

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

IN THE MATTER OF THE APPLICATION OF )  
PRIME HOOK WATER COMPANY CONCERNING )  
THE ESTABLISHMENT OF A DISTRIBUTION )  
SYSTEM IMPROVEMENT CHARGE UNDER THE ) PSC DOCKET NO. 11-272  
PROVISIONS OF 26 *DEL. C.* §314 TO BE )  
EFFECTIVE July 1, 2011 )  
(FILED MAY 26, 2011) )

**ORDER NO. 7992**

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 services 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 put into 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 PRIME HOOK WATER COMPANY**

**WHEREAS**, on May 26, 2011, Prime Hook Water Company ("Prime Hook" or the "Company") filed an application to adjust its DSIC Rate to 5.0%, with such change to be effective on July 1, 2011. According to Prime Hook, this increased DSIC Rate reflects an additional net original cost of \$24,390 of 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 an annual increase of \$9.25 for every Prime Hook customer.

**WHEREAS**, consistent with previous determinations, the Commission will allow the adjusted DSIC Rate to go into effect on July 1, 2011. As with other DSIC applications, the Commission does not specifically approve this new adjusted DSIC Rate. Rather, this adjustment 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 OF NOT FEWER THAN THREE COMMISSIONERS:**

1. That, under the provisions of 26 Del. C. §314, the adjusted DSIC Rate of 5% as proposed by Prime Hook Water Company in its application filed on May 26, 2011, is allowed to go into effect on July 1, 2011. Such DSIC Rate shall be subject to later

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review, audit, or revision as described in the body of this Order. Furthermore, Prime Hook Water Company 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 Prime Hook Water Company 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 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

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Commissioner

ATTEST:

/s/ Alisa Carrow Bentley  
Secretary