

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

IN THE MATTER OF THE APPLICATION OF )  
UNITED WATER DELAWARE INC., CONCERNING )  
THE ESTABLISHMENT OF A DISTRIBUTION SYSTEM ) PSC DOCKET NO. 05-415  
IMPROVEMENT CHARGE UNDER THE PROVISIONS )  
OF 26 DEL. C. § 314 TO BE EFFECTIVE )  
JANUARY 1, 2006 (FILED NOVEMBER 29, 2005) )

**ORDER NO. 6787**

This 6<sup>th</sup> day of December, 2005, 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. See 26 Del. C. § 314.<sup>1</sup> 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. See 26 Del. C. § 314(b)(3), (5).

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<sup>1</sup>The 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 29, 2005, United Water Delaware Inc. ("United") filed an application to adjust its DSIC Rate from 4.51% to 5.30%, with such change to be effective on January 1, 2006. According to United, this DSIC charge reflects net additional plant of \$6,387,559, as well as semi-annual depreciation expense of \$70,998 and an under-collection of \$14,095.<sup>2</sup>

3. 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, 2006. 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 2005 DSIC Rates.

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

1. That, under the provisions of 26 Del. C. § 314, the adjusted DSIC Rate of 5.30 percent as proposed by United Water Delaware Inc., in its application filed on November 29, 2005, is allowed to go into effect on January 1, 2006. 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

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<sup>2</sup>The \$14,095 represents one-half of the total under-collected from the previous recovery periods of 2003 and 2004.

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 2005 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/ Joann T. Conaway  
Commissioner

/s/ Jeffrey J. Clark  
Commissioner

/s/ Jaymes B. Lester  
Commissioner

PSC Docket No. 05-415, Order No. 6787 Cont'd.

/s/ Dallas Winslow  
Commissioner

ATTEST:

/s/ Karen J. Nickerson  
Secretary