BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF WILKERSON WATER COMPANY AND PRIME HOOK WATE COMPANY FOR A GENERAL INCREASE IN WATER RATES AND A REQUEST TO CONSOLIDATE PRIME HOOK WATER COMPANY INTO WILKERSON WATER COMPANY (FILED JULY 25, 2014)	)))))))))	PSC DOCKET NO. 14-0254

ORDER NO. 8702

AND NOW, this 5th day of February, 2015:

WHEREAS, the Commission has received and considered the Findings and Recommendations of the Hearing Examiner, which is attached hereto as **Attachment "A"**, issued in the above-captioned docket, which was submitted after a duly-noticed public evidentiary hearing held on December 10, 2014;

WHEREAS, the Hearing Examiner recommends that the Commission approve the Proposed Settlement Agreement, which is endorsed by all the parties, and which is attached hereto as **"Attachment B"**, and;

WHEREAS, the Commission finds that the proposed rates and tariff modifications, and Company consolidation contained in the Proposed Settlement Agreement are just and reasonable, and that adoption of the Proposed Settlement Agreement is in the public interest;

WHEREAS, the Commission finds that the proposed consolidation of Prime Hook Water Company into Wilkerson Water Company complies with 26 Del. C. §215(d), which states, in relevant part, "[t]he Commission

shall approve any such proposed merger...when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest."

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. That by and in accordance with the affirmative vote of a majority of the Commissioners, the Commission hereby adopts the January 6, 2015 Findings and Recommendations of the Hearing Examiner, attached hereto as **"Attachment A"**.

2. That the Commission approves the proposed Settlement Agreement attached hereto as **Attachment "B"**, including the tariff modifications, proposed rates, and Company consolidation contained therein. The Settlement Agreement reflects an additional, annual revenue requirement for Wilkerson Water Company of $26,211 or approximately a 17% increase over current base rates for current Wilkerson Water Company customers and a 49% increase over current base rates for current Prime Hook Water Company customers. This revenue requirement amount is based upon an authorized Rate of Return of 8.3%.

3. That the final rates and Company consolidation contained in the proposed Settlement Agreement are approved for implementation effective for service as follows:

   a. Consolidation of operations of Prime Hook Water Company into Wilkerson Water Company effective, retroactively to, January 1, 2015. The Company will be known as Wilkerson Water Company and bill will, hereinafter, be issued from Wilkerson Water Company.

b. Wilkerson Water Company rates (including DSIC) effective April 1, 2015;

c. Prime Hook Water Company rates (including DSIC) effective July 1, 2015;

d. Miscellaneous Service Charges (Tapping, Turn on, Turn off) effective April 1, 2015;

These rates shall remain in effect until further Order of the Commission.

4. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

_____
Chair

_____
Commissioner

_____
Commissioner

_____
Commissioner

_____
Commissioner

ATTEST:

_____
Acting Secretary

A T T A C H M E N T "A"

BEFORE THE PUBLIC SERVICE COMMISSION

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FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

DATE: January 28, 2015

R. Campbell Hay
Hearing Examiner

TABLE OF CONTENTS

APPEARANCES 1

BACKGROUND 2

PREFILED TESTIMONY
- COMPANY 3
- PSC STAFF 4

PUBLIC COMMENTS 6

PROPOSED SETTLEMENT AGREEMENT 7

EVIDENTIARY HEARING
- COMPANY 8
- DIVISION OF THE PUBLIC ADVOCATE 8
- PSC STAFF 9

FINDINGS AND RECOMMENDATIONS 9

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FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

R. Campbell Hay, duly appointed Hearing Examiner in this docket pursuant to *26 Del. C. §502* and *Del. C. Ch. 101*, by Commission Order No. 8617, dated August 19, 2014, reports to the Commission as follows:

I. APPEARANCES

On behalf of the Applicant, Wilkerson Water Company:

DAVID A. WILKERSON
President, Wilkerson Water Company

On behalf of the Delaware Public Service Commission:

ASHBY & GEDDES
By: JAMES McC. GEDDES, ESQUIRE

On behalf of the Division of the Public Advocate:

REGINA A. IORII, ESQUIRE
Deputy Attorney General
Delaware Department of Justice

II. BACKGROUND

1. On July 25, 2014, the Wilkerson Water Company and Prime Hook Water Company ("Company" or "Companies") filed with the Delaware Public Service Commission an Application for an increase in its unmetered water rates.[1] (Exh. 2, p. 5)

2. The Application was published by mail to all Wilkerson Water Company and Prime Hook Water Company customers and was published in the Delaware State News newspaper on September 22, 2014. (Exh. 1, p. 3)

3. The proposed new rates are as follows:

	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
Quarterly - Wilkerson Water Company Cedar Creek Customers						
¾" Service	$58.75	$10.00	$68.75	4/1/2015	$275.00	17%
Semiannually - Other Wilkerson Water Company Customers						
¾" Service	$117.50	$20.00	$137.50	4/1/2015	$275.00	17%
1" Service	$192.50	$20.00	$212.50	4/1/2015	$425.00	10%
Annually - Prime Hook Customers						
Service	$185.00	$90.00	$275.00	7/1/2015	$275.00	49%
Miscellaneous Charges						
Tapping Charge	$500.00	$100.00	$600.00	4/1/2015		20%
Turn On Service	$50.00	$25.00	$75.00	4/1/2015		50%
Turn Off Service	$50.00	$25.00	$75.00	4/1/2015		50%

(Id. at p.12)

[1] The Evidentiary Hearing Exhibits will be cited herein as "(Exh.__)." References to the pages of the Evidentiary Hearing transcript will be cited as "(Tr.-__)." Schedules from the Company's Application or pre-filed testimony will be referred to as "(Sch.__)."

The Distribution System Improvement Charge (DSIC) will be set to zero.[2] (Id.)

4. The Companies also propose to consolidate the operations of Prime Hook Water Company with and into Wilkerson Water Company effective January 1, 2015. The Companies request that the Commission grant this request retroactively to January 1, 2015 since the Commission order will be after January 1, 2015. (Id. at p. 5)

5. On August 19, 2014, the Public Advocate exercised its statutory right to intervene in this Docket.

6. Staff also conducted a field audit at three plant locations and conducted a books and records audit on October 23, 2014 at the Company's offices in Milford, Delaware.

III. PRE-FILED DIRECT TESTIMONY

A. The Company

7. With its Application, the Company filed the Direct Testimony of Daniel J. Campbell, Jr. Mr. Campbell is a CPA with William E. Howe & Co. He stated that his responsibilities include preparation of the Companies' corporate and individual tax returns, preparation of the Companies' annual reports, and assisting in rate applications. He has served in that capacity for the Companies since 1983. (Exh 3, p. 1)

8. Mr. Campbell testified that the "rate increase is needed to bring the rates charged to customers closer to the cost of providing service and enable the Company to adequately maintain and upgrade its water plant." (Id.)

[2] The purpose of the statutorily-mandated DSIC charge is to reimburse a water utility for system improvements such as replacing water mains and meters, and system improvements to meet water quality standards. (26 Del. C. §314)

9. Mr. Campbell testified that, assuming the rate increases are approved, the Rate of Return[3] would be 8.3% for the combined Companies. If the Companies were accounted for separately, Wilkerson Water Company would earn 8.4% and Prime Hook Water Company would earn 8.12%.[4] (Id. at p. 2)

10. Mr. Campbell also testified that the purpose for consolidating the Companies is to simplify the record keeping and reporting requirements of the Companies. (Id. at p. 3)

11. Mr. Campbell also submitted an Independent Accountants' Compilation Report ("Report") with his testimony. The Report shows negative Net Operating Income of -$4,495 before the proposed rate increase and positive Net Operating Income of $15,848 after the proposed rate increase. (Exh. 2, p. 25)

B. Public Service Commission Staff

12. Staff proffered the pre-filed testimony of Public Utility Analyst Lisa Driggins in support of its position on the rate increases and consolidation. (Exh. 5, p. 1)

13. Ms. Driggins testified that the requested rate increase amounts to approximately .75% per year since the last increase for both companies. The dollar impact on Wilkerson Water Company customers is $1.66 per year since its last rate increase in 1991 and $3.00 per year for Prime Hook

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[3] Rate of Return is the Company's net operating income divided by the rate base. See, FPC v. Hope Nat. Gas Co., 320 US 591, 596-97 (1944).

[4] The combined average Rate of Return of the two Companies is based on Wilkerson Water Company comprising 65.7% of the assets of the combined companies and Prime Hook Water Company comprising 34.3% of the combined companies' assets. (See Exh. 3, Sch. 2-B).

Water customers since its last rate increase in 1984.[5] (Id. at p. 7)

14. Based on Staff's review of the Application and responses to data requests, Ms. Driggins testified that the Commission should approve the Companies' requests for rate increases and consolidation. However, Ms. Driggins stated that Staff recommends that the company file more timely applications for rate increases to avoid future rate shock to its customers. (Id.)

15. Ms. Driggins testified that after Staff's review of the Application and responses to data requests, Staff recommends as follows:

a. The Company should use a company credit card for all business related transactions, as opposed to Mr. Wilkerson's personal credit card as is currently the practice. (Id. at p. 5)

b. The Company should pursue any legal action available, after all internal attempts by the Company have been exhausted, in order to decrease the amount of uncollectables. (Id.)

c. The Company's well pump meter readings, currently recorded and stored in paper format, should be recorded and stored in an electronic format. (Id.)

d. The Company should supply each new customer a copy of the tariff and the tariff should be posted, or otherwise made available, in the Company's Milford office. (Id.)

e. Charitable contributions should not be included in the Company's rate base. (Id.)

f. The Company should develop, formalize, and adopt a succession

[5] Ms. Driggins' and the DPA's Andrea Maucher's testimonies states that Prime Hook Water Company has not increased rates since 1985 and 1995, respectively. The correct year, according to the filed Application, is 1984. (Exh. 2, p. 10)

A T T A C H M E N T "B"

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF WILKERSON WATER COMPANY AND PRIME HOOK WATER COMPANY FOR A GENERAL INCREASE IN WATER RATES AND A REQUEST TO CONSOLIDATE PRIME HOOK WATER COMPANY INTO WILKERSON WATER COMPANY (FILED July 25, 2014)	)	PSC DOCKET NO. 14-0254

PROPOSED SETTLEMENT

On this 3rd day of December, 2014, Wilkerson Water Company ("WWC") and Prime Hook Water Company ("PH"), (hereinafter the "Company"), both divisions of J.H. Wilkerson & Son, Inc., a Delaware corporation (hereinafter "Wilkerson"), the Staff of the Delaware Public Service Commission ("Staff"), and the Delaware Division of the Public Advocate (the "DPA") (individually each a "Party" and together, the "Settling Parties" or "Parties") hereby propose a settlement that, in the Settling Parties' view, appropriately resolves all issues raised in this proceeding.

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1. On July 25, 2014, the Company filed with the Public Service Commission of the State of Delaware (the "Commission") an Application (the "Application") with: (1) proposed revised tariffs designed to increase its rates for unmetered water service ranging from 10% to 49%; (2) reset the Distribution System Improvement Charge ("DSIC") to zero; and (3) increase certain miscellaneous charges for tapping, turn on, and turn off services (See **Exhibit "A"** attached hereto). In the Application, the Company also seeks to consolidate the operations of

PH into WWC effective January 1, 2015. The Company requested that the Commission grant this request retroactively to January 1, 2015 for both reporting and bookkeeping purposes.

2. The proposed rate increases are projected to produce an 8.3% rate of return and produce an additional $26,211 in annual revenues applied to a rate base of $190,966. WWC has not applied for a rate increase since 1991, and PH has not applied for a rate increase since 1982.

3. The DPA intervened in this docket on August 19, 2014. While the DPA did not file any testimony in this proceeding, the DPA reserved its right to attend hearings, cross-examine witnesses, serve interrogatories and, if deemed necessary, file briefs and present oral argument directly to the Commission. There were no other intervenors.

4. By Commission Order No. 8617 dated August 19, 2014, the Commission suspended the proposed rates and associated tariff changes pending a full evidentiary hearing and a final decision of the Commission.

5. On October 1, 2014, a duly noticed public comment session was held in Milford, Delaware at Carlisle Fire Company. No concerns were raised about the quality of service provided by the Company. However, one resident raised a concerned about why the Company did not have residential meters to accurately bill customers based on individual usage.

6. During the course of this proceeding, the Settling Parties have conducted substantial written discovery in the form of both informal and formal data requests. Staff also conducted a field audit

at three plant locations and conducted a books and records audit on October 23, 2014 at the Company's offices in Milford, Delaware.

7. On November 14, 2014, Staff filed testimony in which it identified certain operating expense adjustments and general recommendations for the Company going forward.

8. The Settling Parties have conferred and agree to enter into this Proposed Settlement on the terms and conditions contained herein because they believe that this Proposed Settlement will serve the interest of the public, while meeting the statutory requirement that rates be both just and reasonable. Subject to the recommendation of the Hearing Examiner, the terms and conditions of this Proposed Settlement will be presented to the Commission for the Commission's approval.

II. SETTLEMENT PROVISIONS

9. **Rates and Miscellaneous Charges:** The Settling Parties agree that the Company's proposed rates and increases to certain miscellaneous charges for tapping, turn on, and turn off services as set forth in the Company's Application are just and reasonable (See **Exhibit "A"** attached hereto).

10. **WWC DSIC:** That the current annual DSIC charge of $4.00 for WWC customers, which is being rolled over into the new rates, will be reset to zero on April 1, 2015.

11. **PH DSIC:** That the current annual DSIC charge of $9.25 for PH customers, which is being rolled over into the new rates, will be reset to zero on July 1, 2015.

12. **Consolidation:** That the consolidation of the operations of

PH with and into WWC is approved, effective retroactively to January 1, 2015, for both reporting and bookkeeping purposes.

13. **Applications for Rate Changes:** The Company agrees to make more timely applications to the Commission for rate increases to minimize customer rate shock.

14. **Succession Planning:** The Company agrees to submit to the Commission a confidential succession plan within 120 days of the Commission's final order in this proceeding. The purpose of this plan is to provide the Commission with current options being explored by management relating to the future operations and key personnel of its water divisions.

15. **Tariff:** Upon approval of this Settlement by the Commission, the Company shall file with the Commission tariff sheets that incorporate the terms and conditions of this Settlement within ten (10) days of the rate effective date. The Company will make its tariff available for new customers, the Commission, and available for public inspection at the Company's offices in accordance with 26 *Del. Admin. C.* §2001.

III. ADDITIONAL PROVISIONS

16. The provisions of this Proposed Settlement are not severable.

17. This Proposed Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any rate making or any other principle in any future case. No party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or

the resolution of any particular issue addressed in this Proposed Settlement other than as specified herein, except that each Party agrees that the resolution of the issues taken as a whole results in just and reasonable rates.

18. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

19. The Parties agree that this Proposed Settlement will be submitted to the Commission for a determination that it is in the public interest and that no Party will oppose such a determination. Except as expressly set forth herein, none of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

20. The Proposed Settlement will become effective upon the Commission's issuance of a final order approving it and all the terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

21. The obligations under this Proposed Settlement, if any, that apply for a specific term set forth herein shall expire automatically in accordance with the term specified, and shall require no further action for their expiration.

22. The Settling Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. The Settling Parties shall consider any final Commission order related to the enforcement or interpretation of this Proposed Settlement as an appealable order to the Superior Court of the State of Delaware. This shall be in addition to any other available remedy at law or in equity.

23. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order which prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any Party to the other Settling Parties.

24. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Settling Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Settling Parties may assert (a) in the event that the Commission does not issue a final, non-appealable order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or

other governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Settling Parties of all of the issues in this proceeding.

25. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission should fail to grant such approval, or should modify any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Settling Parties agree to waive the application of this provision. The Settling Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

26. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding.

27. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the person or entity executing it (or on whose behalf such signature is executed) with the same force and

effect as if such facsimile or ".pdf" signature page were an original thereof.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, intending to legally bind themselves and their successors and assigns, the undersigned parties have caused this Proposed Settlement to be signed by their duly authorized representatives.

J.H. Wilkerson & Son, Inc.

Dated: 12-3-14

By: David A. Wilkerson

David A. Wilkerson, President

Delaware Public Service Commission Staff

Dated: _____

By: _____

_____

Division of the Public Advocate

Dated: 12-3-14

By: [signature]

DAVID L. BONATE

IN WITNESS WHEREOF, intending to legally bind themselves and their successors and assigns, the undersigned parties have caused this Proposed Settlement to be signed by their duly authorized representatives.

J.H. Wilkerson & Son, Inc.

Dated: _____

By: _____

David A. Wilkerson, President

Delaware Public Service Commission Staff

Dated: 12/4/14

By: Connie S. McPowell

Senior Regulatory Policy Admin.

Division of the Public Advocate

Dated: _____

By: _____

_____

Exhibit "A"

Table of Rates

The proposed rate increases are as follows:

Quarterly - Wilkerson Water Company Cedar Creek Customers						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
3/4" Service	$58.75	$10.00	$68.75	4/1/2015	$275.00	17%

Semiannually - Other Wilkerson Water Company Customers						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
3/4" Service	$117.50	$20.00	$137.50	4/1/2015	$275.00	17%
1" Service	$192.50	$20.00	$212.50	4/1/2015	$425.00	10%

Annually - Prime Hook Customers						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
Service	$185.00	$90.00	$275.00	7/1/2015	$275.00	49%

Miscellaneous Charges						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
Tapping charge	$500.00	$100.00	$600.00	4/1/2015		20%
Turn on service	$50.00	$25.00	$75.00	4/1/2015		50%
Turn off service	$50.00	$25.00	$75.00	4/1/2015		50%

The DSIC charges will be set to zero.