

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)
SUSSEX SHORES WATER COMPANY CONCERNING)
THE ESTABLISHMENT OF A DISTRIBUTION)
SYSTEM IMPROVEMENT CHARGE UNDER THE) PSC DOCKET NO. 02-414
PROVISIONS OF 26 DEL. C. § 314 TO BE)
EFFECTIVE JANUARY 1, 2003)
(FILED NOVEMBER 26, 2002 AND AMENDED)
DECEMBER 16, 2002))

IN THE MATTER OF THE APPLICATION OF)
SUSSEX SHORES WATER COMPANY FOR APPROVAL)
TO ESTABLISH A DISTRIBUTION SYSTEM) PSC DOCKET NO. 03-224
IMPROVEMENT CHARGE (DSIC) UNDER THE)
PROVISIONS OF 26 DEL. C. § 314 TO BE)
EFFECTIVE JULY 1, 2003 (FILED MAY 30, 2003))

ORDER NO. 6551

This 11th day of January, 2005, the Commission determines and Orders the following:

1. On July 9, 2001, § 314 of the Public Utilities Act of 1974 was enacted into law and enabled water utilities within the Commission's jurisdiction to establish a "Distribution System Improvement Charge" ("DSIC"). 26 Del. C. § 314 (2002 Supp.), as added by, 73 Del. Laws ch. 138 § 2 (July 9, 2001). Under § 314, a water utility may seek to establish a DSIC as a surcharge to its approved rates, and to then adjust the DSIC semi-annually. The surcharge is calculated to recover the cost of the utility's investments in "eligible distribution system improvements." An audit is undertaken after the end of a calendar year to determine if the filing is in

compliance with § 314.¹ The annual audit procedure enables a more thorough review of the plant additions, and reconciliation of the estimated DSIC revenue with the actual DSIC revenue received over the twelve-month period. The Commission adopted this approval of the DSIC surcharge and the annual audit review process in PSC Order No. 5850 (Dec. 11, 2001), and it has been reaffirmed in subsequent DSIC orders.

2. In a January 5, 2005 memorandum, Staff indicates that it has completed its annual audit of Sussex Shores Water Company's ("Sussex Shores" or "Company") DSIC filings that the Commission approved to go into effect on January 1, 2003 in PSC Order No. 6079 (Dec. 17, 2002) and on July 1, 2003 in PSC Order No. 6188 (June 17, 2003) and amended in PSC Order No. 6214 (July 8, 2003).

3. Based upon Staff's audit, which the Company accepted and the Division of the Public Advocate did not oppose, the Commission finds that the two DSIC filings are consistent with § 314.

4. The Staff audit recommends PSC Dockets Nos. 02-414 and 03-224 now be closed.

Now, therefore, **IT IS ORDERED:**

1. That, as the result of the Staff's annual audit of the Sussex Shores Water Company's DSIC applications filed in PSC Dockets Nos. 02-414 and 03-224, the Commission finds these applications in compliance with 26 Del. C. § 314. Nothing in this Order shall preclude examination and challenge of Sussex Shores Water Company's claims in a base rate proceeding.

¹26 Del. C. § 314(b)(8) (2002 Supp.).

2. That the Commission explicitly reserves jurisdiction and authority over the DSIC Rates to conduct the review and audit as described in PSC Orders Nos. 6079 (Dec. 17, 2002) and 6188 (June 17, 2003), but that the annual audit of the filings made at PSC Dockets Nos. 02-414 and 03-224 are concluded and the proceedings are hereby closed.

3. 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:

/s/ Arnetta McRae
Chair

/s/ Joshua M. Twilley
Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

Commissioner

ATTEST:

/s/ Norma J. Sherwood
Acting Secretary