

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

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER UTILITIES, INC. FOR A)
GENERAL RATE INCREASE IN WATER BASE) PSC DOCKET NO. 11-397
RATES AND TARIFF REVISIONS)
(FILED SEPTEMBER 15, 2011))

ORDER NO. 8049

AND NOW, this 3rd day of October, 2011:

WHEREAS, on September 15, 2011, Tidewater Utilities, Inc. ("Tidewater" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application (the "Application") seeking approval of: (a) a general increase in its water base rates; and (b) miscellaneous tariff revisions; and

WHEREAS, in its Application, Tidewater represents that it is seeking a general increase in annual operating revenues of \$6,852,236,¹ or 29.37% over present rates; and

WHEREAS, on September 15, 2011, Tidewater also filed with the Commission an Application to Put Changes in Rates In Effect Under Bond (the "Interim Rate Application") seeking to place temporary rates under bond and revised tariff leaves with an effective date of November 15, 2011, establishing rates as permitted by 26 Del. C. §306(c) to enable Tidewater to collect under bond, and subject to refund, an annual intrastate operating revenues increase of approximately \$2,477,986, or a net increase of approximately 10.49%,

¹ In its Application, TUI stated the overall increase in annual operating revenues would be approximately \$6,852,236; however, in TUI's "Application to Put Changes in Rates in Effect Under Bond," the Company stated that the aggregate increase in its annual operating revenues would be approximately \$6,852,233.

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which does not exceed 15% of the public utility's annual gross intrastate operating revenues or \$2,500,000, whichever is less; and

WHEREAS, the Company has submitted a bond of Middlesex Water Company (the "Bond") as surety for the Applicant, with the State of Delaware as obligee, in the amount of \$1,500,000, assuring the availability of funds for any future refund, and the Company represents that it will abide by any Commission refund order; and

WHEREAS, the Company has requested that the Commission permit it to put into effect, under the Bond, on November 15, 2011, interim rates detailed in tariff sheets which are attached as Exhibit "A," such rates designed to produce approximately \$2,477,986 in additional annual revenues, as provided by 26 Del. C. §306(c); and

WHEREAS, on September 9, 2009, the Commission adopted PSC Order No. 7639 in PSC Docket No. 09-29 in which Tidewater agreed in the Commission-approved settlement that in its next rate case, it would file rate tariffs that supported an inclining block rate structure for the general water service class, and would advocate the reduction of Private Fire Service rates by approximately one-third of the difference between the revenues expected to be collected per the current tariff rates and the indicated cost to serve the Private Fire Service customer class consistent with a cost of service study; and

WHEREAS, in the settlement approved in PSC Order No. 7639, Tidewater further agreed that if the Commission approved any reduction in the difference between the expected revenues to be collected and

the indicated cost to serve the Private Fire Service class consistent with the cost of service study, Tidewater would request in any subsequent base rate filing a tariff design proposal that would continue to support the move towards actual cost of service study results for the Private Fire Service class of customers; and

WHEREAS, Commission Staff has reviewed the Application and the Interim Rate Application and its attachments, including a proposed form of rate refunding bond and tariff sheets, and has recommended the approval of the Interim Rate Application;

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

1. That the rates and revised tariff sheets filed by Tidewater Utilities, Inc. on September 15, 2011, are hereby suspended pursuant to 26 Del. C. §306(a)(1) and, subject to the implementation of interim rates as authorized herein, shall not be placed into force or effect except pursuant to law or further Order of the Commission, and then only to the extent such law or further Commission Order may permit or allow.

2. That the Commission finds, pursuant to 26 Del. C. §306(c), that Tidewater Utilities, Inc. has the statutory right, on and after the expiration of sixty (60) days from the filing of its rate increase application, to place into effect temporary rates, subject to refund, so long as such temporary rates do not exceed the lesser of fifteen percent of the Company's annual gross intrastate operating revenues or

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\$2,500,000, and provided that the Commission approve as reasonable the amount of the bond and the surety thereon.

3. That the proposed temporary rates set forth above in the Interim Rate Application of Tidewater Utilities, Inc. and in its revised tariff leaves are reasonably designed to produce, on an annual basis, less than \$2,500,000 and less than 15% of the gross annual intrastate operating revenues of Tidewater Utilities, Inc., and may, therefore, be placed into effect on November 15, 2011, under 26 Del. C. §306(c), subject to any refund as the Commission may hereafter Order.

4. That the Commission hereby approves as reasonable the form of rate refunding bond attached to the Interim Rate Application filed by Tidewater Utilities, Inc. on September 15, 2011, in the principal amount of \$1,500,000 with Middlesex Water Company as surety for the Applicant and with the State of Delaware as obligee to assure the availability of funds for any future refund. A duly executed rate refunding bond shall be filed prior to October 17, 2011.

5. That Tidewater Utilities, Inc. shall give public notice of the filing of the Application and the Interim Rate Application with the proposed rate changes and the actions taken by the Commission by publishing notice in the form attached hereto as Exhibit "A" in two-column format, outlined in black, in the legal classified section of The News Journal, The Delaware State News, The Cape Gazette, and The Wave newspapers on **October 18 and 19, 2011**. Tidewater Utilities, Inc.

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shall submit proof of such publication as soon as possible, but no later than the commencement of the evidentiary hearings concerning this matter.

6. That Mark Lawrence is designated as Hearing Examiner for this matter pursuant to the terms of 26 *Del. C.* §502 and 29 *Del. Ch.* 101 to schedule and conduct, upon due notice, such public comment sessions and evidentiary hearings, as may be necessary, to have a full and complete record concerning the justness and reasonableness of the proposed increased rates and tariff revisions. Thereafter, Hearing Examiner Mark Lawrence shall file with the Commission his proposed findings and recommendations. Pursuant to 26 *Del. Admin. C.* §§1001-2.1.2 and 3.9.3, Hearing Examiner Lawrence is specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. In addition, Hearing Examiner Lawrence is delegated the authority, under 26 *Del. C.* §102(A), to determine the form and manner of any further public notice in this matter. Julie M. Donoghue, Deputy Attorney General and Staff Counsel, is designated as counsel for this matter.

7. That the deadline for filing petitions to intervene pursuant to 26 *Del. Admin. C.* §1001-2.9.2 shall be **Wednesday, November 9, 2011**. Late-filed petitions to intervene will not be granted unless good cause is shown.

8. Tidewater Utilities, Inc. is hereby placed on notice that the costs of the proceedings will be charged to it under the provisions of 26 Del. C. §114(b)(1).

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

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary

E X H I B I T "A"

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(FILED SEPTEMBER 15, 2011))

**PUBLIC NOTICE OF APPLICATION OF TIDEWATER UTILITIES, INC. FOR
A GENERAL RATE INCREASE IN WATER BASE RATES AND TARIFF REVISIONS**

TO: ALL WATER CUSTOMERS OF TIDEWATER UTILITIES, INC.:

On September 15, 2011, Tidewater Utilities, Inc. ("Tidewater" or the "Company") filed an application with the Delaware Public Service Commission (the "Commission") seeking approval for an increase in its water base rates and for tariff revisions.

In its application, Tidewater seeks an increase in annual operating revenues of \$6,852,236, or 29.37% over existing rates. The following is a comparison of Tidewater's present rates and proposed new rates for metered water on a quarterly/monthly basis:

WATER CHARGE - RATE PER THOUSAND GALLONS

RESIDENTIAL

<u>Usage</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
0 - 5,000 gallons	\$6.7769	\$8.6069
5,001 - 20,000 gallons	\$6.7769	\$8.8329
Over 20,000 gallons	\$6.7769	\$9.0650

The following is a comparison of Tidewater's present rates and proposed new rates for facilities charges per quarter and per month:

FACILITIES CHARGES

<u>MONTHLY</u>			<u>QUARTERLY</u>		
<u>Meter Size</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Meter Size</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
5/8" - 3/4"	\$15.87	\$21.27	5/8" - 3/4"	\$47.62	\$63.82
1"	\$26.46	\$35.46	1"	\$79.37	\$106.37
1 1/2"	\$47.62	\$63.82	1 1/2"	\$142.87	\$191.47
2"	\$74.08	\$99.28	2"	\$222.24	\$297.84
3"	\$142.87	\$191.47	3"	\$428.61	\$574.41
4"	\$222.24	\$297.84	4"	\$666.73	\$893.53
6"	\$433.90	\$581.50	6"	\$1,301.70	\$1,744.50
8"	\$677.31	\$907.71	8"	\$2,031.93	\$2,723.14

The following is a comparison of Tidewater's present rates and proposed new rates for public fire hydrant charges per quarter and per month:

PUBLIC FIRE HYDRANT DISTRICT CHARGES

<u>MONTHLY</u>		<u>QUARTERLY</u>	
<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
\$3.62	\$5.13	\$10.86	\$15.38

A customer with public fire protection using a 5/8" water meter with usage of 15,000 gallons of water per quarter would see their bill increase from \$160.13 to \$210.56 if the full increase is authorized.

The following is a comparison of Tidewater's present rates and proposed new rates for private fire hydrant protection charges per quarter:

PRIVATE FIRE HYDRANT PROTECTION CHARGES

<u>MONTHLY</u>			<u>QUARTERLY</u>		
<u>Meter Size</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Meter Size</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
1"	\$9.56	\$7.55	1"	\$28.67	\$22.64
2"	\$33.45	\$26.41	2"	\$100.35	\$79.24
4"	\$141.76	\$111.93	4"	\$425.28	\$335.80
6"	\$316.97	\$250.28	6"	\$950.90	\$750.83
8"	\$563.85	\$445.22	8"	\$1,691.55	\$1,335.65

The following is a comparison of Tidewater's present rates and proposed new rates for Service Connection Charges which are based on a per service rate:

SERVICE CONNECTION CHARGES

<u>Meter Size</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
5/8" - 3/4"	\$820.12	\$1,064.10
1"	\$1,158.41	\$1,503.03
1 1/2"	\$2,040.06	\$2,646.97
2"	\$2,306.59	\$2,992.79
3"	\$7,381.10	\$9,576.94
4"	\$8,683.04	\$11,266.20
6"	\$12,619.17	\$16,373.30
8"	\$19,151.39	\$24,848.82

In addition to the Service Connection Charge, customers of Tidewater within the franchise territory, yet outside a particular service area, are charged an extension fee of \$820.12 per service. Tidewater proposes to increase this charge to \$1,064.10 per service.

Under bulk water sales contracts, the Town of Ocean View, Dover Air Force Base Housing, and Southern Shores Water Company are charged certain rates per thousand gallons of consumption registered through

meter(s) at interconnection points. The following is a comparison of the current rates and proposed rates for these bulk water contract sales:

BULK WATER CONTRACT SALES - PER THOUSAND GALLONS

<u>Town of Ocean View</u>	
<u>Present Rate</u>	<u>Proposed Rate</u>
\$3.9872	\$5.1734
<u>Dover Air Force Base - Off Base Housing - Eagle Meadows Heights</u>	
<u>Present Rate</u>	<u>Proposed Rate</u>
\$10.1796	\$13.2080
<u>Southern Shores Water Company</u>	
<u>Present Rates</u>	<u>Proposed Rates</u>
\$4.6590	\$6.0450

On October 3, 2011, in PSC Order No. 8049, the Commission, pursuant to 26 Del. C. §306(a)(1), suspended the effectiveness of the proposed new rates and tariff revisions pending further investigation, public comment sessions, and public evidentiary hearings, which will be held later after further public notice. However, Tidewater has requested authority, pursuant to 26 Del. C. §306(c) to place a portion of its proposed increases into effect into effect under bond and subject to refund sixty (60) days after the initial September 15, 2011, filing date, or on November 15, 2011.

The Commission will make its decision on this matter on the basis of the record evidence taken at the public evidentiary hearing(s). The Commission may approve or reject, in whole or in part, the proposed increase and tariff revisions and may approve a different

method for allocating any increase should one be found to be appropriate.

You are invited to review Tidewater's application and supporting documents to determine how your interests may be affected. You may review the documents during normal business hours in the Commission's Dover office at the address listed below or on the Commission's website at <http://dep.sc.delaware.gov/water.shtml>. You may also review copies of Tidewater's application and supporting documents at the office of the Division of the Public Advocate located at the Carvel State Office Building, 4th Floor, 820 North French Street, Wilmington, Delaware 19801. Please call (302) 577-5077 to arrange for a time to review the documents at that location.

If you wish to participate as a party in this docket, with the right to present evidence and be heard by counsel, you must file a petition to intervene under 26 *Del. Admin. C.* §1001-2.9. You must file that petition on or before **Wednesday, November 9, 2011**, at the Commission's office located at:

Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building
Suite 100
Dover, Delaware 19904
ATTN: PSC Docket No. 11-397

Petitions filed thereafter will not be considered unless good cause is shown.

If you have a disability and wish to participate, or to review the materials, in these proceedings, please contact the Commission to discuss any auxiliary aids or services you might need to help you. You may contact the Commission in person, by writing, by telephone

(including text telephone), by Internet email, or other means. If you have questions about this matter, you may call the Commission at 1-800-282-8574 (toll-free in Delaware) or (302) 736-7500 (voice and text telephone). You may also send questions or request information by Internet email addressed to heidi.wagner@state.de.us.