

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

IN THE MATTER OF THE APPLICATION OF )  
UNITED WATER DELAWARE, INC. CONCERNING )  
THE ESTABLISHMENT OF A DISTRIBUTION )  
SYSTEM IMPROVEMENT CHARGE UNDER THE ) PSC DOCKET NO. 11-503  
PROVISIONS OF 26 *DEL.* C. §314 TO BE )  
EFFECTIVE JANUARY 1, 2012 )  
(FILED NOVEMBER 21, 2011) )

IN THE MATTER OF THE APPLICATION OF )  
UNITED WATER DELAWARE, INC. CONCERNING )  
THE ESTABLISHMENT OF A DISTRIBUTION )  
SYSTEM IMPROVEMENT CHARGE UNDER THE ) PSC DOCKET NO. 12-230  
PROVISIONS OF 26 *DEL.* C. §314 TO BE )  
EFFECTIVE JULY 1, 2012 )  
(FILED MAY 24, 2012) )

**ORDER NO. 8495**

**AND NOW**, this 17<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 November 21, 2011, United Water Delaware, Inc. ("UWD") filed an application to set its DSIC Rate to 1.25%, with such change to be effective on January 1, 2012; and

**WHEREAS**, via Order No. 8087 (December 20, 2011), and consistent with previous determinations, the Commission allowed UWD to set its DSIC Rate to 1.25% to go into effect on January 1, 2012, subject to later audit, review, and revision for compliance with 26 Del. C. §314 during the annual reconciliation proceeding; and

**WHEREAS**, the Commission explicitly reserved jurisdiction and authority over UWD's DSIC Rate so that the Commission's Staff ("Staff") could conduct the review and audit as described in Order No. 8087 and the annual reconciliation described in 26 Del. C. §314(b)(8); and

**WHEREAS**, Order No. 8087 specified that if the Commission found that UWD'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**, UWD 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

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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**, on May 24, 2012, UWD applied to adjust its DSIC Rate from 1.25% to 1.89%, with an effective date of July 1, 2012; and

**WHEREAS**, via Order No. 8165 (June 19, 2012), and consistent with previous determinations, the Commission allowed UWD to adjust its DSIC Rate from 1.25% to 1.89% with an effective date of July 1, 2012, subject to later audit, review, and 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 again explicitly reserved jurisdiction and authority over UWD's DSIC Rate so that Staff could conduct a review and audit as well as the annual reconciliation described in 26 *Del. C.* §314(b)(8); and

**WHEREAS**, the Commission further put UWD on notice that it may be obligated to make refunds or reimbursements to its subscribers if the adjusted DSIC Rate of 1.89% was later found, in all or in part, to be inconsistent with the provisions of 26 *Del. C.* §314; and

**WHEREAS**, on December 2, 2013, Staff received and conducted an audit of the DSIC Rate for 2012. Staff began conducting an audit of UWD'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 Rates which the Commission addressed in Order Nos. 8087 (December 20, 2011) and 8165 (June 19, 2012). Specifically, Staff found that (i) UWD's rate of return did not exceed its last authorized rate of return;

(ii) for PSC Docket No. 11-503, UWD collected \$138,183 in DSIC revenues, which is \$10,886 below the projected DSIC revenue; (iii) for PSC Docket No. 12-230, UWD collected \$232,202, which is \$6,936 below the projected revenue; (iv) the plant portion of UWD's DSIC calculation was accurate; and (v) the total depreciation as calculated by UWD agreed with the company's general ledger; and

**WHEREAS**, based on Staff's annual reconciliation audit of the additional plant claimed by UWD in 2012 and the revenues collected by UWD under the 2012 DSIC Rates, Staff found that UWD under-collected in 2012 a total of \$17,822 in DSIC revenues. Staff recommends that this under-collection of \$17,822 be reconciled in UWD's next DSCI application. Staff also recommends that UWD's DSIC Rate of 1.89% be approved as final; and

**WHEREAS**, Staff recommends that the Commission formally close PSC Docket Nos. 11-503 and 12-230; and

**WHEREAS**, Staff further reports that it has shared its findings with the Division of the Public Advocate and UWD 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 UWD's 2012 DSIC Rates of 1.25% and 1.89% (effective January 1, 2012, to December 31, 2012), as previously allowed to go into effect in Order Nos. 8087 (December 20, 2011) and 8165 (June 19, 2012).

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

3. The annual audit of the filings made in PSC Docket Nos. 11-503 and 12-230 is concluded, and these proceedings are 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