

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
WILKERSON WATER COMPANY AND)
PRIME HOOK WATER COMPANY FOR A) PSC DOCKET NO. 14-0254
GENERAL INCREASE IN WATER RATES)
AND A REQUEST TO CONSOLIDATE PRIME)
HOOK WATER COMPANY INTO WILKERSON)
WATER COMPANY)
(FILED July 25, 2014))

PROPOSED SETTLEMENT

On this 3rd day of December, 2014, Wilkerson Water Company ("WWC") and Prime Hook Water Company ("PH"), (hereinafter the "Company"), both divisions of J.H. Wilkerson & Son, Inc., a Delaware corporation (hereinafter "Wilkerson"), the Staff of the Delaware Public Service Commission ("Staff"), and the Delaware Division of the Public Advocate (the "DPA") (individually each a "Party" and together, the "Settling Parties" or "Parties") hereby propose a settlement that, in the Settling Parties' view, appropriately resolves all issues raised in this proceeding.

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1. On July 25, 2014, the Company filed with the Public Service Commission of the State of Delaware (the "Commission") an Application (the "Application") with: (1) proposed revised tariffs designed to increase its rates for unmetered water service ranging from 10% to 49%; (2) reset the Distribution System Improvement Charge ("DSIC") to zero; and (3) increase certain miscellaneous charges for tapping, turn on, and turn off services (See **Exhibit "A"** attached hereto). In the Application, the Company also seeks to consolidate the operations of

PH into WWC effective January 1, 2015. The Company requested that the Commission grant this request retroactively to January 1, 2015 for both reporting and bookkeeping purposes.

2. The proposed rate increases are projected to produce an 8.3% rate of return and produce an additional \$26,211 in annual revenues applied to a rate base of \$190,966. WWC has not applied for a rate increase since 1991, and PH has not applied for a rate increase since 1982.

3. The DPA intervened in this docket on August 19, 2014. While the DPA did not file any testimony in this proceeding, the DPA reserved its right to attend hearings, cross-examine witnesses, serve interrogatories and, if deemed necessary, file briefs and present oral argument directly to the Commission. There were no other intervenors.

4. By Commission Order No. 8617 dated August 19, 2014, the Commission suspended the proposed rates and associated tariff changes pending a full evidentiary hearing and a final decision of the Commission.

5. On October 1, 2014, a duly noticed public comment session was held in Milford, Delaware at Carlisle Fire Company. No concerns were raised about the quality of service provided by the Company. However, one resident raised a concern about why the Company did not have residential meters to accurately bill customers based on individual usage.

6. During the course of this proceeding, the Settling Parties have conducted substantial written discovery in the form of both informal and formal data requests. Staff also conducted a field audit

at three plant locations and conducted a books and records audit on October 23, 2014 at the Company's offices in Milford, Delaware.

7. On November 14, 2014, Staff filed testimony in which it identified certain operating expense adjustments and general recommendations for the Company going forward.

8. The Settling Parties have conferred and agree to enter into this Proposed Settlement on the terms and conditions contained herein because they believe that this Proposed Settlement will serve the interest of the public, while meeting the statutory requirement that rates be both just and reasonable. Subject to the recommendation of the Hearing Examiner, the terms and conditions of this Proposed Settlement will be presented to the Commission for the Commission's approval.

II. SETTLEMENT PROVISIONS

9. **Rates and Miscellaneous Charges:** The Settling Parties agree that the Company's proposed rates and increases to certain miscellaneous charges for tapping, turn on, and turn off services as set forth in the Company's Application are just and reasonable (See Exhibit "A" attached hereto).

10. **WWC DSIC:** That the current annual DSIC charge of \$4.00 for WWC customers, which is being rolled over into the new rates, will be reset to zero on April 1, 2015.

11. **PH DSIC:** That the current annual DSIC charge of \$9.25 for PH customers, which is being rolled over into the new rates, will be reset to zero on July 1, 2015.

12. **Consolidation:** That the consolidation of the operations of

PH with and into WWC is approved, effective retroactively to January 1, 2015, for both reporting and bookkeeping purposes.

13. **Applications for Rate Changes:** The Company agrees to make more timely applications to the Commission for rate increases to minimize customer rate shock.

14. **Succession Planning:** The Company agrees to submit to the Commission a confidential succession plan within 120 days of the Commission's final order in this proceeding. The purpose of this plan is to provide the Commission with current options being explored by management relating to the future operations and key personnel of its water divisions.

15. **Tariff:** Upon approval of this Settlement by the Commission, the Company shall file with the Commission tariff sheets that incorporate the terms and conditions of this Settlement within ten (10) days of the rate effective date. The Company will make its tariff available for new customers, the Commission, and available for public inspection at the Company's offices in accordance with 26 Del. Admin. C. §2001.

III. ADDITIONAL PROVISIONS

16. The provisions of this Proposed Settlement are not severable.

17. This Proposed Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any rate making or any other principle in any future case. No party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or

the resolution of any particular issue addressed in this Proposed Settlement other than as specified herein, except that each Party agrees that the resolution of the issues taken as a whole results in just and reasonable rates.

18. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

19. The Parties agree that this Proposed Settlement will be submitted to the Commission for a determination that it is in the public interest and that no Party will oppose such a determination. Except as expressly set forth herein, none of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

20. The Proposed Settlement will become effective upon the Commission's issuance of a final order approving it and all the terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

21. The obligations under this Proposed Settlement, if any, that apply for a specific term set forth herein shall expire automatically in accordance with the term specified, and shall require no further action for their expiration.

22. The Settling Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. The Settling Parties shall consider any final Commission order related to the enforcement or interpretation of this Proposed Settlement as an appealable order to the Superior Court of the State of Delaware. This shall be in addition to any other available remedy at law or in equity.

23. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order which prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any Party to the other Settling Parties.

24. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Settling Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Settling Parties may assert (a) in the event that the Commission does not issue a final, non-appealable order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or

other governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Settling Parties of all of the issues in this proceeding.

25. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission should fail to grant such approval, or should modify any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Settling Parties agree to waive the application of this provision. The Settling Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

26. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding.

27. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the person or entity executing it (or on whose behalf such signature is executed) with the same force and

effect as if such facsimile or ".pdf" signature page were an original thereof.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, intending to legally bind themselves and their successors and assigns, the undersigned parties have caused this Proposed Settlement to be signed by their duly authorized representatives.

J.H. Wilkerson & Son, Inc.

Dated: 12-3-14

By: David A. Wilkerson

David A. Wilkerson, President

Delaware Public Service Commission Staff

Dated: _____

By: _____

Division of the Public Advocate

Dated: 12-3-14

By: David L. Bonatz

DAVID L. BONATZ

IN WITNESS WHEREOF, intending to legally bind themselves and their successors and assigns, the undersigned parties have caused this Proposed Settlement to be signed by their duly authorized representatives.

J.H. Wilkerson & Son, Inc.

Dated: _____

By: _____

David A. Wilkerson, President

Delaware Public Service Commission Staff

Dated: 12/4/14

By: Connie S. McJannet

Senior Regulatory Policy Admin.

Division of the Public Advocate

Dated: _____

By: _____

Exhibit "A"

Table of Rates

The proposed rate increases are as follows:

Quarterly - Wilkerson Water Company Cedar Creek Customers						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
3/4" Service	\$58.75	\$10.00	\$68.75	4/1/2015	\$275.00	17%

Semiannually - Other Wilkerson Water Company Customers						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
3/4" Service	\$117.50	\$20.00	\$137.50	4/1/2015	\$275.00	17%
1" Service	\$192.50	\$20.00	\$212.50	4/1/2015	\$425.00	10%

Annually - Prime Hook Customers						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
Service	\$185.00	\$90.00	\$275.00	7/1/2015	\$275.00	49%

Miscellaneous Charges						
	Current Rate without DSIC	Proposed Increase	Proposed New Rates	Effective Date	Annual Basis	% Increase
Tapping charge	\$500.00	\$100.00	\$600.00	4/1/2015		20%
Turn on service	\$50.00	\$25.00	\$75.00	4/1/2015		50%
Turn off service	\$50.00	\$25.00	\$75.00	4/1/2015		50%

The DSIC charges will be set to zero.