

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
UNITED WATER DELAWARE INC., FOR APPROVAL)
TO ESTABLISH A DISTRIBUTION SYSTEM)
IMPROVEMENT CHARGE (DSIC) UNDER THE) PSC DOCKET NO. 04-450
PROVISIONS OF 26 DEL. C. § 314 TO BE)
EFFECTIVE JANUARY 1, 2005)
(FILED NOVEMBER 30, 2004))

ORDER NO. 6537

This 7th day of December, 2004, the Commission determines and Orders the following:

I. BACKGROUND

1. In 2001, the General Assembly and the Governor authorized jurisdictional water utilities to calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"). The charge allows the utility to promptly begin to recover depreciation expenses and a return on the capital invested in "eligible distribution system improvements" recently put into service. 26 Del. C. § 314 (2002 Supp.).¹ Under the statutory scheme, a particular utility's DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within a preceding 6-month window. 26 Del. C. § 314(b)(3), (5) (2002 Supp.).

¹The Commission has explained the DSIC Rate mechanism in greater detail earlier in PSC Orders Nos. 5850, 5851, and 5854 (all Dec. 11, 2001).

II. DSIC RATE ADJUSTMENT BY UNITED WATER DELAWARE INC.

2. On November 30, 2004, United filed an application to adjust its DSIC Rate from 3.11% to 3.63%, with such change to be effective on January 1, 2005. According to United, this DSIC charge reflects net additional plant of \$4,660,429 as well as depreciation expense of \$53,791.

3. Although the reconciliation of United's 2004 DSIC rates has yet to be completed, the Commission will allow this most recent adjusted DSIC Rate to go into effect on January 1, 2005. As with United's previous DSIC Rates, the Commission does not specifically approve this adjusted Rate. Rather, this adjustment will be subject to audit and review for compliance with section 314 during the reconciliation proceeding to occur after December 31, 2005. If the Commission then finds that this adjustment does not comply with the statutory prerequisites or was not calculated according to the statutory formula, the Commission may revise the DSIC Rate and provide an appropriate remedy for any DSIC charges improperly collected. The Commission may also adjust this DSIC Rate to reflect the results of its proceeding concerning United's 2004 DSIC Rates.

Now, therefore, **IT IS ORDERED:**

1. That, under the provisions of 26 Del. C. § 314, the adjusted DSIC Rate of 3.63 percent as proposed by United Water Delaware Inc., in its application filed on November 30, 2004, is allowed to go into effect on January 1, 2005. Such DSIC Rate shall be subject to later review, audit, or revision as described in the body of this Order. Further, United Water Delaware Inc., is put on notice

that it may be obligated to make refunds or reimbursements to its subscribers if this adjusted DSIC Rate is later found, in all or in part, to be inconsistent with the provisions of 26 Del. C. § 314.

2. That United Water Delaware Inc., shall provide information to its subscribers concerning this adjusted DSIC Rate as required by 26 Del. C. § 314(b) (1).

3. That the Commission explicitly reserves jurisdiction and authority over the DSIC Rate to conduct the review and audit as described in this Order, and to conduct the annual reconciliation described in 26 Del. C. § 314(b) (8). In addition, the Commission reserves jurisdiction over this DSIC Rate to implement the results of its audit and reconciliation of the 2004 DSIC Rates implemented by United Water Delaware, Inc.

4. 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/ Joshua M. Twilley
Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

PSC Docket No. 04-450, Order No. 6537 Cont'd.

Commissioner

ATTEST:

/s/ Norma J. Sherwood
Acting Secretary