

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 IMPROVEMENT CHARGE ("DSIC")) PSC Docket No. 10-403
UNDER THE PROVISIONS OF 26 DEL. C.)
§314 TO BE EFFECTIVE JANUARY 1, 2010)
(FILED NOVEMBER 22, 2010))

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

ORDER NO. 8176

This 17th day of July 2012, the Commission determines and Orders the following:

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

WHEREAS, under the statutory scheme, a particular water utility's DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within the preceding six months (see 26 Del. C. §§314(b)(3) and (b)(5));¹ and

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

WHEREAS, on November 22, 2010, Tidewater Utilities, Inc. ("Tidewater") filed an application in PSC Docket No. 10-403 to reset its DSIC Rate from 1.07% to 1.34%; and

WHEREAS, on December 21, 2010, the Commission approved Tidewater's application in PSC Docket No. 10-403 to reset its DSIC Rate to 1.34%, subject to annual review, audit, and reconciliation by the Commission Staff ("Staff"); and

WHEREAS, on May 31, 2011, Tidewater filed a subsequent application in PSC Docket No. 11-262 to reset its DSIC rate from 1.34% to 1.98% pursuant to 26 *Del. C.* §314. This Code Section allows for the DSIC Rate to go into effect without a substantial review, but does require an annual audit and reconciliation; and

WHEREAS, on June 21, 2011, the Commission approved Tidewater's application to reset its DSIC rate to 1.98%, subject to annual review, audit, and reconciliation to be performed by Staff; and

WHEREAS, on June 14, 2012, Staff conducted an audit of Tidewater's DSIC component and calculations and found no discrepancies and found that the numbers were in compliance with the Delaware Code and the DSIC Rates previously approved by the Commission; and

WHEREAS, Staff found in its audit that in PSC Docket No. 10-403, Tidewater collected \$120,232, which was \$8,847 below the projected revenue; and

WHEREAS, Staff also found in its audit that in PSC Docket No. 11-262, Tidewater collected \$193,129, which resulted in \$16,568 over the projected revenue. Thus, the annual reconciliation for PSC Docket Nos. 10-403 and 11-262 produced an over-collection in 2011 of \$7,722.

Staff therefore recommends to the Commission that Tidewater include the \$7,222 of over-collection in its future DSIC application calculations; and

WHEREAS, Tidewater filed a rate case in November 2011 and has reset its DSIC Rate to zero since that time as required by 26 *Del. C.* §314. Therefore, Staff recommends that the DSIC rate of 1.98% in effect through November 1, 2011, should be approved as final; and

WHEREAS, Staff recommends that the Commission formally close PSC Docket Nos. 10-403 and 11-262; and

WHEREAS, Staff further reports that it has shared its findings with the Public Advocate and Tidewater and that there are no objections to the closing of these dockets;

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

1. Based upon Staff's recommendation and for the reasons discussed above, the Commission orders that PSC Docket Nos. 10-403 and 11-262 may be closed.

2. As allowed by PSC Order No. 7991, dated June 21, 2011, and 26 *Del. C.* §314(b)(8), Tidewater Utilities, Inc. is put on notice that it may be obligated to make refunds or reimbursements to its subscribers because Staff found the last approved DSIC Rate resulted in an over-collection of \$7,722. Under 26 *Del. C.* §314(b)(8), such over-collections shall be refunded with interest. Thus, when Tidewater Utilities, Inc. files its next application to set its DSIC Rate, such over-collection of \$7,722 must be included in the calculation of such rate.

