

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 RATES AND TARIFF ) PSC DOCKET NO. 13-466  
REVISIONS )  
(FILED NOVEMBER 25, 2013) )

DIRECT TESTIMONY OF  
KEVIN S. NEILSON  
ON BEHALF OF  
COMMISSION STAFF

May 20, 2014

1 **Q. Please state your name and business affiliation for the record.**

2 A. My name is Kevin S. Neilson and I am a Regulatory Policy Administrator for the  
3 Delaware Public Service Commission.

4 **Q. Would you briefly summarize your professional qualifications?**

5 A. I earned a Bachelors degree in Electrical Engineering in 1988, at Fairmont State College  
6 in Fairmont, West Virginia. My engineering experience includes five years in the  
7 environmental consulting engineering field. I have been employed by the Delaware  
8 Public Service Commission (“Commission”) since January 1994 in various positions.

9 **Q. What is your role in this proceeding?**

10 A. I am presenting the Commission Staff’s (“Staff”) evaluation of Tidewater Utilities, Inc.’s  
11 (“Tidewater’s” or “Company’s”) Plant in Service and proposed tariff changes with  
12 respect to testing and maintenance of certain fire hydrants.

13 **Q. Have you had the opportunity to review the Company’s filing in this docket?**

14 A. Yes I have. In addition, I have reviewed numerous data requests and the Company’s  
15 response to those data requests.

16 **Q. Please provide a brief overview of the Company’s system.**

17 A. According to the Company’s application, it currently serves approximately 34,000  
18 customers through 50 water systems. These systems are located in Newcastle, Kent, and  
19 Sussex Counties with seventeen of the systems consisting of interconnected or ”regional”  
20 systems serving at least two community water systems. The systems utilize several  
21 treatment methods depending on the types of contaminant that must be removed and the  
22 level of the contaminant found in the raw water.

1 **Q. Did you visit any of the construction projects identified in the Company’s filing that**  
2 **it indicates will be in service by the end of the test period?**

3 A. Yes, I met with Company personnel on April 9, 2014 and visited several of the  
4 construction projects that the Company claims will be in service by the end of the test  
5 period.

6 **Q. Earlier you testified that you reviewed the Company’s filing in this docket. Please**  
7 **identify the projects associated with the plant that the Company asserts will be**  
8 **closed to plant in service during the test period.**

9 A. Company witness Kalmbacher sponsored the Company’s testimony concerning proposed  
10 plant additions during the test period and Schedule 2A of the Company’s filing. His  
11 testimony identified the following:<sup>1</sup>

12 1. East District Improvements – This project includes the relocation of a ground  
13 level storage tank from Asbury Chase to Drawyers Creek and the installation of a new  
14 173,000 gallon storage tank at Asbury Chase to increase storage capacity for the East  
15 District and enhance fire protection capabilities at Drawyers Creek. Estimated Cost:  
16 \$354,307

17 2. Dickerson Farms Piping Upgrades – This project involves the upgrade of the  
18 existing raw water pipelines from Sch 80 PVC to ductile iron within the plant. Estimated  
19 Cost: \$30,000

20 3. NW District Media Replacement – This project involves the replacement of the  
21 greensand and anthracite filtration media at the Wheatland Plan. Estimated Cost:  
22 \$45,000

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<sup>1</sup> Kalmbacher Direct pp.3-8

Neilson – Direct

- 1        4.        NW District Control System Upgrades – This project involves the upgrading of  
2        the existing process control systems at the Nautical Cove, Wheatland, and Dickerson  
3        plants. Estimated Cost: \$229,488
- 4        5.        Generals Greene – This project includes the demolition of the existing plant and  
5        construction of a new building, piping, electrical system, control system, and chemical  
6        addition. Estimated Cost: \$884,607
- 7        6.        Kent County Flow Monitoring – This project involves the installation of flow  
8        monitoring equipment at certain plants within Kent County. Work includes replacing  
9        flow metering, installing instrumentation, and upgrading PLC’s. Estimated Cost:  
10       \$325,000
- 11       7.        Canterbury Road Main Relocation – This project involves the replacement of  
12       approximately 800 feet of 12-inch HDPE water main due to DeIDOT requirements for  
13       the construction of a bridge. Estimated Cost: \$160,740
- 14       8.        Camden District Hydraulic Upgrades – This project involves the installation of  
15       approximately 7,700 feet of water main to connect Pinehurst Village with Woodbury  
16       Acres. Estimated Cost: \$727,235
- 17       9.        Hiddenbrook Main Extension – This project involves the installation of  
18       approximately 4,200 feet of water main to Hiddenbrook Acres. This main will eventually  
19       interconnect with Lakeshore Village. Estimated Cost: \$428,423
- 20       10.      Seasons – Warrington Creek Interconnection – This project involves the  
21       installation of approximately 1,500 feet of directional drilled 12-inch PVC water main  
22       and 1,200 feet of PVC water main. Estimated Cost: \$798,654

Neilson – Direct

- 1        11.    Angola Elevated Storage Tank – This project involves the construction of a new  
2        400,000 gallon elevated storage tank to service the Angola District. Estimated Cost:  
3        \$1,743,638
- 4        12.    Meadows Plant Upgrades – This project involves the upgrade of the existing  
5        piping, electrical control system, and installation of nitrate removal equipment.  
6        Estimated Cost: \$227,107
- 7        13.    Townsend Property Interconnection – This project involves the installation of  
8        approximately 1200 feet of 12-inch HDPE by directional drill method to interconnect  
9        Bay Crossing with Senators. Estimated Cost: \$217,847
- 10       14.    Aspen Meadows Hydrants – The project involves the installation of fire  
11       protection to Aspen Meadows. Estimated Cost: \$270,830
- 12       15.    Angola District SCADA – This project involves the installation of SCADA  
13       equipment in the Angola District and integration with the existing SCADA network.  
14       Estimated Cost: \$150,000
- 15       16.    Bayside Phase 2 Distribution – This project involves the installation of new water  
16       main, valves, and hydrants to serve Bayside. Estimated Cost: \$136,971
- 17       17.    Clearbrooke Upgrades – This project involves the installation of piping, chemical  
18       equipment, and building to eliminate a confined space issue. Estimated Cost: \$49,339
- 19       18.    Love Creek Woods Generator – This project involves the installation of a  
20       generator for emergency power. Estimated Cost: \$49,377
- 21       19.    Ocean Farms Fire Protection Upgrades – This project involves the upgrade of the  
22       fire protection system by installing the hydrants on the domestic supply system.  
23       Estimated Cost: \$48,967

- 1           20.   Property Records – This project involves the documentation and recordation of  
2 easements and property rights. Estimated Cost: \$149,198
- 3           21.   Wells - The cost for replacing/adding/upgrading wells is projected at \$19,516.
- 4           22.   Treatment and Pumping Structures – The cost for replacing/installing treatment  
5 and pumping structures is projected at \$34,547.
- 6           23.   Pumping Equipment – The cost for replacing/installing treatment equipment is  
7 projected at \$172,369.
- 8           24.   Treatment Equipment – The cost for replacing/installing treatment equipment is  
9 projected at \$38,976.
- 10          25.   Mains, Blow-offs & Valves – The cost of replacing/installing mains, blow-offs  
11 and valves is projected at \$152,078.
- 12          26.   Service Lines – The cost of installing new service lines is projected to be  
13 \$611,087.
- 14          27.   Meter purchase & Installations – Meters are installed for new service connections  
15 and meters are replaced as part of the meter testing program to meet regulatory service  
16 standards. The cost of purchasing and installing new meters is projected to be \$376,000.
- 17          28.   Hydrants – The cost of replacing/adding fire hydrants is projected at \$50,280.
- 18          29.   Leasehold Improvements – Emergency generators are to be installed at the Dover  
19 Office Complex and Operations Center and the fence will be extended at the Operations  
20 Center. The cost for leasehold improvements is projected at \$23,000.
- 21          30.   Computers – Routine replacement of computers, printers, servers, networking  
22 equipment, and technological upgrades will be completed. The cost for computer  
23 systems is projected at \$311,000.

1 31. Transportation – The cost for replacing vehicles is projected at \$185,820.

2 32. Tools and Shop Equipment – The cost for tools and shop equipment is projected  
3 at \$30,000.

4 33. Lab Equipment – The cost for lab equipment is projected at \$6000.

5 **Q. During your review of Tidewater’s filing did you discover any issues with the plant**  
6 **in service proposed by the Company?**

7 A. Yes, Initially I notice that Company Schedule 2A appeared to have some formula  
8 problems that picked up the account numbers and added that number to the “Projected  
9 Additions” column in the schedule. Tidewater confirmed that there was a mistake in the  
10 formula for this column in response to PSC-RR-66. Correcting this mistake reduces the  
11 Company’s proposed Test Period Utility Plant in Service by \$8,511. There will also be a  
12 corresponding reduction in accumulated depreciation and depreciation expense related to  
13 this adjustment. Staff witness Teixeira addresses the accumulated depreciation and  
14 depreciation expense adjustments in his testimony.

15 **Q. Did you make any other adjustments to the Company’s proposed Test Period Utility**  
16 **Plant in Service additions?**

17 A. In response to PSC-GEN-10 the Company identified three projects that will not be  
18 completed and placed in service by the end of the Test Period. Those projects are the  
19 Hiddenbrook Main Extension, Townsend Property Interconnection, and the Angola  
20 District SCADA project. The Company indicated that removing these projects results in  
21 a decrease in the projected Utility Plant in Service at the end of the Test Period of  
22 \$796,630. Again, there will also be a reduction in accumulated depreciation and

1 depreciation expense associated with this adjustment, which Staff witness Teixeira will  
2 address.

3 **Q. Do you have any other adjustments to make to the Company’s proposed Test Period**  
4 **Utility Plant in Service balance?**

5 A. Yes, in response to PSC-GEN-11 the Company provided an update to the project status  
6 for each of the projects it identified in its original application. The Company corrected,  
7 clarified, and supplemented the schedules associated with this response on May 9, 2014  
8 in response to several questions raised by Staff. Of the non-“Blanket” projects that were  
9 to be completed during the Test Period, only six were 100% complete as of April 30,  
10 2014. Therefore, I removed the non-blanket plant associated with the projects that are  
11 not 100% complete as of April 30, 2014. If prior to filing its rebuttal testimony, the  
12 Company demonstrates that some of these projects are completed, and are actually used  
13 and useful, I would consider amending my testimony to reflect the updated additions to  
14 general plant in service for purposes of determining rates in this proceeding. In addition,  
15 review of Company Witness Kalmbacher’s direct testimony concerning the projects and  
16 their estimated cost as compared to the responses to PSC-GEN-10 and PSC-GEN-11  
17 suggests that the estimates provided by Tidewater in its original application may not  
18 accurately reflect the actual cost of the individual projects. Therefore in my opinion it  
19 would not be appropriate to rely on the projections contained in the Company’s filing and  
20 original schedules to determine the Utility Plant in Service. As with my other plant  
21 adjustments, there is an associated adjustment for accumulated depreciation and  
22 depreciation expense -- addressed by Staff witness Teixeira in his testimony...

1 **Q. Was there any Contributions In Aid of Construction associated with the plant that**  
2 **you removed from the projected Utility Plant in Service and if so how is it accounted**  
3 **for in your adjustments?**

4 A. The Company showed a net CIAC addition to account 343 of \$114,414. I reviewed the  
5 Company's filing and it appeared that the CIAC might be associated with some of the  
6 plant that I removed from Rate Base and as such I removed the CIAC as well. This is a  
7 conservative adjustment that benefits the Company. This adjustment raises rate base by  
8 \$114,414.

9 **Q. The Company's most recent update to its response to PSC-GEN-11 shows that here**  
10 **was no Utility Plant in Service for the Dickerson Farms Piping Upgrades Project as**  
11 **of March 31, 2014. Why did you include Utility Plant in Service for this project?**

12 A. The original response to PSC-GEN-11 indicated that the project was 100% complete.

13 **Q. What account was that project booked to and what is the dollar amount that you**  
14 **included for this project?**

15 A., I recorded the amount for this project in account 325 as indicated in the Company's  
16 response to PSC-RR-76. I recorded the amount that was in the original response to PSC-  
17 GEN-11 under the Plant Closed to Date column. That amount was \$18,184. Although  
18 the supplemental response to that data request indicated that nothing had been transferred  
19 to Utility Plant in Service as of March 31, 2014, I included this amount since the  
20 Company's initial response indicated that it was updated as of April 30, 2014 -- a month  
21 later.

1 **Q. Do you have any recommendations with respect to the Statewide/Miscellaneous**  
2 **Projects identified in Tidewater’s response to PSC-GEN-11, and specifically to the**  
3 **project identified as “Property Records”?**

4 A. Yes, I recommend disallowing the Company’s requested addition to plant since no funds  
5 have been closed to plant for these projects according to the Company’s response to PSC-  
6 GEN-11. As with my previous recommendation, I would consider amending my  
7 testimony to allow the additional cost incurred for these projects that are closed to plant  
8 as of May 30, 2014. Therefore, I have removed \$149,198 from the Company’s projected  
9 Test Period Utility Plant in Service. This is in addition to the adjustment I made for the  
10 formula mistake in the Company’s original Schedule 2A.

11 **Q. Do you have any recommendation as to the Projects listed under “Blankets” in**  
12 **Tidewater’s response to PSC-GEN-11?**

13 A. Yes, consistent with my treatment of Statewide/Miscellaneous Projects I recommend  
14 disallowance of any funds not presently closed to Utility Plant in Service for these  
15 projects but I would consider recommending allowing the costs if the company later  
16 shows that it has expended additional money on these projects and that the plant that the  
17 funds were used for are used and useful. I have made adjustments to the Company’s  
18 projected Test Period additions to reflect only the dollar amounts for the projects that  
19 were closed to Utility Plant in Service as of March 31, 2014.

20 **Q. Turning to the Company’s Tariff revisions, please describe the Tariff changes that**  
21 **you are addressing?**

22 A. First, the Company has suggested changes to section 3.6 Cross Connection Control. This  
23 change replaces the current language in this section with a much more detailed and

1 extensive description of what situations constitute a cross connection and the terms and  
2 conditions for requiring backflow preventers.

3 The second Tariff change that I address is section 6.2 Maintenance. The requested  
4 change removes language that says that the Company maintains all fire hydrants and  
5 replaces it with language that indicates that the Company will maintain fire hydrants that  
6 it owns but it will not maintain hydrants that it has not accepted.

7 **Q. With respect to section 3.6 Cross Connection Control what are your**  
8 **recommendations?**

9 A. The Company stated that it has requested this change to address a growing concern that  
10 its system might be contaminated by its customers in certain situations. I think the  
11 change is not unreasonable and do not oppose its adoption by the Commission.

12 **Q. With respect to the requested change to section 6 Public Fire Service and**  
13 **specifically section 6.2 Maintenance what is your recommendation?**

14 A. Staff reviewed the requested change and sent data requests to the Company to better  
15 understand why the Company was requesting this change and how it would affect  
16 customers. The Company responses indicate that this change is requested in order to  
17 address fire hydrants that are in construction areas where the Company has not taken  
18 ownership of the hydrants. The Company further clarified that the change will not affect  
19 the maintenance of fire hydrants that it owns or that are in areas where it has customers  
20 and is intended only to address who is responsible for damages that result from  
21 contractors, or others, prior to the company accepting the hydrants. Although I believe  
22 this issue could be better addressed in contract language, I do not oppose the change at  
23 this time.

1    **Q.    Do you have a recommendation with respect to the Company’s proposed change to**  
2       **section 6.2 of its tariff?**

3    A.    Yes, in fire districts where there are fire hydrants that the Company is not maintaining,  
4       the Company should make sure the local fire department is aware of any, and all, fire  
5       hydrants that it is not maintaining.

6    **Q.    Does this conclude your testimony?**

7    A.    Yes it does.

SECTION C  
SCHEDULE 1

Tidewater Utilities, Inc.  
PLANT IN SERVICE  
PSC Docket # 13-466

Witness: Kevin Neilson

Line No.	Description	Company Filing	Staff Adjustments	Staff Position	Staff Adjustment Reference
<b>INTANGIBLE PLANT</b>					
1	Organization (301)	\$ 9,079	\$ -	\$ 9,079	
2	Franchise and Consents (302)	\$ 695,322	\$ -	\$ 695,322	
3	Misc.Intangible Plant (303)	\$ 6,958	\$ -	\$ 6,958	
4	0	\$ -	\$ -	\$ -	
<b>SOURCE OF SUPPLY</b>					
5	Land and Land Rights (310)	\$ 365,228	\$ (149,508)	\$ 215,720	C2A
6	Structures and Improvements (311)	\$ -	\$ -	\$ -	
7	Collecting and Impounding Reservoirs (312)	\$ -	\$ -	\$ -	
8	Lake, River and Other Intakes (313)	\$ -	\$ -	\$ -	
9	Wells and Springs (314)	\$ 4,006,999	\$ 5,462	\$ 4,012,461	C2A
10	Supply Mains (316)	\$ 25,383	\$ (316)	\$ 25,067	C2B
11	0	\$ -	\$ -	\$ -	
<b>PUMPING PLANT</b>					
12	Land and Land Rights (320)	\$ 70,485	\$ -	\$ 70,485	
13	Structures and Improvements (321)	\$ 8,749,083	\$ (400,587)	\$ 8,348,496	C2A
14	Other Power Production Equipment (323)	\$ 639,656	\$ (323)	\$ 639,333	C2B
15	Electric Pumping Equipment (325)	\$ 17,969,705	\$ (1,332,521)	\$ 16,637,184	C2A
16	Diesel Pumping Equipment (326)	\$ 2,999	\$ (326)	\$ 2,673	C2B
17	0	\$ -	\$ -	\$ -	
<b>WATER TREATMENT PLANT</b>					
18	Land and Land Rights (330)	\$ -	\$ -	\$ -	
19	Structures and Improvements (331)	\$ 268,070	\$ (331)	\$ 267,739	C2B
20	Water Treatment Equipment (332)	\$ 7,588,257	\$ (105,523)	\$ 7,482,734	C2A
21	0	\$ -	\$ -	\$ -	
<b>TRANSMISSION &amp; DIST. PLANT</b>					
22	Land and Land Rights (340)	\$ 2,119	\$ -	\$ 2,119	
23	Distribution Reservoirs and Standpipes (342)	\$ 13,277,015	\$ (89,021)	\$ 13,187,994	C2A
24	Transmission and Distribution Main (343)	\$ 82,880,508	\$ (1,564,071)	\$ 81,316,437	C2C
25	Services (345)	\$ 17,206,899	\$ (144,893)	\$ 17,062,006	C2A
26	Meters (346)	\$ 4,553,934	\$ (276,987)	\$ 4,276,947	C2A
27	Meter Intallations (347)	\$ 440,680	\$ (347)	\$ 440,333	C2B
28	Hydrants (348)	\$ 7,913,481	\$ (145,878)	\$ 7,767,603	C2A
29	0	\$ -	\$ -	\$ -	
<b>GENERAL PLANT</b>					
30	Land & Land Rights (389)	\$ 38,684	\$ (389)	\$ 38,295	C2B
31	Structures and Improvements (390)	\$ 233,041	\$ 46,151	\$ 279,192	C2A
32	Office Furniture and Equipment (391)	\$ 2,754,691	\$ (200,145)	\$ 2,554,546	C2A
33	Transportation Equipment (392)	\$ 2,188,709	\$ (186,168)	\$ 2,002,541	C2A
34	Stores Equipment (393)	\$ -	\$ -	\$ -	
35	Tools, Shop and Garage Equipment (394)	\$ 676,408	\$ (25,920)	\$ 650,488	C2A
36	Laboratory Equipment (395)	\$ 71,338	\$ 4,714	\$ 76,052	C2A
37	Power Operated Equipment (396)	\$ 279,917	\$ (396)	\$ 279,521	C2B
38	Communications Equipment (397)	\$ 276,083	\$ (397)	\$ 275,686	C2B
39	Other Tangible Equipment (398)	\$ 342,963	\$ (398)	\$ 342,565	C2B
40	Office Equipment-SCADA System (398.2)	\$ -	\$ -	\$ -	
41	0	\$ -	\$ -	\$ -	
42	0	\$ -	\$ -	\$ -	
39	Total Depreciable Plant	\$ 173,533,694	\$ (4,568,118)	\$ 168,965,576	
40	Non-depreciable plant			\$ -	
41	Total Plant in Service	\$ 173,533,694	\$ (4,568,118)	\$ 168,965,576	

Tidewater Utilities, Inc.  
Plant - Staff Adjustments  
PSC Docket # 13-466

Staff Adjustment Reference #	Account Number and Name	Adjustment Explanation
C2A	Multiple accounts	Corrected a formula mistake in the Company's original application and adjusted the account balance to reflect the actual Plant in Service as reflected in the Company's response to PSC-GEN-11 as later corrected, supplemented, and clarified by the Company on May 9, 2014
C2B	Multiple accounts	Removed \$8,511 from Test Period additions for formula mistake
C2C	Transmission and Distribution Main (343)	Corrected a formula mistake in the Company's original application and adjusted the account balance to reflect the actual Plant in Service as reflected in the Company's response to PSC-GEN-11 as later corrected, supplemented, and clarified by the Company on May 9, 2014. In addition I added back in the \$114,414 of CIAC that the Company showed in its filing for this account since it looks like the CIAC was for plant that I also through out.