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October 4, 2016

**VIA ELECTRONIC MAIL SERVICE**

The Honorable Jocelyn G. Boyd  
Chief Clerk and Administrator  
South Carolina Public Service Commission  
101 Executive Center Drive, Suite 100  
Columbia, SC 29210

***Re: Application of Harbor Island Utilities, Inc. for adjustment of rates and charges for, and the modification of certain terms and conditions related to, the provision of water and sewer service  
Docket No. 2016-29-WS***

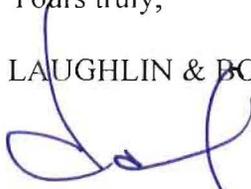
Dear Ms. Boyd:

Enclosed please find Petition to Intervene and Certificate of Service for filing with the South Carolina Public Service Commission.

Thank you for your courtesies. If you have any questions or require any additional information, please do not hesitate to call me.

Yours truly,

LAUGHLIN & BOWEN, P.C.

  
Drew A. Laughlin

DAL/nll

Enclosures

cc: J. Thomas Mikell, Esq. (w/enclosures & via regular mail)  
Jenny R. Pittman, Esq. (w/enclosures & via regular mail)  
Shannon Bowyer Hudson, Esq. (w/enclosures & via regular mail)  
Robert G. Gross (w/enclosures & via regular mail)

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2016-29-WS**

IN RE: )  
)  
Application of Harbor Island )  
Utilities, Inc. for adjustment of ) **PETITION TO INTERVENE**  
rates and charges for, and the )  
modification of certain terms and )  
conditions related to, the provision )  
of water and sewer service. )

Harbor Island Owners Association (“HIOA”) hereby petitions the South Carolina Public Service Commission (“Commission”), pursuant to Rule 103-825 of its Rules of Practice and Procedure, to be allowed to intervene as a formal party of record in the above-captioned proceeding. In support of this Petition, HIOA would show:

1. Harbor Island Utilities, Inc. (“HIU”) has filed an Application for approval to increase its rates for water and sewer services provided to residential and commercial customers within its service area. Applicant’s service area is Harbor Island. According to the Application, HIU serves 451 residential, 8 commercial and 9 irrigation water customers and 445 residential and 6 commercial sewer customers (as of December 31, 2015). Applicant’s proposed rates, if approved, will result in an overall revenue increase of approximately 74%.

2. HIOA is an association whose members are the owners of property on Harbor Island.

3. The Commission issued a Notice of Filing on August 29, 2016 and scheduled a public hearing for Tuesday, December 6, 2016. The Notice of Filing set a deadline of October 4, 2016 for filing a Petition to Intervene.

4. HIOA has a vital interest in this proceeding. HIOA’s members are the owners of the residential and commercial properties in HIU’s service area. They will be directly affected by the proposed rate increases.

5. HIOA believes that its participation in this proceeding is necessary to protect the rights of its members and will aid the Commission in a full and fair consideration of the Application.

6. At this time, HIOA opposes the proposed rate increases. HIOA does not yet possess sufficient information to form a fully developed position on the Application. However, there are a number of issues related to the methodology and information used to calculate the rate adjustments as well as some errors in the calculations. Among other things:

a. The methodology used to calculate rate adjustments appears to be based on generating a “reasonable operating margin” to provide some unidentified level of return on investment. The Application includes no justification for using this approach rather than a more accepted methodology to determine the owner’s investment in utility assets and set an allowed rate of return on that investment.

b. There is no explanation or justification for the proposed “reasonable” operating margins.

c. The cost components to be recovered from the volumetric water rates are not identified.

d. Revenues generated from water volumetric rates verses base rates are not stated.

e. The calculation of the increase in net water system income required to generate the desired “reasonable operating margin” of \$31,757 contains a mathematical error. Based on the information provided, water revenues would only need to be increased by \$24,854 to generate the requested operating margin, not \$38,660 as stated in the Application.

f. Additional information is required to understand the estimated increases in taxes and interest costs.

g. Depreciation expense for additional capital investment for the water utility appears to be converted to a monthly cost for each user and then added to the volumetric rate charged based on water consumption rather than to the Base Rate. Adding this cost to the volumetric rate would likely result in unjustified increases in revenues.

h. Additional information about capital improvements to the sewer system and associated depreciation expense is needed in order to determine when the depreciation expense is expected to occur and whether the capital improvements will result in other assets being retired, reducing current depreciation expense.

7. HIOA seeks to participate in this proceeding in order to obtain the information necessary to more fully establish and assert its position and in order to assist in addressing the important issues raised.

8. HIOA’s counsel and authorized representative in this proceeding is:

Drew A. Laughlin  
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Email: [drew.laughlin@laughlinandbowen.com](mailto:drew.laughlin@laughlinandbowen.com)

9. HIOA requests that it be allowed to intervene in the above-captioned matter, that it be permitted to fully participate as a party of record, to present testimony, cross-examine witnesses, and assert such positions it deems appropriate.

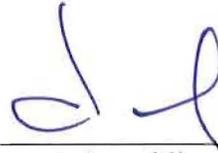
**WHEREFORE**, Petitioner prays:

- a. That the Commission accept this Petition to Intervene and make Petitioner a party of record;
- b. That the Commission allow Petitioner to fully participate in this proceeding and take such positions as it deems appropriate; and
- c. That the Commission grant such other and further relief as is just and proper.

Respectfully submitted,

LAUGHLIN & BOWEN, P.C.

By:



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Attorneys for Harbor Island Owners Association

October 4, 2016  
Hilton Head Island, South Carolina

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**THE PUBLIC SERVICE COMMISSION OF**  
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**DOCKET NO. 2016-29-WS**

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**CERTIFICATE OF SERVICE**

This is to certify that I, Drew A. Laughlin, have this day served a true and correct copy of the within and foregoing transmittal letter dated October 4, 2016 to the Chief Clerk and Administrator for the South Carolina Public Service Commission and Petition to Intervene have been served upon all parties of record by depositing same in the United States Mail with sufficient postage thereon to assure delivery as follows, to-wit:

J. Thomas Mikell, Esq.  
Mikell Law Firm  
P.O. Box 1727  
Beaufort, SC 29901-1727

Shannon Bowyer Hudson, Esq.  
Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, SC 29201

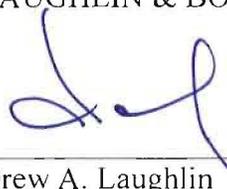
Jenny R. Pittman, Esq.  
Office of Regulatory Staff  
1401 Main Street, Suite 900  
Columbia, SC 29201

Robert G. Gross, President  
Harbor Island Utilities, Inc.  
P.O. Box 1028  
Beaufort, SC 29901-1028

This 4<sup>th</sup> day of October, 2016.

LAUGHLIN & BOWEN, P.C.

By:



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