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REVISED DIRECT TESTIMONY AND EXHIBITS OF

MICHAEL L. SEAMAN-HUYNH

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2019-64-WS

IN RE: APPLICATION OF CUC, INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES

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

A. My name is Michael Seaman-Huynh. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Deputy Director of Energy Operations at the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor's Degree from the University of South Carolina in 1997. Prior to my employment with ORS, I was employed as an energy analyst with a private consulting firm. I joined ORS in 2006 as an Electric Utilities Specialist and was promoted to Senior Electric Utilities Specialist in 2010. When the Energy Regulation Department was formed in August 2015, I assumed the position of Senior Regulatory Analyst. In May 2016, the Utility Rates and Services Division was formed, and I was promoted to the position of Senior Regulatory Manager. I assumed my current position in August of this year.

Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?

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A. Yes. I have testified on numerous occasions before the Commission related to energy, water and sewer matters.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

> [T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

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

A. The purpose of my testimony is to set forth the ORS findings and recommendations relative to the review of the rate increase application ("Application") submitted by CUC, Inc. ("CUC" or "Company"). Specifically, I will focus on the following areas:

- CUC's compliance with Commission rules and regulations;
- ORS adjustments to the test year ending December 31, 2018 ("Test Year") revenues;
- ORS proposed rates, revenues, and resulting operating margin;
- ORS customer growth calculation;
- ORS recommendations related to the 2017 Tax Cuts and Jobs Act ("TCJA"); and,
- ORS recommendations regarding a rate for availability fees.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review was performed by me or under my direct supervision.

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

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A. ORS used ORS Business Office Compliance Review results, information provided by CUC in the Application, and additional information provided by CUC during the facility site inspection. ORS also reviewed CUC's financial statements and performance bond documents submitted to the Commission.

Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE TYPES, AND CUSTOMER BASE SERVED BY CUC.

A. CUC is a public utility providing water distribution and sewer collection and treatment service to customers on Callawassie Island, Spring Island, and Chechessee Bluff in Beaufort County, South Carolina. CUC's operations are classified by the National Association of Regulatory Utility Commissioners ("NARUC") as a Class B water and wastewater utility according to water and sewer revenues reported on its application for the Test Year. As of the end of the Test Year, CUC was providing water distribution services to 1,294 customers and sewer collection and treatment services to 738 customers.

Q. PLEASE EXPLAIN CUC'S COMPLIANCE WITH COMMISSION RULES AND REGULATIONS.

A. Exhibit MSH-1 provides a summary of the Business Office Compliance Review completed by ORS and a summary of the water distribution system and the sewer collection and treatment systems inspected by ORS on October 21, 2019. ORS reviewed CUC's office records to determine compliance with Commission rules and regulations. ORS found that CUC is in compliance with all Commission requirements except that CUC charges an Availability Fee to applicable water and sewer customers, which has not been approved by the Commission. I will discuss this in more detail in another area of my direct testimony. Required operator logs were being kept at the facility and general housekeeping

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items including system entry points, access roads, and signage were found to be satisfactory during the review.

Water Distribution System

CUC purchases its potable water from Beaufort-Jasper Water and Sewer Authority ("BJWSA") through an interconnection master meter located on Callawassie Island. Safe drinking water standards are being met according to recent South Carolina Department of Health and Environmental Control ("DHEC") sanitary survey reports. DHEC rated the water system as "Satisfactory" during its last sanitary survey. As of the end of the Test Year, one hundred sixty-seven (167) fire hydrants were connected to the CUC water system. There is opportunity for customer growth within the CUC water service territory.

Sewer Collection and Treatment System

CUC provides sewer collection and treatment for its customers on Callawassie Island, Spring Island, and Chechessee Bluff under a DHEC No Discharge permit. During ORS's inspection, the sewer collection and treatment system was operating adequately and in accordance with DHEC rules and regulations. There have not been any recent sanitary sewer overflows and the collection system did not experience any substantial inflow and infiltration problems during the Test Year. The sewer collection process on Callawassie Island and Chechessee Bluff includes multiple force mains and lift stations. Sewage is biologically treated in an above ground tank system and disinfected using chlorination tablets prior to being used as spray irrigation on the Callawassie Island golf course. The sewer collection process for customers on Spring Island consists of a pressurized collection system with individual grinder pump stations at each customer's connection to the collection system. The collection system conveys collected wastewater to a sequential

batch reactor type wastewater treatment facility with an ultraviolet light disinfection unit. The treated wastewater is pumped to a holding tank prior to being sprayed onto the Spring Island golf course.

Q. PLEASE EXPLAIN THE TEST YEAR REVENUE INFORMATION CALCULATED BY ORS.

A. Exhibit MSH-2, page one, summarizes CUC's service revenues for the Test Year. ORS used consumption data provided by CUC and verified during ORS's review. In addition, ORS used CUC's current and proposed rates as reflected in the Application for these calculations. ORS calculated CUC's Test Year revenue for water operations, as adjusted, of $855,359 and revenue for sewer operations, as adjusted, of $429,587. ORS calculated Test Year revenues for combined operations, as adjusted, of $1,284,946. ORS made revenue adjustments of $161,232 for water operations and $92,618 for sewer operations to reflect ORS's analysis of the customer billing information provided by CUC and to incorporate additional miscellaneous revenue. These adjustments are reflected in ORS witness Major's Exhibit KLM-8, page 2 for water and Exhibit KLM-8, page 3 for sewer.

Q. PLEASE EXPLAIN THE RATE DESIGN METHODOLOGY PROPOSED BY THE COMPANY IN THE APPLICATION.

A. CUC apportioned the requested revenue requirement equally to all base facility charges and consumption rates. The proposed increase to all customer classes is approximately 19.76%. ORS recommends the Commission approve the rate design methodology proposed by CUC for this rate case.

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It is, however, apparent the Company's rate design through the passage of time has created inequity between its water and sewer customers. ORS's analysis indicates that water customers are subsidizing sewer customers even though not all water customers receive sewer service from CUC. ORS recommends the Company conduct a Cost of Service study prior to the next rate case. Based on the results of the Cost of Service study, ORS recommends the Company be required to propose a rate design that gradually eliminates the subsidization of sewer service by water customers.

Q. WHAT IS ORS'S RECOMMENDED OPERATING MARGIN FOR CUC?

A. ORS recommends an operating margin of 12.51% based on CUC's efficient operations, excellent customer service, and current financial condition.

Q. WHAT FACTORS DID ORS CONSIDER IN ITS OPERATING MARGIN RECOMMENDATION?

A. ORS reviewed other state jurisdictions' calculation methodologies and operating margin results. Calculation methodologies and results vary widely by state jurisdiction. Some states rely on historic Commission-approved operating margins while others, due to the wide variation of utility characteristics, evaluate each rate filing based on the unique characteristics of each utility's financial and operational characteristics. In South Carolina, the Commission retains the flexibility to authorize an operating margin at its discretion based on the evidence presented in each general rate case. As with prior rate cases for similarly situated utilities, ORS based its operating margin recommendation on the quality of service the utility provides its customers and the characteristics of the utility's financial condition and operational performance. ORS employed this same analysis in determining a recommended operating margin for the Company. CUC is a well-operated water and

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sewer utility with an established record of providing quality service to its customers. During the Test Year, CUC demonstrated sound financial practices and provided reliable service to its customers. [1] Further, the Company indicated no recent or immediate plans for expansion or improvement of its facilities or infrastructure.

The Company's current rates are based on a 12.51% operating margin.[2] The financial condition of the Company during the Test Year indicates an operating margin of 12.51% is sufficient to recover reasonably incurred expenses and maintain efficient, high-quality and reliable business operations and utility service.

ORS's recommendation is fair and reasonable because it provides the Company with sufficient incentive to manage costs and maintain the high-quality and reliable service its customers have come to expect. Additionally, ORS's recommended operating margin is within the historic range of operating margins approved by the Commission for water and sewer utilities.

Q. PLEASE EXPLAIN WHY ORS'S RECOMMENDED OPERATION MARGIN OF 12.51% IS FAIR AND REASONABLE.

A. Regulated utilities are entitled to an opportunity to earn a return on their investment that is fair and reasonable, through which the utility would be allowed sufficient funding to support business operations, deliver quality services, and appropriately recover allowed expenses. Currently, CUC's rates are based on an operating margin of 12.51% as a result of its last general rate case. In the intervening time period, CUC maintained its commitment to providing quality services to its customers and efficiently managed business operations. ORS's recommendation to maintain the current operating margin

[1] ORS's review of customer communication for CUC indicated minimal complaints for the utility.
[2] Docket No. 2013-451-WS; Order No. 2014-1001

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would allow the Company to continue in these practices. In addition, ORS's recommended operating margin reflects recent trends of Commission-ordered operating margins in South Carolina. For the last three (3) full calendar years (*i.e.*, 2016, 2017, and 2018), the average operating margin awarded by this Commission was approximately 13.6%. For the last five (5) full calendar years (*i.e.*, 2014, 2015, 2016, 2017, and 2018), the average operating margin awarded by this Commission was approximately 14.0%.

Q. PLEASE EXPLAIN THE PROPOSED RATES AND REVENUE INCREASE AS PRESENTED IN EXHIBITS MSH-5 AND MSH-6.

A. ORS designed rates utilizing the same rate design methodology proposed by the Company, including all accounting adjustments recommended by ORS witness Major and an opportunity to earn the ORS's recommended 12.51% operating margin. The ORS proposed rates and revenue requirement are shown in Exhibit MSH-5 (Revenue Impact Analysis) and presented in Exhibit MSH-6 (Rates Overview). ORS proposed rates provide CUC with an increase of $53,930 or 6.30% for water operations and $40,320 or 9.39% for sewer operations. The ORS revenue adjustments are reflected in ORS witness Major's Exhibit KLM-2, Adjustment No. 14 and Exhibit KLM-3, Adjustment No. 14.

For comparison purposes only, Audit Exhibit KLM-8 reflects CUC's operating experience, with ORS adjustments, as if the Company's requested revenue increase in its Application was granted by the Commission.

Q. PLEASE EXPLAIN ORS'S CUSTOMER GROWTH CALCULATION INCLUDING THE RESULTING CUSTOMER GROWTH FACTOR FOR CUC.

A. To capture additional revenues and expenses generated by customers which may be added to the Company's system, ORS included adjustments for water and sewer

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customer growth. The customer growth factors are determined by calculating the difference between the total number of customers at the end of the Test Year and the average number of customers during the Test Year then dividing the result by the average number of customers during the Test Year. As shown in Exhibit MSH-3, the projected growth for CUC for water service is -0.1543% and sewer service is 0.2717%. These customer growth factors equate to zero customer growth for the Company. As a result, ORS is not recommending an adjustment for customer growth.

Q. PLEASE EXPLAIN THE 2017 TAX CUTS AND JOBS ACT.

A. On December 22, 2017, the TCJA was signed into law. The TCJA contains provisions including, but not limited to, decreasing the corporate tax rate from 35% to 21%, effective January 1, 2018. Many South Carolina utilities under the jurisdiction of this Commission recover federal corporate income tax expenses at a corporate tax rate above 21% because federal income tax is a component of rates approved by the Commission.

On April 25, 2018, the Commission issued Order No. 2018-308 in Docket No. 2017-381-A which required all utilities to calculate and defer the tax effects resulting from the TCJA beginning January 1, 2018 with those impacts to be addressed in the next general rate case.

Q. WHAT ARE THE IMPACTS OF THE TCJA ON CUC AND ITS CUSTOMERS?

A. The impact of the TCJA is reflected in the following areas:

- A reduction in the federal corporate income tax rate from 35% to 21%;
- Return of excess revenues collected after January 1, 2018 to CUC customers; and
- Contributions in aid of construction ("CIAC") are taxable to the Company.

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Q. PLEASE DESCRIBE THE IMPACT DUE TO THE REDUCTION OF THE CORPORATE INCOME TAX RATE.

A. The TCJA reduced the current federal income tax expense from 35% to 21%. This resulted in savings of approximately $78,110 to customers in this rate proceeding.[3]

Q. PLEASE DESCRIBE THE EXCESS REVENUES DEFERRAL PROPOSED BY ORS.

A. In compliance with Commission Order No. 2018-308, ORS calculated the deferred effects of the TCJA into a regulatory liability. The deferral included the differences between customer revenues actually billed by CUC and what CUC would have billed customers taking into account the reduced federal corporate tax rate beginning January 1, 2018. ORS utilized the Commission approved cost of service in Order No. 2014-1001 to calculate the excess revenues collected since January 1, 2018. ORS expects rates to be effective no later than January 1, 2020. Exhibit MSH-4 reflects the specific calculation related to the value of CUC's excess deferral account. ORS recommends a total return to customers of $78,110 for excess revenue collections over a three (3) year amortization period consistent with the recovery of rate case expenses. This results in an annual return of approximately $26,037. This is reflected in ORS witness Major's Exhibit KLM-4, Adjustment No. 17.

Q. PLEASE EXPLAIN THE IMPACTS OF THE TCJA ON CONTRIBUTIONS IN AID OF CONSTRUCTION.

A. Under the TCJA, cash or property in the form of CIAC create an income tax liability for the Company. CIAC includes, but is not limited to, tap fees, impact fees, connection

[3] Based on ORS adjustments.

fees or charges, plant expansion and modification fees, and donated plant. In Docket No. 87-486-WS, Order No. 88-237, the Commission identified four methods for a regulated utility to use to collect the income tax on CIAC: 1) present value method; 2) full gross-up method; 3) partial gross-up method and 4) no gross-up method. CUC books and records indicate CIAC was collected from customers during the Test Year. However, it is unclear if the Company collected or paid the corresponding income tax liability.

Q. PLEASE EXPLAIN HOW CUC WILL HANDLE THE INCOME TAX OBLIGATION FOR CONTRIBUTIONS IN AID OF CONSTRUCTION?

A. The Commission has issued guidance on this issue in Order No. 88-237. The Company has not indicated which method it will employ related to tax obligations for CIAC.

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

A. CUC has on file with ORS and the Commission two (2) current performance bonds – one (1) for water operations and one (1) for sewer operations. Each bond is in the form of a Personal Financial Statement as surety in the amount of $350,000 each. ORS respectfully requests that the Commission continue to require CUC to maintain performance bonds for water and sewer operations in the amount of $350,000 in compliance with S.C. Code Ann. § 58-5-720 (2015).

Q. HAS CUC REQUESTED ANY CHANGES TO ITS NON-RECURRING CHARGES?

A. No.

Q. PLEASE EXPLAIN ORS'S RECOMMENDED CHANGES TO THE COMPANY'S PROPOSED TARIFF LANGUAGE.

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A. CUC does not currently have a water and sewer Availability Fee approved by the Commission. During the Test Year, CUC received approximately $38,892 in revenue associated with Water and Sewer Availability Fees and late fees on availability fees. This revenue was included as Miscellaneous Revenue and used to off-set operating expenses. According to S.C. Code Regs. § 103-503(B),

> All rates, contract forms, and rules and regulations, proposed to be put into effect by any utility as defined in 103-502(11) shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute or other provision of law.

Additionally, according to S.C. Code Ann. Regs. § 103-703(B),

> All rates, contract forms, or rules and regulations, proposed to be put into effect by any utility as defined in 103-702(14), shall be first approved by this commission before they shall become effective, unless they are exempt from such approval by statute or other provision of law.

ORS recommends the Company establish a specific rate and tariff language for water and sewer Availability Fees. These rates should be approved by the Commission.

Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, becomes available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

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ORS BUSINESS OFFICE COMPLIANCE REVIEW: Water/Sewer Company

Utility: CUC, Inc.
Inspector(s): Michael Seaman-Huynh, Brandon Bickley, Brad Kirby
Location of Utility Office: 99 Utility Ct., Callawassie Island, Okatie, SC 29909
Utility Type: Water/Sewer
Date Inspected: October 21, 2019
Company Representative(s): Billy Burnett, Susan Mikell, Marshall Bishop

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with R.103-510 and R. 103-710.	X		
2	Complaint records maintained in accordance with R.103-516 and R. 103-716.	X		
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530 and R.103-730.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-530 and R. 103-730.	X		
5	Deposits charged within the limits established by R.103-531 and R. 103-731.			No deposits charged
6	Timely and accurate bills being rendered to customers in accordance with R.103-532 and R.103-732.	X		Meter readings done end of month; bills sent 1st of month
7	Bill forms in accordance with R.103-532 and R.103-732.	X		
8	Adjustments of bills handled in accordance with R.103-533 and 103-733.	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535 and 103-735.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535 and 103-735.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C and 103-714-C.	X		

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530 and 103-730.	**X**		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514 and 103-714.	**X**		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, and emergencies during non-office hours.	**X**		
15	Utility verified the maps on file with the Commission include all the service area of the company.	**X**		
16	Number of customers the utility has at present time.			Water - 1,294 Sewer - 738
17	Utility has a current performance bond on file with the Commission. Amount of bond:	**X**		$350,000 for water service & $350,000 for sewer service
18	Utility maintains a documented Safety Program.	**X**		
19	Utility maintains a documented Emergency Response plan.	**X**		
20	Utility maintains a documented Preventative Maintenance plan.	**X**		
21	Utility submitted a current Annual Report.	**X**		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	**X**		

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ORS WATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected: October 21, 2019
Inspector(s) Name: Michael Seaman-Huynh, Brandon Bickley, Brad Kirby
Docket Number: 2019-64-WS
Utility Name: CUC, Inc.
Utility Representative: Billy Burnett, Susan Mikell, Marshall Bishop
Number of Customers: 1,294
System Type (distribution, well, etc.): Distribution – Water received from BJWSA
Location of System: Spring Island, Callawassie Island, (Beaufort SC)
Location of Utility Office: 99 Utility Ct., Callawassie Island, Okatie, SC 29909
Treatment Type: N/A
Permit #: Water Distribution System No. 0750041
Last SC DHEC Compliance Rating: Satisfactory
Frequency checked by Operator: Daily
Wastewater Provider: CUC, Inc. and a few homes on Spring Island are on septic systems

Inspection Overview

	System Components Inspected	Specific Type	#	PSI	Capacity	Compliance		Comments
						Yes	No	
1	Well Sites							None
2	Pump Houses							None
3	Storage Tank	Pressurized						None
3a	Storage Tank	Non-Pressurized						None
3b	Storage Tank	Overhead						None
4	Chlorinator							None
5	Other Chemicals in use							None
6	Meters							1,294
7	Fire Hydrants					x		
8	Electrical Wiring acceptable					x		
9	Piping acceptable					x		
10	Water clarity					x		
11	System free of leaks					x		
12	Access road adequate					x		
13	Ability for service area to expand					x		Several homes under construction on both islands

Additional Comments:

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ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	October 21, 2019
Inspector(s) Name:	Michael Seaman-Huynh, Brandon Bickley, Brad Kirby
Docket Number:	2019-64-WS
Utility Name:	CUC, Inc.
Utility Representative:	Billy Burnett, Susan Mikell, Marshall Bishop
Number of Customers:	546
System Type (distribution, well, etc.):	Collection, biological treatment system
Location of System:	Callawassie Island and Chechessee Bluff (Beaufort SC)
Location of Utility Office:	99 Utility Ct., Callawassie Island, Okatie, SC 29909
Treatment Type:	Biological treatment
Permit #:	ND0062235
Last SC DHEC Compliance Rating:	Satisfactory
Frequency checked by Operator:	Daily
Wastewater Provider:	CUC, Inc. & BJWSA

Inspection Results

	System Components Inspected	Compliance		Comments
		Yes	No	
1	Chlorinator	X		
2	Other chemicals in use			None
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		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		14
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		Homes currently under construction

Additional Comments:

All houses are gravity flow except a few homes with grinder pumps; Chlorination at WWTF is done with chlorine tablets. Interim discharge is to a holding pond on the golf course prior to final discharge as irrigation on the golf course.

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ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	October 21, 2019
Inspector(s) Name:	Michael Seaman-Huynh, Brandon Bickley, Brad Kirby
Docket Number:	2019-64-WS
Utility Name:	CUC, Inc.
Utility Representative:	Billy Burnett, Susan Mikell, Marshall Bishop
Number of Customers:	192
System Type (distribution, well, etc.):	Collection, biological treatment system - SBR
Location of System:	Spring Island (Beaufort SC)
Location of Utility Office:	99 Utility Ct., Callawassie Island, Okatie, SC 29909
Treatment Type:	Biological treatment
Permit #:	ND0077828
Last SC DHEC Compliance Rating:	Satisfactory
Frequency checked by Operator:	Daily
Wastewater Provider:	CUC, Inc. & BJWSA

Inspection Results

	System Components Inspected	Compliance		Comments
		Yes	No	
1	Chlorinator			None
2	Other chemicals in use			None
3	Aerators present			None
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		
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		3
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		Homes currently under construction

Additional Comments:

The collection system is a pressure system. All customers are equipped with a grinder pump. However, 107 customers are on individual septic tanks.

The WWTF consists of twin sequential batch reactors (SBRs), final filter (tertiary), twin digesters, ultra-violet (UV) light disinfection, and effluent holding pond. Treated wastewater is discharged to an effluent holding pond and then land applied to 37 acres of the 150 acres of Old Tabby Golf Course by spray irrigation. Standby power is provided and an alarm system is available. UV bulbs are cleaned on a regular basis. Backup pumps available per DHEC request.

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Office of Regulatory Staff
Revenue Impact Analysis
CUC, INC.
Docket No. 2019-64-WS

Calculated CUC Test Year Revenue Overview

	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Test Year Calculated Revenues
WATER/IRRIGATION	**Callawassie Island**					
	3/4" Residential Water	19,373,800	$5.54	502	$45.54	$244,497
	3/4" Residential Irrigation	22,379,060	$5.54	362	$45.54	$222,893
	1" Residential Water	486,990	$5.54	10	$56.90	$6,112
	1" Residential Irrigation	304,140	$5.54	5	$56.90	$3,392
	3/4" Commercial Water	305,420	$5.54	5	$53.12	$3,286
	3/4" Commercial Irrigation	56,840	$5.54	3	$53.12	$1,271
	1" Commercial Water	329,500	$5.54	2	$64.50	$2,599
	1" Commercial - Irrigation	98,000	$5.54	3	$64.50	$1,704
	1 1/2" Commercial Water	500,000	$5.54	1	$72.10	$3,203
	2" Commercial Water	1,452,300	$5.54	4	$79.68	$9,958
	Total Callawassie Island	**45,286,050**		**897**		**$498,915**
	Spring Island					
	3/4" Residential Water	9,636,340	$5.54	161	$45.54	$97,377
	3/4" Residential Irrigation	6,046,550	$5.54	54	$45.54	$48,253
	1" Residential Water	9,511,930	$5.54	122	$56.90	$94,347
	1" Residential Irrigation	5,398,310	$5.54	30	$56.90	$40,149
	2" Residential Water	1,720,240	$5.54	7	$72.10	$12,558
	3/4" Commercial Water	547,780	$5.54	12	$53.12	$6,859
	3/4" Commercial Irrigation	38,020	$5.54	2	$53.12	$848
	1" Commercial Water	603,010	$5.54	4	$64.50	$4,889
	1 1/2" Commercial Irrigation	436,700	$5.54	1	$72.10	$2,852
	2" Commercial Water	1,309,000	$5.54	3	$79.68	$8,686
	2" Commercial Irrigation	737,900	$5.54	1	$79.68	$4,566
	Total Spring Island	**35,985,780**		**397**		**$321,384**
	Miscellaneous Water Revenues[2]					**$35,060**
	Total Water Operating Revenues	***81,271,830***				***$855,359***
SEWER						
	Chechessee Bluff					
	3/4" Residential Sewer	1,600,340	$5.10	25	$45.54	$14,993
	3/4" Commercial Sewer	82,780	$5.10	3	$53.12	$1,378
	Total Chechessee Bluff	**1,683,120**		**28**		**$16,371**
	Callawassie Island					
	3/4" Residential Sewer	19,320,400	$5.10	501	$45.54	$235,427
	1" Residential Sewer	261,070	$5.10	7	$56.90	$3,721
	3/4" Commercial Sewer	297,200	$5.10	4	$53.12	$2,791
	1" Commercial Sewer	169,180	$5.10	2	$64.50	$1,637
	1 1/2" Commercial Sewer	500,000	$5.10	1	$72.10	$2,983
	2" Commercial Sewer	592,200	$5.10	3	$79.68	$4,454
	Total Callawassie Island	**21,140,050**		**518**		**$251,013**
	Spring Island					
	3/4" Residential Sewer	5,935,070	$5.10	122	$45.54	$63,604
	1" Residential Sewer	2,894,690	$5.10	57	$56.90	$34,223
	2" Residential Sewer	48,500	$5.10	1	$72.10	$680
	3/4" Commercial Sewer	432,060	$5.10	8	$53.12	$4,753
	1" Commercial Sewer	327,860	$5.10	1	$64.50	$2,059
	2" Commercial Sewer	1,309,000	$5.10	3	$79.68	$8,110
	Total Spring Island	**10,947,180**		**192**		**$113,429**
	Miscellaneous Sewer Revenues[2]					**$48,774**
	Total Sewer Operating Revenues	***33,770,350***				***$429,587***
	Total Water & Sewer Operating Revenues					***$1,284,946***

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Office of Regulatory Staff
Revenue Impact Analysis
CUC, INC.
Docket No. 2019-64-WS

Calculated CUC Proposed Revenue Overview

	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Proposed Calculated Revenues	Increase Amount	% Increase
WATER/IRRIGATION	**Callawassie Island**							
	3/4" Residential Water	19,373,800	$6.63	502	$54.48	$292,542	$48,045	19.65%
	3/4" Residential Irrigation	22,379,060	$6.63	362	$54.48	$266,704	$43,811	19.66%
	1" Residential Water	486,990	$6.63	10	$68.07	$7,313	$1,201	19.65%
	1" Residential Irrigation	304,140	$6.63	5	$68.07	$4,059	$667	19.66%
	3/4" Commercial Water	305,420	$6.63	5	$63.55	$3,931	$645	19.63%
	3/4" Commercial Irrigation	56,840	$6.63	3	$63.55	$1,521	$250	19.67%
	1" Commercial Water	329,500	$6.63	2	$77.16	$3,111	$512	19.70%
	1" Commercial - Irrigation	98,000	$6.63	3	$77.16	$2,039	$335	19.66%
	1 1/2" Commercial Water	500,000	$6.63	1	$86.25	$3,833	$630	19.67%
	2" Commercial Water	1,452,300	$6.63	4	$95.32	$11,916	$1,958	19.66%
	Total Callawassie Island	**45,286,050**		**897**		**$596,969**		
	Spring Island							
	3/4" Residential Water	9,636,340	$6.63	161	$54.48	$116,517	$19,140	19.66%
	3/4" Residential Irrigation	6,046,550	$6.63	54	$54.48	$57,740	$9,487	19.66%
	1" Residential Water	9,511,930	$6.63	122	$68.07	$112,891	$18,544	19.66%
	1" Residential Irrigation	5,398,310	$6.63	30	$68.07	$48,043	$7,894	19.66%
	2" Residential Water	1,720,240	$6.63	7	$86.26	$15,028	$2,470	19.67%
	3/4" Commercial Water	547,780	$6.63	12	$63.55	$8,207	$1,348	19.65%
	3/4" Commercial Irrigation	38,020	$6.63	2	$63.55	$1,015	$167	19.69%
	1" Commercial Water	603,010	$6.63	4	$77.16	$5,850	$961	19.66%
	1 1/2" Commercial Irrigation	436,700	$6.63	1	$86.25	$3,413	$561	19.67%
	2" Commercial Water	1,309,000	$6.63	3	$95.32	$10,394	$1,708	19.66%
	2" Commercial Irrigation	737,900	$6.63	1	$95.32	$5,464	$898	19.67%
	Total Spring Island	**35,985,780**		**397**		**$384,562**		
	Miscellaneous Water Revenues[2]					**$35,060**	$0	0.00%
	Total Water Operating Revenues	***81,271,830***				***$1,016,591***	*$161,232*	*18.85%*
SEWER								
	Chechessee Bluff							
	3/4" Residential Sewer	1,600,340	$6.63	25	$54.48	$18,782	$3,789	25.27%
	3/4" Commercial Sewer	82,780	$6.63	3	$63.55	$1,693	$315	22.86%
	Total Chechessee Bluff	**1,683,120**		**28**		**$20,475**		
	Callawassie Island							
	3/4" Residential Sewer	19,320,400	$6.63	501	$54.48	$291,861	$56,434	23.97%
	1" Residential Sewer	261,070	$6.63	7	$68.07	$4,590	$869	23.35%
	3/4" Commercial Sewer	297,200	$6.63	4	$63.55	$3,496	$705	25.26%
	1" Commercial Sewer	169,180	$6.63	2	$77.16	$2,048	$411	25.11%
	1 1/2" Commercial Sewer	500,000	$6.63	1	$86.25	$3,833	$850	28.49%
	2" Commercial Sewer	592,200	$6.63	3	$95.32	$5,642	$1,188	26.67%
	Total Callawassie Island	**21,140,050**		**518**		**$311,470**		
	Spring Island							
	3/4" Residential Sewer	5,935,070	$6.63	122	$54.48	$79,229	$15,625	24.57%
	1" Residential Sewer	2,894,690	$6.63	57	$68.07	$42,472	$8,249	24.10%
	2" Residential Sewer	48,500	$6.63	1	$86.26	$839	$159	23.38%
	3/4" Commercial Sewer	432,060	$6.63	8	$63.55	$5,915	$1,162	24.45%
	1" Commercial Sewer	327,860	$6.63	1	$77.16	$2,637	$578	28.07%
	2" Commercial Sewer	1,309,000	$6.63	3	$95.32	$10,394	$2,284	28.16%
	Total Spring Island	**10,947,180**		**192**		**$141,486**		
	Miscellaneous Sewer Revenues[2]					**$48,774**	$0	0.00%
	Total Sewer Operating Revenues	***33,770,350***				***$522,205***	*$92,618*	*21.56%*
	Total Water & Sewer Operating Revenues					***$1,538,796***	*$253,850*	*19.76%*

Calculation Methodology:

(1) Consumption and Units reflected as reported during Test Year (Corrected through Utility Rates Request #2). Growth factor not included for comparison purposes.

(2) Includes Availability Fees, Late Fees, etc.

Office of Regulatory Staff

EXHIBIT MSH-3

Customer Growth

CUC, Inc.

Docket No. 2019-64-WS

	Date	# of Customers
Water	1/1/2018	1,297
	12/31/2018	1,294
	Average	1,296
	Growth Factor	-0.1543%

	Date	# of Customers
Sewer	1/1/2018	733
	12/31/2018	738
	Average	736
	Growth Factor	0.2717%

	Date	# of Customers
Combined Operations	1/1/2018	2,030
	12/31/2018	2,032
	Average	2,032
	Growth Factor	0.0000%

Responses provided in AIR 1-40 and Utility Rates Request #2.

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Office of Regulatory Staff

EXHIBIT MSH-4

Excess Revenue Liability

CUC, Inc.

Docket No. 2019-64-WS

Line No.	Item	CUC, Inc. Decrease of Federal Income Tax Rate to 21%	
		As approved in Commission Order No. 2014-1001	Reflect 21% Federal Income Tax Rate
1	Operating revenues	1,201,368	1,201,368
2	Operating expenses	917,194	917,194
3	Taxes other than Income	44,538	44,538
4	Interest expense	1,340	1,340
5	Taxable income (L1 - (Sum (L2 thru L4))	238,296	238,296
6	State income tax (L5 * 5.0% tax rate)	11,914	11,914
7	Federal income tax ((L5-L6) * tax rate)	76,970	47,540
8	Net income (L5 - L6 - L7)	149,412	178,842
9	Add back: interest expense (L4)	1,340	1,340
10	Net income for return (L8 + L9)	150,752	180,182
11	Cumulative change in net income for return		29,430
12	Retention factor		75.05%
13	Annual Revenue impact of cumulative change		(39,214)
14	Daily Revenue Impact (L13/365)		(107)
15	**Regulatory Liability Calculation (1/1/18 - 1/1/20)**		**$ (78,110)**

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EXHIBIT MSH-5

Office of Regulatory Staff
ORS Revenue Impact Analysis
CUC, INC.
Docket No. 2019-64-WS

Calculated ORS Proposed Revenue Overview

	Customer Classification	Consumption in Gallons	Usage Charge per 1,000 gallons	Service Units	Base Facility Charge (BFC)	Proposed Calculated Revenues	Increase Amount	% Increase
WATER/IRRIGATION	**Callawassie Island**							
	3/4" Residential Water	19,373,800	$5.95	502	$48.10	$260,151	$15,654	6.40%
	3/4" Residential Irrigation	22,379,060	$5.95	362	$48.10	$237,629	$14,736	6.61%
	1" Residential Water	486,990	$5.95	10	$60.10	$6,504	$392	6.41%
	1" Residential Irrigation	304,140	$5.95	5	$60.10	$3,613	$221	6.52%
	3/4" Commercial Water	305,420	$5.95	5	$56.10	$3,500	$214	6.51%
	3/4" Commercial Irrigation	56,840	$5.95	3	$56.10	$1,348	$77	6.06%
	1" Commercial Water	329,500	$5.95	2	$67.10	$2,766	$167	6.43%
	1" Commercial - Irrigation	98,000	$5.95	3	$67.10	$1,791	$87	5.11%
	1 1/2" Commercial Water	500,000	$5.95	1	$73.10	$3,414	$211	6.59%
	2" Commercial Water	1,452,300	$5.95	4	$82.10	$10,612	$654	6.57%
	Total Callawassie Island	**45,286,050**		**897**		**$531,328**		
	Spring Island							
	3/4" Residential Water	9,636,340	$5.95	161	$48.10	$103,801	$6,424	6.60%
	3/4" Residential Irrigation	6,046,550	$5.95	54	$48.10	$51,561	$3,308	6.86%
	1" Residential Water	9,511,930	$5.95	122	$60.10	$100,589	$6,242	6.62%
	1" Residential Irrigation	5,398,310	$5.95	30	$60.10	$42,938	$2,789	6.95%
	2" Residential Water	1,720,240	$5.95	7	$76.09	$13,431	$873	6.95%
	3/4" Commercial Water	547,780	$5.95	12	$56.10	$7,298	$439	6.40%
	3/4" Commercial Irrigation	38,020	$5.95	2	$56.10	$899	$51	6.01%
	1" Commercial Water	603,010	$5.95	4	$67.10	$5,198	$309	6.32%
	1 1/2" Commercial Irrigation	436,700	$5.95	1	$73.10	$3,037	$185	6.49%
	2" Commercial Water	1,309,000	$5.95	3	$82.10	$9,266	$580	6.68%
	2" Commercial Irrigation	737,900	$5.95	1	$82.10	$4,883	$317	6.94%
	Total Spring Island	**35,985,780**		**397**		**$342,901**		
	Miscellaneous Water Revenues[2]					**$35,060**	$0	0.00%
	Total Water Operating Revenues	***81,271,830***				***$909,289***	*$53,930*	*6.30%*
SEWER								
	Chechessee Bluff							
	3/4" Residential Sewer	1,600,340	$5.95	25	$48.10	$16,737	$1,744	11.63%
	3/4" Commercial Sewer	82,780	$5.95	3	$56.10	$1,502	$124	9.00%
	Total Chechessee Bluff	**1,683,120**		**28**		**$18,239**		
	Callawassie Island							
	3/4" Residential Sewer	19,320,400	$5.95	501	$48.10	$259,545	$24,118	10.24%
	1" Residential Sewer	261,070	$5.95	7	$60.10	$4,078	$357	9.59%
	3/4" Commercial Sewer	297,200	$5.95	4	$56.10	$3,115	$324	11.61%
	1" Commercial Sewer	169,180	$5.95	2	$67.10	$1,812	$175	10.69%
	1 1/2" Commercial Sewer	500,000	$5.95	1	$73.10	$3,414	$431	14.45%
	2" Commercial Sewer	592,200	$5.95	3	$82.10	$5,001	$547	12.28%
	Total Callawassie Island	**21,140,050**		**518**		**$276,965**		
	Spring Island							
	3/4" Residential Sewer	5,935,070	$5.95	122	$48.10	$70,523	$6,919	10.88%
	1" Residential Sewer	2,894,690	$5.95	57	$60.10	$37,778	$3,555	10.39%
	2" Residential Sewer	48,500	$5.95	1	$76.09	$745	$65	9.56%
	3/4" Commercial Sewer	432,060	$5.95	8	$56.10	$5,264	$511	10.75%
	1" Commercial Sewer	327,860	$5.95	1	$67.10	$2,353	$294	14.28%
	2" Commercial Sewer	1,309,000	$5.95	3	$82.10	$9,266	$1,156	14.25%
	Total Spring Island	**10,947,180**		**192**		**$125,929**		
	Miscellaneous Sewer Revenues[2]					**$48,774**	$0	0.00%
	Total Sewer Operating Revenues	***33,770,350***				***$469,907***	*$40,320*	*9.39%*
	Total Water & Sewer Operating Revenues					***$1,379,196***	*$94,250*	*7.33%*

Calculation Methodology:

(1) Consumption and Units reflected as reported during Test Year (Corrected through Utility Rates Request #2). Growth factor not included for comparison purposes.

(2) Includes Availability Fees, Late Fees, etc.

Office of Regulatory Staff
CUC, Inc.
Docket No. 2019-64-WS
Rates Overview

SCHEDULE OF CURRENT AND PROPOSED RATES AND CHARGES

WATER

		Current	CUC Proposed	ORS Proposed
1. Bimonthly Charges				
Residential Water & Residential Irrigation				
Base Facilities Charge by Meter Size	5/8" x 3/4" Meter	$45.54	$54.48	$48.10
	1" Meter	$56.90	$68.07	$60.10
	1.5" Meter	$64.20	$76.81	$67.80
	2" Meter	$72.10	$86.26	$76.09
	3" Meter	N/A	$109.55	$92.98
Commodity Charge		$5.54 per 1,000 gallons	$6.63 per 1,000 gallons	$5.95 per 1,000 gallons
Commercial Water & Commercial Irrigation				
Base Facilities Charge by Meter	5/8" x 3/4" Meter	$53.12	$63.55	$56.10
	1" Meter	$64.50	$77.16	$67.10
	1.5" Meter	$72.10	$86.25	$73.10
	2" Meter	$79.68	$95.32	$82.10
	3" Meter	N/A	$118.20	$97.89
Commodity Charge		$5.54 per 1,000 gallons	$6.63 per 1,000 gallons	$5.95 per 1,000 gallons

2. Nonrecurring Charges

Existing Water Tap-In Fee (New Connections Only)
A. 5/8" x ¾" Meter $525.00
B. 1" Meter $700.00
C. Meter tap fees for meters larger than 1" will be negotiated on a cost plus service basis.

3. Notification, Account Set-Up, Disconnection, Reconnection, & Damage/Tampering Charges

A. Notification Fee: A fee of twenty-five dollars ($25.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R. 103-735.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

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B. Customer Account Charge:
New Customers Only $30.00
A one-time fee to defray the cost of initiating service.

C. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-732.5, or the customer is found to have vacated the premises or the customer has shown an intent to vacate the premises, a disconnection fee in the amount of forty-five dollars ($45.00) shall be charged.

D. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of forty-five dollars ($45.00) shall be due prior to the utility reconnecting service which has been disconnected for any reason as set forth in Commission Rule R. 103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

E. Damage/Tampering Charges: In the event the Utility's equipment, water mains, water lines, meters, meter boxes, curb stops, service lines, valves, or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed $250, a damage/tampering fee. The damage/tampering fee must be paid in full prior to the Utility re-establishing water service or continuing the provision of water service.

4. Late Penalty Charge

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

5. NSF Check Charge

Company may charge an NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

6. Billing Cycle
Recurring charges will be billed every two months in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

7. Wholesale Water Increases Pass Through

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

Office of Regulatory Staff
CUC, Inc.
Docket No. 2019-64-WS
Rates Overview

SEWER

1. Bimonthly Charges

Residential Sewer

		Current	CUC Proposed	ORS Proposed
Base Facilities Charge by Meter Size	5/8" x 3/4" Meter	$45.54	$54.48	$48.10
	1" Meter	$56.90	$68.07	$60.10
	1.5" Meter	$64.20	$76.81	$67.80
	2" Meter	$72.10	$86.26	$76.09
	3" Meter	N/A	$109.55	$92.98
Commodity Charge		$5.10 per 1,000 gallons	$6.63 per 1,000 gallons	$5.95 per 1,000 gallons

Commercial Water & Commercial Irrigation

Base Facilities Charge by Meter	5/8" x 3/4" Meter	$53.12	$63.55	$56.10
	1" Meter	$64.50	$77.16	$67.10
	1.5" Meter	$72.10	$86.25	$73.10
	2" Meter	$79.68	$95.32	$82.10
	3" Meter	N/A	$118.20	$97.89
Commodity Charge		$5.10 per 1,000 gallons	$6.63 per 1,000 gallons	$5.95 per 1,000 gallons

Customers that receive water service from BJWSA will be charged based on their consumption as determined by BJWSA meter readings.

2. Nonrecurring Charges

Existing Sewer Tap-In Fee (New Connections Only)

A. 5/8" x ¾" Meter	$625.00
B. 1" Meter	$700.00
C. 1 ½" Meter	$900.00
D. 2" Meter	$1,000.00

3. Notification, Account Set-Up, Disconnection, Reconnection, & Damage/Tampering Charges

A. Notification Fee: A fee of thirty-five dollars ($35.00) shall be charged each customer to whom the utility mails the notice as required by Commission Rule R.103-735.1 prior to service

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being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

B. Customer Account Charge:
New Customers Only $30.00
A one-time fee to defray the cost of initiating service.

C. Disconnection Charges: In addition to any other charges that may be due, in those cases where a customer's service has been disconnected for any reason as set forth in Commission Rule R.103-532.4, or the customer is found to have vacated the premises or the customer has shown an intent to vacate the premises, a disconnection fee in the amount of fifty dollars ($50.00) shall be charged.

D. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of five hundred dollars ($500.00) shall be due prior to the utility reconnecting service which has been disconnected for any reason as set forth in Commission Rule R.103-532.4. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if sewer service has been disconnected at the request of the customer.

E. Damage/Tampering Charges: In the event the Utility's equipment, sewage pipes, manholes, service pipes, cleanouts, or other facilities have been damaged or tampered with by a customer, the Utility may charge the customer responsible for the damage the actual cost of repairing the Utility's equipment, not to exceed $250, a damage/tampering fee. The damage/tampering fee must be paid in full prior to the Utility re-establishing water service or continuing the provision of sewer service.

4. Late Penalty Charge

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

5. NSF Check Charge

Company may charge an NSF check charge up to the maximum amount allowed by applicable South Carolina Statute and/or South Carolina Public Service Commission rule.

6. Billing Cycle

Recurring charges will be billed every two months in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

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