

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

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER UTILITIES, INC. CONCERNING)
THE ESTABLISHMENT OF A DISTRIBUTION SYSTEM) PSC DOCKET NO. 11-262
IMPROVEMENT CHARGE UNDER THE PROVISIONS)
OF 26 DEL. C. §314 TO BE EFFECTIVE)
July 1, 2011)
(FILED MAY 31, 2011))

ORDER NO. 7991

This 21st day of June, 2011, the Commission determines and Orders the following:

I. BACKGROUND

WHEREAS, under the provisions of 26 Del. C. §314, a public utility providing water service may calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"). This charge allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible distribution system improvements" recently put into service.

WHEREAS, under the statutory scheme, a particular utility's DSIC Rate, once initiated, may thereafter be adjusted, on a semi-annual basis, to reflect eligible improvements placed in service during the six-month period ending two months prior to the effective date of changes in the DSIC Rate. See 26 Del. C. §§314(b) (3) and (b) (5).

II. DSIC RATE ADJUSTMENTS BY TIDEWATER UTILITIES, INC.

WHEREAS, on May 31, 2011, Tidewater Utilities, Inc. ("Tidewater" or the "Company") filed an application to adjust its DSIC Rate from 1.34% to 1.98%, with such change to be effective on July 1, 2011. According to Tidewater, this increased DSIC Rate reflects an

additional net original cost of \$826,298 in eligible improvements placed in service between November 1, 2010, and April 30, 2011. As set forth in the application, the net effect of such improvements is a 0.64% increase in Tidewater's DSIC Rate. This increase includes not only the recovery of the net original cost of \$826,298 in additional eligible improvements, but also a collection of an under-recovery of \$28,570 in DSIC revenues in PSC Docket No. 10-188.

WHEREAS, consistent with previous determinations, the Commission will allow the adjusted DSIC Rate to go into effect on July 1, 2011. As with Tidewater's earlier DSIC Rates, the Commission does not specifically approve this new adjusted DSIC Rate (except for the under-recovery portion). Rather, this adjustment to Tidewater's DSIC Rate based on additional eligible improvements will be subject to audit and review for compliance with 26 *Del. C.* §314 during the reconciliation proceeding to occur after December 31, 2011. If the Commission then finds that this DSIC Rate does not comply with the statutory prerequisites or was not calculated according to the statutory formula, the Commission may revise the DSIC Rate and provide an appropriate remedy for any DSIC charges improperly collected.

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE
NOT FEWER THAN THREE COMMISSIONERS:**

1. That, under the provisions of 26 *Del. C.* §314, the adjusted DSIC Rate of 1.98 percent as proposed by Tidewater Utilities, Inc. in its application filed on May 31, 2011, is allowed to go into effect on July 1, 2011. Such DSIC Rate shall be subject to later review, audit, or revision as described in the body of this Order. Furthermore, Tidewater Utilities, Inc. is put on notice that it may be obligated to

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

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

3. That the Commission explicitly reserves jurisdiction and authority over the Company's DSIC Rate to conduct the review and audit as described in this Order and to conduct the annual reconciliation described in 26 *Del. C.* §314(b)(8).

4. That the Commission reserves the jurisdiction and authority to enter such further orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

/s/ Jaymes B. Lester
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary