

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) PSC DOCKET NO. 08-404
IMPROVEMENT CHARGE UNDER THE PROVISIONS)
OF 26 DEL. C. § 314 TO BE EFFECTIVE)
JANUARY 1, 2009 (FILED NOVEMBER 26, 2008))

ORDER NO. 7496

This 16th day of December, 2008, the Commission determines and Orders the following:¹

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. 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 (2006 Supp.), 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 (all Dec. 11, 2001).

II. DSIC RATE ADJUSTMENTS BY TIDEWATER UTILITIES, INC.

3. On November 26, 2008, Tidewater Utilities, Inc. ("Tidewater") filed an application to adjust its DSIC Rate from 2.94% to 5.25%, with such change to be effective on January 1, 2009. According to Tidewater, this increased DSIC charge reflects an additional net plant of \$2,097,386 placed in service between May 1, 2008 and October 31, 2008. As set forth in the application, the net effect of such improvements is a 2.31% increase in Tidewater's DSIC Rate. The net adjustments in this filing reflect a reduction due to an over-collection by the Company in PSC Docket No. 07-145.

4. Consistent with previous determinations the Commission will allow the adjusted DSIC Rate to go into effect on January 1, 2009. As with Tidewater's earlier DSIC Rates, the Commission does not specifically approve this new adjusted Rate. Rather, this adjustment will be subject to audit and review for compliance with section 314 during the reconciliation proceeding to occur after December 31, 2009. 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 adjusted DSIC Rate of 5.25 percent as proposed by Tidewater Utilities, Inc., in its application filed on November 26, 2008, is allowed to go into effect on January 1, 2009. Such DSIC 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 adjusted DSIC Rate is later found, in all or in part, to be inconsistent with the provisions of 26 Del. C. § 314.

2. That Tidewater Utilities, Inc., shall provide information to its subscribers concerning this adjusted DSIC Rate as required by 26 Del. C. § 314(b)(1).

3. That the Commission explicitly reserves jurisdiction and authority over the DSIC 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).

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:

Chair

/s/ Joann T. Conaway
Commissioner

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

/s/ Jaymes B. Lester
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary