

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

IN THE MATTER OF THE APPLICATION OF )  
ARTESIAN WATER COMPANY, INC., CONCERNING )  
THE ESTABLISHMENT OF A DISTRIBUTION ) PSC DOCKET NO. 12-242  
IMPROVEMENT CHARGE UNDER THE PROVISIONS )  
OF 26 DEL. C. §314 TO BE EFFECTIVE )  
JULY 1, 2012 (FILED MAY 31, 2012) )

**ORDER NO. 8489**

**AND NOW**, this 5<sup>th</sup> day of December, 2013, the Delaware Public Service Commission ("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));<sup>1</sup> and

**WHEREAS**, on May 31, 2012, Artesian Water Company, Inc. ("AWC") filed an application to adjust its DSIC Rate to 0.14%, with such change to be effective on July 1, 2012; and

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

**WHEREAS**, via Order No. 8166 (June 19, 2012), and consistent with previous determinations, the Commission allowed AWC's adjusted DSIC Rate of 0.14% to go into effect on July 1, 2012, subject to later audit, review, or revision for compliance with 26 Del. C. §314 during the annual reconciliation proceeding, which was to occur after December 31, 2012; and

**WHEREAS**, the Commission explicitly reserved jurisdiction and authority over AWC's DSIC Rate so that the Commission's Staff ("Staff") could conduct the review and audit as described in Order No. 8166 and the annual reconciliation described in 26 Del. C. §314(b)(8); and

**WHEREAS**, Order No. 8166 specified that if the Commission found that AWC's DSIC Rate did not comply with the statutory prerequisites or was not calculated according to the statutory formula, the Commission could revise the DSIC Rate and provide an appropriate remedy for any DSIC charges improperly collected; and

**WHEREAS**, AWC was put on notice that it could be obligated to make refunds or reimbursements to its subscribers if the adjusted DSIC Rate was later found, in all or in part, to be inconsistent with the provisions of 26 Del. C. §314; and

**WHEREAS**, on October 31, 2013, Staff began conducting an audit of AWC's DSIC component and calculations and found no discrepancies. Staff also found that the numbers were in compliance with the Delaware Code and the DSIC Rate which the Commission addressed in Order No. 8166 (June 19, 2012). Specifically, Staff found that (i) AWC's rate of return did not

exceed its last authorized rate of return; (ii) AWC collected \$42,081 in DSIC revenues, which was \$1,864 below the projected DSIC revenue; (iii) the plant portion of AWC's DSIC calculation was accurate; and (iv) the total depreciation as calculated by AWC agreed with the company's general ledger; and

**WHEREAS**, based on its audit of the additional plant claimed by AWC in 2012 and the revenues collected by AWC under the 2012 DSIC Rates, Staff recommends that AWC's DSIC Rate of 0.14% should be approved as final; and

**WHEREAS**, Staff recommends that the Commission formally close PSC Docket No. 12-242; and

**WHEREAS**, Staff further reports that it has shared its findings with the Division of the Public Advocate and AWC and that neither had any objections to closing of this docket;

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

1. Under the provisions of 26 Del. C. §314, the Commission hereby approves AWC's 2012 DSIC Rate of 0.14% (effective June 1, 2012, to December 31, 2012), as previously allowed to go into effect in Order No. 8166 (June 19, 2012).

2. Nothing in this Order shall preclude the examination and challenge of AWC's claims in any base rate proceeding.

3. The annual audit of the filing made in PSC Docket No. 12-242 is concluded, and this proceeding is hereby closed.

4. The Company is hereby placed on notice that the costs of the proceedings will be charged to it under the provisions of 26 Del. C. §114(b)(1).

5. 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:**

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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