



STATE OF DELAWARE

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November 6, 2014

MEMORANDUM

To: The Chair and Members of the Commission

From: Amy J. Woodward, Public Utility Analyst III

Subject: IN THE MATTER OF THE APPLICATION OF ARTESIAN WATER COMPANY, INC. FOR A REVISION OF RATES (FILED April 11, 2014) – PSC DOCKET NO. 14-132

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Application:

On April 11, 2014, Artesian Water Company, Inc. (“Artesian” or the “Company”) filed its application seeking approval of a rate increase of \$9,983,823 (the “Application”). The total amount being requested is a 15.91% increase over existing rates. The Company included in its application a request for authorization to collect temporary rates beginning June 10, 2014. As provided by 26 **Del. C.** §306(b) the Company filed to implement an increase of \$2,460,674 for rates effective June 10, 2014.

If approved, the current tariff filing of October 22, 2014 would allow the Company revised temporary rates to recover an additional \$7M in annual water service revenues or \$4.5 in additional revenues above the initial level of \$2.5M set to be recovered from temporary rates. The current application represents netting the impact of the previously approved temporary rates of 3.92% as implemented on June 10, 2014 to the 7.04% increase in the October 22, 2014 application to arrive at an overall increase of 10.96% increase. These temporary rates are expected to provide additional revenues from the

period beginning June 10, 2014 through March 31, 2005 of approximately \$2,497,063.

Staff would like to call the Commission's attention to the fact that Artesian's Supplemental Testimony dated June 30, 2014 is lower than the original application request to collect \$9,859,005 in annual water service revenues a 15.71% increase then that was made on April 11, 2014 and therefore could be considered to be a new rate change request subject to suspension under 26 **Del. C. §306 (a)(1)**. This would be a strict interpretation of the statute. Although the Commission has not previously considered this interpretation, it may present an issue in a future rate change application that exceeds the 15% limit.

#### Background:

Staff reviewed the Application for accuracy and has determined that the schedules, attachments, and proposed tariff leaves correctly represent the interim rates. The revenues to be recovered from the proposed interim rates set forth in the Application will result in additional revenues to Artesian of less than or equal to 15% of its annual gross intrastate operating revenues, and thus not exceed the 15% ceiling set forth in **26 Del. C. §306(b)**, which provides:

"(b) Upon termination of the 7 months as set forth in subsection (a)(1) of this section the proposed rate change shall automatically become effective if the public utility files with the Commission a bond in a reasonable amount approved by the Commission with sureties approved by the Commission, conditioned upon the refund, in a manner to be prescribed by order of the Commission, to the persons entitled thereto of the amount of the excess, if the rate so put into effect is finally determined to be excessive; or there may be substituted for such bond other arrangements satisfactory to the Commission for the protection of the parties interested. In no event shall a public utility put a rate into effect under bond as authorized in this subsection that would constitute an increase in excess of 15 percent of the public utility's gross intrastate operating revenues."

To comply with the requirements that such refund be "to the persons entitled thereto of the amount of the excess," Staff would expect the Company to maintain such billing records and determinants in order to ensure that any excess revenues collected can be appropriately refunded pursuant to the requirements of **26 Del.C. §306(b)**.

#### Staff Recommendation:

Staff respectfully recommends that the Commission approve implementation of the Company's proposed interim rates as filed in the Application with usage on or after November 13, 2014, subject to refund with interest.