BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 1999-344-W/S - ORDER NO. 2000-0354

APRIL 17, 2000

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IN RE: Application of Pinebrook of Spartanburg for Approval of an Increase in its Rates and Charges for Water and Sewer Services.	)))	ORDER

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Pinebrook of Spartanburg (Pinebrook or the Company) for approval of an increase in its water and sewer rates. Pinebrook serves the Pinebrook Mobile Home Community in Spartanburg County, South Carolina. Pinebrook was established as a water and sewer utility in 1983 by this Commission. The Company has 63 customers, and is presently operating under rates set by this Commission in Order No. 94-479 issued on May 23, 1994, and Order No. 94-520 issued on June 6, 1994.

Pursuant to the instructions of the Commission's Executive Director, the Company published a Notice of Filing, one time, in newspapers of general circulation in the Company's service area, and served a copy of said Notice on all affected customers in the service area. The Company furnished affidavits to show that it had complied with the instructions of the Executive Director. No Petitions to Intervene were received.

Accordingly, a hearing was held on April 5, 2000 at 10:30 AM in the offices of the Commission. As per State law, a panel, consisting of Commissioners Carruth, Mitchell, and Clyburn heard the case. Commissioner Carruth acted as Chairman. J.P. Hellams, Jr. appeared pro se for the Company. The Commission Staff (the Staff) was

represented by F. David Butler, General Counsel. The Staff presented the testimony of Sharon G. Scott and William O. Richardson.

J.P. Hellams, Jr. testified on behalf of the Company. Hellams is seeking an increase from $7.00 per month for water and $7.00 per month for sewer for the first 4 units of each, and a commodity charge of $2.00 per unit over the first four units to a rate of $20.00 per month for water and $20.00 for sewer (each including 4 units), and a commodity charge of $4.00 per unit over the four units. (There are 750 gallons in a unit.) Hellams testified that even if these rates are granted, he will still be losing approximately $24,610, based on projected expenses. Hellams noted that he based his request on a 1998 calendar year test year. Hellams noted that he had an average of 63 spaces filled in his park for the year. During that time, Pinebrook received $13,839.70 total for water and sewer services from the Company's customers. However, his expenses for the same period were $52,354.99, which represents a loss of $38,515.29. Hellams stated that each year, his expenses keep increasing due to general maintenance and service requirements. Hellams states that he maintains the system and lines, handling breaks and repairs himself. He does not pay himself a salary. Hellams notes that he cannot continue to operate at the losses sustained by him in the past.

Sharon G. Scott of the Commission's Audit Department testified for the Commission Staff. Ms. Scott noted that the Audit Staff reviewed the Application for the test year ended December 31, 1998. Staff proposed a number of accounting adjustments. First, the Company's cost to purchase water increased from $1.76 to $1.91 per unit. Staff increased expenses by $437 to reflect this increase. According to Ms. Scott, the

Company's cost to purchase sewer services increased in conjunction with the increase to purchased water. The increase in sewer charges went from $1.088 to $1.185 per unit. The Staff's adjustment was $283 accordingly.

With regard to expenses for materials, Staff proposes to increase expenses by $400. The Company also proposed to increase various expenses, such as office supplies, labor, electrical expenses, and telephone expenses based on estimates. Since the numbers were not known and measurable, Staff declined to adjust expenses for these estimates.

Staff also proposed various adjustments for an increase in the cost of operating vehicles, vehicle insurance, and postage expenses. Staff also offers other varying adjustments.

Another adjustment is proposed by the Utilities Staff, which proposes that expenses be reduced for unaccounted for water. The Commission historically has allowed 7.5% as a reasonable percentage for lost water. Based on this figure, Staff's adjustment is ($1,976) for water operations and ($1,222) for sewer operations.

According to Scott, even if we grant Pinebrook the entire requested rate increase, it will still have an operating margin of (47.41%) for combined operations.

William O. Richardson, an engineer associate in the Commission's Utilities Department, also testified on behalf of the Staff. Richardson testified that the proposed increase would produce $23,668 in additional revenue, for an overall increase of 171.0%. Richardson related that Staff had received four letters protesting the amount of the increase, but no service complaints. The Commission's Consumer Services Department also received one inquiry with regard to the rate increase request. Richardson noted that

the Company purchased all of its water from Metropolitan Sub-District B Water and Sewer District through a master meter, and then resells the water to the Company's metered customers. Pinebrook is also a wholesale customer of Spartanburg Sanitary Sewer District.

Richardson noted that an inspection of the Company's water system did not reveal any obvious leaks and the pressure was within the limits required by the Commission's rules and regulations. Richardson finally noted that the Company's lost water is around 15%, whereas the Commission has historically used 7.5% as the standard of reasonableness as a percentage for lost water.

FINDINGS OF FACT

1. Pinebrook of Spartanburg is a water and sewer utility under the jurisdiction of the Commission, and it serves the Pinebrook Mobile Home Community in Spartanburg County, South Carolina. (See testimony of Hellams.)

2. Pinebrook is seeking a rate increase in both its water and sewer charges. The Company's present rates are $7.00 for the first four units (3,000 gallons) each of water and sewer, with a $2.00 per unit commodity charge for amounts used above 4 units. The Company's proposed rates are $20.00 for the first four units each of water and sewer, with a $4.00 per unit commodity charge for amounts used above 4 units. (See testimony of Hellams and Richardson.)

3. The system presently has 63 customers. (See testimony of Hellams and Richardson.)

4. The system has had no service complaints during the test year. (See testimony of Richardson.)

5. The Commission Staff's adjustments should be adopted in toto, and are appropriate as explained in the discussion above, and as noted in Staff testimony. Even after adoption of all adjustments, if the Commission granted the entire rate increase request of the Company, the operating margin would be (47.41%). (See testimony of Scott and Richardson.)

6. The testimony presented justifies our granting of the entire rate increase requested by the Company, since it is clear that Pinebrook is presently operating, and will continue to operate at a loss, even with the granted increase.

CONCLUSIONS OF LAW

1. Pinebrook of Spartanburg is a water and sewer utility providing service to the Pinebrook Mobile Home Community in Spartanburg County, South Carolina.

2. The Company's operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. Section 58-5-10 et seq (1976) as amended.

3. The Commission concludes that each of the Staff adjustments proposed by the Commission Staff is appropriate and each is hereby adopted by the Commission, based on the reasoning as stated above. (See testimony above.)

4. There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of the rate of a public utility. For a water and sewer utility whose rate base has been substantially reduced by customer

donations, tap fees, contributions in aid of construction, and book value in excess of investment, the Commission may decide to use the "operating ratio" and/or "operating margin" method for determining just and reasonable rates. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues; the operating margin is determined by dividing the total operating income for return by the total operating revenues of the utility. The Commission concludes that the use of the operating margin is appropriate in this case.

5. The Commission is mindful of the need to balance the respective interests of the Company and of the consumer. It is incumbent upon this Commission to consider not only the revenue requirement of the Company, but also the proposed price for the water treatment, the quality of the water service, and the effect of the proposed rates upon the consumers. We note that customers of the system had no service complaints.

6. Based upon all of these considerations, the Commission determines that the Company should have the opportunity to earn a (47.41%) operating margin on its water and sewer operations. In order to have a reasonable opportunity to earn a (47.41%) operating margin, the Company will need to produce $37,508 in total annual operating revenues.

TABLE A

OPERATING MARGIN

Operating Revenues	$37,508
Operating Expenses	55,289
Net Loss for Return	(17,781)
Operating Margin	(47.41%)

7. In order to earn the operating revenues necessary to earn an operating margin of (47.41%), the Company must earn revenues of $37,508. In order to earn these revenues, we hold that the rate of $20.00 monthly per customer for the first four units of water (3,000 gallons) is approved, along with a $4.00 per unit commodity charge for all use over 4 units. Likewise, we approve a rate of $20.00 monthly per customer for the first four units of sewer (3,000 gallons), along with a $4.00 per unit commodity rate for all use over 4 units.

8. Accordingly, it is ordered that the rates attached in Appendix A are hereby approved for service rendered on or after the date of this Order.

9. It is ordered that if the approved schedule is not placed in effect within three (3) months after the date of this Order, the approved schedule shall not be charged without written permission of the Commission.

10. It is further ordered that the Company maintain its books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for water and sewer utilities as adopted by this Commission.

11. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

APPENDIX A

PINEBROOK OF SPARTANBURG
100 DAYTONA DRIVE #1
SPARTANBURG, SC 29303
864-503-0823

FILED PURSUANT TO:

DOCKET NO. 1999-344-W/S

ORDER NO. 2000-0354

EFFECTIVE DATE: APRIL 17, 2000

RESIDENTIAL SERVICE

(1 UNIT =100 CUBIC FEET = 750 GALLONS)

MONTHLY WATER SERVICE

BASE CHARGE (INCLUDES 4 UNITS) $20.00

ALL OVER 4 UNITS.....$4.00 PER UNIT

MONTHLY SEWER SERVICE

BASE CHARGE (INCLUDES 4 UNITS).....$20.00

ALL OVER 4 UNITS.....$4.00 PER UNIT