

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, JANUARY 9, 2018

REGULATORY OFFICE
EDUCATION CONTROL CENTER

2018 JAN -9 A 9:35

APPLICATION OF

RAPPAHANNOCK ELECTRIC COOPERATIVE

CASE NO. PUR-2017-00044

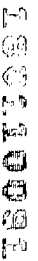
For a general increase in rates

FINAL ORDER

On May 23, 2017, Rappahannock Electric Cooperative ("REC" or "Cooperative") filed with the State Corporation Commission ("Commission") an application pursuant to §§ 56-231.33, 56-231.34, 56-235, 56-236, 56-238, and 56-585.3 of the Code of Virginia requesting approval of a proposed increase in rates and charges for bills rendered on and after January 1, 2018, and approval of revised depreciation rates effective with the implementation of the proposed rates ("Application").¹ Concurrent with its Application, the Cooperative filed a Motion for Protective Ruling.

On June 16, 2017, the Commission issued an Order for Notice and Hearing that, among other things, established a procedural schedule for this case, directed the Company to provide public notice of its Application, provided interested persons an opportunity to file comments on the Application or to participate as respondents in this proceeding, scheduled a public evidentiary hearing, permitted the Company to implement its proposed rates, subject to refund with interest, for bills rendered on and after January 1, 2018, and directed the Commission's Staff ("Staff") to investigate the Application. The Commission also assigned a Hearing Examiner to conduct all

¹ Ex. 3 (Application) at 1, 6, 9. REC filed revised tariff pages on July 11, 2017, and September 14, 2017. REC clarifies that while the majority of the proposed rate schedules filed with the Application indicate an effective date for bills rendered on and after January 1, 2018, Schedules HD-1 and LP-3 indicate that these revised rate schedules would be effective for bills rendered on and after February 1, 2018. Ex. 3 (Application) at 6, n.4.



further proceedings in this matter on behalf of the Commission, including filing a final report containing the Hearing Examiner's findings and recommendations.

The Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel"), the Board of Supervisors of Frederick County, Virginia ("Frederick County"), and the Virginia Chapter of the Sierra Club ("Sierra Club") filed notices of participation in this proceeding. On September 19, 2017, the Sierra Club filed testimony and exhibits.² On October 3, 2017, Staff filed its testimony and exhibits. On October 17, 2017, the Cooperative filed rebuttal testimony.

On October 31, 2017, Howard P. Anderson, Jr., Hearing Examiner, convened the evidentiary hearing in this proceeding. The Cooperative, Staff, Consumer Counsel, Frederick County, and the Sierra Club participated in the hearing. The Cooperative, Staff, Consumer Counsel, and the Sierra Club³ presented a Stipulation resolving all issues between them ("Stipulation"). Frederick County did not join in the Stipulation but represented by counsel that it had no objection and concurred with the Stipulation.⁴ The Cooperative indicated that it had not placed its proposed rates into effect and requested that the Commission allow the Cooperative to implement its approved rates for bills rendered on and after March 1, 2018.⁵

² On September 19, 2017, the Sierra Club filed a Motion for Leave to File Notice of Participation Out-Of-Time ("Motion"). On September 29, 2017, REC filed a response to Sierra Club's Motion. On October 2, 2017, the Hearing Examiner issued a ruling granting Sierra Club's Motion and directing the Clerk of the Commission to accept Sierra Club's testimony and exhibits filed with its Motion.

³ The Sierra Club's participation in the Stipulation was limited to supporting Stipulation Paragraphs (8) and (11). The Sierra Club did not take a position on the remaining provisions of the Stipulation but did not oppose the Commission's approval of the Stipulation. *See* Stipulation at 1 n.1.

⁴ Ex. 1 (Stipulation) at 1 n.2; Tr. at 11.

⁵ Tr. at 10-11.

On December 18, 2017, the Report of Howard P. Anderson, Jr., Hearing Examiner ("Report") was filed with the Clerk of the Commission. In his Report, the Hearing Examiner summarized the record in this proceeding. The Hearing Examiner found that the Stipulation is reasonable and should be adopted, that an increase in REC's net revenues is justified, and that the revenue requirement set forth in the Stipulation results in a TIER of 2.3, which is reasonable.⁶ The Hearing Examiner recommended that the Commission adopt the findings in the Report, accept the Stipulation, and grant the Cooperative's Application as modified by the Stipulation.⁷

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Report and Stipulation should be adopted and that REC's rates as set forth in the Stipulation should be approved.

Accordingly, IT IS ORDERED THAT:

- (1) The findings and recommendations of the December 18, 2017 Report hereby are adopted as provided for herein.
- (2) In accordance with the findings made herein, the Stipulation attached hereto as Attachment A is adopted, and its terms are incorporated herein.
- (3) The rates and charges approved herein shall become effective for service rendered on and after March 1, 2018.
- (4) Within thirty (30) days of the issuance of this Final Order, the Cooperative shall file revised tariffs, schedules, and terms and conditions of service that reflect the rates and charges approved herein.
- (5) This case is dismissed.

⁶ Report at 12.

⁷ *Id.*

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Lonnie D. Nunley, III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams, 951 East Byrd Street, Richmond, Virginia 23219; Roderick B. Williams, Esquire, and Erin L. Swisshelm, Esquire, 107 North Kent Street, 3rd Floor, Winchester, Virginia 22601; Evan D. Johns, Esquire, 415 Seventh Street Northeast, Charlottesville, Virginia 22902; Dorothy E. Jaffe, Esquire, 50 F Street Northwest, Eighth Floor, Washington, D.C. 20001; and Cody T. Murphey, Esquire, and C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424. A copy shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.

**COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION**

APPLICATION OF

**RAPPAHANNOCK ELECTRIC
COOPERATIVE**

CASE NO. PUR-2017-00044

For a general increase in rates

STIPULATION

This Stipulation represents the agreement between Rappahannock Electric Cooperative ("REC" or the "Cooperative"); the Office of the Attorney General's Division of Consumer Counsel; Sierra Club¹; and the Staff of the State Corporation Commission ("Staff") (collectively, "Stipulating Participants"), by counsel, as to the application of REC for a general increase in rates ("Application").² This Stipulation resolves all issues raised by the Stipulating Participants in this proceeding. The Stipulating Participants hereby agree as follows:

1. The Cooperative's May 23, 2017 Application; July 11, 2017 Revised Tariff Pages; September 14, 2017 Revised Tariff Pages and Schedule; and the Pre-Filed Direct Testimony and Exhibits of Cooperative witnesses David F. Koogler, Matthew A. Faulconer, Lawrence G.

¹ The Sierra Club's participation in this Stipulation is limited to supporting Stipulation Paragraphs (8) and (11). The Sierra Club does not take a position on the remaining provisions of the Stipulation, but does not oppose the Commission's approval of this Stipulation as a resolution of all issues in this proceeding.

² In addition to the Stipulating Participants, the Board of Supervisors of Frederick County, Virginia (the "County") is also a party to this proceeding. Although the County is not a Stipulating Participant, the County does not oppose the Commission's approval of this Stipulation as a resolution of all issues in this proceeding.

Andrews, and Jack D. Gaines, dated May 23, 2017, shall be made a part of the record without cross-examination.

2. The Pre-Filed Testimony and Exhibits of Sierra Club witness Melissa Whited, dated September 19, 2017, shall be made a part of the record without cross-examination.

3. The Pre-Filed Testimony and Exhibits of Staff witnesses Sean M. Welsh, Chang M. Lee, and Marc A. Tufaro, dated October 3, 2017, shall be made part of the record without cross-examination.

4. The Pre-Filed Rebuttal Testimony and Exhibits of Cooperative witnesses Matthew A. Faulconer, Lawrence G. Andrews, and Jack D. Gaines, dated October 17, 2017, shall be made a part of the record without cross-examination.

5. The Cooperative's net revenues should be increased by \$18,000,285, a \$4,215,561 reduction in rate year revenues produced by the proposed rates. Based on Column (5) of the financial status statement provided with the Pre-Filed Testimony of Staff witness Sean M. Welsh, this increase will result in a 2.3 TIER, which is within the 2 to 2.5 TIER range.

6. Rates will be calculated using the billing determinants in Staff's Pre-Filed Testimony.

7. Except as described in Stipulation Paragraph (8), the Cooperative's proposed Distribution Delivery Charges and Energy Supply Service ("ESS") Charges, including the proposed Access Charges and Seasonal ESS rates, are reasonable and should be approved as set forth in the Cooperative's Application with no changes.

8. The proposed continuity of distribution rates should be maintained between Schedules A-1, A-1-P, A-1-TOU, and A-2. The \$4,215,561 revenue reduction should be applied

in the aggregate to Schedules A-1, A-1-P, A-1-TOU, and A-2. For rate design purposes, the resulting increase in revenues to these rates initially should be applied to produce an Access Charge for single-phase service of \$14.00 and an Access Charge for multi-phase service of \$17.00. Any remaining revenue increase to these rates should be applied to the volumetric blocks in proportion to the rate year revenues produced by the Cooperative’s existing rates. Accordingly, the following distribution delivery charges for Schedules A-1, A-1-P, A-1-TOU, and A-2 are reasonable and should be approved:

Access Charges	
Single-Phase Service	\$14.00 per month
Multi-Phase Service	\$17.00 per month
Energy Delivery Charges	
First 300 kWh per month	\$0.04743 per kWh
Over 300 kWh per month	\$0.03289 per kWh

Note: The Schedule A-1-P Access Charge will be expressed as a daily rate per customer of \$0.460274.

9. The Cooperative agrees to provide Staff with a copy of the Rural Utility Service’s review of the Cooperative’s depreciation study and recommendations when available.

10. The Cooperative agrees to adopt and implement its proposed depreciation rates, as modified by Staff, on the effective date of the rates authorized in this case.

11. The Cooperative and Sierra Club agree to work together regarding implementation of specific methods and procedures to provide Cooperative members advance notice, through multiple means of communication, and an opportunity for members to provide in-person and written comments to the Cooperative’s Board of Directors, consistent with Board policy, prior to implementation of any modification to the fixed-charge portion of the Cooperative’s rates pursuant to Va. Code § 56-585.3(A)(4). The Cooperative and Sierra Club commit to make reasonable efforts to reach a mutually acceptable agreement regarding such methods and procedures by December 31, 2017.

12. Any future Schedule DR Rider filings by the Cooperative shall reflect the use of a 2.25 TIER as of the effective date of rates in this proceeding until the Cooperative's next base rate proceeding.

13. This Stipulation represents a compromise for the purposes of settlement in this case only and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future rate case. The Stipulating Participants agree that the resolution of the issues herein, taken as a whole, and the disposition of all other matters set forth in the Stipulation are in the public interest. This Stipulation is conditioned on and subject to acceptance by the Commission and is non-severable and of no force or effect and may not be used for any other purpose unless accepted in its entirety by the Commission, except that this paragraph shall remain in effect in any event.

14. In the event that the Commission or the Hearing Examiner does not accept the Stipulation in its entirety, including the issuance of a recommendation by the Hearing Examiner to not approve the Stipulation, the Stipulating Participants retain the right to withdraw support for the Stipulation. In the event of such action by the Commission or the Hearing Examiner, any Stipulating Participant will be entitled to give notice exercising its right to withdraw support for the Stipulation; provided that the Stipulating Participants may, by unanimous consent, elect to modify the Stipulation to address any modifications required, or issues raised, by the Commission or Hearing Examiner. Should the Stipulation not be approved, it will be considered void and have no precedential effect, and the Stipulating Participants reserve their rights to participate in all relevant proceedings in the captioned case notwithstanding their agreement to the terms of the Stipulation. If the Commission or Hearing Examiner chooses to reject the Stipulation, the Stipulating Participants may request that an ore tenus hearing be convened at

which time testimony and evidence may be presented by the case participants and cross-examination may occur on any issues arising in this proceeding.

RAPPAHANNOCK ELECTRIC COOPERATIVE

October 30, 2017

By: *Min W*

Counsel

October 30 2017

OFFICE OF THE ATTORNEY GENERAL'S DIVISION
OF CONSUMER COUNSEL

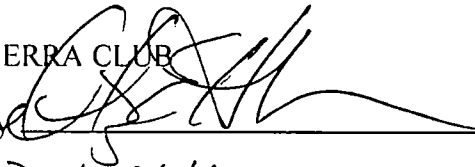
By 

Counsel

18011093

October 31, 2017

SIERRA CLUB

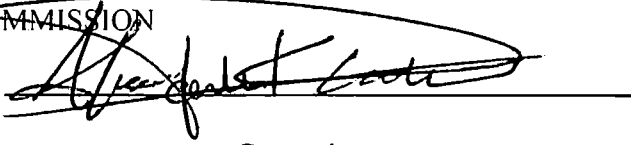
By 
Dorothy E. Jaffe Counsel

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October 31, 2017

STAFF OF THE STATE CORPORATION
COMMISSION

By



Counsel

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