

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

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER ENVIRONMENTAL SERVICES, INC.)
FOR APPROVAL OF RATES TO GOVERN THE) PSC DOCKET NO. 05-217WW
PROVISION OF WASTEWATER SERVICES TO)
THE DEVELOPMENT OF THE RETREAT,)
SUSSEX COUNTY, DELAWARE)
(FILED JUNE 21, 2005))

ORDER NO. 6829

This 24th day of January, 2006, the Commission determines and Orders the following:

1. Tidewater Environmental Services, Inc. ("TESI") is a public wastewater utility subject to the regulatory supervision of this Commission. By a previous Order, the Commission granted TESI a Certificate of Public Convenience and Necessity to begin operations and provide wastewater services in a service territory encompassing a 161 lot development known as "The Retreat" near Rehoboth Beach in Sussex County. PSC Order No. 6724 (Sept. 20, 2005).¹ TESI has now asked the Commission to approve a schedule of rates and charges to govern its services in this service territory. The major components of such proposed rate schedule are: (a) an \$850 customer fee to be paid annually and (b) a front-end "Impact Fee" of \$7,850 to be paid at the time the initial customer purchases a lot in the

¹ TESI holds additional Certificates allowing it to provide wastewater services in numerous other areas located in both Kent and Sussex Counties. This Order, which focuses on rates, pertains only to "The Retreat" service territory. TESI represents that it has developed, or will develop, separate rates for each service territory that it is authorized to serve. The rates applicable in each territory will be linked to the costs to serve that particular area.

development/service territory. TESI represents that the annual fee will recover the costs associated with operating the wastewater system on a daily basis, including the costs of payroll, purchased power, chemicals, repairs, maintenance, and administration. The "Impact Fee" will recover the utility's capital costs incurred in the construction of the treatment and disposal system to serve the service territory.² TESI has provided to Staff its projections of revenues, expenses, capital costs, and customer growth related to serving "The Retreat" service territory.

2. Staff has conducted a preliminary analysis of the annual fee rate and the front-end "Impact fee" and tentatively concluded that such rates are supported by the data, estimates, and projections submitted by TESI. Staff recommends that the Commission permit TESI to put the annual rate and Impact Fee into effect, on a temporary basis, while also requiring TESI to provide public notice of the proposed rate and fee. Staff suggests that the Commission provide interested persons, including TESI's customers and the Division of Public Advocate, the opportunity to file objections or comments concerning TESI's proposed rates and fees.³ The Commission accepts Staff's recommendations and will - following to a large extent the process utilized in PSC Order No. 6675 (July 5, 2005) - allow the annual rate and Impact Fee to go into effect on a temporary basis

² TESI represents that (under an agreement) the developer has contributed the collection system in the development to TESI. In addition, TESI has required the developer to post an irrevocable letter of credit that can be utilized to recover the utility's capital investment if lot sales do not fully materialize and customer-paid "Impact Fees" consequently fall short.

³ Staff reports that 20 customers have already been connected to TESI's wastewater system in "The Retreat" development.

while soliciting comments and objections from any interested persons or entities. If comments or objections are forthcoming, or further information comes to light, the Commission can then determine what additional process, if any, might be appropriate before the Commission undertakes any final decision concerning the proposed rates, fees, and charges. Conversely, if no person or entity files objections or comments raising significant issues, the Commission might finally approve the rate and Impact Fee now allowed on a temporary basis without further hearings or protracted proceedings.

3. Finally, as of yet, TESI has not filed a proposed Tariff setting forth the rates and terms and conditions for its wastewater services in its "The Retreat" service territory. The Commission directs TESI to file such a document expeditiously. Staff can then review the document and if approved, such proposed Tariff will also go into effect on a temporary basis pending further Order of the Commission.

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

1. That, for the reasons set forth in paragraph 2 in the body of this Order, Tidewater Environmental Services, Inc., is hereby authorized to charge, on a temporary basis, an annual customer fee of \$850 for its wastewater services provided to customers within the service territory granted by PSC Order No. 6724 (Sept. 20, 2005). In addition, Tidewater Environmental Services, Inc., is hereby authorized, on a temporary basis, to charge a \$7,850 "impact Fee" to each customer initially taking wastewater services from the utility and to collect such fee at the time such initial customer purchases a

lot in the above described service territory. Both the annual rate and Impact Fee allowed to go into effect by this Order shall be subject to refund, in whole or in part, if the Commission shall later finally determine that such rate or fee is unjust or unreasonable.

2. That the rate and fee allowed to go into effect on a temporary basis under Ordering paragraph 1 shall be effective after Staff approves a proposed Tariff filed by Tidewater Environmental Services, Inc. Tidewater Environmental Services, Inc., shall file such proposed Tariff within ten days of the date of this Order. If such proposed Tariff is approved by Staff, such Tariff shall go into effect on a temporary basis to govern the terms and conditions and rates for the utility's wastewater services in the service territory granted by PSC Order No. 6724 (Sept. 20, 2005).

3. That Tidewater Environmental Services, Inc., shall cause to be published in The News Journal newspaper, in two-column format enclosed in black, the form of Notice set forth in Exhibit "A" to this Order. Such Notice shall be published on or before January 31, 2006. Tidewater Environmental Services, Inc., shall file proof of publication with the Commission prior to February 17, 2006. In addition, Tidewater Environmental Services, Inc., shall also cause a copy of the Notice attached hereto as Exhibit A to be sent, by first-class United States mail, to each customer presently connected to its wastewater system in the service territory granted by PSC Order No. 6724 (Sept. 20, 2005). Such notice shall be mailed on or before January 31, 2006. Tidewater Environmental Services, Inc., shall file

a certification of such mailing, listing the names and address of the persons so served, on or before February 17, 2006.

4. That the Secretary shall promptly serve a copy of this Order on the Division of the Public Advocate.

5. That, as outlined in the form of Notice and paragraph 2 of the body of this Order, interested persons or entities are afforded the opportunity to file objections to the rate and Impact Fee now allowed to go into effect on a temporary basis or any other terms and conditions contained in the proposed Tariff that is to be promptly submitted by Tidewater Environmental Services, Inc. Such objections or comments shall be filed on or before March 3, 2006. If the Commission does not receive any objections or comments raising significant issues, the Commission may, by later Order, approve the proposed Tariff submitted by Tidewater Environmental Services, Inc., and the rate and fee now allowed to go into effect without further notice or proceedings. If objections or significant comments are filed, the Commission will, by later Order, determine the course of any appropriate further proceedings.

6. That Tidewater Environmental Services, Inc., is hereby notified that it will, pursuant to 26 Del. C. § 114, be assessed the costs of this proceeding.

7. 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/ Joann T. Conaway

Commissioner

/s/ Dallas Winslow

Commissioner

/s/ Jaymes B. Lester

Commissioner

/s/ Jeffrey J. Clark

Commissioner

ATTEST:

/s/ Karen J. Nickerson

Secretary

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Notice of Filing of Initial Tariff and Rates
by Tidewater Environmental Services, Inc.,
to Govern Its Wastewater Services in its "The Retreat" Service
Territory in Sussex County, Delaware

TO: ALL INTERESTED PERSONS

Tidewater Environmental Services, Inc., ("TESI"), is a public wastewater utility subject to the regulatory supervision of the Public Service Commission ("PSC"). TESI currently holds a certificate to provide public wastewater services in a service territory encompassing the "The Retreat" development located near Rehoboth Beach in Sussex County. TESI has now asked the PSC to approve rates and charges for its wastewater services in the above service territory. Such rates include an annual customer fee of \$850 and a front-end "Impact Fee" of \$7,850. Such front-end Impact Fee would be collected from the initial customer at the time of the initial purchase of a lot in "The Retreat" development. The PSC's Staff has conducted a preliminary analysis of

TESI's proposed rate and Impact Fee and has tentatively concluded that such charges are supported by cost data submitted by TESI.

In PSC Order No. 6829 (Jan. 24, 2006), the PSC allowed the above annual rate and Impact Fee as proposed by TESI to go into effect on a temporary basis. The PSC now solicits from any interested person or entity comments or objections to TESI's proposed rate and "Impact Fee" as well as objections or comments pertaining to any of the terms and conditions set forth in a proposed Tariff that TESI has also been directed to file. If you wish to file any such comments or objections, you must file such document (10 copies) with the PSC by March 3, 2006. Such comments or objections shall be filed with the PSC at the following address:

Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, Delaware 19904
Attn: PSC Docket No. 05-217WW

You may also file a petition to intervene under Rule 21 of the Commission's Rules of Practice. Such petition also must be filed by March 3, 2006. Only persons or entities filing comments, objections, or petitions will receive notice of further proceedings in this matter.

If no comments or objections raising significant issues are submitted, the PSC may finally approve the rates proposed by TESI without further notice or further proceedings.

If you wish to participate in this matter, you should review PSC Order No. 6829. That Order is available at www.state.de.us/delpsc. You may review (and copy) the documents and supporting material

submitted by TESI at the PSC's office at the above-listed address. If you want more information you can contact the PSC at 1-800-282-8574 (Delaware only) or (302) 739-4247 (text telephone also). You can also send inquiries by Internet e-mail to robert.ambrose@state.de.us.