BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2012-94-S - ORDER NO. 2013-3

JANUARY 8, 2013

IN RE: Application of Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities for Adjustment of Rates and Charges	)	ORDER APPROVING INCREASE IN RATES AND CHARGES, RATE SCHEDULE MODIFICATIONS, AND SETTLEMENT AGREEMENT

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Application of Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities ("PWR" or "the Company") for an increase in rates and charges for the provision of sewer service and the modification of certain terms and conditions related to the provision of such service which was filed July 2, 2012. The Application was filed pursuant to S.C. Code Ann. § 58-5-240 (Supp. 2012) and 26 S.C. Code Ann. Regs. 103-512.4.A (Supp. 2012) and 103-503 (Supp. 2012). By Order No. 2012-950 (December 20, 2012), the Commission granted a five-day extension of time to issue a final decision in this Docket as allowed by S.C. Code Ann. § 58-5-240(D) (Supp. 2012).

In a letter dated July 17, 2012, the Commission's Clerk's Office instructed PWR to publish a prepared Notice of Filing and Hearing, one time, in newspapers of general circulation in the area affected by PWR's Application. The Notice of Filing and Hearing described the nature of the Application, included a comparison of current and proposed

rates for both residential and commercial customers, and advised all interested persons desiring to participate in the proceedings and hearing, scheduled for December 6, 2012, of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. In the same letter, the Commission also instructed PWR to notify directly, by U.S. Mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing and Hearing. The Company filed an Affidavit of Publication demonstrating that the Notice of Filing and Hearing had been duly published and provided a letter certifying that it had complied with the instructions of the Commission's Clerk's Office to mail a copy of the Notice of Filing and Hearing to all customers.

As reflected in the Notice of Filing and Hearing, the Company proposed new monthly sewer service rates of $34.14 for residential customers, $25.61 for mobile home customers, and $34.14 per single family equivalent ("SFE") as a minimum for commercial customers. The effect of the proposed increase on commercial customers was shown in the Notice of Filing and Hearing as varying depending on equivalency factors set out in Appendix A to South Carolina Department of Health and Environmental Control ("DHEC") Regulation 61-67.

Through counsel, John C. Judy, Jr. intervened on behalf of Ashland Park Associates, a South Carolina general partnership where Mr. Judy is the general partner ("Intervenor"). No other petition to intervene was filed in this case in response to the Notice of Filing and Hearing. Pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2012),

the South Carolina Office of Regulatory Staff ("ORS") is a party of record in this proceeding.

On November 21, 2012, PWR and ORS (the "Settling Parties") filed a Settlement Agreement pursuant to this Commission's Settlement Policies and Procedures, as revised June 13, 2006. The Settling Parties represented to the Commission that they had negotiated a resolution to the issues presented in this case and determined that their interests would best be served by settling under the terms and conditions set forth in the Settlement Agreement (the "Settlement Agreement"), which is attached hereto as Order Exhibit No. 1. ORS stated in the Settlement Agreement that the settlement serves the public interest in that it addresses the concerns of the using and consuming public, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. By signing the Settlement Agreement, counsel for the Settling Parties acknowledged their respective clients' consent to its terms. The Settlement Agreement states that the Settling Parties view the terms thereof, which provide for, *inter alia,* a monthly residential service rate of $29.00, a mobile home rate of $21.76, a minimum commercial rate of $29.00 per single family equivalent, a resultant operating margin of 14.94%, and certain modifications and additions to the Company's rate schedule, to be just and reasonable.

II. TESTIMONY RECEIVED FROM THE SETTLING PARTIES, THE INTERVENOR, AND THE PUBLIC WITNESSES

A public hearing was held in the offices of the Commission on December 6, 2012, beginning at 10:30 a.m., to receive testimony from the Settling Parties, the Intervenor,

and any public witnesses. The Honorable David A. Wright, Chairman of the Commission, presided. PWR was represented by John M.S. Hoefer, Esquire. The South Carolina Office of Regulatory Staff was represented by Jeffrey M. Nelson, Esquire, and Courtney D. Edwards, Esquire. The Intervenor was represented by D. Reece Williams, III, Esquire.

At the beginning of the hearing, the Commission received and placed into the record the Settlement Agreement as Hearing Exhibit 1 without objection. The Settlement Agreement stipulates the pre-filed direct and settlement testimonies and exhibits of PWR witnesses Fred (Rick) Melcher, III, Manager of Public Relations for Ni America Operating LLC (a subsidiary of PWR's parent, Ni America Capital Management, LLC); Donald H. Burkett, CPA, of the firm of Burkett, Burkett, and Burkett, P.A., CPAs; R. Stanley Jones, P.E., South Carolina President for Ni America Operating LLC; Marion F. Sadler, Jr. of Sadler Environmental Assistance; Edward R. Wallace, Sr., CPA, President and CEO of Ni America Management, LLC; and Donald J. Clayton, Vice President of Management Consulting for Tangibl, LLC.[1] In addition, the Settlement Agreement also stipulated into the record the pre-filed direct testimonies and exhibits of ORS witnesses Ivana C. Gearheart, an Auditor employed by ORS, and Hannah K. Majewski, Program Specialist employed by the ORS Water and Wastewater Department. By agreement of all parties at the hearing, the pre-filed direct and "rebuttal" testimonies of Mr. Judy on behalf of the Intervenor were also stipulated into the record. On motion of the Company, and without objection, the Commission also took notice of its Order Number 18,862 in

[1] With the consent of all parties, Mr. Wallace was permitted to adopt Mr. Clayton's testimony for purposes of the hearing in this matter. See Amended Standing Hearing Officer Directive, November 28, 2012.

Docket Numbers 18,314 and 17,764; Order Number 2008-759 in Docket Number 2008-190-S; and Order Number 2011-320 in Docket Number 2011-65-S.

Two public witnesses testified in opposition to the Application and the Settlement Agreement. Mr. Vann Mullis stated that he is the owner of sixteen low income rental units in the PWR service area, which have one bedroom each. Mr. Mullis stated that the Company's sewer rate design, which provides the same flat rate monthly charge for detached single family dwellings and apartments, is not reasonable as he is charged the same rate as detached single family dwellings which are capable of having more occupants than his one bedroom rental units. Mr. Roger Defoe, a resident of the Glenhaven subdivision in the Company's service area, testified that he did not dispute the necessity of improvements and repairs that the Company has made to the Alpine system. Mr. Defoe stated that he nonetheless believed that the proposed percentage increase in the Company's residential rate, which he characterized as "almost double," was too high and that a proposed operating margin of nearly 15% seemed high in view of low interest rates, low inflation rate, and the Company's status as a monopoly.

The Company presented summaries of the Settlement Testimonies of its settlement witnesses, Mr. Burkett and Mr. Melcher. Ms. Gearheart and Ms. Majewski presented summaries of their Direct Testimony and provided testimony from the stand in support of the settlement for ORS. Mr. Judy presented summaries of his Direct and "Rebuttal" testimony on behalf of the Intervenor.

In support of the Settlement Agreement, Mr. Burkett testified that, as part of a comprehensive settlement of all issues in this matter, PWR had agreed to certain

accounting adjustments that will allow the Company the opportunity to earn an additional $1,221,740 in annual revenue. According to Mr. Burkett, the agreed-upon monthly rates of $29.00 for residential customers, $21.76 for mobile home customers, and $29.00 (minimum) per single family equivalent for commercial customers, result in an operating margin of 14.94% which is less than the Company's currently approved operating margin of 22.42%[2]. Mr. Burkett further noted that the terms of the Settlement Agreement require that the Company forego additional rate case expenses in excess of $44,000 that were incurred by the Company through November 30, 2012, and those incurred after that date through the date of the hearing. Mr. Burkett stated that, in the context of a comprehensive settlement, the resulting operating margin is fair and reasonable. Mr. Burkett further testified that the Settlement Agreement is beneficial to the Company and its customers in that it brings the matter to an end without the delay and the uncertainty of further proceedings, allows the Company an operating margin which does not exceed those approved by the Commission for other jurisdictional utilities, and requires the Company to use more of each dollar of revenue it receives to defray expenses than is required under the current operating margin. Mr. Burkett further noted that a settlement promotes administrative economy. Finally, Mr. Burkett stated that an increase in rates not exceeding 15% as suggested by Mr. Judy would result in the Company generating additional annual revenue of approximately $250,000 and a negative operating margin of (8.68%) if all of the ORS accounting adjustments adopted in the Settlement Agreement were accepted.

[2] After filing updated rate case expenses, allowed by the settlement agreement in Docket No. 2008-190-S, the operating margin decreased to 22.23%.

Mr. Melcher also testified on behalf of the Company in support of the Settlement Agreement. He stated that the proposed increase in monthly charges was warranted due to the fact that the Company had invested more than $3,400,000 in improvements to the Alpine system since the Company acquired it in 2011 and had experienced increases in operating expenses since the last rate filing was made by its predecessor, Alpine Utilities, Inc., in 2008. He stated that the minimum monthly charge of $29 per single family for commercial customers would vary depending upon the number of equivalencies a commercial customer has under Appendix A to South Carolina Department of Health and Environmental Control ("DHEC") Regulation 61-67.

