

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
ARTESIAN WATER COMPANY, INC., CONCERNING)
THE ESTABLISHMENT OF A DISTRIBUTION SYSTEM) PSC DOCKET NO. 07-327
IMPROVEMENT CHARGE UNDER THE PROVISIONS OF)
26 DEL. C. § 314 TO BE EFFECTIVE JANUARY 1,)
2008 (FILED NOVEMBER 30, 2007))

ORDER NO. 7332

This 18th day of December, 2007, the Commission determines and Orders the following:

I. BACKGROUND

1. Under the provisions of 26 Del. C. § 314 (2006 Supp.), a water utility may calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"). This charge allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible distribution system improvements" recently put into service.¹ Under the statutory scheme, a particular utility's DSIC Rate, once initiated, may thereafter be adjusted, on a semi-annual basis, to reflect eligible improvements put into service within a preceding six-month window. See 26 Del. C. § 314(b)(3), (5) (2006 Supp.).

¹The Commission has explained the DSIC Rate mechanism in greater detail earlier in PSC Orders Nos. 5850, 5851, and 5854 (all Dec. 11, 2001).

II. DSIC RATE ADJUSTMENT BY ARTESIAN WATER COMPANY, INC.

2. On November 30, 2007, Artesian Water Company, Inc. ("Artesian") filed an application to establish a DSIC Rate of 0.46%, which will be the initial DSIC Rate following its last rate case, PSC Docket No. 06-158. Such change is to be effective on January 1, 2008. According to Artesian, this DSIC Rate reflects additional net plant of \$2,091,995 placed in service between October 1, 2006 and October 31, 2007, which plant Artesian asserts is eligible for DSIC treatment under 26 Del. C. § 314.

3. Consistent with previous determinations, the Commission will allow the new DSIC Rate to go into effect on January 1, 2008. In doing so, the Commission does not specifically approve this DSIC Rate. Rather, this new Rate will be subject to audit, and review for its compliance with section 314, during the reconciliation proceeding to occur after December 31, 2008. See 26 Del. C. § 314(b)(8) (2006 Supp.). If the Commission then finds that this DSIC Rate does not comply with the statutory prerequisites or was not calculated according to the statutory formula, the Commission may revise the DSIC Rate and provide an appropriate remedy for any DSIC charges improperly collected.

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

1. That, under the provisions of 26 Del. C. § 314, the new Distribution System Improvement Charge Rate of 0.46 percent, as proposed by Artesian Water Company, Inc., in its application filed on November 30, 2007, is allowed to go into effect for services on and

after January 1, 2008. Such Distribution System Improvement Charge Rate shall be subject to later review, audit, or revision as described in the body of this Order. Further, Artesian Water Company, Inc. is put on notice that it may be obligated to make refunds or reimbursements to its subscribers if this new Distribution System Improvement Charge Rate is later found, in all or in part, to be inconsistent with the provisions of 26 Del. C. § 314 (2006 Supp.).

2. That Artesian Water Company, Inc., shall provide information to its subscribers concerning this new Distribution System Improvement Charge Rate as required by 26 Del. C. § 314(b)(1) (2006 Supp.).

3. That the Commission explicitly reserves jurisdiction and authority over the Distribution System Improvement Charge Rate to conduct the review and audit as described in this Order, and to conduct the annual reconciliation described in 26 Del. C. § 314(b)(8) (2006 Supp.).

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

/s/ Joann T. Conaway
Commissioner

/s/ Dallas Winslow
Commissioner

PSC Docket No. 07-327, Order No. 7332 Cont'd.

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary