

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

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER UTILITIES, INC. FOR THE)
APPROVAL OF THE SEMI-ANNUAL ADJUSTMENT) PSC DOCKET NO. 10-403
TO THE DISTRIBUTION SYSTEM)
IMPROVEMENT CHARGE ("DSIC") EFFECTIVE)
JANUARY 1, 2010 PURSUANT TO)
26 DEL. C. §314(b)(5))
(FILED NOVEMBER 22, 2010))

ORDER NO. 7879

This 21ST day of December, 2010, the Commission determines and Orders the following:

I. BACKGROUND

1. Under the provisions of 26 Del. C. §314, a water utility 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. 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 put into service within a preceding six-month window. See 26 Del. C. §314(b) (3), (5).¹

¹The Commission has explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (Dec. 11, 2001).

II. DSIC RATE ADJUSTMENTS BY TIDEWATER UTILITIES, INC.

2. On November 22, 2010, Tidewater Utilities, Inc. ("Tidewater") filed an application to re-set its DSIC Rate from 1.07% to 1.34%, effective January 1, 2011.² According to Tidewater, this increase in its DSIC charge reflects an additional net plant of \$122,161 placed in service between May 1, 2010 and October 31, 2010.

3. Consistent with previous determinations the Commission will allow the adjusted DSIC Rate to go into effect on January 1, 2011. As with Tidewater's earlier DSIC Rates, the Commission does not specifically approve this new adjusted Rate. Rather, this adjustment will be subject to audit and review for compliance with section 314 during the annual reconciliation proceeding. If the Commission 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 OF NOT FEWER THAN THREE COMMISSIONERS:

1. That, under the provisions of 26 Del. C. §314, the adjusted DSIC Rate of 1.34% as proposed by Tidewater Utilities, Inc., in its application filed on November 22, 2010, is allowed to go into effect on January 1, 2011. Such DSIC Rate shall be

² Tidewater's DSIC Rate was set to 1.07%, effective July 1, 2010, pursuant to PSC Order No. 7791 (June 15, 2009).

Docket No. 10-403, Order No. 7879 Cont'd

subject to later review, audit, or revision as described in the body of this Order. Further, Tidewater Utilities, Inc., is put on notice that it may be obligated to 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 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 Tidewater Utilities, Inc. is hereby notified that it will be assessed the costs of this proceeding pursuant to 26 Del. C. §114(b).

5. 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

Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Janis Dillard
Acting Executive Director