



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION
861 SILVER LAKE BLVD.
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE: (302) 736-7500
FAX: (302) 739-4849

February 26, 2018

TO: The Chair and Members of the Commission

FROM: Amy Woodward, Public Utility Analyst III

SUBJECT: IN THE MATTER OF THE APPLICATION OF TIDEWATER UTILITIES, INC. FOR APPROVAL PURSUANT TO 26 DEL. C. §215 TO ENTER INTO A LONG-TERM DEBT OBLIGATION (FILED FEBRUARY 20, 2018) – PSC DOCKET NO. 18-0125

The Application:

On February 20, 2018, Tidewater Utilities, Inc. (“Tidewater” or the “Company”) filed an application (the “Application”) pursuant to 26 *Del. C.* § 215(a)(2) requesting approval of the issuance of a long-term debt obligation in the principal amount of up to \$933,300 with a fixed interest rate from the Delaware Drinking Water State Revolving Fund (the “SRF Loan”).

Description of Debt:

Tidewater plans to enter into a long-term debt obligation to the Delaware Drinking Water State Revolving Fund (by and through the Delaware Department of Health and Human Services) in order to finance capital improvements to Tidewater’s system. This is in connection with the SRF Loan, which will be in the principal amount of up to \$933,300 and will carry a fixed annual interest rate of 2.0%. The term of the loan is twenty years. Tidewater will be obligated to pay principal and interest on the loan as prescribed by the Fund Binding Commitment Letter which was attached to the Application.¹

¹ See Application, Attachment A. “The loan interest rate shall be **2.0%**; Tidewater shall pay interest only payments semi-annually during project construction. Upon project completion, semi-annual principal and interest payments will be paid in an amount sufficient to amortize the outstanding principal balance of the **20-year term** at the rate of **2.0%**.” (Fund Binding Commitment Letter at 1) (emphasis in original).

Proposed Use of Proceeds:

Tidewater seeks approval of the debt in collaboration with state officials to replace the outdated and stressed existing water system currently owned by E.A. Timmons Mobile Home Park, Inc., which is unlawfully operating as a public utility.²

Tidewater will install a new water distribution system, including fire protection, in order to preserve the public health, safety and welfare of the Holiday Pines subdivision located in Millsboro, Delaware, and it will include the installation of a water transmission main from Tidewater's Meadow District to the Holiday Pines subdivision.³

Selection of Transaction:

Tidewater's financial strategy was to obtain long-term financing at favorable interest rates. Through the SRF Loan Tidewater will be able to finance at a favorable period of twenty years at 2.0% interest rate.

Staff's Recommendations:

Staff has reviewed the Company's Application for compliance with the requirements of 26 *Del. C.* § 215 and 26 *Del. Admin C.* § 1002 – Part D and submits that it is in accordance with law, for a proper purpose, and consistent with the public interest. In Staff's opinion, the financing portion of the Application complies with 26 *Del. C.* § 215 and warrants Commission approval. Staff also recommends that within thirty (30) days of the Commission approval of Tidewater's Application, the Company file the Opinion of Counsel and notify Staff of any material change to the financing under the SRF Loan.

² Application at ¶ 3.

³ *Id.* at ¶¶ 3, 6.