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CONSUMER ADVISORY:

For Immediate Release

Columbia, S.C., May 21, 2018 –

PSC Grants CWS Rate Increase

The South Carolina Office of Regulatory Staff (ORS) is advising customers of Carolina Water Service, Inc. (CWS) of the decision made by the Public Service Commission of South Carolina (PSC) in the CWS rate case on May 17, 2018.

In this case (Docket No. 2017-292-WS), the ORS provided testimony that encompassed several key points that would have resulted in savings to CWS customers but were rejected by the PSC in favor of CWS.

Legal expenses. The ORS disallowed certain litigation expenses related to CWS' I-20 plant that totaled almost one million dollars, or \$998,606. While CWS claimed that these expenses were legitimately incurred for the benefit of its ratepayers, the ORS did not agree. These expenses arose from CWS' need to defend itself in suits brought by various entities such as the Congaree Riverkeeper, due to the Company's failure to properly operate and maintain its I-20 sewer system and numerous violations of its National Pollutant Discharge Elimination System permit, resulting in pollution of our rivers. The PSC ruled that the customers, not CWS, must pay these legal expenses.

Equalization Basin. The ORS recommended exclusion from the rate base of \$1,081,375 related to the installation of an equalization basin (EQ) liner at the Friarsgate plant; this liner was required by an SC Department of Health and Environmental Control consent order. As of the date of the hearing, the new liner had not yet been installed, was not in operation, and was not providing service to customers. Therefore, the liner is not "used and useful," and ORS' position was that its cost should be excluded from the rates. The PSC ruled in favor of CWS.

Return on Equity (ROE). The PSC gave the CWS' shareholders a profit of 10.5% which is significantly higher than the 9.08% recommended by the ORS.

Federal Tax Cuts and Jobs Act. The PSC denied the ORS' request to flow through to ratepayers all of the benefits of the federal Tax Cuts and Jobs Act in this case.

According to Acting Executive Director Nanette Edwards, "This ruling gives a green light to passing litigation costs to ratepayers where the utility failed to comply with the law, was sued, and then lost the litigation."

The Office of Regulatory Staff is an agency of the State of South Carolina. Its mission is to represent the public interest in utility regulation by balancing the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina. For more information, please visit the ORS web site at <http://www.regulatorystaff.sc.gov/>.

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