Mr. Melcher also testified in response to intervenor Judy's testimony. He stated that Mr. Judy's proposal that charges be set based on potable water consumption was not practicable because the Company does not have access to the City of Columbia's water billing records for the commercial shopping center owned by the intervenor and that the Company would have concerns about attaching a separate meter to the City of Columbia's water lines serving the shopping center. He further testified that Mr. Judy's proposed alternative rate design did not account for additional costs associated with meter reading, the required meters, and ownership, repair and replacement of the meters. He noted that Mr. Judy had not specified what rate would or should result from his alternative rate design.

Mr. Judy testified in opposition to the Settlement Agreement, stating that he disagreed with the proposed rate design, which provides that the number of single family equivalencies for his shopping center tenants, which operate restaurants, be set based

upon the number of seats and not based upon "water use." According to Mr. Judy, PWR's predecessor in interest, Alpine Utilities, Inc., previously charged for sewer service to these restaurants based upon water use and not the number of seats. Mr. Judy stated that his proposal to meter water usage and base sewer bills upon water consumption "would be fair" because it would measure actual use of sewer treatment services in the same manner that electric, gas, water, and telephone companies charge for their services and would eliminate the inclusion of chairs that are not being used in the seat count of a restaurant, particularly where a restaurant is "poorly performing."

Mr. Judy further asserted that an increase in rates of 10-15% was reasonable and implied that the Commission consider the 1.80% yield on a U.S. Treasury Bill as a reasonable operating margin for the Company, which he acknowledged "to be a matter concerning judgement (*sic*) of the Public Service Commission." Responding to the Company's assertion that the monthly charges to the three Ashland Park Associates accounts would increase by $58.65, Mr. Judy testified that the Commission should also consider additional costs of approximately $15,000 he incurred for the installation of and alteration to grease traps serving tenants operating restaurants in his shopping center and costs for periodic inspections of these grease traps. Mr. Judy further testified that he believed that the Company should not be permitted to simply threaten disconnection in circumstances where it requires the installation of or alterations to a grease trap by a commercial customer. He asserted that there should be some regulatory body to which a customer could complain in such circumstances.

Lastly, Mr. Judy asked that the Commission require "fairness" from the Company by adopting his proposed rate design and oversight of how PWR deals with its customers. Under cross-examination by the Commission, Mr. Judy stated that he did not take issue with the proposed monthly commercial service rate of $29 per single family equivalent because he understood that customers "have to pay what it costs."

In support of the Settlement Agreement, Ms. Gearheart explained that, upon examining the books and records of the Company, ORS proposed certain accounting and pro forma adjustments necessary to normalize the results of PWR's test year operations. ORS proposed adjustments removed non-allowable, non-recurring, non-regulatory or outside-the-test-year expenses as well as a portion of the allocated overhead proposed by the Company. The net effect of the proposed adjustments was a reduction in the Company's pro forma proposed operating expenses in the amount of $482,476, which was accepted by PWR as part of the Settlement Agreement.

Also in support of the Settlement Agreement, Ms. Majewski testified that PWR is a NARUC Class A wastewater utility providing sewer service in Lexington and Richland counties. According to information contained in the Company's Application, wastewater collection and treatment services were provided to 962 residential customers, 137 apartment customers, and 213 commercial customer accounts during the test year. Ms. Majewski testified that, as part of ORS's Business Office Compliance Review, ORS found that PWR was in compliance with Commission rules and regulations. She stated that, as part of ORS's system facilities inspection, it was noted that PWR was in the process of making extensive repairs and upgrades to the wastewater treatment plant and

had implemented a five year plan for a complete upgrade to the wastewater collection and treatment system. She noted that PWR is responsive to DHEC and federal environmental requirements applying to the operation of the Alpine system and had received a "satisfactory" rating in DHEC's last compliance rating. According to Ms. Majewski, ORS made adjustments to the Company's per books operating revenue in the amount of ($36,391) (excluding late fees, other, and miscellaneous revenues), which included applying the current Commission approved rates to all customers, including the Landmark Apartments and the Groves Homeowners Association.[3] With these adjustments, ORS calculated Alpine's test year service revenue for residential and commercial sewer operations, as adjusted, to be $1,652,937, excluding other and miscellaneous revenues.

The Settling Parties asserted before the Commission that the Settlement Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable to both the Company and its customers. As previously noted, Mr. Judy did not disagree with the proposed rates resulting from the Settlement Agreement; nor did he challenge any of the revenue or expense figures or adjustments thereto or assert a rate which would result from his alternative rate design proposal. As also previously noted, the Settlement Agreement establishes a residential and apartment rate of $29.00 per unit per month, a mobile home rate of $21.76, and a minimum commercial rate of $29.00 per

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

single family equivalent. The rates proposed under the Settlement Agreement, as adjusted, result in an increase in annual revenues of $1,221,740 for total revenues of $2,895,061.

III. FINDINGS OF FACT

Based upon the Application, the Settlement Agreement, the Direct and Settlement Testimony, and Exhibits received into evidence at the hearing, and the entire record of these proceedings, the Commission makes the following findings of fact:

1. By statute, the Commission is vested with jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the duty, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State. S.C. Code Ann. § 58-5-210 (1976). The Company is engaged in the business of providing wastewater collection and treatment services to the public for compensation in portions of Richland and Lexington counties and is therefore a public utility subject to the Commission's jurisdiction.

2. The Company is lawfully before the Commission on an Application for rate relief and modifications to the terms and conditions of its services pursuant to S.C. Code Ann. § 58-5-240(A) (Supp. 2012) and 26 S.C. Code Ann. Regs. 103-503 and 103-512.4.A.

3. The appropriate test year for use in this proceeding is January 1, 2011, to December 31, 2011.

4. The Company, by its Application, originally sought an increase in its annual sewer service revenues of $1,704,476, based upon a proposed monthly sewer service charge of $34.14 for residential customers, $25.61 for mobile home customers, and $34.14 per single family equivalent (as a minimum) for commercial customers.

5. The Company and ORS submitted evidence in this case with respect to PWR's revenues and expenses using a test year consisting of the twelve (12) months ended December 31, 2011. The Settlement Agreement is based upon the same test year and reflects adjustments to the test year revenue and expense figures as proposed by PWR and adjusted by ORS.

6. Intervenor Judy submitted no evidence with respect to PWR's test year revenues and expenses as proposed to be adjusted, the revenues and expenses resulting from the Settlement Agreement, or the revenues, expenses or resulting rates which would arise from adoption of Mr. Judy's suggested increase in rates not to exceed 15%.

7. On November 21, 2012, ORS filed the Settlement Agreement on behalf of the Settling Parties which resolved the issues in this proceeding with respect to the Settling Parties.[4]

8. The Settlement Agreement provides for an increase in revenue, after accounting and pro forma adjustments of $1,221,740, based upon a proposed monthly sewer service charge of $29.00 for residential customers, $21.76 for mobile home customers, and $29.00 per single family equivalent (as a minimum) for commercial

[4] Although the Intervenor is not a signatory to the Settlement Agreement, as noted above, the Intervenor did not take issue with the rates proposed by the Settlement Agreement or dispute any of the expense and revenue figures, as adjusted, proposed by the Settling Parties.

customers, and adopts an operating margin that is within the range testified to by ORS's witness.

9. After careful review and consideration by this Commission of the Settlement Agreement, the evidence contained in the record of this case, including the testimony of the witnesses, the Commission finds and concludes that the Settlement Agreement results in just and reasonable rates and charges for the provision of sewer service agreed to by the Parties. Based on the operating revenues, income, and expenses agreed upon by the Settling Parties, the resulting allowable operating margin for the Company is 14.94%. *See* S.C. Code Ann. § 58-5-240(H) (Supp. 2012).

10. The Commission finds that PWR has invested approximately $3.4 Million in plant, equipment, and facilities since its last rate proceeding, that its expenses have increased by $857,380 since the end of the test year in its last rate relief proceeding, and that, after accounting and pro forma adjustments, the Company has a negative net income of ($321,931) and a negative operating margin of (19.24%). The rates and charges agreed to by the Parties in the Settlement Agreement, which is hereby adopted and attached to this Order as Order Exhibit No. 1, are just and reasonable, fairly distribute the costs of providing service as reflected in the Company's revenue requirement, and allow PWR to continue to provide its customers with adequate sewer service. We find that the rate schedule attached to the Settlement Agreement provides terms and conditions for sewer service that are also just and reasonable. Further, the agreed upon rates allow the Company an opportunity to earn a reasonable return on its investment. We therefore find that the proposed rates, charges, and terms and conditions of service contained in the rate

schedule attached as Exhibit 1 to the Settlement Agreement, which has been entered into the record of this case without objection and is attached to this Order as a part of Order Exhibit No. 1, are just and reasonable and are hereby approved in their entirety.

11. The Commission finds that the proposed modifications and additions to the terms and conditions of the Company's sewer service, as well as the additional charges related to that service, set out in the Settlement Agreement are appropriate, just and reasonable.

IV. EVIDENCE AND CONCLUSIONS

EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 1-3

The Company is a public utility subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §§ 58-3-140(A) (Supp. 2012) and 58-5-210 (1976). The Commission requires the use of an historic twelve-month test period under 26 S.C. Code Ann. Regs. 103-824.A (3) (Supp. 2012). These findings of fact and conclusions of law are informational, procedural and jurisdictional in nature and are not contested by any party of record in this proceeding.

EVIDENCE FOR FINDINGS OF FACT AND CONCLUSIONS OF LAW 4-11

The Commission last approved an increase in PWR's rates in Order No. 2008-759 issued November 6, 2008, in Docket No. 2008-190-S, which allowed an operating margin for the Company of 22.23% and utilized a test year consisting of the twelve months ending December 31, 2007. On July 2, 2012, PWR filed its Application seeking an increase in annual revenues of $1,704,476. The Company and ORS submitted evidence

in this case with respect to revenues and expenses using a test year consisting of the twelve months ending December 31, 2011. The Settlement Agreement filed by the parties on November 21, 2012, is based upon the same test year and provides for an increase in annual service revenues of $1,221,740, which results in an operating margin of 14.94%.

a) **Need for Rate Relief**

Both Company witness Wallace (adopting the testimony of PWR witness Clayton) and ORS witness Gearheart testified that, at its current rates, PWR was experiencing a negative operating margin of approximately (19%) after accounting and pro forma adjustments. Mr. Wallace testified that PWR's expenses have increased since its last rate increase, customer growth has been low, and that, without rate relief, PWR would not be able to continue meeting its financial obligations and attract investment capital for plant expansions and replacements. Additionally, Mr. Wallace and ORS witness Majewski testified that PWR was in the process of making further capital improvements to the wastewater treatment plant and collection system. Company witnesses stated that the cost of the completed capital improvements, at the time the Application was filed, was approximately $3.4 Million and that additional improvements would be made, all as required under a Memorandum of Understanding executed by the Company and DHEC in connection with DHEC's approval of the transfer of the National Pollutant Discharge Elimination System ("NPDES") permits from Alpine Utilities, Inc. to Palmetto Wastewater Reclamation, LLC. Mr. Wallace and Ms. Majewski referenced in their testimonies the Company's implementation of on-going maintenance programs and

installation of plant additions designed to reduce inflow and infiltration and sanitary sewer overflows in the PWR system. No testimony from the Intervenor or any public witness disputed the facts or figures described in the foregoing Company and ORS witnesses' testimonies.

b) Approved Rates and Resulting Operating Margin

In his testimony, Company witness Burkett stated that the rates agreed to by the Settling Parties in the Settlement Agreement generated a 14.94% operating margin and were reasonable in the context of a comprehensive settlement. This resulting operating margin is within the range of operating margins recommended by ORS witness Majewski. In his testimony, Mr. Judy asserted that an increase in rates not exceeding 15% would be appropriate and appears to contend that monthly sewer service rates that generate a "return" similar to a 1.80% yield on U.S. Treasury bills in October of 2012 would be appropriate, but acknowledged that the rates and return on investment for a public utility is a matter of judgment for the Commission. Company witness Burkett testified that an operating margin of 1.8% could not be achieved if an increase in rates of only 15% was approved; to the contrary, Mr. Burkett stated that a 15% increase in rates based upon the adjustments to revenues and expenses set forth in the Settlement Agreement would result in a negative operating margin of (8.68%).

c) Additional charges and terms and conditions of service

The Company proposed a variety of changes in its rate schedule to reflect the addition of certain charges for, and terms and conditions of service related to, its

provision of sewer service. With the exception of the monthly service rates and a slight modification to Section 7,[5] the Settlement Agreement adopts the proposed rate schedule attached to the Company's Application in its entirety. The charges, terms and conditions added to the Company's rate schedule, as described in the testimony of PWR witness Melcher, are consistent with pertinent provisions of Commission regulations or rate schedule provisions approved by the Commission for use by other utilities. In the latter regard, the Commission notes specifically that the adoption of Appendix A to DHEC regulation 61-67 is supported not only by the testimonies of Company witnesses Melcher, Sadler, and Wallace and ORS witness Majewski, but is consistent with rate schedules approved by the Commission for a number of other jurisdictional sewer utilities, including Palmetto Utilities, Inc., a sister subsidiary of the Company.

d) <u>Rate Design</u>

The Settlement Agreement contemplates that the current rate design featuring a flat monthly charge for sewer service be retained. While both Mr. Judy and Mr. Mullis proposed modifications to the rate design, neither specified what rates should be used to generate the additional annual revenue found appropriate for the Company or how any

[5] This modification adds the requirement that the Company have in place general liability insurance coverage with limits of at least $1 Million per event and $2 Million in aggregate prior to undertaking any inspection, cleaning, maintenance, repairs or replacements of satellite systems. The Commission takes notice of the fact that, under applicable DHEC regulations, the Company, as a manager of wastewater from satellite systems, is authorized to impose more stringent requirements on the owners of satellite systems than are required by DHEC itself to prevent and/or minimize system failures that would lead to public health or environmental impacts. See S.C. Code Ann. Regs. 61-9.610.1 – 61-9.610.3. Accordingly, requirements placed upon owners of satellite systems under Section 7 of the rate schedule, including the requirement that inspections of such systems be conducted annually, is within the Company's authority as a matter of environmental regulation.

additional costs arising from an alternative rate design should be recovered. Further, neither alternative rate design proposal is practical.

As noted above, PWR does not have access to water billing records or the right to meter flow from a City of Columbia water line to affect the alternative rate design proposed by Mr. Judy. Also, in order to implement Mr. Judy's proposal, the Company would be required to incur costs which Mr. Judy stated in his testimony should be passed on to the customer. But Mr. Judy offers no information with respect to the amount of these costs and, as noted above, no suggestion regarding the rates which would result.[6]

For his part, Mr. Mullis seeks a rate design which would provide for a reduced rate to his rental units on the basis that they all have only one bedroom and asserts that the current rate design is therefore not reasonable; implicitly, Mr. Mullis argues that because detached single family dwellings can have more than one bedroom, the rate charged to his rental units should be lower. Although it has surface appeal, Mr. Mullis' request would create non-uniform rates among residential customers and therefore increase the Company's billing costs. Further, this request fails to recognize that a single family residence with multiple bedrooms could easily have a single occupant while a one

[6] As also noted above, Mr. Judy asserted that Alpine Utilities, Inc. had at one time charged for sewer service based upon water consumption. This assertion would appear to be contradicted by the testimony and Commission records, including the rate schedules approved by this Commission in the last two orders approving rate increases for Alpine Utilities, Inc., which are Order No. 18,862 and Order No. 2008-759 and of which we take notice in accordance with R. 103-846.C of our rules of practice and procedure. These approved rate schedules reflect that since at least 1975, the rates charged for service to restaurants (other than the "drive-thru" type) have been based on seat counts and not on water use. Moreover, the testimony of the ORS witness Ms. Majewski reflects that the Commission approved rates (with the exception of two apartment complexes described herein) were applied to all customers. This testimony would tend to establish that the current charges for these restaurants have been based on seat counts and not water use as such a discrepancy would have been noted in ORS's revenue calculations. In short, Mr. Judy's assertion that a change in commercial rates based on water use to rates based on seats in a restaurant was first applied to restaurants in the Ashland Park shopping center "several years ago" is simply not borne out by the record in this case.

bedroom apartment could have two or more occupants and that demand for system capacity by any given customer can vary from time to time. Mr. Mullis offered no information with respect to how such fluctuations would be addressed under his alternative rate design proposal. Further, some level of subsidization within a class of customers will always exist in any uniform rate design as differences in occupancy levels and usage patterns will inevitably exist between customers in a given class. Uniform rates are generally preferred and the burden of establishing the reasonableness of a non-uniform rate design lies with those seeking it. *See, August Kohn and Co., Inc. v. The Public Service Commission of South Carolina,* 281 S.C. 28, 313 S.E.2d 630 (1984). For the reasons discussed above, we conclude that this burden has not been met in the present case.

Rate design is a matter of discretion for the Commission. In establishing rates, it is incumbent upon us to fix rates which "distribute fairly the revenue requirements [of the utility.]" *See, Seabrook Island Property Owners Association v. S.C. Public Service Comm'n*, 303 S.C. 493, 499, 401 S.E.2d 672, 675 (1991). Our determination of "fairness" with respect to the distribution of the Company's revenue requirement is subject to the requirement that it be based upon some objective and measurable framework. *See Utilities Services of South Carolina, Inc. v. South Carolina Office of Regulatory Staff*, 392 S.C. 96, 113-114, 708 S.E.2d 755, 764-765 (2011). The current rate design providing for uniform, flat rates for residential customers meets this requirement in that it recognizes that residential wastewater flow can vary considerably by and among customers, but that there is no means by which these variances in demand

may be readily and economically measured. Thus, spreading the cost associated with that service equally among all customers within the class is both objective and measurable. Similarly, the imposition of flat rates on commercial customers based upon equivalencies established under the DHEC guidelines found in Appendix A to R. 61-67 satisfies this requirement in that it treats similarly situated commercial customers uniformly. In short, the rate design proposed by the Settlement Agreement is reasonable as it satisfies the foregoing requirements.

e) Grease Traps and Administrative Oversight

Mr. Judy complained about the cost associated with alterations required by PWR to an existing grease trap installed in 1986 at the rental premises occupied by one tenant operating a restaurant in Ashland Park shopping center. He further complained regarding the cost associated with the installation of a new grease trap required by PWR at rental premises occupied by another tenant operating a restaurant in that shopping center. Mr. Judy stated that these two grease trap projects cost approximately $15,000 to complete and that he would incur costs for inspection and cleaning of the grease traps. Mr. Judy further stated that, in terms of analyzing the effect of the rate increase contemplated by the Settlement Agreement, the Commission should consider these costs as well as the increase to the monthly charges on the three accounts Ashland Park Associates has with PWR. Mr. Judy also testified that he believed some additional "administrative oversight" was needed to preclude PWR from threatening termination of service in the event of non-compliance with the Company's grease trap requirements.

As noted in the testimony of PWR witness Melcher, the Company's right to impose requirements with respect to enforcement of grease trap construction, maintenance and operation exist independent of any proposed language in the Company's rate schedules. Rather, the Company's right to impose these requirements arises under provisions of federal and state law, including Environmental Protection Agency regulations set out in part 40 of the Code of Federal Regulations sections 129.4 and 401.15 (defining grease as a pollutant) and S.C. Code Ann. § 48-1-90 (prohibiting the unpermitted discharge of pollutants into the environment). As noted by Mr. Melcher, subsections B, E and N of R. 103-535 of our regulations authorize the Company to terminate service where a customer introduces pollutants into the PWR system.

Similarly, the costs incurred by Mr. Judy in complying with the Company's standards for construction, maintenance, operation and repair of the grease traps at Ashland Park shopping center are not a consideration in our determination of just and reasonable rates, as they do not involve any rate, charge, or fee imposed or collected by the Company. However, and as testified to by Company witness Melcher, the uncontrolled presence of grease increases PWR's maintenance and operations expenses. This is a consideration in our determination of just and reasonable rates as such increased expenses are passed on to all customers.

Finally, in terms of oversight regarding PWR's imposition of requirements pertaining to grease traps, Mr. Judy contends that he does not have any recourse when the Company threatens termination of service for a failure or refusal on his part to comply with such requirements. This is incorrect as any customer who believes that the

Company is acting in a manner contrary to law, regulation, or its approved rate schedule may seek relief from this Commission after first raising the issue with ORS. *See* S.C. Code Ann. § 58-5-270 (Supp. 2012).[7]

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Settlement Agreement, including attachments is attached hereto as Order Exhibit No. 1, and is incorporated into and made a part of this Order by reference.

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

3. The rates imposed shall be those rates agreed upon in the Settlement Agreement between the Settling Parties and shall be effective for service rendered on and after February 1, 2013.

4. The Company is entitled to the opportunity to earn a 14.94% operating margin.

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

[7] Mr. Judy states in his "rebuttal" testimony that he "talked by phone to the Public Service representative about this and it was explained 'they have the right!'" The Commission and its staff do not communicate with customers regarding matters that are, or can reasonably be expected to become, issues in a proceeding before us (*see* S.C. Code Ann. §58-3-260(B)(Supp. 2012)) and would have referred any communication of the type described by Mr. Judy to the ORS. We have no record of any such contact by Mr. Judy or referral of such contact to ORS and therefore assume that he in fact raised his concerns about PWR's grease trap requirements directly with the ORS. Although it is not at issue before us in this proceeding, we nonetheless observe that nothing in the record before us suggests that any basis for a complaint against PWR exists in this regard.

6. The Company shall continue to maintain a performance bond in the amount of $350,000 pursuant to S.C. Code Ann. § 58-5-720 (Supp.2012).

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

BY ORDER OF THE COMMISSION:

David A. Wright, Chairman

ATTEST:

Randy Mitchell, Vice Chairman
(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2012-94-S

November 21, 2012

IN RE:

Application of Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities for Adjustment of Rates and Charges	))))	**SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and between Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities ("PWR Alpine" or the "Company") and the South Carolina Office of Regulatory Staff ("ORS") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, on July 5, 2012, PWR Alpine filed an Application for the Adjustment of Rates and Charges (the "Application") requesting that the Commission approve the revised rates, charges, conditions, and terms of service in certain areas of Richland and Lexington counties;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the "Commission") pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2011) and 26 S.C. Code Ann. Regs. 103-512.4.B;

WHEREAS, the Company provides sewer service to approximately 962 residential, 137 residential multi-family units, and 213 commercial account customers in Richland and Lexington Counties, South Carolina;

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WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of PWR Alpine and its wastewater collection and treatment facilities; and

WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in the best interests of the Company and the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and charges for sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. As reflected therein, the Parties have agreed to a flat rate of $29.00 per month for residential sewer service, a flat rate of $21.76 for mobile home service, and a minimum flat commercial $29.00 per month for each single-family equivalent ("SFE") for commercial service. The Parties also stipulate and agree to modifications to certain rate schedule language as set forth in the Application and as further modified by the succeeding sentences of this paragraph 1. The Company has proposed in its rate schedule and in the direct testimony of its witness Edward R. Wallace, CPA, that owners or operators of satellite sewer systems connected to the Company's wastewater collection and transportation system, which are subject to regulation by the South Carolina Department of Health and Environmental Control, including that provided for under S.C. Code Regulations RR 61-9.610.1, *et seq.*, be subject to certain requirements, including the obligation of the owner or operator of such a satellite system to inspect, clean, repair, modify or replace same. ORS agrees

to the inclusion of such language in Section 7 of the Company's proposed rate schedule, **provided** that it is modified to reflect that any inspection, cleaning, maintenance, repair or replacement undertaken by Company, which would be permitted in the event the owner or operator of the satellite system fails to do so in accordance with the requirements of Section 7, be allowed only where Company or its contractor has in place general liability insurance coverage of at least One Million ($1,000,000) Dollars per event/occurrence and Two Million ($2,000,000) Dollars in aggregate, prior to undertaking such inspection, cleaning, maintenance, repair, or replacement.

2. The Parties agree that a rate of $29.00 per month represents an increase of $12.25 per month from the current rate of $16.75 per month and is fair, just, and reasonable to customers of the Company's system while also providing PWR Alpine with the opportunity to recover the revenue required to earn a fair operating margin. The Parties stipulate that the resultant operating margin is 14.94%.

3. The Parties agree that ORS shall have access to all books and records of this system and shall perform an examination of these books as necessary.

4. PWR Alpine agrees to keep its books and records in accordance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts as required by the Commission's rules and regulations.

5. The Company agrees to file all necessary documents, bonds, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a sewer system.

6. The Company agrees that this system is a "public utility" subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2011). The

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Company agrees to maintain its current bonding amount of $350,000 in satisfaction of the bond requirements set forth in S.C. Code Ann. § 58-5-720 (Supp. 2011).

7. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

8. The Parties agree to stipulate into the record the pre-filed direct and settlement testimonies and exhibits of Donald H. Burkett and Fred (Rick) Melcher, III and the pre-filed direct testimonies and exhibits of Donald J. Clayton, R. Stanley Jones, Marion F. Sadler, Jr., and Edward R. Wallace, Sr. on behalf of PWR Alpine, as well as the pre-filed direct testimony and Settlement Agreement Audit Exhibits ICG-1 through ICG-4 (Settlement Agreement Exhibit 2) of ORS witness Ivana C. Gearheart and the pre-filed direct testimony and Revised Exhibits HKM-1 through HKM-6 (Settlement Agreement Exhibit 3) of ORS witness Hannah K. Majewski in support of this Settlement Agreement.

9. The Parties hereby stipulate that the effect of the proposed increase in rates reflected in Settlement Agreement Exhibit 1 upon Ashland Associates, which along with its owner, John C. Judy, Jr., are the only intervenors in this matter, will be to increase monthly charges from $706.08 to $764.73, which is an increase of 8.3%.

10. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2011). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

> . . . 'public interest' means a balancing of the following:

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(1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
(2) economic development and job attraction and retention in South Carolina; and
(3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

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

10. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

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

12. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

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13. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

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Representing the South Carolina Office of Regulatory Staff

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Courtney Dare Edwards, Esquire
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Representing Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities

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SETTLEMENT AGREEMENT

EXHIBIT 1

Rate Schedule

EXHIBIT "A"

PALMETTO WASTEWATER RECLAMATION LLC
D/B/A ALPINE UTILITIES
1710 WOODCREEK FARMS ROAD
ELGIN, SC 29045
(803) 699-2422

PROPOSED SEWER RATE SCHEDULE

1. **MONTHLY CHARGE**

a.	Residential - Monthly charge per single-family house, condominium, villa or apartment unit	$29.00
b.	Mobile Homes	$ 21.76
c.	Commercial - Monthly charge per single-family equivalent	$ 29.00

d. The monthly charges listed above are minimum charges and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge of $29.00.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc. Minimum commercial customer equivalency ratings may exceed one (1) in some cases.

The Utility may, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

PAGE 2 - EXHIBIT A

2. **NONRECURRING CHARGES**

a. Sewer service connection charge per single-family equivalent $250.00

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

3. **NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES**

a. Notification Fee: A fee of $25.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.

b. Customer Account Charge: A fee of $20.00 shall be charged as a one-time fee to defray the costs of initiating service.

c. Reconnection charges: In addition to any other charges that may be due, a reconnection fee of $250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars ($35.00) shall be due. The amount of the reconnection fee shall be in accordance with R.103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

4. **BILLING CYCLE**

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

5. **LATE PAYMENT CHARGES**

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1½%) percent.

6. **TOXIC AND PRETREATMENT EFFLUENT GUIDELINES**

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant,

hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §§ 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR §§ 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

7. **REQUIREMENTS AND CHARGES PERTAINING TO SATELLITE SYSTEMS**

a. Where there is connected to the Utility's system a satellite system, as defined in DHEC Regulation RR.61-9.610.1, *et seq.*, or other pertinent law, rule or regulation, the owner or operator of such satellite system shall operate and maintain same in accordance with all applicable laws, rules or regulations.

b. The owner or operator of a satellite system shall construct, maintain, and operate such satellite system in a manner that the prohibited or untreated materials referred to in Section 6 of this rate schedule (including but not limited to Fats, Oils, Sand or Grease), stormwater, and groundwater are not introduced into the Utility's system.

c. The owner or operator of a satellite system shall provide Utility with access to such satellite system and the property upon which it is situated in accordance with the requirements of Commission Regulation 103-537.

d. The owner or operator of a satellite system shall not less than annually inspect such satellite system and make such repairs, replacements, modifications, cleanings, or other undertakings necessary to meet the requirements of this Section 7 of the rate schedule. Such inspection shall be documented by written reports and video recordings of television inspections of lines and a copy of the inspection report received by the owner or operator of a satellite system, including video of the inspection, shall be provided to Utility. Should the owner or operator fail to undertake such inspection, repair, replacement, modification or cleaning, Utility shall have the right to arrange for such inspection, repair, replacement, modification or cleaning, and to recover the cost of same, without mark-up, from the owner or operator of the satellite system. The Utility shall have in force at the time it makes any such inspection, repair, replacement, modification or cleaning of a satellite system general liability insurance coverage with a minimum limit of $1,000,000 per event and an aggregate limit of $2,000,000.

e. Should Utility determine that the owner or operator of a satellite system has failed to comply with the requirements of this Section 7 of the rate schedule, with the exception of the requirement that a satellite system be cleaned, the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, said disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are paid. With respect to the cleaning of a satellite system, the owner or operator of a satellite system shall have the option of cleaning same within five (5) business days after receiving written notice from Utility that an inspection reveals that a cleaning is required. Should the owner or operator of such a satellite system fail to have the necessary cleaning performed within that time frame, Utility may arrange for cleaning by a qualified contractor and the cost of same, without mark-up, may be billed to the owner or operator of said system.

8. **CONSTRUCTION STANDARDS**

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

9. **EXTENSION OF UTILITY SERVICE LINES AND MAINS**

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

10. **CONTRACTS FOR MULTI-TAP CAPACITY**

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an acceptable amount to the Utility to defray all or a portion of the Utility's costs to make modifications or expansions thereto.

PAGE 5 - EXHIBIT A

11. **SINGLE FAMILY EQUIVALENT**

A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2011), as may be amended from time to time. Where the Utility has reason to suspect that a person or entity is exceeding design loadings established by the Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities, the Utility shall have the right to request and receive water usage records from that person or entity and/or the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

SETTLEMENT AGREEMENT

EXHIBIT 2

Audit Exhibits ICG-1 through ICG-4
Of Witness Ivana C. Gearheart

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
Docket Number 2012-94-S
Operating Experience & Operating Margin
Test Year Ending December 31, 2011
Sewer Operations

Description	(1) Application Per Books	(2) Accounting & Pro Forma Adjustments	(3) After Accounting & Pro Forma Adjustments	(4) Proposed Increase	(5) After Proposed Increase
Operating Revenues:					
Residential	$ 191,775	$ 339 (1)	$ 192,114	$ 140,487 (19)	$ 332,601
Commercial	611,866	(36,697) (2)	575,169	420,647 (20)	995,816
Multi-Family	885,687	(33) (3)	885,654	647,718 (21)	1,533,372
Late Fees	2,339	0	2,339	1,711 (22)	4,050
Other Sewer Revenues - Reconnect Fees	750	0	750	0	750
Other Sewer Revenues - Returned Check Fee	50	40 (4)	90	0	90
Miscellaneous Revenue	0	17,205 (5)	17,205	11,177 (23)	28,382
Total Operating Revenues	$ 1,692,467	$ (19,146)	$ 1,673,321	$ 1,221,740	$ 2,895,061
Operating Expenses:					
Sewer Operation and Maintenance Expenses	$ 882,240	$ 78,683 (6)	$ 960,923	$ 0	$ 960,923
Administrative and General Expenses	730,498	153,892 (7)	884,390	7,232 (24)	891,622
Depreciation and Amortization Expense					
Depreciation Expense	68,609	66,776 (8)	135,385	0	135,385
Amortization Expense - CIAC	(14,563)	2,223 (9)	(12,340)	0	(12,340)
Amortization Expense - Capitalized Maintenance	0	121,899 (10)	121,899	0	121,899
Taxes Other Than Income Tax Expense					
Taxes Other Than Income - Property Taxes	20,286	936 (11)	21,222	0	21,222
Taxes Other Than Income - Payroll Taxes	12,140	(4,902) (12)	7,238	0	7,238
Taxes Other Than Income - Taxes and Licenses	3,035	0	3,035	0	3,035
Taxes Other Than Income - SCPSC Assessment	5,549	10,106 (13)	15,655	11,431 (25)	27,086
Income Tax Expense					
Income Taxes - State Income Tax	(1,455)	(23,905) (14)	(25,360)	60,154 (26)	34,794
Income Taxes - Federal Income Tax	(9,402)	(154,420) (15)	(163,822)	388,594 (27)	224,772
Deferred Income Taxes	3,923	0	3,923	0	3,923
Interest Income and Interest Expense - Net					
Interest and Dividend Income	(45)	45 (16)	0	0	0
Interest Income on MCEC Capital Credit	(11,737)	11,737 (17)	0	0	0
Interest Expense	36,501	6,603 (18)	43,104	0	43,104
Total Operating Expenses	$ 1,725,579	$ 269,673	$ 1,995,252	$ 467,411	$ 2,462,663
Net Income for Return	$ (33,112)	$ (288,819)	$ (321,931)	$ 754,329	$ 432,398
Operating Margin	-1.96%		-19.24%		14.94%

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
Docket Number 2012-94-S
Explanation of Accounting and Pro Forma Adjustments
Test Year Ending December 31, 2011

ORS Adj.	Alpine Adj.		Description	Sewer Operations ORS	Sewer Operations Alpine
		Accounting and Pro forma Adjustments			
		Operating Revenues			
(1)		**Residential**	To adjust residential revenue to reflect the pro forma number of customers at present rates.	$ 339	$ 0
(2)	1	**Commercial**	To adjust commercial revenue to reflect the pro forma number of customers at present rates.	$ (36,697)	$ 51,408
(3)		**Multi-Family**	To adjust multi-family revenue to reflect the pro forma number of customers at present rates.	$ (33)	$ 0
(4)		**Other Sewer Revenues - Returned Check Fee**	To adjust other sewer revenues - returned check fee to reflect the pro forma numbers at present rates.	$ 40	$ 0
(5)		**Miscellaneous Revenue**	To adjust miscellaneous revenues to reflect pro forma numbers at present rates.	$ 17,205	$ 0
		Operating Expenses			
(6)		**Sewer Operation and Maintenance Expenses**			
(a)		Purchased Power	To remove a late payment fee.	$ (67)	$ 0
(b)		Materials and Supplies	To remove a late payment fee and finance charges.	(44)	0
(c)		Contract Services - Other - Collection System	To remove collection system expenses replaced by the new contract.	(3,135)	0
(d)	3	Contract Services - Other - Operations	To add expenses for the new contract.	248,728	61,033
(e)		Contract Services - Other - Labor - Overtime	To remove contract services-overtime replaced by the new contract.	(28,318)	0
(f)		Contract Services - Other - Treatment and Maintenance	To adjust contract services - other - treatment and maintenance for expenses incurred outside of the test year.	(14,706)	0
(g)	3	Contract Services - Other - Maintenance	To adjust contract services - maintenance - for expenses not included in the new contract.	18,356	320,985
(h)		Contract Services - Other - Plant	To remove contract services - plant replaced by the new contract.	(23,483)	0
(i)		Contract Services - Other - Landmark Pump Station Repairs	To remove contract services - landmark pump station repairs replaced by the new contract.	(15,298)	0
(j)		Contract Services - Other -P & S Lines - Collection System	To remove contract services - collection replaced by the new contract.	(38,568)	0
(k)		Contract Services - Other -P & S Lines - Plant	To remove contract services - p & s lines - plant replaced by the new contract.	(4,162)	0
(l)		Contract Services - Other -Sewer Cleanup and Repairs	To remove contract services - sewer cleanup replaced by the new contract.	(60,620)	0
(6)		**Sewer Operation and Maintenance Expenses**		$ 78,683	$ 382,018

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
Docket Number 2012-94-S
Explanation of Accounting and Pro Forma Adjustments
Test Year Ending December 31, 2011

ORS Adj.	Alpine Adj.		Description	Sewer Operations ORS	Sewer Operations Alpine
(7)		Administrative and General Expenses			
(a)	3,5	Salaries and Wages	To annualize salary expenses based on the most recent pay information.	(55,478)	(60,078)
(b)	3,5	Pensions and Benefits	To annualize employee pensions and benefits relative to pro forma salaries.	14,972	12,973
(c)	4	Contract Services - Accounting	To remove contract services - accounting that are currently being performed by Alpine's parent company employees (Ni America Capital Management, LLC).	(33,123)	(33,123)
(d)	4	Contract Services - Legal	To remove contract services - legal replaced by the new contract.	(23,570)	(23,570)
(e)	3	Contract Services - Other - Billing and Collections	To remove contract services - billing and collections replaced by the new contract.	(1,734)	27,274
(f)		Contract Services - Other - Miscellaneous	To remove contract services - other replaced by the new contract.	(7,939)	0
(g)	4,9	Rental of Building/Real Property	To adjust office rent for an increase in space based on allocation from the parent company.	14,606	14,606
(h)		Rental of Equipment - Lease Expense, Telephone Expense	To adjust lease and telephone expense to reflect actual cost and remove Woodlands' portion.	(614)	0
(i)	4	Transportation Expense	To adjust transportation costs for non-recurring expenses.	(2,739)	(2,739)
(j)		Insurance	To adjust general liability insurance to reflect recent quote.	(2,504)	0
(k)	10	Regulatory Commission Expenses	To adjust for the 3-year amortization of rate case expenses.	59,009	81,387
(l)	6	Bad Debt	To adjust bad debt expense to reflect test period revenue write-off percentage applied to ORS pro forma revenue at present rates.	(126)	16,139
(m)	11,14	Miscellaneous Expenses	To adjust miscellaneous expenses for overhead and nonallowable expenses.	193,132	281,827
(7)		Administrative and General Expenses		$ 153,892	$ 314,696
(8)	12	Depreciation Expense	To adjust the annual depreciation for plant in service. See Audit Exhibit ICG -3.	$ 66,776	$ 69,176
(9)		Amortization Expense - CIAC	To adjust the amortization of CIAC. See Audit Exhibit ICG -3.	$ 2,223	$ (15,522)
(10)		Amortization Expense - Capitalized Maintenance	To adjust the amortization of Capitalized Maintenance. See Audit Exhibit ICG-3.	$ 121,899	$ 102,627
(11)	8	Property Taxes	To adjust property taxes to reflect actual tax bills on verified property owned by Alpine.	$ 936	$ 936
(12)	3	Payroll Taxes	To adjust payroll taxes to reflect pro forma wages.	$ (4,902)	$ (6,771)
(13)	7	Taxes and Licenses, SCPSC Assessment	To adjust for gross receipts and utility assessment.	$ 10,106	$ 5,389
(14)		State Income Taxes, Utility Operating Income	To adjust state income taxes associated with ORS's accounting and pro forma adjustments. See Audit Exhibit ICG-4.	$ (23,905)	$ (40,057)
(15)		Federal Income Taxes, Utility Operating Income	To adjust federal income taxes associated with ORS's accounting and pro forma adjustments. See Audit Exhibit ICG-4.	$ (154,420)	$ (258,769)

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
Docket Number 2012-94-S
Explanation of Accounting and Pro Forma Adjustments
Test Year Ending December 31, 2011

ORS Adj.	Alpine Adj.		Description	Sewer Operations ORS	Sewer Operations Alpine
(16)		Interest and Dividend Income	To remove interest and dividend income.	$ 45	$ 0
(17)		Interest Income on MCEC Capital Credit	To remove interest income on MCEC.	$ 11,737	$ 0
(18)		Interest Expense	To adjust the interest expense on long-term debt for accounting and pro forma adjustments.	$ 6,603	$ 0
Applicant's Proposed Increase					
(19)		Service Revenues - Residential	To adjust sewer service revenues for ORS's recalculation of the Company's proposed increase.	$ 140,487	$ 205,864
(20)		Service Revenues - Commercial	To adjust sewer service revenues for ORS's recalculation of the Company's proposed increase.	$ 420,647	$ 474,650
(21)		Service Revenues - Multi Family	To adjust sewer service revenues for ORS's recalculation of the Company's proposed increase.	$ 647,718	$ 1,023,961
(22)		Other Sewer Revenues - Late Fees	To adjust for fees associated with the Company's proposed increase.	$ 1,711	$ 0
(23)		Miscellaneous Revenue	To include miscellaneous revenue associated with the Company's proposed increase.	$ 11,177	$ 0
(24)	6	Bad Debt	To adjust bad debt expense to reflect the test period revenue write-off percentage to the Company's proposed increase.	7,232	25,567
(25)		Taxes and Licenses, SCPSC Assessment	To adjust for gross receipts and utility assessment associated with the Company's proposed increase.	$ 11,431	$ 0
(26)	13	State Income Taxes, Utility Operating Income	To adjust state income taxes associated with the Company's proposed increase. See Audit Exhibit ICG-4.	$ 60,154	$ 83,945
(27)	13	Federal Income Taxes, Utility Operating Income	To adjust federal income taxes associated with the Company's proposed increase. See Audit Exhibit ICG-4.	$ 388,594	$ 542,287

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
Docket Number 2012-94-S
Computation of Depreciation and Amortization Expense
Test Year Ending December 31, 2011

Depreciation Expense Adjustment

Description	Plant in Service	Adjustments	Pro forma Plant	Service Life	Depreciation Rate	Depreciation Expense
Sewer - Gross Plant @ 12/31/2011						
Land and Land Rights	$ 40,842	$ 0	$ 40,842	N/A	0.00%	$ 0
Buildings	13,499	0	13,499	32	3.13%	423
Buildings - Fully Depreciated	1,333	0	1,333	N/A	0.00%	0
Building - Mobile	21,853	0	21,853	16	6.25%	1,366
Fence	11,030	0	11,030	27	3.70%	408
Fence - Fully Depreciated	1,526	0	1,526	N/A	0.00%	0
Power Generating Equipment	13,860	0	13,860	20	5.00%	693
Manholes Extraordinary Maintenance	223,160	(11,900)	211,260	12	8.33%	17,598
Manholes	0	574,610	574,610	45	2.22%	12,756
Services to Customers - Elder Valves	2,959	0	2,959	38	2.63%	78
Pumping Equipment	8,094	2,386	10,480	15	6.67%	699
Pumping Equipment - Fully Depreciated	27,519	(2,386)	25,133	N/A	0.00%	0
Cabinets	23,048	0	23,048	25	4.00%	922
Chlorination Equipment - Fully Depreciated	13,991	0	13,991	N/A	0.00%	0
Pumping Equipment	13,500	0	13,500	18	5.56%	751
Pumping Equipment - Fully Depreciated	8,018	0	8,018	N/A	0.00%	0
Other	541,082	1,117,498	1,658,580	18	5.56%	92,217
Other - Fully Depreciated	413,642	0	413,642	N/A	0.00%	0
Plant Sewers	17,856	0	17,856	35	2.86%	511
Plant Sewers - Fully Depreciated	375,804	0	375,804	N/A	0.00%	0
Other Plant and Miscellaneous Equipment	7,363	0	7,363	15	6.67%	491
Office Furniture and Equipment	5,042	0	5,042	6	16.67%	841
Computer Equipment	14,481	0	14,481	6	16.67%	2,414
Power Operated Equipment	37,022	0	37,022	12	8.33%	3,084
Communication Equipment	468	0	468	10	10.00%	47
Other Tangible Property	856	0	856	10	10.00%	86
TOTALS	$ 1,837,848	$ 1,680,208	$ 3,518,056			$ 135,385
Per Books						68,609
ORS Adjustment (8)						$ 66,776

N/A - Not Applicable

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
Docket Number 2012-94-S
Computation of Depreciation and Amortization Expense
Test Year Ending December 31, 2011

Amortization of CIAC

Description	Plant in Service	Adjustments	Pro forma CIAC	Service Life	Amortization Rate	Pro forma Amortization
Sewer - CIAC @ 12/31/11						
CIAC	$ (185,000)	$ 0	$ (185,000)	15	6.67%	$ (12,340)
CIAC - Fully Amortized	(266,045)	0	(266,045)	15	F/A	0
TOTALS	$ (451,045)	$ 0	$ (451,045)			$ (12,340)
Per Books						(14,563)
ORS Adjustment (9)						$ 2,223

F/A - Fully Amortized

Amortization of Capitalized Maintenance

Description	Capitalized Maintenance	Adjustments	Pro forma Capitalized Maintenance	Amort. Years	Amortization Rate	Amortization Expense
Capitalized Maintenance						
Line Clearing	$ 15,020	$ (9,925)	$ 5,095	5	20.00%	$ 1,019
Video Inspection	15,430	(14,970)	460	5	20.00%	92
Root Clearing	20,000	(2,500)	17,500	5	20.00%	3,500
Root Clearing - Satellite	3,750	(3,750)	0	5	20.00%	0
Grease Removal	2,465	0	2,465	5	20.00%	493
Line Clearing	11,702	0	11,702	5	20.00%	2,340
Video Inspection	10,395	0	10,395	5	20.00%	2,079
Root Clearing - Satellite	17,500	(17,500)	0	5	20.00%	0
Grease Removal	230	(230)	0	5	20.00%	0
Inflow Protectors	6,975	0	6,975	5	20.00%	1,395
I&I Repairs via EM-Service Calls	11,368	(6,470)	4,898	5	20.00%	980
Video Inspection	200	(200)	0	5	20.00%	0
Root Clearing	2,500	(2,500)	0	5	20.00%	0
Line Clearing	7,490	0	7,490	5	20.00%	1,498
Video Inspection	3,418	0	3,418	5	20.00%	684
Root Clearing	50,000	0	50,000	5	20.00%	10,000
I&I Repairs via EM-Service Calls	10,858	0	10,858	5	20.00%	2,172
Easement Clearing	2,850	0	2,850	5	20.00%	570
Capitalized Maintenance Additions	0	475,383	475,383	5	20.00%	95,077
TOTALS	$ 192,151	$ 417,338	$ 609,489			$ 121,899
Per Books						0
ORS Adjustment (10)						$ 121,899

Settlement Agreement Exhibit 2
Audit Exhibit ICG-4

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
Docket Number 2012-94-S
Computation of Income Taxes
Test Year Ending December 31, 2011

After Accounting & Pro Forma Adjustments

Description	$
Operating Revenues	1,673,321
Operating Expenses	2,137,407
Net Operating Income Before Taxes	(464,086)
Less: Annualized Interest Expense	43,104
Taxable Income - State	(507,190)
State Income Tax Rate	5%
State Income Taxes	(25,360)
Less: State Income Taxes Per Book	(1,455)
Adjustment to State Income Taxes - ORS Adjustment (14)	**(23,905)**
Taxable Income - Federal	(481,830)
Federal Tax Rate	34%
Federal Income Taxes	(163,822)
Less: Federal Income Taxes Per Book	(9,402)
Adjustment to Federal Income Taxes - ORS Adjustment (15)	**(154,420)**

After Applicant's Proposed Increase

Description	$
Operating Revenues	2,895,061
Operating Expenses	2,156,070
Net Operating Income Before Taxes	738,991
Less: Annualized Interest Expense	43,104
Taxable Income - State	695,887
State Taxable Income	5%
State Income Taxes	34,794
Less: State Income Taxes As Adjusted	(25,360)
Adjustment to State Income Taxes - ORS Adjustment (26)	**60,154**
Taxable Income - Federal	661,093
Federal Tax Rate	34%
Federal Income Taxes	224,772
Less: Federal Income Taxes As Adjusted	(163,822)
Adjustment to Federal Income Taxes - ORS Adjustment (27)	**388,594**

SETTLEMENT AGREEMENT

EXHIBIT 3

Revised Exhibits HKM-1 through HKM-6
Of Witness Hannah K. Majewski

Revised
Exhibit HKM-1

ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: PWR-Alpine Utilities
Inspector: Willie Morgan, Hannah Majewski
Office: 1710 Woodcreek Farms Rd., Elgin, SC
Utility Type: **Wastewater**
Date: September 18, 2012
Company Representative: Donna Tuttle, Rick Melcher

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

Revised
Exhibit HKM-1

#	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.	X		24 hour answering service with utility on-call list
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	X		1,312 customers; (962 residential, 137 multi-family units, 213 commercial)
17	Company has a current performance bond on file with the Commission. Amount of bond: **$350,000**	X		
18	Utility maintains a documented Safety Program.	X		
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		

Revised Exhibit HKM-2

ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected: October 9, 2012
Inspector Name: Willie Morgan, Hannah Majewski, Ivana Gearheart
Docket Number: 2012-94-S
Utility Name: PWR - Alpine Utilities
Utility Representative: Craig Sherwood
Number of Customers:
System Type (collection, force main, lagoon, etc): collection, on-site treatment, discharge to Stoops Creeks
Location of System: Richland & Lexington Counties
Location of Utility Office: 1710 Woodcreek Farms Rd., Elgin SC
Treatment Type: Biological
Permit #: SC0029483
Last SC DHEC Compliance Rating: Satisfactory
Frequency checked by WWTF Operator: daily
Drinking Water Provider: City of Columbia

Inspection Results

	System Components Inspected	Compliance		Comments
		Yes	No	
1	Chlorinator	X		Chlorine gas cylinders used
2	Other chemicals in use	X		De-chlorination
3	Aerators present	X		
4	Plant fenced and locked	X		
5	Warning Signs Visible	X		
6	Fence in good condition	X		
7	Dikes in good condition	X		
8	Odor non-existent or limited	X		
9	Grass mowed	X		
10	Duckweed/Algae acceptable	X		None
11	Grease build-up acceptable	X		
12	Plant free of debris	X		
13	Effluent Color acceptable	X		
14	Lift Stations present	X		Did not observe - 8 lift stations present
15	Failure Warning System adequate	X		
16	Electric Wiring adequate	X		
17	System free of leaks	X		
18	System free of overflows	X		
19	Access road adequate	X		
20	Ability for service area to expand	X		

Additional Comments:

Utility in process of building a new clarifier; repairs have been made to current clarifier. Two new digesters in service. Utility has also purchased a UV system for disinfecting wastewater but has not installed as of date of site visit.

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
2012-94-S
Service Revenues Impact

Revised Exhibit HKM - 3

PWR- Alpine Test Year Revenues at Current Rates

Service Type	Classification	Equivalent Service Units	Fee per Unit	Test Year Calculated Revenues
SEWER	Residential	955.00	$16.75	$191,955
	Mobile Home	1.00	$13.23	$159
	TOTAL RESIDENTIAL REVENUE	**956.00**		**$192,114**
	Food Service operations & Groceries	1,001.37	$16.75	$201,275
	Miscellaneous Commercial	1,751.19	$16.75	$351,989
	Schools	72.19	$16.75	$14,510
	Churches	36.79	$16.75	$7,395
	TOTAL COMMERCIAL REVENUE	**2,861.54**		**$575,169**
	Multi-family Units, Apartments, Condominiums, Care Facilities, etc.	4,406.24	$16.75	$885,654
	TOTAL MULTI-FAMILY REVENUE	**4406.24**		**$885,654**
			TOTAL SEWER SERVICE REVENUE	**$1,652,937**
Late Fees				$2,339
Other Sewer Revenues - Reconnect Fees				$750
Other Sewer Revenues -Return Check Fees				$90
Miscellaneous Revenues				$17,205
			TOTAL OPERATING REVENUE	**$1,673,321**

PWR - Alpine Revenues at Proposed Rates per the Application

Service Type	Classification	Service Units	Fee per Unit	Test Year Proposed Revenues	Increased Amount	% Increase
SEWER	Residential	955.00	$34.14	$391,244	$199,289	103.8%
	Mobile Home	1.00	$25.61	$307	$148	69.2%
	TOTAL RESIDENTIAL REVENUE	**956.00**		**$391,551**	**$199,437**	**103.8%**
	Food Service operations & Groceries	1,001.37	$34.14	$410,241	$208,966	103.8%
	Miscellaneous Commercial	1,751.19	$34.14	$717,428	$365,439	103.8%
	Schools	72.19	$34.14	$29,575	$15,065	103.8%
	Churches	36.79	$34.14	$15,072	$7,677	103.8%
	TOTAL COMMERCIAL REVENUE	**2,861.54**		**$1,172,316**	**$597,147**	**103.8%**
	Multi-family Units, Apartments, Condominiums, Care Facilities, etc.	4,406.24	$34.14	$1,805,148	$919,494	103.8%
	TOTAL MULTI-FAMILY REVENUE	**4406.24**		**$1,805,148**	**$919,494**	**103.8%**
			TOTAL SEWER SERVICE REVENUE	**$3,369,015**	**$1,716,078**	**103.8%**
Late Fees				$4,767	$2,428	103.8%
Other Sewer Revenues - Reconnect Fees				$750	$0	0.0%
Other Sewer Revenues -Return Check Fees				$90	$0	0.0%
Miscellaneous Revenues				$28,382	$11,177	65.0%
			TOTAL OPERATING REVENUE	**$3,403,004**	**$1,729,683**	**103.4%**

Palmetto Wastewater Reclamation, LLC d/b/a Alpine Utilities
2012-94-S
Service Revenues Impact

Revised Exhibit HKM - 4

PWR- Alpine Test Year Revenues at Current Rates

Service Type	Classification	Equivalent Service Units	Fee per Unit	Test Year Calculated Revenues
SEWER	Residential	955.00	$16.75	$191,955
	Mobile Home	1.00	$13.23	$159
	TOTAL RESIDENTIAL REVENUE	**956.00**		**$192,114**
	Food Service operations & Groceries	1,001.37	$16.75	$201,275
	Miscellaneous Commercial	1,751.19	$16.75	$351,989
	Schools	72.19	$16.75	$14,510
	Churches	36.79	$16.75	$7,395
	TOTAL COMMERCIAL REVENUE	**2,861.54**		**$575,169**
	Multi-family Units, Apartments, Condominiums, Care Facilities, etc.	4,406.24	$16.75	$885,654
	TOTAL MULTI-FAMILY REVENUE	**4406.24**		**$885,654**
			TOTAL SEWER SERVICE REVENUE	**$1,652,937**
Late Fees				$2,339
Other Sewer Revenues - Reconnect Fees				$750
Other Sewer Revenues -Return Check Fees				$90
Miscellaneous Revenues				$17,205
			TOTAL OPERATING REVENUE	**$1,673,321**

PWR - Alpine Utilities Revenues at Proposed Rates per the Testimony of Witness Don Clayton

Service Type	Classification	Service Units	Fee per Unit	Test Year Proposed Revenues	Increased Amount	% Increase
SEWER	Residential	955.00	$29.87	$342,310	$150,355	78.3%
	Mobile Home	1.00	$22.40	$269	$110	69.2%
	TOTAL RESIDENTIAL REVENUE	**956.00**		**$342,579**	**$150,465**	**78.3%**
	Food Service operations & Groceries	1,001.37	$29.87	$358,931	$157,656	78.3%
	Miscellaneous Commercial	1,751.19	$29.87	$627,697	$275,708	78.3%
	Schools	72.19	$29.87	$25,876	$11,366	78.3%
	Churches	36.79	$29.87	$13,187	$5,792	78.3%
	TOTAL COMMERCIAL REVENUE	**2,861.54**		**$1,025,691**	**$450,522**	**78.3%**
	Multi-family Units, Apartments, Condominiums, Care Facilities, etc.	4,406.24	$29.87	$1,579,373	$693,719	78.3%
	TOTAL MULTI-FAMILY REVENUE	**4406.24**		**$1,579,373**	**$693,719**	**78.3%**
			TOTAL SEWER SERVICE REVENUE	**$2,947,643**	**$1,294,706**	**78.3%**
Late Fees				$4,171	$1,832	78.3%
Other Sewer Revenues - Reconnect Fees				$750	$0	0.0%
Other Sewer Revenues -Return Check Fees				$90	$0	0.0%
Miscellaneous Revenues				$28,382	$11,177	65.0%
			TOTAL OPERATING REVENUE	**$2,981,036**	**$1,307,715**	**78.2%**

Palmetto Wastewater Reclamation LLC **Revised Exhibit HKM - 5**
d/b/a Alpine Utilities
2012-94-S
Current and Proposed Sewer Rate Schedule

1. MONTHLY CHARGE	Current	Proposed Application	Proposed Testimony
a. Residential – Monthly charger per single family house, condominium, villa or apartment unit	$16.75	$34.14	$29.87
b. Mobile Homes	$13.23	$25.61	$22.40
c. Commercial – Monthly charge per single family equivalent	$16.75	$34.14	$29.87

d. The monthly charges listed above are minimum charges and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater that one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc. Minimum commercial customer equivalency ratings may exceed one (1) in some cases.

The Utility may, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. NONRECURRING CHARGES

a. Sewer service connection charge per single family equivalent $250.00

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

3. NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES

a. Proposed Notification Fee:
A fee of $25.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.

b. Proposed Customer Account Charge:
A fee of $20.00 shall be charged as a one-time fee to defray the costs of initiating service.

c. Reconnection charges:
In addition to any other charges that may be due, a reconnection fee of $250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars ($35.00) shall be due. The amount of the reconnection fee shall be in accordance with R. 103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

4. BILLING CYCLE

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

5. LATE PAYMENT CHARGES

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1½%) percent.

6. TOXIC AND PRETREATMENT EFFLUENT GUIDELINES

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

discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney fees, incurred by the Utility as a result thereof.

7. PROPOSED REQUIREMENTS AND CHARGES PERTAINING TO SATELLITE SYSTEMS

a. Where there is connected to the Utility's system a satellite system, as defined in DHEC Regulation 61-9.505.8 or other pertinent law rule or regulation, the owner or operator of such satellite system shall operate and maintain same in accordance with all applicable laws, rules, or regulations.

b. The owner or operator of a satellite system shall construct, maintain, and operate such satellite system in a manner that the prohibited or untreated materials referred to in Section 6 of this rate schedule (including but not limited to Fats, Oils, Sand or Grease), storm water, and groundwater are not introduced into the Utility's system.

c. The owner or operator of a satellite system shall provide Utility with access to such satellite system and the property upon which it is situated in accordance with the requirements of Commission Regulation 103-537.

d. The owner or operator of a satellite system shall not less than annually inspect such satellite system and make such repairs, replacements, modifications, cleanings, or other undertakings necessary to meet the requirements of this Section 7 of the rate schedule. Such inspection shall be documented by written reports and video recordings of television inspections of lines and a copy of the inspection report received by the owner or operator of a satellite system, including video of the inspection, shall be provided to the Utility. Should the owner or operator fail to undertake such inspection, Utility shall have the right to have service interrupted without notice until such inspection is conducted, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

e. Should Utility determine that the owner or operator of a satellite system has failed to comply with the requirements of this Section 7 of the rate schedule, with the exception of the requirement that a satellite system be cleaned, the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, and disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are repaid. With respect to the cleaning of a satellite system, the owner or operator of a satellite system shall have the option of cleaning same within five (5) business days after receiving written notice from Utility that an inspection reveals that a cleaning is required. Should the owner or operator of such a satellite system fail

to have the necessary cleaning performed within that time frame,. the Utility may initiate disconnection of the satellite system in accordance with the Commission's regulations, and disconnection to endure until such time as said requirements are met and all charges, costs and expenses to which Utility is entitled are repaid

8. CONSTRUCTION STANDARDS

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

9. EXTENSION OF UTILITY SERVICE LINES AND MAINS

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

10. CONTRACTS FOR MULTI-TAP CAPACITY

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an acceptable amount to the Utility to defray all or a portion of the Utility's costs to make modifications or expansions thereto.

11. SINGLE FAMILY EQUIVALENT

A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities 25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2011), as may be amended from time to time. Where the Utility has reason to suspect that a person or entity is exceeding the design loadings established by the Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities, the Utility shall have the right to request and receive water usage records from that person or entity and/or the provider of water to such person or entity. Also, the Utility shall have the

right to conduct an "on premises" inspection of the customer's premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

Palmetto Wastewater Reclamation LLC d/b/a Alpine Utilities **Revised Exhibit HKM-6**
2012-94-S
Performance Bond Requirement

	Alpine - Wastewater		
Bond Value Components	**Application Per Books**	**After ORS's Proposed Accounting & Pro forma Adjustments**	**After Applicant's Proposed Increase Recalculated by ORS**
Sewer Operatin and Maintenace Expenses	$882,240	$960,923	$960,923
Administrative and General Expenses	$730,498	$884,390	$894,629
Taxes Other Than Income Tax Expense	$41,010	$47,150	$63,333
Income Tax Expense	($6,934)	($185,259)	$450,058
Interest Income and Interest Expense - Net	$24,719	$43,104	$43,104
Bond Value Requirement	**$1,671,533**	**$1,750,308**	**$2,412,047**

Current Performance Bond Structure (1)	**Bond Value**	**Expiration Date**
Irrevocable Standby Letter of Credit	$350,000	08/11/13
Total Financial Assurance	**$350,000**	

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