BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NOS. 2009-39-W, 2009-75-W, 2009-101-W, and 2009-102-W

ORDER NO. 2010-111

FEBRUARY 4, 2010

IN RE:	Docket No. 2009-39-W - Lisa Lochbaum, Complainant/Petitioner v. Utilities Services of South Carolina, Defendant/Respondent Docket No. 2009-75-W - Melanie Wilson, Complainant/Petition v. Utilities Services of South Carolina, Defendant/Respondent Docket No. 2009-101-W - Deborah and Scott Burris, Complainant/Petitioner v. Utilities Services of South Carolina, Defendant/Respondent and Docket No. 2009-102-W - Leslie and Mark Hendrix, Complainant/Petitioner v. Utilities Services of South Carolina, Defendant/Respondent	ORDER RULING ON COMPLAINTS

This matter comes before the Public Service Commission of South Carolina ("Commission") on the complaints of the above-named ratepayers against Utilities Services of South Carolina ("USSC" or "the Company"). This Commission consolidated these complaint dockets for hearing purposes, since there are a number of issues that are common to more than one complainant.

The consolidated hearing was held, after proper notice, before the Commission on August 20, 2009, with the Honorable Elizabeth Fleming, Chairman, presiding. The

individual complainants represented themselves, with the exceptions of Scott Burris and Mark Hendrix, who did not appear. John M.S. Hoefer, Esquire, and Benjamin Mustian, Esquire, represented the Company. Jeffrey M. Nelson, Esquire, represented the Office of Regulatory Staff ("ORS"). Each complainant testified, with the exceptions listed above, and Leslie Hendrix also presented the testimonies of residents Kim Plowden and John Fischer. USSC presented the testimony of Bruce Haas, and ORS presented the testimony of Willie Morgan in each case.

As a threshold matter, the Company filed Motions to Dismiss all complaints, stating that the Complainants failed to follow the provisions of S.C. Code Ann. Section 58-5-270. This statute requires that individual consumer complaints first be filed with the Office of Regulatory Staff, which has the responsibility of mediating these complaints. The statute goes on to state that if a complaint is not resolved to the satisfaction of the complainant, the complainant may request a hearing before the Commission. In this instance, the complainants do not appear to have filed initial complaints with ORS, with the exception of Ms. Lochbaum, and the parties were unable to successfully resolve that dispute. In any event, the Motions to Dismiss are denied. It is clear that all parties, including ORS, either met or were given an opportunity to meet prior to the hearing before this Commission, and that the parties attempted to settle the disputed matters with ORS participation. The Commission's Hearing Officer actually continued the hearing before this Commission in this case so that the parties could meet and negotiate their differences. *See* Hearing Officer Directive dated July 23, 2009. Although this attempt was unsuccessful, we hold that this meeting satisfies the mediation attempt by ORS

required by the statute prior to a hearing. Therefore, the hearing subsequently held before the Commission was fully justified under the terms of the statute, and the Motions to Dismiss should be, and are hereby denied.

The first substantive complaint brought by Ms. Lochbaum, Mr. and Mrs. Hendrix, and Mrs. Wilson is related to the Company's utilization of the passthrough provision of the Company's rate schedule for bulk water and suggested changes in that mechanism. A better examination of this portion of the Complaints could take place in a full rate case, wherein notice would be given to all customers affected by any proposed change. Although it appears the Company has attempted to properly operate this tariff provision, we agree that the provision is very confusing to the Company's customers and results in bulk billing delays. This Commission will more closely examine this passthrough provision and its operation in the next USSC rate case.

Second, these same complainants also allege lack of notice of bulk water rate increases that result in the complainants receiving higher and fluctuating bills. We agree with the complainants that Order No. 2006-22 requires USSC to provide thirty (30) days notice to the Commission and its customers of any increases in the bulk water charges that are passed through to customers. This Commission understands that USSC may sometimes not receive notice of a bulk water rate increase right away. However, should this happen, the proper course is for the Company to seek permission for waiver from the requirements of the Commission Order prior to instituting the new higher passthrough amount caused by an increase in the bulk rate, and USSC is required to follow this procedure. This Commission has in the past considered and granted modified notice

requirements when other companies have been faced with limited notice of an increase. This waiver request procedure is only fair to the Company's customers, and it is consistent with prior Commission rulings.

Third, Ms. Lochbaum, Mr. and Mrs. Hendrix, and Mrs. Wilson complain that USSC consistently bills two to three months behind and that this delayed billing is problematic. The Company agrees that its billings have been delayed, and proposes to issue a separate new bill to catch up unbilled consumption. Under this plan, USSC will issue two bills in one month so that on a going-forward basis, bills will be issued for the immediately preceding consumption period. The Company proposes to wait until consumption is at its lowest to issue the separate catch-up bill to customers, which will make the bill a more manageable amount. There will be no penalty or interest under USSC's plan, and a 12 month deferred payment plan will be offered for the catch-up bill. The Complainants agree with the proposal, but have asked that this be done on a separate bill form with an explanation for the separate bill. The Company agrees to do so. The Commission adopts this plan for issuance of the catch-up bills, since this procedure will help remedy the problems created by delayed billing. The Company shall issue the separate catch up bill in February 2010, or as soon thereafter as practicable. Notice shall be given to all customers prior to the Company's implementation of its catch-up billing plan.

