

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

PROCEEDING #16-11533

MAY 11, 2016

2:00 P.M.

ALLOWABLE EX PARTE BRIEFING - ND-2016-8-W
KIAWAH ISLAND UTILITY, INC. AND SOUTHWEST WATER COMPANY —
Update on Operations of Kiawah Island Utility, Inc., and Introduction of its New
Parent Company, SouthWest Water Company

TRANSCRIPT OF
PROCEEDINGS

ALLOWABLE
EX PARTE BRIEFING

COMMISSION MEMBERS PRESENT: Nikiya M. 'Nikki' HALL,
Chairman; and COMMISSIONERS Elliott F. ELAM, JR.,
Comer H. 'Randy' RANDALL, and G. O'Neal HAMILTON

ADVISOR TO COMMISSION: Joseph Melchers, Esq.
General Counsel

STAFF: James Spearman, Ph.D., Executive Assistant to
Commissioners; B. Randall Dong, Esq., Josh Minges, Esq., and David
W. Stark, III, Esq., Legal Staff; Tom Ellison, and Lynn
Ballentine, Advisory Staff; Jo Elizabeth M. Wheat, CVR-CM/M-GNSC,
Court Reporter; and William O. Richardson and Calvin Woods,
Hearing Room Assistants

APPEARANCES:

CHARLES L.A. TERRENI, ESQUIRE, and **SCOTT
ELLIOTT, ESQUIRE**, together with **CRAIG SORENSON**
[*Managing Director / KIU and SWWC*] and **BECKY DENNIS**
[*Director of Operations / KIU*], representing and
presenting for KIAWAH ISLAND UTILITY, INC., AND SOUTHWEST WATER
COMPANY

JEFFREY M. NELSON, ESQUIRE, representing the
SOUTH CAROLINA OFFICE OF REGULATORY STAFF

PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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Please note the following inclusions/attachments to the record:

- PowerPoint Slides (PDF)

Please also note: For identification of additional referenced materials and/or links for same, please see Certification correspondence filed by the Office of Regulatory Staff.

P R O C E E D I N G S

1
2 **CHAIRMAN HALL:** Thank you. Be seated. All
3 right. Good afternoon, everyone. We'll call this
4 allowable ex parte briefing to order and ask Mr.
5 Melchers to read the docket, please.

6 **MR. MELCHERS:** Thank you, Madam Chairman.
7 Commissioners, we are here pursuant to a Notice of
8 Request for Allowable Ex Parte Briefing scheduled
9 for today, May 11, 2016, here in the Commission's
10 hearing room.

11 The subject matter to be discussed at the
12 briefing is: Update on operations of Kiawah Island
13 Utility, Inc., and introduction of its new parent
14 company, SouthWest Water Company.

15 Thank you, Madam Chairman.

16 **CHAIRMAN HALL:** Okay. Thank you, Mr.
17 Melchers.

18 And who represents Kiawah Island and its new
19 parent company?

20 **MR. TERRENI:** Charlie Terreni, Madam Chairman.

21 **CHAIRMAN HALL:** All right. Thank you.

22 **MR. ELLIOTT:** And Scott Elliott.

23 **CHAIRMAN HALL:** And Scott Elliott. Welcome.

24 All right. And from ORS? Mr. Nelson, do you
25 want to give us –

1 **MR. NELSON:** Good afternoon. Sorry, I'm still
2 stuck from my morning hearing.

3 [Laughter]

4 **COMMISSIONER ELAM:** No more than we.

5 **MR. NELSON:** Yeah. Well, good afternoon.
6 Thank you. And I think – I've given this little
7 presentation a couple of times before, so I don't
8 think I need to go into great detail. I just would
9 ask that the Commissioners please remember that any
10 questions, comments, from either the Commissioners
11 or the staff be focused only on the issue which has
12 been noticed today and which is presented before
13 the Commission, which is the update on operations
14 of Kiawah Island Utilities.

15 Additionally, I would just like to say, for
16 anybody in the audience who hasn't been here
17 frequently or recently, to please remember that
18 you've been passed out a sheet, and everybody
19 should sign in outside. You should be given one of
20 these sheets when you came in. Please remember to
21 fill that out. Please read it before you sign it,
22 and after you've signed it, please make sure that
23 you turn it in before you leave today.

24 That's all I have, Madam Chair. Thank you,
25 very much.

1 **CHAIRMAN HALL:** Okay. Thank you, Mr. Nelson.
2 Mr. Terreni, whenever you are ready, sir, to
3 introduce your presenters.

4 **MR. TERRENI:** Yes, ma'am. I have the pleasure
5 this afternoon, Madam Chairman, of introducing a
6 new face to the Commission, Craig Sorensen, who is
7 managing director of both SouthWest Water Company
8 and Kiawah Island Utility, and a familiar face,
9 Becky Dennis, who is director of Operations of
10 Kiawah Island Utility.

11 And I will turn it over to them so they can
12 tell you a little bit about what's been going on at
13 Kiawah Island Utility, and Mr. Sorenson can tell
14 you a little bit about SouthWest Water Company, a
15 new company investing in South Carolina.

16 **CHAIRMAN HALL:** Thank you, Mr. Terreni.
17 Mr. Sorenson, welcome.

18 **MR. CRAIG SORENSON [KIU/SWWC]:** Thank you,
19 very much. It's great to be here. Is this on
20 [indicating]?

21 **CHAIRMAN HALL:** If you'd push that button –
22 yeah – and now pull it a little closer to you,
23 please.

24 **MR. CRAIG SORENSON [KIU/SWWC]:** How's that
25 [indicating]?

1 **CHAIRMAN HALL:** That sounds good. Thank you.

2 **MR. CRAIG SORENSON [KIU/SWWC]:** Very good.

3 [Reference: Presentation Slide 1]

4 Thank you so much for the opportunity to come
5 before the Commission today. I'm grateful for your
6 time and attention. I'm happy to be here on behalf
7 of SouthWest Water Company and Kiawah Island
8 Utility, to tell you about what's gone on over the
9 past few months and give you an update on the
10 secondary water supply line that you've heard about
11 in the past.

12 [Reference: Presentation Slide 2]

13 So, how did we get here? Well, about two
14 months ago, SouthWest Water Company purchased KIU
15 Holdings. And KIU Holdings is the parent company
16 of Kiawah Island Utility. Kiawah Island Utility is
17 SouthWest Water's first entry into the State of
18 South Carolina, and we are very happy to be here.
19 We do not intend for Kiawah Island to be our last
20 utility. We're actively searching for other
21 utilities and are in discussions with others, as
22 well. We like the State, like the people, and are
23 very happy with what we purchased so far, so, happy
24 to be here, again.

25 [Reference: Presentation Slide 3]

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A little bit about SouthWest Water:

Introducing SouthWest Water to the southeast has always been a challenge of mine. I live in Alabama and manage our business in the southeast, so I've had to explain SouthWest being in the southeast several times.

[Laughter]

But our beginnings go back to the late 1800s when our founder was involved with the East Whittier Land & Water Company. And from that, he had a walnut grove and some other orchards and trees, and discovered that he could sell more water with his well than he could sell walnuts, and so he embarked into the water business and we've kind of grown from there. We were formally incorporated in 1954.

Our headquarters are in Covina, which is east of Los Angeles, in California.

We are currently heavily active in four states: California, Texas, Alabama, and now South Carolina. We've got roughly 355 employees. And we do everything for our utilities with regards to operations, management, maintenance, billing and collections, customer service. We are a full-suite utility and operate both water and wastewater

1 utilities.

2 In California, we have – our largest utility
3 is our Suburban operation in Los Angeles. We serve
4 over 300,000 people there and 76,000 connections.
5 And that's a pretty urban setting. In Texas, we've
6 got 45,000 connections in more of a rural, very
7 spread out footprint. So contrasting California
8 and Texas is pretty easy to do. Very confined area
9 in California, and very spread out in Texas. And
10 I'll show you a picture of that here in just a few
11 minutes.

12 My utility is in Alabama. I've got 9000
13 connections, or so, primarily within two wastewater
14 utilities. We have three other smaller utilities,
15 in addition to them.

16 In South Carolina, we just acquired the
17 utility there and are serving about 8000
18 connections, both water and wastewater, on Kiawah
19 Island.

20 And I'd like to highlight our mission
21 statement at the bottom. It's something that is
22 important to us and that we do really try to focus
23 on in everything that we do. "SouthWest Water
24 Company takes pride in stewardship of the world's
25 most valuable resource. We provide safe and

1 reliable water, wastewater services, and resource
2 management for homes, businesses, and communities."
3 And that is a mantra that we have, that we are
4 custodians of the world's most valuable resource,
5 and we take that to heart.

6 [Reference: Presentation Slides 4-5]

7 I'll introduce you to our different business
8 segments now, starting with Suburban Water Systems,
9 in California. And, again, I've already touched on
10 some of these points, but 76,000 connections. Our
11 main office, our corporate headquarters, is located
12 there and we have two field offices where we manage
13 the operations and customer service from. A
14 hundred twenty-seven [127] employees, again, mostly
15 residential. And there are – we have multiple
16 sources of water. The water business out west is,
17 you know, very strange with the water law and the
18 leases and rights that are out there, and we have
19 access to lots of different water supplies. So
20 that is a management issue for our team out there,
21 and we do a very good job of that. And we've been
22 able to manage through the extreme drought that has
23 been occurring out there for the past several
24 years, so that is something that is, I think, no
25 small feat for our team out there.

5/11/16

1 Again, we do all services there. We have in-
2 house design, engineering, our own construction as
3 needed, and are active around the clock.

4 [Reference: Presentation Slide 6-7]

5 Our Texas utilities: As you can see, we have
6 about 123 different systems in 33 counties, and
7 45,000 connections. And if you do the math, that's
8 less than 1500 connections per county, so we've got
9 several thousand connections but you can see the
10 highlighted counties there. We're in the Fort
11 Worth, Austin, San Antonio, and East Houston area,
12 but a lot of our utilities in Texas are smaller,
13 where we service them with circuit-type, route-type
14 operators, and then try to manage the core
15 functions and the customer service from more
16 central locations, as well. A hundred and thirty-
17 two [132] employees there. And, again, very
18 different from our business in California.

19 [Reference: Presentation Slide 8]

20 Now to the good part.

21 [Laughter]

22 [Reference: Presentation Slide 9]

23 My stuff in Alabama is primarily two
24 wastewater utilities, where we have about 16,000
25 equivalent dwelling units, so we have a significant

1 commercial impact on our wastewater systems there.

2 The map is a little difficult to read, but
3 Birmingham is – the City of Birmingham is in the
4 top left of the map, and then the utilities that we
5 own are there towards the bottom right, shaded in
6 green and purple. And those utilities were
7 actually purchased from public entities, one from a
8 county and one from the City of Birmingham
9 waterworks board, sold as a utility, as well. So
10 we can deal with lots of different folks, is what I
11 like to say.

12 We are not regulated by the Public Service
13 Commission in the State of Alabama, but we have
14 tried, wherever we can, to be regulated by the
15 terms and conditions of our purchase agreements.
16 So, whereas there's no formal regulation by a
17 government body such as yourselves, we are
18 regulated in the terms of the sales agreements.

19 We provide contract operation-and-maintenance
20 services, as well, and do so for public entities
21 and private entities. And one of the contracts
22 that I like to highlight is the county that sold us
23 the wastewater system that really kick-started our
24 ownership in Alabama has contracted with us to
25 operate their surface water treatment plant with 8

1 million gallons' worth of capability, and it can go
2 to 16 with just some slight engineering paperwork
3 changes.

4 So, we've got about 55 employees. We are a
5 certified factory-authorized pump-repair facility
6 and have our own in-house laboratory. We're a
7 licensed engineering firm in the state, as well as
8 a general contractor. So I see lots of parallels
9 in my business in Alabama and the business that we
10 have just acquired here in the State, in that we
11 all wear lots of different hats and we have, you
12 know, coverage and responsibilities across
13 different segments of the business, and that is
14 something I feel is important for a utility to
15 have. And Becky and her team have done a great job
16 in setting up their labor and staffing accordingly.
17 So that is Alabama.

18 [Reference: Presentation Slide 10]

19 Touching on Kiawah Island, we are very happy,
20 extremely happy, with the operations and the
21 utility that we now own, and its compliance –
22 environmental compliance – its safety, its
23 community relations are just exactly what we want
24 to have and expect to have from our utilities. And
25 so, I don't see a big turnaround needed. You know,

1 we don't need to come in and clean house or fix a
2 lot. Becky and her team have done very well.

3 I think there are lots of ways that we can
4 support them, and that's how we will look to
5 improve the operation. But Kiawah Island has 14
6 current employees and we are actively recruiting a
7 fifteenth; and, again, roughly 8000 water and
8 wastewater connections.

9 I mentioned the support that we can help
10 provide Kiawah Island, and some of those are
11 highlighted here. I've got a great management team
12 with me in Alabama. I've got four professional
13 engineers on staff, and we've got a really good
14 amount of experience – industry experience, utility
15 experience, as well as contracting, heavy civil
16 construction, plant work, as well as lagoon
17 management. You know, lagoons are simple but they
18 also can be finicky, and of course, the utility at
19 Kiawah Island has a lagoon for its wastewater
20 treatment. And then some of the other things that
21 I think we can do, I think we can – we will work to
22 enhance the customer service capabilities of the
23 utility; and we offer, within SouthWest Water,
24 certain capabilities and options for our customers
25 that we anticipate rolling out to Kiawah Island as

1 soon as we can roll Kiawah Island onto our
2 financial platforms. And that is scheduled for the
3 third and fourth quarter of this year, so we'll be
4 working towards that.

5 And then, again, we really like South
6 Carolina. I like being here, and we want to be a
7 long-term player in the State, and are really
8 approaching our ownership of the utility with that
9 in mind, that long-term goal of being around and
10 creating and forging and strengthening
11 relationships with those that we need to. So that
12 is very key to my approach of the utility. And,
13 again, Becky and her team are doing a very good job
14 and we plan to keep them along, just as long as
15 they want to stay. So we're happy to have her team
16 on board.

17 [Reference: Presentation Slide 11]

18 We'll start to talk about and I guess give you
19 an update on the redundant water supply line that
20 you have likely heard about and recall, perhaps,
21 from a prior rate application. This has been going
22 on for quite some time, and we have finally got
23 everything underway, all the permits and contracts
24 and contractors, and everything is – the stars have
25 aligned, and we are now underway with the three

1 contracts to install this redundant waterline.

2 You may recall that really the key feature of
3 this project is a really long, 7000-foot
4 directional drill. And it's technically
5 challenging and exciting to me as an engineer and
6 as someone who's familiar with construction, I am
7 really excited about watching that go in. But
8 we've got three contractors engaged; we've divided
9 the project into three contracts, and we have each
10 of the three contractors out moving right now.
11 They are in various stages of their contracts. And
12 we hope to have everything completed and tested and
13 in service by sometime in September. So that is
14 the goal, and we are working very hard to meet that
15 goal.

16 And, of course, along the way, we feel it is
17 vital to keep the stakeholders informed, and that
18 is a key part of our business here today is to make
19 you aware of the current status of the project, as
20 we are with the Town of Kiawah and the various
21 associations – resident associations – that are
22 involved. And we're really reaching out and trying
23 to involve the community, affected homeowners, and
24 those that would be touched by this construction.

25 So we've already met with, I think, everyone,

1 every key stakeholder in the deal, and will
2 continue to maintain close contact with them. We
3 present to the Town Council on June 7th, and we're
4 giving out e-blasts into the community homeowner
5 associations and the Mayor's office. So really we
6 are engaging the customer base and those on the
7 island, to make everyone aware and keep everyone
8 informed of progress and what they can expect over
9 the coming days, weeks, and months. And that has
10 really been a key piece of our approach to the
11 construction of the line.

12 [Reference: Presentation Slide 12]

13 And I guess at this point it would probably be
14 good for me to give Becky Dennis, our manager on-
15 site, the microphone. And she can give you kind of
16 a where-we-were and where-we-are-now and build the
17 bridge in between. It's been a long time coming,
18 and she has worked, along with our engineering
19 consultants and others, very hard to finally get
20 this pipeline project going.

21 So, Becky, would you like to –

22 **MS. BECKY DENNIS [KIU]:** Sure, thank you.

23 And thanks for allowing us to come today.

24 It's great to be here again. And some of you I've
25 met before and some of you are new to me, but thank

1 you for the opportunity.

2 Kiawah Island is – we have one single supply
3 line coming onto the island and that was installed
4 in 1978. And at that time, St. John's Water
5 Company, who is our supplier, only had one supply
6 line coming onto John's Island, which is the top –
7 our pointer doesn't work over here on that screen,
8 but it's the top connection.

9 **MR. CRAIG SORENSON [KIU/SWWC]:** [Indicating.]

10 **MS. BECKY DENNIS [KIU]:** And then in 1985,
11 there was a second connection in the middle, so at
12 Maybank Highway.

13 **MR. CRAIG SORENSON [KIU/SWWC]:** [Indicating.]

14 **MS. BECKY DENNIS [KIU]:** He's my Vanna, so
15 thank you. And then, finally, in 2008, they have a
16 third connection which is what has allowed us to
17 approach them for a redundant supply line, a
18 secondary feed, to the island.

19 All of our water comes from Charleston Water
20 Company, which is about 45 miles away from Kiawah
21 Island. It's pumped from Charleston to the St.
22 John's Water Company where it is re-pumped to
23 Kiawah Island. So we are dependent on the
24 integrity of all of the supply line from Charleston
25 and St. John's Water Company to deliver us water to

1 our single feed at the top of the map.

2 I'll have to reach over here to get –
3 [indicating].

4 **MR. CRAIG SORENSON [KIU/SWWC]:** Oh, I'm sorry.

5 **MS. BECKY DENNIS [KIU]:** That's okay. That's
6 good. We're good.

7 [Reference: Presentation Slide 13]

8 This is a map of the island. Currently, the
9 existing line, as you can see in red, comes onto
10 the island and it comes into our main facility at
11 Sora Rail Road. Now, if you can see the writing to
12 the far right of the screen, that is our Down
13 Island Pump Station, but all of the water that
14 comes onto the island has to come into our main
15 facility first, and from there it's pumped to the
16 rest of the island, including the Down Island Pump
17 Station. So, although that's a re-pump, it doesn't
18 take water from the system. That facility only has
19 the capability of either filling the tank or
20 drawing water from the tank, because of the design
21 of the system.

22 And we also, at that Down Island, we have an
23 ASR, which is aquifer storage and recovery systems.
24 I don't know if that's familiar to any of you, but
25 I'll explain a little bit about that. The aquifer

1 storage and recovery is a – it's an aquifer that is
2 in the ground, and at that site it's about 700
3 feet, 600-700 feet deep. During non-peak time, we
4 pump water into that aquifer – the potable water
5 into the aquifer – and store it, so that during
6 peak season we can draw it out as we need it. The
7 restraint on that is, though, that we can only draw
8 it out at about 600 gallons a minute, and often in
9 the summer the pumping capacity – the demands out
10 of that system on Down Island are over 3000 gallons
11 a minute.

12 We have a 1 million gallon storage tank at
13 that facility, but we always maintain it at a half
14 a tank for emergency purposes. That would be like
15 an interruption, if we lost the water supply to the
16 island or if there was a fire. So, theoretically,
17 we only have ½ million gallons of available water
18 from that pump station, with a little bit of an
19 offset from the aquifer storage and recovery.

20 We also have an aquifer storage and recovery
21 system at the Down – I mean, at the main facility
22 on Sora Rail.

23 The secondary feed will allow us – it will
24 feed directly into the Down Island Pump Station,
25 which will allow us to enhance the dependability of

1 the water supply to the island. It will allow us
2 to equalize pressures to both ends of the island,
3 and delivery, and will allow us to upgrade pumps
4 which will allow us to get to the furthest end of
5 the island and, you know, keep the pressures more
6 consistent, more stable.

7 Currently, as you see, you know, coming into –
8 nothing reaches anywhere on the island without
9 first going through the main facility on Sora Rail
10 Road. And that island, Kiawah Island, is about a –
11 it's 10 miles long, so there's a lot of pipelines
12 between the main facility and the furthest point at
13 Ocean Point – at Ocean Park.

14 I'll give you a little bit of the history of
15 this. The blueprint for this project actually
16 started in about 2000. Because Kiawah is an island
17 and we only have the one supply line to the island
18 and a limited amount of water from St. John's Water
19 Company, we asked our engineers to come up with
20 some alternate water supply sources for the island.
21 And so they did an extensive study, and some of the
22 things that we looked at were an additional
23 parallel line, which would've been beside the red
24 line coming in, but that would have still only
25 allowed the one supply line onto the island.

1 The installation – we looked at an
2 installation of a deep well and an R0 facility at
3 the Down Island Pump Station, but that wasn't an
4 option because of some of the regulatory
5 requirements as far as the discharge of the brine,
6 where would you discharge it, and also there were
7 some other wells within that general area, and that
8 would have put too much draw. I don't know that we
9 would've had it permitted.

10 And then we looked at aquifer storage and
11 recovery. And as I mentioned, we have two of those
12 currently in place, one at the main facility which
13 we use, and one at the Down Island facility. And
14 there is a proposed third ASR at the furthest end.
15 The furthest point down there, at the – Craig's
16 going to – Vanna's going back up.

17 **MR. CRAIG SORENSON [KIU/SWWC]:** [Indicating.]

18 **MS. BECKY DENNIS [KIU]:** We have one that's
19 proposed in that general area.

20 We also looked at a secondary supply line to
21 Kiawah, either from Charleston Water Company or the
22 St. John's company and this was by far the best
23 option to assure the redundant supply of water, in
24 comparison to paralleling the existing single
25 supply line. There were obstacles in the way with

1 that, though. CPW could not feed us directly
2 because of their contracts with St. John's Water
3 Company. They were not – St. John's contracts were
4 FHA and there were just so many restrictions to
5 where we couldn't go directly to CPW because they
6 supplied St. John's. And at that time, St. John's
7 Water Company, they could not supply a second feed
8 because their line coming up River Road, which is
9 what would've supplied Kiawah, was only an eight-
10 inch line. So they didn't have the capacity within
11 their system, or the ability within their system to
12 provide us with a secondary feed.

13 [Reference: Presentation Slide 14]

14 In July 2008 is when they did the third feed,
15 which is at the bottom of the map.

16 **MR. CRAIG SORENSON [KIU/SWWC]:** [Indicating.]

17 **MS. BECKY DENNIS [KIU]:** And that was a 24-
18 inch line that ran along River Road, which
19 currently – previously had the eight-inch line.
20 So, at that point, we approached them, in 2011, and
21 we asked them if they would allow us to make a
22 secondary connection to feed Kiawah. This would
23 help us to have a redundancy in the supply line and
24 to equal out the distribution of our current
25 allocation from St. John's. We would be feeding

1 both sides of the island and it would really help
2 them to move water along that line and help Kiawah.

3 So we engaged our engineers to begin with the
4 design process. Over the next two and a half
5 years, they looked at as many as 12 routes.

6 [Reference: Presentation Slide 15]

7 Now, when we came in 2011 before the
8 Commission, we had a secondary feed introduced as a
9 Phase 2 of that Application. That was the green
10 line, which turns into blue – that was a 5300-foot
11 route, linear feet of directional drill. But there
12 was a lot of discussions that went on, and we met
13 many, many times with the homeowners and with the
14 environmental groups and with, you know, anyone
15 that we need to get easements from.

16 [Reference: Presentation Slide 16]

17 The large area on – all of the brown, blue,
18 and green on there is a conservation easement in
19 Charleston. That is one property owner that owns
20 that, and they have provided the Lowcountry Open
21 Land Trust with rights to that. So we had some
22 limitations on what they were going to allow,
23 basically, through that conservation easement.

24 So we met. We regrouped, and we went back
25 with the engineers and looked at the various

1 different routes and how we could possibly get the
2 waterline to Kiawah. When we looked at the initial
3 line, the previous line, that 5300 feet was about
4 the length of a standard drill. A 7000-foot run
5 wasn't even heard of back then, you know, the
6 directional drill. So this wasn't an option back
7 then. So over the course of time, technology and
8 methodology changed, and the directional driller
9 that we were working with said that they were
10 confident that the 7000-foot drill could be
11 accomplished. And what they're going to do is
12 they'll drill actually from both sides, from the
13 Kiawah side and the John's Island side, and they'll
14 meet in the middle with the borehole and then
15 they'll ream it to make it sizable for the
16 waterline.

17 So after we made that decision, then we,
18 again, introduced meetings. We had numerous
19 meetings with property owners. We had – you know,
20 we had permitting issues – not issues. Well, you
21 know, it just takes time to get permits in place
22 and there's always a lot of obstacles along the
23 way. So we have the easements in place. We have
24 all the permits in place.

25 There's three divisions on this waterline.

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The first division is at the top, and that's on John's Island, and we connect to the 24-inch John's Island line. We make a tap. We come along the top of the route. That's direct-bury, ductile iron pipe. And then it comes down an existing Berkeley Co-Op easement, to the edge of the Berkeley Co-Op easement, which was really a natural route and it was least impacting on the environment. So that route is going to be direct-bury PVC. The little white spot up there is the Berkeley Co-Op – it's our power supply; it's their substation. So, and it is direct-bury PVC down to the water, and then in the middle right where Craig is, where his finger is, that is going to be a directional drill of about 840 feet. So the directional drillers are going to do that short drill, and then they will pick up with the direct-bury again, down to the drill site. And from the drill site, where the yellow – down by the water, the yellow square, that is a staging area and the drill site for the 7000-foot directional drill, and it's a sub-aqueous directional drill, and it's going to be about 50 feet under the river, so it's pretty deep.

Okay. On the Kiawah side, Division 3 is – it's also direct-bury, and it will go in direct- –

1 into the Down Island Pump Station. There is a
2 short section of 550-foot directional drill across
3 some water and a road, before it gets into the
4 facility. So it's in that general area.

5 And then from there it will come in and it'll
6 feed directly into the tank, so that it will give
7 us the capability of filling the tank and drawing
8 out of the tank at the same time. We're not buying
9 more capacity; we are only distributing what we
10 have, so there's – you know, we have an allocation
11 of 3.6 million, currently, from St. John's Water
12 Company. So what we'll do is we will distribute
13 that – maybe not equally, but we will distribute it
14 to where the need is, and allow it to best serve
15 our customers.

16 We have all the permits; we have all the
17 easements. All the contracts are signed, and the
18 work has started. The clearing and construction
19 has begun on Division 1, which is the John's Island
20 side, and they are preparing to set up for the
21 short directional drill through that wetland on the
22 John's Island side. They are setting up next week
23 and starting that.

24 The short drill on Kiawah is being done this
25 week, and probably today and tomorrow they are

1 going to be fusing the pipe. They've already
2 started the borehole for that short run.

3 And the driller – I mean, the contractor for
4 Division 3 on the Kiawah side, his clearing is done
5 and he should start putting pipe in the ground this
6 week, as well.

7 We anticipate – I anticipate the line to be in
8 service by August. You know, might it go till
9 September? You know, that's a possibility. But we
10 believe that, by September, we will have that
11 waterline in place. But, you know, I'm
12 optimistically hoping for August. So if you hear
13 that, that's not a – it's just me wanting that line
14 and hoping to get it, you know, get it in place
15 sooner than later.

16 Now some of the end results of all of these
17 delays – I mean, this has been five years in the
18 works trying to get it to this place with all the
19 permits, easements, approvals, technology,
20 everything in place. So the end result really, you
21 know, there's several things: One is cost, and the
22 other is system dependability. And although Kiawah
23 takes every precaution to protect and ensure a
24 stable water supply for their customers, there's an
25 underlying fact that we still only have a single

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1 supply line –

2 [Reference: Presentation Slide 17]

3 – feeding the island.

4 [Reference: Presentation Slide 18]

5 As you can see by this, this is that supply
6 line, that same supply line coming in. As you can
7 see by this, we have made all of those red dots on
8 there – or pink dots, whatever color they are, are
9 repairs that we have made to that line. There's
10 over 35 repairs that we've made to the line. The
11 integrity of the line is not one that we can – you
12 know, it's frightening to think that, you know, if
13 we lost that line, we wouldn't have a supply coming
14 to Kiawah Island at all. And it would be very – it
15 could be very detrimental to the health and well-
16 being of the customers on Kiawah, and the
17 businesses.

18 So we are dependent on our ability from St.
19 John's and CPW to continually deliver water to the
20 island, without interruption, due to failures on
21 their lines or their pumping facilities themselves.
22 Our supply line, if it was – when our supply line
23 is interrupted, we are dependent on the amounts of
24 water that we have stored in aboveground storage
25 and our aquifer storage and recovery systems. And,

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1 again, the amount that we have stored, we only can
2 draw – we can only draw out around 600 gallons a
3 minute, consistently, from the aquifer storage and
4 recoveries.

5 The redundant supply line will be able to
6 sustain a water supply for health, safety, to all
7 of our customers and businesses. We are not buying
8 additional water, as I said. We are just – we're
9 distributing it to both sides, and we are depending
10 on the reliability of a second supply line. That
11 line that we're – the proposed line – I mean, the
12 line that we're constructing now is sized so that
13 if we lost the initial line, that line there, if we
14 lost it altogether and had to take it completely
15 out of service, we could still get that 3.6 through
16 this new line. So we sized it for that ability.
17 But, you know, the general use of that will be to
18 distribute that water to the island, to both sides
19 of the island.

20 And the initial timeframe, the timing – you
21 know, initially, we had hoped to have it in service
22 before season, which is starting. But, you know,
23 at least we have the dirt moving and the
24 construction started and we are very thankful for
25 that, and we're hoping we can complete this without

1 any compromise in integrity to the line.

2 We take every precaution for the
3 environmental. We're very environmentally
4 sensitive and we have been working continually with
5 the property owners and with the other groups on
6 the island – the town, the Mayor, the town
7 administrator, other groups. We've met with a
8 group of property owners that are impacted. This
9 is absolutely the least impacting route that was
10 available for consideration.

11 So, thank you.

12 **MR. CRAIG SORENSON [KIU/SWWC]:** One last
13 comment.

14 [Reference: Presentation Slide 19]

15 Kind of another one of our slogans is: We sell
16 service...not water.

17 Water is free, but the treatment and delivery,
18 that's what we have to charge for. And service is
19 very important to us, and that's one of the things
20 we really like about Kiawah Island Utility and the
21 way we run the operations there.

22 So, again, thank you so much for your time
23 this afternoon and we're very, very pleased to be
24 here. We appreciate your consideration and
25 attention. Thank you.

1 And any questions, thoughts, or comments?

2 **CHAIRMAN HALL:** Thank you so much, Mr.
3 Sorenson, Ms. Dennis, for a very thorough
4 presentation.

5 Commissioners, any questions? Commissioner
6 Randall.

7 **COMMISSIONER RANDALL:** Thank you, Madam Chair.

8 Thank y'all for your presentation. That was
9 very interesting. I just have one question on your
10 original line where you were showing places that
11 you'd done repairs. Is your plan eventually to
12 replace that, once you get the new one up and
13 going, just in case?

14 **MR. CRAIG SORENSON [KIU/SWWC]:** That's
15 probably a longer-term project.

16 [Reference: Presentation Slide 18]

17 I don't know that that's something we would
18 try to accomplish in the near term. But, you know,
19 one of the things that we didn't touch upon when we
20 were talking about all the breaks, a lot of those
21 spots are tough to get to. It is not right off the
22 side of the road. I mean, there's water involved;
23 there's marsh involved. It's not easy to make
24 these repairs. So going back and refurbishing that
25 line, even in sections, could be challenging and

1 you to South Carolina –

2 **MR. CRAIG SORENSON [KIU/SWWC]:** Thank you so
3 much.

4 **COMMISSIONER HAMILTON:** – with SouthWest
5 Utilities. And Ms. Dennis, happy to have you back.
6 I think together, y'all have given us about the
7 most inclusive and thorough ex parte I've been to
8 in the last 12 years. It's hard to find any
9 questions to ask. And I'm sure, seeing your
10 personality here today, that you're already looking
11 for marketing opportunities for your services
12 elsewhere.

13 [Laughter]

14 But we do appreciate you being here and
15 appreciate the information you've given us today.

16 Thank you, Madam Chair.

17 **MS. BECKY DENNIS [KIU]:** We appreciate it.

18 **MR. CRAIG SORENSON [KIU/SWWC]:** Thank you very
19 much.

20 **CHAIRMAN HALL:** All right. And our counsel,
21 Mr. Melchers, has some questions.

22 **MR. MELCHERS:** Thank you, Madam Chair.

23 Two questions. One, what do you do in case of
24 a breach 50 feet under the river with the new pipe?

25 **MR. CRAIG SORENSON [KIU/SWWC]:** That is for

1 the contractor to figure out.

2 [Laughter]

3 The pipe is going to be tested. And that's
4 the interesting thing – I mean, you know, I could
5 go on and on about the interesting parts of that
6 drill. But all – the 7000-foot bore is going to be
7 in place, and then the pipe is going to be actually
8 strung and assembled on the surface, pressure
9 tested, and made sure that there are no leaks or
10 deficiencies in the pipe. Then it's going to be
11 pulled in in one big hose, almost, into the
12 borehole. So we'll know whether or not the pipe is
13 going to be sound, in advance of it going in.

14 **MS. BECKY DENNIS [KIU]:** And, additionally,
15 it's going to be going through Cooper marl, which
16 is its own encasement actually. It's a hardpan
17 encasement – you know, not one that we have to
18 insert but it's a natural encasement.

19 **MR. MELCHERS:** Okay. The other question was,
20 what changed in regard to the land trust that you
21 were able to come back and go through the property?

22 **MS. BECKY DENNIS [KIU]:** They – I'll show you
23 a little bit of that again.

24 [Reference: Presentation Slide 16]

25 Initially, we were going – let me go back one

1 more.

2 [Reference: Presentation Slide 15]

3 The green line is where we were initially
4 going. That was across the bottom of the property.
5 We believed that that was the best route because
6 there was nothing there; it was an open field. And
7 they did not want us coming across there – the
8 landowner did not want us coming across that area.
9 And so they basically agreed to let us come across
10 where we're doing the directional drill –

11 [Reference: Presentation Slide 16]

12 – in that short section.

13 **MR. CRAIG SORENSON [KIU/SWWC]:** [Indicating.]

14 **MS. BECKY DENNIS [KIU]:** No, up the water way.

15 **MR. CRAIG SORENSON [KIU/SWWC]:** [Indicating.]

16 **MS. BECKY DENNIS [KIU]:** Yeah, the short
17 drill.

18 They told us that they would agree to that and
19 basically moved us to coming across that corner
20 where the staging area's going to be, which is –
21 interesting enough, it's one of the family members
22 of the 800-and-some acres. So that was another
23 family owner – I mean, family member that they kind
24 of said, "Go over their property, not ours." So it
25 was just how it was.

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MR. MELCHERS: Thank you.

CHAIRMAN HALL: All right. Thank you so much, Mr. Sorenson and Ms. Dennis. I'm sure there's some costs associated with this, so I'll bet we'll be seeing you soon.

[Laughter]

MR. CRAIG SORENSON [KIU/SWWC]: Yes.

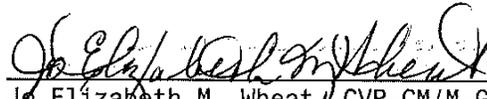
CHAIRMAN HALL: But for now, we are adjourned.

[WHEREUPON, at 2:48 p.m., the proceedings in the above-entitled matter were adjourned.]

C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an Allowable Ex Parte Proceeding held before THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA in Columbia, South Carolina, according to my verbatim record of same.

IN WITNESS WHEREOF, I have hereunto set my hand, on this the 12th day of May, 2016.


Jo Elizabeth M. Wheat, CVR-CM/M-GNSC
Hearings Reporter, PSC/SC
My Commission Expires: January 27, 2021.