

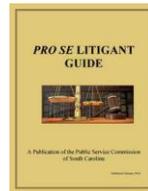


The WATER WELLSPRING

A FLOWING SOURCE OF INFORMATION FOR WATER AND WASTEWATER UTILITIES

Spring 2012

PSC Publishes *Pro-Se* Litigation Guide



The Public Service Commission has published a *Pro Se* Litigant Guide which outlines how individuals may represent themselves or participate in a hearing before the Commission. The guide is in no way an attempt to provide legal advice or replace legal advice from a licensed attorney. The guide may be downloaded from the PSC's website at www.psc.sc.gov

Preparing Customers For A Utility Rate Increase

The downward turn of the economy has created hardship for many people. It should be no surprise for a utility to receive complaints from its customers when an increase in rates is proposed. How should a utility prepare itself and its customers for a potential rate increase? The utility should schedule a 'town hall' meeting with the customers who will be affected by the proposed rate increase. Advise the customers of the utility's plans to request an increase in rates and why the increase is thought to be necessary. The utility should be prepared to answer customers' specific questions regarding the utility's operating and maintenance costs, what the utility is doing to provide adequate service, and when the utility would like to implement the proposed rate increase. Let the customers know when the utility plans to submit the application for a rate increase and inform the customers of how they may participate in the rate application process. Making customers aware of the utility's plans and giving them an understanding of how they may be affected financially by a rate increase will better enable the utility to build a rapport with its customers.

Reviewing Utility Assets

The Winter 2009 Issue of the *Water Wellspring* discussed the importance of a utility maintaining its Continuing Property Records (CPRs). CPRs are an important part of a utility's recordkeeping, especially when the utility submits a request and data for an increase in rates. Utilities are responsible for maintaining a list of current plant inventory and assets and must be able to identify and locate all the assets of the utility plant in service. This is especially important if the assets are spread over a wide area or the utility has an unusually large investment in fixed property and plant. The information that should be included in the inventory is as follows:

- Name of asset(s), description, code or serial number
- Location of property
- Date placed in service
- Original cost of the asset(s)
- Estimate of service lift (depreciation rate) and salvage value
- Current depreciation expense and accumulated depreciation
- All additions, modifications and retirements
- Taxing district in which property is located
- Asset control account and numbers to which property is charged

It is also important to ensure that the utility is current in payment of all property taxes. If the utility has not received a tax bill, check with the county assessor to ensure that the proper address is on file. Taxes not paid on property may result in that property being auctioned off by the county.

When a utility files for a rate increase, the ORS Audit Department will require a listing of CPRs to calculate the depreciation expense and to prove the existence of a utility's plant in service.

ORS To Speak At AWWA Conference In St. Louis



Congratulations to Willie Morgan, P.E., Program Manager in the ORS Water and Wastewater Department, who was chosen to present his white paper titled "Increasing Revenues Without Increasing Rates" to the AWWA 2012 Distribution System Symposium. The symposium will be held in St. Louis, Missouri, September 9-12, 2012. Please congratulate Willie on a job well done!

If you are interested in attending the 2012 AWWA Distribution Systems Symposium & Exposition 2012, visit AWWA's website at www.awwa.org/conferences for further information.

Accounting for Business Combinations



Utilities are required to obtain Commission approval prior to any sale, purchase, merger, or combination of facilities. The Uniform System of Accounts has certain requirements on recording the combinations. The initial transfer must be recorded in Utility Plant Account 104, “Utility Plant Purchased or Sold.” This account is temporary and within six months after the date of the acquisition or sale, the utility shall file with the Commission the proposed journal entries transferring the amounts from Account 104. When an existing water/sewer system or operating unit is acquired, the utility shall be obligated to obtain, from the seller, all existing records including records of plant construction dates and costs and records of accumulated depreciation applicable to such properties. The final recording of the original cost of the purchased property should be made to the following accounts:

- Credited from Account 104 and charged to the appropriate Utility Plant in Service Account (101 Accounts) and Account 102 – Utility Plant Leased to Others and Account 103 – Property Held for Future Use and Account 105 – Construction Work in Progress.
- Accumulated Depreciation and Amortization applicable to the original cost of the properties purchased
- Any property includable in Account 121 – Nonutility Property
- Contributions applicable to the property acquired shall be credited to Account 271 – Contributions in Aid of Construction
- Accumulated amortization applicable to contributed property shall be debited to Account 272 – Accumulated Amortization of Contributions in Aid of Construction.
- The remaining amount in Account 104 – Utility Plant Purchased or Sold -- shall then be closed to Account 114 – Utility Plant Acquisition Adjustments. The Commission may specify treatment of acquisition adjustments.

If property acquired is in such physical condition that it is necessary (substantially) to rehabilitate it in order to bring the property up to standards of the acquiring utility, the cost of such work, except replacements, shall be accounted for as a part of the purchase price of the property.

Source: Uniform System of Accounts for Water and Wastewater Utilities

Utilities or their representatives are encouraged to contact our office if they have any questions about how to record certain assets or depreciate assets in accordance with the NARUC Uniform Systems of Accounts.

Annual Report Reminder!

Regulations 103.512.1 (sewer) and 103.712.1 (water) require utilities to file an annual report with the PSC and ORS no later than April 1 if the utility's books are maintained on a calendar year; otherwise, the annual report is due within 3 months after the end of the fiscal year. Utilities providing both water and sewer service must provide a separate annual report for each industry. If you have not submitted your Annual Report, please do so immediately. Failure to submit this report may result in your utility being placed on a Rule To Show Cause before the Public Service Commission.

ORS Updates Website

The ORS has a new website that went live on May 2, 2012. The IP address remains the same (www.regulatorystaff.sc.gov), but the format has changed. Let us know if you have any comments or suggestions about the new website.

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