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 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:

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

1 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
PSC Docket No. 12-525, Order No. 8264 Cont’d
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

________________________
Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary