



Blue Granite Water Company Rate Increase Consumer Impact Summary

Docket No. 2019-290-WS | PSC Order No. 2020-306

In October 2019, Blue Granite Water Company (BGWC) asked the South Carolina Public Service Commission (PSC) for an increase in water and sewer rates. On April 9, 2020, the PSC made a decision on the requested increase. All rate increases are effective September 1, 2020. The South Carolina Office of Regulatory Staff (ORS) is providing a summary of the impact on consumers.

About Blue Granite Water Company

Blue Granite Water Company provides multiple services including water supply, water distribution, sewer collection, and sewer treatment for:

- Over 17,000 water customers
- Over 13,000 sewer customers
- 140 Subdivisions
- 16 Counties in South Carolina

About the Office of Regulatory Staff

The ORS represents consumers of investor-owned utilities in South Carolina before the PSC. The PSC is the state agency that sets utilities' rates. The ORS must look at the impact to the consumer and utilities' continued investment in reliable and high-quality services.

Summary

	BGWC Application	Order No. 2020-306
Revenue Requirement Increase	\$11,731,803	\$4,958,848
Total Revenue	\$35,587,875	\$28,733,986
Return on Equity	10.70%	7.46%
Operating Margin	12.26%	10.54%
Increase % for Water – Territory 1	53.5%	23%
Increase % for Water – Territory 2	34.9%	12%
Increase % for Sewer	55.7%	24%

Overview of PSC Order Rates and Impact on Residential Customer's Monthly Charges (Rates Effective 9/1/20)

Water Service Rate Schedules

	Service Territory 1			
Water Supply Service	Current Rate	Approved Rate	Increase (\$)	Increase (%)
Basic rate for water service per single-family house, condo, mobile home, or apartment unit	\$14.38 per unit	\$14.38 per unit	\$0.00	--
Additional charges for water – Residential Commodity Charge	\$5.59 per 1,000 gal	\$7.39 per 1,000 gal	\$1.80	--
Bill per 6,000 gallon usage	\$47.92	\$58.72	\$10.80	22.5%
Water Distribution Service				
Basic rate for water service per single-family house, condo, mobile home, or apartment unit	\$14.38 per unit	\$14.38 per unit	\$0.00	--
Additional charges for water – Residential Commodity Charge	\$7.55 per 1,000 gal	\$9.98 per 1,000 gal	\$2.43	--
Bill per 6,000 gallon usage	\$59.68	\$74.26	\$14.58	24.4%

	Service Territory 2			
Water Supply Service	Current Rate	Approved Rate	Increase (\$)	Increase (%)
Basic rate for water service per single-family house, condo, mobile home, or apartment unit	\$28.59 per unit	\$28.59 per unit	\$0.00	--
Additional charges for water – Residential Commodity Charge	\$10.27 per 1,000 gal	\$12.34 per 1,000 gal	\$2.07	--
Bill per 6,000 gallon usage	\$90.21	\$102.63	\$12.42	13.8%
Water Distribution Service				
Basic rate for water service per single-family house, condo, mobile home, or apt. unit	\$28.59 per unit	\$28.59 per unit	\$0.00	--
Additional charges for water – Residential Commodity Charge	\$11.85 per 1,000 gal	\$14.24 per 1,000 gal	\$2.39	--
Bill per 6,000 gallon usage	\$99.69	\$114.03	\$14.34	14.4%

Sewer Service Rate Schedules

	Service Territory 1 & 2			
Sewer Service	Current Rate	Approved Rate	Increase (\$)	Increase (%)
Residential charge per single-family house, condo, villa, or apartment unit	\$65.08 per unit	\$80.93 per unit	\$15.85	24.4%
Mobile Homes	\$47.50 per unit	\$59.07 per unit	\$11.57	24.4%
Commercial per single family equivalent (SFE)	\$65.08 per SFE	\$80.93 per SFE	\$15.85	24.4%
The Village sewer collection per single family equivalent (SFE)	\$33.86 per SFE	\$42.11 per SFE	\$8.25	24.4%

Consumer Protections Included in the PSC Order

Return on Equity

BGWC Application: Requested 10.2% - 10.7%

BGWC Rebuttal Testimony: Revised proposal of 9.75% - 10.25%

Order No 2020-306: Awarded 7.46% Return on Equity

Depreciation

Prior depreciation rates assumed 66 2/3-useful life for all assets. BGWC conducted its first depreciation study of its utility assets in over 35 years. ORS conducted a review of the depreciation study and proposed revised depreciation rates compared to the BGWC study. Order No. 2020-306 accepted the ORS depreciation rates and reduced the Company's request by approximately \$760,236.

Non-Revenue Water

BGWC proposed to recover all non-revenue water from customers, or that a threshold of 20% recovery be set. ORS proposed that a threshold of 10% recovery be set. Order No. 2020-306 limits BGWC's recovery of non-revenue water to 10%.

Annual Rate Adjustment Mechanism

BGWC sought approval of an Annual Rate Adjustment Mechanism that would initiate a rate adjustment for "Distribution only" water customers and "Collection only" sewer customers between base rate filings to recover deferral of changes in third-party service provider rates. Order No. 2020-306 rejects the Annual Rate Adjustment Mechanism and orders BGWC to continue with its current rate structure and restricts the rate increase for water to the commodity charge.

Greenville Office

Order No. 2020-306 rejected BGWC's request to recover the costs of the upfit to BGWC's new Greenville office in the amount of \$495,206. Order No. 2020-306 also determined that the rent expense should not be recovered from customers.

LETTS Tanks

BGWC requested to change the pumping charge for LETTS Tanks from the current \$150 charge to the actual cost to access, pump, and service the tanks on a periodic basis. ORS proposed that customer protections be added to the tariff language, most notably the option for customers to seek a third-party vendor to perform the service. Order No. 2020-306 grants BGWC's request to change the pumping charge and incorporates the changes recommended by ORS to add customer protections.

Tax Cuts and Jobs Act

Due to a lower corporate tax rate as changed by the Tax Cuts and Jobs Act (TCJA), BGWC proposed a one-time credit to each customer water and sewer account to return overcollections of federal tax expenses. Order No. 2020-306 ordered a one-time credit in the amount of \$10.59 per water and sewer account.

Storm Reserve Fund

BGWC proposed the creation of a Storm Reserve Fund that would set aside \$200,000, funded through a monthly surcharge to customers of \$0.53 per month (per water and sewer service), that would be used for extraordinary storm restoration costs. Order No. 2020-306 rejected the creation of a Storm Reserve Fund.

Round Up Program

BGWC proposed the creation of a voluntary Round Up Program that could provide some level of financial aid to certain low-income customers in its service territories. BGWC also proposed to pass onto its customers the administrative and implementation costs for the Round Up Program, including bill inserts, notice or flyers, and for the modifications to billing and customer service systems. Order No. 2020-306 allowed the creation of the Round Up Program but prohibits BGWC from passing on to its customers the administrative and implementation costs for the Round Up Program.

Service / Billing

Order No. 2020-306 ordered BGWC to implement systems designed to improve customer service and to issue reports to the Commission periodically providing the results and details of its efforts.

Capital Improvements

Order No. 2020-306 ordered BGWC to provide written reports on capital improvements no less than semiannually to ORS and file them with the Commission.

Disallowed Expenses

The Commission found that certain expenditures by BGWC, such as a 65" LED Curved Samsung TV and a 1.15 carat diamond ring for employee service awards, were imprudent and ordered that these should not be allowed for recovery. Other expenses incurred by BGWC that were not necessary to provide water and wastewater services and do not provide a benefit to customers were also not allowed for recovery.

Alternate Rate Design

Order No. 2020-306 directed BGWC to provide alternate rate designs for its water and sewer services in its next rate proceeding