



STATE OF DELAWARE

**PUBLIC SERVICE COMMISSION**  
861 SILVER LAKE BLVD.  
CANNON BUILDING, SUITE 100  
DOVER, DELAWARE 19904

TELEPHONE:  
FAX:

(302) 736-7500  
(302) 739-4849

August 22, 2016

**TO:** The Chair and Members of the Commission

**FROM:** Toni Loper, Public Utility Analyst 

**SUBJECT:** IN THE MATTER OF THE APPLICATION OF SUEZ WATER DELAWARE, INC. FOR A GENERAL INCREASE IN RATES AND FOR A REVISION OF ITS GENERAL TARIFF (FILED FEBRUARY 5, 2016) – PSC DOCKET NO. 16-0163

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**Application:**

On February 5, 2016 the SUEZ Water Delaware, Inc. (“SWDE” or the “Company”) filed an application (“Application”) seeking approval for an increase in its water base rates. The total amount of the increase requested by SWDE in this matter is approximately \$4,943,665 or 19.96% over current service rates (See Application ¶ 9). This increase includes \$1,696,286 of existing Distribution System Improvement Charge (“DSIC”) which will be rolled into base rates and reset to zero. Pursuant to 26 *Del. C.* §306(c) the Company included in its Application a request for authorization to collect temporary rates beginning April 5, 2016 (See Application ¶ 10). The Company’s request to collect temporary interim rates in the amount of \$2,499,338 was subsequently granted by the Commission through the issuance of Order No. 8861 dated March 22, 2016.<sup>1</sup>

On August 19, 2016, pursuant to 26 *Del. C.* §306(b), SWDE filed a petition (“Petition”) to implement revised interim rates to collect an additional \$1,445,592 in revenues above the initial level of \$2,499,338 set to be recovered from the implementation of the first interim rates that occurred earlier this year. This results in a total annual increase of \$3,944,930, or 15% of intrastate operating revenues. SWDE also requests in its Petition that the Commission waive the surety bond requirement outlined in 26 *Del. C.* §306(b). The Company believes it has access to sufficient financial resources to provide a refund if it were ordered to do so by the Commission. The Company also agrees that it would abide by any Commission order that may require a refund of amounts collected through interim rates.

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<sup>1</sup> PSC Order No. 8861 also granted SWDE’s request to waive the requirement of 26 *Del. C.* §306(b) of a bond with surety with respect to the interim rates, conditioned on SWDE’s representation that it will abide by any Commission refund order.

**Review and Recommendation:**

Under 26 *Del. C.* §306(b), at the expiration of seven (7) months after the filing of an application for a rate increase, a public utility is authorized to implement its proposed rate increase, on a temporary basis and subject to refund, under bond with sureties, so long as the revised interim increase does not exceed 15% of the public utility's gross intrastate operating revenues.<sup>2 3</sup> SWDE's proposed rate increase of \$4,943,665 included in its Application exceeds 15% of gross intrastate operating revenues.

Staff has reviewed the proposed revised interim rate calculations, the clean and redlined tariff sheets, and the rate derivation model contained within SWDE's petition and concurs with the Company's distribution of the revised interim rates which total to approximately \$3.9 million. The proposed revised interim rates, which will increase rates across all rate classes, are proposed to be effective with usage on and after September 5, which is the seven (7) month statutory time window.

Therefore, Staff respectfully recommends that the Commission approve implementation of the Company's proposed revised interim rates with usage on or after September 5, 2016, subject to refund, and a waiver of the requirement to file a bond in order to implement such rates.

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<sup>2</sup> 26 *Del. C.* §306(b): "Upon termination of the 7 months as set forth in paragraph (a)(1) of this section the proposed rate change shall automatically become effective if the public utility files with the Commission a bond in a reasonable amount approved by the Commission with sureties approved by the Commission, conditioned upon the refund, in a manner to be prescribed by order of the Commission, to the persons entitled thereto of the amount of the excess, if the rate so put into effect is finally determined to be excessive; or there may be substituted for such bond other arrangements satisfactory to the Commission for the protection of the parties interested. In no event shall a public utility put a rate into effect under bond as authorized in this subsection that would constitute an increase in excess of 15 percent of the public utility's gross intrastate operating revenues."

<sup>3</sup> On its 2015 annual gross revenue return filed on February 29, 2016, SWDE reported gross Delaware intrastate operating revenues of \$26,299,536. Hence, SWDE's revised interim increase cannot exceed 15% of its intrastate operating revenues (\$3,944,930)