

Palmetto Utilities, Inc.

Town Hall Meetings January 28-29, 2020

Tuesday, January 28, 2020	North Springs Park Community Center 1320 Clemson Road Columbia, SC 29229	3:30pm – 5:00pm
Tuesday, January 28, 2020	North Springs Park Community Center 1320 Clemson Road Columbia, SC 29229	6:00pm – 7:30pm
Wednesday, January 29, 2020	Lake Carolina Elementary School 1261 Kelly Mill Road Blythewood, SC 29016	6:00pm – 7:30pm



Palmetto Utilities

Agenda

- Introductions
 - **Mark Daday** – President & Chief Financial Officer
 - **Bryan Stone** – Chief Operating Officer
 - **Andrena Powell-Baker** – Sr. Manager, Community Relations and Development
- Rate Case Process
- Need for Rate Increase
- Rate Increase – Future
- Neighboring Wastewater Rates
- Discussion
- Questions



Rate Case Process

- Rates are determined by the S.C. Public Service Commission
 - Formal legal process that takes about 6 months
 - Office of Regulatory Staff (ORS) and Consumer Advocate are parties to the case.
 - ORS audits the Company's financials
- Filed on November 27th, 2019 – New rates to be determined in May 2020
- Palmetto's last rate request was filed in August 2017 – expenses used to set rates were from as far back as 2016



How Rates are Determined – Brief Summary

- Rates required by law to be set to provide a reasonable return on the dollars a utility has invested.
 - The return levels in South Carolina are consistent with levels in other states
 - If returns are too low, no new investments will be made in state
- All expenses are recovered “dollar for dollar” – no profit
- Interest is recovered “dollar for dollar” – no profit
- Test year used to measure expenses and capital



Need for Requested Increase

- Palmetto was required to spend ~\$80 million of investment in 2 new major pipelines and doubling capacity of treatment plant.
 - Not all of the operating expenses for this new equipment were allowed to be recovered in the last case.
 - Also, the investment in a major part of the wastewater collection system is not being recovered; that issue was deferred to this case
 - The company has been absorbing these lack of recovery/return since that time, but it must now begin to recover its costs and investment
- Since the last rate case, \$6 million has been invested to increase reliability, refurbish underground piping and comply with environmental regulations
- Operating expenses have increased due to normal inflation
- **Property taxes comprise \$2.36 per month (16%) of the requested increase and \$9.61 of the total rate charged (~\$4 million)**



Phase-In of Increase

- Requesting a \$14.52 monthly increase (flat rate) to \$66.62
- Palmetto has volunteered to phase-in the rate increase in 3 smaller increases over a three-year period:
 - June 1, 2020* -- \$4.84
 - June 1, 2021* -- \$4.84
 - June 1, 2022* -- \$4.84
- Company would defer these increases without any interest charged (company will absorb the additional \$0.325 million of this interest).
- Palmetto is poised to keep rates flat for the foreseeable future due to customer growth and lower required investments

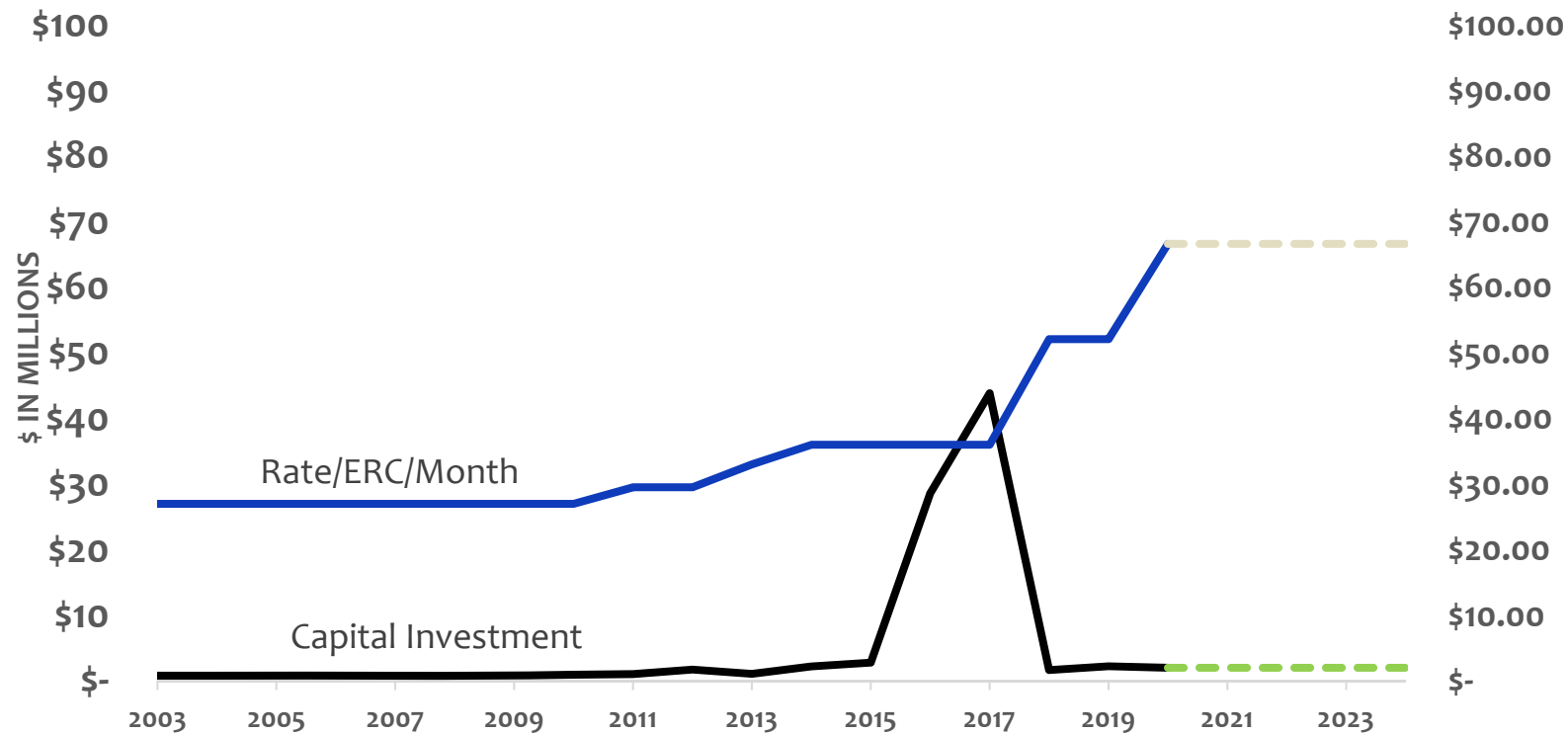
* Assumes SCPSC acceptance of requested rate and phase-in plan



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Investment and Rate Increases

Because of expected growth and low amount of capital investments, we don't expect to file for another rate increase for a considerable period of time*.



* Assumes continued growth and no extreme expenses increases.



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NEIGHBORING WASTEWATER RATES

	Current	Year 1	Year 2	Year 3
Town of Winnsboro ^{(1) (2)}	\$78.01	?	?	?
City of Columbia ^{(1) (2) *}	\$71.40	?	?	?
Town of Lexington ⁽²⁾	\$68.84	?	?	?
Carolina Water (Blue Granite) ⁽⁵⁾	\$65.08	\$101.30	?	?
City of Cayce ⁽²⁾	\$55.98	?	?	?
Richland County – Broad River	\$55.68	?	?	?
Lexington County Joint Municipal ⁽¹⁾	\$52.82	?	?	?
Palmetto Utilities (PUI) ⁽⁵⁾	\$52.10	\$56.94	\$61.78	\$66.62
Kershaw County ^{(1) (4)}	\$50.00	?	?	?
Midlands/DSI (Synergy)	\$43.00	?	?	?
City of Columbia (in city rates) ^{(1) *}	\$41.96	?	?	?
Palmetto Wastewater Reclamation	\$37.58	?	?	?
East Richland County PS District ⁽³⁾	\$35.77	?	?	?

- (1) Assumes 6,000 gal. per month
- (2) Out of city rates
- (3) Includes estimate of ad valorem tax subsidies
- (4) Does not include the impact of any tax revenues used to support wastewater system
- (5) Filed for increase with PSC

* Rates expected to rise significantly over the next 5 years due to \$750 million consent decree with EPA



Discussion

Why aren't the rates based on the amount of water used, instead of a flat rate?

How much do commercial customers pay?

What has the company done to minimize the impact of this rate increase?

Are there any governmental organizations or private groups that can help customers who need assistance and financial support with their bills?



Questions

Mark Daday – President & CFO

Bryan Stone – Chief Operating Officer

**Andrena Powell-Baker – Sr. Manager
Community Relations & Development**