

**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 ) PSC DOCKET NO. 12-525  
IMPROVEMENT CHARGE UNDER THE PROVISIONS )  
OF 26 DEL. C. §314 TO BE EFFECTIVE )  
JANUARY 1, 2013 )  
(FILED NOVEMBER 20, 2012) )

**ORDER NO. 8264**

This 18th day of December 2012, the Commission determines and Orders the following:<sup>1</sup>

**WHEREAS**, 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; and

**WHEREAS**, on November 20, 2012, Tidewater Utilities, Inc. ("Tidewater") filed an application to increase its DSIC Rate by 0.49% effective on January 1, 2013.

**WHEREAS**, Staff recommends that the Commission permit this DSIC Rate to go into effect on January 1, 2013, but have this DSIC Rate remain subject to review, audit, and an annual reconciliation by Staff based on a 12-month period ending December 31, 2013; and

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<sup>1</sup> The Commission has explained the DSIC Rate mechanism in greater detail earlier in PSC Orders Nos. 5850 and 5851 (dated December 11, 2001).

**WHEREAS**, consistent with previous determinations, the Commission will allow the adjusted DSIC Rate to go into effect on January 1, 2013. As with Tidewater's earlier DSIC Rates, 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 annual reconciliation proceeding, which will occur after December 31, 2013. 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 DSIC Rate adjustment of 0.49% as proposed by Tidewater in its application filed on November 20, 2012, is allowed to go into effect on January 1, 2013. Such DSIC Rate shall be subject to later review, audit, or revision as described in the body of this Order. Further, Tidewater 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 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

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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/ Dallas Winslow  
Chair

/s/ Joann T. Conaway  
Commissioner

/s/ Jaymes B. Lester  
Commissioner

/s/ Jeffrey J. Clark  
Commissioner

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Commissioner

ATTEST:

/s/ Alisa Carrow Bentley  
Secretary