STATE OF DELAWARE
PUBLIC SERVICE COMMISSION
861 SILVER LAKE BOULEVARD
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

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

MEMORANDUM

TO: Robert Howatt
Executive Director

Approved
2/24/2014

FROM: Connie S. McDowell CSM
Senior Regulatory Policy Administrator

DATE: February 24, 2014

Subject: IN THE MATTER OF THE APPLICATION OF TIDEWATER UTILITIES, INC. FOR A GENERAL INCREASE IN WATER BASE RATES AND TARIFF REVISIONS(FILED NOVEMBER 25, 2013- PSC DOCKET NO. 13-466

On November 26, 2013, Tidewater filed an application with the Commission seeking an approval for an increase in its water base rates. Tidewater is requesting an increase in annual operating revenues of $3,903,338 or approximately 14.42% over its current operating revenues. The Company states in its application that the increase is needed to recover capital investments in utility plant and increases in various operation and maintenance expenses, including depreciation, labor-related costs and water production costs. The Company is also requesting an overall rate of return of 8.53%.

In this case, the Commission Staff will be participating in the areas of revenue requirement and rate base and has sent out a Request For Proposal for consulting services in the areas of Cost of Service/Rate Design and Capital Structure, Cost of Capital and Rate of Return. Bid proposals were due at Noon on February 20, 2014. Five bid proposals were received for the area of Cost of Service/Rate Design. The prices ranged from $12,250 to $29,540. Excel Consulting submitted the low bid of $12,250. Brian Kalcic, principal of that firm, has worked for the Commission many times and has always produced an excellent work product. Three bid proposals were received for the

area of Capital Structure, Cost of Capital and Rate of Return. The prices ranged from $13,273 to $24,220. Snavely King Majoros & Associates, Inc. submitted the low bid of $13,273. Charles King, senior consultant, has worked for the Commission many times and has always worked well with the Commission Staff and has always produced an excellent work product.

Based on the above analysis, Staff respectfully recommends that the Director accept our request to hire Mr. Brian Kalcic of Excel Consulting, Inc. for Task 1, Cost of Service and Rate Design, with a total contract not-to-exceed $12,250 and Charles King of Snavely King Majoros & Associates, Inc. for Task 2, Capital Structure, Cost of Capital and Rate of Return with a total contract not-to-exceed $13,273.

cc: Docket Room
Jay Panchmatia, Senior Accountant

AGREEMENT

On this 24th day of February, 2014, in consideration of the covenants and agreements contained herein, Excel Consulting ("Consultant") and the Staff of the Public Service Commission, State of Delaware (the "Staff," and together with Consultant, the "Parties" and separately a "Party") enter into this agreement ("Agreement") as follows:

1. SERVICES

On behalf of the Staff, Consultant agrees to perform the following services (the "Services") with respect to the application of Tidewater Utilities, Inc. (the "Company") (Filed November 25, 2013) - PSC Docket No. 13-466 (the "Proceeding"):

Consultant will be expected to provide the Services in the areas specified which would normally be provided by the staff of a larger state utility regulatory commission in the proceeding of a similar matter to its conclusion:

Cost of Service and Rate Design:

Task 1: Analyze and Review the Filing.

Task 2: Prepare discovery questions and responses to discovery.

Task 3: Prepares testimony.

Task 4: Assists in rebuttal testimony, as required.

Task 5: Assist s in preparing post-hearing briefs and other miscellaneous tasks.

The Services are to be performed by Consultant at the request of the Commission Staff; however, the Commission Staff is not required to request that Consultant perform any of the Services, nor is the Commission Staff prohibited from contracting with other persons to perform the Services.

2. COMMISSION STAFF RESPONSIBILITIES

The Commission Staff agrees to pay Consultant a total amount of fees and expenses not to exceed $12,250.00. Consultant shall not be entitled to any compensation other than as otherwise stated herein.

3. AUTHORITY OF THE COMMISSION STAFF

Consultant agrees to perform all requested Services, as may be requested, timely, diligently, and in a good and workmanlike manner. On all questions concerning the acceptability and quality of the Services, the decision of the Commission Staff is final and binding.

4. OWNERSHIP OF DOCUMENTS AND MATERIALS

The Commission Staff is the exclusive owner of all documents and materials Consultant produces, creates, or generates while providing the Services. The Commission Staff remains the exclusive owner of all documents and materials provided to Consultant in connection with Consultant's performance of the Services.

5. TERMINATION

If, at any time prior to the date of completion of the Services, the Commission Staff determines that Consultant has failed to comply with any of the terms or conditions of this Agreement, or the Consultant has violated any law, the Commission Staff may, upon written notice to Consultant, terminate this Agreement as of the date of such notice. The Commission Staff may also terminate this Agreement, without cause, provided that written notice has been given thirty (30) days prior to such termination.

