

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION *
OF ARTESIAN WATER COMPANY, INC. *
FOR AUTHORITY TO INCREASE RATES *
AND CHARGES FOR WATER SERVICE *
(Filed April 11, 2014) *

PSC Docket No. 14- _____

**DIRECT TESTIMONY
OF
DAVID L. VALCARENGHI
ON BEHALF OF
ARTESIAN WATER COMPANY, INC.**

Artesian Water Company, Inc.
664 Churchmans Road
Newark, DE 19702
Telephone: (302) 453-6900
Facsimile: (302) 453-6957
E-mail: artesian@artesianwater.com

MORRIS, NICHOLS, ARSHT & TUNNELL
Michael Houghton
R. Judson Scaggs, Jr.
Karl G. Randall
1201 N. Market Street
P. O. Box 1347
Wilmington, DE 19899-1347
Telephone: (302) 658-9200
Facsimile: (302) 658-3989
E-mail: mhoughton@mnat.com

April 11, 2014

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF TESTIMONY	2
III.	COMPONENTS OF RATE RELIEF	3
A.	Rate Base	9
1.	Used and Useful Utility Plant	10
2.	Intangible Assets	12
3.	Accumulated Depreciation	13
4.	Advances for Construction, Contributions in Aid of Construction, Deferred Income Taxes and Deferred Investment Tax Credit	14
5.	Accumulated Depreciation on CIAC and Advances	14
6.	Materials and Supplies	14
7.	Cash Working Capital	15
8.	Taxes Paid on CIAC	15
9.	Rate Base Summary	16
B.	Net Operating Income	16
1.	Operating Revenues	19
2.	Operating Expenses	22
a.	Operation and Maintenance Expenses	22
b.	Depreciation Expenses	35
c.	Property Taxes	35
d.	Payroll Taxes	35
e.	Income Tax	36
f.	Investment Tax Credits	37
3.	Operating Income Summary	38
C.	Rate of Return	38
D.	Revenue Requirement Summary	40
E.	Allowance for Funds Used During Construction	40
IV.	PROPOSED CHANGES TO AWC'S RULES AND REGULATIONS	41

1 **I. INTRODUCTION**

2 Q. **PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

3 A. My name is David L. Valcarenghi. I am Manager of Rates and Regulation for Artesian
4 Water Company, Inc. ("AWC" or the "Company") and my business address is 664
5 Churchmans Road, Newark, Delaware 19702.

6 Q. **ON WHOSE BEHALF HAS YOUR TESTIMONY BEEN PREPARED?**

7 A. My testimony has been prepared on behalf of AWC, which is a wholly-owned affiliate of
8 Artesian Resources Corporation.

9 Q. **PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND EDUCATIONAL
10 BACKGROUND.**

11 A. I commenced employment with AWC in March 2011. I am responsible for development
12 of revenue requirements sponsored by the Company, the administration of rates and
13 charges assessed by the Company and regulatory reporting. Before commencing
14 employment with AWC, I was employed by the Maryland Public Service Commission
15 for approximately 26 years. In that position, I was responsible for examining and
16 monitoring the financial health of utilities that conduct business in the State of Maryland,
17 which included the development and analysis of base rate revenue requirements, cost
18 recovery and regulatory reporting. I have testified on a number of occasions on issues
19 before the MdPSC. I hold a Bachelor of Arts degree in Economics from the University
20 of Maryland, Baltimore County and a Master of Science degree in Management with a
21 concentration in Financial Management from the University of Maryland, University
22 College.

1 **II. PURPOSE OF TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A. The purpose of my testimony is to describe and support AWC's request to increase its
4 rates and charges for water service. I present financial data that shows the Company's
5 rates are presently insufficient to achieve a reasonable rate of return. The Company's
6 need for an increase is based on Test Year operating results for the twelve-month period
7 ended December 31, 2013 adjusted for known and measurable changes expected to occur
8 during a Test Period consisting of the twelve-month period ending September 30, 2014. I
9 sponsor the development of the revenue requirement, including various accounting
10 adjustments, which support AWC's request to increase rates for the opportunity to collect
11 an additional \$9,983,823 in annual water service revenues.

12 **Q. PLEASE SUMMARIZE AWC'S REQUESTED RATE INCREASE.**

13 A. AWC requests authority to implement revised rates that recover an additional \$9,983,823
14 in annual water service revenues and are based on a pro forma rate base of \$221,767,586,
15 adjusted operating income deficiency of \$5,990,873, and an overall rate of return of 8.40
16 percent, which incorporates a 10.90 percent return on equity. The development of
17 AWC's requested increase is reflected in a number of schedules appended to my direct
18 testimony. A summary of the requested revenue requirement is shown on Schedule
19 DLV-1. AWC witness Pauline Ahern describes and supports AWC's recommended
20 return on equity. The proposed increase in rates would produce a 15.91 percent increase
21 in revenue over revenues expected to be received from current base rates. The actual cost
22 impact of the proposed increase is less because the Public Service Commission ("PSC"
23 or "Commission") has permitted the Company to recover specific investments made in

1 infrastructure from customers through the assessment of a 3.32 percent Distribution
2 System Improvement Charge (“DSIC”). Since the DSIC rate is set to zero after
3 temporary rates are placed into effect, customers would experience an incremental
4 increase of 12.59 percent, the net of the overall 15.91 percent increase less the DSIC rate
5 of 3.32 percent.

6 **III. COMPONENTS OF RATE RELIEF**

7 **Q. PLEASE EXPLAIN HOW RATES HAVE BEEN DEVELOPED.**

8 A. AWC followed a typical rate base/rate of return approach in assessing the need for
9 additional revenues to support its operations. Stated differently, rates are set to provide
10 the Company an opportunity to recover prudently incurred costs, including taxes and
11 depreciation, plus a fair and reasonable return for investments that have been developed
12 to provide safe and reliable water service for customers. As indicated previously, the
13 components of AWC’s requested rate relief are detailed on schedules appended to this
14 testimony.

15 **Q. WHAT IS THE SOURCE OF THE FINANCIAL INFORMATION PRESENTED** 16 **IN YOUR EXHIBITS?**

17 A. The information included in the Company’s analysis is derived from AWC’s books,
18 records and financial statements.

19 **Q. WHAT DATA WAS USED IN THE DEVELOPMENT OF THE PROPOSED** 20 **REVENUE REQUIREMENT?**

21 A. AWC utilized a Test Year consisting of the twelve-month period ended December 31,
22 2013 and a Test Period consisting of the twelve-month period ending September 30,
23 2014. The period ending September 2014 represents a period of 9 months after the

1 conclusion of the Test Year and thus satisfies the requirements set forth in the Minimum
2 Filing Requirements ("MFR"). Test Period financial projections are based on historic
3 operating results, as well as known and measurable changes in operations expected to
4 occur prior to the end of the Test Period.

5 **Q. HAS THE COMPANY COMPLIED WITH THE MINIMUM FILING**
6 **REQUIREMENTS IN THE DEVELOPMENT AND PRESENTATION OF**
7 **INFORMATION TO JUSTIFY A REVISION IN RATES?**

8 A. Yes. The Company's financial presentation includes all of the pertinent information in
9 accordance with the Minimum Filing Requirements of Title 26, Section 1002 of the
10 Delaware Administrative Code.

11 **Q. DID THE COMPANY PROVIDE PRIOR NOTICE OF ITS INTENT TO FILE**
12 **FOR REVISION OF ITS PRESENT RATES FOR WATER SERVICE?**

13 A. Yes. By letter dated September 10, 2013 addressed to Mr. Robert J. Howatt, Executive
14 Director of the Public Service Commission, AWC indicated that it would file for a
15 change in rates on April 1, 2014. On April 1, 2014 AWC sent another letter to Mr.
16 Howatt stating that the application for rate changes would be filed not later than end of
17 April 30, 2014. Copies of these letters are provided in DLV Exhibit 3.

18 **Q. PLEASE PROVIDE A DISCUSSION OF RATE RELIEF AWC HAS BEEN**
19 **AWARDED IN PRIOR RATE PROCEEDINGS.**

20 A. The Company most recently received authority to increase rates to collect an additional
21 \$6,250,000 in annual water service revenues pursuant to Commission Order 8097 in
22 Docket 11-207. The chart below identifies the financial results from AWC's three (3)
23 prior rate applications:

Docket No.	Filing Date	Decision Date	Increase Requested		Approved Increase	
			Dollars	Percent	Dollars	Percent
06-158	May-06	Dec-06	\$ 9,927,908	23.05%	\$ 6,000,000	14.00%
08-96	Apr-08	Sep-09	\$ 14,231,854	28.80%	\$ 7,340,592	14.70%
11-207	Apr-11	Dec-11	\$ 10,926,304	19.45%	\$ 6,250,000	11.13%

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

Q. PLEASE DISCUSS THE RESULTS FROM THE COMPANY'S LAST RATE APPLICATION.

A. The Company's last rate application, Docket No. 11-207, was resolved through a negotiated settlement that was approved by Commission Order No. 8097 on December 20, 2011. The approved settlement authorized AWC to implement rates to recover \$6.2 million in additional water service revenue and provides for a 10 percent return on equity. No explicit pronouncements were made with respect to the Company's rate base or operating income. Although not stated in the approved settlement, AWC's actual Rate Base at the end of September 2011 was \$198,287,048. Through the end of the Test Year, AWC's Rate Base has increased by only \$9,659,457 since September 30, 2011 while it made \$20,500,000 in utility plant improvements over the same period. The reduction in recoverable investment is achieved through the Company's strategic and effective use of developer financing through Contributions in Aid of Construction as prescribed in PSC Docket 15 and the use of specific federal tax allowances such as accelerated tax and bonus depreciation provisions that reduce the Company's current actual tax burden. Those savings are invested by AWC in infrastructure and reflected as a deduction from rate base as a deferred tax. While those taxes are payable in future periods, the customer enjoys the benefits of a reduced base upon which the Company would be permitted to earn a fair rate of return until those amounts are actually paid.

1 Q. **DID YOU PREPARE EXHIBITS THAT SUPPORT AWC'S REQUEST TO**
2 **INCREASE ITS RATES AND CHARGES FOR WATER SERVICE?**

3 A. Yes. I developed two exhibits, which are appended to this testimony and marked as DLV
4 Exhibit 1 and DLV Exhibit 2. DLV Exhibit 1 provides the financial support for the
5 revenue request on 51 pages of schedules enumerated as Schedule DLV-1 through
6 Schedule DLV-6. Schedules DLV-2 through DLV-4 contains numerous supporting sub-
7 schedules. DLV Exhibit 2 is AWC's recommended water service tariff. A marked-up
8 version (changes underlined) is provided as DLV Exhibit 2a and a clean version is
9 provided as DLV Exhibit 2b.

10 Q. **PLEASE INDICATE THE RETURN LEVEL THAT HAS BEEN AUTHORIZED**
11 **FOR AWC.**

12 A. The settlement in Docket No. 11-207 afforded the Company the opportunity to earn a 10
13 percent rate of return on common equity, but provided no overall return complement.
14 Inserting the authorized 10 percent return on common equity into the Company's capital
15 structure from that case results in an overall calculated return of 7.91 percent.

16 Q. **HAS THE COMPANY BEEN ABLE TO ACHIEVE EARNINGS**
17 **COMMENSURATE WITH THOSE AUTHORIZED BY THE APPROVED**
18 **SETTLEMENT?**

19 A. No.

20 Q. **PLEASE INDICATE THE RETURNS THAT HAVE BEEN GENERATED BY**
21 **AWC'S OPERATIONS.**

22 A. Based on the twelve-month period ended December 31, 2013, AWC's operations
23 produced a ratemaking return of 6.59 percent, which is expected to decline to 5.70

1 percent by the conclusion of the Test Period. These returns demonstrate that the
2 Company has been unable to earn a return commensurate with its current authorized rate
3 of return of 7.91 percent, and the Company expects returns to decline through the end of
4 the Test Period ending September 30, 2014.

5 **Q. WHAT IS DRIVING THE NEED FOR ADDITIONAL REVENUES?**

6 A. AWC continues to spend significant amounts to rehabilitate and repair its sources of
7 supply, treatment facilities and distribution system through a variety of projects designed
8 to enhance the reliability of the network, and through a number of projects where AWC
9 has been requested to move its water mains. In addition to capital projects, AWC faces
10 ongoing and increasing cost pressure in the operation of its system due to higher
11 operating costs, including those related to labor, benefits, electricity and purchased
12 power, water quality testing and chemicals. AWC witness C. Thomas deLorimier
13 provides testimony that discusses projects that have either been completed since the
14 Company's last rate application or are presently underway and will be completed prior to
15 the end of the September 2014 Test Period.

16 **Q. PLEASE INDICATE THE DOLLARS THAT AWC HAS COMMITTED TO**
17 **REHABILITATING AND REPAIRING THE SYSTEM SINCE THE**
18 **CONCLUSION OF THE LAST CASE.**

19 A. Since the conclusion of Docket No. 11-207 (AWC's last rate proceeding), which included
20 capital investment through the Test Period ended September 30, 2011, AWC has invested
21 approximately \$20.5 million on a series of projects to rehabilitate and repair the system.
22 In addition to amounts already invested, AWC expects to invest another \$26.6 million on
23 a number of capital projects through the period that ends September 30, 2014.

1 Cumulatively, since the last rate case, AWC will have invested approximately \$47.1
2 million on infrastructure projects in a 36-month period to enhance and improve the
3 system.

4 **Q. PLEASE INDICATE THE LEVEL OF RATE RELIEF THE COMPANY**
5 **REQUESTS IN THIS PROCEEDING.**

6 A. AWC requests authority to collect an additional \$9,993,006 in additional annual water
7 service revenues from customers. The additional revenue is premised on the following
8 rate components:

9	Rate Base	\$221,767,586
10	Operating Income	\$12,631,899
11	Overall Rate of Return	8.40%

12 **Q. PLEASE INDICATE HOW THE REQUESTED INCREASE IN WATER RATES**
13 **WILL IMPACT CUSTOMER BILLS.**

14 A. Based on average consumption of 4,155 gallons per month, the proposed rates will
15 increase a typical residential customer's bill by \$5.80 per month from \$47.16 to \$52.96 or
16 an average of \$0.19 per day.

17 **Q. WHAT PERIODIC DATA WAS USED TO DEVELOP THE REQUESTED RATE**
18 **RELIEF?**

19 A. AWC's requested rate relief is premised on the financial results experienced during the
20 twelve-month period ended December 31, 2013, which is referred to as the Test Year. In
21 addition, AWC recommends adjustments based on conditions expected to occur during
22 the twelve month period ending September 30, 2014, which is referred to as the Test
23 Period.

1 Q. **WHAT IS THE BASIS FOR PROJECTED PLANT DATA REFLECTED OR**
2 **CONTAINED IN THE DEVELOPMENT OF THE TEST PERIOD?**

3 A. Projections of additional capital investment and retirements for the Test Period are based
4 upon open work orders that are expected to close prior to the end of September 2014 and
5 be rendered, used and useful in providing water service for customers.

6 A. **Rate Base**

7 Q. **WHAT LEVEL OF RATE BASE WAS UTILIZED IN DETERMINING AWC'S**
8 **REQUESTED LEVEL OF RATE RELIEF?**

9 A. AWC has calculated and requests that it be authorized to use a rate base of \$221,767,586
10 in assessing the need for additional revenues. The calculated pro forma rate base is
11 approximately \$23.5 million greater than the level reflected in AWC's last rate
12 application in Docket No. 11-207. The Company's requested rate base, in this
13 proceeding, reflects the net amount of investment used in providing service for customers
14 at the end of December 2013 and an additional \$25.2 million in net capital projects that
15 are anticipated to close by the end of September 30, 2014. Rate Base reflects the net of
16 accumulated investment costs less typical deductions such as Accumulated Depreciation,
17 Deferred Income Taxes and Contributions in Aid of Construction.

18 Q. **DID YOU PREPARE A SCHEDULE THAT SHOWS THE COMPONENTS OF**
19 **RATE BASE UTILIZED IN THIS RATE APPLICATION?**

20 A. Yes. Schedule DLV-2 shows the Company's calculation of rate base for the Test Year
21 and the Test Period.

22 Q. **WHAT METHODOLOGY WAS USED TO DEVELOP RATE BASE**
23 **PROJECTIONS?**

1 A. The Company's Test Period financial projections concerning capital additions and
2 retirements are based upon open work orders for all capital investment projects for utility
3 plant projects that will be completed prior to the end of the September 2014 Test Period.
4 It is helpful to examine separately the following components of the Company's rate base
5 projections: (1) used and useful utility plant (including separate consideration of supply
6 and treatment, transmission and distribution, and utility plant retirements); (2) intangible
7 assets; (3) accumulated depreciation; (4) contributions in aid of construction ("CIAC"),
8 advances for construction, deferred income taxes and deferred investment tax credits; (5)
9 accumulated depreciation on CIAC and advances; (6) materials and supplies; (7) cash
10 working capital; (8) taxes paid on CIAC; and (9) a summary of the aggregate impact of
11 factors (1) through (8).

12 1. Used and Useful Utility Plant

13 Q. **REFERRING TO SCHEDULE 2, PLEASE EXPLAIN WHAT IS MEANT BY THE**
14 **PHRASE "USED AND USEFUL UTILITY PLANT."**

15 A. Used and Useful Utility Plant refers to capital investments AWC has committed to
16 provide safe, secure, reliable water service to customers across all of our franchised areas.
17 The balance for the Test Year is derived from the Company's continuing property
18 records, and the balance for the Test Period is a projection of capital projects that will be
19 completed and placed into service prior to the close of the Test Period. AWC had a
20 balance of \$407,182,932 in utility investments at the end of the Test Year, which is
21 projected to increase to \$432,339,891 by the end of the Test Period.

22 Q. **PLEASE DESCRIBE THE MOST SIGNIFICANT PLANT ADDITIONS**
23 **EXPECTED TO BE COMPLETED DURING THE TEST PERIOD.**

1 A. The Company forecasts that \$26.6 million in additional capital investments will close
2 prior to the end of the Test Period. AWC witness C. Thomas deLorimier provides
3 testimony on the necessity for these capital projects. A list of the projected capital
4 spending is provided in CTD Exhibit 18 of Mr. de Lorimier's testimony. A summary of
5 the more significant items is provided below.

6 **a. Supply and Treatment**

7 From December 31, 2013 through the end of the Test Period, the Company will invest
8 approximately \$1.1 million in Source of Supply projects (Account No. 314), including
9 well replacement projects at Jefferson Farms, Llangollen and Fairwinds. The Company
10 intends to invest \$1.6 million for pump houses (Account No. 321), including \$1.4 million
11 for the Rt. 7 Booster Station. The Company also intends to invest approximately \$5.6
12 million for treatment plant upgrades (Account No. 331) including \$1.2 million for
13 upgrades at Castle Hills and \$3.0 million for upgrades at Llangollen related to 1,4
14 Dioxane removal and \$1.1 million for water purification projects (Account No. 332) The
15 necessity for these plant items is discussed more fully in the direct testimony of AWC
16 witness C. Thomas deLorimier in his direct testimony.

17 **b. Transmission and Distribution**

18 AWC plans to invest approximately \$11.0 million in improvements to its transmission
19 and distribution system (Account No. 343) during the Test Period. Of this investment,
20 which does not include developer financed projects, approximately \$2.5 million relates to
21 rehabilitation projects around Christiana Mall. This category also includes projects
22 stemming from the relocation of facilities due to government actions, such as highway

1 relocations. AWC witness C. Thomas deLorimier provides a further discussion of
2 enhancements to the Company's transmission system.

3 **c. Utility Plant Retirements**

4 Q. **WILL THERE BE ANY RETIREMENTS OF UTILITY PLANT DURING THE**
5 **TEST PERIOD?**

6 A. Yes. As shown on Schedule DLV-2A, AWC plans to retire \$1,468,865 in utility plant
7 during the Test Period. The retirements are deducted from the Company's calculation of
8 rate base.

9 Q. **HAVE THERE BEEN OTHER CHANGES IN THE COMPANY'S OPERATIONS**
10 **SINCE THE CONCLUSION OF THE LAST CASE?**

11 A. Yes. In October 2013, the Company placed in service a new billing system by Oracle
12 called Customer, Care and Billing ("CC&B"). This system replaced the PeopleSoft
13 Customer Information System ("CIS"). A conversion to CC&B was critically important
14 as the former system was designated as end of life, and thus only entitled the Company to
15 sustaining support. The exposure to the Company carried an unacceptable level of risk.
16 The conversion to CC&B required revisiting all major business processes from meter
17 reading to cash management in order to maximize the benefits of the increased
18 efficiencies available with the new system. The Company implemented business
19 processes within CC&B allowing greater transparency and improved monitoring of the
20 Company's to established policies and practices.

21 **2. Intangible Assets**

22 Q. **REFERRING AGAIN TO SCHEDULE DLV-2, PLEASE EXPLAIN THE**
23 **SECOND LINE'S REFERENCE TO "INTANGIBLE ASSETS."**

1 A. Intangible assets represent amounts paid by the Company to acquire franchises used to
2 serve customers across the state of Delaware. The balance for this category of assets for
3 the Test Year and Test Period is \$140,035 and is shown on Schedule DLV-2B.

4 **3. Accumulated Depreciation**

5 Q. **PLEASE DESCRIBE OTHER RATE BASE ELEMENTS SHOWN ON**
6 **SCHEDULE 2.**

7 A. Utility plant in service has been reduced by accumulated depreciation applicable to utility
8 property, which for the Test Period equals \$96,589,205. The pro forma balance includes
9 depreciation expense on projected capital investments and the cost of assets expected to
10 be retired through the end of the Test Period. Prior to the Company's last rate case, costs
11 associated with removing and/or salvaging utility assets were booked to Accumulated
12 Depreciation. In AWC's last rate case, the Company agreed to begin separately
13 accounting as a liability the costs of removing retired assets. An initial liability was
14 established on January 1, 2012 of \$1,085,758. The balance in the account is adjusted
15 monthly based on actual removal costs and the monthly allocation of the \$23,862 annual
16 allocation in accordance with the settlement. At the end of the Test Year, the retirement
17 liability account had a balance of \$982,510 and the Company projects a balance of
18 \$1,000,407 at the end of the Test Period. For presentation purposes, the retirement
19 liability has been included as an additional component of Accumulated Depreciation
20 which is deducted from Rate Base. The derivation of Test Year and Test Period
21 balances are provided on Schedule DLV-2C.

22

1 **4. Advances for Construction, Contributions in Aid**
2 **of Construction, Deferred Income Taxes and**
3 **Deferred Investment Tax Credits**

4 **Q. REFERRING TO SCHEDULE DLV-2, PLEASE EXPLAIN THE BALANCES**
5 **REFERRED TO AS CIAC, ADVANCES, DEFERRED INCOME TAXES AND**
6 **DEFERRED INVESTMENT TAX CREDITS.**

7 **A.** These elements, shown on lines 4 through 7 of Schedule DLV-2, are balances that are
8 deducted from rate base. Advances for Construction and Contributions in Aid of
9 Construction (“CIAC”) represent amounts that are not funded by the Company and
10 therefore are deducted from rate base. Deferred Income Taxes and Deferred Investment
11 Tax Credits (“ITC”) are balances that arise from timing differences or other special tax
12 policies. Here, the balances are contra accounts, meaning the balances are funded by
13 contributions from customers. The balance of Advances and CIAC for the Test Year and
14 Test Period are provided on Schedule DLV-2H. The balance of Deferred Income Taxes
15 is shown on Schedule DLV-2D; the balances for Deferred ITC are shown on Schedule
16 DLV-3L.

17 **5. Accumulated Depreciation on CIAC and**
18 **Advances**

19 **Q. PLEASE EXPLAIN THE NEXT TWO ITEMS, WHICH ARE ADDED TO RATE**
20 **BASE.**

21 **A.** As required by previous PSC policy, accumulated depreciation on Advances and CIAC,
22 shown at lines 7 and 8 of Schedule 2, has been added back to rate base. The balances
23 related to the Test Year and Test Period are shown on Schedule DLV-2H

24 **6. Materials and Supplies**

25 **Q. PLEASE EXPLAIN THE NEXT ITEM, MATERIALS AND SUPPLIES.**

1 A. This component reflects an addition to rate base and was determined through the use of
2 the thirteen-month average of the account balances for the 13 months ended December
3 31, 2013. Materials and Supplies represent a variety of components that are used in the
4 Company's operations. The calculation of Materials and Supplies is shown on Schedule
5 DLV-2G. The Company has seen no indication of unusual activity in the monthly
6 balances during the period.

7 **7. Cash Working Capital**

8 Q. **PLEASE EXPLAIN THE CASH WORKING CAPITAL COMPONENT OF RATE**
9 **BASE AND HOW IT WAS DEVELOPED.**

10 A. Cash Working Capital represents the net cash resources used by the Company to fund the
11 day to day operations of the water utility. AWC determined its cash working capital
12 requirement through the use of a lead/lag study that was applied to the expenses in the
13 Test Year and the proposed pro forma level of expenses consistent with the Test Period.
14 The working requirement for the Test Year and Test Period is reduced by the average
15 thirteen-month balances of security and customer deposits held by the Company. The
16 development of Cash Working Capital is shown on Schedule DLV-2E.

17 **8. Taxes Paid on CIAC**

18 Q. **PLEASE EXPLAIN THE ADJUSTMENT RELATING TO TAXES PAID IN**
19 **CONNECTION WITH CONTRIBUTIONS IN AID OF CONSTRUCTION.**

20 A. In Docket No. 87-15, the PSC ordered that when a utility pays the income tax expense
21 attributable to a contribution, the tax expense should be added to rate base. This
22 adjustment is made to recognize the additional income taxes paid as a result of the receipt
23 of new Contributions in Aid of Construction ("CIAC"). Federal income tax law
24 provisions that became effective June 13, 1996, eliminated the classification of CIAC,

1 specifically related to infrastructure intended to serve more than one customer, as taxable
2 income. However, CIAC related to service line extensions for the sole use of one
3 customer is still taxable. The Company has not recorded any new taxable CIAC since the
4 last rate application and does not project any in this application.

5 **9. Rate Base Summary**

6 Q. **PLEASE SUMMARIZE YOUR TESTIMONY WITH REGARD TO RATE BASE.**

7 A. AWC recommends the PSC utilize a rate base of \$221,767,586 consistent with the Test
8 Period that includes the twelve-month period ending September 30, 2014.

9 **B. Net Operating Income**

10 Q. **PLEASE EXPLAIN THE DEVELOPMENT OF NET OPERATING INCOME**
11 **USED AS A BASIS FOR RATE RELIEF IN THIS APPLICATION.**

12 A. The development of net operating income begins with net income for the Test Year and
13 reflects necessary adjustments that will occur during the Test Period. The Company
14 projects a decline in net operating income under present rates at the end of the Test
15 Period because the Company anticipates that increases in operating costs (including
16 operating and maintenance expenses), depreciation expenses, and taxes will not be fully
17 offset by a projected increase in operating revenues.

18 Q. **PLEASE DISCUSS THE PROJECTED INCREASE IN REVENUES FORECAST**
19 **DURING THE TEST PERIOD.**

20 A. The projected increase in operating revenues is attributable to an averaging technique
21 designed to normalize revenues from water sales experienced during the Test Year and
22 incremental sales revenue from customers expected to be added through the conclusion of
23 the Test Period.

24 Q. **PLEASE DISCUSS THE ADJUSTMENT TO NORMALIZE WATER SALES.**

1 A. The Company's pro forma Test Period projections for operating revenue under present
2 rates are based upon a billing analysis, which analyzed consumption by customer for
3 twelve-month periods ending December 31, 2011, December 31, 2012 and December 31,
4 2013. A simple three-year average for annual consumption was calculated for the same
5 period. This average was used as the basis for the consumption used in calculating gross
6 water sales revenues for each customer in the Test Period. A three-year averaging
7 approach was utilized to normalize sales because data for a five-year calculation was
8 unavailable as the Company converted from quarterly to monthly billing at the
9 conclusion of the last rate proceeding.

10 Where there was insufficient data to perform a three-year average or three years'
11 worth of consecutive data points were not available, the available data was used to
12 determine a projection. For example, if two years of data were available, a two-year
13 average was used. For new customers, or customers for whom the Company did not have
14 a full twelve-month period of consumption information, the average overall consumption
15 for the applicable customer class was used as projected consumption.

16 In addition, certain anomalies occurred within the measurement periods that
17 skewed the results of using a simple three-year average. Because the system aggregates
18 all bills during the measurement period it does not distinguish between bills that may
19 have been issued incorrectly and either reissued or corrected. Accordingly, the Company
20 employed a test to compare average results with the standard deviation of the customers'
21 test data. If the average differs, either higher or lower, from the standard deviation by
22 more than two times the standard deviation, then the monthly bill was adjusted to the

1 average of the rate class. Also if the calculated average is more than 50 percent above or
2 below actual consumption during the test year, the test year information was used.

3 Once the consumption for each customer was calculated, the Company calculated
4 how much, on average, each customer used in each period and in what rate block their
5 individual consumption would fall. The currently approved rates were applied to
6 determine revenues for minimum charges, for customer and fire protection, and for water
7 consumption.

8 **Q. PLEASE INDICATE HOW PROJECTIONS THAT FORM THE BASIS OF**
9 **ADJUSTMENTS IN OPERATING COSTS WERE DETERMINED.**

10 A. In general, Test Period financial projections of operating costs are based upon known and
11 measurable changes or items that can be reasonably expected to occur and are expected to
12 have an ongoing effect on the Company's operations.

13 **Q. PLEASE EXPLAIN SCHEDULE DLV-3-2.**

14 A. This schedule shows the Company's operating revenues and expenses by major expense
15 category for the Test Year and Test Period under both present and proposed rates.

16 **Q. REFERRING TO SCHEDULE DLV-3-2, PLEASE EXPLAIN THE TEST YEAR**
17 **DATA.**

18 A. This column shows per-book financial results experienced by AWC for the twelve
19 months ended December 2013. It details operating revenues, operating expenses, utility
20 operating income before income taxes, income taxes and utility operating income after
21 income taxes for the Test Year ended December 31, 2013.

22 **Q. WHAT DOES THE COLUMN PRO FORMA TEST PERIOD UNDER PRESENT**
23 **RATES INDICATE ON SCHEDULE DLV-3-2?**

1 A. On Schedule DLV-3-2, this column shows Test Year income and expenses, adjusted for
2 known and measurable changes expected to occur during the Test Period, to arrive at pro
3 forma operating income for the Test Period based on currently applicable rates and
4 charges.

5 Q **PLEASE EXPLAIN THE COLUMN FOR PRO FORMA TEST PERIOD UNDER**
6 **PROPOSED RATES FOUND ON SCHEDULE DLV-3-2.**

7 A The column shows Test Year income and expenses, adjusted for known and measurable
8 changes expected to occur during the Test Period, that are necessary for AWC to earn the
9 proposed overall rate of return of 8.40 percent.

10 **1. Operating Revenues**

11 Q. **PLEASE EXPLAIN THE DEVELOPMENT OF OPERATING REVENUES.**

12 A. For the Twelve month period ended December 2013, AWC operations produced
13 \$60,849,520 in sales revenues and an additional \$1,433,819 from non-sale sources for
14 total operating revenues of \$62,283,339 for the Test Year. Test Year Operating
15 Revenues are increased by \$2,014,150 to derive Operating Revenues for the Test Period.

16 Q. **PLEASE EXPLAIN THE ADJUSTMENT OF \$2,014,150 TO TEST YEAR**
17 **OPERATING REVENUE.**

18 A. Schedule DLV-3A-1 provides development of Test Year and Period Operating Revenue.
19 Two types of adjustments are applied to actual Test Year operating revenues to arrive at
20 pro forma Test Period revenues at current rates. During the Test Year, AWC received
21 \$60,849,520 from sales of water. The two adjustments made to actual Test Year
22 operating revenue are: (1) to normalize sales due to customers added or lost during the
23 Test Year; and (2) to account for additional customers that are expected to be added
24 during the Test Period.

1 As indicated earlier, the Company normalized Test Year Revenue received
2 through sales of water. The normalized revenue of \$62,482,951 represents the amount of
3 annual sales revenue the Company would earn under its present rate structure based upon
4 conditions that existed at the end of the Test Year, assuming average customer
5 consumption as adjusted. During the Test Year, customers were added or lost for which
6 a full year's revenues would not be reflected in actual Test Year operating revenues. The
7 adjustment of \$1,633,431 increases Test Year total sales of water to a level the Company
8 may have earned if all customers on the system at the end of the Test Year were billed for
9 their consumption for the entire Test Year using the adjusted average consumption used
10 in this application. The \$73,195 increase in Finance Charges represents an increase
11 proportionate to the normalized increase in water sales for the Test Year noted above.
12 Non-sales revenues, including those from Rentals, Contract Operations, and Other
13 sources, are increased by \$110,799 to derive Normalized Test Year Revenue. Other
14 Revenues represents the additional revenues expected to be realized by the Company
15 based on the Company's request to increase the charge for a Flow Test from \$300 to
16 \$600.

17 **Q. PLEASE EXPLAIN THE SECOND TYPE OF ADJUSTMENT, WHICH**
18 **INVOLVES THE ADDITION OF CUSTOMERS DURING THE TEST PERIOD.**

19 **A.** This adjustment reflects the additional customers expected to connect to the system
20 through the end of the Test Period. The \$269,365 increase in revenue represents the
21 revenue associated with the increase in customers through the end of the Test Period.
22 The additional revenue pursuant to growth represents revenues from the sale of water and
23 fire protection. The Company reflected additional customers based on annualized growth

1 of 1 percent in residential connections. This adjustment is designed to reflect additional
2 revenues with the new customers expected to be served during the Test Period and is
3 premised on the same averaging approach used in the Company's adjustment to reflect
4 normal revenues under present rates. The additional customers are expected to provide
5 additional water sales revenues of \$240,661 and fire protection revenues of \$28,704 for
6 the Test Period ending September 30, 2014. The increase of \$554 shown for Finance
7 Charge represents a proportionate increase in late fee charges assessed, directly related to
8 the increase in water sales revenue through the end of the Test Period. The adjustment is
9 based on a five-year average level of finance charges assessed as a percentage of gross
10 water sales.

11 Q. **PLEASE EXPLAIN THE ADJUSTMENT TO RENTAL INCOME AND**
12 **CONTRACT OPERATIONS.**

13 A. The Company has entered into a number of long-term use agreements with cellular phone
14 service providers for use of space on Artesian's various elevated storage tanks as the
15 location for their antennae. The adjustment annualizes revenues that will be realized from
16 agreements in place at the end of the Test Year. The adjustment to Contract Operations
17 represents annualized revenues pursuant to service agreements AWC has with a number
18 private and municipal water providers.

19 Q. **PLEASE EXPLAIN THE ADDITIONAL REVENUES SHOWN ON SCHEDULE**
20 **DLV-3-2 THAT ARE USED TO DERIVE PRO FORMA REVENUES UNDER**
21 **PROPOSED RATES.**

22 A. The \$9,983,823 represents the additional revenue requested by the Company to be
23 realized based on proposed rates and conditions that are expected to exist as of September

1 30, 2014 and in effect for a full year. The schedule not only reflects the added revenues
2 the proposed rates will generate, but notes the expected changes to finance charges, bad
3 debt expense, regulatory assessment and tax expense based on the additional operating
4 income resulting from those increased revenues.

5 **Q. HOW WERE THE ADDITIONAL REVENUES SHOWN IN THE SCHEDULE**
6 **DERIVED?**

7 A. The requested revenues are a function of the Company's proposed rate base, operating
8 income, rate of return, and conversion factor. The Company first determined the
9 proposed rate base. The proposed rate base was multiplied by the overall rate of return
10 requested in this application. The resulting amount was then reduced by adjusted utility
11 net operating income under present rates, which produced a deficiency of \$5,990,873.
12 That amount was then multiplied by the conversion factor shown on Schedule DLV-5,
13 which produces the pro forma revenue requirement of \$9,983,823. Finance charges, PSC
14 regulatory assessment, bad debt and income tax expenses were applied on a relative basis
15 to the increase in water sales revenue.

16 **2. Operating Expenses**

17 **a. Operation and Maintenance Expenses**

18 **Q. PLEASE EXPLAIN THE \$2,235,645 IN ADJUSTMENTS TO OPERATION AND**
19 **MAINTENANCE EXPENSES SHOWN ON SCHEDULE DLV-3-2, WHICH**
20 **PRODUCES PRO FORMA OPERATION AND MAINTENANCE EXPENSES**
21 **FOR THE TEST PERIOD UNDER PRESENT RATES.**

22 A. Operation and maintenance expenses were adjusted from \$31,881,977 to arrive at pro
23 forma expenses under present rates of \$34,217,622. A summary of the items that
24 produce the pro forma adjustment is shown on Schedule DLV-3B-1.

1 Q. PLEASE EXPLAIN THE ADJUSTMENTS TO OPERATING AND
2 MAINTENANCE EXPENSE IDENTIFIED ON SCHEDULE DLV-3B-1.

3 A. The prepared adjustments are normal ratemaking adjustments previously approved by the
4 Commission or adjustments that are based on known and measureable changes. The
5 normal ratemaking adjustments are identified by the first three adjustments shown on
6 Schedule 3-B-1, and are based on percentage calculations or reclassifications of “below
7 the line” expenses as operating expenditures. The remaining adjustments are designed to
8 reflect known and measurable changes that have already occurred in the Test Year but
9 have not been reflected in expense on an annualized basis or that are expected to occur
10 during the Test Period and therefore should be reflected in rates.

11 (1) Normal Rate Making Reclassification

12 Interest on Customer Deposits

13 Q. PLEASE EXPLAIN THE ADJUSTMENT RELATING TO INTEREST ON
14 CUSTOMER DEPOSITS.

15 A. The customer deposit interest adjustment of \$1,060 represents the annual interest expense
16 associated with the balance of customer deposits retained by the Company as authorized
17 in previous PSC rulings. Interest expense is generally charged “below the line,” however
18 it is restated here as an operating expense for ratemaking purposes.

19 Charitable Donations

20 Q. PLEASE EXPLAIN THE NEXT ADJUSTMENT RELATING TO
21 RECLASSIFICATION OF DONATIONS AS AN OPERATING EXPENSE.

22 A. Annual donations to charitable organizations are recorded on AWC’s books and records
23 in Account 426 as a “below-the-line” expense, but have been reclassified as an “above-

1 the-line” expense in this analysis consistent with previous rate proceedings. The
2 reclassifications are shown on DLV Schedule 3-F.

3 **Cost of Pool Operations**

4 Q. **PLEASE EXPLAIN THE ADJUSTMENT FOR POOL COSTS.**

5 A. This adjustment removes the annual costs of maintaining and operating the pool at
6 AWC’s Newark location. The adjustment removes the labor and other associated
7 expenses that relate to the operation of the pool that are booked above the line for
8 financial statement purposes in order to reclassify those expenses below the line for
9 ratemaking purposes. Payroll associated with the provision of life guards has already
10 been eliminated in the recalculation of payroll expense found on Schedule 3C. In total,
11 pool expenses of \$6,082 have been eliminated from the Test Year operating income.

12 (2) **Adjustments for Known and Measurable**
13 **Changes**

14 **Payroll and Related Benefits**

15 Q. **PLEASE EXPLAIN THE NEXT FOUR ADJUSTMENTS REFLECTED ON**
16 **SCHEDULE DLV-3B-1, WHICH RELATE TO INCREASES IN PAYROLL AND**
17 **EMPLOYEE BENEFIT EXPENSES.**

18 A. The Company has projected payroll expenses to increase by \$899,703 through the end of
19 the Test Period. The increase in payroll expenses is the annualized result of employees
20 added and lost during the Test Year and the Test Period, annualized salary and wage
21 expenses incurred in the Test Year, and a projected 3 percent wage increase in base
22 salaries.

23 The next adjustment of \$180,104 reflects the increase in the annual pension
24 expense relating to the Company’s Defined Contribution 401(k) plan. The adjustment is

1 premised on proposed changes in salary and wages through the end of the Test Period.
2 AWC does not maintain a Defined Benefit Pension Plan as a benefit for employees.

3 The next adjustment of \$739,183 reflects the increased cost of group insurance
4 benefits based on current premium rates and personnel. AWC has received notice that its
5 medical insurance premiums are expected to rise in the range of 8 percent to 15 percent
6 over premiums currently in effect when coverage is renewed in August 2014. For
7 ratemaking purposes, the Company utilized a conservative 10 percent increase in
8 developing a recommended adjustment for group insurance benefits.

9 The next adjustment reflects an increase of \$8,419 in workmen's compensation
10 insurance. This increased cost reflects an adjustment consistent with the number of
11 employees covered, and pro forma salary and wages.

12 **Q. PLEASE INDICATE HOW WAGES HAVE CHANGED SINCE THE LAST RATE**
13 **PROCEEDING.**

14 **A.** AWC has continued its efforts to control and reduce operating costs. Recently, AWC
15 hired an individual to act as the Company's central purchasing agent who specifically
16 focuses on identifying and implementing opportunities to reduce costs. AWC has also
17 furthered its Information Technology automation efforts and been able to reduce
18 Information Technology department personnel by four staff. Nonetheless, AWC has
19 experienced, and will continue to experience in the near term, increases in operating
20 costs, including those related to payroll and employee benefits. Between December 31,
21 2010 (the Test Year in Docket No. 11-207) and December 31, 2013 (the Test Year for
22 this rate application), total AWC operations and management [maintenance?] ("O&M")
23 payroll increased by only 2.99 percent. AWC had a full-time employee base of 213

1 positions at the end of December 2010 and 222 at the end of December 2013, an increase
2 of 9 total positions over the three year period. Through the end of the Test Period, AWC
3 will have added a number of operational positions, including electricians, positions in
4 pump maintenance and transmission and distribution (“T&D”) personnel. These
5 positions are necessary to ensure the system is well-maintained and remains capable of
6 providing reliable service to customers. AWC has reduced overall employment within its
7 Information Technology department by 4 positions since its last rate filing.

8 **Q. PLEASE EXPLAIN WHY AWC’S LABOR-RELATED EXPENSES ARE**
9 **REASONABLE.**

10 **A.** AWC needs to retain a trained and experienced workforce to perform critical functions
11 across a complex integrated water system comprising multiple sources of supply with
12 varying water characteristics and treatment technology requirements with water
13 distributed through ten distinct service levels. It is AWC’s responsibility to ensure
14 customers receive high-quality water and reliable service. In order to attract and retain
15 qualified personnel capable of meeting this responsibility, AWC must be able to offer
16 competitive wages and benefits. To ensure that AWC’s employee wages remain
17 competitive, an independent compensation study commissioned by AWC’s
18 Compensation Committee of the Board of Director’s (the “Committee”) was recently
19 conducted. The Committee, made up of entirely independent Director’s (as defined by
20 NASDAQ), sifted through 11 potential consulting firms, choosing a firm which met
21 specific criteria including that they were certified as independent from any business or
22 personal relationship with any member of the Company’s management or Board of
23 Directors. The successful bidder conducted two separate studies reviewing the pay and

1 wage levels of executives and, separately, other operational personnel over the course of
2 approximately nine months. The Consultant, after reviewing the study concluded that the
3 Company's current levels of pay and wages were appropriate.

4 AWC's payroll expense increased at a smaller rate than employee wages
5 increases for other area businesses. Data from the U.S. Bureau of Labor Statistics
6 indicates Delaware non-farm wages (excluding employee benefit costs) increased 3.9
7 percent during the last 3 years and wages associated with Trade, Transportation and
8 Utilities increased 4.7 percent. As indicated earlier, AWC O&M wages have increased
9 2.99 percent during the three-year period from December 31, 2010 to December 31,
10 2013.

11 In the current case, AWC is seeking to include pro forma O&M payroll and
12 benefits costs of \$19,416,646 for the period ending September 30, 2014. This level is
13 approximately \$1.5 million greater than the September 30, 2011 pro forma O&M payroll
14 and benefits costs, which includes pension, medical insurance premiums and other
15 benefit components that were included in Docket No. 11-207 and thus represents an
16 increase of 8.3 percent or 2.7 percent per annum. When considering the significant cost
17 pressures AWC continuously faces with regard to employment compensation expenses,
18 especially in the area of rising medical insurance costs, the level of pro forma payroll and
19 benefit costs included for the Test Period ending September 30, 2014 are both fair and
20 reasonable.

21 **Purchased Power Costs**

22 Q. **PLEASE EXPLAIN THE ADJUSTMENT FOR INCREASED PURCHASED**
23 **POWER COSTS.**

1 A. This adjustment annualizes recent rate changes afforded to Delmarva Power & Light
2 Company, the Company's distributor of electric energy, and annualized changes for
3 purchases from the Company's electric energy commodity provider, Direct Energy. The
4 adjustment, shown on Schedule DLV-3B-2, produces an increase in Operation and
5 Maintenance expenses of \$36,400.

6 **Chemical Costs**

7 **Q. PLEASE EXPLAIN THE NEXT ADJUSTMENT FOR CHEMICAL COSTS.**

8 A. The Company solicits bids for the majority of chemicals that are used in operations. This
9 adjustment annualizes chemical costs based on the volume of chemicals used in the Test
10 Year at current bid prices. The adjustment, shown on Schedule DLV-3B-3 decreases
11 Operating and Maintenance expenses by \$16.

12 **Chester Legal Costs**

13 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR CHESTER LEGAL COSTS.**

14 A. AWC has a multi-year contract with the Chester Water Authority ("Chester") that
15 requires the Company to pay for at least a certain minimum volume of purchased water
16 on an annual basis. The Company pursued litigation against Chester in 2010 alleging that
17 the price charged by Chester for purchased water was excessive and demanded relief.
18 AWC has incurred significant costs in this challenge against Chester. The prepared
19 adjustment removes costs related to this litigation booked to operating income during the
20 Test Year and amortizes the total legal costs related to the Chester litigation over the 7
21 remaining years of the contract. This adjustment is shown on Schedule DLV 3-B-4.

22 **Q. PLEASE EXPLAIN AWC'S STRATEGY FOR MITIGATING PURCHASED**
23 **WATER COSTS FROM CHESTER.**

1 A. AWC's annual purchased water expense associated with the Chester Water Authority
2 interconnection was \$2,750,688 in 2007. Chester notified the Company that it would
3 raise its rates some 27% over the next three years. Previously, Chester had increased its
4 rates modestly with increases amounting to less than 2% annually. AWC retained experts
5 to analyze Chester's cost of service, which is the basis for the rates and charges assessed
6 by Chester, and concluded that the rate assessed by Chester to AWC was excessive.
7 AWC experts developed an alternative cost of service and concluded the rates for service
8 needed to be reduced. But Chester Water is and remains an unregulated, quasi-
9 governmental agency that sets rates based on management recommendations to its
10 independent board of directors. From the time Artesian received the notice in 2007, the
11 Company made a concerted effort through the use of independent consultants to
12 understand the need for the increase and made extensive efforts to negotiate amicably
13 with Chester Water for equitable relief from the increase. In 2010, after all efforts were
14 exhausted, AWC instituted the only remaining option it had at its disposal, a lawsuit
15 against the Chester Water Authority challenging the rate assigned by Chester as excessive
16 and seeking relief on behalf of AWC's customers. Accordingly, in 2010, AWC instituted a
17 lawsuit against Chester in Federal Court of the Eastern District of Pennsylvania with the
18 aim of reducing the rate assessed by Chester for purchased water. The case was tried
19 before a Special Master appointed by a federal court judge. In August 2013, the Special
20 Master provided his recommendation to the Judge. AWC has filed exceptions to the
21 Special Master's report and awaits a decision from the federal court judge.

22 Q. **PLEASE DETAIL THE COSTS INCURRED BY AWC WITH REGARD TO THE**
23 **CHESTER LAWSUIT.**

1 A. AWC has incurred approximately \$1.6 million in costs, including \$813,304 during the
2 Test Year, in its pursuit to reduce the cost of purchased water charged to the Company by
3 Chester. The costs incurred are for analyses prepared by outside experts retained by
4 AWC and for legal services provided by counsel retained specifically for the Chester
5 litigation.

6 **Q. WHY SHOULD AWC BE AUTHORIZED TO RECOVER LEGAL COSTS**
7 **ARISING FROM THE CHESTER LAWSUIT?**

8 A. AWC challenged the excessive costs charged by Chester so customers would not be
9 unfairly burdened. The recovery of litigation costs should not be conditioned on whether
10 the outcome is successful. The Commission should empower utilities to take all
11 reasonable steps to reduce costs. The Company felt it had a responsibility to mitigate the
12 excessive nature of costs assessed to AWC by Chester. Absent rate recovery of the legal
13 costs incurred, the Company would be disincentivized from undertaking similar efforts in
14 the future to mitigate costs on behalf of customers.

15 **Purchased Water**

16 **Q. PLEASE EXPLAIN THE NEXT ADJUSTMENT FOR PURCHASED WATER**
17 **EXPENSE.**

18 A. This adjustment reflects the increased costs of purchased water arising from a projected
19 10 percent increase in the rates assessed by the Chester Water Authority that are expected
20 to occur on or about July 1, 2014 for water purchased under existing take or pay
21 contracts. The projected increase is in line with prior increases that have been levied by
22 Chester. The projected increase in rates results in pro forma costs of \$4,106,126,
23 resulting in an increase of \$347,348 above the level incurred in the Test Year. During the

1 pendency of the lawsuit Chester did not increase its rates. If the Special Master's report
2 is affirmed, AWC has every expectation that its rates from Chester will rise.. The
3 adjustment is shown on Schedule DLV-3B-5.

4 **Water Treatment Disposal Costs**

5 Q. PLEASE EXPLAIN THE ADJUSTMENT FOR WATER TREATMENT
6 DISPOSAL COSTS.

7 A. This adjustment reflects additional costs that will be incurred by AWC due to an increase
8 in costs charged by Artesian Wastewater Management, Inc. ("AWMI") to treat and
9 dispose of water at one of our water treatment facilities. AWMI, which bills on an EDU
10 or Equivalent Dwelling Unit basis, reviewed and reevaluated the EDUs of all industrial
11 facilities on its system. The reevaluation caused an increase in the number of EDUs
12 assigned to AWC and thereby caused a corresponding increase in the monthly cost to
13 treat water at AWC's water treatment facility. The revised EDUs assigned by AWMI
14 were approved by PSC Order No. 8301 in AWMI Docket No. 13-27WW. The
15 development of the adjustment is shown on Schedule DLV-3B-6.

16 **Tank Painting**

17 Q. PLEASE EXPLAIN THE ADJUSTMENT TO INCREASE TANK PAINTING
18 COSTS.

19 A. This adjustment annualizes the cost of tank painting that AWC anticipates will be
20 experienced during the Test Period based on contracts for services. The adjustment
21 recognizes expenses that will be incurred for storage tank painting, carbon tank painting
22 and cleaning, and inspection of the related facilities based on bids and contracts from

1 vendors that will be performing these services. The adjustment is shown on Schedule
2 DLV-3B-7.

3 **Llangollen Well Treatment**

4 Q. PLEASE DISCUSS THE ADJUSTMENT RELATED TO LLANGOLLEN WELL
5 TREATMENT EXPENSES.

6 A. This adjustment is necessitated by the need for a new treatment process at Llangollen,
7 where the Company is installing what is known as an advanced oxidation process
8 (“AOP”). The treatment process involves adding hydrogen peroxide (H₂O₂) to the water
9 and then treating it with ultraviolet (“UV”) light. The process is designed to remove 1,4
10 dioxane, which our current treatment process will not remove. New equipment will be
11 installed in a separate building located near the existing treatment plant building. The
12 ongoing operational expenses for the new treatment process will entail increased
13 electricity costs, bulbs for UV reactors, and chemicals for the treatment process, which
14 AWC estimates will total \$120,657 per year. AWC witness C. Thomas deLorimier
15 discusses the need for the new well treatment process at Llangollen. The adjustment to
16 recognize costs associated with the new well treatment process for removing 1, 4 dioxane
17 at the Llangollen Wellfield is shown on Schedule DLV-3B-8.

18 **Information Technology Maintenance Costs**

19 Q. PLEASE EXPLAIN THE ADJUSTMENT FOR INFORMATION TECHNOLOGY
20 COSTS.

21 A. During the Test Year, the Company incurred \$793,851 in information technology support
22 costs for a variety of activities across the organization including items that support the
23 Company’s computer systems and accounting systems. This adjustment annualizes costs

1 pursuant to existing contracts and reflects additional costs that will be incurred through
2 the conclusion of the Test Period to support operations. This adjustment is detailed on
3 Schedule DLV-3B-9.

4 **Insurance Costs**

5 Q. **PLEASE EXPLAIN THE ADJUSTMENT FOR INSURANCE COSTS.**

6 A. During the Test Year, the Company incurred \$538,492 for Property and Casualty,
7 Professional Liability and Automobile insurance. The instant adjustment annualizes the
8 Company's insurance costs for the Test period based on a conservative, projected 10
9 percent increase estimated by the Company's insurance vendors. The development of
10 this adjustment is shown on Schedule DLV-3B-10.

11 **Postage Costs**

12 Q. **PLEASE EXPLAIN THE ADJUSTMENT FOR POSTAGE COSTS.**

13 A. This adjustment reflects the additional postage costs that will be experienced during the
14 Test Period due to a 6 percent increase in postage rates approved by the U.S. Postal Rate
15 Commission. The development of this adjustment is shown on Schedule DLV-3B-11.

16 **Removal of Costs**

17 Q. **ARE THERE ADDITIONAL COSTS THAT NEED TO BE REMOVED FROM**
18 **OPERATIONS?**

19 A. Yes. The adjustment, shown on Schedule DLV-3B-12, removes certain costs that should
20 not be reflected in operating income for ratemaking purposes. The adjustment details
21 certain compensation costs, building costs, and certain costs that were misclassified. The
22 adjustment related to removal of costs related to pool operations was discussed earlier.

23 Q. **PLEASE DISCUSS THE REMOVAL OF COMPENSATION COSTS.**

1 A. During 2013, an award of \$49,973 was granted upon retirement to an employee for
2 meritorious service to the Company over many years. This award is non-recurring and
3 therefore removed for ratemaking purposes.

4 Q. **PLEASE EXPLAIN THE ADJUSTMENT TO REMOVE COSTS RELATED TO**

5 **AWC'S BUILDING.** A. This adjustment reflects an allocation of building costs to
6 affiliates of AWC for the use of AWC's administrative office facilities. The adjustment
7 reflects an allocation of property tax and depreciation for use of the noted assets and is
8 shown on Schedule DLV-3B-12.

9 Q. **PLEASE DISCUSS THE PORTION OF THE ADJUSTMENT TO REMOVE**
10 **MISCLASSIFIED COSTS.**

11 A. The Company has identified \$70 in costs that were booked to AWC but are more
12 appropriately assigned to an affiliate of AWC.

13 **Rate Case Expenses**

14 Q. **PLEASE EXPLAIN THE ADJUSTEMENT TO RECOVER RATE CASE COSTS.**

15 A. AWC estimates it will incur approximately \$1.1 million in costs on its own behalf and in
16 connection with experts retained by the Commission's Staff and the Division of the
17 Public Advocate ("DPA") relating to the litigation regarding AWC's request for rate
18 relief. The recommended adjustment amortizes the litigation costs for this proceeding
19 over a 24-month period and amortizes the costs a compensation study over a 60-month
20 period. The Company's costs relate to consultants retained for this proceeding, cost for
21 legal services from outside counsel, and administrative costs. The adjustment removes
22 the full amount of rate case expenses incurred during the Test Year of \$104,455 that were
23 included in Test Year operating results. The adjustment develops a recommended

1 expense level by amortizing the projected costs over amortization periods that have been
2 utilized and approved in several prior AWC rate applications. The recommended
3 adjustment is shown on Schedule DLV-3H.

4 **b. Depreciation Expenses**

5 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO ANNUAL DEPRECIATION**
6 **EXPENSE FOR THE TEST YEAR.**

7 A. This adjustment to depreciation expense is based on the original cost of the utility plant,
8 which will be in service at the end of the Test Period at currently approved depreciation
9 rates. The adjustment to annualize depreciation increases operating expenses by
10 approximately \$1.2 million and is shown on Schedule DLV-3B-13.

11 **c. Property Taxes**

12 **Q. PLEASE EXPLAIN THE PRO FORMA ADJUSTMENT FOR PROPERTY**
13 **TAXES.**

14 A. This adjustment recognizes additional expenses that will be experienced by the Company
15 based on pro forma utility assessments from taxing authorities based on used and useful
16 utility plant/property that will be used to provide service to customers through the end of
17 the Test Period ending September 30, 2014. This adjustment annualizes property taxes
18 based on the latest assessments, but does not reflect potential increased assessments that
19 may be levied in 2014 from various taxing authorities. The development of the
20 recommended adjustment to property taxes is provided on Schedule DLV-3B-14.

21 **d. Payroll Taxes**

22 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR PAYROLL TAXES.**

1 A. This adjustment reflects increased Federal Insurance Contributions Act (“FICA”), state,
2 and federal unemployment taxes based on projected annual payroll. The adjustment is
3 presented in Schedule DLV-3C.

4 e. Income Tax

5 Q. **PLEASE EXPLAIN THE ADJUSTMENTS TO ACTUAL INCOME TAX**
6 **EXPENSE IDENTIFIED ON SCHEDULE DLV-3-2.**

7 A. The adjustments to the various income tax categories are made to reflect the pro forma
8 operating income. The computation of the pro forma expense for currently payable
9 federal income taxes and state income taxes (at prevailing rates) is shown on Schedule
10 DLV-3J. Schedule DLV-3K provides a calculation of pro forma deferred income taxes.

11 Q. **PLEASE EXPLAIN THE CALCULATION OF PRO FORMA INCOME TAXES.**

12 A. The computation of pro forma state income tax expense currently payable begins with
13 utility operating income before income taxes under present and proposed rates. Interest
14 expense is subtracted from utility operating income, based on the product of rate base and
15 the weighted average cost of debt. Following this deduction, various adjustments are
16 made to arrive at the income subject to Delaware state income taxes. These adjustments
17 eliminate book depreciation and replace it with tax depreciation for plant acquired prior
18 to 1974 and eliminate the amortization of investment tax credit for plant acquired prior to
19 1974, which is depreciated for book purposes but not for tax purposes.

20 The statutory state income tax rate of 8.7 percent is applied against Operating
21 Income subject to Delaware state income tax and results in total pro forma state income
22 tax expense under present and proposed rates for the Test Period. From total pro forma
23 state income tax expense, we deducted the pro forma deferred state income taxes to arrive
24 at pro forma state income tax expense currently payable at both present and proposed

1 rates. The state income tax currently payable as derived on Schedule 3J is used in the
2 development of Pro Forma Income shown on Schedule DLV-3-2.

3 Pro forma federal income tax expense is computed by applying the statutory
4 income tax rate of 34% for federal income taxes purposes. State income taxes are
5 deducted from taxable income subject to federal income taxes as are deferred income
6 taxes to arrive at pro forma federal income tax expense currently payable.

7 **Q. PLEASE EXPLAIN THE DEVELOPMENT OF PRO FORMA DEFERRED**
8 **INCOME TAXES.**

9 **A.** Pro Forma Deferred Income Taxes are calculated on the basis of the differences between
10 how items are recognized for book and tax purposes. Schedule DLV-3K shows the
11 development of pro forma deferred income taxes.

12 **f. Investment Tax Credits**

13 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR DEFERRED INCOME TAX**
14 **CREDITS.**

15 **A.** The Revenue Act of 1971 provides that as a condition for allowing the investment tax
16 credit, a public utility must treat investment tax credit property in one of several specified
17 manners for ratemaking purposes. The manner selected by AWC requires it to reduce its
18 rate base by its accumulated deferred investment tax credits and to restore the rate base
19 reduction "not less rapidly than ratably" over the book life of its investment tax credit
20 property without any cost-of-service effect. For financial statement purposes, AWC
21 treats the amortization of all investment tax credits as a credit to operating expenses,
22 regardless of the year in which the income tax credit was generated. Thus, for
23 ratemaking purposes, it is necessary to eliminate from operating expenses the

1 amortization actually recorded in the Test Year on investment tax credits. This prepared
2 adjustment is shown on Schedule DLV-3B-15.

3 **Q. REFERRING TO SCHEDULE DLV-3-2, PLEASE EXPLAIN THE AMOUNTS**
4 **SHOWN IN THE PRO FORMA COLUMN.**

5 A. The column identifies the level of additional revenues and concomitant expenses that will
6 increase pursuant to the level of rate relief requested by the Company. These adjustments
7 are made to show the utility operating income that will be realized during the Test Period
8 on an annualized basis under new rates proposed by the Company, based on the same
9 conditions reflected in the pro forma statement of income under present rates. Stated
10 differently, the adjustments from the present to the proposed rate reflect the increased
11 level of revenue the proposed rates would generate, including a corresponding adjustment
12 for finance charges, PSC fees, bad-debt expenses, and income taxes.

13 **3. Operating Income Summary**

14 **Q. PLEASE PROVIDE A SUMMARY OF AWC'S RECOMMENDED LEVEL OF**
15 **PRO FORMA OPERATING INCOME THAT SHOULD BE USED IN**
16 **ASSESSING THE NEED FOR RATE RELIEF.**

17 A. Based on the Test Period ending September 2014, AWC recommends that rate relief be
18 premised on pro forma operating income of \$12,631,899, the net of pro forma revenues
19 of \$64,297,489 less pro forma operating expenses of \$47,171,293 and pro forma income
20 taxes of \$4,494,297 .

21 **C. Rate of Return**

22 **Q. PLEASE DISCUSS AWC'S CURRENTLY AUTHORIZED RETURN.**

23 A. AWC's last rate proceeding, PSC Docket No. 11-207, was resolved through a negotiated
24 settlement among the parties. Issues related to AWC's overall rate of return and rate of

1 return on equity were resolved through settlement. In that proceeding, the parties agreed
2 to a 10.0 percent return on equity which translates to a 7.91 percent overall rate of return
3 when incorporated into AWC's capital structure from the last case.

4 Q. **WHAT OVERALL RATE OF RETURN HAS AWC ACTUALLY BEEN**
5 **ACHIEVING?**

6 A. AWC operations produced an overall rate of return 6.59 percent during the Test Year,
7 which is expected to decline to 5.70 percent by the end of the Test Period. The Company
8 has achieved earnings that are below the Company's implicitly authorized return of 7.91
9 percent and also below the 8.40 percent overall rate of return recommended by the
10 Company in this proceeding.

11 Q. **WHAT OVERALL RATE OF RETURN IS AWC REQUESTING IN THIS**
12 **PROCEEDING?**

13 A. The Company is requesting an overall rate of return of 8.40 percent. The development of
14 the overall rate of return reflects the balances of the Company's debt and equity resources
15 at the end of the Test Year, the embedded cost of debt, and the Company's recommended
16 cost of equity. The calculation of the Company's recommended overall rate of return is
17 shown on Schedule DLV-4.

18 Q. **WHAT RETURN ON EQUITY IS AWC REQUESTING IN THIS PROCEEDING?**

19 A. AWC requests that it be authorized to earn a return on equity of 10.90 percent. Similar to
20 other water utility companies, AWC is a highly capital-intensive company and, therefore,
21 must have an opportunity to earn a sufficient rate of return to attract the necessary capital
22 to accommodate significant construction projects for repair and rehabilitation, water
23 conservation, and a tightening of state and federal water quality standards. Not only does

1 the water industry maintain the highest multiple of nearly \$4 of investment for every \$1
2 revenue, compared to the multiple of \$1.47 for gas companies, but a continuing reduction
3 in customer consumption brought about by changing plumbing codes, environmental
4 efforts to conserve water and shrinking household size has spread historic infrastructure
5 costs across a constantly shrinking volumetric base. AWC witness Pauline Ahearn
6 provides complete support for the Company's equity return requirements in her direct
7 testimony.

8 **D. Revenue Requirement Summary**

9 Q. PLEASE SUMMARIZE AWC'S REVENUE REQUIREMENT IN THIS
10 PROCEEDING?

11 A. AWC recommends that it be allowed to implement revised rates, as proffered by AWC
12 witness John Gaustella, that afford the opportunity to collect an additional \$9,983,823 in
13 annual water revenues based on a pro forma rate base of \$221,767,586, pro forma
14 operating income of \$12,631,899 and an overall rate of return of 8.40 percent.

15 **E. Allowance for Funds Used During Construction**

16 Q. HAS THE COMPANY INCLUDED INFORMATION REQUIRED UNDER THE
17 MINIMUM FILING REQUIREMENTS REGARDING ALLOWANCE FOR
18 FUNDS USED DURING CONSTRUCTION?

19 A. Yes. Information pertaining to the rate applied by the Company for Allowance of Funds
20 Used During Construction ("AFUDC") is included in Schedule DLV-6.

1 **IV. PROPOSED CHANGES TO AWC'S RULES AND**
2 **REGULATIONS**

3 **Q. IS AWC REQUESTING AUTHORITY TO AMEND ITS TARIFF TO REFLECT**
4 **CHANGES TO RULES, REGULATIONS AND OR POLICIES CURRENTLY**
5 **USED IN OPERATIONS?**

6 **A.** Yes. AWC recommends a number of changes to existing rules, regulations and policies
7 that are set forth in the tariff. The Company's recommended tariff is included in DLV
8 Exhibit 2, attached to the testimony. A marked-up version (changes underlined) of the
9 tariff is provided as DLV Exhibit 2a and a clean version is provided as DLV Exhibit 2b.
10 The numbered paragraphs set forth below summarize changes recommended to the
11 Company's tariff pages:

- 12 1. Ninth Revised Sheet No. 2 - Metered Service. AWC has revised the language to
13 clarify the terms of metered service offered by the Company. The noted changes
14 do not constitute a change in the terms of metered service.
- 15 2. Twenty-Seventh Revised Sheet No. 3 - Customer Charge. The tariff sheet has
16 been updated to reflect new monthly rates consistent with rates recommended by
17 AWC witness John Gaustella.
- 18 3. Twenty-Seventh Revised Sheet No. 4 - Water Charge. The tariff sheet has been
19 updated to reflect new monthly rates consistent with rates recommended by AWC
20 witness John Gaustella.
- 21 4. Twenty-Seventh Revised Sheet No. 4 - Last Paragraph. The acronym "CCH" was
22 inserted after Christiana Care Hospital.

- 1 5. Original Sheet No. 4a - Public Fire Charges. The tariff sheet was updated to
2 reflect new monthly rates for public fire protection consistent with rates
3 recommended by AWC witness John Gaustella.
- 4 6. Thirty-Seventh Revised Sheet No. 5 – Private Fire Charges. The tariff sheet was
5 updated to reflect new monthly rates for private fire protection consistent with
6 rates recommended by AWC witness John Gaustella. The phrase “Private
7 Hydrant” was added in the rates table and a sentence was added to indicate that
8 the private hydrant charge is assessed monthly to each private hydrant.
- 9 7. Thirty-Seventh Revised Sheet No. 5 – Payment Terms. Inserted language herein
10 that unpaid bills are subject to late charges in accordance with Rule 46. The noted
11 language was formerly reflected on Sheet No. 19.
- 12 8. Twenty-Sixth Revised Sheet No. 6 – Temporary or Infrequent Service. The
13 language was updated to remove the quarterly option. In addition the charge for
14 said service has been revised in accordance with the rates proposed by AWC
15 witness John Gaustella.
- 16 9. Second Revised Sheet No. 6a – Turn on and Turn off Charges. Revised the title
17 of the section to Charges for Disconnection and Reconnection of Service. AWC
18 has adjusted its policies for service disconnections and reconnections to ensure
19 that work is performed only during regular business hours and to enforce the
20 requirement that the Company must receive confirmation of payment before a
21 service call occurs. The requirement for work to be performed during only
22 regular work hours is made for the safety of the Company’s workforce to remove
23 employees from the potential risks and dangers of doing residential and other field

1 work at night. The Company has redefined work performed during non-regular
2 business hours as Emergency Service and developed a charge consistent with
3 costs incurred by the Company to perform service outside of its regular working
4 hours. The higher charge is intended to provide an adequate incentive for
5 employees to accept on-call duty and to reasonably compensate them for
6 performing work during non-business hours. This charge for Emergency
7 Service work is \$140.

- 8 10. Fifth Revised Sheet No. 8 - Application for Service. The title has been updated.
9 Also, the provision's language was updated to reflect the requirement that a tenant
10 must show a valid form of identification. The section was further updated to note
11 that charges or deposits must be paid prior to initiation of service.
- 12 11. Fifth Revised Sheet No. 8 - Service Deposits. This section has been updated to
13 reflect AWC's policies on termination of deposits held by the Company.
- 14 12. Fifth Revised Sheet No. 8 - Billings and Changes in Ownership. This section was
15 updated to reflect the requirement that changes to bills must be communicated in
16 writing to the Company.
- 17 13. Sixth Revised Sheet No. 9 - Second Paragraph. This section has been revised to
18 reflect the requirement that when service to a tenant has been discontinued, the
19 owner of the unit will be responsible for ready to serve charges.
- 20 14. Sixth Revised Sheet No. 9 - Seasonal Reconnection Charge. The language has
21 been clarified to note that the customer is responsible for both the customer
22 charge and charge for fire protection. The section has been clarified to enforce

1 the requirement that this provision is offered only as a temporary deferral of
2 charges that otherwise would be due and payable on a monthly basis.

3 15. First Revised Sheet No. 9a - Security Deposits. The Company is increasing the
4 service deposit to \$200 for a tenant where the account is billed in the name of a
5 tenant. The Company has inserted language to note that deposits held by the
6 Company will be applied to the customer's remaining account balance.

7 16. Fifth Revised Sheet No. 10 - Company Mains and Service Lines. The section was
8 updated to indicate that the Company may institute domestic service by tapping
9 directly off of a fire service line.

10 17. Fifth Revised Sheet No. 11 - Cross Connection. This has been updated to reflect
11 that customers are responsible for the costs associated with disconnecting from
12 and reconnecting to the Company's system.

13 18. Fifth Revised Sheet No. 11 - Renewal of Service Line. This section has been
14 updated to reflect a requirement for meter pits.

15 19. First Revised Sheet No. 15 - Discontinuance of Service By Owner. The language
16 in this section has been updated to reflect rights and responsibilities of owners
17 relative to utility service when service is placed in the name of a tenant.

18 20. First Revised Sheet No. 15 - Discontinuance of Service By Company. This
19 section indicates that the Company is not liable to owners or occupants for
20 matters arising from discontinuance of service.

21 21. Fifth Revised Sheet No. 16 - Discontinuance With Notice. This section updates
22 the language in paragraph (e) to indicate that the Company can discontinue after
23 three consecutive estimated readings.

- 1 22. Fifth Revised Sheet No. 16 - Due to Emergency. This section updates the
2 language by removing the word customer and replacing it with the phrase owner
3 or occupants.
- 4 23. Fifth Revised Sheet No. 18 - Turn on and Shut off Without Authority. This
5 section was updated to advise that the customer shall not turn service on or off
6 without authority from the Company and that the customer turning service on or
7 off is considered tampering with Company facilities and can result in additional
8 fees and prosecution.
- 9 24. Fifth Revised No. 18 - Meters, Location. This section was updated to reflect
10 responsibilities for meters, meter pits and meter vaults.
- 11 25. Fourth Revised Sheet No. 19 - Registration. This section updates tariff language
12 regarding how the Company may estimate a customer's consumption when
13 consumption is not known.
- 14 26. Fifth Revised Sheet No. 19 - Last Paragraph. The noted language was moved to
15 Sheet No. 5.
- 16 27. Fifth Revised Sheet No. 20 - Periodic Meter Test. This section was updated to
17 change the word "thruput" to "throughput".
- 18 28. Ninth Revised Sheet No. 21 - Hydrant Location. This section has been eliminated
19 due to the requirements of PSC Docket No. 15.
- 20 29. Ninth Revised Sheet No. 21 - Responsibility for Service. Paragraph 42 was
21 updated to reflect revised language regarding liability for fire protection and that
22 the Company cannot be held liable for main breaks or water leaks beyond the
23 control of the Company.

1 30. First Revised Sheet No. 21a - Place of Payment. The language has been updated
2 to reflect how bills for water service can be paid.

3 31. Sixth Revised Sheet No. 22 - Customer Refunds. The language has been updated
4 to indicate that the Company may not mail checks for refunds that are less than
5 \$10.

6 32. Ninth-Second Supplemental Sheet - Middletown. The tariff sheet has been
7 updated to reflect new monthly rates consistent with rates recommended by AWC
8 witness John Gaustella.

9 33. Eleventh-Third Supplemental Sheet - Delaware Correctional Center. The tariff
10 sheet has been updated to reflect new monthly rates consistent with rates
11 recommended by AWC witness John Gaustella.

12 34. First-Sixth Supplemental Sheet - Town of Clayton. A tariff sheet has been
13 developed to reflect monthly rates for water service in accordance with an
14 agreement between AWC and the Town of Clayton.

15 35. First-Seventh Supplemental Sheet - City of New Castle. A tariff has been
16 developed to reflect monthly rates for water service in accordance with an
17 agreement between AWC and the City of New Castle.

18 Q. **Does this conclude your testimony at this time?**

19 A. Yes, it does.

Exhibit 1
DLV Schedule
D.L. Valcarenghi

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

ARTESIAN WATER COMPANY, INC.

ARTESIAN WATER COMPANY, INC.
TABLE OF CONTENTS

DESCRIPTION	SCHEDULE
OVERALL FINANCIAL SUMMARY	DLV-1
SCHEDULE OF RATE BASE ELEMENTS	DLV-2
USED AND USEFUL UTILITY PLANT BY ACCOUNT	DLV-2A
INTANGIBLE ASSETS	DLV-2B
ACCUMULATED DEPRECIATION	DLV-2C
ACCUMULATED DEFERRED INCOME TAXES	DLV-2D
CASH WORKING CAPITAL	DLV-2E
MATERIALS AND SUPPLIES	DLV-2G
ADVANCES AND CONTRIBUTIONS IN AID OF CONSTRUCTION	DLV-2H
NET OPERATING INCOME SUMMARY	DLV-3-1
STATEMENT OF OPERATING INCOME	DLV-3-2
OPERATING REVENUES AT PRESENT RATES	DLV-3A-1
OPERATING REVENUES AT PRESENT & PROPOSED RATES	DLV-3A-2
REVENUE FROM METERED SALES AND FIRE PROTECTION	DLV-3A-3
QUANTITY OF WATER SOLD	DLV-3A-4
SUMMARY OF ADJUSTMENTS TO OPERATING INCOME	DLV-3B-1
PURCHASED POWER	DLV-3B-2
CHEMICAL COSTS	DLV-3B-3
CHESTER LEGAL COSTS	DLV-3B-4
PURCHASED WATER COSTS	DLV-3B-5
WATER TREATMENT DISPOSAL COSTS	DLV-3B-6
TANK PAINTING	DLV-3B-7
LLANGOLLEN WELL TREATMENT COSTS	DLV-3B-8
INFORMATION TECHNOLOGY SUPPORT COSTS	DLV-3B-9
INSURANCE COSTS	DLV-3B-10
POSTAGE COSTS	DLV-3B-11
REMOVAL OF COSTS FROM OPERATIONS	DLV-3B-12
DEPRECIATION & AMORTIZATION EXPENSE	DLV-3B-13
PROPERTY TAXES	DLV-3B-14
AMORTIZE DEFERRED ITC	DLV-3B-15
PAYROLL AND BENEFIT COSTS	DLV-3C
EXECUTIVE COMPENSATION COSTS	DLV-3D
ADVERTISING EXPENSES	DLV-3E
CHARITABLE DONATIONS	DLV-3F
SOCIAL AND SERVICE CLUB DUES	DLV-3G
RATE CASE EXPENSES	DLV-3H
SUMMARY OF OPERATING TAXES	DLV-3I
CALCULATION OF OPERATING INCOME TAXES	DLV-3J
DEFERRED INCOME TAXES	DLV-3K
UNAMORTIZED INVESTMENT TAX CREDIT	DLV-3L
OTHER FEDERAL, STATE, AND LOCAL TAXES	DLV-3M
OVERALL RATE OF RETURN	DLV-4/4A
CAPITAL STRUCTURE	DLV-4B
CALCULATION OF THE EFFECTIVE COST OF DEBT	DLV-4C
CALCULATION OF THE EMBEDDED COST OF DEBT	DLV-4D
CALCULATION OF THE EFFECTIVE COST OF PREFERRED STOCK	DLV-4E
CALCULATION OF THE EMBEDDED COST OF PREFERRED STOCK	DLV-4F
COMPARATIVE FINANCIAL DATA - GENERAL	DLV-4G
COMPARATIVE FINANCIAL DATA - COMMON STOCK	DLV-4H
REVENUE CONVERSION FACTOR	DLV-5
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	DLV-6

ARTESIAN WATER COMPANY, INC.
OVERALL FINANCIAL SUMMARY

Schedule DLV-1
D.L. Valcarenghi

PSC Min. Req. III.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Sch	Test Year 12/31/2013	Pro Forma Test Period 12 Months Ended September 30, 2014	
				Under Present Rates	Under Proposed Rates
1	Rate Base	2	\$207,946,505	\$221,767,586	\$221,767,586
2	Net Operating Income	3-2	\$13,705,363	\$12,631,899	\$18,622,772
3	Earned Rate of Return	3-2	6.59%	5.70%	
4	Proposed Fair Rate of Return	4			8.40%
5	Required Operating Income				\$18,622,772
6	Operating Income Deficiency				\$5,990,873
7	Gross Revenue Conversion Factor				1.6666506
8	Revenue Deficiency				\$9,983,823
9	Revenue Increase Requested				\$9,983,823

ARTESIAN WATER COMPANY, INC.
SCHEDULE OF RATE BASE ELEMENTS

Schedule DLV-2
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Test Year	26 Del. C.		Schedule Reference
		Rate Base	Adjustments	Test Period Rate Base	
1	Used and Useful Utility Plant	407,182,932	25,156,959	\$432,339,891	a. 2A
2	Intangible assets	140,035	0	140,035	a. 2B
3	Less: Accumulated Depreciation	87,316,179	9,273,026	96,589,205	b. 2C
4	Less: Advances for Construction	12,185,434	(900,000)	11,285,434	c. 2H
5	Contributions in Aid of Construction (CIAC)	79,258,173	3,547,681	82,805,854	c. 2H
6	Less: Deferred Income Taxes	42,500,138	608,690	43,108,828	d. 2D
	Deferred Investment Tax Credits	600,346	(14,646)	585,700	3L
7	Plus: Accumulated Depreciation on Advances	1,785,906	110,010	1,895,916	e. 2H
8	Plus: Accumulated Depreciation on CIAC	15,258,115	840,785	16,098,900	2H
9	Plus: Materials and Supplies	1,475,244	(12,691)	1,462,553	f. 2G
10	Plus: Working Capital	2,283,123	252,000	2,535,123	g. 2E
11	Plus: Taxes paid on CIAC	1,681,420	(11,231)	1,670,190	g: Dk 15 (Order 2928)
12	Total Rate Base	<u>\$207,946,505</u>	<u>\$13,821,081</u>	<u>\$221,767,586</u>	

ARTESIAN WATER COMPANY, INC.
USED AND USEFUL UTILITY PLANT BY ACCOUNT
END OF TEST YEAR AND PROJECTED END OF TEST PERIOD

Schedule DLV-2A
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Account No.	Description of Property	Test Year		Test Period		Proposed Rate Base
			Plant	Additions	Retirements	Rate Base	
1	310	Land - Source of Supply	\$2,787,735	\$0		\$2,787,735	
2	311	Well Houses	1,085,027	211,586		1,296,613	
3	314	Wells	10,683,860	1,091,851	108,359	11,667,352	
4	314.001	Wells - Monitoring	1,034,834	-		1,034,834	
5	316	Collecting Mains	1,372,064	-		1,372,064	
6	320	Land - Pumping Plant	96,139	182,898		279,037	
7	321	Structures - Pumping Plant	3,554,535	1,677,246		5,231,782	
8	323	Power Production Equipment	1,453,371	473,805		1,927,175	
9	323.1	Solar Power Production Equipment	237,977	-		237,977	
10	325	Electric Pumping Equipment	7,679,670	239,913	66,100	7,853,483	
11	325.1	Submersible Pumps	1,827,016	237,449	186,164	1,878,300	
12	330	Land - Water Treatment	209,889	-		209,889	
13	331	Structures - Water Treatment	29,194,433	5,624,650		34,819,083	
14	332	Water Treatment Equipment	16,546,239	1,111,361		17,657,600	
15	340	Land - Transmission and Distribution	788,857	-		788,857	
16	341	Structures & Improvements	-	45,000		45,000	
17	342	Reservoirs and Standpipes	21,178,343			21,223,343	
18	343	Transmission and Distribution Mains	194,661,550	11,008,823	404,514	205,265,859	
19	345	Services	32,342,162	542,425	118,331	32,766,256	
20	345.001	Temporary Services	-	989,626	202,194	21,454,371	
21	346	Meters	20,666,939	176,382	11,520	10,863,891	
22	348	Fire Hydrants	10,699,029	-		2,267,545	
23	389	General Land	2,267,545	-		-	
24	389.001	Land - Leasehold	-	191,266		18,354,857	
25	390	Office and Warehouse Building	18,163,591			2,005,386	
26	390.001	Office and Warehouse - Leasehold	2,005,386	-		1,741,780	
27	391	Office Furniture	1,729,780	12,000		287,075	
28	391.001	Office Equipment	279,075	8,000		1,628,676	
29	391.002	EDP Equipment	1,396,175	293,000	60,499	2,011,809	
30	391.004	Computer Software	1,911,809	100,000		28,731	
31	391.005	Computer Equipment Mainframe	28,731	-		5,990,350	
32	391.007	Computer Equipment - Peoplesoft	5,071,091	919,259		423,345	
33	391.008	Office Equip-Comp-GIS System	403,345	20,000		7,089,800	
34	392	Transportation Equipment	6,445,984	955,000	311,184	28,400	
35	393	Stores	28,400	-		625,478	
36	394	Tools, Shop and Garage Equipment	577,978	47,500		125,862	
37	394.001	Tools, Shop and Garage Equipment - Leasehold	125,862	-		171,224	
38	395	Lab Equipment	153,724	17,500		2,222,800	
39	396	Power Operated Equipment	2,222,800	-		4,870,756	
40	397	Communication Equipment	4,556,756	314,000		1,850,515	
41	398	Miscellaneous Equipment	1,715,232	135,284		-	
42							
43		Total Tangible Used and Useful Utility Plant	\$407,182,932	\$26,625,824	\$1,468,865	\$432,339,891	

ARTESIAN WATER COMPANY, Inc.
INTANGIBLE ASSETS

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Account No.	Description	
1	302	Franchises and Consents	\$140,035
2	303	Other Intangible Assets	0
		Total	<u>\$140,035</u>

ARTESIAN WATER COMPANY, INC.
ACCUMULATED DEPRECIATION
FOR THE TEST YEAR AND TEST PERIOD

Schedule DLV-2C
D.L. Valcarengi

PSC Min. Req. IV.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Utility Plant A/C No.	Description	Balance at End of Test Yr 12/31/2013	Balance at Beg of Test Pd 10/1/2013	Anticipated Retirements thru 9/30/2014	Test Period Pro-forma Depreciation	Pro-forma Balance
1	310	Land - Source of Supply	\$0	\$0		\$0	\$0
2	311	Well Houses	191,289	186,895		21,005	\$207,900
3	314	Wells	3,352,552	3,294,026	108,359	259,015	\$3,444,682
4	314.001	Wells - Monitoring	204,054	198,314		22,973	\$221,287
5	316	Collecting Mains	348,160	344,113		16,190	\$360,303
6	320	Land - Pumping Plant	0	0		0	\$0
7	321	Structures - Pumping Plant	1,080,970	1,066,323		84,755	\$1,151,078
8	323	Power Production Equipment	324,818	313,616		61,923	\$375,540
9	325	Electric Pumping Equipment	1,196,318	1,147,403	66,100	224,610	\$1,305,913
10	325.1	Submersible Pumps	427,439	566,762	186,164	234,788	\$615,385
11	330	Land - Water Treatment	0	0			\$0
12	331	Structures - Water Treatment	5,173,974	5,028,240		696,382	\$5,724,622
13	332	Water Treatment Equipment	3,480,807	3,388,702		391,999	\$3,780,701
14	340	Land - Transmission and Distribution	0	0			\$0
15	342	Reservoirs and Standpipes	4,505,080	4,435,754		278,026	\$4,713,779
16	343	Transmission and Distribution Mains	31,360,221	30,997,965	404,514	2,545,297	\$33,138,747
17	345	Services	9,550,696	9,428,284	118,331	842,093	\$10,152,045
18	346	Meters	5,774,275	5,669,468	202,194	823,848	\$6,291,122
19	348	Fire Hydrants	2,440,751	2,405,671	11,520	181,427	\$2,575,578
20	389	General Land	0	0		0	\$0
21	389.001	Land - Leasehold					\$0
22	390	Office and Warehouse Building	4,551,576	4,358,708		774,575	\$5,133,283
23	390.001	Office and Warehouse - Leasehold	1,189,903	1,168,746		84,627	\$1,253,373
24	391	Office Furniture	254,129	240,284		55,563	\$295,846
25	391.001	Office Equipment	121,687	118,292		13,751	\$132,043
26	391.002	EDP Equipment	533,856	532,342	60,499	195,441	\$667,284
27	391.004	Computer Software	1,673,539	1,663,464		386,066	\$2,049,530
28	391.005	Computer Equipment Mainframe	28,731	28,731		2,954	\$31,685
29	391.007	Computer Equipment PeopleSoft	(491,778)	1,593,304		399,556	\$1,992,860
30	391.008	Computer Equipment GIS	210,432	203,706		28,237	\$231,943
31	392	Transportation Equipment	3,746,180	3,896,172	311,184	612,559	\$4,197,547
32	393	Stores	23,654	23,427		909	\$24,336
33	394	Tools, Shop and Garage Equipment	272,692	268,236		20,015	\$288,251
34	394.001	Tools, Shop and Garage Equipment - Leasehold	86,419	85,412		4,028	\$89,439
35	395	Lab Equipment	147,354	143,257		18,252	\$161,509
36	396	Power Operated Equipment	1,508,072	1,480,165		128,033	\$1,608,198
37	397	Communication Equipment	2,269,432	2,198,303		311,728	\$2,510,031
38	398	Miscellaneous Equipment	796,389	774,131		88,825	\$862,956
39		Total	\$ 86,333,669	\$87,248,214	\$ 1,468,865	\$9,809,449	\$ 95,588,798
40		Retirement Cost Liability	\$982,510	\$17,897	\$17,897		\$1,000,407
41		Total	\$87,316,179	\$87,248,214	\$1,486,762	\$9,809,449	\$96,589,205

ARTESIAN WATER COMPANY, INC.
ACCUMULATED DEFERRED INCOME TAXES

Schedule DLV-2D
D.L. Valcarenghi

PSC Min. Req. V.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Deferred Federal Income Taxes		Deferred State Income Taxes	
		Test Year Balance	Adjustment	Test Year Balance	Adjustment
1	Depreciation	\$47,124,772	\$608,690	\$47,733,462	
2	Alternative Minimum Tax	4,624,634	-	4,624,634	
3	Accumulated Deferred Income Taxes included in Rate Base	\$42,500,138	\$608,690	\$43,108,828	
4	Depreciation	\$39,743,642	\$608,690	\$40,352,332	\$0
				\$7,381,130	\$7,381,130

ARTESIAN WATER COMPANY, INC.
CASH WORKING CAPITAL

Schedule DLV-2E
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Test Year	Test Period
1	Lead-Lag Study	\$3,728,000	\$3,980,000
2	Customer Deposits	(883,715)	(883,715)
3	Service Deposits	(561,162)	(561,162)
4	Total Cash Working Capital	\$2,283,123	\$2,535,123

Customer Deposits of \$883,715 x 12% = \$1,060

ARTESIAN WATER COMPANY,
MATERIALS AND SUPPLIES

PSC Min. Req. I.V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Account Number	Description	13-Month													
			Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Average
1	154.001	T & D Materials	459,224	467,705	507,684	542,386	534,708	620,226	616,805	603,728	586,250	657,806	686,162	609,735	604,723	\$577,472
2	154.002	Meters	153,540	141,280	128,524	104,382	97,770	99,125	93,320	99,288	110,310	85,486	87,195	70,938	83,194	\$104,181
3	154.003	Service supplies	104,172	100,299	100,633	134,431	106,869	105,923	106,857	99,062	147,510	161,168	140,368	109,470	125,307	\$118,621
4	154.004	Chemical supplies	89,238	90,618	92,840	86,241	86,241	86,241	83,144	83,144	83,144	77,805	77,805	77,805	85,655	\$84,609
5	154.006	Gasoline	23,994	27,084	32,972	35,240	11,663	12,656	14,627	19,529	22,208	22,722	21,065	26,406	31,829	\$23,230
6	154.007	Anti-freeze	366	329	148	95	656	513	396	373	285	254	248	227	41	\$302
7	154.008	Diesel fuel	13,896	10,525	12,135	13,483	11,523	13,287	10,963	11,156	10,857	11,087	9,038	10,375	11,931	\$11,568
8	154.009	Meter parts	157,335	167,967	124,489	203,703	179,803	154,700	170,165	208,920	187,808	202,881	180,290	157,634	158,659	\$173,412
9	154.012	Supplies	1,243	1,362	1,362	1,179	1,149	1,986	1,903	1,846	1,846	1,846	1,557	2,184	2,265	\$1,671
10	154.013	Pump Station Supplies	71,346	71,346	71,346	71,346	71,346	49,529	49,529	53,484	53,484	53,484	53,484	53,484	53,484	\$59,745
11	154.014	Clay Valve Parts	13,468	13,468	13,468	13,468	13,468	13,468	12,996	20,235	14,532	14,532	14,532	14,222	14,222	\$14,314
12	154.015	Wtr Treatment Rep Parts	14,437	14,437	14,437	14,437	13,748	12,833	12,833	12,833	13,108	12,936	10,779	10,082	10,082	\$12,845
13	154.016	Inventory of Scada	26,559	26,559	26,559	26,559	26,559	26,559	26,559	26,559	26,559	26,559	26,559	26,559	26,559	\$26,559
14	154.021	Tires	4,119	4,583	4,583	4,583	4,583	4,599	4,708	4,691	4,756	4,756	4,298	4,777	4,491	\$4,579
15	154.022	Oil and lubricants	4,607	3,844	2,943	2,998	3,678	3,307	3,482	3,126	2,440	3,283	3,083	3,490	2,738	\$3,309
16	154.023	Vehicle filters	1,208	1,225	1,283	1,340	1,353	1,328	1,344	1,362	1,420	1,370	1,209	1,168	1,191	\$1,292
17	154.024	Vehicle brakes	1,063	1,137	1,137	1,145	922	922	923	923	923	995	922	855	922	\$984
18	154.025	Gas and oil additives	119	119	119	106	106	172	50	182	154	154	140	140	140	\$131
19	154.027	Small Parts	19	19	19	19	19	19	19	19	19	19	19	19	19	\$13
20	154.031	Truck Inventory - Street	15,876	18,003	17,383	17,705	16,728	16,639	16,473	17,769	20,492	23,943	26,760	41,258	22,258	\$20,868
21	154.501	T&D S.Beth	95,227	90,099	93,342	93,354	89,742	88,846	101,245	98,796	100,475	100,073	100,482	102,036	102,623	\$96,642
22	154.502	Meters S Bethany	3,927	2,957	3,042	14,212	11,103	7,597	5,298	10,230	7,172	5,646	5,817	5,928	6,485	\$6,878
23	154.503	Service Supplies S.Bethany	30,904	30,507	29,802	31,500	30,214	32,201	35,787	36,234	39,623	41,236	40,676	38,974	39,018	\$35,129
24	154.504	Svc Chemical's S Bethany	22,353	22,353	22,353	20,794	20,794	20,794	22,475	22,475	22,475	22,482	22,482	22,482	21,237	\$21,965
25	154.509	Meter Parts S. Bethany	16,183	35,077	28,525	39,932	30,702	54,780	50,708	67,971	54,263	36,382	32,023	39,442	42,562	\$40,812
26	154.513	Pump Station Supplies	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158	\$3,533
27	154.516	Scada S. Bethany	17,898	17,898	17,898	17,898	17,898	17,898	17,898	17,898	17,898	17,898	17,898	17,898	17,898	\$17,898
			\$1,344,479	\$1,362,957	\$1,351,186	\$1,494,696	\$1,385,505	\$1,448,304	1,462,666	1,523,988	1,535,740	1,594,514	1,580,606	1,453,302	1,475,244	\$1,462,553

ARTESIAN WATER COMPANY, INC.
 ADVANCES AND CONTRIBUTIONS IN AID OF CONSTRUCTION
 AND RELATED ACCUMULATED DEPRECIATION

Schedule DLV--
 D.L. Valcarenghi

PSC Min. Req. IV.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.		Actual		Projected	
		Beginning of Test Year	Test Year Balance	Activity	Test Period Balance
1	Advances for Construction (Note 1)	\$13,674,794	\$12,185,434	(\$900,000)	\$11,285,434
2	Accumulated Depreciation	1,748,973	1,785,906	110,010	\$1,895,916
3	Net advances	<u>\$11,925,821</u>	<u>\$10,399,528</u>	<u>(\$1,010,010)</u>	<u>\$9,389,518</u>
4	Contributions in Aid of Construction (Note 2)	\$74,845,059	\$79,258,173	\$3,547,681	\$82,805,854
5	Accumulated Depreciation	14,059,976	15,258,115	\$840,785	16,098,900
6	Net Contributions	<u>\$60,785,083</u>	<u>\$64,000,058</u>	<u>\$2,706,896</u>	<u>\$66,706,954</u>

Actual Activity

(1,086,030)
 111,000
(514,330)
(\$1,489,360)

Projected Activity

(900,000)
(\$900,000)

Note 1:

Refunds of advances
 Amounts paid to AWC by developer
 Transfer from A/C 252 to 271 upon
 expiration of refundable contracts

Note 2:

Amounts paid to AWC by developer
 Transfers from A/C 252 to 271 upon
 expiration of refundable contracts

Actual Activity

\$3,898,785
 \$514,330
\$4,413,115

Projected Activity

3,547,681
\$3,547,681

ARTESIAN WATER COMPANY, INC.
NET OPERATING INCOME SUMMARY

Schedule DLV 3-1
D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line No.</u>	<u>Reference</u>	<u>Test Year</u>	<u>Test Period</u>
1	3 p 2	\$ 62,283,339	\$ 64,297,489
2	3 p 2	43,391,917	47,171,293
3		<u>\$ 18,891,422</u>	<u>\$ 17,126,196</u>
4	3 p 2	5,186,059	4,494,297
5		<u>\$ 13,705,363</u>	<u>\$ 12,631,899</u>

ARTESIAN WATER COMPANY, INC.
STATEMENT OF OPERATING INCOME
FOR THE TEST YEAR AND PRO FORMA PERIODS

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Test Year	Present Rates		Pro Forma Test Period		Proposed Rates	
			Adjustments	Amount	Amount	Adjustments	Amount	
1	Water Sales	\$ 60,849,520	1,902,796	\$ 62,752,316	\$9,983,823	1	\$72,736,139	
2	Finance Charges	55,324	73,750	129,073			129,073	
3	Misc. Revenues	1,378,496	37,604	1,416,100	20,535		1,436,635	
4	Total Operating Revenues	\$ 62,283,339	\$2,014,150	\$64,297,489	\$10,004,359	3A p.2	\$74,301,848	
5	Operating Expenses							
6	Operation and Maintenance	\$31,881,977	\$2,335,645	\$34,217,622	\$62,321		\$34,279,943	
7	Depreciation & Amortization	7,726,815	1,192,555	8,919,371			8,919,371	
8	Taxes Other Than Income Taxes							
9	Property	2,698,138	145,906	2,844,044			2,844,044	
10	Franchise	53,808	0	53,808			53,808	
11	Payroll	1,031,179	105,269	1,136,448			1,136,448	
12	Total Operating Expenses	\$43,391,917	\$3,779,375	\$47,171,293	\$62,321		\$47,233,614	
13								
14	Utility Operating Income Before Income Taxes	\$18,891,422	(\$1,765,226)	\$17,126,196	\$9,942,037		\$27,068,234	
15								
16	Income taxes							
17	Current:							
18	Federal	0	2,955,835	2,955,835	3,086,207	3J	6,042,042	
19	State	0	828,418	828,418	864,957	3J	1,693,376	
20	Deferred		0	0				
21	Federal	4,069,786	(3,514,052)	555,734			555,734	
22	State	1,137,827	(982,074)	155,753			155,753	
23	Amortization of Deferred ITC	(21,554)	20,110	(1,444)			(1,444)	
24	Total Income Taxes	\$5,186,059	(\$691,762)	\$4,494,297	\$3,951,165		\$8,445,461	
25								
26	Utility Net Operating Income	\$13,705,363	(\$1,073,464)	\$12,631,899	\$5,990,873		\$18,622,772	
27								
28	Rate Base	\$207,946,505		\$221,767,586			\$221,767,586	
29								
30	Rate of Return	6.59%		5.70%			8.40%	

ARTESIAN WATER COMPANY, INC.
OPERATING REVENUES AT PRESENT RATES
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Acct No.	Account Title	Actual Test Year	Normalizing Adjustments	Normalized Revenue at Current Rates	Adjustments for Growth	Current Rates Pro Forma Test Period
	461	Metered Sales					
1		Residential	\$37,352,573	\$752,969	\$38,105,542	\$240,661	\$38,346,203
2		Commercial	5,312,009	270,249	5,582,258		5,582,258
3		Motel/Hotel	426,281	(1,298)	424,983		424,983
4		Apartments	4,711,739	126,875	4,838,614		4,838,614
5		Trailers	1,366,256	(7,620)	1,358,636		1,358,636
6		Industrial	82,341	17,571	99,911		99,911
7		Gov't Agcy	822,234	166,483	988,717		988,717
8		Seasonal	32,959	17,569	50,528		50,528
9		Religious Affiliation	130,988	(30,094)	100,894		100,894
10		School	473,100	9,343	482,442		482,442
11		Restaurant	614,036	(1,135)	612,902		612,902
12		Medical Facility	962,946	(21,282)	941,664		941,664
13		Other	419,187	41,611	460,797		460,797
14			<u>\$52,706,647</u>	<u>\$1,341,239</u>	<u>\$54,047,887</u>	<u>\$240,661</u>	<u>\$54,288,547</u>
15	462	Private Fire Protection	\$1,963,274	(\$32,007)	\$1,931,267		1,931,267
16	463	Public Fire protection service	\$4,725,464	\$97,850	\$4,823,314	\$28,704	4,852,018
17	466	Resale	\$1,454,134	\$226,349	\$1,680,483		1,680,483
18		Total Sales of Water	<u>\$60,849,520</u>	<u>\$1,633,431</u>	<u>\$62,482,951</u>	<u>\$269,365</u>	<u>\$62,752,316</u>
19	471	Miscellaneous Revenues					
20	472	Service Charge	\$592,584		\$592,584		\$592,584
21	473	Rental Income	513,129	(10,932)	502,197		502,197
22	474	Finance Charge	55,324	73,195	128,519	\$554	129,073
23	474	Other	30,372	22,770	53,142		53,142
24	474	Purchase Discounts	22,218		22,218		22,218
25	474	Contract Service	220,194	25,766	245,960		245,960
		Total Miscellaneous Revenues	<u>\$1,433,820</u>	<u>\$110,799</u>	<u>\$1,544,619</u>	<u>\$554</u>	<u>\$1,545,173</u>
26		Total Operating Revenues	<u>\$62,283,340</u>	<u>\$1,744,231</u>	<u>\$64,027,570</u>	<u>\$269,919</u>	<u>\$64,297,489</u>

ARTESIAN WATER COMPANY, INC.
 OPERATING REVENUES AT PRESENT RATES & PROPOSED RATES
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.	Acct No.	Account Title	ProForma at Present Rates	Percentage Increase	Proposed Increase	Pro Forma Test Period
	461	Metered sales to general customers				
1		Residential	\$38,346,203	15.92%	\$6,104,765	\$44,450,968
2		Commercial	5,582,258	16.93%	944,930	6,527,188
3		Motel/Hotel	424,983	18.00%	76,498	501,481
4		Apartments	4,838,614	17.71%	857,065	5,695,679
5		Trailers	1,358,636	18.40%	249,938	1,608,573
6		Industrial	99,911	16.76%	16,742	116,654
7		Gov't Agcy	988,717	14.70%	145,341	1,134,058
8		Seasonal	50,528	17.95%	9,068	59,596
9		Religious Affiliation	100,894	15.10%	15,233	116,126
10		School	482,442	16.25%	78,419	560,861
11		Restaurant	612,902	17.67%	108,274	721,176
12		Medical Facility	941,664	18.11%	170,564	1,112,228
13		Other	460,797	16.17%	74,524	535,321
14	462	Private fire protection service	1,931,267	9.30%	179,578	2,110,845
15	463	Public fire protection service	4,852,018	17.70%	858,974	5,710,992
16	466	Sales for resale	1,680,483	5.59%	93,925	1,774,407
17		Total sales of water	<u>\$62,752,316</u>		<u>\$9,983,823</u>	<u>\$72,736,139</u>
18	473	Miscellaneous revenues				
19	471	Finance charges	\$129,073		\$20,535	\$149,609
20	472	Service charges	592,584			\$592,584
21	474	Rental income	502,197			\$502,197
22	474	Other	53,142			\$53,142
23	474	Contract Operations	245,960			\$245,960
24		Discounts on purchases	22,218			\$22,218
		Total Misc Revenues	<u>\$1,545,173</u>		<u>\$20,535</u>	<u>\$1,565,708</u>
25		Total Operating Revenues	<u>\$64,297,489</u>		<u>\$10,004,359</u>	<u>\$74,301,848</u>

ARTESIAN WATER COMPANY, INC.
REVENUE FROM METERED SALES AND FIRE PROTECTION
FOR THE THREE YEARS ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Customer Class	2011	2012	2013	Pro Forma Revenues Current Rates
1	Metered Sales				
2	Residential	\$35,717,589	\$38,348,451	\$37,352,573	\$38,346,203
5	Commercial	5,183,876	5,586,020	5,312,009	5,582,258
6	Motel/Hotel	392,215	427,741	426,281	424,983
7	Apartments	4,759,160	4,894,830	4,711,739	4,838,614
8	Trailers	1,323,356	1,329,135	1,366,256	1,358,636
9	Industrial	141,109	70,293	82,341	99,911
10	Gov't Agcy	1,003,729	933,193	822,234	988,717
11	Seasonal	56,842	55,339	32,959	50,528
13	Religious Affiliation	93,607	104,019	130,988	100,894
14	School	433,344	501,636	473,100	482,442
15	Restaurant	594,952	607,754	614,036	612,902
16	Medical Facility	876,060	931,916	962,946	941,664
17	Other	459,549	468,675	419,187	460,797
18	Total	\$51,035,388	\$54,259,003	\$52,706,647	\$54,288,547
19					
20	Private Fire Protection	\$1,729,215	\$2,073,460	\$1,963,274	\$1,931,267
21					
22	Public Fire protection service	\$3,425,543	\$4,711,663	\$4,725,464	\$4,852,018
23					
24	Resale	\$812,356	\$1,123,881	\$1,454,134	\$1,680,483
25					
26	Total Water Sales Revenues	\$57,002,502	\$62,168,007	\$60,849,520	\$62,752,316

ARTESIAN WATER COMPANY, INC.
QUANTITY OF WATER SOLD (KGAL)
FOR THE THREE YEARS ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Class	2011	2012	2013	Test Period
1	Residential	3,663,594	4,347,401	3,560,208	3,798,675
2	Commercial	738,728	789,492	680,640	734,744
3	Motel/Hotel	64,238	69,942	64,297	65,613
4	Apartments	763,365	783,323	686,839	723,399
5	Trailers	212,355	214,585	204,018	206,856
6	Industrial	20,928	8,880	10,117	13,019
7	Gov't Agcy	258,273	239,235	171,517	236,097
8	Seasonal	8,906	9,457	4,667	7,554
9	Religious Affiliation	9,901	11,227	10,109	10,198
10	School	57,785	65,107	56,090	59,348
11	Restaurant	95,131	100,369	90,076	91,987
12	Medical Facility	183,481	190,217	183,284	185,074
13	Other	69,565	70,851	55,445	67,559
14	Private Fire	3,356	3,713	3,932	3,270
15	Resale	355,540	372,558	495,123	537,954
16	Total	<u>6,505,146</u>	<u>7,276,357</u>	<u>6,276,362</u>	<u>6,741,347</u>

ARTESIAN WATER COMPANY, INC.
 SUMMARY OF ADJUSTMENTS TO OPERATING EXPENSES
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

Schedule DLV-3B-1
 D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.	Description	Reference
1	Adjustment to Reflect Interest on Customer Deposits	2E
		\$1,060
2	Adjustment to Reclassify Donations as Operating Expense	3F
		45,825
3	Adjustment to Remove Cost of Pool Operations	Workpaper
		(6,082)
4	Adjustment to Annualize Salaries and Wages	3C
		899,073
5	Adjustment to Annualize Pension Costs Based on Current Salaries	3C
		180,104
6	Adjustment to Annualize Current Cost of Group Insurance Benefits	3C
		739,183
7	Adjustment to Workmens Compensation Insurance	3C
		8,419
8	Adjustment to Annualize Test Year Purchased Power Costs	3B-2
		36,400
9	Adjustment to Annualize Test Year Chemical Costs	3B-3
		(16)
10	Adjustment to Amortize Chester Legal Costs Incurred	3B-4
		(578,040)
11	Adjustment to Reflect Increased Cost of Purchased Water	3B-5
		347,348
12	Adjustment to Annualize WTP Disposal Costs	3B-6
		4,902
13	Adjustment to Annualize Tank Painting Costs	3B-7
		16,040
14	Adjustment to Reflect Llangollen Well Treatment Costs	3B-8
		120,657
15	Adjustment to Reflect Incremental Cost of Information Technology Support	3B-9
		142,064
18	Adjustment to Annualize Test Year Insurance Expenses	3B-10
		48,954
17	Adjustment to Reflect Postal Rate Increase	3B-11
		19,580
18	Adjustment to Remove Costs from Operations	3B-12
		(129,289)
20	Adjustment to Amortize Net Cost of Rate Proceeding	3H
		439,463
21	Total Adjustments to Operation and Maintenance Expenses	
		\$2,335,645
22	Adjustment to Annualize Depreciation & Amortization Expenses	3B-13
		1,192,555
25	Adjustment to Annualize Property Taxes	3B-14
		145,906
26	Adjustment to Reflect Increased Payroll Taxes	3C
		105,269
27	Adjustment remove Deferred Amortization of ITC	3B-15
		20,110
28	Total Operating Expense Adjustments	
		\$3,799,485

ARTESIAN WATER COMPANY, INC.
PURCHASED POWER
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line No.</u>	<u>Description</u>	
1	Projected Purchased Power Costs	\$ 1,683,158
2	Test Year Costs	<u>1,646,759</u>
3	Adjustment to Purchased Power Costs	<u><u>\$36,400</u></u>

ARTESIAN WATER COMPANY, INC.
CHEMICAL COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line No.</u>	<u>Description</u>	
1	Pro Forma Chemical Costs	\$724,887
2	Test Year Chemical Costs	<u>724,902</u>
3	Adjustment to Purchased Power Costs	<u><u>(\$16)</u></u>

ARTESIAN WATER COMPANY, INC.
CHESTER LEGAL COSTS

FOR THE TEST YEAR ENDED DECEMBER 31, 2013

Schedule DLV-3B-4
D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line</u> <u>No.</u>	<u>Description</u>	
1	Removal of Chester Legal Costs Reflected in Per Book Results	(\$813,304)
2	Chester Legal Costs Incurred	1,646,848
3	Amortization of Costs Incurred over 7 years	<u>235,264</u>
4	Adjustment to Amortize Chester Legal costs	<u><u>(\$578,040)</u></u>

ARTESIAN WATER COMPANY, INC.
PURCHASED WATER COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

Schedule DLV-3B-5
D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	
1	Projected Purchased Water Costs	\$ 4,106,126
2	Test Year Purchased Water Costs	<u>3,758,777</u>
3	Adjustment to Annualize Purchased Water Costs	<u><u>\$347,348</u></u>

ARTESIAN WATER COMPANY, INC.
WATER TREATMENT PLANT (WTP) DISPOSAL COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line No.</u>	<u>Description</u>	
1	ProForma Disposal Costs for Water Treatment Plants	\$12,000
2	Test Year Expense	<u>7,098</u>
3	Adjustment to Annualize WTP Disposal Costs	<u>\$4,902</u>

Schedule DLV-3B-7
D.L. Valcarenghi

ARTESIAN WATER COMPANY, INC.
TANK PAINTING

FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line No.</u>	<u>Description</u>	
1	2014 Tank Painting Contract	\$347,020
2	Carbon Tank Cleaning/Painting	14,750
3	Inspections	<u>31,625</u>
4	Total Pro Forma Costs	\$393,395
5	Test Year Tank Painting Costs	<u>377,355</u>
6	Pro Forma Adjustment	<u><u>\$16,040</u></u>

ARTESIAN WATER COMPANY, INC.
 LLANGOLLEN WELL TREATMENT COSTS
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.	Description	
1	Energy Costs	\$28,572
2	Hydrogen Peroxide Treatment	56,255
3	Replacement Lamps	31,030
4	Charge for Refurbishing Lamps	<u>4,800</u>
5	Adjustment to Reflect Increased Costs at Llangollen Well	<u>\$120,657</u>

See page 3.5 of treatability study prepared by Hatch Mott MacDonald

ARTESIAN WATER COMPANY, INC.
INFORMATION TECHNOLOGY SUPPORT COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	
1	Pro Forma Information Technology Costs	\$793,851
2	Test Year Expenses	<u>651,787</u>
3	Adjustment to Reflect Incremental IT Costs	<u>\$142,064</u>

ARTESIAN WATER COMPANY, INC.
INSURANCE COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	
1	Pro Forma Insurance Costs	\$538,492
2	Test Year Insurance Costs	489,538
3	Adjustment to Reflect Incremental Insurance Costs	\$48,954

ARTESIAN WATER COMPANY, INC.
POSTAGE COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
ARTESIAN WATER COMPANY, INC.

Line No.	Description	
1	Test Year Postage Costs	\$326,332
2	No. of Pieces of Mail	<u>878,635</u>
3	Average Cost per Mail Item	0.37141
4	Average Cost Adjusted for 6% Postal Rate Increase	0.39369
5	Pro Forma Postage Costs	<u>345,912</u>
6	Adjustment to Postage Costs	<u><u>\$19,580</u></u>

ARTESIAN WATER COMPANY, INC.
REMOVAL OF COSTS FROM OPERATIONS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.

Docket No. _____

Line No.	Description	
1	Compensation costs	(49,973)
2	Allocate Costs of Building to Affiliates	(79,246)
3	Remove Misc. Costs	<u>(70)</u>
4	Total Costs	(\$129,289)
5	Adjustment to Remove Costs From Operation and Maintenance Expenses	<u><u>(\$129,289)</u></u>

ARTESIAN WATER COMPANY, INC.
DEPRECIATION & AMORTIZATION EXPENSE
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Utility Plant A/C No.	Description	Test Period Plant	Depreciation Rate	Pro Forma Depreciation Expense
1	310	Land - Source of Supply	\$2,787,735	0.00%	\$0
2	311	Well Houses	1,296,613	1.62%	21,005
3	314	Wells	11,667,352	2.22%	259,015
4	314.001	Wells - Monitoring	1,034,834	2.22%	22,973
5	316	Collecting Mains	1,372,064	1.18%	16,190
6	320	Land - Pumping Plant	279,037		
7	321	Structures - Pumping Plant	5,231,782	1.62%	84,755
8	323	Power Production Equipment	1,927,175	2.86%	55,117
9	323.1	Solar Power Production Equipment	237,977	2.86%	6,806
10	325	Electric Pumping Equipment	7,853,483	2.86%	224,610
11	325.1	Submersible Pumps	1,878,300	12.50%	234,788
12	330	Land - Water Treatment	209,889		
13	331	Structures - Water Treatment	34,819,083	2.00%	696,382
14	332	Water Treatment Equipment	17,657,600	2.22%	391,999
15	340	Land - Transmission and Distribution	788,857		
16	341	Structures & Improvements	21,223,343	1.31%	278,026
17	342	Reservoirs and Standpipes	205,265,859	1.24%	2,545,297
18	343	Transmission and Distribution Mains	32,766,256	2.57%	842,093
19	345	Services			
20	345.001	Temporary Services	21,454,371	3.84%	823,848
21	346	Meters	10,863,891	1.67%	181,427
22	348	Fire Hydrants	2,267,545		
23	389	General Land			
24	389.001	Land - Leasehold	18,354,857	4.22%	774,575
25	390	Office and Warehouse Building	2,005,386	4.22%	84,627
26	390.001	Office and Warehouse - Leasehold	1,741,780	3.19%	55,563
27	391	Office Furniture	287,075	4.79%	13,751
28	391.001	Office Equipment	1,628,676	12.00%	195,441
29	391.002	EDP Equipment	2,011,809	19.19%	386,066
30	391.004	Computer Software	28,731	10.28%	2,954
31	391.005	Computer Equipment Mainframe	5,990,350	6.67%	399,556
32	391.007	Computer Equipment - Peoplesoft	423,345	6.67%	28,237
33	391.008	Office Equip-Comp-GIS System	7,089,800	8.64%	612,559
34	392	Transportation Equipment	28,400	3.20%	909
35	393	Stores	625,478	3.20%	20,015
36	394	Tools, Shop and Garage Equipment	125,862	3.20%	4,028
37	394.001	Tools, Shop and Garage Equipment - Leasehold	171,224	10.66%	18,252
38	395	Lab Equipment	2,222,800	5.76%	128,033
39	396	Power Operated Equipment	4,870,756	6.40%	311,728
40	397	Communication Equipment	1,850,515	4.80%	88,825
41	398	Miscellaneous Equipment			
42		Total Tangible and Intangible Used and Useful Utility Plant	\$432,339,891		\$9,809,449
43		Add: Depreciation relative to Taxes paid for CIAC			57,874
44		Deduction for depr on adv and ciac			(950,795)
45		Pro Forma Depreciation Expense			8,916,528
46		Test Year Depreciation Expense			7,710,880
47		Pro Forma Depreciation Expense			1,205,648
48		Pro Forma Amortization Expense			2,842
49		Test Year Amortization Expense			15,935
50		Adjustment to Amortization Expenses			(13,093)
51		Pro Forma Adjustment to Depreciation & Amortization			1,192,555

ARTESIAN WATER COMPANY, INC.
PROPERTY TAXES
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	
1	Pro Forma Property Tax Expense	\$2,844,044
2	Test Year Property Tax Expense	<u>2,698,138</u>
3	Adjustment to property tax expense	<u>\$145,906</u>

ARTESIAN WATER COMPANY, INC.
AMORTIZE DEFERRED ITC
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	
1	Test Year Expense	(\$21,554)
2	Pro Forma Amount	<u>(1,444)</u>
3	Adjustment to Deferred Taxes	<u>\$20,110</u>

ARTESIAN WATER COMPANY, INC.
PAYROLL AND BENEFIT COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Test Year					Test Period						
		Direct Payroll	Pensions	Payroll Taxes	Employee Benefits	Comp Insurance	Total Payroll	Direct Payroll	Pensions	Payroll Taxes	Employee Benefits	Workers' Comp.	Total Payroll
1	Total Costs	\$ 16,953,927	\$ 985,795	\$ 1,298,729	\$ 3,944,554	\$ 188,778	\$ 23,371,783	\$ 18,160,037	1,164,566	1,393,630	4,679,367	202,207	\$ 25,599,808
2	Less: Allocated Payroll	1,288,535	76,147	99,678	303,480	35,564	\$ 1,803,404	1,380,202	89,956	106,962	360,014	\$ 38,094	\$ 1,975,228
3	Less: Cap. Payroll	2,945,765	176,422	228,065	699,614	33,915	\$ 4,083,781	3,161,135	161,280	210,414	638,711	\$ 36,395	\$ 4,207,934
4	Total O&M Costs	\$ 12,719,627	\$ 733,226	\$ 970,986	\$ 2,941,460	\$ 119,299	\$ 17,484,598	\$ 13,618,700	\$ 913,330	\$ 1,076,255	\$ 3,680,643	\$ 127,718	\$ 19,416,646

Payroll	\$ 899,073
Pensions	\$ 180,104
Payroll Taxes	\$ 105,269
Employee Benefits	\$ 739,183
Compensation Insurance	\$ 8,419
Total	\$ 1,932,048

ARTESIAN WATER COMPANY, INC.
EXECUTIVE COMPENSATION COSTS
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Base Salary	Other Compensation	Total Compensation	Allocations to Affiliates	Capitalized Payroll	Compensation Less Allocations & Capitalized Payroll
1	Dian C. Taylor, Chief Executive Office	\$409,947	\$91,209	\$501,157	\$40,350	0	\$460,807
2	Joseph A. DiNunzio, Executive Vice President	\$283,982	\$74,723	\$358,706	\$28,343	0	\$330,363
3	David B. Spacht Chief Financial Officer & Treasurer	\$248,206	\$96,550	\$344,757	\$24,913	0	\$319,843
4	John M. Thaefer, Senior Vice President of Operations	\$267,280	\$16,938	\$284,218	\$26,118	0	\$258,100
5	John J. Schreppler II, Esq., General Counsel, Vice President, Assistant Secretary	\$227,115	\$13,431	\$240,546	\$22,093	0	\$218,453

Schedule DLV-3E
D.L. Valcarenghi

ARTESIAN WATER COMPANY, INC.
ADVERTISING EXPENSES
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Acct No.	Description	
1		Newspaper Advertising - Recruitment	\$3,150
2		Print Media Advertising	2,603
3		CPCN Advertising	3,909
4		Total	<u>\$9,662</u>

ARTESIAN WATER COMPANY, INC.
CHARITABLE DONATIONS

FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Amount	Line No.	Description	Amount
1	AMERICAN HEART ASSOCIATION	\$3,750	36	HOME BUILDERS ASSOC. OF DE	\$25
2	AMERICAN HEART ASSOCIATION-WILMINGTON HEART BALL	2,939	37	JUNIOR ACHIEVEMENT OF DEL INC	500
3	AMERICAN LUNG ASSOCIATION	600	38	KRYSTI BINGHAM CEREBAL PALSY FOUNDATION	250
4	AMERICAN RED CROSS	1,000	39	LEUKEMIA RESEARCH FOUNDATION	4,000
5	AMERICAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS	300	40	MINISTRY OF CARING	50
6	BETHANY BEACH VOLUNTEER FIRE COMPANY	100	41	MINQUADALE FIRE COMPANY	500
7	BLOOD BANK OF DELMARVA	1,000	42	MINQUADALE FIRE COMPANY, MINQUADALE LADIES AUXILIARY	250
8	BOYS TOWN	250	43	MOT BIG BALL MARATHON	300
9	CAESAR RODNEY ROTARY CLUB	250	44	MOT LITTLE LEAGUE	500
10	CAMDEN/WYOMING FIRE COMPANY	60	45	NATIONAL BRAIN TUMOR SOCIETY	500
11	CATHOLIC CHARITIES	1,000	46	NATIONAL WILDLIFE FEDERATION	250
12	CHRISTINA CONSERVANCY	500	47	ODESSA FIRE COMPANY	50
13	CITY OF DELAWARE CITY	1,000	48	PARTNERSHIP FOR THE DELAWARE ESTUARY	250
14	COMMITTEE OF 100	219	49	PAWS FOR LIFE, INC.	600
15	COUNTY PRIDE, INC.	500	50	PAWS FOR PEOPLE	250
16	CRANSTON HEIGHTS FIRE COMPANY	100	51	POSITIVE GROWTH ALLIANCE, INC.	1,050
17	CROHN'S & COLITIS FOUNDATION OF AMERICA	250	52	SALVATION ARMY	500
18	DELAWARE COMMISSION FOR WOMEN	500	53	SOUTHWEST INDIAN FOUNDATION	250
19	DELAWARE COMMUNITY FOUNDATION	500	54	SPECIAL OLYMPICS DELAWARE	300
20	DELAWARE FARM BUREAU	500	55	ST. JOSEPH'S INDIAN SCHOOL	200
21	DELAWARE HUMANE ASSOCIATION WILMINGTON WALK	250	56	ST. JUDE CHILDREN'S RESEARCH	500
22	DELAWARE MUSEUM OF NATURAL HISTORY	1,150	57	ST. PATRICK'S CENTER	100
23	DELAWARE STATE CHAMBER OF COMMERCE	500	58	STATE OF DELAWARE	700
24	DELAWARE STORM	500	59	SUNDAY BREAKFAST MISSION	450
25	DELAWARE TECH / SCTTC	500	60	THE CINDY FOUNDATION	250
26	DELAWARE THEATRE COMPANY	1,000	61	THE JOHNS HOPKINS SCLERODERMA CENTER	350
27	DELMARVA TEEN CHALLENGE	500	62	TOWN OF CHESAPEAKE CITY 5K	50
28	DUCKS UNLIMITED	750	63	TOWNSEND FIRE COMPANY	250
29	EVERETT THEATER	6,725	64	TRI-STATE BIRD RESCUE&RESEARCH	100
30	FAIRHILL INTERNATIONAL	1,000	65	VITAS HOSPICE	200
31	FORUM TO ADVANCE MINORITIES IN ENGINEERING	807	66	VOLUNTEER HOSE COMPANY	700
32	FRIENDS OF WEST END PARK	100	67	WOUNDED WARRIOR PROJECT	800
33	GIRL SCOUTS OF THE CHESAPEAKE	1,000	68	YWCA DELAWARE INC.	
34	HABITAT FOR HUMANITY	300			
35	HOCKESSIN FIRE CO	50			
		\$30,200			\$15,625

Total Donations for Test Year

\$45,825

ARTESIAN WATER CO., INC.
SOCIAL AND SERVICE CHARGES DUES
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Amount	Line No.	Description	Amount
1	AMERICAN COUNCIL OF ENGINEERING COMPANIES OF DELAWARE	\$350	28	GREATER MILLSBORO CHAMBER OF COMMERCE	\$300
2	AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	1,418	29	GROUNDWATER FOUNDATION	100
3	AMERICAN MANAGEMENT ASSOCIATION	225	30	HOME BUILDERS ASSOCIATION OF DELAWARE	500
4	AMERICAN WATER RESOURCES ASSOCIATION	145	31	INSTITUTE OF MANAGEMENT ACCOUNTANTS	220
5	AMERICAN WATER WORKS ASSOCIATION	8,130	32	INTERNATIONAL WOMEN'S FORUM	150
6	ASIS INTERNATIONAL	195	33	ISACA - INFORMATION SYSTEMS AUDIT AND CONTROL ASSOCIATION	215
7	BETHANY-FENWICK AREA CHAMBER OF COMMERCE	244	34	MIDDLETOWN AREA CHAMBER OF COMMERCE	150
8	BETTER BUSINESS BUREAU OF DE	580	35	NASDAQ STOCK MARKET LLC	35,000
9	BETTER INVESTING	225	36	NATIONAL ASSOCIATION OF WATER COMPANIES	36,289
10	CENTRAL DELAWARE CHAMBER OF COMMERCE	3,900	37	NATIONAL ASSOCIATION OF WATER COMPANIES-DELAWARE CHAPTER	1,362
11	CHRISTINA CONSERVANCY	100	38	NATIONAL GROUND WATER ASSOCIATION	315
12	CIVIC LEAGUE OF NEW CASTLE COUNTY	50	39	NATIONAL SAFETY COUNCIL	645
13	COMMITTEE OF 100	1,300	40	NEW CASTLE COUNTY CHAMBER OF COMMERCE	1,845
14	DELAWARE BUSINESS ROUNDTABLE	2,500	41	PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	170
15	DELAWARE CENTER FOR HORTICULTURE	125	42	POSITIVE GROWTH ALLIANCE, INC.	250
16	DELAWARE CONTRACTORS ASSOCIATION	728	43	PROFESSIONAL EMERGENCY RESOURCE SERVICES	210
17	DELAWARE GREENWAYS	150	44	RED CLAY VALLEY ASSOC INC	250
18	DELAWARE LEAGUE OF LOCAL GOVERNMENTS	600	45	SIERRA CLUB	75
19	DELAWARE NATURE SOCIETY	250	46	SOCIETY FOR HUMAN RESOURCE MANAGEMENT	360
20	DELAWARE RURAL WATER ASSOCIATION	550	47	SOCIETY OF CORPORATE SECRETARIES & GOVERNANCE PROFESSIONALS	645
21	DELAWARE SAFETY COUNCIL INC	300	48	SOUTH JERSEY WATER PROFESSIONALS ASSOCIATION	75
22	DELAWARE SECTION OF THE AMERICAN WATER RESOURCES ASSOCIATION	340	49	SUNGARD SHAREHOLDERS SYSTEMS	150
23	DELAWARE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS	370	50	SUSSEX COUNTY ASSOCIATION OF TOWNS	250
24	DELAWARE STATE BAR ASSOCIATION	530	51	WATER ENVIRONMENT FEDERATION	62
25	DELAWARE STATE CHAMBER OF COMMERCE	1,360	52	WATER RESEARCH FOUNDATION	15,433
26	DELAWAREANS FOR ENVIRONMENTAL ECONOMIC DEVELOPMENT	500	53	WATER RESOURCES ASSOCIATION OF THE DELAWARE RIVER BASIN	2,500
27	GREATER GEORGETOWN CHAMBER OF COMMERCE	150			
		<u>\$25,314</u>			<u>\$97,501</u>

Total Costs Incurred in Test Year

\$122,816

ARTESIAN WATER COMPANY, INC.
SUMMARY OF OPERATING TAXES
FOR THE TEST YEAR ENDED DECEMBER 31, 2013

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

No.	Item	Test Year	Proforma Present	Proforma Proposed
1	Federal Income Tax- Current	0	\$2,955,835	\$6,042,042
2	State Income Tax- Current	0	828,418	1,693,376
3	Deferred Federal Income Tax	4,069,786	555,734	555,734
4	Deferred State Income Tax	1,137,827	155,753	155,753
5	Total	\$5,207,613	\$4,495,741	\$8,446,906

ARTESIAN WATER COMPANY, INC.
CALCULATION OF OPERATING INCOME TAXES
FOR THE TEST YEAR AND PRO FORMA PERIODS

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Operating Income Taxes	Present	Pro Forma
1	Utility Operating Income before Income Taxes	\$17,126,196	\$27,068,234
2	Interest Expense @ Weighted Debt	6,405,412	6,405,412
3	Adjustments: to determine income for Delaware	\$10,720,784	\$20,662,822
		2.89%	
4	Add: Book depreciation on 1973 and prior assets	\$581,936	\$581,936
5	Less: Tax Depr on pre 1973 assets	(11,041)	(11,041)
	Less: Amortization of Deferred ITC	1,444	1,444
6	Net income subject to state income taxes	11,312,317	21,254,355
7	DE State Income Tax Rate	8.70%	8.70%
8	Pro Forma State Income Tax at Current Rates	\$984,172	\$1,849,129
9	Less: Deferred State Income Tax	155,753	155,753
10	State Income Tax Currently Payable for Test Period	\$828,418	\$1,693,376
11	Actual State Income Tax Payable	0	
12	Pro Forma State Income Tax at Proposed Rates	\$828,418	828,418
13	Pro Forma Adjustment to State Tax	\$864,957	
14	Net Income Subject to State Income	\$11,312,317	\$21,254,355
15	Pro Forma State Income Tax	984,172	1,849,129
16	Net Income Subject to Federal Income Tax	\$10,328,146	\$19,405,226
17	Federal Income Tax Rate	34%	34%
18	Pro Forma Federal Income Tax	\$3,511,569	\$6,597,777
19	Less Deferred Federal Income Tax	555,734	555,734
20	Total Pro Forma Federal Income Tax	2,955,835	6,042,042
21	Actual Tax Payable for Test Year	0	
22	Pro Forma Decrease to FIT payable under present rates	\$2,955,835	
23	Pro Forma FIT Payable		2,955,835
24	Pro Forma Adjustment to Federal Income Tax		\$3,086,207

ARTESIAN WATER COMPANY, INC.
 DEFERRED INCOME TAXES

FOR THE TEST YEAR ENDED DECEMBER 31, 2013

Schedule DLV-
 D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

<u>Line No.</u>		
1	Excess Tax over Book Depreciation	\$1,790,266
2	Rate of Tax	<u>8.70%</u>
3	Deferred State Income Tax	<u>\$155,753</u>
4	Timing Differences for Federal Income Tax	1,634,513
5	Tax Rate	<u>34%</u>
6	Deferred Federal Income Tax	<u>\$555,734</u>

ARTESIAN WATER COMPANY, INC.
 UNAMORTIZED INVESTMENT TAX CREDIT
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

Schedule DLV-
 D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.	Description	Test Year ITC	Cumulative Amortization	Unamortized Balance	Proforma Amortization	Unamortized Bal in RB
1	Production Plant	\$314,121	\$291,583	\$22,538	\$1,769	\$20,769
2	Transmission and Distribution	1,330,130	752,321	577,809	12,877	564,931
3	General Plant	142,287	142,287	-	-	-
4	Total	\$1,786,537	\$1,186,191	\$600,346	\$14,646	\$585,700

ARTESIAN WATER COMPANY, INC.
 OTHER FEDERAL, STATE AND LOCAL TAXES
 FOR THE TEST YEAR ENDED DECEMBER 31, 2013

Schedule DLV-
 D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.	Type of Tax	Test Year		Test Period	
		Total Utility	DE Jurisdiction	Total Utility	DE Jurisdiction
		N/A	N/A	N/A	N/A

ARTESIAN WATER COMPANY, INC.
OVERALL RATE OF RETURN

Schedule DLV-4
Schedule DLV-4A
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line No.</u>	<u>Type of Capital</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1	Debt	49.46%	5.84%	2.89%
2	Common Equity	50.54%	10.90%	5.51%
3	Total			8.40%

ARTESIAN WATER COMPANY, INC.
CAPITAL STRUCTURE

Schedule DLV-4B
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

<u>Line No.</u>	<u>Type of Capital</u>	<u>Pro Forma Balance</u>	<u>Ratio</u>
1	First Mortgage Bonds	\$103,870,492	49.46%
2	Common Equity:		
3	Common Stock	79,258,479	
4	Retained Earnings	<u>26,888,794</u>	
5	Total Equity	106,147,273	50.54%
6	Total Capitalization	<u>\$210,017,765</u>	

ARTESIAN WATER COMPANY
 CALCULATION OF THE EFFECTIVE COST OF DEBT

Schedule 1-C
 D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.	Series	Issuance	Maturity	Years	Rate	Rebate	Adjusted Int Rate	Principal Amount	Issuance Costs	Net Proceeds	Proceeds Ratio	Effective Rate
1	O	1/1/2001	1/1/2021	20	8.17%		8.17%	20,000,000	497,375	19,502,625	97.51%	8.38%
2	P	9/1/2002	9/1/2022	20	6.58%	242,024	5.61%	25,000,000	127,546	24,872,454	99.49%	5.64%
3	Q	12/5/2003	12/14/2043	40	4.75%		4.75%	15,400,000 *	867,718	14,532,282	94.37%	5.03%
4	R	8/1/2005	12/31/2028	23	5.96%	242,024	4.99%	25,000,000	1,134,246	23,865,754	95.46%	5.23%
5	S	12/1/2008	12/31/2033	25	6.73%	145,215	5.76%	15,000,000	111,929	14,888,071	99.25%	5.81%
6	SRF	1/1/2001	1/1/2021	20	4.48%		4.48%	4,307,144	10,248	4,296,896	99.76%	4.49%
7	SRF	8/1/2003	7/31/2023	20	3.57%		3.57%	1,374,372	46,665	1,327,707	96.60%	3.70%
8	SRF	11/7/2003	11/1/2025	20	3.64%		3.64%	2,184,700	83,740	2,100,960	96.17%	3.79%
9	SRF	2/2/2011	2/1/2031	20	3.41%		3.41%	2,993,211	62,385	2,930,826	97.92%	3.48%
10	SRF	7/15/2011	7/1/2032	20	3.40%		3.40%	2,536,589	43,993	2,492,596	98.27%	3.46%

Annual Bond Fee Premium
 Series Q Bond * Beginning 1/1/2014 the Q Bond has an insurance premium of \$26,950 (\$840,768 +\$26,950 = \$867,718)

ARTESIAN WATER COMPANY, INC.
CALCULATION OF THE EMBEDDED COST OF DEBT

Schedule DLV-4
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Series	Date of Maturity	Interest Rate	Outstanding Balance	Percent to Total	Effective Rate	Weighted Cost
1	O	1/1/2021	8.17%	20,000,000	19.25%	8.38%	1.61%
2	P	9/1/2022	6.58%	25,000,000	24.07%	5.64%	1.36%
3	Q	12/14/2043	4.75%	15,400,000	14.83%	5.03%	0.75%
4	R	12/31/2028	5.96%	25,000,000	24.07%	5.23%	1.26%
5	S	12/31/2033	6.73%	10,350,000	9.96%	5.81%	0.58%
6	SRF	1/1/2021	4.48%	1,467,202	1.41%	4.49%	0.06%
7	SRF	7/31/2023	3.57%	642,847	0.62%	3.70%	0.02%
8	SRF	11/1/2025	3.64%	1,202,970	1.16%	3.79%	0.04%
9	SRF	2/1/2031	3.41%	2,451,591	2.36%	3.48%	0.08%
10	SRF	7/1/2032	3.40%	2,355,882	2.27%	3.46%	0.08%
				103,870,492			5.84%

Schedule DLV-4E
D.L. Valcarenghi

ARTESIAN WATER COMPANY, INC.
CALCULATION OF THE EFFECTIVE COST OF PREFERRED STOCK

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Series	Date of Issuance	Amount Outstanding	Issuance Costs	Net Proceeds	Proceeds Ratio	Effective Rate
-------------	--------	---------------------	-----------------------	-------------------	-----------------	-------------------	-------------------

N/A

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Series	Date of Maturity	Interest Rate	Outstanding Balance	Percent to Total	Effective Rate	Weighted Cost
----------	--------	------------------	---------------	---------------------	------------------	----------------	---------------

N/A

AWC does not have any Preferred Stock in its capital portfolio

ARTESIAN WATER COMPANY, INC.
COMPARATIVE FINANCIAL DATA-GENERAL

Schedule DL 10-G
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	2011	2012	Test Year	Test Period
1		6,901,944	6,866,178	6,874,387	6,826,034
2	Embedded Cost - Long-Term Debt	N/A	N/A	N/A	N/A
3	Embedded Cost - Preferred Stock	2.68	3.33	2.94	3.13
4	Pretax Interest Coverage	2.67	3.29	2.89	3.09
5	Pretax Interest Coverage, Before AFUDC	1.62	2.01	1.77	1.89
6	After Tax Interest Coverage	1.61	1.98	1.74	1.86
7	After Tax Interest Coverage, before AFUDC	N/A	N/A	N/A	N/A
8	Indenture Provision Coverage	1.62	2.01	1.77	1.89
9	After Tax Interest & Pfd. Div. Coverage	1.61	1.98	1.74	1.86
10	After Tax Interest & Pfd. Div. Coverage, before AFUDC	N/A	N/A	N/A	N/A
12	Moody's Bond Rating - Senior Debt	N/A	N/A	N/A	N/A
13	S & P Bond Rating - Senior Debt	N/A	N/A	N/A	N/A
14	Moody's Moody's Preferred Stock Rating	N/A	N/A	N/A	N/A
15	S & P Preferred Stock Rating	2.26%	3.01%	2.42%	2.53%
16	Rate of Return on Net Plant in Service	3.33%	4.45%	3.71%	4.03%
17	Rate of Return on Total Capital				
18	Percentage of Revenues from				
19	Electric Service	N/A	N/A	N/A	N/A
20	Gas Service	N/A	N/A	N/A	N/A
21	Telephone Service	N/A	N/A	N/A	N/A
22	Other Services	N/A	N/A	N/A	N/A
23	Percentage of Fuel Used				
24	Coal	N/A	N/A	N/A	N/A
25	Oil	N/A	N/A	N/A	N/A
26	Gas	N/A	N/A	N/A	N/A
27	Nuclear	N/A	N/A	N/A	N/A
28	Other	N/A	N/A	N/A	N/A

ARTESIAN WATER COMPANY, INC.
COMPARATIVE FINANCIAL DATA- COMMON STOCK

Sched. DLV-4H
D.L. Valcarenghi

PSC Min. Req. IV.B.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	Yr Ended 2011	Yr Ended 2012	Test Year	Test Period
1	Shares Outstanding Year End	8,610,966	8,710,296	8,830,029	8,890,379
2	Weighted Average (diluted)	8,159,553	8,717,373	8,836,155	8,904,035
3	Earnings Per Share - on Weighted Average (diluted)	0.83	1.13	0.94	0.99
4	Dividends Paid Per Share	0.76	0.79	0.82	0.84
5	Dividends Declared Per Share	0.76	0.79	0.82	0.84
6	Dividend Payout Ratio (Declared Basis)	0.92	0.70	0.87	0.85
7	Market Price - Average of monthly (Class A)	18.73	20.77	22.71	22.71
8	Average of High and Low Prices (Class B)	18.50	18.61	21.63	21.63
9	Book Value Per Share - Year End	13.12	13.57	13.80	14.05
10	Average Book Value (Beginning & End of Yr.)	12.79	13.35	13.68	13.92
11	Price to Earnings Ratio - Unadjusted (2)	22.57	18.38	24.16	22.94
12	Market to Book Ratio (3)	1.46	1.56	1.66	1.63
13	Dividend Yield (4)	4.06%	3.80%	3.61%	3.71%
14	Rate of Return on Average Book Common Equity 3 / 9	0.0649	0.0846	0.0687	0.0711
15	AFUDC as % Earnings for Common	N/A	N/A	N/A	N/A
16	Effective Income Tax Rate (Fed. & State)	39.74	39.74	39.74	39.74

All data to be adjusted for stock splits and/or stock dividends to current basis

(10) = (7) / (3)

(11) = (7) / (9)

(12) = (5) / (7)

Does not include the proposed rate increase.

ARTESIAN WATER COMPANY, INC.
REVENUE CONVERSION FACTOR

Schedule DLV-5
D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
Company: Artesian Water Company, Inc.
Docket No. _____

Line No.	Description	
1	Gross Revenues	100%
2	Add: Finance Charge	0.21%
3	Less: Bad Debt Expense	0.32%
4	Less: PSC Assessment	0.30%
5	Net Operating Income Before Income Tax	99.5815%
6	Less: State income Tax @ 8.7%	8.66359%
7	Subtotal	90.9179%
8	Less: Federal Income Tax @ 34%	30.9121%
9	Operating Income	60.0058%
10	Conversion Factor	1.666506

ARTESIAN WATER COMPANY, INC.
 ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Schedule DLV-6
 D.L. Valcarenghi

PSC Min. Req. V.A.

Delaware Public Service Commission
 Company: Artesian Water Company, Inc.
 Docket No. _____

Line No.	Month	Rate
1	Oct-11	8.157%
2	Nov-11	8.157%
3	Dec-11	8.157%
4	Jan-12	8.155%
5	Feb-12	8.155%
6	Mar-12	8.155%
7	Apr-12	8.165%
8	May-12	8.165%
9	Jun-12	8.165%
10	Jul-12	8.175%
11	Aug-12	8.175%
12	Sep-12	8.175%
13	Oct-12	8.172%
14	Nov-12	8.172%
15	Dec-12	8.172%
16	Jan-13	8.170%
17	Feb-13	8.170%
18	Mar-13	8.170%
19	Apr-13	8.170%
20	May-13	8.170%
21	Jun-13	8.170%
22	Jul-13	8.170%
23	Aug-13	8.170%
24	Sep-13	8.170%
25	Oct-13	8.160%
26	Nov-13	8.160%
27	Dec-13	8.160%

AFUDC is applied monthly and changes quarterly based on the weighted costs of capital.

ARTESIAN WATER COMPANY, INC.

P.S.C. NO. 1 - WATER
Sheet No. 1
Effective: October 23, 2013 |

ARTESIAN WATER COMPANY, INC.

TARIFF

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: ~~October 23, 2013~~

Revised Sheet No. 1a

LIST OF CHANGES

This tariff updates the following pages:

New Rates for Water Service
Revisions to Rules and Regulations
Updated Tariff Language

TABLE OF CONTENTS

	Page	T
Metered Service	2	T
Late payment penalty	3	T
Customer Charge	3	T
Monthly Charge	3	T
Water Charge	4	T
Public Fire Ready to Serve Charge	4a	T
Private Fire Protection Charge	5	T
Distribution System Improvement Charge	5	T
Special Services	5	T
Temporary or Infrequent Water Use	6	T
Service Appointments	6	T
Consolidated Billing	6	T
Charges for Disconnection and Reconnection of Service	6a	T
Unauthorized Use of Service	6a	T
Charge for Unauthorized Use of Service	6b	T
Rules and Regulations	7	T
Application for Service	8	T
Main and Service Connections	10	T
Contribution in Aid of Construction	13	T
Discontinuance of Service	15	T
Meters	18	T
Public Fire Protection Service	21	T
Responsibility for Service	21	T
Bills and Payment	21a	T
General	22	T
Correspondence	22a	T
Boothurst area	Third-First Supplement	T
Middletown	Ninth-Second Supplement	T
Delaware Correctional Center	Eleventh-Third Supplement	T
Artesian Water Maryland, Inc.	Fifth-Fourth Supplement	T
Town of Chesapeake City	Second-Fifth Supplement	T
<u>Town of Clayton</u>	<u>First-Sixth Supplement</u>	T
<u>City of New Castle</u>	<u>First-Seventh Supplement</u>	T

CONTENTSINDEX

	<u>Page</u>
Application for a New Service.....	8-10
Backflow Preventer.....	10,11
Bills and Payment	21-22
Complaints	22
Conservation Regulations	17
Consolidated Billing.....	6
Delinquent Bills	22
Deposits.....	8-10
Discontinuance of Service	15-18
Emergency Interruptions of Service	16
Hydrants	21
Interest on Deposit	10
Main and Service Connections	10-14
Maintenance by Customer	11-12
Metered Service	2-5
Meters:	
Damage to	19
Location	18
Registration	19-20
Testing, Periodic	20
Testing, Request.....	19-20
Owner/Tenant Responsibility	8-9
Fire Hydrant Ready to Serve Charge	21
Rates:	
Customer Charge	2-5
Distribution System Improvement Charge	2-5
Fire Service Charge.....	4-5
Metered	2-3
Minimum Charges	2
Payment Terms	2,5,21-22
Private Fire Protection Charge.....	5
Public Fire Protection Charge.....	4
Water Charge	4
Reserve Supply	17
Responsibility for Service.....	21
Restoration of Discontinued Service	18
Returned Checks	22
Second Party Notification	17
Security Deposit.....	9-10
Service Deposit	8
Service Line	10-12
Special Services	5-6
Standby Connection	11
Swimming Pools.....	12
Temporary or Infrequent Use.....	6
Theft of Service.....	6a,12
Turn-on and Shut-off Charges	6a-6b

METERED SERVICE

These Rules and Rates are applicable throughout the territory served by the Company for all metered service, with the exception of the rates charged to customers of the Boothhurst development located within the City of New Castle, ~~and to portions of Middletown, Paradise Estates, the Delaware Correctional Center, Artesian Water Maryland, and the Town of Chesapeake City. Boothhurst served by Artesian. Under an Agreement between the Company and the Board of Water and Light of the City of New Castle (the "Board") dated December 31, 1997, rates are initially determined by the Board City of New Castle Municipal Services Commission and approved reviewed by the Public Service Commission, but cannot exceed the rate charged by the Company to similar classes of customers. These rates are identified in Supplemental pages appended to the tariff. The same provisions are included under an agreement between the Company and the Town of Middletown dated February 2, 1998. The current rates are shown at the First and Second Supplemental Sheet to this Tariff. Under that Agreement, the Board and Middletown will exercise the same degree of skill and care and apply the same standards, policies and procedures that the Company applies in performing the same functions for its other customers.~~

The total charge for metered water service consists of the sum of ~~the~~ Customer Charge, and to the extent applicable, ~~the~~ Water Charge for metered water volumes and a Fire Protection Charge, as each is specified below.

Method of Billing:

Customers will be billed monthly. Customer Charges and Fire Protection Charges will be billed in advance. Water Charges will be billed in arrears.

Billings covering other than the normal billing period will be calculated by prorating the full period charges on a daily basis.

The Company will not mail checks for refunds totaling less than \$10.00 to customers who have left Artesian's service territory. Those refunds are available upon request from the former customer. The refund will also be credited to that customer's new account if the former customer re-establishes a service with the Company within five years from the date of the original refund generation. If left unclaimed those funds due former customers will be escheated to the State of Delaware according to applicable state law.

Payment Terms:

All bills are due and payable upon presentation. See section titled "Bills and Payment" for additional information.

Late Payment Penalty:

A late payment penalty will be applied to any outstanding balance which remains outstanding 25 days after the bill date, until payment is received in full. The monthly penalty will be at a rate equal to one-twelfth of the sum of prime rate plus 5%, and the prime rate will be updated quarterly.

Customer Charge:

This is a monthly service fee for providing the customer with water service and recovers expenses not directly associated with water production or delivery, such as meter reading, billing, payment remittance and other costs. The charge is the same in each billing period, is billed in advance, and is based on the size of the meter through which service is furnished.

Monthly Charge

Monthly customer charges by meter size are as follows:

Size of Meter

5/8"	\$ 13.22 <u>14.51</u>	N
3/4"	\$ 15.86 <u>17.42</u>	N
1"	\$ 21.15 <u>23.22</u>	N
1-1/2"	\$ 42.29 <u>46.44</u>	N
2"	\$ 55.51 <u>60.96</u>	N
3"	\$ 84.59 <u>92.89</u>	N
4"	\$ 121.59 <u>133.52</u>	N
6"	\$ 211.47 <u>232.21</u>	N
8"	\$ 317.20 <u>348.32</u>	N
10"	\$ 502.23 <u>551.51</u>	N

Water Charge

The charge, at a rate per thousand gallons of water registered by the meter, is as follows:

Residential		
0 - 2,000 gallons.....	\$6.5657.793	N
2,001 - 7,000 gallons.....	\$7.0988.425	N
Over 7,000 gallons.....	\$8.2779.825	N
CCH		
Rate.....	\$3.8874.598	N
All Other		
0 - 500,000 gallons.....	\$5.8876.988	N
Over 500,000 gallons.....	\$6.7768.043	N

For purposes of the Water Charge, a residential customer service is defined as:

- (a) a single family dwelling
- (b) multi-unit structures consisting of four or less units of which at least one serves as a dwelling
- (c) four or less separate structures on one property, of which at least one such structure serves as a dwelling and all of which are served through a single meter.

For purposes of the Water Charge, pursuant to prior PSC orders, Christiana Care Hospital (CCH) is served under a separate exclusive rate classification. Christiana Care Hospital is the only customer eligible for this rate classification.

Public Fire Hydrant Ready to Serve Charge:

A charge for customers who are provided with public fire protection by means of fire hydrants. The charge is the same each billing period, is billed in advance, and is based on the size of the meter used to calculate the customer charge. Upon request of a municipality, Fire Hydrant Ready to Serve Charges may be billed to a municipality in total for all property owners within the municipality where Public Fire Protection is provided in lieu of the following individual customer billing charges:

Monthly Fire Hydrant Ready to Serve Charge

Size of Meter			
5/8".....	\$	4.004.71	N
3/4".....	\$	5.987.03	N
1".....	\$	10.0011.76	N
1-1/2".....	\$	19.9423.43	N
2".....	\$	31.9937.59	N
3".....	\$	60.0270.55	N
4".....	\$	100.04117.59	N
6".....	\$	200.39235.74	N
8".....	\$	319.71376.03	N
10".....	\$	511.38601.53	N

Private Fire Protection Charge:

A charge for customers who are provided with private fire protection through a sprinkler system or a private fire hydrant. The charge will be billed monthly in advance as follows:

1-1/2" detector check.....	\$ 19,282.11	N
2" detector check.....	\$ 40,954.43	N
4" detector check.....	\$ 106,691.36	N
6" detector check.....	\$ 227,472.31	N
8" detector check.....	\$ 378,704.05	N
10" detector check.....	\$ 565,736.43	N
12" detector check.....	\$ 618,197.27	N
<u>P</u> Charge _____ per _____ private	\$ 227,472.31	T,N
<u>H</u> hydrant.....		

The private hydrant charge is assessed monthly per hydrant for each private hydrant. T
Charges for water registered on bypass meters installed on lines providing private fire protection will be billed monthly in arrears. All water registered on bypass meters will be billed at the rate of \$ 8,277.825 per 1,000 gallons. N

Distribution System Improvement Charge

In addition to the net charges provided for in this Tariff, a charge of 0.00332% will apply to all charges rendered on or after June XX ~~January 1, 2014~~. N
N

This charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

SPECIAL SERVICES

The following Rules and Rates are applicable throughout the territory served by the Company for the following specified services.

Payment Terms:

All bills are due and payable upon presentation. See section titled "Bills and Payment" for additional information. Unpaid bills will result in finance charges and eventual shut off of service in accordance with Rule 46. T
T

Temporary or Infrequent Water Use:

Temporary or infrequent water use will be billed monthly.

The minimum charge for a temporary service connection for construction or other purposes is the same as the Customer Charge for a meter of the size installed on the temporary service connection. The minimum charge covers the same period as the Customer Charge on which it is based, one ~~either one month or one quarter~~, and is rebilled if the temporary service connection remains in use after such period has elapsed. T

The minimum charge is paid in advance and does not include any allowance for water usage. All water as registered by meters installed on temporary service connections is billed at the rate of \$8.2779.825 per 1,000 gallons. No proration of the minimum charge will be made for temporary service connections that remain in use for less than the period covered by such charge. Where a temporary service connection requires use from hydrant, there is a \$15.00 hook-up charge. N

Service Appointments:

If a scheduled appointment is not kept by the customer, all rescheduled and subsequent appointments not kept by the customer will result in a \$50.00 charge to the customer's account.

Consolidated Billing:

Under consolidated billing an eligible customer receives one combined bill that outlines charges for services rendered from the Company and Artesian Wastewater Management, Inc. ("AWMI"). An eligible customer, in this instance, is defined as a water customer that receives wastewater service from AWMI. When the Company provides consolidated billing that combines charges for water and wastewater service, payments will be applied in the following sequence:

- (a) Any existing arrearages for either water or wastewater service;
- (b) Arrears by vintage priority for water or wastewater service. A water service arrearage has a higher priority than wastewater service arrearage of the same vintage;
- (c) Current charges for water service;
- (d) Current charges for wastewater service.

Charges for Disconnection and Reconnection of Service ~~Turn-On And Shut-Off Charges~~

~~Violation of Company Rules~~

When water service has been discontinued because of a violation of the Company's rules, such as for the nonpayment of a bill, the Customer will be responsible for the costs to ~~disconnect~~ ~~diseonnect~~ and reconnect ~~reonnect~~ water service. The total charge will be \$100.00, representing a disconnection fee of \$50.00 and a reconnection fee of \$50.00, payable in advance of restoring water service during the Company's regular working hours. ~~When it is necessary to reconnect service at a time other than the Company's regular working hours, the reconnection charge is \$140.00 for a total of \$190.00, also payable in advance.~~ If the customer blocks the Company's attempt to gain access to the curb stop to shut off service, the customer will be liable for the \$50.00 shut-off charge for each attempt that the Company makes to shut off service and such charges must be paid in advance of restoration of water service.

The Company performs reconnections of water service only during regular work hours. The Company must receive confirmation of payment for all fees and any delinquent account balances, if any, before it schedules reconnection of water service or otherwise schedules a service call. The Company will give priority to regular appointments when a confirmed payment is made prior to 3:00 p.m. Confirmed payments received after 3:00 p.m. will be scheduled for the Company's next regular work day. Emergency service appointments, which are at the sole discretion of the Company, are available at a charge of \$140. Emergency service is defined as any service call performed outside of the Company's regular work hours of 8:00 a.m. and 5:00 p.m. Monday through Friday, excluding Company Holidays.

When requested by a customer, water will be shut off during the Company's regular working hours for a charge of \$50.00, ~~and at other times for a charge of \$140.00.~~ Service that has been shut off at the customer's request will be turned back on during the Company's regular working hours for a charge of \$50.00, ~~and at other times for a charge of \$140.00.~~ Service connection for a new customer will be by appointment only, with no charge to the customer. ~~If it is necessary to connect service without an appointment, a charge of \$50.00 will apply, if during the Company's regular working hours and \$140.00 if not during the Company's regular working hours.~~

~~Request for delinquent reconnections will not be performed between 8:00 p.m. and 8:00 a.m.~~

~~The Company's regular working hours for turn-on and shut-off are from 8:00 a.m. to 6:30 p.m., Monday through Friday, excluding holidays.~~

Unauthorized Use of Service

When a customer is found to be using or receiving unauthorized water volumes through manipulation, bypass or unauthorized use of the meter, service at location will be discontinued. To restore service, a customer will be required to pay a reconnection charge based

on the size of the meter at the location as set forth on page 6b. A customer repeatedly found to be using or receiving unauthorized water volumes may be required to pay for costs necessary to retrofit the system (e.g. externalizing the meter). Unauthorized Use of Service may also be prosecuted as a criminal offense pursuant to 11 Del. C. §§ 841 and 845.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: October 23, 2013

Original Sheet No. 6b

<u>Meter Size</u>	<u>Charge</u>
1/2"	\$ 500
5/8"	\$ 500
3/4"	\$ 750
1"	\$ 1,250
1 1/2"	\$ 2,500
2"	\$ 4,000
3"	\$ 8,000
4"	\$ 12,500
6"	\$ 25,000
8"	\$ 40,000
10"	\$ 57,500

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: April 5, 2004

Second Revised Sheet No. 7
Canceling
First Revised Sheet No. 7

ARTESIAN WATER COMPANY, INC.
RULES AND REGULATIONS

RULES AND REGULATIONS

APPLICATION FOR SERVICE

Definition of "Customer":

1. The word "customer" as used hereinafter means any person, partnership, firm, association, corporation or governmental agency being supplied with water service by the Company. The "customer" shall be either the record title owner of the property receiving water service or the occupant, as the case shall be. In the case of multiple unit properties served by master meters, such as shopping centers, apartment buildings and condominiums, the customer is the property owner. For the purposes of the Customer Charge, the Public Fire Hydrant Ready to Serve Charge, the Private Fire Protection Charge, and the Distribution System Improvement Charge, an owner or occupant remains a "customer" and continues to be liable for charges until such time as service is discontinued or terminated. A customer is liable for all charges incurred prior to termination.

Application for a New Service Connection:

2. A new service connection will be made and water service furnished upon receipt by the Company of an application signed by the property owner or, the owner's authorized agent, or a tenant. Any application made by an agent of the property owner shall identify the record title owner of the property for which water service is being sought and shall be accompanied by proof of the agent's authority to act for the property owner. An Application for Service by a tenant shall be accompanied by a signed copy of a lease and a valid government-issued form of photo identification. If the applicant for service is a legal entity and not a natural person, the Company may require that it be provided with the name, place of residence, and telephone number of each person who is an officer, partner, or owner of such legal entity. Applications for service must be approved by the Company before a connection is made or water furnished. Charges or deposits for a new service installation shall be determined at the time of application and paid prior to initiation of service.

Service Deposit:

3. If in the sole judgment of the Company the service installation represents a speculative venture or excessive time may elapse between the actual installation and use of the service by the customer, a refundable deposit to cover the Company's investment may be required. Service deposits are forfeited if the Company finds evidence of the use of a meter bar. All deposits received in recognition of construction projects with the Company will terminate if not fully refunded within 20 years.

Billings and Changes in Ownership:

4. Unless otherwise confirmed in writing with agreed to by the Company, bills will be sent to the customer receiving water service.

A request for service shall be made upon any change in the ownership of a property receiving water service from the Company or in the tenancy of a property for which a tenant is responsible for payment. Upon such change in ownership or tenancy the Company shall have the right upon 10 days' notice to discontinue water service until such request has been made and approved by the Company. If water service has been discontinued by the Company at the request of the person or entity responsible for payment, a new request for service must be received and approved by the Company before service is restored.

When the customer is a tenant and water service has been discontinued for non-payment or at the request of the tenant, the customer's account will be transferred to the owner of the property. The owner of the property will be responsible for ready to serve charges consisting of the Monthly Customer Charge and Charges for Fire Protection and the Company will so notify said owner unless within fifteen days after the discontinuance either (i) service is properly restored at the request of the original tenant, or (ii) the Company has received and accepted an application from a new tenant pursuant to these Rules and Regulations.

Seasonal Reconnection Charge:

Whenever a Customer's water service is shut-off by the Company at the Customer's request and the account is placed on an inactive status, and such account is reactivated by the same Customer no less than thirty (30) days and no more than twelve (12) months from the date of the shut-off, a Seasonal Reconnection Charge equal to the following shall be paid by the Customer: (a) the Customer's otherwise applicable monthly Customer Charge and Fire Protection Charge times the number of months the account was inactive; plus (b) the Turn-On Charge. If the Company does not receive full payment for service for the period of inactivity at the conclusion of the inactive period, the Company will restore the account to active status and institute collections procedures, which may include the curtailment of service at the curb stop and appropriate legal remedies. The customer will be responsible for any and all costs incurred to sever service and fees necessary to collect amounts owed. This provision is only intended to temporarily defer charges otherwise owed to the Company on a monthly basis for the provision of water service.

Security Deposit:

5. Security deposits will only be required in the following instances:

- (a) For any existing customer who (1) has had service discontinued for nonpayment of bills, (2) has ~~rendered two bad checks~~ been delinquent in making timely payments at least twice in the preceding 12 months, (3) has been delinquent in payment of bills twice in the preceding 12 months, (4) has tampered with a meter or other equipment of the Company, or (5) has filed for bankruptcy, in which event the post petition account will be billed a security deposit unless otherwise instructed by the bankruptcy court.

- (b) For any new customer who (1) is the tenant of a property for which he or she is responsible for payment of water bills, (2) has been delinquent during the preceding 12 months in paying water bills at a former address, (3) is found to be using false identification when use of a correct name would reveal poor records of payment, or (4) is seasonal or temporary.

When the customer is the owner of residential property receiving water service, security deposits will not exceed the maximum estimated bill for two consecutive billing periods or \$100, whichever is less, unless it is due from an existing customer who (1) has had service disconnected two times within the preceding 12 months, (2) has been found to be tampering with the Company's meter or equipment, (3) has used water for unauthorized purposes, or (4) is other than a residential customer and has been delinquent in paying their water bills, in which event the entire estimated charge for two billing periods or the average billed amount outstanding over the previous year, whichever is greater, will be collected. For a residential property occupied by a tenant who is responsible for paying the water bills, the security deposit will be \$2100 for a monthly billed customer and must be paid in full before water service is turned on.

Payment of a requested security deposit is a requirement for continued service, and failure to pay in full may result in discontinuation of service. If payment of a security deposit creates an undue hardship, the Company may allow payment of the deposit to be made over a reasonable period of time.

For a non-residential property occupied by a tenant responsible for paying water billed the security deposit is the entire estimated charge for two billing periods and must be paid in full before water service is turned on.

The Company will apply a customer's security deposit to the final account balance. Any security deposit amount in excess of the final account balance will be refunded in accordance with the Tariff.

Interest on Deposit:

6. Simple interest will accrue at the rate of the average of the percent yields of the 1-year Treasury constant maturities for September, October and November of the preceding year on security deposits held six months or longer. Accrued interest shall be credited annually to the customer's deposit account. When the customer is the owner of the property receiving water service, deposits will be refunded with accrued interest when the customer has paid the water bills as due and has had no delinquencies within the preceding 12 months. Security deposits, plus interest in accordance with the procedure as outlined in this paragraph, shall be refunded to the customer originally making the deposit. For properties occupied by tenants who are responsible for paying the water bills, deposits will be refunded upon termination of the tenancy.

A security deposit shall not be considered as payment on account during the time the customer is receiving water service. Customer shall pay bills for water service as rendered in accordance with the Rules and Rates of the Company.

MAIN AND SERVICE CONNECTIONS

Company Mains and Service Lines:

7. The Company shall in its sole judgment determine the size and type of mains to be installed either off-site or on-site for any structure or development. The Company shall make all connections to its mains and furnish, install and maintain all service lines from the main to and including the curb valve. The Company shall install, own, and determine the size and type of service line which runs from the main to the curb valve. ~~Fire service lines and domestic service lines will be separate and independent lines from the main to the curb valve and in to the customer's internal plumbing facilities. Fire service lines will not be used to provide domestic water service.~~

T
T
T

Property Owner Service Line:

8. The Property Owner Service Line, which is furnished and installed by the owner, is that pipe from the curb valve to the structure. All service lines must have an approved valve installed on each side of the meter. All service lines from the curb valve to the structure must be installed in a straight line at least 42 inches below the surface of the ground. New customers will be notified at the time of their application if water pressure is greater than 100 pounds per square inch (psi). In such cases, customers shall install, at their own expense, a pressure-reducing valve. If the Company causes a change in its water pressure so that the water pressure to the customer is greater than 100 psi, the Company shall, at its expense, install a pressure-reducing valve on the customer's service line. The Company may require that customers, at their expense, install, at a location determined by the Company, a Company approved backflow prevention device when, in the opinion of the Company, the customer's service connection may cause contamination or degradation of the water in the Company's water distribution system. All underground irrigation systems shall include an approved backflow prevention device to be owned and maintained by the customer. It is the responsibility of the customer to properly maintain any backflow prevention device. The Company may require annual inspection and testing of the backflow prevention device by a licensed plumber qualified to test such devices if in the opinion of the Company it is

necessary to protect the Company's water distribution system and customers. The Company reserves the right to inspect backflow prevention devices. During an inspection the Company will require records of annual operation and maintenance inspection completed by a licensed plumber. If the customer has not had an inspection test or cannot produce the documentation, then the customer will be given a two-week notice to provide the proper documentation or their water service may be terminated until appropriate records are provided. During an inspection of the backflow prevention device, if it is found to not be properly installed, not in good working order, or that it has been circumvented by plumbing changes, then the customer's water service may be terminated immediately. The water will remain off until corrective actions have been made and proper documentation provided. All backflow prevention devices shall conform with the most stringent standards (in the opinion of the Company) required by any of the following organizations (if applicable): Underwriters Laboratory Inc.; Factory Mutual Laboratories; Office of Drinking Water of the Division of Public Health; Delaware Public Service Commission; and local government plumbing codes. With regard to multi-level (high rise) structures, it is recommended in some instances that customers, at their expense, install a booster pump to supply suitable water pressure to the upper levels of the structure.

Cross Connections:

9. Cross connections between a private water supply and a potable water supply shall be prohibited per County, State and the International plumbing code section 608.6.1. A customer that requests disconnection from the Company's system is responsible for all costs associated with severing the connection from the premise to the Company's system and the removal of the meter. The Company has the right to inspect the property of a customer with a non-potable well to verify that no cross-connection with Company supply can occur. A customer that requests reconnection after being severed from the Company's system will be responsible for all costs incurred to effect a connection.

N
N
N
N
N
N
N

Separate Trench:

10. No service line shall be installed in the same trench with a sewer pipe, drain or any other facility of another public service company, nor within three feet of any open excavation, foundation, vault or other structure.

Renewal of Service Line:

11. Where renewal of service line from water main to curb valve is found to be necessary, the Company, at its cost, will renew said service in the same location, and may at its option install a meter pit. The meter pit shall become the responsibility of the customer. If the property owner, or customer, for his or her own convenience, desires the renewal service line to be at some other location and pays all costs of such relocation in excess of the cost of renewing the service line at the existing location and costs of cutting off and disconnecting the old service line, the Company will renew the service line at the location desired. After abandonment of a water service line by an original property owner, a new owner must obtain the approval of the Company before incorporating the old service into new construction.

N
N

Maintenance by Customer:

12. All connections, service lines and fixtures furnished by the owner or customer shall be maintained by the owner or customer in good order and repair. Meters and equipment furnished and owned by the Company shall be protected by the customer. Any leak in the service or any other pipe or fixture in or on the customer's property shall be promptly repaired by the customer at the customer's expense. Customer shall ensure that access to the Company's curb stop is unobstructed. If the Customer obstructs access to the Company's curb stop, the Customer shall be charged any costs incurred by the Company to access the curb stop.

The Company shall in no event be responsible for maintaining any portion of the service line owned by the customer, or for any damage, casualty or loss resulting from or caused by water escaping from lines or fixtures on customer's property.

Service for Singularly-Owned Property:

13. A property consists of a tract of land with one or more structures owned by the same party. Each property may be supplied by one or more services. Each service shall have an individual meter. Should a property owned by one party be subdivided after the Company commences serving the property, each subdivided property shall be required to have an individual service, curb valve and meter at Owner's expense. Failure to provide individual service, curb valve and meter may result in discontinuance of service.

Single Service Line with Two or More Customers:

~~14~~14. Where two or more customers have been supplied through a single service line, any violation of the Rules and Rates of the Company, by either or any of said customers, shall be deemed a violation by all, who shall be jointly and severally liable for any loss to the Company resulting therefrom. In the event any such violation is not corrected after reasonable notice, the Company may take such action as can be taken for a single customer, except that such action will not be taken until an innocent customer has been given a reasonable opportunity to attach his pipe to a separately-controlled, individual service connection.

Swimming Pools:

~~15~~15. Residential swimming pools may be filled from house services. Larger community pools may be supplied with a separate water service and meter, such meter to be installed in a meter pit or heated building. Separate water service for swimming pools will be billed monthly or quarterly according to size of meter.

Contributions In Aid of Construction ("CIAC"):

1716. In accordance with Sections 3.8 through 3.8.9 of the Public Service Commission's Minimum Standards Governing Service Provided by Public Water Companies, PSC Order Number 6873, the Company shall require CIAC when a request for service will require the installation of pipe and/or associated utility plant ("Facilities Extension"). The amount of CIAC will be calculated in accordance with Section 3.8.2.

The following schedule determines the charge per meter size:

5/8" meter	-	\$ 1,500
3/4" meter	-	\$ 1,515
1" meter	-	\$ 1,560
1 1/2" meter	-	\$ 1,620
2" meter	-	\$ 1,785
3" meter	-	\$ 3,000
4" meter	-	\$ 3,450
6" meter	-	\$ 4,500
8" meter	-	\$ 5,700

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: December 20, 2006

Third Revised Sheet No. 14
Canceling
Second Sheet No. 14

This sheet intentionally left blank.

DISCONTINUANCE OF SERVICE

By Owner:

1817. An ~~customer~~owner must give the Company three (3) business days notice in order to N
discontinue (shut off) service. All agreements covering service for water shall continue in force
until such notice is given. In the event the premises are in the possession of a tenant and such fact
is known to the Company, such shut-off shall not be made until the Company has given three days'
written notice to the tenant of the ~~customer's~~owner's order to discontinue service. When the N
customer is a tenant in possession of the property, the Company is not required to discontinue N
service at the request of the property owner. N

By Company:

1918. The Company shall not be liable to owner or occupants for any damage to property T
or for any inconvenience, loss or casualty suffered by the residents of the property due to
discontinuance of service. Service may be discontinued for any of the reasons cited below and not
restored until the cause for discontinuance has been fully corrected to the satisfaction of the
Company.

Discontinuance Without Notice:

2019. Service may be discontinued without notice only in the following events:

- (a) When there is an unavoidable interruption in the source of supply or other emergency.
- (b) Tampering with the meter or equipment owned or furnished by the Company.
- (c) Unauthorized use of service or resale of water.
- (d) Willful waste of water through improper or imperfect pipes, fixtures, or other causes.
- (e) When a property has been vacated without prior notice to the Company.

Discontinuance With Notice:

~~2120.~~ Service may be discontinued with notice in the following events:

- (a) Violation or noncompliance with Company Rules and Rates or violation of a governmental regulation governing water service.
- (b) Failure of the customer to fulfill his contractual obligations for service or facilities.
- (c) Refusal of the customer to permit Company representatives access to the property to inspect, read, repair or remove the meter and equipment.
- (d) Failure to pay any bills or required deposit.
- (e) Refusal of the customer to permit the Company to obtain an actual meter reading after ~~a maximum of three~~ consecutive estimated readings.
- (f) Refusal of the customer to allow installation of meter and/or remote meter-reading device on the building exterior, or at a location that is both convenient and accessible to the Company.
- (g) Failure of the customer to pay fees levied for Unauthorized Use of Service as set forth on pages 6a and 6b.

Reasons for Nondiscontinuance:

~~2221.~~ Service will not be discontinued for any of the reasons listed in paragraphs 20 and 21 (except under emergency or hazardous conditions) when life sustaining medical equipment is known to be in use or when a medical emergency exists at the premises, or if a bona fide dispute concerning a service bill exists. A Certification of Medical Need form is available to help comply with Title 26 of the Delaware Code related to public utilities and terminations of service. Any false statement made on the form is punishable as a Class A Misdemeanor under 11 Del. C. § 1233.

Due to Emergency:

~~2322.~~ In the event of a breakdown, emergency or other unavoidable cause, the Company shall have the right to temporarily discontinue the water supply in order to make necessary repairs, connections, and the like. The Company shall not be liable for any damage, loss, casualty or inconvenience suffered by the owner or occupants ~~customer~~, or for any claim against it for interruption of service, lessening of the supply, inadequate pressure, quality of water or other causes beyond its reasonable control. When water service is to be temporarily interrupted, adequate notice will be given, whenever practicable, to all customers affected, stating the probable duration of the interruption.

Second Party Notification:

2423. Customers may designate in writing a second party to receive bills and notice of disconnection of service prior to discontinuation of service for nonpayment, provided the named second party has agreed in writing to accept such notice. In such cases the Company will not discontinue service less than ten days after giving verbal or written notice to the second party of its intent to discontinue service. The person accepting second party status does not incur any obligation whatsoever to the Company.

Reserve Supply:

2524. The Company shall have the right to reserve a sufficient supply of water to provide for fire and other emergencies and may restrict or regulate the quantity of water used by the customer whenever, in the Company's opinion, the public welfare may so require.

Conservation Regulations:

This section is intentionally left blank.

Responsibility for Damage:

3130. Normal maintenance and repair of meters will be provided by the Company. Any damage caused by freezing or hot water shall be the responsibility of the customer. Damage resulting from external causes due to customer negligence or tampering shall be the responsibility of the customer.

Cost of Reinstallation:

3231. The charge to the customer for removal, repair and reinstallation of a meter damaged because of freezing, hot water, tampering, or customer negligence shall be based on labor and material costs.

Meter Malfunction:

3332. The customer shall notify the Company of damage to or malfunction of the meter as soon as it becomes apparent.

Registration:

3433. The consumption recorded by the meter shall be conclusive for both the customer and the Company except when the meter has been found to be registering inaccurately or has ceased to register. In such cases, a consumption estimate may be based on the customer's prior usage or a meter test. In the event that usage for the customer is not known, the Company may utilize an estimate of the customer's consumption based on average consumption from the same period in the previous year, based on average consumption from the immediately prior billing period, or an estimate based on detail from similar accounts.

N
N
N
N

When a remote meter-reading device has been installed and a discrepancy occurs between the registration on the remote meter-reading device and that on the interior meter, the registration on the interior meter will prevail.

Meter Test:

3534. Upon request by a customer, a test of the accuracy of the meter registration will be made. The customer or a representative may be present when the meter is tested. If the customer's account is current, Artesian will bill the meter test fee to the customer's account. If the customer's account is not current, then the meter test fee must be paid in advance of the meter test. Should the meter test as over-registering as per the specified guidelines by the American Water Works Association (AWWA) limits, as required by the Delaware Public Service Commission, then the fee will be credited to the customer's account. Meter testing will be billed in accordance with the following fee schedule. A written report of the results of the test shall be provided to the customer.

~~Unpaid bills will result in finance charges and eventual shut off in accordance with Rule 46.~~

T
T

Fee Schedule - Customer-Requested Meter Test

<u>Meter Size</u>	<u>Fee</u>
5/8"	\$ 50
3/4"	\$ 50
1"	\$ 50
1-1/2"	\$100
2"	\$100
3"	\$150
4"	\$150
6"	\$150
8"	\$200
10"	\$200

Error in Registration:

3635. If, due to the results of a meter test, the meter is found not to be accurate within specified AWWA limits, as required by the Delaware Public Service Commission, customer billings will be corrected accordingly, commencing from the date the error developed. If that period of time cannot be determined, the error shall be assumed to have existed for three years or a period equal to one half the time since the meter was last tested, whichever is less. No billing corrections less than \$5 shall be made. A billing overcharge shall be either refunded or credited to the customer's account at the customer's election.

Periodic Meter Test:

3736. In order to assure the accuracy of meters in service, periodic tests shall be made by the Company at the earlier of the yearly intervals or maximum throughput ~~input~~ set forth below:

<u>Meter Size</u>	<u>Interval Years</u>	<u>Maximum Throughput, Million Gallons</u>		
		<u>Displacement</u>	<u>Compound</u>	<u>Turbine</u>
5/8"	15	1.8	--	--
3/4"	15	2.6	--	--
1"	10	4.4	--	--
1-1/2"	10	9.0	--	10.0
2"	3	14.0	28.0	28.0
3"	3	26.0	56.0	60.0
4"	3	--	88.0	100.0
6"	1	--	175.0	200.0
8"	1	--	280.0	300.0
10"	1	--	400.0	500.0
12"	1	--	--	800.0

PUBLIC FIRE PROTECTION SERVICE

Hydrant Location:

~~38. The Company will install fire hydrants at its cost, if a written contract has been signed with an incorporated town, municipality or new development or a petition has been signed by at least 70% of the residents of an unincorporated area who agree to pay the Company's fire service charge. Hydrants will only be installed if the size of the existing main and distribution system and available pressure are sufficient to give proper fire service under normal and ordinary conditions, and providing installation costs are not prohibitive. After installation, the system must be capable of providing average domestic water service demand and, in addition, supply a flow to the hydrant in excess of 500 gpm at a 20 psi residual pressure for a period of at least two (2) hours.~~ D
D
D
D
D
D
D
D
D

Hydrant Flow Test:

~~37.~~ 3937. Upon request, a hydrant flow test will be performed. The requestor may be present when the test is conducted. The fee to perform a hydrant flow test is \$300600. Alternatively, if the Company has conducted a test of the hydrant within the past six months, that report can be provided to the requestor in lieu of a new flow test. The fee for the report from a previous test is \$35. N

Allowable Use:

~~40~~ 4038. No person, except as authorized by the Company in writing, shall take water from any public or private fire hydrant except for the use of a fire company in case of fire. No public fire hydrant shall be used for sprinkling streets, flushing sewers or gutters or for any other than fire purposes except with prior approval of the Company.

Change of Location:

~~41~~ 4139. Upon request to relocate a fire hydrant, the Company will make such relocation at the cost of the party making the request provided an approved new location is found.

RESPONSIBILITY FOR SERVICE

~~4240. With respect to public fire service, or any other service, it is agreed by the parties receiving public fire service, or any other service, that the Company does not assume any liability as an insurer of property or persons. While the Company will make every reasonable effort to maintain service, the Company does not guarantee any special service, pressure, capacity or facility other than permitted by the ordinary and changing operating conditions of the Company, as exist from day to day. It is agreed by the parties receiving service that the Company shall be free and exempt from any and all claims for injury to any persons or damage to any property by reason of fire, water, or failure to supply water pressure or capacity. The Company shall not be held liable in any civil action for personal injury, death, or damage to property, or other consequential damages arising from main breaks or other leaks in water equipment/facilities beyond the control of the Company.~~ T
T
T
N
N
N

The Company is not liable in damages in a civil action to any person for injury, death or loss to person or property that allegedly arise from the person's consumption of water supplied by the Company if the water supplied by the Company complied with primary maximum contaminant levels set by the State of Delaware's Office of Drinking Water and the United States Environmental Protection Agency.

BILLS AND PAYMENT

Place of Payment:

4341. Bills for water service may be paid by U.S. mail, at the Company's Newark office, electronically through an approved third party vendor, or in person at the Company's office. The Company also maintains a A-locked deposit box at its Newark, located at the Company's office to receive payments, is available after normal business hours, on weekends, and on holidays. In addition, other payment arrangements are provided on our website. Payments received through the Company's deposit box will be processed on the Company's next business day.

N
N
T
T
T
T

Bills Rendered And Due:

4442. Regular meter readings will be made for each billing period and bills will be rendered as soon as practicable after reading the meters. All bills are due and payable upon presentation.

Customer Refunds:

4543. The Company ~~may~~ will not mail checks for refunds totaling less than \$10.00 to customers who have left Artesian's service territory. Those refunds are available upon request from the former customer. The refund will also be credited to that customer's new account if the former customer re-establishes a service with the Company within five years from the date of the original refund generation. If left unclaimed those funds due former customers will be escheated to the State of Delaware according to applicable state law. T T

Delinquent Bills:

4644. Bills remaining unpaid for a period of 25 days from the effective billing date shall be classified as delinquent, and if not paid within 14 days thereafter, service may be discontinued. Should service be discontinued, it will not be restored until unpaid bills, deposits and charges, including the shut-off and turn-on charges, are paid or satisfactory arrangements are made with the Company for payment. In addition, a late payment penalty will be applied to any outstanding balance which remains outstanding 25 days after the bill date, until payment is received in full. The monthly penalty will be at a rate equal to one-twelfth of prime plus 5%, and the prime rate will be updated quarterly. If a customer's account is referred to an attorney or collection agency for collection, in addition to the amount due for water service and late charges, the customer shall be responsible for the payment of the Company's reasonable attorney's fees and all other costs and expenses of collection.

Returned Payments:

4745. When a water bill is paid by check, electronic debit, credit card or other means that the Company may offer, and the payment is not honored by a financial institution and is subsequently returned to the Company, a fee of \$30.00 will be applied to the customer's account to cover bank fees and other expenses that may arise from the returned payment, including administrative costs of the Company.

GENERAL

Complaints:

4846. Any complaint regarding the character of the service furnished, reading of meters or bills rendered must be made to the Company in writing. A record of such complaint will be kept by the Company, giving the name and address of the complainant, date of occurrence, nature of the complaint, disposition and findings.

General:

4947. Pipes, meters and fixtures shall be subject to inspection, at reasonable hours, by properly identified employees of the Company. No plumber, owner or other unauthorized person shall turn the water on or off at any corporation valve or curb valve or disconnect or remove the meter without the consent of the Company. No agent or employee of the Company has the authority to bind the Company by any promise, agreement or representation not provided for in these rules.

The Company reserves the right, subject to the approval of the Delaware Public Service Commission, to change, take from or add to the foregoing Rules and Rates.

New Castle County Business Office

664 Churchmans Road

Newark, Delaware 19702

Phone (302) 453-6900 Fax (302) 453-6957

Mailing Address

P. O. Box 15004

Wilmington, Delaware 19850-5004

Sussex County Business Office

14701 Coastal Highway

Milton, Delaware 19968

Phone: (302) 645-7751 Fax: (302) 645-8233

e-mail: artesian@artesianwater.com

www.artesianwater.com

This First Supplemental Sheet is applicable to customers in the Boothhurst development located within the City of New Castle. The total charge for metered service consists of the sum of the Customer Charge, and to the extent applicable, the Water Charge. Monthly Customer Charges will be billed in advance. Water Charges will be billed in arrears.

Monthly Customer Charge for Domestic Service

The monthly charge for customers served is based on meter size

Size of Meter	Customer Charge
5/8" X 3/4"	\$7.75
1"	\$9.50

Monthly Customer Charge for Public Fire Protection

The monthly charge for customers is based on the size of the service line

Size of Service Line	Customer Charge
5/8" X 3/4"	\$1.25
1"	\$6.65

Monthly Customer Charge for Private Fire Protection

The monthly charge for customers is based on the size of the service line

Size of Service Line	Customer Charge
5/8" X 3/4"	\$5.43
1"	\$6.65

Water Charges (October-June)

Water Charges	Cents Per Gallon
Non-City	.0067

Water Charges (July-September)

Water Charges	Cents Per Gallon
Residential	.0067 for water use under 4,000 gallons/per month
	.00735 for water use over 4,000 gallons/per month

All bills are due and payable upon presentation.

Restoration Charge:

When water service has been discontinued for the non-payment of a bill, there will be a charge of \$40.00 payable in advance, for turning the water back on during regular working hours. When it is necessary to turn water back on during other than regular working hours, the charge is \$60.00, also payable in advance.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: ~~January 1, 2012~~

Ninth -Second Supplemental Sheet
Canceling
Eighth – Second Supplemental Sheet |

This Second Supplemental Sheet is applicable to customers in the city of Middletown located within the County of New Castle. The total charge for metered service consists of the water charge.

Water Charge:

~~\$2.125~~2.489 per thousand

|N

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: ~~September 23, 2009~~

Eleventh -Third Supplemental Sheet
Canceling
Tenth – Third Supplemental Sheet

This Third Supplemental Sheet is applicable to the Delaware Correctional Center.
Due to the unique nature of the agreement between the State of Delaware and Artesian, the rates are as follows:

| Water Charge:

\$2.2432.491 per thousand gallons N

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: July 1, 2013

Fifth-Fourth Supplemental Sheet
Canceling
Fourth-Fourth Supplemental Sheet

This Fourth Supplemental Sheet is applicable to Artesian Water Maryland, Inc. The total charge for metered service consists of the water charge.

Water Charge:

\$3.762 per thousand gallons

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: July 1, 2013

Second-Fifth Supplemental Sheet
Canceling
First-Fifth Supplemental Sheet

This Fifth Supplemental Sheet is applicable to the Town of Chesapeake City. The total charge for metered service consists of the rate for water volumes supplied, shown below, and a customer charge associated with a 6-inch meter.

Water Charge:

\$4.104 per thousand gallons

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective:

First-Sixth Supplemental Sheet

This Sixth Supplemental Sheet is applicable to the Town of Clayton. The total charge for metered service consists of the water charge.

|
|
N
N

Water Charge:

\$2.00 per thousand gallons

N

All bills are due and payable upon presentation.

|
|

ARTESIAN WATER COMPANY, INC.

First-Seventh Supplemental Sheet

P.S.C. No. 1 - WATER

Effective:

This Sixth Supplemental Sheet is applicable to the Town of New Castle. The total charge for metered service consists of the water charge. N
N

Water Charge: \$3.100 per thousand gallons N

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.

P.S.C. NO. 1 - WATER
Sheet No. 1
Effective:

ARTESIAN WATER COMPANY, INC.

TARIFF

LIST OF CHANGES

This tariff updates the following pages:

New Rates for Water Service
Revisions to Rules and Regulations
Updated Tariff Language

TABLE OF CONTENTS

	Page
Metered Service	2
Late payment penalty	3
Customer Charge	3
Monthly Charge	3
Water Charge	4
Public Fire Ready to Serve Charge	4a
Private Fire Protection Charge	5
Distribution System Improvement Charge	5
Special Services	5
Temporary or Infrequent Water Use	6
Service Appointments	6
Consolidated Billing	6
Charges for Disconnection and Reconnection of Service	6a
Unauthorized Use of Service	6a
Charge for Unauthorized Use of Service	6b
Rules and Regulations	7
Application for Service	8
Main and Service Connections	10
Contribution in Aid of Construction	13
Discontinuance of Service	15
Meters	18
Public Fire Protection Service	21
Responsibility for Service	21
Bills and Payment	21a
General	22
Correspondence	22a
Boothurst area	Third-First Supplement
Middletown	Ninth-Second Supplement
Delaware Correctional Center	Eleventh-Third Supplement
Artesian Water Maryland, Inc.	Fifth-Fourth Supplement
Town of Chesapeake City	Second-Fifth Supplement
Town of Clayton	First-Sixth Supplement
City of New Castle	First-Seventh Supplement

INDEX

	<u>Page</u>
Application for a New Service.....	8-10
Backflow Preventer.....	10,11
Bills and Payment	21-22
Complaints	22
Conservation Regulations	17
Consolidated Billing.....	6
Delinquent Bills	22
Deposits.....	8-10
Discontinuance of Service	15-18
Emergency Interruptions of Service	16
Hydrants.....	21
Interest on Deposit	10
Main and Service Connections	10-14
Maintenance by Customer	11-12
Metered Service	2-5
Meters:	
Damage to	19
Location	18
Registration	19-20
Testing, Periodic	20
Testing, Request.....	19-20
Owner/Tenant Responsibility	8-9
Fire Hydrant Ready to Serve Charge	21
Rates:	
Customer Charge	2-5
Distribution System Improvement Charge	2-5
Fire Service Charge.....	4-5
Metered	2-3
Minimum Charges	2
Payment Terms	2,5,21-22
Private Fire Protection Charge.....	5
Public Fire Protection Charge.....	4
Water Charge	4
Reserve Supply	17
Responsibility for Service.....	21
Restoration of Discontinued Service	18
Returned Checks	22
Second Party Notification	17
Security Deposit.....	9-10
Service Deposit	8
Service Line	10-12
Special Services	5-6
Standby Connection	11
Swimming Pools	12
Temporary or Infrequent Use.....	6
Theft of Service.....	6a,12
Turn-on and Shut-off Charges	6a-6b

METERED SERVICE

These Rules and Rates are applicable throughout the territory served by the Company for all metered service, with the exception of the rates charged to customers of the Boothhurst development located within the City of New Castle, portions of Middletown, Paradise Estates, the Delaware Correctional Center, Artesian Water Maryland, and the Town of Chesapeake City. Boothhurst rates are initially determined by the City of New Castle Municipal Services Commission and approved by the Public Service Commission, but cannot exceed the rate charged by the Company to similar classes of customers. These rates are identified in Supplemental pages appended to the tariff.

The total charge for water service consists of the sum of a Customer Charge, and to the extent applicable, Water Charge for metered water volumes and a Fire Protection Charge, as each is specified below.

Method of Billing:

Customers will be billed monthly. Customer Charges and Fire Protection Charges will be billed in advance. Water Charges will be billed in arrears.

Billings covering other than the normal billing period will be calculated by prorating the full period charges on a daily basis.

The Company will not mail checks for refunds totaling less than \$10.00 to customers who have left Artesian's service territory. Those refunds are available upon request from the former customer. The refund will also be credited to that customer's new account if the former customer re-establishes a service with the Company within five years from the date of the original refund generation. If left unclaimed those funds due former customers will be escheated to the State of Delaware according to applicable state law.

Payment Terms:

All bills are due and payable upon presentation. See section titled "Bills and Payment" for additional information.

Late Payment Penalty:

A late payment penalty will be applied to any outstanding balance which remains outstanding 25 days after the bill date, until payment is received in full. The monthly penalty will be at a rate equal to one-twelfth of the sum of prime rate plus 5%, and the prime rate will be updated quarterly.

Customer Charge:

This is a monthly service fee for providing the customer with water service and recovers expenses not directly associated with water production or delivery, such as meter reading, billing, payment remittance and other costs. The charge is the same in each billing period, is billed in advance, and is based on the size of the meter through which service is furnished.

Monthly Charge

Monthly customer charges by meter size are as follows:

Size of Meter

5/8"	\$ 14.51
3/4"	\$ 17.42
1"	\$ 23.22
1-1/2"	\$ 46.44
2"	\$ 60.96
3"	\$ 92.89
4"	\$133.52
6"	\$232.21
8"	\$348.32
10"	\$551.51

Water Charge

The charge, at a rate per thousand gallons of water registered by the meter, is as follows:

Residential	
0 - 2,000 gallons.....	\$7.793
2,001 - 7,000 gallons.....	\$8.425
Over 7,000 gallons.....	\$9.825
CCH	
Rate.....	\$4.598
All Other	
0 - 500,000 gallons.....	\$6.988
Over 500,000 gallons.....	\$8.043

For purposes of the Water Charge, a residential customer service is defined as:

- (a) a single family dwelling
- (b) multi-unit structures consisting of four or less units of which at least one serves as a dwelling
- (c) four or less separate structures on one property, of which at least one such structure serves as a dwelling and all of which are served through a single meter.

For purposes of the Water Charge, pursuant to prior PSC orders, Christiana Care Hospital (CCH) is served under a separate exclusive rate classification. Christiana Care Hospital is the only customer eligible for this rate classification.

Public Fire Hydrant Ready to Serve Charge:

A charge for customers who are provided with public fire protection by means of fire hydrants. The charge is the same each billing period, is billed in advance, and is based on the size of the meter used to calculate the customer charge. Upon request of a municipality, Fire Hydrant Ready to Serve Charges may be billed to a municipality in total for all property owners within the municipality where Public Fire Protection is provided in lieu of the following individual customer billing charges:

Monthly Fire Hydrant Ready to Serve Charge

Size of Meter	
5/8"	\$ 4.71
3/4"	\$ 7.03
1"	\$ 11.76
1-1/2"	\$ 23.43
2"	\$ 37.59
3"	\$ 70.55
4"	\$ 117.59
6"	\$ 235.74
8"	\$ 376.03
10"	\$ 601.53

Private Fire Protection Charge:

A charge for customers who are provided with private fire protection through a sprinkler system or a private fire hydrant. The charge will be billed monthly in advance as follows:

1-1/2" detector check.....	\$ 21.11
2" detector check.....	\$ 44.43
4" detector check.....	\$ 114.36
6" detector check.....	\$ 248.31
8" detector check.....	\$ 415.05
10" detector check.....	\$ 626.43
12" detector check.....	\$ 737.27
Private Hydrant.....	\$ 248.31

The private hydrant charge is assessed monthly per hydrant for each private hydrant. Charges for water registered on bypass meters installed on lines providing private fire protection will be billed monthly in arrears. All water registered on bypass meters will be billed at the rate of \$9.825 per 1,000 gallons.

Distribution System Improvement Charge

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply to all charges rendered on or after June XX, 2014.

This charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

SPECIAL SERVICES

The following Rules and Rates are applicable throughout the territory served by the Company for the following specified services.

Payment Terms:

All bills are due and payable upon presentation. See section titled "Bills and Payment" for additional information. Unpaid bills will result in finance charges and eventual shut off of service in accordance with Rule 46.

Temporary or Infrequent Water Use:

Temporary or infrequent water use will be billed monthly.

The minimum charge for a temporary service connection for construction or other purposes is the same as the Customer Charge for a meter of the size installed on the temporary service connection. The minimum charge covers the same period as the Customer Charge on which it is based, one month, and is rebilled if the temporary service connection remains in use after such period has elapsed.

The minimum charge is paid in advance and does not include any allowance for water usage. All water as registered by meters installed on temporary service connections is billed at the rate of \$9.825 per 1,000 gallons. No proration of the minimum charge will be made for temporary service connections that remain in use for less than the period covered by such charge. Where a temporary service connection requires use from hydrant, there is a \$15.00 hook-up charge.

Service Appointments:

If a scheduled appointment is not kept by the customer, all rescheduled and subsequent appointments not kept by the customer will result in a \$50.00 charge to the customer's account.

Consolidated Billing:

Under consolidated billing an eligible customer receives one combined bill that outlines charges for services rendered from the Company and Artesian Wastewater Management, Inc. ("AWMI"). An eligible customer, in this instance, is defined as a water customer that receives wastewater service from AWMI. When the Company provides consolidated billing that combines charges for water and wastewater service, payments will be applied in the following sequence:

- (a) Any existing arrearages for either water or wastewater service;
- (b) Arrears by vintage priority for water or wastewater service. A water service arrearage has a higher priority than wastewater service arrearage of the same vintage;
- (c) Current charges for water service;
- (d) Current charges for wastewater service.

Charges for Disconnection and Reconnection of Service

When water service has been discontinued because of a violation of the Company's rules, such as for the nonpayment of a bill, the Customer will be responsible for the costs to disconnect and reconnect water service. The total charge will be \$100.00, representing a disconnection fee of \$50.00 and a reconnection fee of \$50.00, payable in advance of restoring water service during the Company's regular working hours. If the customer blocks the Company's attempt to gain access to the curb stop to shut off service, the customer will be liable for the \$50.00 shut-off charge for each attempt that the Company makes to shut off service and such charges must be paid in advance of restoration of water service.

The Company performs reconnections of water service only during regular work hours. The Company must receive confirmation of payment for all fees and any delinquent account balances, if any, before it schedules reconnection of water service or otherwise schedules a service call. The Company will give priority to regular appointments when a confirmed payment is made prior to 3:00 p.m. Confirmed payments received after 3:00 p.m. will be scheduled for the Company's next regular work day. Emergency service appointments, which are at the sole discretion of the Company, are available at a charge of \$140. Emergency service is defined as any service call performed outside of the Company's regular work hours of 8:00 a.m. and 5:00 p.m. Monday through Friday, excluding Company Holidays.

When requested by a customer, water will be shut off during the Company's regular working hours for a charge of \$50.00. Service that has been shut off at the customer's request will be turned back on during the Company's regular working hours for a charge of \$50.00.

Unauthorized Use of Service

When a customer is found to be using or receiving unauthorized water volumes through manipulation, bypass or unauthorized use of the meter, service at location will be discontinued. To restore service, a customer will be required to pay a reconnection charge based on the size of the meter at the location as set forth on page 6b. A customer repeatedly found to be using or receiving unauthorized water volumes may be required to pay for costs necessary to retrofit the system (e.g. externalizing the meter). Unauthorized Use of Service may also be prosecuted as a criminal offense pursuant to 11 Del. C. §§ 841 and 845.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: October 23, 2013

Original Sheet No. 6b

<u>Meter Size</u>	<u>Charge</u>
1/2"	\$ 500
5/8"	\$ 500
3/4"	\$ 750
1"	\$ 1,250
1 1/2"	\$ 2,500
2"	\$ 4,000
3"	\$ 8,000
4"	\$ 12,500
6"	\$ 25,000
8"	\$ 40,000
10"	\$ 57,500

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: April 5, 2004

Second Revised Sheet No. 7
Canceling
First Revised Sheet No. 7

ARTESIAN WATER COMPANY, INC.

RULES AND REGULATIONS

RULES AND REGULATIONS

APPLICATION FOR SERVICE

Definition of "Customer":

1. The word "customer" as used hereinafter means any person, partnership, firm, association, corporation or governmental agency being supplied with water service by the Company. The "customer" shall be either the record title owner of the property receiving water service or the occupant, as the case shall be. In the case of multiple unit properties served by master meters, such as shopping centers, apartment buildings and condominiums, the customer is the property owner. For the purposes of the Customer Charge, the Public Fire Hydrant Ready to Serve Charge, the Private Fire Protection Charge, and the Distribution System Improvement Charge, an owner or occupant remains a "customer" and continues to be liable for charges until such time as service is discontinued or terminated. A customer is liable for all charges incurred prior to termination.

Application for Service:

2. A new service connection will be made and water service furnished upon receipt by the Company of an application signed by the property owner or the owner's authorized agent. Any application made by an agent of the property owner shall identify the record title owner of the property for which water service is being sought and shall be accompanied by proof of the agent's authority to act for the property owner. An Application for Service by a tenant shall be accompanied by a signed copy of a lease and a valid government-issued form of photo identification. If the applicant for service is a legal entity and not a natural person, the Company may require that it be provided with the name, place of residence, and telephone number of each person who is an officer, partner, or owner of such legal entity. Applications for service must be approved by the Company before a connection is made or water furnished. Charges or deposits for a new service installation shall be determined at the time of application and paid prior to initiation of service.

Service Deposit:

3. If in the sole judgment of the Company the service installation represents a speculative venture or excessive time may elapse between the actual installation and use of the service by the customer, a refundable deposit to cover the Company's investment may be required. Service deposits are forfeited if the Company finds evidence of the use of a meter bar. All deposits received in recognition of construction projects with the Company will terminate if not fully refunded within 20 years.

Billings and Changes in Ownership:

4. Unless otherwise confirmed in writing with the Company, bills will be sent to the customer receiving water service.

A request for service shall be made upon any change in the ownership of a property receiving water service from the Company or in the tenancy of a property for which a tenant is responsible for payment. Upon such change in ownership or tenancy the Company shall have the right upon 10 days' notice to discontinue water service until such request has been made and approved by the Company. If water service has been discontinued by the Company at the request of the person or entity responsible for payment, a new request for service must be received and approved by the Company before service is restored.

When the customer is a tenant and water service has been discontinued for non-payment or at the request of the tenant, the customer's account will be transferred to the owner of the property. The owner of the property will be responsible for ready to serve charges consisting of the Monthly Customer Charge and Charges for Fire Protection unless within fifteen days after the discontinuance either (i) service is properly restored at the request of the original tenant, or (ii) the Company has received and accepted an application from a new tenant pursuant to these Rules and Regulations.

Seasonal Reconnection Charge:

Whenever a Customer's water service is shut-off by the Company at the Customer's request and the account is placed on an inactive status, and such account is reactivated by the same Customer no less than thirty (30) days and no more than twelve (12) months from the date of the shut-off, a Seasonal Reconnection Charge equal to the following shall be paid by the Customer: (a) the Customer's otherwise applicable monthly Customer Charge and Fire Protection Charge times the number of months the account was inactive; plus (b) the Turn-On Charge. If the Company does not receive full payment for service for the period of inactivity at the conclusion of the inactive period, the Company will restore the account to active status and institute collections procedures, which may include the curtailment of service at the curb stop and appropriate legal remedies. The customer will be responsible for any and all costs incurred to sever service and fees necessary to collect amounts owed. This provision is only intended to temporarily defer charges otherwise owed to the Company on a monthly basis for the provision of water service.

Security Deposit:

5. Security deposits will only be required in the following instances:
 - (a) For any existing customer who (1) has had service discontinued for nonpayment of bills, (2) has been delinquent in making timely payments at least twice in the preceding 12 months, (3) has been delinquent in payment of bills twice in the preceding 12 months, (4) has tampered with a meter or other equipment of the Company, or (5) has filed for bankruptcy, in which event the post petition account will be billed a security deposit unless otherwise instructed by the bankruptcy court.

- (b) For any new customer who (1) is the tenant of a property for which he or she is responsible for payment of water bills, (2) has been delinquent during the preceding 12 months in paying water bills at a former address, (3) is found to be using false identification when use of a correct name would reveal poor records of payment, or (4) is seasonal or temporary.

When the customer is the owner of residential property receiving water service, security deposits will not exceed the maximum estimated bill for two consecutive billing periods or \$100, whichever is less, unless it is due from an existing customer who (1) has had service disconnected two times within the preceding 12 months, (2) has been found to be tampering with the Company's meter or equipment, (3) has used water for unauthorized purposes, or (4) is other than a residential customer and has been delinquent in paying their water bills, in which event the entire estimated charge for two billing periods or the average billed amount outstanding over the previous year, whichever is greater, will be collected. For a residential property occupied by a tenant who is responsible for paying the water bills, the security deposit will be \$200 for a monthly billed customer and must be paid in full before water service is turned on.

Payment of a requested security deposit is a requirement for continued service, and failure to pay in full may result in discontinuation of service. If payment of a security deposit creates an undue hardship, the Company may allow payment of the deposit to be made over a reasonable period of time.

For a non-residential property occupied by a tenant responsible for paying water billed the security deposit is the entire estimated charge for two billing periods and must be paid in full before water service is turned on.

The Company will apply a customer's security deposit to the final account balance. Any security deposit amount in excess of the final account balance will be refunded in accordance with the Tariff.

Interest on Deposit:

6. Simple interest will accrue at the rate of the average of the percent yields of the 1-year Treasury constant maturities for September, October and November of the preceding year on security deposits held six months or longer. Accrued interest shall be credited annually to the customer's deposit account. When the customer is the owner of the property receiving water service, deposits will be refunded with accrued interest when the customer has paid the water bills as due and has had no delinquencies within the preceding 12 months. Security deposits, plus interest in accordance with the procedure as outlined in this paragraph, shall be refunded to the customer originally making the deposit. For properties occupied by tenants who are responsible for paying the water bills, deposits will be refunded upon termination of the tenancy.

A security deposit shall not be considered as payment on account during the time the customer is receiving water service. Customer shall pay bills for water service as rendered in accordance with the Rules and Rates of the Company.

MAIN AND SERVICE CONNECTIONS

Company Mains and Service Lines:

7. The Company shall in its sole judgment determine the size and type of mains to be installed either off-site or on-site for any structure or development. The Company shall make all connections to its mains and furnish, install and maintain all service lines from the main to and including the curb valve. The Company shall install, own, and determine the size and type of service line which runs from the main to the curb valve. Fire service lines and domestic service lines will be separate and independent lines in to the customer's internal plumbing facilities.

Property Owner Service Line:

8. The Property Owner Service Line, which is furnished and installed by the owner, is that pipe from the curb valve to the structure. All service lines must have an approved valve installed on each side of the meter. All service lines from the curb valve to the structure must be installed in a straight line at least 42 inches below the surface of the ground. New customers will be notified at the time of their application if water pressure is greater than 100 pounds per square inch (psi). In such cases, customers shall install, at their own expense, a pressure-reducing valve. If the Company causes a change in its water pressure so that the water pressure to the customer is greater than 100 psi, the Company shall, at its expense, install a pressure-reducing valve on the customer's service line. The Company may require that customers, at their expense, install, at a location determined by the Company, a Company approved backflow prevention device when, in the opinion of the Company, the customer's service connection may cause contamination or degradation of the water in the Company's water distribution system. All underground irrigation systems shall include an approved backflow prevention device to be owned and maintained by the customer. It is the responsibility of the customer to properly maintain any backflow prevention device. The Company may require annual inspection and testing of the backflow prevention device by a licensed plumber qualified to test such devices if in the opinion of the Company it is

necessary to protect the Company's water distribution system and customers. The Company reserves the right to inspect backflow prevention devices. During an inspection the Company will require records of annual operation and maintenance inspection completed by a licensed plumber. If the customer has not had an inspection test or cannot produce the documentation, then the customer will be given a two-week notice to provide the proper documentation or their water service may be terminated until appropriate records are provided. During an inspection of the backflow prevention device, if it is found to not be properly installed, not in good working order, or that it has been circumvented by plumbing changes, then the customer's water service may be terminated immediately. The water will remain off until corrective actions have been made and proper documentation provided. All backflow prevention devices shall conform with the most stringent standards (in the opinion of the Company) required by any of the following organizations (if applicable): Underwriters Laboratory Inc.; Factory Mutual Laboratories; Office of Drinking Water of the Division of Public Health; Delaware Public Service Commission; and local government plumbing codes. With regard to multi-level (high rise) structures, it is recommended in some instances that customers, at their expense, install a booster pump to supply suitable water pressure to the upper levels of the structure.

Cross Connections:

9. Cross connections between a private water supply and a potable water supply shall be prohibited per County, State and the International plumbing code section 608.6.1. A customer that requests disconnection from the Company's system is responsible for all costs associated with severing the connection from the premise to the Company's system and the removal of the meter. The Company has the right to inspect the property of a customer with a non-potable well to verify that no cross-connection with Company supply can occur. A customer that requests reconnection after being severed from the Company's system will be responsible for all costs incurred to effect a connection.

Separate Trench:

10. No service line shall be installed in the same trench with a sewer pipe, drain or any other facility of another public service company, nor within three feet of any open excavation, foundation, vault or other structure.

Renewal of Service Line:

11. Where renewal of service line from water main to curb valve is found to be necessary, the Company, at its cost, will renew said service in the same location, and may at its option install a meter pit. The meter pit shall become the responsibility of the customer. If the property owner, or customer, for his or her own convenience, desires the renewal service line to be at some other location and pays all costs of such relocation in excess of the cost of renewing the service line at the existing location and costs of cutting off and disconnecting the old service line, the Company will renew the service line at the location desired. After abandonment of a water service line by an original property owner, a new owner must obtain the approval of the Company before incorporating the old service into new construction.

Maintenance by Customer:

12. All connections, service lines and fixtures furnished by the owner or customer shall be maintained by the owner or customer in good order and repair. Meters and equipment furnished and owned by the Company shall be protected by the customer. Any leak in the service or any other pipe or fixture in or on the customer's property shall be promptly repaired by the customer at the customer's expense. Customer shall ensure that access to the Company's curb stop is unobstructed. If the Customer obstructs access to the Company's curb stop, the Customer shall be charged any costs incurred by the Company to access the curb stop.

The Company shall in no event be responsible for maintaining any portion of the service line owned by the customer, or for any damage, casualty or loss resulting from or caused by water escaping from lines or fixtures on customer's property.

Service for Singularly-Owned Property:

13. A property consists of a tract of land with one or more structures owned by the same party. Each property may be supplied by one or more services. Each service shall have an individual meter. Should a property owned by one party be subdivided after the Company commences serving the property, each subdivided property shall be required to have an individual service, curb valve and meter at Owner's expense. Failure to provide individual service, curb valve and meter may result in discontinuance of service.

Single Service Line with Two or More Customers:

14. Where two or more customers have been supplied through a single service line, any violation of the Rules and Rates of the Company, by either or any of said customers, shall be deemed a violation by all, who shall be jointly and severally liable for any loss to the Company resulting therefrom. In the event any such violation is not corrected after reasonable notice, the Company may take such action as can be taken for a single customer, except that such action will not be taken until an innocent customer has been given a reasonable opportunity to attach his pipe to a separately-controlled, individual service connection.

Swimming Pools:

15. Residential swimming pools may be filled from house services. Larger community pools may be supplied with a separate water service and meter, such meter to be installed in a meter pit or heated building. Separate water service for swimming pools will be billed monthly or quarterly according to size of meter.

Contributions In Aid of Construction ("CIAC"):

16. In accordance with Sections 3.8 through 3.8.9 of the Public Service Commission's Minimum Standards Governing Service Provided by Public Water Companies, PSC Order Number 6873, the Company shall require CIAC when a request for service will require the installation of pipe and/or associated utility plant ("Facilities Extension"). The amount of CIAC will be calculated in accordance with Section 3.8.2.

The following schedule determines the charge per meter size:

5/8" meter	-	\$	1,500
3/4" meter	-	\$	1,515
1" meter	-	\$	1,560
1 1/2" meter	-	\$	1,620
2" meter	-	\$	1,785
3" meter	-	\$	3,000
4" meter	-	\$	3,450
6" meter	-	\$	4,500
8" meter	-	\$	5,700

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: December 20, 2006

Third Revised Sheet No. 14
Canceling
Second Sheet No. 14

This sheet intentionally left blank.

DISCONTINUANCE OF SERVICE

By Owner:

17. A customer must give the Company three (3) business days notice in order to discontinue (shut off) service. All agreements covering service for water shall continue in force until such notice is given. In the event the premises are in the possession of a tenant and such fact is known to the Company, such shut-off shall not be made until the Company has given three days' written notice to the tenant of the customer's order to discontinue service. When the customer is a tenant in possession of the property, the Company is not required to discontinue service at the request of the property owner.

By Company:

18. The Company shall not be liable to owner or occupants for any damage to property or for any inconvenience, loss or casualty suffered by the residents of the property due to discontinuance of service. Service may be discontinued for any of the reasons cited below and not restored until the cause for discontinuance has been fully corrected to the satisfaction of the Company.

Discontinuance Without Notice:

19. Service may be discontinued without notice only in the following events:
- (a) When there is an unavoidable interruption in the source of supply or other emergency.
 - (b) Tampering with the meter or equipment owned or furnished by the Company.
 - (c) Unauthorized use of service or resale of water.
 - (d) Willful waste of water through improper or imperfect pipes, fixtures, or other causes.
 - (e) When a property has been vacated without prior notice to the Company.

Discontinuance With Notice:

20. Service may be discontinued with notice in the following events:
- (a) Violation or noncompliance with Company Rules and Rates or violation of a governmental regulation governing water service.
 - (b) Failure of the customer to fulfill his contractual obligations for service or facilities.
 - (c) Refusal of the customer to permit Company representatives access to the property to inspect, read, repair or remove the meter and equipment.
 - (d) Failure to pay any bills or required deposit.
 - (e) Refusal of the customer to permit the Company to obtain an actual meter reading after three consecutive estimated readings.
 - (f) Refusal of the customer to allow installation of meter and/or remote meter-reading device on the building exterior, or at a location that is both convenient and accessible to the Company.
 - (g) Failure of the customer to pay fees levied for Unauthorized Use of Service as set forth on pages 6a and 6b.

Reasons for Nondiscontinuance:

21. Service will not be discontinued for any of the reasons listed in paragraphs 20 and 21 (except under emergency or hazardous conditions) when life sustaining medical equipment is known to be in use or when a medical emergency exists at the premises, or if a bona fide dispute concerning a service bill exists. A Certification of Medical Need form is available to help comply with Title 26 of the Delaware Code related to public utilities and terminations of service. Any false statement made on the form is punishable as a Class A Misdemeanor under 11 Del. C. § 1233.

Due to Emergency:

22. In the event of a breakdown, emergency or other unavoidable cause, the Company shall have the right to temporarily discontinue the water supply in order to make necessary repairs, connections, and the like. The Company shall not be liable for any damage, loss, casualty or inconvenience suffered by the owner or occupants, or for any claim against it for interruption of service, lessening of the supply, inadequate pressure, quality of water or other causes beyond its reasonable control. When water service is to be temporarily interrupted, adequate notice will be given, whenever practicable, to all customers affected, stating the probable duration of the interruption.

Second Party Notification:

23. Customers may designate in writing a second party to receive bills and notice of disconnection of service prior to discontinuation of service for nonpayment, provided the named second party has agreed in writing to accept such notice. In such cases the Company will not discontinue service less than ten days after giving verbal or written notice to the second party of its intent to discontinue service. The person accepting second party status does not incur any obligation whatsoever to the Company.

Reserve Supply:

24. The Company shall have the right to reserve a sufficient supply of water to provide for fire and other emergencies and may restrict or regulate the quantity of water used by the customer whenever, in the Company's opinion, the public welfare may so require.

Conservation Regulations:

This section is intentionally left blank.

Turn-on or Shut-off Without Authority:

25. The customer shall not attempt to re-establish or curtail service by turning the water on or off at any corporation valve or curb valve, disconnect or remove the meter, or permit its disconnection or removal, without the prior consent of the Company. Tampering with Company equipment is a violation of the customer's terms for service with the Company and will subject the customer to additional fees and the possibility of prosecution.

Restoration of Discontinued Service:

26. Service will be restored when the conditions for which service was discontinued have been corrected to the satisfaction of the Company and upon payment of all proper charges or amounts provided in the Company's then-applicable rate schedule.

METERS

Furnished by Company:

27. All meters will be furnished by and remain the property of the Company. The Company shall determine the size of all customer meters.

Location:

28. At the Company's sole discretion, meters may be installed in a meter pit or vault provided by the customer in accordance with Company specifications in a Company approved location that is at all times accessible for reading and repair. In cases where the Company determines it is not practical to place a meter within a meter pit or customer-supplied vault, the Company at the customer's expense shall install, own and maintain an internal meter set in accordance with Company specifications on the property in a location to be determined by the Company. In the event a remote meter reading device is installed on the building exterior, it shall be 3-5 feet above the finished grade and at a location that is both convenient and accessible for reading and repair. The Company will attempt, in mutual cooperation with the property owner, to locate the meter to the satisfaction of the property owner. Meters 1-1/2" or larger shall be installed with a bypass. A meter must be installed before the water is turned on. Meter bars are not permitted. Meter pits shall conform to standards in use by the Company for service at the location. The ownership and maintenance of meter pits are transferred to and remain the responsibility of the Customer.

Valves Required:

29. The customer shall furnish and install a Company approved locking valve on a bypass.

Responsibility for Damage:

30. Normal maintenance and repair of meters will be provided by the Company. Any damage caused by freezing or hot water shall be the responsibility of the customer. Damage resulting from external causes due to customer negligence or tampering shall be the responsibility of the customer.

Cost of Reinstallation:

31. The charge to the customer for removal, repair and reinstallation of a meter damaged because of freezing, hot water, tampering, or customer negligence shall be based on labor and material costs.

Meter Malfunction:

32. The customer shall notify the Company of damage to or malfunction of the meter as soon as it becomes apparent.

Registration:

33. The consumption recorded by the meter shall be conclusive for both the customer and the Company except when the meter has been found to be registering inaccurately or has ceased to register. In such cases, a consumption estimate may be based on the customer's prior usage or a meter test. In the event that usage for the customer is not known, the Company may utilize an estimate of the customer's consumption based on average consumption from the same period in the previous year, based on average consumption from the immediately prior billing period, or an estimate based on detail from similar accounts.

When a remote meter-reading device has been installed and a discrepancy occurs between the registration on the remote meter-reading device and that on the interior meter, the registration on the interior meter will prevail.

Meter Test:

34. Upon request by a customer, a test of the accuracy of the meter registration will be made. The customer or a representative may be present when the meter is tested. If the customer's account is current, Artesian will bill the meter test fee to the customer's account. If the customer's account is not current, then the meter test fee must be paid in advance of the meter test. Should the meter test as over-registering as per the specified guidelines by the American Water Works Association (AWWA) limits, as required by the Delaware Public Service Commission, then the fee will be credited to the customer's account. Meter testing will be billed in accordance with the following fee schedule. A written report of the results of the test shall be provided to the customer.

Fee Schedule - Customer-Requested Meter Test

<u>Meter Size</u>	<u>Fee</u>
5/8"	\$ 50
3/4"	\$ 50
1"	\$ 50
1-1/2"	\$100
2"	\$100
3"	\$150
4"	\$150
6"	\$150
8"	\$200
10"	\$200

Error in Registration:

35. If, due to the results of a meter test, the meter is found not to be accurate within specified AWWA limits, as required by the Delaware Public Service Commission, customer billings will be corrected accordingly, commencing from the date the error developed. If that period of time cannot be determined, the error shall be assumed to have existed for three years or a period equal to one half the time since the meter was last tested, whichever is less. No billing corrections less than \$5 shall be made. A billing overcharge shall be either refunded or credited to the customer's account at the customer's election.

Periodic Meter Test:

36. In order to assure the accuracy of meters in service, periodic tests shall be made by the Company at the earlier of the yearly intervals or maximum throughput set forth below:

<u>Meter Size</u>	<u>Interval Years</u>	<u>Maximum Throughput, Million Gallons</u>		
		<u>Displacement</u>	<u>Compound</u>	<u>Turbine</u>
5/8"	15	1.8	--	--
3/4"	15	2.6	--	--
1"	10	4.4	--	--
1-1/2"	10	9.0	--	10.0
2"	3	14.0	28.0	28.0
3"	3	26.0	56.0	60.0
4"	3	--	88.0	100.0
6"	1	--	175.0	200.0
8"	1	--	280.0	300.0
10"	1	--	400.0	500.0
12"	1	--	--	800.0

PUBLIC FIRE PROTECTION SERVICE

Hydrant Flow Test:

37. Upon request, a hydrant flow test will be performed. The requestor may be present when the test is conducted. The fee to perform a hydrant flow test is \$600. Alternatively, if the Company has conducted a test of the hydrant within the past six months, that report can be provided to the requestor in lieu of a new flow test. The fee for the report from a previous test is \$35.

Allowable Use:

38. No person, except as authorized by the Company in writing, shall take water from any public or private fire hydrant except for the use of a fire company in case of fire. No public fire hydrant shall be used for sprinkling streets, flushing sewers or gutters or for any other than fire purposes except with prior approval of the Company.

Change of Location:

39. Upon request to relocate a fire hydrant, the Company will make such relocation at the cost of the party making the request provided an approved new location is found.

RESPONSIBILITY FOR SERVICE

40. With respect to public fire service, or any other service, the Company does not assume any liability as an insurer of property or persons. While the Company will make every reasonable effort to maintain service, the Company does not guarantee any special service, pressure, capacity or facility other than permitted by the ordinary and changing operating conditions of the Company, as exist from day to day. The Company shall be free and exempt from any and all claims for injury to any persons or damage to any property by reason of fire, water, or failure to supply water pressure or capacity. The Company shall not be held liable in any civil action for personal injury, death, damage to property or other consequential damages arising from main breaks or other leaks in water equipment/facilities beyond the control of the Company.

The Company is not liable in damages in a civil action to any person for injury, death or loss to person or property that allegedly arise from the person's consumption of water supplied by the Company if the water supplied by the Company complied with primary maximum contaminant levels set by the State of Delaware's Office of Drinking Water and the United States Environmental Protection Agency.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective:

First Revised Sheet No. 21a
Canceling
Original Sheet No. 21a

BILLS AND PAYMENT

Place of Payment:

41. Bills for water service may be paid by U.S. mail, at the Company's Newark office, electronically through an approved third party vendor. The Company also maintains a locked deposit box at its Newark office to receive payments after normal business hours, weekends, and holidays. Payments received through the Company's deposit box will be processed on the Company's next business day.

Bills Rendered And Due:

42. Regular meter readings will be made for each billing period and bills will be rendered as soon as practicable after reading the meters. All bills are due and payable upon presentation.

Customer Refunds:

43. The Company may not mail checks for refunds totaling less than \$10.00. Those refunds are available upon request from the former customer. The refund will also be credited to that customer's new account if the former customer re-establishes a service with the Company within five years from the date of the original refund generation. If left unclaimed those funds due former customers will be escheated to the State of Delaware according to applicable state law.

Delinquent Bills:

44. Bills remaining unpaid for a period of 25 days from the effective billing date shall be classified as delinquent, and if not paid within 14 days thereafter, service may be discontinued. Should service be discontinued, it will not be restored until unpaid bills, deposits and charges, including the shut-off and turn-on charges, are paid or satisfactory arrangements are made with the Company for payment. In addition, a late payment penalty will be applied to any outstanding balance which remains outstanding 25 days after the bill date, until payment is received in full. The monthly penalty will be at a rate equal to one-twelfth of prime plus 5%, and the prime rate will be updated quarterly. If a customer's account is referred to an attorney or collection agency for collection, in addition to the amount due for water service and late charges, the customer shall be responsible for the payment of the Company's reasonable attorney's fees and all other costs and expenses of collection.

Returned Payments:

45. When a water bill is paid by check, electronic debit, credit card or other means that the Company may offer, and the payment is not honored by a financial institution and is subsequently returned to the Company, a fee of \$30.00 will be applied to the customer's account to cover bank fees and other expenses that may arise from the returned payment, including administrative costs of the Company.

GENERAL

Complaints:

46. Any complaint regarding the character of the service furnished, reading of meters or bills rendered must be made to the Company in writing. A record of such complaint will be kept by the Company, giving the name and address of the complainant, date of occurrence, nature of the complaint, disposition and findings.

General:

47. Pipes, meters and fixtures shall be subject to inspection, at reasonable hours, by properly identified employees of the Company. No plumber, owner or other unauthorized person shall turn the water on or off at any corporation valve or curb valve or disconnect or remove the meter without the consent of the Company. No agent or employee of the Company has the authority to bind the Company by any promise, agreement or representation not provided for in these rules.

The Company reserves the right, subject to the approval of the Delaware Public Service Commission, to change, take from or add to the foregoing Rules and Rates.

New Castle County Business Office

664 Churchmans Road

Newark, Delaware 19702

Phone (302) 453-6900 Fax (302) 453-6957

Mailing Address

P. O. Box 15004

Wilmington, Delaware 19850-5004

Sussex County Business Office

14701 Coastal Highway

Milton, Delaware 19968

Phone: (302) 645-7751 Fax: (302) 645-8233

e-mail: artesian@artesianwater.com

www.artesianwater.com

This First Supplemental Sheet is applicable to customers in the Boothurst development located within the City of New Castle. The total charge for metered service consists of the sum of the Customer Charge, and to the extent applicable, the Water Charge. Monthly Customer Charges will be billed in advance. Water Charges will be billed in arrears.

Monthly Customer Charge for Domestic Service

The monthly charge for customers served is based on meter size

Size of Meter	Customer Charge
5/8" X 3/4"	\$7.75
1"	\$9.50

Monthly Customer Charge for Public Fire Protection

The monthly charge for customers is based on the size of the service line

Size of Service Line	Customer Charge
5/8" X 3/4"	\$1.25
1"	\$6.65

Monthly Customer Charge for Private Fire Protection

The monthly charge for customers is based on the size of the service line

Size of Service Line	Customer Charge
5/8" X 3/4"	\$5.43
1"	\$6.65

Water Charges (October-June)

Water Charges	Cents Per Gallon
Non-City	.0067

Water Charges (July-September)

Water Charges	Cents Per Gallon
Residential	.0067 for water use under 4,000 gallons/per month
	.00735 for water use over 4,000 gallons/per month

All bills are due and payable upon presentation.

Restoration Charge:

When water service has been discontinued for the non-payment of a bill, there will be a charge of \$40.00 payable in advance, for turning the water back on during regular working hours. When it is necessary to turn water back on during other than regular working hours, the charge is \$60.00, also payable in advance.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective:

Ninth -Second Supplemental Sheet
Canceling
Eighth – Second Supplemental Sheet

This Second Supplemental Sheet is applicable to customers in the city of Middletown located within the County of New Castle. The total charge for metered service consists of the water charge.

Water Charge:

\$2.489 per thousand

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective:

Eleventh -Third Supplemental Sheet
Canceling
Tenth – Third Supplemental Sheet

This Third Supplemental Sheet is applicable to the Delaware Correctional Center.
Due to the unique nature of the agreement between the State of Delaware and Artesian, the rates are
as follows:

Water Charge:

\$2.491 per thousand gallons

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: July 1, 2013

Fifth-Fourth Supplemental Sheet
Canceling
Fourth-Fourth Supplemental Sheet

This Fourth Supplemental Sheet is applicable to Artesian Water Maryland, Inc. The total charge for metered service consists of the water charge.

Water Charge:

\$3.762 per thousand gallons

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective: July 1, 2013

Second-Fifth Supplemental Sheet
Canceling
First-Fifth Supplemental Sheet

This Fifth Supplemental Sheet is applicable to the Town of Chesapeake City. The total charge for metered service consists of the rate for water volumes supplied, shown below, and a customer charge associated with a 6-inch meter.

Water Charge:

\$4.104 per thousand gallons

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective:

First-Sixth Supplemental Sheet

This Sixth Supplemental Sheet is applicable to the Town of Clayton. The total charge for metered service consists of the water charge.

Water Charge:

\$2.00 per thousand gallons

All bills are due and payable upon presentation.

ARTESIAN WATER COMPANY, INC.
P.S.C. No. 1 - WATER
Effective:

First-Seventh Supplemental Sheet

This Sixth Supplemental Sheet is applicable to the Town of New Castle. The total charge for metered service consists of the water charge.

Water Charge:

\$3.100 per thousand gallons

All bills are due and payable upon presentation.



OVER 100 YEARS OF SUPERIOR SERVICE

Artesian Water Company ▲ Artesian Wastewater Management ▲ Artesian Utility Development ▲ Artesian Water Pennsylvania
▲ Artesian Water Maryland ▲ Artesian Wastewater Maryland

September 10, 2013

Robert J. Howatt
Executive Director
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: Notice of Change in Timing of Filing for a Change in Water Rates

Dear Mr. Howatt:

Artesian Water Company Inc. ("AWC") hereby provides notice of its intent to alter the timing of a previously announced plan to file for a change in water service rates from a filing that was to be made on October 1, 2013, to a filing that will be made by April 1, 2014.

AWC will develop its case based on a Test Year consisting of the twelve-month period ended December 31, 2013 and a Test Period consistent with the period ended September 30, 2014. AWC will prepare and present its case consistent with the Minimum Filing Requirements set forth in *26 Del. C. Admin § 1002*.

If you require any further information, please do not hesitate to contact me at (302) 453-6900.

Very truly yours,

ARTESIAN WATER COMPANY, INC.

David B. Spacht
Chief Financial Officer and Treasurer

cc: Michael Houghton, Esq.



OVER 100 YEARS OF SUPERIOR SERVICE

Artesian Water Company ▲ Artesian Wastewater Management ▲ Artesian Utility Development ▲ Artesian Water Pennsylvania
▲ Artesian Water Maryland ▲ Artesian Wastewater Maryland

April 01, 2014

Robert J. Howatt
Executive Director
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: Notice of Change in Timing of Filing for a Change in Water Rates

Dear Mr. Howatt:

Artesian Water Company Inc. ("AWC") hereby provides notice of its intent to alter the timing of a previously announced plan to file for a change in water service rates from a filing that was to be made on April 01, 2014 to one that will be made not later than April 30, 2014.

AWC's rate filing will continue to be developed consistent with a Test Year consisting of the twelve-month period ended December 31, 2013 and a Test Period consistent with the twelve-month period ended September 30, 2014. AWC will prepare and present its case consistent with the Minimum Filing Requirements set forth in *26 Del. C. Admin § 1002*.

If you require any further information, please do not hesitate to contact me at (302) 453-6900.

Very truly yours,

ARTESIAN WATER COMPANY, INC.

A large, stylized handwritten signature in black ink, appearing to read 'David B. Spacht'.

David B. Spacht
Chief Financial Officer and Treasurer

cc: Michael Houghton, Esq.