

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

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER UTILITIES, INC. FOR THE)
APPROVAL OF THE SEMI-ANNUAL)
ADJUSTMENT TO THE DISTRIBUTION SYSTEM) PSC DOCKET NO. 17-1148
IMPROVEMENT CHARGE (DSIC) PURSUANT TO)
26 DEL. C. § 314(b) (5))
(FILED NOVEMBER 20, 2017; AMENDED)
DECEMBER 12, 2017))

IN THE MATTER OF THE APPLICATION OF)
TIDEWATER UTILITIES, INC. FOR THE)
APPROVAL OF THE SEMI-ANNUAL)
ADJUSTMENT TO THE DISTRIBUTION SYSTEM) PSC DOCKET NO. 18-0346
IMPROVEMENT CHARGE (DSIC) PURSUANT TO)
26 DEL. C. § 314(b) (5))
(FILED MAY 24, 2018))

ORDER NO. 9411

AND NOW, this 18th day of June 2019, 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"), allowing it to begin recovering 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 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

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

WHEREAS, on November 20, 2017, Tidewater Utilities, Inc. (“Tidewater”) filed an application in Docket No. 17-1148 and, on December 12, 2017, filed a revised application and accompanying schedules to increase its DSIC Rate to 2.99% effective January 1, 2018; and

WHEREAS, on December 21, 2017, the Commission adopted Order No. 9162, opening Docket No. 17-1148 and approving Tidewater’s request to reset its DSIC Rate, subject to Commission Staff’s (“Staff”) annual review, audit, and reconciliation; and

WHEREAS, on May 24, 2018, Tidewater filed an application in Docket No. 18-0346 to reset its DSIC Rate from 2.99% to 1.24% effective July 1, 2018, with the reduction resulting from the change in its federal income tax rate from 35% to 21% and the correction of its pre-tax cost of debt revenue conversion factor; and

WHEREAS, this DSIC Rate calculation included an adjustment for over-collections in the amount of \$107,959 plus interest in the amount of \$3,903 for the period January 1, 2017 – December 31, 2017, for a total over-collection adjustment amount of \$111,862; and

WHEREAS, on June 19, 2018, the Commission entered Order No. 9237, opening Docket No. 18-0346 and approving Tidewater’s request to reset its DSIC Rate to 1.24%, subject to Staff’s annual review, audit, and reconciliation; and

WHEREAS, on April 5, 2019, and April 8, 2019, Staff received information requested from Tidewater regarding Docket Nos. 17-1148 and 18-0346 and conducted an audit of the DSIC Rates, concentrating on the three major components – Rate Base, Rate of Return, and Depreciation; and

WHEREAS, Staff has submitted a memorandum setting forth its audit findings (“Findings”) for Docket Nos. 17-1148 and 18-0346; and

WHEREAS, for Docket No. 17-1148, Staff's Findings state that: (i) no discrepancies were found concerning the Rate of Return based upon review of a sampling of customer bills to confirm accuracy; (ii) the semi-annual DSIC revenue requirement was properly calculated as \$326,829, reflecting the difference between the \$408,611 in DSIC revenues during the effective time period and the over-collection of \$81,782 resulting from Tidewater's pre-tax rate of return calculation error for January 2018 and its regulatory liability incurred from February through June 2018; (iii) the plant additions portion included in the Rate Base component was accurate; and (iv) Tidewater's calculation of total depreciation comported with its general ledger; and

WHEREAS, Staff notes that the \$81,782 over-collection of DSIC Revenue for the DSIC Rate period defined in Docket No. 17-1148 was reconciled, with interest, for a total amount of \$84,354 in Tidewater's DSIC Rate in Docket No. 18-1219; and

WHEREAS, based on Staff's Findings for Docket Nos. 17-1148, Staff recommends the DSIC Rate of 2.99% effective January 1, 2018 through June 30, 2018, be approved as final; and

WHEREAS, Staff recommends the Commission formally close Docket No. 17-1148; and

WHEREAS, for Docket No. 18-0346, Staff's Findings state that: (i) no discrepancies were found concerning the Rate of Return based upon review of a sampling of customer bills to confirm accuracy; (ii) the semi-annual DSIC revenue requirement was \$212,895 – a slight under-collection of \$551 for this period; (iii) the plant additions portion included in the Rate Base component was accurate; and (iv) Tidewater's calculation of total depreciation comported with its general ledger; and

WHEREAS, Staff notes that the \$551 under-collection for the DSIC Rate period defined in Docket No. 18-0346 will be reconciled in Tidewater's pending DSIC Rate application in Docket No. 19-0336; and

WHEREAS, based on Staff's Findings for Docket Nos. 18-0346, Staff recommends that the DSIC Rate of 1.24% effective from July 1, 2018 through December 31, 2018, be approved as final; and

WHEREAS, Staff recommends the Commission formally close Docket No. 18-0346; and

WHEREAS, Staff reports that it shared its Findings with Tidewater and the Delaware Division of the Public Advocate, and all parties are in agreement;

**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 DSIC Rate of 2.99% (effective January 1, 2018 through June 30, 2018) as previously allowed to go into effect in Order No. 9162 (December 21, 2017), and Tidewater's DSIC Rate of 1.24% (effective July 1, 2018 through December 31, 2018) as previously allowed to go into effect in Order No. 9237 (June 19, 2018).

2. The amount of \$551, reflecting under-collection for the DSIC Rate period defined in Docket No. 18-0346, will be reconciled in Tidewater's pending DSIC Rate application in Docket No. 19-0336.

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

4. The annual audits in Docket Nos. 17-1184 and 18-0346 are concluded, and these dockets are hereby closed.

5. 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:

Chairman

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary