

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER UTILITIES, INC., CONCERNING)
THE ESTABLISHMENT OF A DISTRIBUTION SYSTEM) PSC DOCKET NO. 08-126
IMPROVEMENT CHARGE UNDER THE PROVISIONS)
OF 26 DEL. C. § 314 TO BE EFFECTIVE)
JULY 1, 2008 (FILED MAY 23, 2008))

ORDER NO. 7399

This 17th day of June, 2008, 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 TIDEWATER UTILITIES, INC.

2. On May 23, 2008, Tidewater Utilities, Inc. ("Tidewater") filed an application to reset its DSIC Rate from its current 1.62% to 2.94%. Such change is to be effective on July 1, 2008. According to Tidewater, this increased DSIC Rate reflects an additional net eligible plant of \$1,401,673 placed in service between November 1, 2007 and April 30, 2008.

3. Consistent with previous determinations, the Commission will allow the reset DSIC Rate to go into effect on July 1, 2008. In doing so, the Commission does not specifically approve this new DSIC Rate. Rather, this reset 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 improperly collected.

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

1. That, under the provisions of 26 Del. C. § 314, the reset Distribution System Improvement Charge Rate of 2.94 percent, as proposed by Tidewater Utilities, Inc., in its application filed on May 23, 2008, is allowed to go into effect for services on and after July 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, Tidewater Utilities, Inc. is put on

notice that it may be obligated to make refunds or reimbursements to its subscribers if this reset 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 Tidewater Utilities, Inc., shall provide information to its subscribers concerning this reset 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/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

PSC Docket No. 08-126, Order No. 7399 Cont'd.

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary