

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

IN THE MATTER OF THE APPLICATION OF )  
TIDEWATER UTILITIES, INC. IMPLEMENTING )  
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE )  
PURSUANT TO 6 DEL. C. §314 (B) (5) ) PSC DOCKET NO. 14-0525  
(FILED NOVEMBER 14, 2014) )

IN THE MATTER OF THE APPLICATION OF )  
TIDEWATER UTILITIES, INC. FOR THE )  
APPROVAL OF THE SEMI-ANNUAL )  
ADJUSTMENT TO THE DISTRIBUTION SYSTEM ) PSC DOCKET NO. 15-1000  
IMPROVEMENT CHARGE ("DSIC") PURSUANT TO )  
26 DEL. C. §314 (B) (5) )  
(FILED MAY 21, 2015) )

**ORDER NO. 8907**

**AND NOW**, this 28<sup>th</sup> day of June, 2016, the Delaware Public Service Commission ("Commission") determines and orders the following:

**WHEREAS**, under the provisions of 26 Del. C. §314, a water utility may calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"), which allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible distribution system improvements" put into service between rate cases; and

**WHEREAS**, under the statutory scheme, a particular water utility's DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within the preceding six months. See 26 Del. C. §§314(b) (3) and (b) (5));<sup>1</sup> and

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<sup>1</sup>The Commission has explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (December 11, 2001).

**WHEREAS**, on November 14, 2014, Tidewater Utilities, Inc. ("Tidewater") filed an application in PSC Docket No. 14-0525 to set its DSIC Rate at 0.31% effective on January 1, 2015; and

**WHEREAS**, on December 16, 2014, the Commission adopted Order No. 8691, which opened Docket No. 14-0525 and approved Tidewater's application to set its DSIC Rate at 0.31% effective January 1, 2015, subject to annual review, audit, and reconciliation by the Commission Staff ("Staff"); and

**WHEREAS**, on May 21, 2015, Tidewater filed an application in PSC Docket No. 15-1000 to reset its DSIC Rate to 0.37% effective on July 1, 2015; and

**WHEREAS**, on June 2, 2015, the Commission adopted Order No. 8747, which opened Docket No. 15-1000 and approved Tidewater's application to reset its DSIC Rate to 0.37% effective July 1, 2015, subject to annual review, audit, and reconciliation by the Staff; and

**WHEREAS**, on June 2, 2016, Staff began conducting an audit of Tidewater's DSIC component and calculations contained in Docket No. 14-0525 and found no discrepancies. Staff also found that the numbers were in compliance with the Delaware Code and the DSIC Rates which the Commission previously approved in Order No. 8691. Specifically, Staff found that (i) Tidewater's rate of return did not exceed its last authorized rate of return; (ii) Tidewater collected \$39,249 in DSIC revenues for PSC Docket No. 14-0525, which was \$2,558 above the projected DSIC revenue; (iii) the plant portion of Tidewater's DSIC calculation was accurate;

and (iv) the total depreciation as calculated by Tidewater agreed with its general ledger; and

**WHEREAS**, staff found that the annual reconciliation for PSC Docket No. 14-0525 produced a total over-collection for the period January 1, 2015 - June 30, 2015 of \$2,558; and

**WHEREAS**, based on Staff's audit of the additional plant claimed by Tidewater in Docket 14-0525 and the revenues collected by Tidewater under this DSIC Rate, Staff recommends that Tidewater's DSIC Rate of 0.31% for January 1, 2015, through June 30, 2015, be approved as final; and

**WHEREAS**, staff recommends that the Commission formally close PSC Docket No. 14-0525; and

**WHEREAS**, on June 14, 2016, Staff began conducting an audit of Tidewater's DSIC component and calculations contained in Docket No. 15-1000. Staff found that certain Costs of Removal of Retired Plant Items were omitted from the DSIC Rate calculations. After discussions with Staff, Tidewater recalculated the DSIC Revenue Requirement for Docket 15-1000 to include the Costs of Removal that were omitted; and

**WHEREAS**, after recalculation, the Net Accumulated Depreciation Reserve Change increased by \$12,000, the Net Change in Rate Base increased by \$12,000, the Semi-Annual Investment Cost Recovery increased by \$791, and the Semi-Annual DSIC Revenue Requirement increased by \$791; and

**WHEREAS**, the increase in the Semi-Annual DSIC Revenue Requirement was small enough that the calculated DSIC Rate of

0.37% remained the same. However, the \$791 increase in the Semi-Annual DSIC Revenue Requirement resulted in a reduction of the over-collection amount from \$1,656 to \$865; and

**WHEREAS**, after recalculation, Staff determined that the numbers were in compliance with the Delaware Code and the DSIC Rates which the Commission previously approved in Order No. 8747. Specifically, Staff found that (i) Tidewater's rate of return did not exceed its last authorized rate of return; (ii) Tidewater collected \$56,656 in DSIC revenues for PSC Docket No. 15-1000, which was \$865 above the projected DSIC revenue; (iii) the plant portion of Tidewater's DSIC calculation was accurate; and (iv) the total depreciation as calculated by Tidewater agreed with its general ledger; and

**WHEREAS**, staff found that the annual reconciliation for PSC Docket Nos. 14-0525 and 15-1000 produced a total over-collection for the 12-month period ending December 31, 2015 of \$3,423. This over-collection will be reconciled in Tidewater's current pending DSIC Rate application, PSC Docket 16-0656; and

**WHEREAS**, based on Staff's audit of the additional plant claimed by Tidewater in Docket 15-1000 and the revenues collected by Tidewater under this DSIC Rate, Staff recommends that Tidewater's DSIC Rate of 0.37% for July 1, 2015, through December 31, 2015, be approved as final; and

**WHEREAS**, on June 17, 2016, Tidewater submitted a revised copy of their pending DSIC Rate application, PSC Docket 16-0656,

showing the adjusted DSIC Rate calculation for PSC Docket 15-1000; and

**WHEREAS,** Staff recommends that the Commission formally close PSC Docket No. 15-1000; and

**WHEREAS,** Staff further reports that it has shared its findings with the Delaware Division of the Public Advocate and Tidewater, and there do not appear to be any objections to the closing of these dockets;

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

1. Under the provisions of 26 *Del. C.* §314, the Commission hereby approve Tidewater's 2015 DSIC Rate of 0.31% (effective January 1, 2015, through June 30, 2015) as previously allowed to go into effect in Order No. 8691 (December 16, 2014) and Tidewater's 2015 DSIC Rate of 0.37% (effective July 1, 2015, through December 31, 2015) as previously allowed to go into effect in Order No. 8747 (June 2, 2015).

2. Nothing in this Order shall preclude the examination and challenge of Tidewater's claims in any base rate proceeding.

3. The annual audit of the filings made in PSC Docket Nos. 14-0525 and 15-1000 are concluded, and these dockets are hereby closed.

4. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.

**BY ORDER OF THE COMMISSION:**

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Chair

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Commissioner

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Commissioner

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Commissioner

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Commissioner

ATTEST:

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Secretary