

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF ARTESIAN WATER COMPANY, INC.) PSC DOCKET NO. 14-132
FOR AUTHORITY TO INCREASE RATES)
AND CHARGES FOR WATER SERVICE)
(Filed April 11, 2014))

**OPPOSITION OF ARTESIAN WATER COMPANY, INC. TO THE
JOINT MOTION OF THE DIVISION OF THE PUBLIC ADVOCATE
AND THE COMMISSION STAFF TO PROHIBIT MR. SPACHT FROM
ADOPTING THE PRE-FILED TESTIMONY OF MR. VALCARENGHI
FOR PURPOSES OF TESTIFYING AT THE EVIDENTIARY HEARING**

Artesian Water Company, Inc. (“Artesian” or “the Company”) opposes the Joint Motion and states as follows:

1. The Joint Motion is a regrettable attempt to disrupt Artesian’s pre-hearing preparation and to prevent the most knowledgeable witness from testifying at the evidentiary hearing. Artesian informed the DPA and Staff in writing on November 26, 2014 that Mr. Spacht would adopt the pre-filed testimony of Mr. Valcarenghi at the hearing (Ex. A). If Mr. Spacht’s adoption of Mr. Valcarenghi’s pre-filed testimony violated any practice or rule of the Commission, or offended any fundamental notion of fairness, one would expect an immediate reaction from Staff or DPA. There was none.

2. The Hearing Examiner conducted a pre-hearing teleconference on December 2, 2014. The Hearing Examiner inquired about the intention of the parties to file any pre-trial motions. The Staff disclaimed any intention to file pre-trial motions. DPA indicated that it did not anticipate “at this time” that it would file any pre-trial motions. About 24 hours later, counsel for DPA sent an email stating that she “had been thinking” since the pre-hearing conference and had decided to oppose Mr. Spacht’s adoption of Mr. Valcarenghi’s pre-filed

testimony. It appears that the counsel for the DPA was thinking about gaining a tactical advantage at the hearing and developed this strategy of blocking Mr. Spacht from testifying – and convinced the Staff to join that effort.

3. The parties agree that there is no controlling rule or case law on this issue.¹ Artesian submits that the issue should be governed by fundamental fairness and the purpose of an evidentiary hearing, which must be to provide for the presentation of the most accurate and reliable information from all of the parties. The following factors establish that, when this dispute is viewed with those basic principles in mind, Mr. Spacht should be allowed to adopt Mr. Valcarengi’s pre-filed testimony.

4. No Prejudice to DPA and Staff. DPA and Staff fail to claim that they will suffer any prejudice from Mr. Spacht adopting Mr. Valcarengi’s pre-filed testimony. Instead, they summarily dismiss the consideration of any prejudice to them as “not our burden” (Motion p. 6). But unfairness or prejudice to the other parties is obviously a primary consideration. If DPA and Staff fail to identify any prejudice from Mr. Spacht adopting Mr. Valcarengi’s testimony, then why are they objecting? They appear to seek a tactical advantage – such as keeping the most knowledgeable witness off of the witness stand. This alone is sufficient grounds to deny the Joint Motion.

5. Flexibility of Administrative Hearings. Administrative evidentiary hearings are not subject to the detailed and strictly enforced rules of evidence and procedure that

¹ The assertion of DPA and Staff that “it is Artesian’s burden to provide a justifiable explanation” for why Mr. Valcarengi is unable to testify (Motion p. 6) is unsupported by any public or published rule or policy of the PSC. Counsel for DPA and Staff simply saying “something is so” or “this is the way we do things” in PSC proceedings does not “make it so” or validate their position under the law.

govern trials in a court. The flexibility of administrative hearings should accommodate the presentation of the best evidence in a cost-effective manner. The use of pre-filed testimony to increase the efficiency of building the factual record before a state agency should not prevent the applicant from presenting its most knowledgeable witness at a hearing. The attempt of Staff and DPA to use an allegedly technical requirement (not found in any rule or case law) to deny the Commission the benefit of testimony from the most knowledgeable witness is contrary to the essential nature of administrative hearings.

6. Pre-Filed Testimony is Not Evidence Until Adopted. As pointed out in the Joint Motion, no-pre-filed testimony becomes evidence until adopted under oath by a witness at an evidentiary hearing. (Motion p. 7, fn. 2). In PSC Docket No. 04-42, Staff used this aspect of PSC proceedings to refuse to put any pre-filed testimony for their only witness on cost of capital, Mr. King, into the record during the hearing, and even had their witness leave the hearing room at a break, to avoid submitting evidence that Staff belatedly realized was damaging to its case. Staff cannot now fairly be heard to complain that Artesian is seeking, after fair notice to all parties, to use a more knowledgeable witness to place written testimony into the record and answer cross-examination questions. Once Mr. Spacht adopts the pre-filed testimony during the hearing, it will be as if he had just given that testimony on the record and the process then moves to cross-examination – the same as any other witness.

7. Pre-Filed Testimony Is Not Deposition Testimony. DPA and Staff attempt to analogize Mr. Spacht's adoption of Mr. Valcarenghi's pre-filed testimony to the admission of deposition testimony into evidence at a trial. (Motion p. 6). This situation is fundamentally different than the admissibility of deposition testimony at trial. Deposition

testimony is under oath. Pre-filed testimony is not.² Deposition testimony includes the opposing party's cross-examination. Pre-filed testimony does not. The Court rules cited by DPA and Staff obviously act to prevent one party from prejudicing an opponent by presenting testimony at trial without an opportunity for live cross-examination. Here, DPA and Staff fail to claim any prejudice. The witness who swears to the truthfulness of the pre-filed testimony, Mr. Spacht, will be available for live cross-examination. The analogy offered by Staff and DPA fails to provide guidance in this situation.

8. The Testimony At Issue is Analogous to Rule 30(b)(6) Testimony from Artesian. Mr. Valcarenghi's pre-filed testimony consists of all of the supporting financial data and schedules to support Artesian's application. His pre-filed testimony includes information from almost every aspect of Artesian's business and operations. He obviously does not have direct knowledge of, and responsibility for, every item of information and data associated with his testimony. Many persons at Artesian assist with the development of the information provided in Mr. Valcarenghi's testimony. Mr. Valcarenghi acted as the representative of Artesian for filing the testimony to support the details in the Application.³ This is most similar to the use of a representative to testify on behalf of a corporation. *See* Court of Chancery Rule 30(b)(6) and Superior Court Rule 30(b)(6). There is nothing specific to Mr. Valcarenghi that makes him a more appropriate representative of Artesian than Mr. Spacht on the issues that will

² The only sworn submission in the case to date is the Verification under oath of the truth of the facts contained in Artesian's application, which was provided by *Mr. Spacht*. (Ex. B).

³ It would be absurd, and certainly impractical, to require every person at Artesian who contributed to the development of the information in Mr. Valcarenghi's pre-filed testimony to submit separate pre-filed testimony and be available for cross-examination at a hearing.

be contested at the hearing. As explained below, Mr. Spacht is the more appropriate representative of Artesian for this hearing.

9. Mr. Spacht is the Most Knowledgeable Person Concerning the Contested Issues. The pre-filed testimony of Mr. Valcarengi was developed by a team at Artesian under the close supervision of Mr. Spacht. This process assists with the training of Mr. Valcarengi and helps reduce the burden on the company's CFO, Mr. Spacht, through the preliminary stages of the case. When the initial testimony is filed, Artesian does not know what items the DPA and Staff will contest, or whether the case (or certain issues in the case) will settle. Artesian cannot pick the best witness to address the contested issues at an early stage of a case. Artesian has determined that Mr. Spacht will be best able to address the issues that will be contested at the upcoming hearing. He should be allowed to represent the Company. As an example, the DPA is challenging Artesian's revenue normalization method, which uses a specifically designed computer program that was developed and implemented long before Mr. Valcarengi arrived at Artesian. Mr. Spacht has testified on this issue in the past and is the person at Artesian most qualified to give testimony about it.⁴

10. Conclusion. This will be an administrative evidentiary hearing to establish Artesian's rates. Strict rules of procedure and evidence do not apply. Artesian should be allowed to present, as its corporate representative, the witness who has the most expertise on contested issues, particularly when the Staff and DPA fail to articulate any prejudice to them. Indeed, it would be disturbing at best for the best evidence on contested issues to be excluded

⁴ Allowing Mr. Spacht to adopt Mr. Valcarengi's testimony could shorten the hearing. If Mr. Spacht is not allowed to testify in Artesian's case-in-chief, then Artesian could be forced to call him on rebuttal, after the witnesses from DPA and Staff are completed.

from the record before the Commission where no rule would be violated and the opposing parties will suffer no prejudice.

Respectfully submitted,



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December 5, 2014

8715268

EXHIBIT A

Randall, Karl

From: Goldberg, Lynn
Sent: Wednesday, November 26, 2014 12:20 PM
To: 'jgeddes@ashby-geddes.com'; 'regina.iorii@state.de.us'; 'Coomes@RLF.com'
Cc: 'stoneandbuck@yahoo.com'
Subject: PSC Docket No. 14-132
Attachments: Artesian_Rate_ Letter to Jim Geddes, Gina Iorii, Todd Coomes.pdf

Please see the attached letter from R.J. Scaggs.

Lynn R. Goldberg, Administrative Assistant to
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November 26, 2014

VIA EMAIL

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Re: PSC Docket No. 14-132

Dear Jim, Gina and Todd:

I write to address a few matters related to the upcoming evidentiary hearing scheduled for December 8 and 9.

First, we understood from discussions last week that Staff will present all of its pre-filed testimony. We realize that one Staff witness is no longer employed by the Commission and that his or her testimony will be adopted by another Staff member, which is fine. We, however, want to make clear that we expect Staff to present all of its pre-filed testimony without any material change to its substance. I, of course, am not referring to the typical minor corrections that witnesses make to their pre-filed testimony on the witness stand. In our view, it is now too late for Staff to make any material changes to its positions on Artesian's application. If Staff intends to attempt any material change to the substance of its pre-filed testimony, Staff should obviously notify all parties immediately.

Second, we have no objection to Mr. Watkins and Mr. Woolridge testifying on December 9, provided that Mr. Watkins is the first witness called on December 9 (other than finishing any witness who starts on December 8). Mr. Watkins is an important witness in this case and we want to make sure we have adequate time for cross-examination. We believe that

James McC. Geddes, Esquire
Regina A. Iorii, Esquire
Todd A. Coomes, Esquire
November 26, 2014
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the parties should be able to arrange to have Mr. Collins testify during the afternoon of December 8.

Third, David Spacht will adopt the pre-filed testimony of David Valcarengi and testify at the hearing.

We appreciate your cooperation on these issues, so that we can have a smooth and efficient hearing. Happy Thanksgiving.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. Judson Scaggs, Jr.", written over a circular stamp or mark.

R. Judson Scaggs, Jr.

/lrg

cc: William C. Oliva (via email at stoneandbuck@yahoo.com)

EXHIBIT B

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION *
OF ARTESIAN WATER COMPANY, INC. *
FOR AUTHORITY TO INCREASE RATES *
AND CHARGES FOR WATER SERVICE *
(Filed April 11, 2014) *

PSC Docket No. 14- _____

APPLICATION OF
ARTESIAN WATER COMPANY, INC.
FOR A REVISION OF RATES

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April 11, 2014

Artesian Water Company, Inc. ("AWC" or the "Company") hereby submits this application for authority to increase rates and charges for water service pursuant to 26 Del. C. §§ 201, 209, 304 and 306.

I. APPLICANT

1. AWC is a Delaware public water utility, regulated by the Delaware Public Service Commission ("Commission"). AWC distributes and sells water to residential, commercial, industrial, governmental, municipal and utility customers throughout the state of Delaware. As of December 31, 2013, the Company was serving 79,676 metered, mostly residential customers across the state of Delaware. AWC is a wholly owned subsidiary of Artesian Resources Corporation. AWC is a Delaware corporation providing water service to customers pursuant to rates last established by the Commission in Order No. 8934, dated December 22, 2011 in Docket No. 11-207.

2. Communication with regard to this application may be directed to the following persons:

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Counsel for the Applicant

II. REQUESTED COMMISSION ACTION

3. AWC requests Commission authority to implement revised rates that afford the Company the opportunity to increase rates by an overall 15.91 percent to collect an additional \$9,983,823 in annual water service revenues from customers beginning June 10, 2014. The actual proposed increase is less since the Company has been permitted to recover specific investments made in infrastructure through the assessment of a 3.32 percent Distribution System Improvement Charge ("DSIC"). Since the DSIC rate is set to zero when temporary rates are placed into effect, customers would experience an incremental increase of 12.59 percent, the net of the overall 15.91 percent increase less the DSIC rate currently in effect of 3.32 percent. If the Commission elects to further analyze AWC's proposal for revising its rates and charges for water service, the Company respectfully requests that the Commission approve temporary rates in accordance with 26 *Del. C.* § 306 (c).

III. THE NEED FOR RATE RELIEF

4. AWC has developed a financial analysis based on data consistent with the period ended September 30, 2014. The testimony of David L. Valcarengi, filed with this application, describes and supports the Company's need for additional water service revenues. The application also includes the testimony of Pauline M. Ahern, CRRA, who fully describes and supports the Company's cost of capital requirements; and the testimony of John F. Guastella, who describes and supports the development of the reasonable rates that will be assessed by the Company.

5. AWC's corporate mission is to provide a safe, reliable and quality water supply for customers, while working to increase access to quality water in communities not previously served by a regulated water provider.

6. AWC continues to invest in essential capital improvements to ensure that customers will continue to receive safe, reliable and high-quality water supply and a resilient distribution network for delivery of that supply.

7. AWC has invested approximately \$20.5 million since the conclusion of the last rate proceeding, Docket No. 11-207, on critical supply and distribution projects for well replacements and redevelopment, as well as the use of new water treatment technology. These critical investments address ever growing and increasingly stringent regulatory requirements and assure that the high quality water AWC produces reaches its customers through AWC's network of distribution facilities without interruption. In addition to amounts already invested, AWC will invest another \$26.6 million on a number of priority capital projects that will be completed by the end of September 2014, including approximately \$11.0 million as part of the Company's on-going effort to regularly replace aging infrastructure and \$9.5 million to continue to assure our sources of supply remain viable, efficient and capable of providing an uninterrupted supply of high quality water by rehabilitating wells, pump stations and treatment facilities. AWC also expects to invest approximately \$1.0 million to relocate various water mains to accommodate state and local government projects. Cumulatively, since the last rate case, AWC will have invested approximately \$47.1 million on these vital infrastructure projects in a 36-month period so that AWC can continue to meet increasingly stringent regulatory requirements while also assuring an ample water supply to meet its customers' demands. The testimony of C. Thomas deLorimier, filed contemporaneously with this application, provides a thorough discussion of the Company's distribution network and the need for projects the Company has undertaken and expects to complete by the end of September 2014.

8. AWC continues to invest in improvements necessary to ensure water delivered to customers is of the utmost quality. During the test period in this application, the Company will invest approximately \$4 million in new water treatment technology for an advanced water treatment system at its Llangollen wellfield to ensure removal of 1,4 dioxane, a newly detected contaminant, from the water supply. In addition to the significant capital costs, AWC will incur ongoing additional costs related to the operation of the new treatment system of approximately \$120,000 per year that is not currently reflected in AWC's rates. This investment in treatment equipment and the related increase in annual operating costs is just the most recent example of how water utilities must address the detection of contaminants found at much lower levels of detection as the scientific ability to detect them continues to improve.

9. Although AWC will have invested \$47.1 million in critical non-revenue generating infrastructure projects through September 2014, the requested Rate Base in this application has grown by only \$9 million since AWC's last rate application three years ago, which significantly reduces the otherwise dramatic effect this sort of investment might have on customer rates. The reduction in recoverable investment is achieved through the Company's strategic and effective use of developer financing through Contributions in Aid of Construction as prescribed in PSC Docket 15 and the use of specific federal tax allowances such as accelerated tax and bonus depreciation provisions that reduce the Company's current actual tax burden. Those savings are invested by AWC in infrastructure and reflected as a deduction from rate base as a deferred tax. While those taxes are payable in future periods, the customer enjoys the benefits of a reduced base upon which the Company would be permitted to earn a fair rate of return until those amounts are actually paid.

10. AWC's last rate proceeding was resolved through a negotiated settlement agreement that was approved by the Commission in PSC Order Number 8097. The approved settlement afforded the Company an opportunity to earn an overall rate of return of 7.91 percent, including a 10.0 percent return on equity. Since the last rate proceeding, AWC has not been able to earn its allowed rate of return. In the historic test year ending December 31, 2013, the Company earned an overall rate of return of 6.59 percent and the earned rate of return is expected to further deteriorate to 5.70 percent by the end of September 2014. Accordingly, AWC has filed this application seeking authority to revise its rates to recover substantial amounts expended for capital improvements and operating costs, including depreciation, and also to provide the Company an opportunity to earn a fair and reasonable rate of return.

11. AWC has continued its efforts to control and reduce operating costs. Recently, AWC hired an individual to act as the Company's central purchasing agent who specifically focuses on identifying and implementing opportunities to reduce costs. AWC has also furthered its Information Technology automation efforts and has been able to reduce Information Technology department personnel by four staff. Nonetheless, AWC has experienced, and will continue to experience in the near term, increases in operating costs, including those related to payroll and employee benefits, purchased power, purchased water, water quality testing and chemicals.

12. AWC needs to retain a trained and experienced workforce to perform critical functions across a complex integrated water system comprising multiple sources of supply with varying water characteristics and treatment technology requirements with water distributed through ten distinct service levels. It is their responsibility to ensure customers receive high-quality water and reliable service. In order to attract and retain qualified personnel

capable of meeting this responsibility, AWC must be able to offer competitive wages and benefits. To ensure that AWC's employee wages remain competitive, an independent compensation study commissioned by AWC's Compensation Committee of the Board of Director's (the "Committee") was recently conducted. The Committee, made up of entirely independent Director's (as defined by NASDAQ), sifted through 11 potential consulting firms, choosing a firm which met specific criteria including that they were certified as independent from any business or personal relationship with any member of the Company's management or Board of Directors. The successful bidder conducted two separate studies reviewing the pay and wage levels of executives and, separately, other operational personnel over the course of approximately nine months. The Consultant concluded after reviewing the study that the Company's current levels of pay and wages were appropriate.

13. AWC has managed its payroll expenditures carefully and properly. Between December 31, 2010 (historic test year in PSC Docket 11-207) and December 31, 2013 (historic test year in this application), payroll expense (not including benefits) increased a total of 2.99 percent. Comparatively, data from the U.S. Bureau of Labor Statistics show that Delaware area businesses have seen increases in wages in the range of 4 percent to 5 percent over the same period of time. AWC's full-time employee base increased by nine positions since the conclusion of the last case, from 213 employees on December 31, 2010 to 222 on December 31, 2013, including the addition of operational employees through the end of the Test Period to ensure the continued reliability of the system. In this case, AWC is seeking a \$1.5 million increase in payroll and benefit costs over the total expense included in PSC Docket 11-207, which represents an approximate 8.3 percent increase for the entire three year period, or 2.7 percent per annum over the three year period since the last rate case. Considering the significant cost

pressures placed upon employment compensation costs, especially in the area of rising medical insurance costs where companies have seen double digit increases, AWC's pro forma payroll and benefit costs are both fair and reasonable.

14. AWC takes seriously its responsibility for ensuring the reasonableness of its operating costs, including water purchased for customers. AWC's annual purchased water expense associated with the Chester Water Authority interconnection was \$2,750,688 in 2007. Chester notified the Company that it would raise its rates some 27% over the next three years. Previously, Chester had increased its rates modestly with increases amounting to less than 2% annually. But Chester Water is and remains an unregulated, quasi-governmental agency that sets rates based on management recommendations to its independent board of directors. From the time Artesian received the notice in 2007, the Company made a concerted effort to understand the need for the increase, through the use of independent consultants, and made extensive efforts to negotiate amicably with Chester Water for equitable relief from such increase. In 2010, after all efforts were exhausted, AWC instituted the only remaining option it had at its disposal, a lawsuit against the Chester Water Authority challenging the rate assigned by Chester as excessive and seeking relief on behalf of AWC's customers. AWC has spent approximately \$1.6 million to date attempting to mitigate the excessive rate assessed by Chester and requests recovery of those costs over the remaining life of the contract. If successful, AWC would pass along to its customers not only \$1,008,000 in annual savings associated with the Chester Water rate increases currently in this rate application but also amounts paid by its customers since 2007 when those rates were passed along to AWC's customers in rate applications in 2008 and 2011. The amortized cost of this proceeding would pale in comparison to the long-term savings of over \$1,008,000 per year afforded the customer for this effort. However, no ruling has been rendered

in the case pending before the Federal Court for the Eastern District of Pennsylvania and AWC must continue to pass along noticed and expected increases associated with this interconnection. As such, AWC expects Chester to increase its purchased water rates by 10% on or before July 1, 2014, in part because Chester has not increased its rates since AWC filed its lawsuit in 2010. The approximate \$347,000 annual increase in Chester Water purchased water cost included in this application represents the Company's best estimate of an expected increase based on past experience. Should AWC not be notified of an increase prior to the beginning of Chester's fiscal year, July 1, 2014, it will reduce the requested increase in this application.

15. Similar to other water utility companies, AWC is a highly capital-intensive company and, therefore, must have an opportunity to earn a sufficient rate of return to attract the necessary capital to accommodate significant construction projects for repair and rehabilitation, water conservation, and a tightening of state and federal water quality standards. Not only does the water industry maintain the highest multiple of nearly \$4.00 of investment for every \$1.00 revenue, compared to the multiple of \$1.47 for gas companies, but a continuing reduction in customer consumption brought about by changing plumbing codes, environmental efforts to conserve water and shrinking household size has spread historic infrastructure costs across a constantly shrinking volumetric base. Add the decreasing customer water consumption to the challenges of increasing regulation of water quality and the fact that water utilities are the only utility with an ingestible product and you have a significant increase in risk associated with the ability of a water utility to earn a fair return on that investment. In this rate application, AWC seeks an overall rate of return of 8.40 percent, which includes a return on equity of 10.90 percent applied to capitalization ratios as of the end of the test period on September 30, 2014. As noted previously, AWC has been unable to earn its allowed rate of return of 7.91 percent over

the last three years due to all the factors noted above. However, any reduction in allowed return on equity would compound the inability for the Company to earn a fair rate of return. The inability of the Company to have an opportunity to earn that fair rate of return puts AWC at significant disadvantage when investors compare AWC to other investment options that are available to them in the market place. Artesian has built a strong balance sheet, with a capital ratio of 50 percent debt and 50 percent equity, allowing it to access the appropriate financial market at the appropriate time. That flexibility has afforded the customer a reduction in overall rate of return by reducing borrowing costs as well. Conversely, as AWC has requested in this application, an increase in the return on equity would provide the stable base necessary to maintain a strong balance sheet and strengthen its position in the market so that AWC can continue to obtain funds to meet its on-going water infrastructure investment requirements.

IV. TEMPORARY RATES

16. If the Commission elects not to implement the full level of rates as requested by the Company, AWC respectfully requests authority to implement temporary rates in accordance with 26 *Del. C.* § 306 (c), which authorize a utility to implement temporary rates that will increase current annual revenues by the lower of \$2,500,000 or 15 percent of the gross utility annual revenues.

17. AWC requests authority to implement temporary rates that will enable the Company to recover \$2,460,674 in additional annual water service revenues. The expected revenues were derived by increasing current rates based on the ratio of temporary revenues per statute of \$2,500,000 to Pro Forma Revenues at Current Rates.

18. AWC has been unable to earn its authorized fair rate of return on its investments due to a combination of factors, including substantial investments in non-revenue

producing infrastructure projects, such as main replacements, that do not provide additional revenues for the Company, increased operating costs and declining per customer consumption.

19. AWC's water operations produced a book return of 6.59 percent in 2013, which is expected to decline to 5.70 percent by the end of September 2014. The earnings levels are well below the 7.91 percent overall rate of return granted in Docket No. 11-207, and significantly below the 8.40 percent overall rate of return sought by AWC in this rate application.

20. AWC requests relief from providing a surety bond with the implementation of temporary rates. AWC is strong financially and has access to sufficient financial resources to provide a refund, if so ordered by the Commission. Indeed, AWC has a Line of Credit of \$40,000,000 with Citizens Bank, and a Line of Credit of \$20,000,000 with CoBank. The Commission allowed AWC to implement temporary rates in its prior rate case, Docket No. 11-207, without the need for a surety bond. AWC agrees to abide by any Commission order that would necessitate a refund of amounts collected through the use of the temporary rates.

21. AWC has developed revised tariff pages for the assessment of temporary rates that will be effective 60 days after the date of the rate application. AWC estimates that Temporary Rates will enable the Company to collect approximately \$1,025,281 in additional revenues through the end of the suspension period. This application includes appropriate analyses that document and support the development of the Company's proposed Temporary Rates and show that the calculated rates are in compliance with the provisions of 26 *Del. C.* § 306 (c).

V. THE RELIEF SOUGHT

22. AWC seeks Commission approval of the rates and charges included in the attached tariff, that provide the Company the ability to collect an additional \$9,983,823 in annual water service revenues that provide the Company an opportunity to earn an overall rate of return of 8.40 percent, including a 10.90 percent return on common equity.

23. AWC requests Commission approval of various changes to its Rules and Regulations in its currently effective Operating Tariff.

24. If the Commission elects to further analyze AWC's rate application, the Company respectfully requests that the Commission approve Temporary Rates as reflected in the Temporary Tariff that will provide AWC an opportunity to collect an additional \$2.5 million in annual water service revenues.

25. AWC requests Commission approval of various changes to the Rules and Regulations set forth in its Tariff, which are described in the direct testimony of David L. Valcarenghi, filed contemporaneously herewith.

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WHEREFORE, AWC respectfully requests that the Commission authorize AWC to implement revised rates and charges for water service and to effect certain changes to its Operating Tariff.

MORRIS, NICHOLS, ARSHT & TUNNELL LLP



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Attorneys for Artesian Water Company, Inc.

April 11, 2014

CERTIFICATE OF SERVICE

I, Karl G. Randall, Esquire, do hereby certify that the APPLICATION OF ARTESIAN WATER COMPANY, INC. FOR A REVISION OF RATES will be served the 11th day of April, 2014 as indicated below:

VIA HAND DELIVERY (Original and 10 copies)

Alisa Bentley, Secretary
Delaware Public Service Commission
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