Fourth, Ms. Lochbaum and Mr. and Mrs. Hendrix complain of high water pressure within the Dutchman Shores subdivision at various times. USSC states that it is willing to make modifications to its distribution system to reduce the effect of the high

pressure on the City of Columbia's distribution system, which USSC alleges is the cause of the high pressure. This would involve installation of a pressure reducing valve between the City's bulk meter and USSC's water main serving the Dutchman Shores subdivision. This would result in decreased water pressure to all of the Dutchman Shores system. USSC does state that installation of the valve may result in lower than normal water pressures to homes at the end of various lines. We agree, however, that something needs to be done about the water pressure in Dutchman Shores. Therefore, this Commission adopts and approves the Company's plan; however, we would request that the Office of Regulatory Staff monitor and investigate the resultant water pressures in Dutchman Shores after installation of the valve, and report back to the Commission with recommendations to address the issues if any difficulties develop with low water pressure as described above.

Fifth, Ms. Lochbaum, Mr. and Mrs. Hendrix and Mr. and Mrs. Burris complain of high water consumption on the Company's system, due to the high water pressure. These complainants state that the Company's delays in billing reduced the opportunity that they had to manage or investigate the high consumption. Accordingly, these complainants request Company reimbursement for these amounts. We agree with USSC that Mr. and Mrs. Hendrix and Mr. and Mrs. Burris did not present sufficient information to support their complaints in this area. Further, although Ms. Lochbaum did present more evidence than the other complainants on this subject, there is no evidence that high pressure in Dutchman Shores existed during the billing periods in question, even if the premise is accepted that high pressure contributes to excessive consumption, which may be

questionable in itself. In any event, this portion of the complaints must be, and is hereby, denied.

Sixth, Ms. Lochbaum, Mr. and Mrs. Hendrix, and Mrs. Wilson complain of what they term as excessive unaccounted for water that is being lost from the complainant's respective USSC systems and charged to the ratepayers, primarily from system flushing. The evidence showed that the amount and/or percentage of such unaccounted for water was in great dispute between the complainants and USSC, particularly with regard to Ms. Lochbaum and Mr. and Mrs. Hendrix, who receive their water in the Dutchman Shores subdivision. The Company is proposing a "real time" billing mechanism, discussed further below, that may help measure unaccounted for water through its "true up" mechanism. However, there was also a dispute between the Company and ORS as to what metering devices could properly be used to measure known system usage and how much such metering should cost. Because of its complexities, the specific issue of unaccounted for water will be addressed in the Company's next rate case, and we so hold.

Seventh, the Company proposed to implement a "real time" billing mechanism on an experimental basis. Under this proposal, real time billing information would be furnished separately from and in addition to the customers' regular monthly bills. In order to reduce the fluctuations present in the monthly calculated passthrough amount, the Company suggests that it be allowed to estimate monthly bulk billings. The Company would take readings of the bulk meters serving Dutchman Shores and Lakewood immediately prior to the issuance of its customer bills. The Company would then use those readings and the then-current rate schedule of the bulk supplier to estimate that

month's cost of bulk water provided by the bulk supplier. The monthly passthrough amount shown on the customers' bills would be based upon that estimated bulk charge. According to USSC, this billing procedure would result in the customer metered consumption amount more closely reflecting the bulk consumption on the system, and drastic swings in the passthrough charges should be reduced. USSC states that there may still be some variations due to the fact that the bulk suppliers take their own meter readings and that these readings may occur a few days after USSC takes its estimated readings. Under USSC's proposal, these variations can be managed by means of a "true-up" mechanism, which, among other things, could also be potentially useful in the measurement of unaccounted for water. Under the Company's proposal, the "real time" billing concept would be employed on an experimental trial basis for a period of one year. The Company would keep billing the customers as it has at present, but would also separately report real time billing results to the customers and ORS on a monthly basis to demonstrate how the real time billing system would operate. At the conclusion of the experimental trial period, USSC would submit the findings to the Commission for review and for a determination as to whether the program should be implemented. Although the complainants appear to be opposed to adoption of such a program, we believe that it has merit and hereby adopt real time billing as an experimental program on the terms proposed by the Company. However, the experimental, real-time bills must be clearly marked as "experimental," with a prominent statement reminding the customer that the real-time bill is not to be paid.

Eighth, complainants Ms. Lochbaum, Mr. and Mrs. Hendrix, and Mrs. Wilson state a belief that the Company may not be allocating an appropriate portion of employee labor costs for justification in its rate cases. Although the Company alleges that this is not occurring, I would note that this Commission normally examines the allocation of such costs in each rate proceeding. Therefore, we hold that we will examine this question during the Company's next rate proceeding.

Ninth, Mr. and Mrs. Hendrix also challenge the current rates approved for USSC, stating that water customers of the City of Columbia and the City of Chapin are paying less than half the rates charged to the Company's Dutchman Shores customers. Again, the focus of the needs of each particular Company and its customers must be considered by this Commission in a rate case. Accordingly, we shall defer the question of the appropriate rate for USSC until its next rate case before this Commission.

Lastly, all motions made during the course of this case that are inconsistent with this ruling are hereby denied, including, but not limited to, the Company's motions to strike certain sections of Ms. Lochbaum's direct testimony and certain sections of Ms. Hendrix's direct and rebuttal testimonies. We would note that the complainants are free to intervene and fully participate in any future rate case when filed by the Company if they so choose, in order to further pursue those matters that we have ruled should be considered in a rate case. We request that ORS notify the complainants in these Dockets of the filing of any rate case by USSC. In any event, this Commission will further consider their rate case concerns as listed herein at the time of a future rate case.

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

BY ORDER OF THE COMMISSION:

Elizabeth B. Fleming, Chairman

ATTEST:

John E. Howard, Vice Chairman

(SEAL)