

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

IN THE MATTER OF UNITED WATER)
DELAWARE INC.'S SUBMISSION, PURSUANT)
TO 26 DEL. C. § 1404, OF A WATER CON-) PSC DOCKET NO. 09-282
SERVATION PLAN FOR 2009-2012 AND A)
CERTIFICATION OF ADEQUATE WATER)
SUPPLY FOR NORTHERN NEW CASTLE COUNTY)
FOR THE PROJECTED YEAR 2012)
(FILED JUNE 29, 2009))

ORDER NO. 7710

This 22nd day of December, 2009, the Commission determines and orders the following:

1. This Order addresses a Water Conservation Plan (the "Conservation Plan" or the "Plan") and Supply Capacity Certification (the "Supply Certification" or "Certification") filed by United Water Delaware Inc. ("United" or the "Company") on June 29, 2009. United filed its Plan and Certification pursuant to the Water Supply Self-Sufficiency Act of 2003, 26 Del. C. §§ 1401-1408 (the "Act"), which requires that regulated water utilities serving northern New Castle County file such conservation plans and supply certifications every three years. See 26 Del. C. § 1404(a)(1)-(2) and 1402(8).

2. The conservation plan required by the Act must describe, for a projected three-year period, how the utility will make its customers aware of (i) the benefits arising from efficient water use, (ii) the utility's water conservation rate structure, (iii) the existence of new and retrofitted consumer equipment, and (iv) the costs arising from the loss of water through leakage in consumer water systems. 26 Del. C. §

1404(b)(1). Conservation plans filed after an initial plan must also evaluate the effectiveness of the preceding plan in informing consumers of methods to improve the efficient use of the water supply. *Id.* at § 1404(b)(2). The Commission is required to review each plan and "acknowledge" it within 120 days after its filing date. *Id.* at § 1404(c). Although the Commission may suggest modifications to conservation plans, water utilities are free to accept or reject any suggestions. *Id.*

3. With respect to the supply certification, the Act requires that the covered water utilities certify that they have sufficient sources of water to provide adequate supply to meet a "projected demand" in the area north of the Chesapeake and the Delaware Canal, the "drought sensitive area", for the following "projected year," the third year following reporting year. 26 *Del. C.* §§ 1404(a) and 1402. The "projected demand" is the anticipated demand for water supply in the drought sensitive area during a "drought of record" in the projected year as determined for each utility by the Water Supply Coordinating Council (the "WSCC"). 26 *Del. C.* § 1402(7)-(8). The "drought of record" is defined as "a period of 75 days of climatological, streamflow and groundwater conditions similar to those that prevailed in northern New Castle County during the drought emergency of 2002, or as defined by the [WSCC]". *See id.* at 1402(3).

4. The Act requires that the utilities support their certifications with materials and documents that update information previously supplied to the Commission and identify

each source of supply and the volume of water available from each source. *Id.* The submissions must demonstrate that, for the projected year, the volume of supply from the utility's sources will be adequate to meet or exceed the projected demand. *Id.* The Act further requires that, beginning in reporting year 2009, each utility also certify that its sources of supply for use during a drought of record are not reliant on contracts with out-of-state water authorities or utilities, except for certain minimum purchase obligations under contracts predating April 2003. *Id.* at § 1404(e).

5. The Commission is required to review and investigate each certification. *Id.* at § 1404(f). If, following its review, the Commission finds that the utility's submissions justify the certification, the Commission is required to "accept" the certification. *Id.* at § 1404(g). On the other hand, if the submissions do not support the certification or the Commission finds that the utility will not have an adequate supply to meet the projected demand, the Commission must reject the certification, at which point the utility may file an amended certification with additional sources of supply. *Id.* at § 1404(h).

6. As stated above, Untied timely submitted its Plan and Certification for 2009.¹ To assist Staff in reviewing United's

¹ United's initial conservation plan and certification were submitted in June 2006. Following an investigation by Commission staff ("Staff") and a public hearing, and upon Staff's recommendation, the Commission accepted the certification, while acknowledging certain cautions identified by a consultant

Plan and Certification, Staff retained Howard J. Woods, Jr. & Associates, L.L.C. Following an investigation, including reviewing responses to data requests, Staff's consultant concluded that United has sufficient sources of water to provide adequate supply to meet the projected demand - 24.5 Million Gallons per Day ("MGD") - for the projected year, 2012. In so concluding, Staff's consultant observed that, since its last certification, United has enhanced its capacity by activating a new Aquifer Storage and Recovery ("ASR"), which was placed into service in October 2008, and has added two new interconnections with the City of Wilmington, adding 1.72 MGD capacity.

7. Although concluding that United established that it has adequate supply to meet the projected water demand in 2012, Staff's consultant also offered some recommendations. First, the consultant reported that, to date, United has only demonstrated the ability to draw .8 MGD of the anticipated 1MGD from the ASR. He therefore suggests that the additional .2 MGD be conditionally accepted until the full 1 MGD can be proved. Nevertheless, as the consultant and Staff acknowledge, United has met the projected demand even if that .2 MGD is not included in United's supply.

8. Staff's consultant also suggested that United could benefit from developing real-time modeling capability by retained by Commission staff. See PSC Order No. 7234 (July 24, 2007). The Commission also acknowledged the conservation plan, although it urged United to collect and retain feedback from their customers on the utilities' conservation education initiatives. See *id.*; see also PSC Order No. 7050 (Oct. 17, 2006).

employing relatively low-cost software that could allow United to optimize water supply sources at its Stanton Water Treatment Plant while simultaneously enhancing the control of these sources. The consultant commented that such modeling would assist the company in better understanding the impact of varying drought patterns on United's full complement of source capabilities. United disagrees, noting that while the software may be inexpensive to purchase, the time and effort to incorporate all of the various complexities of its system into the model would *not be* inexpensive. Staff appreciates United's concerns, especially in the current economic conditions (United recently lost several large commercial customers), but believes that the issue should be given further consideration as economic conditions improve.

9. With respect to United's Conservation Plan, Staff's consultant believes that the Plan complies with the requirements of the Act, specifically section 1404(b)(1), set forth above. The report finds, and Staff agrees, that United's approach to conservation is well balanced, provides a consistent message to customers and repeats its message often.

10. With respect to United's evaluation of the effectiveness of its preceding plan, the Consultant concluded that United's tracking of changes in consumption against the performance of specific education activities meets the requirements of the Act, set forth in 26 *Del. C.* § 1404(b)(2). Nevertheless, Staff's consultant has made certain recommendations

that Staff believes are worthy of the Commission's consideration. First, the consultant cautions that the benefits of educational programs should be weighed in light of their costs, because, according to Staff's consultant, decline in residential water consumption is primarily attributed to changes in performance standards in household appliances and changes in demographics, not necessarily water conservation efforts. The Commission does not suggest, however, that educational programs be eliminated, as there is significant benefit derived by educating consumers on efficient water use, but the expansion of existing programs or implementation of new programs should be carefully considered.

11. Secondly, Staff's consultant noted that a change from quarterly to monthly billing may help promote conservation by providing more timely feedback to consumers regarding water usage and costs. The consultant further noted that residential water use is declining, and will likely continue to do so, due to factors other than strict water conservation. Therefore, the consultant cautions that due to the expense that would be incurred by United, such a conversion to monthly billing needs to be justified by something other than just water conservation. Staff agrees with this point and recommends that the Company engage the Commission prior to undertaking any movement toward monthly billing.

12. Thirdly, Staff's consultant recommended that United follow up with customers who purchase water conservation kits from the Company. Staff agrees with this recommendation and

believes that such feedback would help United better understand how consumers use the kits, if they do, and how the kits might be improved.

13. At its regular meeting on October 29, 2009, the Commission acknowledged the filing of United's Conservation Plan. At the time, Staff and its consultant's review had not been completed; however, the Commission acknowledged the Plan in order to comply with the 120 day statutory deadline, understanding that it would later enter an order, which may or may not make recommendations to the Plan.

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

1. That, for the reasons set forth above, the Commission accepts the Supply Capacity Certification filed by United Water Delaware, Inc. on June 29, 2009, in accordance with 26 *Del. C.* § 1404(g).

2. That, for the reasons set forth above, the Commission acknowledges the Water Conservation Plan filed by United Water Delaware, Inc. on June 29, 2009, in accordance with 26 *Del. C.* § 1404(c).

3. That the recommendations discussed in this Order should not be deemed by United Water Delaware, Inc. as a directive for implementation by this Commission. Rather, the recommendations are offered for the Company's consideration. The Company is strongly encouraged to first consult with the Commission and its Staff prior to implementing any specific recommendation, particularly a conversion to monthly billing.

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

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary