

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF ARTESIAN WATER COMPANY, INC.) PSC Docket No. 08-96
FOR AN INCREASE IN WATER RATES)
(Filed April 22, 2008))

ORDER NO. 7657

NOW, this 22nd day of September 2009:

WHEREAS, the Commission has received and considered the Findings and Recommendations of the Hearing Examiner ("the Report"), which is attached hereto as "Attachment A," issued in the above-captioned docket, which was submitted after duly noticed public evidentiary hearings;

AND WHEREAS, the Hearing Examiner recommends that the Commission approve the Proposed Settlement Agreement (submitted into evidence as Hearing Exhibit 39 at the August 24, 2009 evidentiary hearing), which is endorsed, or not objected to, by all the parties, and which is attached to the Report as "Exhibit A;"

AND WHEREAS, the Commission finds that the proposed rates and tariff changes are just and reasonable and that adoption of the Proposed Settlement Agreement is in the public interest;

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. That, by and in accordance with the affirmative vote of a majority of the Commissioners, the Commission hereby adopts

the September 15, 2009 Findings and Recommendations of the Hearing Examiner, attached hereto as "Attachment A."

2. That the Commission approves the Proposed Settlement Agreement, the proposed rates and tariffs therein, attached as "Exhibit A" to the Findings and Recommendations of the Hearing Examiner, which reflect the rates the Company placed under bond in December 2008 pursuant to PSC Order No. 7499.

3. That as provided in the Settlement Agreement, the Company is allowed a return on equity of ten (10%) percent.

4. That in the final rates will become effective with usage on or after the date of this Order.

5. That Artesian Water Company, Inc. shall file revised tariff pages reflecting the approved effective date.

6. 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. 08-96, Order No. 7657

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Katie Rochester
Acting Secretary

A T T A C H M E N T "A"

IN THE MATTER OF THE APPLICATION)
OF ARTESIAN WATER COMPANY, INC.) PSC Docket No. 08-96
FOR AN INCREASE IN WATER RATES)
(Filed April 22, 2008))

FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

DATED: SEPTEMBER 15, 2009

RUTH ANN PRICE
SENIOR HEARING EXAMINER

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF ARTESIAN WATER COMPANY, INC.) PSC Docket No. 08-96
FOR AN INCREASE IN WATER RATES)
(Filed April 22, 2008))

FINDINGS AND RECOMMENDATIONS OF THE HEARING EXAMINER

Ruth Ann Price, duly appointed Hearing Examiner in this docket pursuant to 26 Del. C. § 502 and 29 Del. C. Ch. 101, by Commission Order No. 7384, dated May 6, 2008, reports to the Commission as follows:

I. APPEARANCES

_____ On behalf of the Applicant, Artesian Water Company, Inc.:

MORRIS, NICHOLS, ARSHT AND TUNNELL LLP
BY: MICHAEL HOUGHTON, ESQUIRE,
R. JUDSON SCAGGS, JR., ESQUIRE, and
GEOFFREY A. SAWYER, III, ESQUIRE

On behalf of the Delaware Public Service Commission:
ASHBY & GEDDES

BY: JAMES McC. GEDDES, ESQUIRE, Rate Counsel

On behalf of the Intervenor, The Division of the Public Advocate:

BY: KENT WALKER, ESQUIRE, Deputy Attorney General,
Delaware Department of Justice

On behalf of the Intervenor, Christiana Care Health Services, Inc.:

RICHARDS, LAYTON & FINGER
BY: GLENN C. KENTON, ESQUIRE

On behalf of the Intervenor, General Motors Corporation:

CHRISTIAN & BARTON LLP
BY: MICHAEL J. QUINAN, ESQUIRE

II. BACKGROUND

1. On April 22, 2008, the Artesian Water Company, Inc. ("Artesian" or the "Company") filed an application and supporting direct testimony with the Delaware Public Service Commission ("Commission") seeking to revise its currently effective water rates and certain changes to its tariffs. In its application, Artesian requested approval of rates which would allow the Company to meet an additional revenue requirement of \$14,232,000, or an increase over current rates of approximately 28.8%.

2. After reviewing the application, the Commission initiated this docket pursuant to 26 Del. C. § 306(a) (1), and by PSC Order No. 7384, dated May 6, 2008, suspended the proposed rate increases pending full and complete evidentiary hearings into the justness and reasonableness of the proposed rates and tariffs, designated me as Hearing Examiner to conduct such hearings and, thereafter, to report to the Commission my proposed findings and recommendations concerning this matter.

3. On May 20, 2008 the Commission entered PSC Order No. 7396 pursuant to which Artesian placed into effect on or before June 21, 2008 approximately \$2,500,000 of the proposed increase under bond, and subject to refund as permitted under 26 Del. C. § 306(c).

4. A procedural schedule was developed for the conduct of this docket, pursuant to which duly publicized public

comment sessions were held at the Carvel State Office Building Auditorium, 820 North French Street, Wilmington, Delaware on August 5, 2008; at the Bethany Beach Town Hall, 214 Garfield Parkway, Bethany Beach, Delaware 19930 on August 6, 2008; and at the offices of the Commission, 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904 on August 7, 2008. The Commission received approximately sixty (60) letters from the public all of which objected to Artesian' s proposed increase.

5. Pursuant to 29 Del. C. § 8716, the Division of the Public Advocate (the "DPA") exercised its statutory right of intervention in this proceeding to represent the interests of consumers. On June 3, 2008, pursuant to Rule 21 of the Commission's Rules of Practice and Procedure, the General Motors Corporation ("GM") and Christian Care Health Services, Inc. ("CCH") (collectively, "the Intervenors") each separately intervened in this proceeding.

6. On July 11, 2008, Artesian filed supplemental testimony, the result of which was to reduce Artesian's requested revenue increase to \$13,553,745, reflecting an actual increase over current rates of approximately 27.3%. Thereafter, the Public Service Commission Staff ("Staff"), the DPA and the Intervenors conducted extensive written discovery of the Company, and Staff performed a rate case audit of Artesian' s books and records extending over a period of several weeks.

7. On September 29, 2008, Staff, the DPA and

the Intervenor's filed written testimony in which they recommended certain adjustments to Artesian's requested revenue increase. The parties' pre-filed testimony addressed in detail various issues, including: Artesian's pro forma rate base calculation, operating revenues; operations and maintenance expenses; and rate of return.

8. On October 31, 2008, the Company submitted prefiled rebuttal testimony.

9. Pursuant to
26 Del.
C. § 306(b),
on

December 1, 2008, Artesian submitted a petition to increase its allowable rates under bond by 10%. On December 16, 2008, the Commission authorized Artesian to place into effect, subject to refund, temporary rates not to exceed 15% of the Company's annual gross intrastate operating revenues. (PSC Order No. 7499) . On December 17, 2008, Artesian placed the authorized increased temporary rates into effect.

10. On December 8 and 9, public evidentiary hearings were held during which the parties sponsored their witnesses pre-filed testimonies. The pre-filed testimonies of the parties and exhibits were introduced into the record, and all of the parties' witnesses were extensively cross-examined. No

members of the public attended the evidentiary hearings. During the hearing, the DPA propounded two in-hearing data requests, which the Company responded to on December 15, 2008. The record, then consisting of 45 exhibits and 537 pages of transcript, was closed.

11. Pursuant to the briefing schedule established at the conclusion of the evidentiary hearings, the Company submitted its opening brief on February 23, 2009. Staff, the DPA, GM and CC filed their answering briefs on March 3, 2009. The Company filed its reply brief on March 23, 2009.

12. On April 16, 2009, Staff forwarded to me a request to reopen the record regarding the Company's proposal to implement monthly billing and proposed tariff changes to certain non-recurring charges. I denied Staff's motion to reopen the record on April 29, 2009, as reopening the record would unduly delay resolution of the rate case, cause unnecessary costs for the Parties, and unfairly prejudice the Company.

13. On July 29, 2009, the Company sent me a letter advising me that the Company, Staff and the DPA had agreed in principle to settle Artesian's application for an increase in water rates, subject to the Commission's approval. On August 17, 2009, the Parties provided me with a copy of the settlement agreement executed by all of the Parties, except GM. A copy of the agreement reflecting the terms of the parties' proposed settlement is attached hereto as Exhibit A (the "Settlement Agreement").

14. Accompanying the Settlement Agreement was a letter from Motors Liquidation Corporation's ("MLC") counsel Michael Quinan, Esq. MLC is the respondent in this proceeding formerly known as General Motors Corporation. The letter states that MLC's reasons for not joining the Settlement Agreement are

not related to the substance of the agreement or to the positions MLC had taken on the record in this proceeding, and that MLC is not opposed to the Settlement Agreement. A copy of the letter from MLC is attached hereto as Exhibit B.

15. I have considered the entire record of this proceeding. Based upon my review of that record, I submit for the Commission's consideration these Findings and Recommendations.

III. THE PARTIES' POSITIONS

16. Artesian. The evidentiary record includes the following pre-filed testimony sponsored by the Company: Direct testimony from: 1) Bruce P. Kraeuter, the Company's Vice President of Engineering and Water Supply Operations (H. Ex.27); 2) Richard S. Minch, the Company's former Controller (H. Ex. 32); 3) David B. Spacht, the Company's Chief Financial Officer (H. Ex. 30); 4) Paul R. Herbert, President of the Valuation and Rate Division of Gannett Fleming, Inc. (H. Ex. 15); 5) John J. Spanos, Vice President of Gannett Fleming, Inc. (H. Ex. 23); and 6) Pauline M. Ahern, CRRA, a Principal with AUS Consultants (H. Ex. 2). Pre-filed supplemental testimony from Mr. Kraeuter and Mr. Spacht (H. Exs. 27A and 30A respectively). Finally, rebuttal testimony from Mr. Spacht (H. Ex. 31), Mr. Kraeuter (H. Ex. 28), Mr. Herbert (H. Ex. 16), Mr. Spanos (H. Ex. 24) and Ms. Ahern (H. Ex. 2) . Mr. Spacht, Mr. Kraeuter, Mr. Spanos, Ms. Ahern and Mr. Herbert testified at the evidentiary hearing.

17. The Company's final litigated position supported a \$13,552,744 increase in annual revenue, which was based upon a claimed rate base of \$194,134,637, operating income of \$8,464,594, a return on common equity ("ROE") of 11.60% and an overall proposed rate of return of 8.56% (H. Ex. 2 at p. 3) as of the end of the test period, the twelve months ending September 30, 2008.

18. Commission Staff. Staff sponsored the testimony of the following witnesses: 1) David C. Parcell, Executive Vice President and Senior Economist of Technical Associates, Inc. (H. Ex. 9); 2) Ralph C. Smith, senior utility regulatory consultant with Larkin & Associates, PLLC (H. Ex. 37 and 37A); 3) Frank W. Radigan, a Principal in the Hudson River Energy Group (H. Ex. 18); 4) Courtney A. Stewart, Public Utilities Analyst with the Commission (H. Ex. 19); 5) Heidi L. Wagner, Public Utilities Analyst with the Commission (H. Ex. 20); 6) Lefeisha D. Williamson, Public Utilities Analyst with the Commission (H. Ex. 21); and Kevin S. Nielson, the Commission's Regulatory Policy Administrator in the Water and Wastewater Division (H. Ex. 22) . All of above-mentioned witnesses testified at the evidentiary hearing.

19. The Staff's final litigated position supported a \$5,911,389 increase in annual revenues based upon a rate base of \$189,638,592, operating income of \$11,027,332, a return on equity of 10.00%, and an overall rate of return of 7.81%.

20. **DPA.** The DPA sponsored the testimony of the following witnesses: 1) James D. Cotton, Principal and Chairman of the Columbia Group, Inc. (H. Ex. 36, Ex. 36A); and 2) Andrea C. Crane, President of The Columbia Group, Inc., (H. Ex. 7). Both Mr. Cotton and Ms. Crane testified at the evidentiary hearing. DPA's final litigated position supported a \$5,685,080 increase in annual revenues based upon a rate base of \$186,392,545, operating income of \$11,165,630, a cost of common equity of 10.11%, and an overall rate of return of 8.00%.

21. Intervenors: GM and CCH jointly sponsored the testimony of Michael Gorman, an analyst and managing principal of Brubaker & Associates, Inc. (H. Ex. 13) . Mr. Gorman testified at the evidentiary hearing, but prior to the hearing, withdrew the portions of his pre-filed testimony related to cost of service and rate design. The Intervenors final litigated position recommended an overall rate of return of 7.81% based on a 10% return on equity.

22. After the conclusion of the briefing, I asked the parties to submit a list of issues that were uncontested in this proceeding. On June 24, 2009, a joint list of uncontested issues was submitted to electronic mail, which is attached hereto as Exhibit C.

IV. SUMMARY AND DISCUSSION OF THE PROPOSED SETTLEMENT

A. The Proposed Settlement

23. The parties entered into a proposed Settlement Agreement on August 19, 2009. The Settlement Agreement provides

that the rates the Company will implement for the rate effective period shall be the rates the Company put into place under bond pursuant to PSC Order No. 7499 (Dec. 16, 2008). The settlement rates are reflected on the proof of revenue exhibit attached to the Settlement Agreement as Exhibit A. As part of the Settlement Agreement, Artesian has agreed not to apply for a further rate increase for an eighteen (18) month period from the date of the Commission's order approving the Settlement Agreement.

24. In addition, the Parties stipulated that during the rate effective period the Company is allowed a return on equity of 10%.

25. Further, the Parties have agreed that the revenue being recovered by the Company pursuant to the Settlement Agreement does not include any recovery of funds attributable to state income tax expense, because it is unlikely that any state income tax will be paid by the Company during the rate effective period.

The Company's right to raise and argue this in any further proceeding is not compromised.

26. Finally, as part of the Settlement Agreement the Company agrees it will delay the implementation of its monthly billing pilot program until June 30, 2010. Staff shall commence a "workshop" on or by January 31, 2010 to be completed on or by June 30, 2010, which will consider the potential cost savings associated with the proposed change from quarterly to monthly

billing, as well the Company's long-term proposals regarding automatic meter reading and potential roll-out of monthly billing to its entire customer base.

27. As noted by its terms, the Settlement Agreement is the product of extensive negotiation among the parties, and reflects a mutual balancing of various issues and positions. The Settlement Agreement 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 Parties have concluded that the settlement on the agreed upon terms and conditions will serve the interest of the public and Artesian, while meeting the statutory requirement that rates be both just and reasonable.

28. The parties differed as to the proper resolution of many of the remaining underlying issues in the rate proceeding and have, therefore, preserved their rights to raise those issues in future proceedings.

B. Discussion

29. The Commission has jurisdiction over this matter. 26 Del. C. §201(a). The parties have demonstrated that the proposed Settlement Agreement results in just and reasonable rates and should be approved by the Commission. For the reasons discussed below, I concur and recommend to the Commission its approval and adoption.

30. All parties to this proceeding have either entered into the proposed settlement agreement, or for reasons

not related to the substance of the settlement, have stated that they have no objection to the Settlement Agreement. Pursuant to the Proposed Settlement, the settlement rates are the same rates that went into effect on December 17, 2008, when the Company was permitted by the Commission to increase its allowable rates under bond by 15% pursuant to 26 *Del. C.* § 306(b) in PSC Order No. 7499. These rates applied to test year determinants equate to an overall annual revenue increase which is considerably less than the Company proposed. See Exhibit E. Therefore, the amount of the settlement's increase is far below the amount that the Company originally proposed, and moderates the impact on customers.

31. Based upon my review of the entire record, I find that the approval of the Proposed Settlement is in the public interest because it balances the interests of ratepayers and the Company. It is clear from the record that the agreement was a product of extensive negotiation between the parties, conducted after the completion of thorough investigations by Staff, the DPA and the Interveners, including a two-day evidentiary hearing. The Settlement Agreement reflects a mutual balancing of various issues and positions. In addition, it is significant that the parties, all of whom maintain that the Proposed Settlement is in the public interest, represent a wide variety of interests. Finally, I note that settlements are encouraged under Delaware law, particularly when supported by all parties. 26 *Del. C.* § 512.

V. RECOMMENDATIONS

32. In summary, and for the reasons stated above, I find that the proposed settlement is just and reasonable, and is overall a fair resolution of the issues in this matter. Accordingly, I recommend that the Commission adopt this report and approve the Settlement Agreement, confirming that the settlement rates can immediately be placed into effect and shall remain effective until further changed by Commission Order.

33. A form of order implementing the foregoing recommendations is attached for the Commission's consideration.

Respectfully submitted,

Ruth Ann Price
Senior Hearing Examiner

Dated: September 15, 2009

EXHIBIT A

PARTIES' PROPOSED SETTLEMENT AGREEMENT

FORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION
OF ARTESIAN WATER COMPANY, INC.
FOR A REVISION OF RATES
(Filed April 22, 2008)

PSC Docket No. 08-96

PROPOSED SETTLEMENT AGREEMENT

This Settlement Agreement (the "Settlement"), is entered into by and among Artesian Water Company, Inc. ("Artesian" or "the Company"), the Staff of the Public Service Commission ("Staff"), the Division of the Public Advocate ("DPA") and Christiana Care Health Services, Inc. ("CCH")(collectively, the "Parties").

WHEREAS, on April 22, 2008, Artesian filed an application with the Public Service Commission of the State of Delaware (the "Commission"), pursuant to 26 Del. C. §§ 201, 209, 304 and 306, seeking a revision of its water service rates designed to produce an additional \$14,232,000 in annual revenues, or an increase over current rates of approximately 28.8% (the "Application"); and

WHEREAS, Pursuant to Commission Order No. 7384 dated May 6, 2008, this matter was assigned to Hearing Examiner Ruth A. Price (the "Hearing Examiner") for the purpose of conducting evidentiary hearings concerning the justness and reasonableness of the requested rate increase; and

WHEREAS, on May 20, 2008 the Commission entered Order No. 7396 pursuant to which Artesian placed into effect a portion of the proposed increase under bond, and subject to refund as permitted under 26 Del. C. § 306(c); and

WHEREAS, on July 11, 2008, Artesian filed a supplement to the Application based on information received subsequent to April 22, 2008, the result of which was to reduce its requested revenue request to \$13,553,745, reflecting an actual increase over current rates of approximately 27.3%.

WHEREAS, on September 29, 2008, Staff filed testimony in which it took the position that Artesian should be allowed an additional revenue requirement of \$5,911,388; and

WHEREAS, pursuant to 29 Del. C. § 8716, the DPA intervened in this proceeding, and on September 29, 2008, filed testimony in which it took the position that Artesian should be allowed an additional revenue requirement of \$ 7,125,806; and

WHEREAS, on June 3, 2008, pursuant to Rule 21 of the Commission's Rules of Practice and Procedure, General Motors Corporation ("GM") and CCH each separately intervened in this proceeding, and on September 29, 2008, filed joint testimony in which GM and CCH's expert testified that the Company should receive an overall rate of return of 7.8% based on a 10% return on equity; and

WHEREAS, on December 1, 2008, pursuant to 26 Del. C. § 306(b), Artesian submitted a petition to increase its allowable rates under bond by 10%. On December 16, 2008, the Commission authorized Artesian to place into effect, subject to refund, temporary rates not to exceed 15% of the Company's annual gross intrastate operating revenues. (PSC Docket No. 08-96, Order No. 7499). On December 17, 2008, Artesian placed the authorized increased temporary rates into effect.

WHEREAS, on December 8 and 9, Senior Hearing Examiner Ruth Ann Price conducted public evidentiary hearings during which the Company's witnesses were

cross-examined by counsel for Staff, the DPA, GM and CCH. After the evidentiary hearings, the Parties submitted extensive post-trial briefing; and

WHEREAS, if this matter continues to be litigated, any party whose position is rejected by the Hearing Examiner has the right to take exceptions to the Commission. Any party that is unsuccessful in arguing its position to the Commission has the right to appeal to the Delaware Superior Court, and also to the Delaware Supreme Court; and

WHEREAS, it is acknowledged that the Parties differ as to the proper resolution of many of the underlying issues in the rate proceeding and are preserving their rights to raise those issues in future proceedings, but believe that settlement of the pending rate proceeding on the terms and conditions contained herein, will serve the interest of the public and the Company, while meeting the statutory requirement that rates be both just and reasonable;

IT IS HEREBY STIPULATED AND AGREED by Artesian, Staff, the DPA, and CCH that the Parties will submit to the Commission for its approval the following terms and conditions for resolution of this rate proceeding:

1 The rates the Company will implement for the rate effective period shall be the rates the Company put into place under bond in December 2008, which were reviewed and approved by the Commission pursuant to PSC Order No. 7499. Such rates are reflected on Column F of the attached proof of revenue exhibit. Attached hereto as Exhibit A. The Parties acknowledge that these rates have been agreed to as a compromise of the Parties' positions, and the Parties believe that these proposed awards are within the bounds of the statutory requirement

of a fair rate of return, based on circumstances specifically unique to Artesian. Changes will be made to the Company's tariff in order to reflect these rates.

2. The Company agrees not to apply for further rate increase for an 18-month period from the date of the Commission's Order closing this Docket.

3. The Company is allowed a return on equity of 10%.

4. The Parties have agreed that the revenue being recovered by the Company pursuant to the settlement does not include any recovery of funds attributable to state income tax expense, because it is unlikely that any state income tax will be paid by Artesian during the rate effective period. Artesian's right to raise and argue the issue in any further proceeding is not compromised.

5. The Parties have agreed to certain changes to Artesian's Rules and Regulations. Artesian's revised Tariff is attached hereto as Exhibit B.

6. The Company agrees it will delay the implementation of its monthly billing pilot program, which was identified in the Application, until June 30, 2010. Staff shall commence a "workshop" on or by January 31, 2010 to be completed on or by June 30, 2010, and which will consider the potential cost savings associated with the proposed change from quarterly to monthly billing, as well the Company's long-term proposals regarding automatic meter reading and potential roll-out of monthly billing to its entire customer base.

7. This Settlement is the product of extensive negotiation, 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.

8 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 Artesian. In addition, the Parties believe that the Settlement is in the public interest because, among other things, it avoids the additional cost of continuing this litigation until final resolution.

9. 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, while providing a fair rate of return, including without limitation 26 Del. C. § 304 and 309-311.

10. This Settlement may be executed in counterparts by any of the signatories hereto and transmission of an original signature by facsimile or email shall constitute valid execution of this Agreement. Copies of this Proposed Settlement Agreement executed in counterpart shall constitute one agreement. Each signatory executing this Proposed Settlement Agreement warrants and represents that he or she has been duly authorized and empowered to execute this Proposed Settlement Agreement on behalf of the respective party.

DELAWARE PUBLIC SERVICE COMMISSION -
STAFF

Date 08/18/09

/s/ Bruce H. Burcat
Bruce H. Burcat

DIVISION OF THE PUBLIC ADVOCATE

Date:08/18/09



G. Arthur Padmore

CHRISTIANA CARE HEALTH SERVICES, INC.

Date: _____

Glenn C. Kenton, Esq.
Counsel
ARTESIAN WATER COMPANY, INC.

Date: 8/19/09



David B. Spacht
Chief Financial Officer

3048223

CHRISTIANA CARE 6 HEALTH SERVICES, INC.

Date: 8/19/09


Glenn C. Kenton, Esq.
Counsel

ARTESIAN WATER COMPANY, INC.

Date:

David B. Spacht
Chief Financial Officer

EXHIBIT A
TO SETTLEMENT AGREEMENT

ARTESIAN WATER COMPANY, INC.
PROOF OF REVENUE

Description	TEST YEAR 2007 Bills/Usage	Present		Settlement Rates			Percent Increase
		Rates	Revenue	Rates	Revenue	Revenue	
Customer Charge:							
Quarterly							
5/8" or 1/2"	289,514	\$ 30.15	\$ 8,728,847	\$ 34.67	\$ 10,037,450	15%	
3/4"	1,979	36.15	71,541	41.57	82,267	15%	
1"	2,867	48.21	138,218	55.44	158,946	15%	
Monthly							
1.1/2"	5,795	\$ 32.13	\$ 186,193	\$ 36.95	\$ 214,125	15%	
2"	10,127	42.17	427,056	48.50	491,160	15%	
3"	1,737	64.27	111,637	73.91	128,382	15%	
4"	796	92.39	73,542	106.25	84,575	15%	
6"	764	160.68	122,760	184.78	141,172	15%	
8"	1,366	241.02	329,233	277.17	378,614	15%	
10"	49	381.62	18,699	438.86	21,504	15%	
Total	314,994	\$	\$ 10,207,727	\$	\$ 11,738,196	15%	
Water Charge:							
All Other							
First 500 T.G.	1,827,776	\$ 4.674	\$ 8,543,025	\$ 5.375	\$ 9,824,296	15%	
Over 500 T.G.	404,081	5.380	2,173,956	6.187	2,500,049	15%	
Residential							
First 5 T.G.	1,310,528	\$ 5.124	\$ 6,715,145	\$ 5.893	\$ 7,722,942	15%	
Next 15 T.G.	2,286,778	5.541	12,671,037	6.372	14,571,349	15%	
Over 20 T.G.	361,634	6.460	2,336,156	7.429	2,686,579	15%	
GM/CCH Rate	228,839	\$ 3.135	\$ 717,410	3.605	824,965	15%	
Wholesale							
All Usage Rate 2	213,886	1.832	391,839	2.107	450,658	15%	
All Usage Rate 3	185,686	1.950	362,088	2.243	416,494	15%	
Total	6,819,208	\$	\$ 33,910,656	\$	\$ 38,997,331	15%	
Total Metered Sales to General Customers			\$ 44,118,383		\$ 50,735,527	15%	
Public Fire Protection Charge							
Quarterly							
5/8" or 1/2"	286,788	\$ 9.20	\$ 2,638,450	\$ 10.58	\$ 3,034,217	15%	
3/4"	1,874	13.76	25,786	15.82	29,647	15%	
1"	2,668	22.98	61,311	26.43	70,515	15%	
Monthly							
1-11/2"	5,619	\$ 15.29	\$ 85,915	\$ 17.58	\$ 98,782	15%	
2"	9,425	24.51	231,007	28.19	265,691	15%	
3"	1,653	46.01	76,055	52.91	87,460	15%	
4"	676	76.73	51,869	88.24	59,650	15%	
6"	584	153.51	89,650	176.54	103,099	15%	
8"	861	245.05	210,988	281.81	242,638	15%	
10"	13	392.18	5,098	451.01	5,863	15%	
Total Public Fire Charge	310,161	\$	\$ 3,476,128	\$	\$ 3,997,563	15%	
Private Fire Protection Charge							
Quarterly							
Private Fire Service							
111/2"	100	\$ 46.82	\$ 4,682	\$ 53.84	\$ 5,384	15%	
2"	398	90.51	36,022.96	104.09	41,427.82	15%	
4"	613	252.78	154,954	290.70	178,199	15%	
6"	1,099	539.17	592,548	620.05	681,435	15%	
8"	594	897.70	533,234	1,032.36	613,222	15%	
10"	19	1,328.39	25,239	1,527.65	29,025	15%	
Total Private Fire Charge	2,823	\$	\$ 1,346,680	\$	\$ 1,548,693	15%	
Total Fire			\$ 4,822,808		\$ 5,546,256	15%	
Total Revenue From Sales			\$ 48,941,191		\$ 56,281,783	15%	
Miscellaneous Revenues			975,440		975,440	0%	
Total Revenues			\$ 49,916,631		\$ 57,257,223	15%	
Annualized Difference			<u><u>\$ 7,340,592</u></u>				