA = Fully Amortized
NA = Not Applicable

Notes:
Per Commission Order No. 88-1002 - the Commission approved the adjustment to eliminate per book depreciation expense to reflect the Company's recovery of its plant costs though the collection of tap fees. Therefore, ORS will only include plant items purchased after 12/31/87 on the depreciation schedule. Plant is updated through July 2008.

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Income Taxes
For the Test Year Ended December 31, 2007

	After Accounting and Pro forma Adjustments	After Settlement Proposed Increase
Total Operating Revenues	$ 1,325,961	$ 1,655,185
Less: Operating Expenses	(1,043,579)	(1,046,021)
Less: Interest Expense	(18,310)	(18,310)
State Taxable Income	264,072	590,854
Less: State Income Taxes @ 5%	(13,204)	(29,543)
Federal Taxable Income	250,868	561,311
Federal Income Taxes:		
1st $50,000 @ 15%	7,500	7,500
Next $25,000 @ 25%	6,250	6,250
Next $25,000 @ 34%	8,500	8,500
Next $235,000 @ 39%	58,839	91,650
Remaining Balance @ 34%	0	76,946
Total Federal Income Taxes	81,089	190,846
Total State and Federal Income Taxes	94,293	220,389
Less: Income Taxes after ORS's Proposed Accounting and Pro Forma Adjustments		(94,293)
ORS's Income Taxes (State and Federal) Adjustment	**$ 94,293**	**$ 126,096**

Exhibit B

Alpine Utilities, Inc.
2008-190-S
Settlement Rates and Charges

SEWER SERVICE RATE AND CHARGES

MONTHLY SERVICE CHARGES

	Settlement Rates
Residential - Charge per single-family house:	$16.75 per unit
Williamsburg West	$16.75 per unit
Stratton Place	$16.75 per unit
Apartment	$16.75 per unit
Lakewood Village	$16.75 per unit
Factories	
Each Employee (No Showers)	$1.56
Each Employee (With Showers)	$2.06
Each Employee (With Kitchen Facilities)	$2.59
Food Service Operations	
Ordinary Restaurant (Not 24 Hours, Per Seat	$5.17
24 Hour Restaurant (Per Seat)	$7.77
Curb Service (Drive-In, Per Car Space)	$5.17
Vending Machine Restaurant	$3.11
Institutions	
Per Resident	$4.40
Laundries	
Self Service (Per Machine)	$10.81
Mobile Homes	
3 Persons Each	$13.23
Motels	
Per Unit (No Restaurant)	$4.40
Nursing Homes	
Per Bed (No Laundry)	$4.40
Per Bed (With Laundry)	$5.17
Offices	
Per Person (No Restaurant)	$1.29
Picnic Parks	
Average Attendance	$1.56
Beauty Shop	
Per 1,000 Square Feet Space	$10.36
Rest Homes	
Per Bed (No Laundry)	$4.40
Per Bed (With Laundry)	$5.17
Service Stations	
Without Bay	$36.40
First Bay	$51.81
Each Additional Bay (Per Bay)	$25.91
Shopping Centers	
Per 1,000 Square Feet Space (No Restaurants)	$10.36
Swimming Pools	
Per Person (With Sanitary Facilities and Showers)	$1.03
Theatres	
Drive-In - Stall	$0.47
Indoor - Seat	$0.47

Schools	
Per Person (No Showers, Gym, Cafeteria)	$1.03
Per Person (With Cafeteria, No Gym, Showers)	$1.29
Per Person (With Cafeteria, Gym, Showers)	$1.56
Churches	
Per Seat	$0.32
Bowling Alley	
Per Lane, excluding Restaurant	$5.24
Bars or Taverns	
Per Seat, excluding Restaurant	$0.19

The formula shown below will be used to determine a commercial rate that is not specifically noted in the Schedule of Rates and Charges.

$$\text{Commercial Rate} = \text{Apartment Rate} \times \frac{\text{BOD}^{1}\text{ of Commercial Establishment}}{(2.8)\ (0.23)}$$

Where

2.8 = Average Number of People Per Apartment Unit

And

0.23 = BOD for Apartment with Garbage Disposals

[1] Bio-chemical oxygen demand

NONRECURRING CHARGES:

No changes are being proposed at this time for the nonrecurring charges.

Tap Fee: $250.00 per residential unit or per apartment unit

Exhibit C

THE OFFICE OF REGULATORY STAFF

SETTLEMENT TESTIMONY

OF

WILLIE J. MORGAN

SEPTEMBER 18, 2008

DOCKET NO. 2008-190-S

Application of Alpine Utilities, Incorporated for Adjustment of Rates and Charges for the Provision of Sewer Service and Establishment of Additional Rates and Charges

1 **SETTLEMENT TESTIMONY OF WILLIE J. MORGAN**

2 **FOR**

3 **THE OFFICE OF REGULATORY STAFF**

4 **DOCKET NO. 2008-190-S**

5 **IN RE: APPLICATION OF ALPINE UTILITIES, INCORPORATED**

6 **FOR ADJUSTMENT OF RATES AND CHARGES FOR THE PROVISION**

7 **OF SEWER SERVICE AND ESTABLISHMENT OF ADDITIONAL RATES AND**

8 **CHARGES**

9

10 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**

11 **OCCUPATION.**

12 A. My name is Willie J. Morgan, and my business address is 1401 Main

13 Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State

14 of South Carolina Office of Regulatory Staff ("ORS") as the Program Manager

15 for the Water and Wastewater Department.

16 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**

17 **EXPERIENCE.**

18 A. I received a Bachelor of Science Degree in Engineering from the

19 University of South Carolina in 1985 and a Master of Arts Degree in Management

20 from Webster University in 2000. I am a licensed Professional Engineer

21 registered in the State of South Carolina. My professional affiliations include

22 membership in the American Water Works Association ("AWWA"), the South

23 Carolina Section of the American Water Works Association ("SC-AWWA") and

1 the National Society of Professional Engineers ("NSPE"). After graduating from
2 the University of South Carolina, I was employed by the South Carolina
3 Department of Health and Environmental Control ("DHEC") as an Environmental
4 Engineer Associate. Later, I was promoted to the position of Permitting Liaison
5 where I assisted industries and the public with environmental permitting
6 requirements in the State of South Carolina. This assistance included providing
7 information about air quality, solid and hazardous waste management, and water
8 and wastewater management requirements. I was employed by DHEC for
9 nineteen years. In October, 2004, I joined ORS as the Program Manager for the
10 Water and Wastewater Department.

11 **Q. DO YOU HAVE ANY PUBLICATIONS TO YOUR CREDIT?**

12 A. Yes.

13 **Q. WHAT ARE THE NAMES OF SOME OF THOSE PUBLICATIONS?**

14 A. While at DHEC, I published several editions of a document called "A
15 General Guide to Environmental Permitting in South Carolina." This guide is a
16 summary of the various environmental requirements that affect businesses and
17 industries located or operating within the State of South Carolina. Another
18 publication I authored includes a document called "Environmental Protection
19 Fees." This document is a summary of the fees charged for environmental
20 programs. It includes detailed information about the fees collected by water
21 utilities to implement the Safe Drinking Water Act Regulatory Program, fees
22 collected from wastewater utilities to manage the National Pollution Discharge

1 Elimination System ("NPDES") Program, and fees collected for construction
2 activities associated with water and wastewater utilities.

3 **Q. HOW LONG HAVE YOU PROVIDED REGULATORY OVERSIGHT**
4 **AND ENGINEERING SERVICES TO WATER AND WASTEWATER**
5 **FACILITIES?**

6 A. I have over twenty-two years of regulatory compliance experience
7 providing assistance and regulatory oversight for water and wastewater facilities
8 and services.

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

11 A. The purpose of my testimony is to provide a brief overview of the
12 Settlement Agreement reached between ORS, James C. Cook and Carolyn Cook,
13 General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge
14 Townhomes ("Intervenors"), and Alpine Utilities, Inc. ("Alpine") in this
15 proceeding and to explain why this Settlement Agreement is in the public interest.
16 Specifically, I will focus on Alpine's compliance with the Public Service
17 Commission of South Carolina's ("Commission" or "PSC") rules and regulations,
18 ORS's Business Compliance Review of Alpine's wastewater system, test-year
19 revenue and proposed Settlement Agreement revenue, and performance bond
20 requirement.

21 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
22 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

1 A. Yes, my testimony and the attached exhibits detail ORS's findings and
2 recommendations.

3 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
4 **TESTIMONY AND EXHIBITS.**

5 A. I used ORS Business Office Compliance Review results, information
6 provided by Alpine in its application and additional information provided by
7 Alpine during the course of our business review and facility site inspections. I
8 also reviewed Alpine's financial statements and performance bond documents
9 submitted to the Commission.

10 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**
11 **TYPES AND CUSTOMER BASE SERVED BY ALPINE.**

12 A. Alpine is a public utility providing wastewater collection and treatment
13 service in portions of Lexington and Richland counties. Alpine is currently a
14 NARUC Class A wastewater utility according to sewer revenues reported on its
15 application for the test year ending December 31, 2007. According to Alpine's
16 application for the test year ending December 31, 2007, wastewater collection and
17 treatment services were provided to 882 residential customers, 134 apartment
18 customers, and 243 commercial customer accounts.

19 **Q. PLEASE EXPLAIN SETTLEMENT EXHIBIT WJM-1 OF YOUR**
20 **REPORT.**

21 A. Settlement Exhibit WJM-1, consisting of three pages, provides a summary
22 of the Business Office Compliance Review completed by ORS. During the
23 Business Office Compliance Review, ORS reviewed Alpine's office records to

determine compliance with Commission rules and regulations. As expected of a Class A wastewater utility, Alpine utilizes a computer database to capture customer account transactions. Alpine has met the 2007 Annual Report and Gross Receipts reporting requirements.

During the Business Office Compliance Review, ORS reviewed billing records which documented Alpine was charging two commercial customers a rate below the rate approved by the Commission in Order No. 88-1002 during the test year ending December 31, 2007. The Groves Homeowners Association was being charged a rate of $12.75 per apartment unit, which is 75 cents below the rate approved by the Commission. The Grove Homeowners Association account is comprised of 94 apartment units. In addition, Alpine was charging a commercial customer, Landmark Apartments, a rate of $4.00 per apartment unit which is $9.50 below the rate approved by the Commission. There are 336 units included in this commercial account.

Q. PLEASE EXPLAIN SETTLEMENT EXHIBIT WJM-2 OF YOUR REPORT.

A. Settlement Exhibit WJM-2 is a summary of the wastewater collection and treatment system facilities inspected by ORS on June 13, 2008. During the ORS facility inspection, Alpine appeared to be responsive to DHEC and federal environmental requirements which are applicable to the operation of its wastewater collection and treatment system. The only construction activity proposed by Alpine is the replacement of the belt press at the wastewater

1 treatment plant. This work is scheduled to be completed in 2008. No immediate
2 need exists for any additional major upgrades to the current system.

3 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE TEST YEAR**
4 **SEWER SERVICE REVENUES OF ALPINE?**

5 A. Yes. ORS completed a comprehensive review of Alpine's customer sewer
6 revenue calculations for the test year. Based on that review, ORS made revenue
7 adjustments totaling $43,238 to Alpine's test year sewer service revenues. These
8 revenue adjustments normalize the customer billing information provided by
9 Alpine. ORS imputed test year revenue based on customer billing information
10 provided in the original application and supplemental customer data provided by
11 Alpine. Commission approved rates were applied to all customers, including the
12 Landmark Apartments and The Groves Homeowners Association.

13 **Q. EXPLAIN THE TEST YEAR SEWER SERVICE REVENUE AMOUNTS**
14 **COMPUTED BY ORS FOR ALPINE.**

15 A. Settlement Exhibit WJM-3 summarizes Alpine's service revenues for the
16 test year ending December 31, 2007. ORS used Alpine's current rates as
17 approved by the Commission and proposed settlement rates for each calculation.

18 In summary, ORS calculated Alpine's test year service revenue for
19 residential and commercial sewer operations, as adjusted, of $1,321,974. For
20 comparison purposes, ORS calculated the Settlement sewer service revenues, as
21 adjusted, of $1,649,787. ORS did not factor customer growth into these service
22 revenue comparisons. In addition, ORS did not include vacancies in its
23 calculation of sewer service revenues.

As shown in Settlement Exhibit WJM-4, the projected growth for Alpine is approximately 0.1526% for sewer service.

Q. EXPLAIN THE MISCELLANEOUS INCOME REVENUE CATEGORY ON SETTLEMENT EXHIBIT WJM-3.

A. ORS proposes to include $2,141 Miscellaneous Income to Alpine's test year total revenues. The detail for this adjustment is reflected in ORS Settlement Audit Exhibit CLS-2 provided by Christina L. Seale.

Q. DOES ORS PROPOSE AN ADJUSTMENT TO THE TEST YEAR NON-SERVICE REVENUE AMOUNTS FOR ALPINE?

A. Yes. ORS proposes a $339 increase to Alpine's test year revenue category identified as Adjustments based on ORS' review of Alpine's revenue records. The Adjustments category reflects revenue posting corrections made by Alpine during the test year ending December 31, 2007. The total Adjustments for the test year, as adjusted, is ($3,848). ORS proposes no adjustment to Alpine's test year Late Charges.

Q. PLEASE EXPLAIN SETTLEMENT EXHIBIT WJM-5 OF YOUR REPORT.

A. Settlement Exhibit WJM-5 is a summary of the current PSC approved rates for Alpine, rates proposed in the application, and the Settlement Agreement proposed rates for Alpine.

Q. PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR ALPINE.

A. Alpine has a current performance bond for utility operations in the form of an Irrevocable Letter of Credit ("ILC") from Carolina First Bank on file with the PSC in the amount of $350,000. The ILC was originally issued on September 21, 2007 subsequently filed with the PSC. The ILC was revised by letter dated December 3, 2007 to extend the bonding period to September 21, 2008. Based on the expenses from the test year and using the criteria set forth in 26 S.C. Code Regs. 103-512.3.1, ORS determined that the face amount of Alpine's bond should be $350,000 for sewer operations (Settlement Exhibit WJM-6). Alpine's adjusted bonding criteria expenses for the test year were $1,133,963 for wastewater operations. ORS respectfully requests that the Commission require Alpine to maintain its current bonding amount as it is in the public interest for Alpine to obtain a bond that satisfies the criteria set forth in S.C. Code Ann. Section 58-5-720 (Supp. 2007).

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

A. ORS recommendations are based on the conclusions outlined in the Florida Public Service Commission Water and Wastewater System Regulatory Law as recommended by the NARUC staff. ORS's approach and conclusions made concerning depreciation are consistent with the Public Utility Depreciation Practices manual as published by NARUC in 1996. No adjustments were made since the impact from the use of the various assets was considered normal.

Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT AGREEMENT REACHED BY THE PARTIES OF RECORD.

A. Following extensive discussions, the parties have each determined that their interests, as well as the interest of the public would be best served by settling all pending issues in this proceeding.

It is the position of ORS that the Settlement Agreement, as presented to this Commission, is a fair, reasonable and full resolution to all issues in this proceeding. Further, the Settlement Agreement represents the public interest as it preserves the balance referred to in S.C. Code Ann. Section 58-4-10:

> ... 'public interest' 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 customer;
>
> (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 investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

All parties agree that the proposed increase in rates and charges resulting from the Settlement Agreement is fair and reasonable to both the customer and Alpine.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.

REVIEW OF WASTEWATER SERVICE
ALPINE UTILITIES, INC.
DOCKET: 2008-190-S

The Office of Regulatory Staff ("ORS") of South Carolina performed a Business Office Compliance Review of the revenue, customer complaint, and customer records of Alpine Utilities, Inc. ("Alpine") in preparation for this rate case. Alpine currently provides wastewater collection and wastewater treatment services to commercial and residential customers in portions of Lexington and Richland County. According to Alpine's application for the test year ending December 31, 2007, wastewater collection and treatment services were provided to 882 residential customers, 134 apartment customers, and 243 commercial customers accounts.

The ORS Consumer Services Department has received two consumer complaints regarding Alpine within the three year record retention period. In November 2005, a service complaint was filed by a customer regarding a blockage in a sewer line. ORS investigated and responded to the customer and the utility. Alpine resolved the complaint. On June 16, 2008, ORS received one customer complaint letter protesting the application for a rate increase. Since the Notice of Filing was mailed to Alpine's customers, the Public Service Commission has received one Petition to Intervene and three Letters of Protest.

ORS determined Alpine provides adequate wastewater collection and treatment service.

The following 2 pages provide a summary of the ORS Business Office Compliance Review results.

ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: Alpine Utilities, Inc.
Inspector: Willie Morgan & Elizabeth Ford
Office: 2712 Middleburg Drive, #208, Columbia, SC 29204-2415
Utility Type: **Wastewater**
Date: June 12, 2008
Company Representative: Mr. Robin Dial, Ms. Pat Gillam

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with Rule R.103-510.	X		
2	Complaint records maintained in accordance with R.103-516	X		
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.	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.	X		
5	Deposits charged within the limits established by R.103-531.	N/A		No deposits charged.
6	Timely and accurate bills being rendered to customers in accordance with R.103-532.	X		Residential customers billed on the 25th, commercial customers billed on 20th, customers given 25 days to pay
7	Bill forms in accordance with R.103-532.	X		Customers billed in advance
8	Adjustments of bills handled in accordance with R.103-533	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535.	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.	X		

#	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 of service in accordance with R.103-530.	X		24 hr answer service line. Office hours are 9:00 a.m. to 4:30 p.m. Monday through Friday.
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.	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, emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	NA	NA	1,147 (residential, apartment, and commercial accounts)
17	Company has a current performance bond on file with the Commission. Amount of bond: **$350,000**	X		
18	Utility maintains a documented Safety Program.	X		Maintained by contractor, EA Services
19	Utility maintains a documented Emergency Response plan.	X		Maintained by contractor, EA Services
20	Utility maintains a documented Preventative Maintenance plan.	X		Maintained by contractor, EA Services
21	Utility submitted a current Annual Report.	X		Received April 1, 2008
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		

ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	June 13, 2008
Inspector Name:	Willie Morgan, Elizabeth Ford
Docket Number:	2008-190-S
Utility Name:	Alpine Utilities, Inc.
Utility Representative:	Keith Murphy, James LeRoy - E.A. Services
Number of Customers:	1147 (814 residential, 333 commercial)
System Type (collection, force main, lagoon, etc):	Collection, force main, WWTP
Location of System:	Richland & Lexington County
Location of Utility Office:	2712 Middleburg Drive, #208, Columbia, SC 29204-2415
Treatment Type:	Biological
Permit #:	SC0029483
Last SC DHEC Compliance Rating:	See information below for inspection on February 26, 2008.
Frequency checked by WWTF Operator:	Daily
Drinking Water Provider:	City of Columbia

Inspection Results

	System Components Inspected	Yes	No	Comments
1	Chlorinator	X		Chlorine gas cylinders used.
2	Other chemicals in use	X		De-chlorination
3	Aerators present	X		
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	X		
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		None present
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		8 lift stations present
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		Expansion is limited to the existing service area.

Additional Comments:

Plant capacity is 2 MGD. Actual average flow is approx. 1 MGD. A review of the wastewater treatment facility (WWTF) did not reveal any deficiencies.

The last environmental compliance inspection was conducted by EPA on February 26, 2008. DHEC and E.A. Services, Inc. were present for this inspection. The overall self-monitoring program was determined by EPA to be satisfactory. See attached DHEC affidavit dated August 20, 2008.

BOARD:
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Vice Chairman

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D H E C

PROMOTE PROTECT PROSPER

C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment

BOARD:
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Coleman F. Buckhouse, MD

August 20, 2008

Nannette Edwards, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, South Carolina 29201

RE: Application of Alpine Utilities, Inc.
Affidavit of J. Robin Foy
South Carolina Department of Health and Environmental Control

Dear Ms. Edwards:

Jacquelyn Dickman asked that I send you the attached *Affidavit of J. Robin Foy* in the above-referenced matter.

Please do not hesitate to contact me if you have any questions or need anything further.

Very truly yours,

Connie S. Horger
Paralegal for Jacquelyn S. Dickman

/csh
Enclosure as stated.

cc: (via electronic mail)
J. Robin Foy, DHEC

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SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL
Office of General Counsel
Columbia Office • 2600 Bull Street • Columbia, SC 29201 • Phone: (803) 898-3350 • Fax: (803) 898-3367 • www.scdhec.gov

IN RE:	)	
	)	
Application of Alpine Utilities	)	**AFFIDAVIT OF J. ROBIN FOY**
	)	
_____	)	

PERSONALLY APPEARED BEFORE ME, J. Robin Foy, who being duly sworn, deposes and says that:

1. I am employed by the South Carolina Department of Health and Environmental Control as Manager of the Water Pollution Enforcement Section in the Bureau of Water.

2. I have worked in the Water Pollution Enforcement Section in the Bureau of Water since February 1992 and as Section Manager since July 1998.

3. In this capacity, I oversee and track enforcement actions of the Water Pollution Enforcement Section and provide daily supervision to Enforcement Section staff.

4. I am submitting this affidavit in response to a request by the Office of Regulatory Staff for a DHEC witness to appear at the Public Service Commission hearing on the rate adjustment request of Alpine Utilities, Inc.

5. I have been asked whether DHEC has issued any notices of violation, fines or penalties against Alpine Utilities, Inc., during the period of January 1, 2007 through December 31, 2007. During this period, DHEC has not issued any notices of violation or taken any enforcement action against Alpine Utilities, Inc.

6. Since December 1, 2005, Alpine Utilities, Inc. has operated under a permit issued by the United States Environmental Protection Agency (EPA). Pursuant to this

permit, EPA has the lead role in ensuring the facility's compliance with permit requirements. DHEC has no record of any EPA notices of violation or enforcement action in regard to Alpine Utilities, Inc. for the period January 1, 2007 through December 31, 2007.

7. There is an ongoing investigation being conducted by DHEC and EPA relating to recent operations of the Alpine Utilities facility.

FURTHER AFFIANT SAYETH NOT.

BY: J. Robin Foy

J. Robin Foy

Columbia, South Carolina

Sworn to and Subscribed before me this 20 day of August, 2008

NOTARY PUBLIC FOR SOUTH CAROLINA

My Commission Expires: April 28, 2013

Alpine Utilities, Inc.
2008-190-S
Service Revenue Impact

Alpine Utilities, Inc. Test Year Revenues at Current Rates

Service Type	Classification	Customer	Service Units	Fee per Unit	Test Year Calculated Revenues
Sewer	Residential	SINGLE FAMILY RESIDENCE	718	$13.50	$116,316
		Williamsburg West	51	$9.00	$5,508
		Stratton Place	29	$9.00	$3,132
		TOTAL RESIDENTIAL SEWER SERVICE			**$124,956**
	Apartments	APARTMENTS	4577	$13.50	$741,474
		Lakewood Village	58	$8.25	$5,742
	Factories	Each Employee (No Showers)		$1.26	$0
		Each Employee (With Showers)		$1.66	$0
		Each Employee (With Kitchen Facilities)		$2.09	$0
	Food Service Operations	Ordinary Restaurant (Not 24 hrs, Per Seat)	2773	$4.17	$138,761
		24 Hour Restaurant (Per Seat)	116	$6.26	$8,714
		Curb Service (Drive-In, Per Car Space)	7	$4.17	$350
		Vending Machine Restaurant		$2.51	$0
	Institutions	Per Resident		$3.55	$0
	Laundries	Self Service (Per Machine)	130	$8.71	$13,588
	Mobile Homes	3 Persons Each	44	$10.66	$5,628
	Motels	Per Unit (No Restaurant)	918	$3.55	$39,107
	Nursing Homes	Per Bed (No Laundry)	44	$3.55	$1,874
		Per Bed (With Laundry)	120	$4.17	$6,005
	Offices	Per Person (No Restaurant)	5663	$1.04	$70,674
	Picnic Parks	Average Attendance		$1.26	$0
	Beauty Shop	Per 1000 Square Feet Space	1	$8.35	$100
	Rest Homes	Per Bed (No Laundry)		$3.55	$0
		Per Bed (With Laundry)		$4.17	$0
	Service Stations	Without Bay	5	$29.34	$1,760
		First Bay	5	$41.76	$2,506
		Each Additional Bay (Per Bay)	60	$20.88	$15,034
	Shopping Centers	Per 1000 Square Feet Space (No Restaurant)	914.881	$8.35	$91,671
	Swimming Pools	Per Person (With Sanitary Facilities & Showers		$0.83	$0
	Theatres	Drive-In-Stall		$0.38	$0
		Indoor - Seat	1025	$0.38	$4,674
	Schools	Per Person (No Showers, Gym, Cafeterial)	418	$0.83	$4,163
		Per Person (w/Cafeteria, No Gym, Showers)	1534	$1.04	$19,144
		Per Person (w/Cafeteria, Gym, Showers)		$1.26	$0
	Churches	Per Seat	3590	$0.26	$11,201
	Bowling Alley	Per Lane, excluding Restaurant	40	$4.22	$2,026
	Bars or Taverns	Per Seat, excluding Restaurant	112	$0.15	$202
	Other	Miscellaneous per BOD	1	$1,051.64	$12,620
		TOTAL COMMERCIAL SEWER SERVICE			**$1,197,018**
Miscellaneous Income: Mid Carolina Electric Cooperative, Inc. (Capital Cost Return) and Court Fees					$2,141
		TOTAL SEWER SERVICE REVENUE			**$1,324,115**
Adjustments					($3,848)
Late Charges (Residential and Commercial)					$5,694
		TOTAL OPERATING REVENUE			**$1,325,961**

Alpine Utilities, Inc. Revenues at Settlement Rates

Service Type	Classification	Customer	Service Units	Fee per Unit	Test Year Proposed Revenues	Increase Amount	% Increase
Sewer	Residential	SINGLE FAMILY RESIDENCE	718	$16.75	$144,318	$28,002	24.1%
		Williamsburg West	51	$16.75	$10,251	$4,743	86.1%
		Stratton Place	29	$16.75	$5,829	$2,697	86.1%
		TOTAL RESIDENTIAL SEWER SERVICE			**$160,398**	**$35,442**	**28.4%**
	Apartments	APARTMENTS	4577	$16.75	$919,977	$178,503	24.1%
		Lakewood Village	58	$16.75	$11,658	$5,916	103.0%
	Factories	Each Employee (No Showers)		$1.56	$0		
		Each Employee (With Showers)		$2.06	$0		
		Each Employee (With Kitchen Facilities)		$2.59	$0		
	Food Service Operations	Ordinary Restaurant (Not 24 hrs, Per Seat)	2773	$5.17	$172,037	$33,276	24.0%
		24 Hour Restaurant (Per Seat)	116	$7.77	$10,816	$2,102	24.1%
		Curb Service (Drive-In, Per Car Space)	7	$5.17	$434	$84	24.0%
		Vending Machine Restaurant		$3.11	$0		
	Institutions	Per Resident		$4.40	$0		
	Laundries	Self Service (Per Machine)	130	$10.81	$16,864	$3,276	24.1%
	Mobile Homes	3 Persons Each	44	$13.23	$6,985	$1,357	24.1%
	Motels	Per Unit (No Restaurant)	918	$4.40	$48,470	$9,363	23.9%
	Nursing Homes	Per Bed (No Laundry)	44	$4.40	$2,323	$449	24.0%
		Per Bed (With Laundry)	120	$5.17	$7,445	$1,440	24.0%
	Offices	Per Person (No Restaurant)	5663	$1.29	$87,663	$16,989	24.0%
	Picnic Parks	Average Attendance		$1.56	$0		
	Beauty Shop	Per 1000 Square Feet Space	1	$10.36	$124	$24	24.0%
	Rest Homes	Per Bed (No Laundry)		$4.40	$0		
		Per Bed (With Laundry)		$5.17	$0		
	Service Stations	Without Bay	5	$36.40	$2,184	$424	24.1%
		First Bay	5	$51.81	$3,109	$603	24.1%
		Each Additional Bay (Per Bay)	60	$25.91	$18,655	$3,621	24.1%
	Shopping Centers	Per 1000 Square Feet Space (No Restaurant)	914.881	$10.36	$113,738	$22,067	24.1%
	Swimming Pools	Per Person (With Sanitary Facilities & Showers		$1.03	$0		
	Theatres	Drive-In-Stall		$0.47	$0		
		Indoor - Seat	1025	$0.47	$5,781	$1,107	23.7%
	Schools	Per Person (No Showers, Gym, Cafeterial)	418	$1.03	$5,166	$1,003	24.1%
		Per Person (w/Cafeteria, No Gym, Showers)	1534	$1.29	$23,746	$4,602	24.0%
		Per Person (w/Cafeteria, Gym, Showers)		$1.56	$0		
	Churches	Per Seat	3590	$0.32	$13,786	$2,585	23.1%
	Bowling Alley	Per Lane, excluding Restaurant	40	$5.24	$2,515	$489	24.1%
	Bars or Taverns	Per Seat, excluding Restaurant	112	$0.19	$255	$53	26.2%
	Other	Miscellaneous per BOD	1	$1,304.81	$15,658	$3,038	24.1%
		TOTAL COMMERCIAL SEWER SERVICE			**$1,489,389**	**$292,371**	**24.4%**
Miscellaneous Income: Mid Carolina Electric Cooperative, Inc. (Capital Cost Return) and Court Fees					$2,141	$0	0.0%
		TOTAL SEWER SERVICE REVENUE			**$1,651,928**	**$327,813**	**24.8%**
Adjustments					($3,848)	$0	0.0%
Late Charges (Residential and Commercial)					$7,105	$1,411	24.8%
		TOTAL OPERATING REVENUE			**$1,655,185**	**$329,224**	**24.8%**

Customer Tap Fees and Reconnection Fees are not included in any of the above computations.

Alpine Utilities, Inc.
2008-190-S
Customer Growth Analysis

			January 1, 2007	December 31, 2007	July 30, 2008	Average for Test Year	Average for Jan. 2007 to July 30, 2008	Growth Factor for Jan. 2007 to July 30, 2008
Service Type	**Classification**	**Customer**	**Service Units**	**Service Units**	**Service Units**	**Service Units**	**Service Units**	
	Residential	SINGLE FAMILY RESIDENCE	663	718	727	690.5	695.0	0.046043
		Williamsburg West	49	51	51	50.0	50.0	0.020000
		Stratton Place	29	29	29	29.0	29.0	0.000000
	TOTAL RESIDENTIAL		741	798	807	769.5	774.0	0.042636
	Apartments	APARTMENTS	4605	4577	4572	4591.0	4588.5	-0.003596
		Lakewood Village	58	58	58	58.0	58.0	0.000000
	Factories	Each Employee (No Showers)	0	0	0	0.0	0.0	N/A
		Each Employee (With Showers)	0	0	0	0.0	0.0	N/A
		Each Employee (With Kitchen Facilities)	0	0	0	0.0	0.0	N/A
	Food Service Operations	Ordinary Restaurant (Not 24 hrs, Per Seat)	2827	2773	2773	2800.0	2800.0	-0.009643
		24 Hour Restaurant (Per Seat)	82	116	116	99.0	99.0	0.171717
		Curb Service (Drive-In, Per Car Space)	7	7	7	7.0	7.0	0.000000
		Vending Machine Restaurant	0	0	0	0.0	0.0	N/A
	Institutions	Per Resident	0	0	0	0.0	0.0	N/A
	Laundries	Self Service (Per Machine)	130	130	130	130.0	130.0	0.000000
	Mobile Homes	3 Persons Each	44	44	44	44.0	44.0	0.000000
	Motels	Per Unit (No Restaurant)	918	918	918	918.0	918.0	0.000000
	Nursing Homes	Per Bed (No Laundry)	44	44	44	44.0	44.0	0.000000
		Per Bed (With Laundry)	120	120	120	120.0	120.0	0.000000
Sewer	Offices	Per Person (No Restaurant)	5689	5663	5663	5676.0	5676.0	-0.002290
	Picnic Parks	Average Attendance	0	0	0	0.0	0.0	N/A
	Beauty Shop	Per 1000 Square Feet Space	1	1	1	1.0	1.0	0.000000
	Rest Homes	Per Bed (No Laundry)	0	0	0	0.0	0.0	N/A
		Per Bed (With Laundry)	0	0	0	0.0	0.0	N/A
	Service Stations	Without Bay	5	5	5	5.0	5.0	0.000000
		First Bay	5	5	5	5.0	5.0	0.000000
		Each Additional Bay (Per Bay)	60	60	60	60.0	60.0	0.000000
	Shopping Centers	Per 1000 Square Feet Space (No Restaurant)	910	915	928	912.4	918.8	0.009594
	Swimming Pools	Per Person (With Sanitary Facilities & Showers	0	0	0	0.0	0.0	N/A
	Theatres	Drive-In-Stall	0	0	0	0.0	0.0	N/A
		Indoor - Seat	1025	1025	1025	1025.0	1025.0	0.000000
	Schools	Per Person (No Showers, Gym, Cafeterial)	418	418	418	418.0	418.0	0.000000
		Per Person (w/Cafeteria, No Gym, Showers)	1534	1534	1534	1534.0	1534.0	0.000000
		Per Person (w/Cafeteria, Gym, Showers)	0	0	0	0.0	0.0	N/A
	Churches	Per Seat	3490	3590	3539	3540.0	3514.5	0.006971
	Bowling Alley	Per Lane, excluding Restaurant	40	40	40	40.0	40.0	0.000000
	Bars or Taverns	Per Seat, excluding Restaurant	98	112	112	105.0	105.0	0.066667
	Other	Miscellaneous per BOD	48	50	50	49.1	49.1	0.020886
	TOTAL COMMERCIAL		22158	22205	22162	22181.5	22160.0	0.000090
TOTAL			22899	23003	22969	22951.0	22934.0	0.001526

Alpine Utilities, Inc.
2008-190-S
Current, Proposed , and Settlement Rates and Charges

Settlement Exhibit WJM-5

SEWER SERVICE RATE AND CHARGES

MONTHLY SERVICE CHARGES

	Current	Proposed	Settlement Rates
Residential - Charge per single-family house:	$13.50 per unit	$28.00 per unit	$16.75 per unit
Williamsburg West	$9.00 per unit	$28.00 per unit	$16.75 per unit
Stratton Place	$9.00 per unit	$28.00 per unit	$16.75 per unit
Apartment	$13.50 per unit	$28.00 per unit	$16.75 per unit
Lakewood Village	$8.25 per unit	$28.00 per unit	$16.75 per unit
Factories			
Each Employee (No Showers)	$1.26	$2.61	$1.56
Each Employee (With Showers)	$1.66	$3.44	$2.06
Each Employee (With Kitchen Facilities)	$2.09	$4.33	$2.59
Food Service Operations			
Ordinary Restaurant (Not 24 Hours, Per Seat	$4.17	$8.65	$5.17
24 Hour Restaurant (Per Seat)	$6.26	$12.98	$7.77
Curb Service (Drive-In, Per Car Space)	$4.17	$8.65	$5.17
Vending Machine Restaurant	$2.51	$5.21	$3.11
Institutions			
Per Resident	$3.55	$7.36	$4.40
Laundries			
Self Service (Per Machine)	$8.71	$18.07	$10.81
Mobile Homes			
3 Persons Each	$10.66	$22.11	$13.23
Motels			
Per Unit (No Restaurant)	$3.55	$7.36	$4.40
Nursing Homes			
Per Bed (No Laundry)	$3.55	$7.36	$4.40
Per Bed (With Laundry)	$4.17	$8.65	$5.17
Offices			
Per Person (No Restaurant)	$1.04	$2.16	$1.29
Picnic Parks			
Average Attendance	$1.26	$2.61	$1.56
Beauty Shop			
Per 1,000 Square Feet Space	$8.35	$17.32	$10.36
Rest Homes			
Per Bed (No Laundry)	$3.55	$7.36	$4.40
Per Bed (With Laundry)	$4.17	$8.65	$5.17
Service Stations			
Without Bay	$29.34	$60.85	$36.40
First Bay	$41.76	$86.61	$51.81
Each Additional Bay (Per Bay)	$20.88	$43.31	$25.91
Shopping Centers			
Per 1,000 Square Feet Space (No Restaurants)	$8.35	$17.32	$10.36
Swimming Pools			
Per Person (With Sanitary Facilities and Showers)	$0.83	$1.72	$1.03
Theatres			
Drive-In - Stall	$0.38	$0.79	$0.47

Indoor - Seat	$0.38	$0.79	$0.47
Schools			
Per Person (No Showers, Gym, Cafeteria)	$0.83	$1.72	$1.03
Per Person (With Cafeteria, No Gym, Showers)	$1.04	$2.16	$1.29
Per Person (With Cafeteria, Gym, Showers)	$1.26	$2.61	$1.56
Churches			
Per Seat	$0.26	$0.54	$0.32
Bowling Alley			
Per Lane, excluding Restaurant	$4.22	$8.75	$5.24
Bars or Taverns			
Per Seat, excluding Restaurant	$0.15	$0.45	$0.19

The formula shown below will be used to determine a commercial rate that is not specifically noted in the Schedule of Rates and Charges.

$$\text{Commercial Rate} = \text{Apartment Rate} \times \frac{\text{BOD}^{1}\text{ of Commercial Establishment}}{(2.8)\,(0.23)}$$

Where

2.8 = Average Number of People Per Apartment Unit

And

0.23 = BOD for Apartment with Garbage Disposals

[1] Bio-chemical oxygen demand

NONRECURRING CHARGES:

No changes are being proposed at this time for the nonrecurring charges.

Tap Fee: $250.00 per residential unit or per apartment unit

Alpine Utilities, Inc.
2008-190-S
Performance Bond Requirement

Settlement Exhibit WJM-6

	Alpine Utilities, Inc. - Wastewater		
Bond Value Components	**Application Per Books**	**After ORS's Proposed Accounting & Pro forma Adjustments**	**After Settlement Proposed Increase**
Power Purchased for Pumping	$72,002	$69,794	$69,794
Treatment and Disposal	$771,550	$584,954	$584,954
Salaries and Benefits	$273,961	$207,495	$207,495
Building and Equipment Rental	$10,231	$14,095	$14,095
Administrative Materials & Supplies	$15,321	$9,368	$9,368
Contractual Services	$94,958	$50,373	$50,373
Insurance	$15,091	$11,366	$11,366
Miscellaneous	$11,833	$5,978	$5,978
Rate Case	$16,925	$35,334	$35,334
Taxes Other Than Income	$45,041	$32,603	$35,045
Income Tax (State and Federal)	$0	$94,293	$220,389
Interest Expense	$16,550	$18,310	$18,310
Bond Value Requirement	**$1,343,463**	**$1,133,963**	**$1,262,501**

Current Performance Bond Structure (1)	**Bond Value**	**Expiration Date**
Letter of Credit	$350,000	09/21/08
Total Financial Assurance	**$350,000**	

(1) Letter of Credit secures performance bond of $350,000 for wastewater operations.

THE OFFICE OF REGULATORY STAFF

SETTLEMENT TESTIMONY

OF

CHRISTINA L. SEALE

SEPTEMBER 18, 2008

DOCKET NO. 2008-190-S

Application of Alpine Utilities, Incorporated for Adjustment of Rates and Charges for the Provision of Sewer Service and Establishment of Additional Rates and Charges

1 **SETTLEMENT TESTIMONY OF CHRISTINA L. SEALE**

2 **FOR**

3 **THE OFFICE OF REGULATORY STAFF**

4 **DOCKET NO: 2008-190-S**

5 **IN RE: APPLICATION OF ALPINE UTILITIES, INCORPORATED**

6 **FOR ADJUSTMENT OF RATES AND CHARGES FOR THE PROVISION**

7 **OF SEWER SERVICE AND ESTABLISHMENT OF ADDITIONAL**

8 **RATES AND CHARGES**

9

10 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**

11 **OCCUPATION.**

12 **A.** My name is Christina L. Seale. My business address is 1401 Main Street, Suite

13 900, Columbia, South Carolina, 29201. I am employed by the South Carolina

14 Office of Regulatory Staff ("ORS") as an Auditor.

15 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**

16 **EXPERIENCE.**

17 **A.** I received a Bachelor of Science in Accounting with a minor in Computer

18 Systems and Applications from Columbia College in 2000. From 2000 to 2004, I

19 was employed by the South Carolina Office of the State Auditor. In that capacity,

20 I performed agreed-upon procedures engagements and statewide single audits of

21 various state agencies in South Carolina. In January 2005, I began my

22 employment with ORS, where I perform regulatory audits of utility companies,

23 mainly water and wastewater utilities.

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

A. The purpose of my settlement testimony is to set forth my findings and recommendations resulting from ORS's examination of the application of Alpine Utilities, Inc. for adjustment of rates and charges for the provision of sewer service and establishment of additional rates and charges ("Application") filed on May 7, 2008. As a result, ORS proposes adjustments to normalize the results of Alpine's test year operations. These adjustments have been agreed upon in the Settlement Agreement between Happy Rabbit, L.P., Alpine Utilities, Inc. ("Alpine" or "Applicant") and ORS.

Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR SETTLEMENT TESTIMONY.

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

- Settlement Audit Exhibit CLS-1: Operating Experience and Operating Margin
- Settlement Audit Exhibit CLS-2: Explanation of Adjustments
- Settlement Audit Exhibit CLS-3: Computation of Depreciation Expense
- Settlement Audit Exhibit CLS-4: Computation of Income Taxes

These exhibits were either prepared by me or were prepared under my direction and supervision in compliance with recognized accounting and regulatory procedures for wastewater utility rate cases.

1 **Q. PLEASE DESCRIBE THE FORMAT OF SETTLEMENT AUDIT**
2 **EXHIBIT CLS-1 AND ELABORATE ON THE CALCULATIONS.**
3 **A.** Settlement Audit Exhibit CLS-1 shows Alpine's operating experience and
4 operating margin for wastewater operations for the test year ended December 31,
5 2007. The exhibit's format is designed to reflect the Application per books and
6 ORS's proposed accounting and pro forma adjustments necessary to normalize
7 the results of Alpine's test year operations.
8 Column (1) shows the Application per books calculated by Alpine for the test
9 year ended December 31, 2007. The net operating loss of ($71,125) was based on
10 total operating revenues of $1,282,723 less total operating expenses of
11 $1,353,848. The net operating loss plus miscellaneous income and tap fees less
12 interest expense resulted in a total loss for return of ($51,620). The operating
13 margin of (4.02%) was calculated by dividing the total loss for return by the total
14 operating revenues.
15 Column (2) shows ORS's proposed accounting and pro forma adjustments
16 designed to normalize the Application per books. An explanation of each
17 adjustment is contained in Settlement Audit Exhibit CLS-2.
18 Column (3) shows ORS's calculation of a normalized test year for Alpine by
19 adding columns (1) and (2). The net effect of ORS's proposed accounting and
20 pro forma adjustments resulted in total income for return of $170,066 and an
21 operating margin of 12.83%.

Column (4) reflects the settlement proposed increase and the calculation of taxes associated with the proposed increase. An explanation of each adjustment is contained in Settlement Audit Exhibit CLS-2.

Column (5) shows the effect of the settlement proposed increase by adding columns (3) and (4). The net effect of the settlement proposed increase would result in total income for return of $371,058 and an operating margin of 22.42%.

Q. PLEASE EXPLAIN THE ADJUSTMENTS IN SETTLEMENT AUDIT EXHIBIT CLS-2.

A. The following adjustments are listed at Settlement Audit Exhibit CLS-2 under "Adj. #". For comparative purposes, Settlement and Applicant's adjustments are both presented in Settlement Audit Exhibit CLS-2.

Adjustments 1-4 – Details of these adjustments are shown on Settlement Exhibit WJM-3 of ORS Water/Wastewater Program Manager, Willie Morgan's settlement testimony.

Adjustment 5 – ORS proposes to reclassify $2,141 as miscellaneous income in total operating revenues. See Adjustment 29. This amount consists of a customer reimbursement for a court fee of $80 and an annual capital credit of $2,061 from an electric cooperative company. This adjustment is also shown on Settlement Exhibit WJM-3 of ORS Water/Wastewater Program Manager, Willie Morgan's testimony.

Adjustment 6 – ORS proposes not to adjust fuel costs for estimated increases as requested in Alpine's Application.

1 Adjustment 7 – ORS proposes to remove electric bills paid for Woodland
2 Utilities, Inc.'s ("Woodland") customers of ($2,208).
3 Adjustment 8 – ORS proposes not to adjust materials and supplies costs for
4 estimated increases as requested in Alpine's Application.
5 Adjustment 9 – ORS proposes to remove non-recurring lease payments totaling
6 ($138,000) related to the old belt press. Alpine purchased a new belt press which
7 replaced the one leased during the test year. The new belt press, with cost
8 incurred of $273,165 ($40,000 down payment and additional payments of
9 $233,165), is included in plant-in-service on the depreciation schedule, Settlement
10 Audit Exhibit CLS-3.
11 Adjustment 10 – ORS proposes to capitalize expenditures during the test year of
12 ($32,719). These items are included in plant-in-service on the depreciation
13 schedule, Settlement Audit Exhibit CLS-3, and consist of a pump installation at
14 the WWTP for $711, belt press parts for $1,717, belt press rollers for $7,243, two
15 pump station control cabinets for $14,908 and installation for two pump station
16 control cabinets for $8,140.
17 Adjustment 11 – ORS proposes to remove operation and maintenance expenses of
18 ($15,722) for services received outside the test year.
19 Adjustment 12 – ORS proposes to remove a portion of the total expense for the
20 security system shared between Alpine and its affiliates. Alpine shares an office
21 with utilities regulated by the Public Service Commission ("PSC"), and several
22 other non-regulated companies. ORS proposes to use an allocation factor of 35%
23 to allocate the shared expenses to Alpine's affiliates. This allocation is based on

1 the Office Manager's time attributed to each company. ORS allocated 35% of the
2 total shared security system expense of $444 for an adjustment of ($155).
3 Adjustment 13 – ORS proposes to adjust salaries to reflect Alpine's allocated
4 portion of merit bonuses and salaries for current employees. ORS computed
5 annualized salaries for Alpine and its affiliates as of May 2008 of $244,451.
6 From this amount, ORS removed $48,252 for salaries applicable to the affiliates,
7 resulting in Alpine's salaries for the test year of $196,199. The amount removed
8 was based on the time employees attributed to each of Alpine's affiliates. ORS
9 reduced the per book salaries of $265,881 to the calculated amount of $196,199,
10 which resulted in an adjustment of ($69,682).
11 Adjustment 14 – ORS proposes to adjust employee benefits to reflect the portion
12 allocated to Alpine using the same methodology for allocating salaries in
13 Adjustment 13. Total employee benefits paid in the test year for Alpine and its
14 affiliates was $14,600. From this amount, ORS removed $3,304 for affiliates,
15 resulting in Alpine's employee benefits portion for the test year of $11,296. ORS
16 then subtracted the total employee benefits per books of $8,080 from $11,296 for
17 an adjustment of $3,216.
18 Adjustment 15 – ORS proposes to adjust office rent for an increase in square
19 footage space and to remove a portion of rent for the shared office. ORS
20 computed total office rent for Alpine and its affiliates of $20,061. From this
21 amount ORS removed 7,021 or 35%, as described in Adjustment 12, for Alpine's
22 affiliates, resulting in Alpine's total rent for the test year of $13,040. ORS then

1 subtracted the total office rent per books of $8,515 from $13,040 for an
2 adjustment of $4,525.
3 Adjustment 16 – ORS proposes to remove nonallowable expenses and to remove
4 a portion of rent for the shared equipment. Total equipment rental for Alpine and
5 its affiliates was $1,716. This amount was reduced by $93 for late fees resulting
6 in the remaining total shared equipment to be allocated of $1,623. ORS applied
7 the 35% allocation, as described in Adjustment 12, to $1,623 and calculated $568
8 for Alpine's affiliates. ORS removed a total of ($661) for its adjustment.
9 Adjustment 17 – ORS proposes to capitalize office furniture expenditures during
10 the test year of ($624). These items are included on the depreciation schedule at
11 Settlement Audit Exhibit CLS-3 and consist of an executive chair and a legal
12 filing cabinet.
13 Adjustment 18 – ORS proposes to remove nonallowable expenses and Alpine's
14 affiliates' portion of shared office expenses. Total office expenses for Alpine and
15 its affiliates was $13,827. This amount was reduced by $753 for late fees, finance
16 charges, non-regulatory expenses and items not supported by adequate
17 documentation, resulting in the remaining total shared office expenses to be
18 allocated of $13,074. ORS applied the 35% allocation, as described in
19 Adjustment 12, to $13,074 and calculated $4,576 for Alpine's affiliates. ORS
20 removed a total of ($5,329) for its adjustment.
21 Adjustment 19 – ORS proposes to reclassify legal expenditures of $4,079 from
22 contractual services expenses to rate case expenses (see Adjustment 23) and to
23 remove non-regulatory legal expenses of $34,532. In addition, ORS proposes to

amortize non-recurring legal expenses of $7,468 over a five-year period, by removing $5,974 to be deferred over the next four years. ORS's total adjustment is ($44,585).

Adjustment 20 – ORS proposes to adjust insurance associated with the vehicles on the depreciation schedule and to remove a portion of insurance covering shared items. This adjustment includes insurance expense associated with the Ford Taurus, a replacement vehicle for the Lexus, and the removal of insurance expense associated with the Lexus and Infiniti. The Infiniti was sold during the test year. In addition, ORS proposes to remove 35% of the insurance expense of the non-plant-in-service common assets shared between Alpine and its affiliates. Also, ORS proposes to remove 14% of the insurance expense of the total plant-in-service assets of Woodland and Alpine. See Adjustment 22 for a more detailed explanation. ORS calculated total annualized insurance for Alpine of $11,366 less the Per Application Insurance Expense of $15,091 for a total adjustment of ($3,725).

Adjustment 21 – ORS proposes to remove nonallowables and non-recurring expenses and a portion of shared miscellaneous expenses. Total miscellaneous expenses for Alpine and its affiliates was $10,873. This amount was reduced by $3,153 for non-regulatory expenses and non-recurring expenses resulting in the remaining total shared office expenses to be allocated of $7,720. ORS applied the 35% allocation, as described in Adjustment 12, to $7,720 resulting in $2,702 for Alpine's affiliates. ORS removed a total of ($5,855) for its adjustment.

1 Adjustment 22 – ORS proposes to annualize depreciation expense for plant-in-
2 service and amortization of contributions in aid of construction ("CIAC") as of July
3 2008. Depreciation expense reflects useful lives recommended by the ORS
4 Water/Wastewater Department, and the amortization of CIAC. This adjustment
5 includes depreciation expense associated with the assets capitalized by ORS in
6 Adjustments 10 and 17, amortization of cumulative tap fees reclassified by ORS in
7 Adjustment 30, depreciation expense associated with assets purchased in 2001 and
8 capitalized by ORS, depreciation expense associated with a Ford Taurus, a
9 replacement vehicle for the Lexus, and the removal of depreciation expense
10 associated with the Lexus. ORS considers a luxury car such as a Lexus to be
11 extravagant; therefore, ORS proposes to replace this vehicle with a Ford Taurus. In
12 addition, ORS proposes to remove 35% of the depreciation expense of the common
13 assets shared between Alpine and its affiliates. ORS calculated total net
14 depreciation expense for Alpine of $22,219 less the per application depreciation
15 expense of $26,935 for a total adjustment of ($4,716) as shown on Settlement Audit
16 Exhibit CLS-3.
17 Adjustment 23 – ORS proposes to include amortized rate case expenses for the
18 test year, which include legal rate case expenses noted in Adjustment 19. ORS
19 adjusted for actual rate case expenses through August 31, 2008 of $106,001. This
20 amount is amortized over a three-year period for an annual expense of $35,334
21 less the per application amount of $16,925 for an adjustment of $18,409.
22 Adjustment 24 – ORS proposes to adjust payroll taxes associated with the
23 adjusted salaries. ORS calculated total payroll taxes of $15,360 for Alpine and its

1 affiliates, which consist of FICA, FUTA and SUTA taxes. From this amount,
2 ORS removed $3,254 for affiliates, as described in Adjustment 13, resulting in
3 Alpine's total calculated payroll taxes for the test year of $12,106. ORS then
4 subtracted payroll taxes per book of $18,633 from $12,106 for an adjustment of
5 ($6,527).
6 Adjustment 25 – ORS proposes to adjust the gross receipts taxes associated with
7 the revenues after ORS's accounting and pro forma adjustments. ORS calculated
8 the adjustment by multiplying total operating revenues after accounting and pro
9 forma adjustments by the PSC and ORS gross receipts factor of .0074178 less the
10 per book amount of $13,774.
11 Adjustment 26 – ORS proposes to adjust property taxes associated with vehicles
12 on the depreciation schedule and to remove a portion of property taxes on the
13 shared assets. This adjustment includes property taxes on the Ford Taurus of $220,
14 the replacement vehicle for the Lexus, and the removal of property taxes on the
15 Lexus of $1,414 and the Infiniti of $683. In addition, ORS proposes to remove
16 35% or $96 of the property taxes on the common assets shared between Alpine and
17 its affiliates. ORS calculated total property taxes removed of ($1,973).
18 Adjustment 27 – ORS proposes to adjust income taxes associated with ORS's
19 accounting and pro forma adjustments. See Settlement Audit Exhibit CLS-4.
20 Adjustment 28 – ORS proposes to calculate customer growth using net operating
21 income after ORS's accounting and pro forma adjustments and multiplying it by
22 the customer growth factor of .001526 provided by the Water/Wastewater
23 Department.

1 Adjustment 29 – ORS proposes to remove miscellaneous income of $9,673. In
2 addition, ORS proposes to reclassify the remaining $2,141 as miscellaneous
3 income in total operating revenues. See Adjustment 5.
4 Adjustment 30 – ORS proposes to reclassify tap fees of ($24,241) to CIAC.
5 These fees are included on the depreciation schedule at Settlement Audit Exhibit
6 CLS-3.
7 Adjustment 31 – ORS proposes to synchronize interest expense with the
8 Company's investment in rate base. ORS computed a rate base of $488,278.
9 Alpine had negative equity of ($53,441). Therefore, ORS proposes to use a 50/50
10 capital structure allocated between long-term debt and owner's equity. This
11 method reflects a more normal capital structure to compute interest expense.
12 ORS computed the portion of rate base supported by long-term debt to be
13 $244,139 ($488,278 x 50%). ORS then applied the embedded cost rate (loan
14 interest rate) of 7.5% to the long-term-debt portion of $244,139. This resulted in
15 an annual interest expense of $18,310 less the per application amount of $16,550
16 for an adjustment of $1,760.
17 Adjustments 32-36 – Details of these adjustments are shown on Settlement
18 Exhibit WJM-3 of ORS Water/Wastewater Program Manager, Willie Morgan.
19 Adjustment 37 – ORS proposes its rate case expense adjustment in Adjustment
20 23.
21 Adjustment 38 – ORS proposes to adjust gross receipts taxes associated with the
22 settlement proposed increase by using the gross receipts factor described in
23 Adjustment 25.

1 Adjustment 39 – ORS proposes to adjust income taxes associated with the
2 settlement proposed increase. See Settlement Audit Exhibit CLS-4.
3 Adjustment 40 – ORS proposes to adjust customer growth associated with the
4 settlement proposed increase by using the customer growth factor of .001526 as
5 described in Adjustment 28.

6 **Q. PLEASE DESCRIBE THE REMAINING SETTLEMENT AUDIT**
7 **EXHIBITS.**

8 **A.** Settlement Audit Exhibit CLS-3 shows the computation of the depreciation
9 expense adjustment. Plant assets were depreciated and CIAC was amortized
10 based on the useful lives determined by the ORS Water/Wastewater Department.
11 Settlement Audit Exhibit CLS-4 shows the computation of the state and federal
12 income taxes based on taxable income after ORS's proposed accounting and pro
13 forma adjustments and after the settlement proposed increase recalculated by
14 ORS. A state tax rate of 5% and tiered federal tax rates were used to calculate the
15 income taxes.

16 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

17 **A.** Yes it does.

Alpine Utilities, Inc.
Docket No. 2008-190-S
Operating Experience and Operating Margin
For the Test Year Ended December 31, 2007

	(1) Application Per Books	(2) ORS's Proposed Accounting & Pro forma Adjustments	(3) After ORS's Proposed Accounting & Pro forma Adjustments	(4) Settlement Proposed Increase	(5) After Settlement Proposed Increase
Operating Revenues					
Sewer Service - Residential	$ 124,200	$ 756 (A)	$ 124,956	$ 35,442 (V)	$ 160,398
Sewer Service - Commercial	1,164,906	32,112 (B)	1,197,018	292,371 (W)	1,489,389
Adjustments	(4,187)	339 (C)	(3,848)	0 (X)	(3,848)
Late Charges	5,694	0	5,694	1,411 (Y)	7,105
Vacancies	(7,890)	7,890 (D)	0	0 (Z)	0
Miscellaneous Income	0	2,141 (E)	2,141	0	2,141
Total Operating Revenues	$ 1,282,723	$ 43,238	$ 1,325,961	$ 329,224	$ 1,655,185
Operating Expenses					
Power Purchased for Pumping	$ 72,002	$ (2,208) (F)	$ 69,794	$ 0	$ 69,794
Treatment and Disposal	771,550	(186,596) (G)	584,954	0	584,954
Salaries and Benefits	273,961	(66,466) (H)	207,495	0	207,495
Building and Equipment Rental	10,231	3,864 (I)	14,095	0	14,095
Administrative Materials & Supplies	15,321	(5,953) (J)	9,368	0	9,368
Contractual Services	94,958	(44,585) (K)	50,373	0	50,373
Insurance	15,091	(3,725) (L)	11,366	0	11,366
Miscellaneous	11,833	(5,855) (M)	5,978	0	5,978
Depreciation	26,935	(4,716) (N)	22,219	0	22,219
Rate Case	16,925	18,409 (O)	35,334	0 (AA)	35,334
Taxes Other Than Income	45,041	(12,438) (P)	32,603	2,442 (AB)	35,045
Income Taxes (State and Federal)	0	94,293 (Q)	94,293	126,096 (AC)	220,389
Total Operating Expenses	$ 1,353,848	$ (215,976)	$ 1,137,872	$ 128,538	$ 1,266,410
Net Operating Income (Loss)	$ (71,125)	$ 259,214	$ 188,089	$ 200,686	$ 388,775
Add: Customer Growth	$ 0	$ 287 (R)	$ 287	$ 306 (AD)	$ 593
Add: Miscellaneous Income	11,814	(11,814) (S)	0	0	0
Add: Tap Fees	24,241	(24,241) (T)	0	0	0
Less: Interest Expense	16,550	1,760 (U)	18,310	0	18,310
Total Income (Loss) for Return	$ (51,620)	$ 221,686	$ 170,066	$ 200,992	$ 371,058
Operating Margin	-4.02%		12.83%		22.42%

Alpine Utilities, Inc.
Docket No. 2008-190-S
Explanation of Adjustments
For the Test Year Ended December 31, 2007

Revenues and Expenses	Adj.#	Description	$ Settlement	$ Application
ORS's Proposed Accounting and Pro forma Adjustments				
(A) Sewer Service - Residential	1	To adjust residential sewer revenues to reflect actual customer units.	756	0
(B) Sewer Service - Commercial	2	To adjust commercial sewer revenues to reflect actual customer units.	32,112	0
(C) Adjustments	3	To correct Adjustments to reflect actual test year amounts.	339	0
(D) Vacancies	4	To remove revenues associated with vacancies recorded by the utility in the test year.	7,890	0
(E) Miscellaneous Income	5	To reclassify as miscellaneous income in total operating revenues.	2,141	0
(F) Power Purchased for Pumping	6	ORS does not propose to adjust fuel costs for estimated increases.	0	3,600
	7	To remove electric bills paid for Woodland's customers.	(2,208)	0
		Total Power Purchased for Pumping Adjustment	(2,208)	3,600
(G) Treatment and Disposal	8	ORS does not propose to adjust materials & supplies costs for estimated increases.	0	17,126
	9	To remove nonrecurring lease payments of the old belt press. Alpine purchased a new one which is included in plant-in-service.	(138,000)	(113,000)
	10	To remove and capitalize plant-in-service expenditures expensed in the test year.	(32,719)	0
	11	To remove expenses for services received outside the test year.	(15,722)	0
	12	To remove Alpine's affiliates' portion of the shared security system expense.	(155)	0
		Total Treatment and Disposal Adjustment	(186,596)	(95,874)
(H) Salaries and Benefits	13	To adjust salaries to reflect Alpine's allocated portion of merit bonuses and salaries for current employees.	(69,682)	(30,213)
	14	To adjust employee benefits to reflect Alpine's allocated portion of employee benefits for current employees.	3,216	4,476
		Total Salaries and Benefits Adjustment	(66,466)	(25,737)
(I) Building and Equipment Rental	15	To adjust office rent for an increase in space and to remove Alpine's affiliates' portion of rent for the shared office.	4,525	202
	16	To remove nonallowable expenses and to remove Alpine's affiliates' portion of rent for the shared equipment.	(661)	0
		Total Building and Equipment Rental Adjustment	3,864	202
(J) Administrative Materials & Supplies	17	To remove and capitalize office furniture expenditures expensed in the test year.	(624)	0

Alpine Utilities, Inc.
Docket No. 2008-190-S
Explanation of Adjustments
For the Test Year Ended December 31, 2007

Revenues and Expenses	Adj.#	Description	$ Settlement	$ Application
ORS's Proposed Accounting and Pro forma Adjustments (Continued)				
(J) Administrative Materials & Supplies (Continued)	18	To remove nonallowable expenses and Alpine's affiliates' portion of shared office expenses.	(5,329)	0
		Total Administrative Materials & Supplies Adjustment	(5,953)	0
(K) Contractual Services	19	To reclassify rate case expenses, remove non-regulatory legal expenses and amortize non-recurring legal expenses over a five-year period.	(44,585)	0
(L) Insurance	20	To adjust insurance associated with the vehicles on the depreciation schedule and to remove Alpine's affiliates' portion of insurance covering shared items.	(3,725)	0
(M) Miscellaneous	21	To remove nonallowable and nonrecurring expenses and Alpine's affiliates' portion of shared miscellaneous expenses.	(5,855)	0
(N) Depreciation	22	To adjust depreciation on all plant in service which includes capital expenditures, replaced assets and CIAC identified by ORS.	(4,716)	5,624
(O) Rate Case	23	To amortize rate case expenses, including expenses reclassified from Adjustment 19, of $106,001 over a three-year period.	18,409	0
(P) Taxes Other Than Income	24	To adjust payroll taxes associated with the adjusted salaries.	(6,527)	(6,296)
	25	To adjust the gross receipts taxes associated with the revenues after ORS's accounting and pro forma adjustments.	(3,938)	0
	26	To adjust property taxes associated with vehicles on the depreciation schedule and to remove Alpine's affiliates' portion of property taxes on the shared assets.	(1,973)	0
		Total Taxes Other Than Income Adjustment	(12,438)	(6,296)
(Q) Income Taxes (State and Federal)	27	To adjust income taxes associated with ORS's accounting and pro forma adjustments.	94,293	8,228
(R) Customer Growth	28	To calculate customer growth using net income after ORS's accounting and pro forma adjustments.	287	0
(S) Miscellaneous Income	29	To remove miscellaneous revenues and reclassify $2,141 to operating revenues in Adjustment 5.	(11,814)	(11,814)
(T) Tap Fees	30	To remove tap fees from revenues and include in CIAC.	(24,241)	(24,241)
(U) Interest Expense	31	To synchronize interest expense with the Company's assets.	1,760	(8,275)
Settlement Proposed Increase				
(V) Sewer Service - Residential	32	To adjust the applicant's residential sewer revenues to reflect actual customer units.	35,442	138,216
(W) Sewer Service - Commercial	33	To adjust the applicant's commercial sewer revenues to reflect actual customer units.	292,371	1,233,873
(X) Adjustments	34	ORS does not propose an adjustment using the proposed rate increase.	0	4,187

Alpine Utilities, Inc.
Docket No. 2008-190-S
Explanation of Adjustments
For the Test Year Ended December 31, 2007

Revenues and Expenses	Adj.#	Description	$ Settlement	$ Application
Settlement Proposed Increase (Continued)				
(Y) Late Charges	35	To adjust late charges to reflect the actual test year customers using the proposed rate increase.	1,411	(5,694)
(Z) Vacancies	36	ORS proposes its adjustment above in Adjustment 4.	0	7,890
(AA) Rate Case	37	ORS proposes its adjustment above in Adjustment 23.	0	16,408
(AB) Taxes Other Than Income	38	To adjust gross receipts taxes associated with the applicant's proposed rate increase.	2,442	0
(AC) Income Taxes (State & Federal)	39	To adjust income taxes associated with the applicant's proposed rate increase.	126,096	539,021
(AD) Customer Growth	40	To adjust customer growth associated with the applicant's proposed increase.	306	0

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description		Cost	Service Life	Rate	Expense	Accumulated
			$	years	%	$	$
Assets Per Alpine Application							
	Common Assets Shared between Alpine and its Affiliates:						
04/06/01	2001 Infinity		33,324	6	16.67%	FD	33,324
04/06/01	2001 Infinity - Sold		(33,324)	6	16.67%	FD	(33,324)
06/20/03	2003 Lexus		59,595	6	16.67%	9,934	59,595
05/03/91	Renovation - Middleburg		6,930	10	10.00%	FD	6,930
05/13/91	Renovation - Middleburg		5,127	10	10.00%	FD	5,127
05/31/91	Refrigerator		153	15	6.67%	FD	153
05/31/91	Microwave		125	15	6.67%	FD	125
05/31/91	Executive Phone System		359	10	10.00%	FD	359
11/27/91	Printer		1,150	15	6.67%	FD	1,150
11/27/91	Printer Stand		487	15	6.67%	FD	487
05/31/91	Typewriter		170	15	6.67%	FD	170
03/16/94	Computer Hardware/Software		1,222	6	16.67%	FD	1,222
03/12/97	Sys-Acer Pentium		2,639	6	16.67%	FD	2,639
06/24/98	Twinhead Laptop Pentium		2,483	6	16.67%	FD	2,483
05/15/88	Telephone Answering Machine		142	10	10.00%	FD	142
03/15/88	New Compact Computer		3,879	6	16.67%	FD	3,879
03/15/88	Auto Telephone		330	10	10.00%	FD	330
11/15/88	Secretary Chair		221	15	6.67%	FD	221
01/08/90	Xerox Copier		2,082	15	6.67%	FD	2,082
09/30/90	Blencome-Computer		2,775	6	16.67%	FD	2,775
10/31/90	Software		500	6	16.67%	FD	500
07/31/91	Mats		336	15	6.67%	FD	336
01/22/99	Xerox - DC214		1,470	15	6.67%	98	980
04/28/99	Typewriter		412	15	6.67%	27	270
01/17/00	Killoy Office Equipment		366	15	6.67%	24	216
01/06/01	Computer		1,825	6	16.67%	FD	1,825
11/22/02	HP Fax Machine		500	15	6.67%	33	231
01/15/05	Telephone System		1,189	10	10.00%	119	476
07/15/05	Computer		2,420	6	16.67%	403	1,612
10/13/05	Computer		2,184	6	16.67%	364	1,456
12/18/06	Printer		313	15	6.67%	21	63
12/17/07	Computer Systems		5,231	6	16.67%	872	1,744
	Common Assets Shared		106,615			11,895	99,578
	Less 35% for Alpine's Affiliates		(37,315)			(4,163)	(34,852)
	Alpine's Portion of Assets	(a)	69,300			7,732	64,726

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description		Cost	Service Life	Rate	Expense	Accumulated
			$	years	%	$	$
Assets Per Alpine Application (Continued)							
	Alpine's Plant Assets:						
03/02/01	Applies Ind Tech-Plant		1,629	18	5.56%	91	728
03/09/01	Applies Ind Tech-Plant		13,003	18	5.56%	723	5,784
03/09/01	Disc-Half, Orbal Aeration		13,500	15	6.67%	900	7,200
09/15/88	Security System		2,230	15	6.67%	FD	2,230
09/15/88	Security System - Replaced		(2,230)	15	6.67%	FD	(2,230)
01/17/90	Fiberglas with Equipment		11,153	10	10.00%	FD	11,153
02/15/90	Concrete Slab		638	10	10.00%	FD	638
02/26/90	Baffle Wall		695	15	6.67%	FD	695
02/26/91	Power Cable, Etc.		7,840	18	5.56%	436	7,840
05/13/91	Pipes, Etc.		7,440	35	2.86%	213	3,834
02/13/92	Pump - JD Mangle		4,532	15	6.67%	FD	4,532
03/10/92	Deck		1,333	32	3.13%	42	714
02/28/92	Building - Hoover System		13,499	32	3.13%	423	7,191
04/23/92	Fence		11,030	27	3.70%	408	6,936
05/12/92	Sludge Pump		12,263	15	6.67%	FD	12,263
05/21/92	Curtains		1,721	18	5.56%	96	1,632
07/28/92	Gearbox - 251 TP Motor		8,338	15	6.67%	FD	8,338
11/12/93	Parkson Aqua Guard Bar		38,800	18	5.56%	2,157	34,512
08/11/94	4 in Pipe		9,616	35	2.86%	275	4,125
07/24/98	Clarifier Influent Line		73,500	18	5.56%	4,087	44,957
01/22/99	Control Panel		2,386	15	6.67%	159	1,590
04/21/99	8" Pipe for Landmark		36,016	18	5.56%	2,002	20,020
01/01/00	125 KW Generator Set		13,860	20	5.00%	693	6,237
03/08/00	Screen Assembly		6,869	18	5.56%	382	3,438
09/02/06	Mobile Office		21,853	16	6.25%	1,366	4,098
04/27/07	Pump - Stoops Creek		8,093	15	6.67%	540	1,080
07/31/08	Belt Press (Down Payment)		40,000	18	5.56%	2,224	2,224
11/15/07	Security Equipment		1,816	15	6.67%	121	242
	Alpine's Plant Assets	(a)	361,423			17,338	202,001
Additional Assets Capitalized/Replaced by ORS							
	Common Assets Shared between Alpine and its Affiliates:						
06/20/03	2003 Lexus		(59,595)	6	16.67%	(9,934)	(59,595)
06/20/03	2003 Ford Taurus (Replacement Vehicle)		19,990	6	16.67%	3,332	19,990
12/11/07	Executive Chair and Legal Filing Cabinet		624	10	10.00%	62	124
	Common Assets Shared		(38,981)			(6,540)	(39,481)
	Less 35% for Alpine's Affiliates		13,643			2,289	13,818
	Alpine's Portion of Assets	(a)	(25,338)			(4,251)	(25,663)

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description		Cost	Service Life	Rate	Expense	Accumulated
			$	years	%	$	$
Additional Assets Capitalized/Replaced by ORS (Continued)							
	Alpine's Plant Assets:						
	Land		40,842	NA	NA	NA	NA
03/13/01	Orbital Shaft Chain Repair		3,234	18	5.56%	180	1,440
03/14/01	Orbital Shaft Chain Repair		1,003	18	5.56%	56	448
03/15/01	Orbital Shaft Chain Repair		2,288	18	5.56%	127	1,016
03/19/01	Orbital Shaft Chain Repair		300	18	5.56%	17	136
03/27/01	Orbital Shaft Roller Repair		355	18	5.56%	20	160
04/06/01	Orbital Shaft Chain Repair		167	18	5.56%	9	72
04/11/01	Orbital Shaft Elastometric Coupling Repair		585	18	5.56%	33	264
04/25/01	Orbital Aeration Disc Repair		1,800	18	5.56%	100	800
05/14/01	Orbital Shaft Repair		477	18	5.56%	27	216
05/18/01	Orbital Shaft Repair - Labor		670	18	5.56%	37	296
08/03/01	Orbital Aeration Discs		4,602	18	5.56%	256	2,048
01/05/07	Water & Sewer Line Installation at WWTP		800	35	2.86%	23	46
05/11/07	Pump Installation at WWTP		711	18	5.56%	40	80
08/17/07	80' x 44" Belt Press		1,717	18	5.56%	95	190
08/22/07	12" x 48" Rollers for Belt Press		7,243	18	5.56%	403	806
12/20/07	2 Pump Station Control Cabinets		14,908	25	4.00%	596	1,192
12/27/07	2 Pump Station Control Cab. Installation		8,140	25	4.00%	326	652
07/31/08	Belt Press		233,165	18	5.56%	12,964	12,964
07/31/08	Aeration		8,390	15	6.67%	560	560
	Alpine's Plant Assets	(a)	331,397			15,869	23,386
	Alpine's Total Plant Assets Total	(a)	736,782			36,688	264,450
Less: Contributions in Aid of Construction ("CIAC") Reclassified by ORS							
1988	Cumulative Tap Fees		(76,637)	15	6.67%	FA	(76,637)
1989	Cumulative Tap Fees		(42,446)	15	6.67%	FA	(42,446)
1990	Cumulative Tap Fees		(12,848)	15	6.67%	FA	(12,848)
1991	Cumulative Tap Fees		(2,241)	15	6.67%	FA	(2,241)
1992	Cumulative Tap Fees		(28,197)	15	6.67%	FA	(28,197)
1993	Cumulative Tap Fees		(30,654)	15	6.67%	FA	(30,654)
1994	Cumulative Tap Fees		(21,399)	15	6.67%	(1,427)	(21,399)
1995	Cumulative Tap Fees		(5,144)	15	6.67%	(343)	(4,802)
1996	Cumulative Tap Fees		(7,594)	15	6.67%	(507)	(6,591)
1997	Cumulative Tap Fees		(5,243)	15	6.67%	(350)	(4,200)
1998	Cumulative Tap Fees		(33,642)	15	6.67%	(2,244)	(24,684)
1999	Cumulative Tap Fees		(17,700)	15	6.67%	(1,181)	(11,810)
2000	Cumulative Tap Fees		(5,144)	15	6.67%	(343)	(3,087)
2001	Cumulative Tap Fees		(4,653)	15	6.67%	(310)	(2,480)
2002	Cumulative Tap Fees		(16,462)	15	6.67%	(1,098)	(7,686)
2003	Cumulative Tap Fees		(8,664)	15	6.67%	(578)	(3,468)
2004	Cumulative Tap Fees		(14,425)	15	6.67%	(962)	(4,810)
2005	Cumulative Tap Fees		(15,580)	15	6.67%	(1,039)	(4,156)
2006	Cumulative Tap Fees		(32,937)	15	6.67%	(2,197)	(6,591)
2007	Cumulative Tap Fees		(24,241)	15	6.67%	(1,617)	(3,234)
2008	Cumulative Tap Fees (through July)		(4,092)	15	6.67%	(273)	(273)
	Total CIAC		(409,943)			(14,469)	(302,294)

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Depreciation Expense
For the Test Year Ended December 31, 2007

Date Acquired	Description	Cost	Service Life	Rate	Expense	Accumulated
		$	years	%	$	$
	Net Plant	326,839			22,219	(37,844)
	Total Net Depreciation Expense for Test Year				22,219	
	Less: Per Application Depreciation Expense				(26,935)	
	ORS's Proposed Depreciation Expense Adjustment				(4,716)	

FD = Fully Depreciated
FA = Fully Amortized
NA = Not Applicable

Notes:
Per Commission Order No. 88-1002 - the Commission approved the adjustment to eliminate per book depreciation expense to reflect the Company's recovery of its plant costs though the collection of tap fees. Therefore, ORS will only include plant items purchased after 12/31/87 on the depreciation schedule. Plant is updated through July 2008.

Alpine Utilities, Inc.
Docket No. 2008-190-S
Computation of Income Taxes
For the Test Year Ended December 31, 2007

	After Accounting and Pro forma Adjustments	After Settlement Proposed Increase
Total Operating Revenues	$ 1,325,961	$ 1,655,185
Less: Operating Expenses	(1,043,579)	(1,046,021)
Less: Interest Expense	(18,310)	(18,310)
State Taxable Income	264,072	590,854
Less: State Income Taxes @ 5%	(13,204)	(29,543)
Federal Taxable Income	250,868	561,311
Federal Income Taxes:		
1st $50,000 @ 15%	7,500	7,500
Next $25,000 @ 25%	6,250	6,250
Next $25,000 @ 34%	8,500	8,500
Next $235,000 @ 39%	58,839	91,650
Remaining Balance @ 34%	0	76,946
Total Federal Income Taxes	81,089	190,846
Total State and Federal Income Taxes	94,293	220,389
Less: Income Taxes after ORS's Proposed Accounting and Pro Forma Adjustments		(94,293)
ORS's Income Taxes (State and Federal) Adjustment	**$ 94,293**	**$ 126,096**

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2008-190-S

IN RE: Application of Alpine Utilities, Inc. for adjustment of rates and charges for the provision of sewer service and establishment of additional rates and charges.	)))))))))	**SETTLEMENT TESTIMONY OF ROBIN DIAL**

Q. ARE YOU THE SAME ROBIN DIAL THAT HAS PREFILED DIRECT TESTIMONY IN THIS CASE?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS PROCEEDING, MR. DIAL?

A. The purpose of my testimony is to discuss the settlement agreement between Alpine Utilities, Inc. ("Alpine"), the South Carolina Office of Regulatory Staff ("ORS") and James C. Cook and Carolyn Cook, General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge Townhomes ("Intervenors") and to support its adoption by the Commission.

Q. HAS THE COMPANY ENTERED INTO A SETTLEMENT AGREEMENT WITH THE OFFICE OF REGULATORY STAFF AND THE INTERVENORS?

A. Yes. The Company has been able to successfully negotiate a resolution of the issues in this matter with both ORS and the Intervenors.

Q. IS THE SETTLEMENT AGREEMENT A REASONABLE MEANS OF RESOLVING THE ISSUES IN THIS CASE?

A. Yes, it is. In the context of the present settlement agreement, which disposes of all issues in the case, the rates and the adjustments proposed by ORS witnesses, Mr. Willie Morgan and Ms. Christina L. Seale, allow the Company the opportunity to earn sufficient revenue to ensure safe and reliable service to its customers at an affordable rate. The Company believes that the proposed settlement rates fairly distribute the cost to the consumer of providing those services, while at the same time placing the utility on a more solid financial footing. Additionally, ORS has stipulated that this agreement serves the public interest.

It is our belief that the agreed-upon rates in the comprehensive settlement agreement are reasonable, fair, responsible, non-discriminatory and justified when considered as a part of the settlement agreement in its entirety and in light of the customers' needs, the Company's requirements to meet the customers' needs, and the Company's commitment to do so in compliance with regulatory requirements.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2008-190-S

IN RE: Application of Alpine Utilities, Inc. for adjustment of rates and charges for the provision of sewer service and establishment of additional rates and charges.	)))))))))	**SETTLEMENT TESTIMONY OF DONALD H. BURKETT**

Q. ARE YOU THE SAME DONALD H. BURKETT THAT HAS PREFILED DIRECT TESTIMONY IN THIS CASE?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS PROCEEDING, MR. DIAL?

A. The purpose of my settlement testimony is to discuss the settlement agreement between Alpine Utilities, Inc. ("Alpine") the South Carolina Office of Regulatory Staff ("ORS") and James C. Cook and Carolyn Cook, General Partners of Happy Rabbit, L.P., Owners and Operators of Windridge Townhomes ("Intervenors") and support its adoption by the Commission.

1 **Q. ARE YOU AWARE THAT THE COMPANY HAS ENTERED INTO A**
2 **SETTLEMENT AGREEMENT WITH ORS AND THE INTERVENORS IN THIS**
3 **PROCEEDING?**
4 A. Yes. It is my understanding that, as part of a comprehensive settlement of the
5 issues in this matter, Alpine, ORS and the Intervenors have agreed to certain accounting
6 adjustments that will allow the Company the opportunity to earn an additional $329,244
7 in annual revenue. This would yield rates to the customers in the amount of $16.75 for
8 each residence and apartment. Rates for the various classes of commercial customers
9 would be commensurately increased from their currently approved rates as is more
10 specifically described in Exhibit WJM-5 to the Settlement Agreement.
11
12 **Q. DO YOU BELIEVE THE RATES CONSENTED TO IN THE SETTLEMENT**
13 **AGREEMENT WILL PROVIDE THE COMPANY SUFFICIENT ADDITIONAL**
14 **REVENUES AND ARE REASONABLE?**
15 A. In the context of a comprehensive settlement such as this, I believe that the
16 agreed-upon rates will allow Alpine the opportunity to earn sufficient revenue to ensure
17 safe and reliable service to its customers at an affordable rate. The Company believes
18 that the proposed settlement rates fairly distribute the cost to the consumer of providing
19 those services, while at the same time placing the utility on a more solid financial footing.
20 Further, it is my understanding that one of the functions of ORS is to facilitate the
21 resolution of disputed issues between parties involving matters before the Commission. I
22 think it incumbent upon the other parties in cases before the Commission to work with

ORS in good faith in an attempt to reach a settlement. I believe that the Settlement Agreement reflects a good faith effort on the part of ORS, the Intervenors and Alpine to meet their respective obligations in that regard. Finally, the settlement is beneficial to the Company and the customers in that it brings this matter to an end without delay and the uncertainty of further proceedings which, in turn, permits the Company to focus upon the continued improvement and expansion of its facilities and services for the benefit of its customers which is consistent with the public interest. Additionally, having had experience with deciding contested cases before the Board of Accountancy, I understand well the benefit of administrative economy to busy agencies such as this Commission and believe that the settlement is reasonable for that reason as well.

Q. WHAT OPERATING MARGIN DO THE AGREED UPON RATES RESULT IN AND IS IT FAIR AND REASONABLE?

A. The agreed upon rates result in an operating margin of 22.42% before the inclusion of updated rate case expenses. In addition to being within the range of operating margins previously approved by this Commission, the resultant operating margin is less than the Company's currently approved operating margin of 25.96%. Although I believe that the currently approved operating margin would continue to be appropriate for a small sewer utility such as Alpine, in the context of a comprehensive settlement, it is my opinion that 22.42% is a fair and reasonable operating margin. It insures that the company's customers are not paying rates which produce an operating margin any higher than those approved by the Commission for other sewer utility

customers and, at the same time, requires that more of each dollar of revenue earned by the Company is used to defray expenses than was the case under the previously approved operating margin.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Alpine Utilities, Inc.
DOCKET NO. 2008-190-S - ORDER NO. 2008-_____
OCTOBER ___, 2008

SEWER SERVICE RATES AND CHARGES

MONTHLY SERVICE CHARGES

Residential - Charge per single-family house:	$16.75 per unit
Williamsburg West	$16.75 per unit
Stratton Place	$16.75 per unit
Apartment	$16.75 per unit
Lakewood Village	$16.75 per unit
Factories	
Each Employee (No Showers)	$1.56
Each Employee (With Showers)	$2.06
Each Employee (With Kitchen Facilities)	$2.59
Food Service Operations	
Ordinary Restaurant (Not 24 Hours, Per Seat)	$5.17
24 Hour Restaurant (Per Seat)	$7.77
Curb Service (Drive-In, Per Car Space)	$5.17
Vending Machine Restaurant	$3.11
Institutions	
Per Resident	$4.40
Laundries	
Self Service (Per Machine)	$10.81
Mobile Homes	
3 Persons Each	$13.23
Motels	
Per Unit (No Restaurant)	$4.40
Nursing Homes	
Per Bed (No Laundry)	$4.40
Per Bed (With Laundry)	$5.17
Offices	
Per Person (No Restaurant)	$1.29
Picnic Parks	
Average Attendance	$1.56
Beauty Shop	
Per 1,000 Square Feet Space	$10.36
Rest Homes	
Per Bed (No Laundry)	$4.40
Per Bed (With Laundry)	$5.17
Service Stations	
Without Bay	$36.40
First Bay	$51.81
Each Additional Bay (Per Bay)	$25.91
Shopping Centers	
Per 1,000 Square Feet Space (No Restaurants)	$10.36
Swimming Pools	
Per Person (With Sanitary Facilities and Showers)	$1.03
Theatres	
Drive-In - Stall	$0.47
Indoor - Seat	$0.47

Schools	
Per Person (No Showers, Gym, Cafeteria)	$1.03
Per Person (With Cafeteria, No Gym, Showers)	$1.29
Per Person (With Cafeteria, Gym, Showers)	$1.56
Churches	
Per Seat	$0.32
Bowling Alley	
Per Lane, excluding Restaurant	$5.24
Bars or Taverns	
Per Seat, excluding Restaurant	$0.19

The formula shown below will be used to determine a commercial rate that is not specifically noted in the Schedule of Rates and Charges.

$$\text{Commercial Rate} = \text{Apartment Rate} \times \frac{\text{BOD}^{1} \text{ of Commercial Establishment}}{(2.8)\ (0.23)}$$

Where

2.8 = Average Number of People Per Apartment Unit
And
0.23 = BOD for Apartment with Garbage Disposals

[1] Bio-chemical oxygen demand

NONRECURRING CHARGES:

No changes are being proposed at this time for the nonrecurring charges.

Tap Fee: $250.00 per residential unit or per apartment unit