

**Blue Granite Water Company**  
**Rate Information**

On September 30, 2019, Blue Granite Water Company (Blue Granite Water or the Company) filed a rate case with the South Carolina Public Service Commission (“the PSC”).

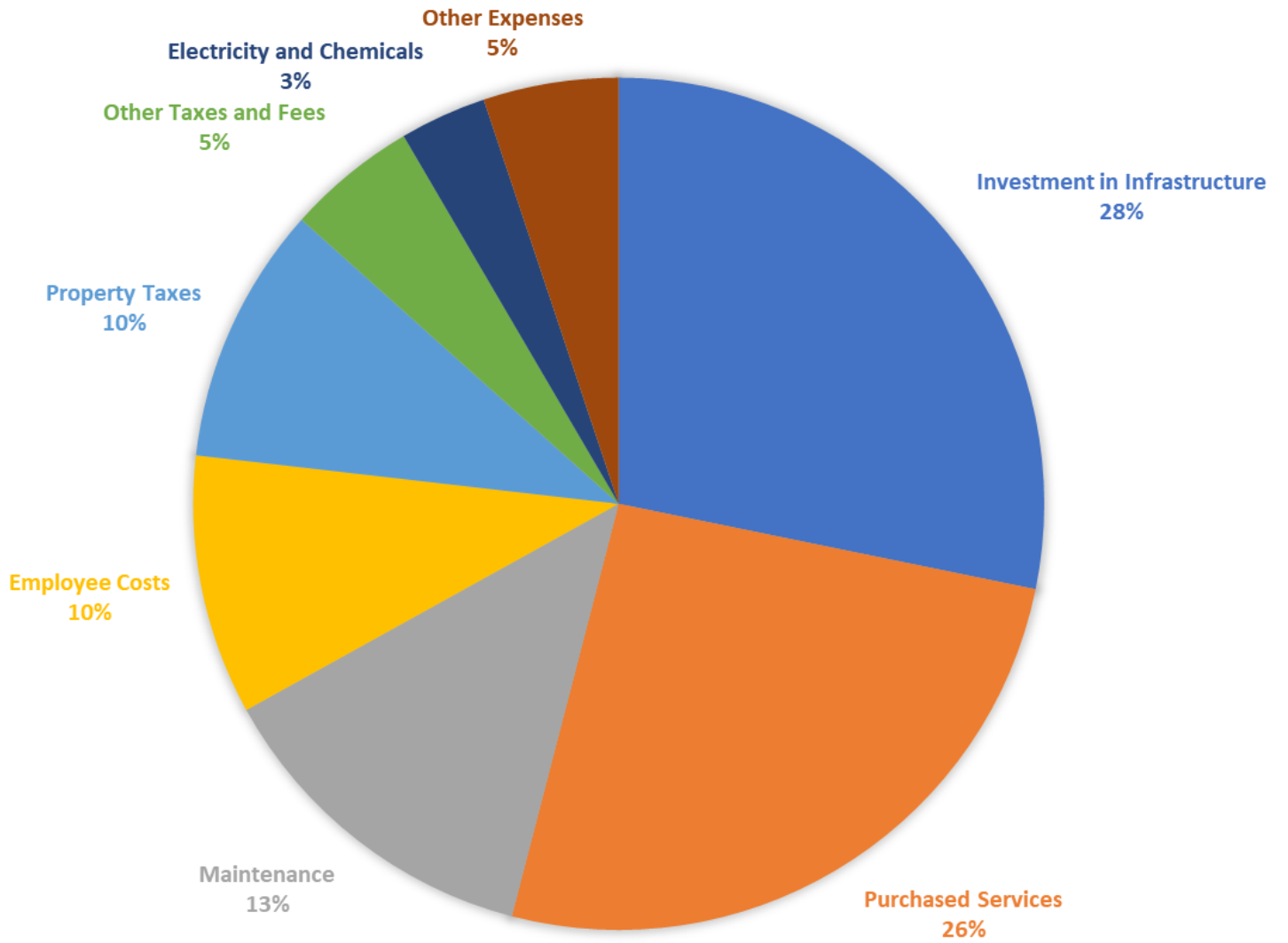
Blue Granite Water provides service to approximately 17,000 water and 13,000 sewer customers located in 16 South Carolina counties.

Blue Granite Water’s last rate request was made nearly three years ago (November 2017), with rates that went into effect on June 29, 2018.

Customers’ recent rates are based on company-incurred costs as of August 31, 2017.

The rate filing for Blue Granite Water reflected the following breakdown of costs to provide water and sewer service:

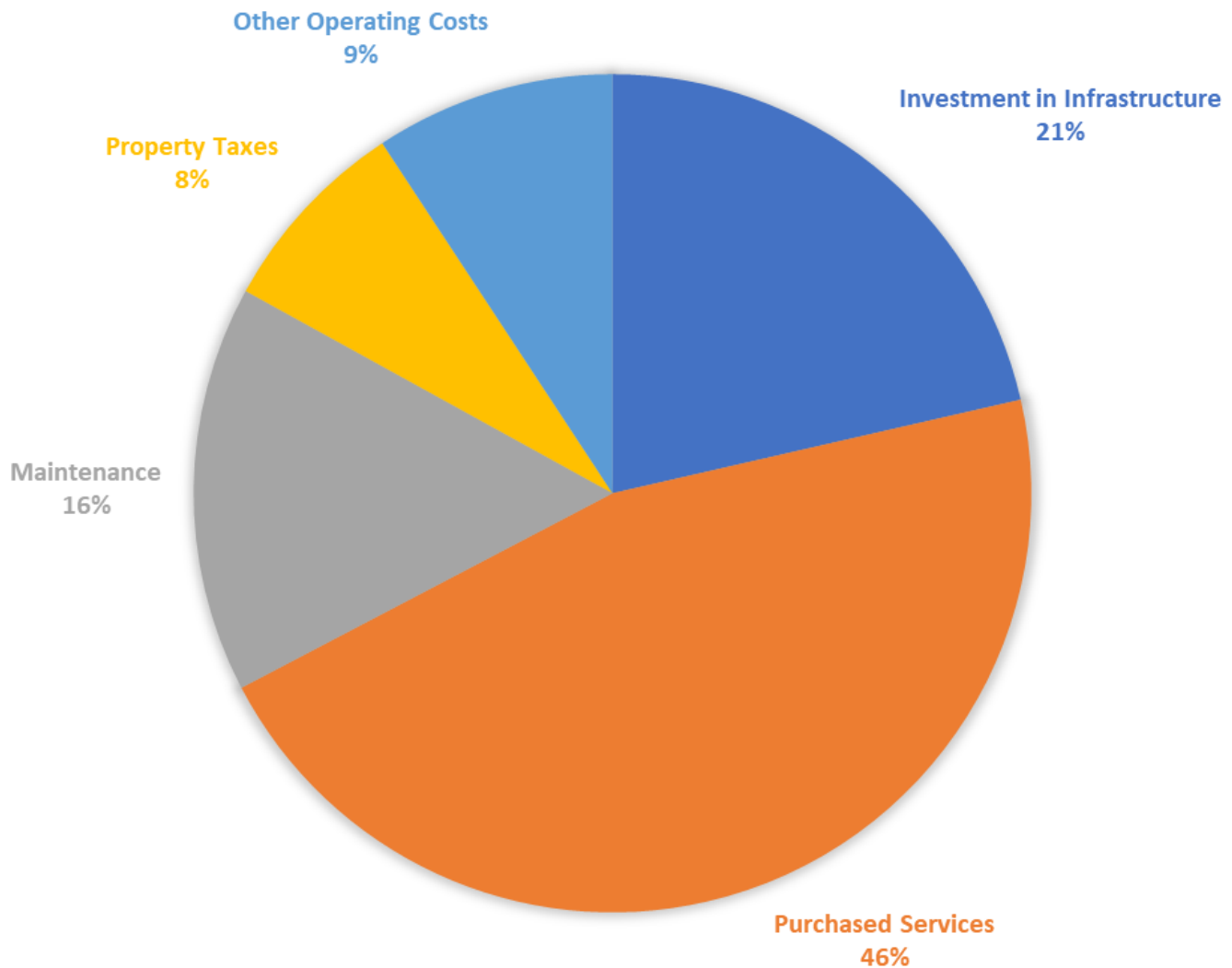
# WHERE THE DOLLARS FLOW



- The proposed rate changes in the Blue Granite request were driven by the following components:

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## WHERE DOES THE INCREASE COME FROM?



Purchased Services and Investment in Infrastructure are the main drivers of the rate increase. These costs are incurred to help provide customers with safe and reliable service.

- Purchased Services – The rate filing was driven primarily by third-party cost increases in which Blue Granite Water has no control. Purchased services expenses are incurred from bulk water suppliers and wastewater treatment suppliers, generally local municipal utility departments.
- Investment in Infrastructure – Since the time of the last rate case, Blue Granite Water has invested approximately \$23 million to improve its infrastructure. These investments

help provide safe and reliable service to Blue Granite Water customers. The chart below lists the projects completed since the last rate case.

System	W / S / Other (O)	Project	Total Cost
Shandon	W	Interconnection with Carrolton Place	1,751,274
Friarsgate	S	Interconnection/Lift Stations	4,582,361
All	O	Asset Management Installation (Map Conversion)	276,250
Friarsgate	S	Collection System I&I Investigation/Repairs & CIPP Phase 3	829,122
Lake Wylie	W	Water Meter Replacement Program	1,919,179
Various	S	Cast In Place Pipe - Collection System Improvements	1,215,224
Chambert Forest	S	Replace Lift Station	310,121
Stonegate	W	Water System Interconnection with City of Columbia	156,263
Forty Love	S	Sewer Improvements - Phase 1	283,685
Forty Love	S	Sewer Improvements - Phase 2	463,883
Lake Wylie	W	Charlotte Water System Connection	927,600
Oakland Plantation	W	Elevated Water Tank Rehab	209,160
Fairwood	S	Chlorination Chamber Improvements	102,893
Shadowood	S	Dutch Fork Road Main Replacement	124,298
			13,151,314

#### RATE DETAILS:

- **Water Rates and Charges Explanation:** Water Customers are billed a Fixed Base Charge and a volumetric Commodity Charge. These charges will differ if the customer is located in our Service Territory 1 or Service Territory 2, based on previous tariff consolidation efforts of legacy tariff rates as approved by the PSC.
  - **Charge Categories**
    - **Base Charge** – This applies to every customer. It includes all costs to maintain and operate the customer premise. This includes meters, service lines, billing and customer service.
    - **Commodity Charge** – This charge is billed based on the volume of water measured through a company water meter on the premise. The rate will be different for customers serviced by wells owned by the Company and customers who are supplied by a third-party purchased water (distribution) system.
      - **Well/Water Supply Customers** – This charge includes managing, maintaining and operating the wells, water treatment, and water distribution system. This includes infrastructure investment, chemicals and many other items.
      - **Distribution Customers** – The charge includes operation and maintenance of the distribution system. This includes ongoing maintenance efforts, infrastructure investment and many other costs. This charge also covers the costs associated with purchasing potable water from interconnected third-party water systems.
- **Consolidated Sewer Rates and Explanation:** In the 2017 rate case, Blue Granite was approved by the PSC to institute a flat rate sewer charge consistent for virtually all BGWC sewer customers.
  - **Charge Categories**

- **Sewer Charge** – This charge will be on the bill of both Sewer Treatment customers and Collection Only customers.
  - **Collection & Treatment Customers** – This charge includes all costs to maintain and operate the Company’s sewer treatment system, from the pipe leaving the customer’s house to the treatment facility.
  - **Collection Only Customers** – This cost includes all costs associated with maintaining the Company’s sewer collection system. This includes infrastructure investment, pumping costs and other expenses. This charge also covers costs associated with purchasing sewer treatment service from nearby providers.

The table below shows the prior 5/8” residential water and sewer rates compared with the new residential water and sewer rates:

Class/Meter Size	Prior	New	
<b>Water Service Territory I</b>			
5/8" Water Residential Base Charge	\$14.38	\$14.38	Per SFE
Water Residential Usage Charge	\$5.59	\$8.37	Per 1,000 gallons
Purchased Water Distribution Charge	\$7.55	\$11.30	Per 1,000 gallons
<b>Water Service Territory II</b>			
5/8" Water Residential Base Charge	\$28.59	\$28.59	Per SFE
Water Residential Usage Charge	\$10.27	\$12.71	Per 1,000 gallons
Purchased Water Distribution Charge	\$11.85	\$14.66	Per 1,000 gallons
<b>Consolidated Sewer</b>			
5/8" Wastewater Residential Charge	\$65.08	\$78.25	Per SFE
5/8" Purchased Wastewater Collection Charge	\$65.08	\$78.25	Per SFE

- **Tax Cuts and Jobs Act**

The Company is providing a one-time credit for each service delivered to our customers (for example, 2 credits will be provided for a customer provided both water and sewer service) for overcollections of income taxes due to the federal tax rate change from the Tax Cuts and Jobs Act. Each service provided to a customer will receive a \$10.59 credit on their September bill (two \$10.59 credits if provided both water and sewer service by the Company).

**OTHER IMPORTANT INFORMATION**

- The Company voluntarily requested that the PSC allow the rates coming from the rate case to be put into effect as of September 1, 2020, instead of immediately upon a final order being issued by the PSC, which was expected in late March/early April 2020. The PSC granted this delay in the effective date of the new rates, upon consideration of impacts from COVID-19.
- The PSC issued its order in the Company’s rate case on April 9, 2020. The Company subsequently filed a Request for Clarification, Reconsideration, and Rehearing with the PSC

on April 29<sup>th</sup> to address concerns of the Company and other parties of the case with the order. The PSC issued a directive order on the Company's request on May 28<sup>th</sup>, modifying its April 9<sup>th</sup> decision on the level of the rate increase. The rates approved after reconsideration by the PSC are those going into effect on September 1, 2020.

- All rate requests are vetted by the Office of Regulatory Staff (ORS), Consumer Advocate for the Department of Consumer Affairs, and any other intervening parties in the proceeding. You can track the progress and public filings of the rate case using the below link to the SC PSC website. Please refer to Docket 2019-290-WS. In addition, customers can provide feedback to the SC PSC per the SC website.  
<https://dms.psc.sc.gov/Web/Dockets>

## FAQ's

### **I recently received notice the Company was implementing different/higher rates on September 1<sup>st</sup>. Why are the rates now changing?**

After the PSC's order on reconsideration of the initial April 9<sup>th</sup> rate decision, the Company requested implementation of "rates under bond", as it pursued an appeal process with the South Carolina Supreme Court. Per South Carolina Code 58-5-240(D), the Company is permitted to initiate alternate rates on a temporary basis if it has an active appeal process.

These alternate rates, called "rates under bond", are subject to refund with 12% interest per annum should the alternate rates be deemed higher than the rates confirmed through the appeal process. On July 15, 2020, the PSC approved the Blue Granite bond request, and the Company then provided customer notice for those rates. In August, the PSC requested additional input from the Company and the Department of Consumer Affairs regarding the rates under bond request.

The PSC approved a "stay" on the rates under bond until the end of 2020. This results in the Company reverting to the May 28<sup>th</sup> reconsideration order and the rates approved under that order. The Company has now provided updated notices to customers with their September bills to reflect the updated rates, effective September 1, 2020.

### **Why is the Company raising rates during a pandemic?**

- The Company filed its rate request on September 30, 2019, well before the COVID-19 pandemic was known or impacting in South Carolina. South Carolina rate requests typically follow a statutory 6-month timeline, which placed the estimate rates for being effective around April 1<sup>st</sup>. Although the case was completed in March, the Company voluntarily requested the PSC allow it to delay the effective date of new rates until September 1, 2020, to limit the impact to customers during the pandemic. The delay was implemented to allow customers greater flexibility and relief as well as an opportunity to manage any outstanding balances.
- Blue Granite Water understands that no one likes rate increases, certainly in difficult economic times. However, the rate increase is necessary to cover increases in operating costs needed to:
  - Provide reasonable and adequate service to customers

- Earn a reasonable return on its investments in system infrastructure
  - Attract capital for needed future improvements
  - Comply with standards and regulations set by Department of Health and Environmental Control (DHEC) and other environmental regulatory authorities
  - Preserve financial integrity, promote continued investment in and maintenance of facilities, and permit the company to continue to provide reliable and high-quality water and sewer services
- The rate increase is intended to generate adequate revenue to keep the system in compliance with federal and state regulations as well as to recover investment already spent by the Company since the end of the last rate case. It is critical to understand that regulatory obligations have not decreased in recent years. On the contrary, regulatory burden and requirements has continued to increase each year.

**What is the Company doing related to COVID-19 to manage the impact of the rate increase to customers?**

As of March 10, 2020, the Company suspended late fees for past due balances and also stopped issuing disconnection orders for non-pay customers. Although the PSC issued an order on May 14<sup>th</sup> that utility companies could resume late fees and disconnections for non-pay, the Company has continued to suspend these activities for the foreseeable future. The Company will provide notice directly to customers when it intends to resume these collections activities, with ample time for customers to contact the Company to discuss payment options, such as those detailed below.

The Company is offering **deferred payment arrangements** and **payment plans** to customers who may not be able to stay current on their water and sewer bills. A **payment plan** is an agreement with a customer to make a specified payment by a specified date. For example, a customer may agree to pay a balance 10 days beyond the bill’s due date. A **payment arrangement** is an agreement with a customer to pay off their balance in combination with future bills, which installments are reflected on monthly customer bills. The Company encourages customers to establish a payment plan or payment arrangement as it best meets their needs – payment arrangements typically spread past due balances over at least 6 months and can be established for up to 12-month periods.

Customers with active payment arrangements will avoid late fees and potential disconnection actions, once those processes resume, so long as they remain up-to-date with the arrangement and their current period billed charges. Please discuss your particular situational needs with our Customer Service Representatives so we can assist as best we can. The Customer Service Department can be contacted at 800-367-4314.

**Why are some rates, and rate increases, higher for certain customers than others?**

The Company has been working toward levelizing rates for customers across its service territories for the past several rate cases. This practice is common in the utility industry (gas, electric), and this enables the Company to spread the impact of its costs and improvements across a larger customer base, which results in smaller, incremental increases over time. Levelized, or consolidated, rates ultimately benefit all Blue Granite Water customers and protects small standalone groups of ratepayers from solely bearing the cost of large infrastructure investments.

The Company's rates were set in this rate case based on the current structure (Service Territories 1 and 2 for water, consolidated sewer territory), based on the components of the costs to provide service to each of these customer groups. Therefore, cost changes or levels of infrastructure investment that are higher or lower in certain service territories can result in larger or smaller increases as well.

**Why are sewer rates charged on a flat or fixed basis, without a volumetric component?**

The Company has historically charged flat rates for all sewer customers. This is because many of the Company's sewer customers are not provided water service by Blue Granite Water, and therefore there isn't a way for the Company to obtain flow data for sewer billing.

The best way to charge volumetric sewer is by using water meter data as a proxy for sewer flow. In the PSC's April 9<sup>th</sup> order in the rate case, it requested the Company to investigate the ability to obtain water meter data for its sewer customers from the various water providers, in order to facilitate volumetric sewer billing. The Company is in the process of investigating this possibility and will include its findings and recommendation for volumetric sewer billing in its next rate case.

**Why is my sewer bill so much higher than my water bill?**

It is usually less expensive to treat drinking water than wastewater because the source water is typically much cleaner than wastewater. Also, treating wastewater is a complex process using sophisticated biological systems, multiple filters and modern disinfection methods, and can therefore have heightened environmental controls and regulatory standards compared to water. This can also result in energy and chemical costs that are higher for wastewater treatment.

**How will the new rates impact my bill?**

Please see below for a table of customer bill impacts for each service territory based on average customer usage levels.

Service Territory	Customer Group	Avg Use/ Month	Prior Rates			New Rates		
			Base Charge	Volume Charge	Total Bill	Base Charge	Volume Charge	Total Bill
<b>Water Territory #1</b>	Residential - Wells	4,700	\$ 14.38	\$ 26.27	\$ 40.65	\$ 14.38	\$ 39.34	\$ 53.72
	Residential - Purchased Water	4,600	\$ 14.38	\$ 34.73	\$ 49.11	\$ 14.38	\$ 51.98	\$ 66.36
<b>Water Territory #2</b>	Residential - Wells	3,900	\$ 28.59	\$ 40.05	\$ 68.64	\$ 28.59	\$ 49.57	\$ 78.16
	Residential - Purchased Water	3,600	\$ 28.59	\$ 42.66	\$ 71.25	\$ 28.59	\$ 52.78	\$ 81.37
<b>Consolidated Sewer</b>	Residential - Per SFE		\$ 65.08		\$ 65.08	\$ 78.25		\$ 78.25