6. INDEMNIFICATION

Consultant hereby agrees to indemnify and hold harmless the Commission Staff, officers, employees, attorneys and agents from and against any and all claims, liabilities, losses, damages, costs or expenses, including attorneys' fees, which may be incurred, suffered, or required in whole or in part by any actual or alleged act or omission of Consultant.

7. TAXES, FEES, AND ASSESSMENTS

Consultant shall pay taxes and fees that may be required to provide, or as a result of providing, the Services.

8. ADVERTISING

Consultant agrees not to use the Commission's name, logos, images, data or results arising from this Agreement as part of any commercial advertisement, without prior written authorization from the Commission.

9. SUBCONTRACTS PROHIBITED

This Agreement is a personal services contract, and the Services shall not be performed by, nor delegated to, any subcontractor.

10. INDEPENDENT CONTRACTOR

Consultant shall perform the Services as an independent contractor and is solely responsible for obtaining and maintaining any licenses, permits and insurance required to perform the Services.

11. ASSIGNMENTS PROHIBITED

Neither this Agreement, nor any interest or claim arising from it, shall be transferred or assigned by Consultant to any other party. Any attempt to assign this Agreement or any interest or claim arising from it, shall render the Agreement void as of the date of the attempted assignment.

12. NOTICE

Any written notice required under this Agreement shall be deemed given as of the date of mailing if such notice is sent by registered or certified mail, return receipt requested.

All notices sent the Commission shall be addressed to:

Mr. Robert Howatt, Executive Director
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

All notices sent to Consultant shall be addressed to:

Mr. Brian Kalcic
Excel Consulting
225 S. Meramec Avenue, Suite 720T
St. Louis, MO 63105

13. COMPLIANCE WITH LAW

Consultant agrees to comply with all applicable federal, state and local laws while performing services.

14. FUNDING OUT CLAUSE

The Commission Staff may cancel this Agreement at any time if sufficient support is not appropriated by the Delaware General Assembly, or other appropriate Federal or State agency, to sustain, in whole or in part, the Commission Staff's performance under this Agreement, or if such support is reduced such that is insufficient to sustain said performance.

15. GOVERNING LAW

This Agreement shall be governed by the laws of the State of Delaware, without regard to conflicts of law rules. Any and all litigation arising under this Agreement shall be instituted in the appropriate court in the State of Delaware, and Consultant waives access to any other court that may have jurisdiction over such litigation.

16. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the Parties and supersedes all prior agreements, written or oral, with respect to subject matter of this Agreement.

17. MODIFICATION OF TERMS

This Agreement may be amended, modified, superseded, cancelled, and renewed, and its terms and conditions may be waived, only by a written instrument signed by the Parities or, in case of a waiver, by the waiving Party.

18. BENEFICIARIES

Except as otherwise provided herein, the Parties agree that this Agreement is solely for the benefit of the Commission Staff and the Consultant and there are no third-party beneficiaries.

19. CONSTRUCTION

The Parties have each had an opportunity to consult with legal counsel and negotiate the terms of this Agreement. The Agreement shall not be construed against any Party regardless of who was more responsible for its preparation.

ROBERT HOWATT, EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION,
STATE OF DELAWARE

By: ROBERT J. HOWATT
Date: 2/24/2014

BRIAN KALCIC
EXCEL CONSULTING
225 A. MERAMEC AVENUE, SUITE 720T
ST. LOUIS, MO 63105

By: Brian Kalcic
Date: 2/24/2014

AGREEMENT

On this 24th day of February, 2014, in consideration of the covenants and agreements contained herein, Snavely King Majoros & Associates, Inc. ("Consultant") and the Staff of the Public Service Commission, State of Delaware (the "Staff," and together with Consultant, the "Parties" and separately a "Party") enter into this agreement ("Agreement") as follows:

1. SERVICES

On behalf of the Staff, Consultant agrees to perform the following services (the "Services") with respect to the application of Tidewater Utilities, Inc. (the "Company") (Filed November 25, 2013) - PSC Docket No. 13-466 (the "Proceeding"):

Consultant will be expected to provide the Services in the areas specified which would normally be provided by the staff of a larger state utility regulatory commission in the proceeding of a similar matter to its conclusion:

Capital Structure, Cost of Capital, Cost of Equity and Overall Rate of Return:

Task 1: Analyze and Review the Filing.

Task 2: Prepare discovery questions and responses to discovery.

Task 3: Prepares testimony.

Task 4: Assists in rebuttal testimony, as required.

Task 5: Assist s in preparing post-hearing briefs and other miscellaneous tasks.

The Services are to be performed by Consultant at the request of the Commission Staff; however, the Commission Staff is not required to request that Consultant perform any of the Services, nor is the Commission Staff prohibited from contracting with other persons to perform the Services.

2. COMMISSION STAFF RESPONSIBILITIES

The Commission Staff agrees to pay Consultant a total amount of fees and expenses not to exceed $13,273.00. Consultant shall not be entitled to any compensation other than as otherwise stated herein.

3. AUTHORITY OF THE COMMISSION STAFF

Consultant agrees to perform all requested Services, as may be requested, timely, diligently, and in a good and workmanlike manner. On all questions concerning the acceptability and quality of the Services, the decision of the Commission Staff is final and binding.

4. OWNERSHIP OF DOCUMENTS AND MATERIALS

The Commission Staff is the exclusive owner of all documents and materials Consultant produces, creates, or generates while providing the Services. The Commission Staff remains the exclusive owner of all documents and materials provided to Consultant in connection with Consultant's performance of the Services.

5. TERMINATION

If, at any time prior to the date of completion of the Services, the Commission Staff determines that Consultant has failed to comply with any of the terms or conditions of this Agreement, or the Consultant has violated any law, the Commission Staff may, upon written notice to Consultant, terminate this Agreement as of the date of such notice. The Commission Staff may also terminate this Agreement, without cause, provided that written notice has been given thirty (30) days prior to such termination.

6. INDEMNIFICATION

Consultant hereby agrees to indemnify and hold harmless the Commission Staff, officers, employees, attorneys and agents from and against any and all claims, liabilities, losses, damages, costs or expenses, including attorneys' fees, which may be incurred, suffered, or required in whole or in part by any actual or alleged act or omission of Consultant.

7. TAXES, FEES, AND ASSESSMENTS

Consultant shall pay taxes and fees that may be required to provide, or as a result of providing, the Services.

8. ADVERTISING

Consultant agrees not to use the Commission's name, logos, images, data or results arising from this Agreement as part of any commercial advertisement, without prior written authorization from the Commission.

9. SUBCONTRACTS PROHIBITED

This Agreement is a personal services contract, and the Services shall not be performed by, nor delegated to, any subcontractor.

10. INDEPENDENT CONTRACTOR

Consultant shall perform the Services as an independent contractor and is solely responsible for obtaining and maintaining any licenses, permits and insurance required to perform the Services.

11. ASSIGNMENTS PROHIBITED

Neither this Agreement, nor any interest or claim arising from it, shall be transferred or assigned by Consultant to any other party. Any attempt to assign this Agreement or any interest or claim arising from it, shall render the Agreement void as of the date of the attempted assignment.

12. NOTICE

Any written notice required under this Agreement shall be deemed given as of the date of mailing if such notice is sent by registered or certified mail, return receipt requested.

All notices sent the Commission shall be addressed to:

Mr. Robert Howatt, Executive Director
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

All notices sent to Consultant shall be addressed to:

Mr. Michael Majoros
Snavely King Majoros & Associates, Inc.
4351 Garden City Drive, Suite 350C
Landover, MD 20785

13. COMPLIANCE WITH LAW

Consultant agrees to comply with all applicable federal, state and local laws while performing services.

14. FUNDING OUT CLAUSE

The Commission Staff may cancel this Agreement at any time if sufficient support is not appropriated by the Delaware General Assembly, or other appropriate Federal or State agency, to sustain, in whole or in part, the Commission Staff's performance under this Agreement, or if such support is reduced such that is insufficient to sustain said performance.

15. GOVERNING LAW

This Agreement shall be governed by the laws of the State of Delaware, without regard to conflicts of law rules. Any and all litigation arising under this Agreement shall be instituted in the appropriate court in the State of Delaware, and Consultant waives access to any other court that may have jurisdiction over such litigation.

16. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the Parties and supersedes all prior agreements, written or oral, with respect to subject matter of this Agreement.

17. MODIFICATION OF TERMS

This Agreement may be amended, modified, superseded, cancelled, and renewed, and its terms and conditions may be waived, only by a written instrument signed by the Parities or, in case of a waiver, by the waiving Party.

18. BENEFICIARIES

Except as otherwise provided herein, the Parties agree that this Agreement is solely for the benefit of the Commission Staff and the Consultant and there are no third-party beneficiaries.

19. CONSTRUCTION

The Parties have each had an opportunity to consult with legal counsel and negotiate the terms of this Agreement. The Agreement shall not be construed against any Party regardless of who was more responsible for its preparation.

ROBERT HOWATT, EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION,
STATE OF DELAWARE

By: ROBERT J. HOWATT

Date: 2/24/2014

MICHAEL MAJOROS
SNAVELY KING MAJOROS & ASSOCIATES, INC.
4351 GARDEN CITY DRIVE, SUITE 350C
LANDOVER, MD 20785

By: Michael J. Majoros, Jr.

Date: 2/25/14