

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

IN THE MATTER OF THE APPLICATION OF)
THE HAMLET AT DIRICKSON POND, LLC,)
FOR APPROVAL OF RATES TO GOVERN THE)
PROVISION OF WASTEWATER SERVICES TO) PSC DOCKET NO. 05-406WW
THE HAMLET AT DIRICKSON FARM SUB-)
DIVISION, SUSSEX COUNTY, DELAWARE)
(FILED NOVEMBER 17, 2005))

ORDER NO. 6862

This 14th day of March, 2006, the Commission determines and Orders the following:

1. In PSC Order No. 6782 (Nov. 22, 2005), the Commission granted "The Hamlet at Dirickson Pond, LLC" ("Hamlet utility") a Certificate of Public Convenience and Necessity to begin operations as a wastewater public utility. The Hamlet utility's service territory covers "The Hamlet," a new 81 home residential development now being constructed in Sussex County.¹

2. The Hamlet utility has filed its proposed Tariff. In that Tariff, the utility proposes to charge a \$410 annual customer fee (to be billed \$102.50 quarterly) for its services. The utility will not

¹The Hamlet utility's system is to be constructed, and paid for, by the Holmstead, LLC ("Holmstead"), the developer of The Hamlet. Staff reports that the Hamlet utility is expected to have a short life. Under an agreement between Holmstead and Sussex County; the Hamlet utility system will be connected to the County's sewer system within five years or when 75% of the lots in the Hamlet have been sold. In addition, the developer now assigns \$2,200 to an escrow account upon the sale of each lot. These escrowed amounts will be applied to the costs for connecting to the county's system. Until the system is connected to the County sewer system, the day-to-day operations of the Hamlet utility wastewater system will be performed by Whitemarsh Environmental Services, Inc., under a contract with the Hamlet utility.

assess any connection fee nor impose any front-end system development charge or customer contribution.

3. Staff has reviewed the projections of revenue, expenses, and growth submitted by the Hamlet utility to justify its proposed annual customer fee. In Staff's analysis, under such projections and estimates, the utility will suffer small losses in its initial years (as might be suspected in a start-up operation) but move to a small surplus from operations during the third year (as occupied lots escalate).² Staff recommends that the Commission find the utility's annual fee reasonable, but reduce its "returned check" fee from \$35 to \$25, the latter more closely tracking prevalent industry practices.

4. Based on Staff's recommendations, the Commission will approve, on a temporary basis and subject to refund, the Hamlet utility's proposed Tariff and its \$410 annual customer fee. The Commission will also approve, on a temporary basis and subject to refund, a "returned check" fee of \$25. Finally, the Commission will direct the utility, as a permanent obligation, to maintain a separate escrow account for per lot contributions being made by the developer to be used to defray connection costs when the Hamlet utility's system might be connected to a Sussex County sewer system. If the Hamlet utility proposes to use any amount in such escrow account for any other purpose, it shall provide reasonable prior notice to the Commission detailing the amount of funds to be utilized for the described "other" purpose.

²Staff conducted a cash flow analysis of the projected costs and revenues. The developer represents that it will cover any operating losses during the build-out of the development.

5. The Commission will direct the Hamlet utility to provide notice of its temporarily-allowed rates to the present lot owners in The Hamlet development. These owners/customers will then have an opportunity to express their views about such charges. If no one objects, the Commission may, by subsequent Order, finally approve the utility's Tariff and rates without further notice or proceedings.

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

1. That, for the reasons set forth in the body of this Order, the proposed tariff submitted by The Hamlet at Dirickson Pond, LLC, on November 17, 2005, is approved on a temporary basis, with the included rates subject to refund. The Commission approves, on a temporary basis and subject to refund, the annual customer fee of \$410 per year (to be collected on a quarterly basis) and a "returned check" fee of \$25.

2. That, pursuant to the provisions of 26 Del. C. § 102A, The Hamlet at Dirickson Pond, LLC, shall send the notice attached as Exhibit "A" to the persons owning a lot in "The Hamlet" development service territory as of the date of this Order. The utility shall send such notice to the owner's address by first class United States mail, mailed on or before March 28, 2006. The utility shall file a certification on or before April 7, 2006, listing the owners so notified and the date public notices were sent.

3. That, if no person or entity files an objection to the Tariff or rates approved on a temporary basis under Ordering paragraph 1, the Commission might, by subsequent Order, finally approve such Tariff and incorporated rates without further notice or further proceedings.

4. That, The Hamlet at Dirickson Pond, LLC, shall maintain a separate escrow account to hold the per lot sale amounts submitted by Holmstead, LLC, the developer of The Hamlet service territory (or its successor), and to be utilized to pay the expected costs of subsequently connecting the utility's system to a central sewer system operated by Sussex County. The utility shall not use the funds held in such separate escrow account for any other purpose except after prior notice to the Commission. Such notice shall be filed with the Commission a reasonable time in advance of the planned disbursement or use and shall identify the amount to be removed from the fund and the contemplated use for such disbursements.

5. The Commission reserves the jurisdiction and authority to enter such other or 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/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

ATTEST:

/s/ Jeffrey J. Clark
Commissioner

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

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**NOTICE OF PROPOSED RATES FOR
WASTEWATER SERVICES IN THE
HAMLET DEVELOPMENT**

**TO: ALL CURRENT LANDOWNERS IN THE HAMLET
DEVELOPMENT, SUSSEX COUNTY, DELAWARE**

In 2005, the Public Service Commission ("PSC") granted a certificate to The Hamlet at Dirickson Pond, LLC ("the Hamlet utility") to provide public utility wastewater services in a service territory encompassing The Hamlet development. Because the Hamlet utility is a public utility, its rates, terms, and conditions for its wastewater services in The Hamlet service territory are subject to the regulatory jurisdiction of the PSC.

The Hamlet utility has proposed a Tariff and rates to govern its wastewater services. By PSC Order No. 6862 (Mar. 14, 2006), the PSC allowed the following rates to go into effect on a temporary basis:

Annual Customer Fee of \$410
(billed in quarterly installments)

Returned Check Fee of \$25

If you wish to object to, or comment upon, these rates, or any other provisions in the Hamlet utility's proposed Tariff, you can do so by sending such written objections or comments to the PSC at the address below. You must file such objections or comments by April 28, 2006. Send your comments to:

Public Service Commission
861 Silver Lake Boulevard
Cannon Building
Suite 100
Dover, Delaware 19904
Attn: PSC Dckt. No. 05-406WW

If the PSC does not receive objections, it might finally approve the Tariff and rates without further notice or proceedings.

If you wish to review the proposed Tariff or the PSC's tentative analysis of the reasonableness of the rates, you can do so at the PSC's office in Dover. If you have any questions, you can contact the PSC by telephone at 1-800-282-8574 (Delaware only) or (302) 739-4247 (including text-telephone). You can also send inquiries by Internet e-mail addressed to robert.ambrose@state.de.us.