

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

**APPLICATION OF
ARTESIAN WASTEWATER MANAGEMENT, INC.
FOR A CHANGE IN RATES FOR WASTEWATER SERVICE**

**Artesian Wastewater Management, Inc.
664 Churchmans Road
Newark, Delaware 19702**

January 18, 2013

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

**IN THE MATTER OF THE APPLICATION
OF ARTESIAN WASTEWATER
MANAGEMENT, INC. FOR AUTHORITY TO
INCREASE EXISTING RATES AND
CHARGES FOR WASTEWATER SERVICE
(filed January 18, 2013)**

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Docket No. 13-_____

**ARTESIAN WASTEWATER MANAGEMENT, INC.
APPLICATION FOR A CHANGE IN RATES**

Artesian Wastewater Management, Inc. (“AWMI”, “Company”, or “Applicant”) hereby files this application with the Public Service Commission of the State of Delaware (“Commission”) for a change in rates for wastewater service pursuant to 26 Del. C. §§ 201, 301, 304, 306 and 26 DE Admin Code 1002. In support of this Application, AWMI states the following:

Applicant

1. AWMI is a Delaware corporation with principal business offices located at 664 Churchmans Road, Newark, Delaware 19702. AWMI is a wholly-owned subsidiary of Artesian Resources Corporation (“Artesian”). Artesian owns non-regulated and regulated corporations including Artesian Water Company, Inc., a distributor of water in the state of Delaware, Artesian Water Maryland, Inc., a distributor of water in the state of Maryland, and Artesian Water Pennsylvania, Inc., a distributor of water in the Commonwealth of Pennsylvania. AWMI provides wastewater service at retail to approximately 985 customers in Kent and Sussex Counties, Delaware.

AWMI commenced operations in 2005 pursuant to a change in regulations regarding the ownership and management of wastewater operations in the State of Delaware. AWMI provides service to customers at retail through five (5) regional wastewater facilities, three (3) collection systems and one independent system.

Communication

2. All communication and notices with respect to this proceeding should be directed to the following persons:

David B. Spacht CFO and Treasurer Artesian Wastewater Management, Inc. 664 Churchmans Road Newark, Delaware 19702 (302) 453-6900 dspacht@artesianwater.com	David L. Valcarenghi Manager of Rates and Regulation Artesian Wastewater Management, Inc. 664 Churchmans Road Newark, Delaware 19702 (302) 453-6900 dvalcarenghi@artesianwater.com
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Requested Commission Action

3. Through this application, AWMI requests that the Commission grant or approve:
- an increase in Flat Rate revenue in the amount of \$342,608 or 34.8% over Pro Forma revenues;
 - an increase in the monthly Flat Rate Charge for wastewater service from \$75/EDU to \$98/EDU;
 - an overall rate of return of 5.16%, including a 10.0% return on equity;
- and,

Rate Request

4. AWMI requests authority to implement revised rates that enable it to collect an additional \$342,608 in annual wastewater revenues. The development of the proposed rate

increase is described in the testimony and exhibits of David L. Valcarengi, filed in support of this application. This application represents the first formal rate application submitted by AWMI for a revision in its rates and tariff pages. The requested increase is necessary for AWMI to continue to provide safe and reliable service for customers. The primary factors driving the need to request a rate increase stem from higher costs to operate the system and the need to earn a fair and reasonable return from operations. The Company requests an overall rate of return of 5.16%, including a 10.00% return on Common Equity. Included in the Company's revenue request are revised tariff pages that incorporate revised rates for wastewater service; revises certain miscellaneous charges and proposes language changes in various sections that are not considered substantial. AWMI requests the Commission to permit the proposed changes in wastewater rates and miscellaneous tariff charges to become effective for service rendered on and after March 20, 2013.

5. The proposed revenue request of \$342,608 represents an approximate 34.8 percent increase over Pro Forma Revenues. The revenue requirement is based upon a Test Year consisting of the twelve-month period ending September 30, 2012 and a Test Period that includes the twelve-months ended June 30, 2013. The Company proposes to increase its monthly Flat Rate Charge from \$75 per EDU to \$98 per EDU to collect the additional revenue effective March 20, 2013.

6. This rate application represents a request by AWMI to have its rates for wastewater service formally reviewed by the Commission. AWMI has continuously posted inadequate earnings from its wastewater operations. For the twelve-month period ended December, 2011, AWMI earned a return of 1.41 percent from its operations. In 2012, AWMI operations posted a return of 2.38 percent for the twelve-month period ended September, 2012

which is expected to decline to 0.92 percent for the period ended June 30, 2013. These returns are unreasonable and unsupported for the long-term viability of AWMI's operations.

7. AWMI has and continues to invest substantial amounts in its wastewater operations. AWMI has invested \$17,264,449 in wastewater infrastructure to provide a necessary and critical utility service for customers and anticipates investing an additional \$2.8 million in capital expenditures during the Test Period for system improvements to keep providing the best possible service for customers.

8. During the Test Year, AWMI operations produced utility operating income of \$78,243, which is expected to decline to \$44,509 by the conclusion of the end of June 2013.

9. AWMI requests that the Commission utilize a 5.16 percent rate of return to examine its wastewater operations including the use of a 10.0 percent rate of return on equity.

Witnesses

10. The proposed increased revenue requirement and rates described in this Application are supported by the direct testimony and schedules from the following witnesses on behalf of Artesian Wastewater Management, Inc.:

- a. David L. Valcarengi- Revenue Requirements
- b. Brian C. Carbaugh- Engineering Design and Reliability of AWMI facilities.

Notice

11. Customers will receive Notice of the proposed change in rates via bill inserts and also through notices published in appropriate newspapers in general circulation in the service area including The News Journal and the Delaware State News. A proposed form to notify customers of the proposed rate increase is attached to this Application.

Wherefore, AWTMI respectfully requests that the Commission:

1. Authorize AWTMI to implement the proposed rate changes as filed by AWTMI;
2. Order that a notice of hearing be published.

Respectfully submitted,

David B. Spacht
Artesian Resources Corporation
664 Churchmans Road
Newark, Delaware 19702

State of Delaware *
* SS.
County of New Castle *

On this day _____, personally came before me, the subscriber, a Notary Public in and for the state and county aforesaid David B. Spacht, Vice President, Treasurer, Chief Financial Officer of Artesian Resources Corporation, Inc., a company existing under the laws of the State of Delaware, and parent organization of Artesian Wastewater Management, Inc., the party to this Application, being duly sworn deposes and acknowledges this Application to be his act and deed and the act and deed of the Applicant, states that the signature is his own, and that the facts set forth in this Application are true and correct to the best of his knowledge and belief.

David B. Spacht
CFO & Treasurer

SWORN TO AND SUBSCRIBED
Before me this ____ day of January, 2013

Notary Public

My Commission expires on: _____