

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) PSC DOCKET NO. 12-525
OF 26 DEL. C. §314 TO BE EFFECTIVE)
JANUARY 1, 2013 FILED NOVEMBER 20, 2012))

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER UTILITIES, INC. CONCERNING THE)
ESTABLISHMENT OF A DISTRIBUTION) PSC DOCKET NO. 13-207
IMPROVEMENT CHARGE UNDER THE PROVISIONS)
OF 26 DEL. C. §314 TO BE EFFECTIVE)
JULY 1, 2013 FILED MAY 24, 2013))

ORDER NO. 8565

AND NOW, this 10th day of June, 2014, 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));¹ and

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

WHEREAS, on November 20, 2012, Tidewater Utilities, Inc. ("Tidewater") filed an application in PSC Docket No. 12-525 to set its DSIC Rate to 0.49% effective on January 1, 2013; and

WHEREAS, on December 18, 2012, the Commission approved Tidewater's application to increase its DSIC Rate by 0.49% to be effective January 1, 2013, subject to annual review, audit, and reconciliation by the Commission Staff ("Staff") based on a 12-month period ending December 31, 2013. See Order No. 8264; and

WHEREAS, on May 24, 2013, Tidewater filed a subsequent application in PSC Docket No. 13-207 to reset its DSIC Rate from 0.49% to 0.68% to be effective on July 1, 2013. The requested rate reset was less than a 5% increase in the then-current rates of Tidewater and, as such, satisfied the requirements of 26 Del. C. §314(b)(7). The increase was expected to result in additional revenues of approximately \$95,532; and

WHEREAS, on June 18, 2013, the Commission approved Tidewater's application to reset its DSIC rate from 0.49% to 0.68%, subject to annual review, audit, and reconciliation to be performed by Staff. See Order No. 8399; and

WHEREAS, on May 21, 2014, Staff began conducting an audit of Tidewater'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 previously addressed in Order Nos. 8264 and 8399. Specifically, Staff found that (i) Tidewater's rate of return did not exceed its last authorized rate of return; (ii) Tidewater

collected \$51,757 in DSIC revenues for PSC Docket No. 12-525, which was \$4,658 below the projected DSIC revenue; (iii) Tidewater collected \$89,896 in DSIC revenues for PSC Docket No. 13-207, which was \$5,636 below the projected revenue; (iv) the plant portion of Tidewater's DSIC calculation was accurate; and (v) the total depreciation as calculated by Tidewater agreed with its general ledger; and

WHEREAS, Staff found that the annual reconciliation for PSC Docket Nos. 12-525 and 13-207 produced a total under-collection in 2013 of \$10,294; and

WHEREAS, based on Staff's audit of the additional plant claimed by Tidewater in 2013 and the revenues collected by Tidewater under the 2013 DSIC rates, Staff recommends that Tidewater's DSIC rates of 0.49% for January 1, 2013, through June 30, 2013, and 0.68% for July 1, 2013 through December 31, 2013, should be approved as final; and

WHEREAS, Staff recommends that the Commission formally close PSC Docket Nos. 12-525 and 13-207; 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. Under the provisions of 26 Del. C. §314, the Commission hereby approves Tidewater's 2013 DSIC Rates of 0.49% (effective January 1, 2013, through June 30, 2013) and of 0.68% (effective July 1, 2013, through December 31, 2013), as

previously allowed to go into effect in Order No. 8264 (December 18, 2012) and Order No. 8399 (June 18, 2013).

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

3. The annual audit of the filing made in PSC Docket Nos. 12-525 and 13-207 is concluded, and this proceeding is hereby closed.

4. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets 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