

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

IN THE MATTER OF THE REVIEW BY THE)
STAFF OF THE DELAWARE PUBLIC SERVICE)
COMMISSION OF SERVICES PROVIDED TO)
TIDEWATER UTILITIES, INC.) PSC DOCKET NO. 10-247
BY MIDDLESEX WATER COMPANY)
(OPENED JULY 22, 2010))

ORDER NO. 7812

AND NOW, this 22nd day of July, 2010, the Commission determines and orders the following:

WHEREAS, pursuant to section 201(a) of the Public Utilities Act of 1974, 26 *Del. C.* §101, *et seq.* (the "Act"), the Delaware Public Service Commission (the "Commission") has "exclusive original supervision and regulation of all public utilities and also over their rates, property rights, equipment, facilities, service territories and franchises so far as may be necessary for the purpose of carrying out the provisions of [the Act]." Pursuant to section 206 of the Act, the Commission may investigate, upon its own initiative, "any matter concerning any public utility." Pursuant to section 207 of the Act, the Commission "shall at all times have access to and the right to inspect and examine any and all books, accounts, records, memoranda, property, plant, facilities, and equipment of public utilities."

WHEREAS, section 307(a) of the Act provides: "[I]n any proceeding upon the motion of the Commission, or upon complaint, or upon application of a public utility, involving any proposed or existing rate of any public utility, or any proposed change in

rates, the burden of proof to show that the rate involved is just and reasonable is upon the public utility." Section 307(b) of the Act provides: "The public utility shall have the burden of proof in justifying every accounting entry of record questioned by the Commission which may suspend any charge or credit pending submission of satisfactory and sufficient proof in support thereof by the public utility."; and

WHEREAS, Tidewater Utilities, Inc. ("Tidewater") is a certified public water utility subject to the rate regulation, jurisdiction and supervision of the Commission; and

WHEREAS, Tidewater provides water service to approximately 30,000 customers in Delaware; and

WHEREAS, Tidewater's approved rates are based upon, in part, certain management service fees and customer billing services assessed by Tidewater's parent company, Middlesex Water Company ("MSWC") and possibly certain other affiliates of MSWC and Tidewater; and

WHEREAS, pursuant to the authority granted to the Commission by the Act, the Commission hereby opens this docket to conduct a review of the services provided to Tidewater by MSWC and/or any affiliates and/or subsidiaries of Tidewater and MSWC, as detailed further below; and

WHEREAS, the Commission intends that the above review address matters including but not limited to the following:

- Operating procedures or other internal workings of Tidewater and MSWC and the accuracy and reasonableness

of management service fees, customer billing services, and other related charges;

- Affiliate transactions to assess whether there is cross-subsidization resulting in any detriment to Tidewater customers, including cost allocation methodologies;
- Conformity with industry practice of Tidewater's procedures, policies, practices and formulae for assigning and allocating affiliate costs;
- Comparisons with the types, level and costs of similar services provided to other MSWC entities;
- Anomalies (if any) in the types or amount of costs assigned or allocated to Tidewater;
- Inquiry into and testing of large dollar transactions between or among Tidewater and any affiliates or subsidiaries; and
- Review of internal Tidewater and other regulatory commission audits or examination of affiliate costs.

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

1. That this docket is hereby opened to review the services provided to Tidewater Utilities, Inc. ("Tidewater") by its parent Middlesex Water Company ("MSWC") and/or any affiliates and/or subsidiaries of Tidewater and MSWC to determine whether the charges for and allocations of such services are having a material impact on Tidewater's revenue requirements.

2. That the results of such review shall be considered in determining Tidewater's revenue requirement in its next base rate case.

3. That the Commission Staff shall report to the Commission upon completion of its review.

4. Tidewater is hereby placed on notice that the costs of the proceeding will be charged to it under the provisions of 26 Del. C. §114(b)(1).

5. 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/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary