

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

IN THE MATTER OF THE APPLICATION OF)
SUSSEX SHORES WATER COMPANY REQUESTING)
APPROVAL OF THE SETTLEMENT AGREEMENT) PSC DOCKET NO. 06-30
BETWEEN THE COMPANY AND STAFF, AND TO)
PERMIT THE ONE-INCH METERED RATE TO BE)
REDUCED (FILED FEBRUARY 7, 2006))

ORDER NO. 6844

AND NOW, this 7th day of February, 2006;

WHEREAS, the Staff of the Public Service Commission ("Staff") has been engaged in discussions with Sussex Shores Water Company ("Sussex Shores" or the "Company") about, among other things, the standard size of its meter for residential service and its Demand Charges for residential service; and

WHEREAS, the Staff and Sussex Shores propose to enter into a settlement agreement whereby Sussex Shores shall adopt a ¾-inch meter as the standard size for future residential customers; and

WHEREAS, pursuant to the settlement agreement, residential customers with a one-inch meter shall be given the opportunity to change to a ¾-inch meter at the Company's expense; and

WHEREAS, pursuant to the settlement agreement, the Demand Charge for residential service with a ¾-inch meter shall be \$91.00 per quarter, until such time as the Commission may authorize a change in the Demand Charge; and

WHEREAS, pursuant to the settlement agreement, the Demand Charge for residential customers receiving service through a one-inch meter shall be reduced from the currently approved demand charge of \$201.00

dollars per quarter to \$150.00 per quarter, or until such time as the Commission may authorize a further change in the Demand Charge; now, therefore,

IT IS ORDERED:

1. That, the Commission approve the Settlement Agreement submitted by Sussex Shores Water Company and Staff attached hereto as Exhibit "B" and open this docket for further review.

2. That, Sussex Shores Water Company shall file new tariff pages with the Commission with the effective date of February 7, 2006 in accordance with the Settlement Agreement attached hereto as Exhibit "B."

3. That, pursuant to the requirements of 26 Del. C. §§ 102A and 304, Sussex Shores Water Company shall give public notice of its application for a change in the Demand Charge by causing the publication of the notice attached hereto as Exhibit "A" in The Wave newspaper on February 17, 2006, and the Delaware State News newspaper on February 15, 2006. Sussex Shores Water Company shall cause proof of such publication to be filed with the Commission as soon thereafter as is reasonably practicable.

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:

/s/ Arnetta McRae
Chair

PSC Docket No. 06-30, Order No. 6844 Cont'd.

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

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P U B L I C N O T I C E

TO: CUSTOMERS OF THE SUSSEX SHORES WATER COMPANY

On February 7, 2006, the Sussex Shores Water Company filed an application with the Commission requesting approval of a Settlement Agreement between the Company and the Public Service Commission Staff. This Agreement instructs the Company to notify all 1" metered residential customers that they have the option of changing their meters to a ¾"-meter and the customer's Demand Charge for the quarter will be \$91.00. If the customer decides to retain the 1" meter, then the new Demand Charge will be \$150.00 for the quarter instead of \$201.00.

The Commission is holding this proceeding open for further review by Staff and any other interested party. Any person wishing to participate as a party in this docket (PSC Docket No. 06-30) should file for leave to intervene with the Commission in accordance with Rule 21 of the Commission Rules of Practice and Procedure. Such

petitions should be filed on or before **Wednesday, March 8, 2006** at the Commission's office located at:

Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building
Suite 100
Dover, Delaware 19904
Attn: PSC Dckt. No. 06-30

Petitions filed thereafter will not be considered except for good cause shown.

Interested customers are urged to review the Settlement Agreement and any other supporting materials to see how their individual interest may be affected. Copies of the Settlement Agreement are available for public inspection during normal business hours in the Commission's Dover office at the address listed above.

Any individual with disabilities who wishes to participate in, or to review these proceedings, should contact the Commission to discuss any auxiliary aids or services needed to facilitate such review or participation. Such contact may be in person, by writing, by telephone, or otherwise. For inquiries, the Commission's toll free telephone number (in Delaware) is 1-800-282-8574. Any person with questions may also contact the Commission Staff at (302) 739-4247 or by Text Telephone at (302) 739-4333. Inquiries can also be sent by Internet e-mail to connie.mcdowell@state.de.us.

E X H I B I T "B"

**SETTLEMENT AGREEMENT
WITH SUSSEX SHORES WATER COMPANY**

This Settlement Agreement (the "Settlement"), is entered into as of this 7th day of February, 2006, by and among Sussex Shores Water Company ("Sussex Shores" or "the Company"), and the Staff of the Public Service Commission ("Staff").

IT IS HEREBY STIPULATED AND AGREED by Sussex Shores and Staff, that the parties will submit to the Commission for its approval the following terms and conditions for resolution of issues pertaining to Sussex Shores' rate structure:

1. Immediately, Sussex Shores shall adopt a $\frac{3}{4}$ -inch meter as the standard size for future residential customers, unless the customer requests a larger size meter and the Company obtains a signed statement from the customer authorizing the Company to install the larger sized meter;
2. The Demand Charge for residential service with a $\frac{3}{4}$ -inch meter shall be \$91 per quarter, until such time as the Commission may authorize a change in the Demand Charge;
3. The Demand Charge for residential customers receiving service through a 1" meter shall be reduced from the currently approved Demand Charge of \$201 per quarter to \$150 per quarter, or, until such time as the Commission may authorize a further change in the Demand Charge;

4. Residential customers presently served by a 1" meter will be given the opportunity to replace the 1" meter with a ¾-inch meter at the Company's expense. The Company shall send each 1" meter customer a letter instructing the customer to contact the Company to let them know if they want a ¾" meter or if they want to retain their 1" meter, the demand rates for each type of meter, and that there is no charge for this change out of meters. If the customer fails to contact the Company, that customer will retain the 1" meter. If the customer requests the ¾" meter, the Company will also adjust the customer's bill demand charge in that requesting period to the new rate of \$91.
5. The Company and Staff will agree on mutually acceptable language to be included in the Company's tariff to effectuate the provisions of this Settlement.
6. This Settlement is the product of extensive negotiations, and reflects a mutual balancing of various issues and positions. It is therefore a condition of the Settlement that it be approved by the Commission in its entirety without modification or condition. If this Settlement is not approved in its entirety, this agreement shall become null and void.

7. This Settlement shall not set a precedent, shall not have issue or claim preclusion effect in any future proceeding, and no party shall be prohibited from arguing a different policy or position before the Commission in any future proceeding. The purpose of this Settlement is to provide just and reasonable rates for the customers of Sussex Shores. In addition, the parties believe that the Settlement is in the public interest because, among other things, it avoids the additional cost of litigation.
8. The terms of this Settlement will remain in effect until changed by an Order of the Commission or until mutually agreed by the parties. The Commission retains jurisdiction over this agreement and all statutory procedures and remedies otherwise available to the parties to ensure that rates are just and reasonable.

DELAWARE PUBLIC SERVICE COMMISSION -
STAFF

Date: 2/7/06

/s/ Connie S. McDowell
Connie S. McDowell

SUSSEX SHORES WATER COMPANY

Date: 2/7/06

/s/ R. J. Short
President