

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6328

Tariff filing of Washington Electric Cooperative, Inc. re: proposed rate design changes, to take effect January 3, 2000)	Hearing at
)	East Montpelier, Vermont
)	November 2, 2000

Order entered: 11/27/2000

PRESENT: Ennis John Gidney, Hearing Officer

APPEARANCES: James Volz, Esq.
John Cotter, Esq.
for the Vermont Department of Public Service

M. Jerome Diamond, Esq.
Diamond & Associates, PC
for Washington Electric Cooperative, Inc.

I. INTRODUCTION

On November 19, 1999, Washington Electric Cooperative, Inc. ("WEC") filed with the Vermont Public Service Board ("Board") an allocated cost of service study and proposed rate design. The proposed rate design would eliminate the winter/summer rate differential; would make adjustments to the amount of revenue collected from the different rate classes; and would eliminate the monthly water heater timer credit for the Residential and Farm, Commercial, and Large Power customer classes.

WEC requested a waiver of 30 V.S.A. § 225 regarding the 45-day notice requirement so that the new rate design could be implemented with service rendered December 3, 1999, and bills rendered on and after February 1, 2000, the same date that its pending rate increase in Docket

No. 6315 was to take effect. On November 24, 1999, pursuant to 30 V.S.A. § 225, the Vermont Department of Public Service ("Department") filed a letter with the Board opposing the waiver of the 45-day notice requirement, and recommending that the Board open an investigation into the justness and reasonableness of WEC's tariff filing. On December 28, 1999, the Board ordered such an investigation, and appointed Ennis John Gidney, Chief Economist, as Hearing Officer in this proceeding.

On December 2, 1999, WEC filed an amended cost of service study and proposed rate design, which addressed some of the initial concerns raised by the Department with regard to the original filing. Included with the amended filing were bill impact analyses for all customer classes.

On January 19, 2000, a prehearing conference was held in this docket. Appearances were entered by M. Jerome Diamond, Esq., of Diamond & Associates, PC, for WEC, and James Volz, Esq., and John Cotter, Esq., for the Department. A prehearing conference memorandum was issued on February 10, 2000. The parties were scheduled to file either a stipulation or a schedule for litigation by April 3, 2000. The parties requested and were granted several filing extensions while they attempted to reach a consensus on issues raised in the allocated cost of service.

On October 12, 2000, WEC filed a Stipulation ("the Stipulation") between itself and the Department. (A copy of the Stipulation is attached to this Proposal for Decision as Appendix I). In the Stipulation, WEC and the Department proposed a temporary suspension of the allocated cost of service study and rate design filing while they continued to work together to develop a reasonable way to generate more accurate data for the seasonal customer classes. The parties agreed that evidence available with regard to typical seasonal usage patterns was inconclusive, and therefore, it was premature to move forward with WEC's proposed rate design until appropriate evidence could be developed.

As part of the Stipulation, the parties proposed to implement one aspect of the rate design filing, which calls for the elimination of the winter/summer rate differential. Under new NEPOOL market rules, the capability responsibility formula has been revised so that equal weights are now placed on the monthly peak of each retail load, which essentially eliminates the seasonality of power costs to utilities. In the absence of the seasonal cost basis for purchased power, WEC's seasonally differentiated rates are no longer cost justified.

The parties proposed that WEC discontinue seasonal rates in favor of levelized rates throughout the year, and that these levelized rates be applied to WEC's current rate structure, based on rates that were approved by the Public Service Board on May 4, 2000, in Docket No. 6315.

Both a public hearing and a technical hearing were held in this docket on November 2, 2000, beginning at 7:00 p.m. at the Old Brick Church Meeting Hall in East Montpelier, Vermont. Notice of the public and technical hearings was sent to all parties and interested persons on October 12, 2000. In addition, notice of the public hearing was published in the October/November issue of *Co-op Currents*, the official newsletter of WEC, which is mailed to all of its members/consumers of record. The technical hearing was then held, as scheduled, immediately following the public hearing. No one appeared in opposition to the Stipulation, and substantial evidence was presented in support of it.

Based on the substantial evidence of record, and the testimony presented at the hearing, I hereby report the following findings to the Board in accordance with 30 V.S.A. § 8.

II. Findings of Fact

1. On November 19, 1999, WEC filed with the Board an allocated cost of service study and proposed rate design, which was subsequently amended on December 2, 1999. The proposed rate design would eliminate the winter/summer rate differential; would make adjustments to the amount of revenue collected from the different rate classes; and would eliminate the monthly water heater timer credit for the Residential and Farm, Commercial, and Large Power customer classes. Tariff Filing No. 3641.

2. Due to a delay in the proposed effective date of the new rate design, WEC sought separate approval for the elimination of the water heater timer credit to minimize losses associated with the program. On April 10, 2000, WEC filed with the Board a proposal to seek reduction and eventual elimination of WEC's monthly water heater timer credit for its Residential and Farm Rate, Commercial and Commercial Seasonal Rate, and Large Power Rate tariffs. On July 12, 2000, the Board entered an Order in Docket No. 6384 approving the proposed reduction and elimination of the water heater timer credit effective with service rendered August 1, 2000, and bills rendered on and after October 1, 2000. Tariff Filing No. 3855.

3. WEC and the Department engaged in settlement discussions with regard to other aspects of the allocated cost of service study and proposed new rate design, which resulted in a Stipulation between the parties which was filed with this Board on October 12, 2000. The Stipulation proposed the temporary suspension of Docket No. 6328 to give the parties additional time to work together to develop a reasonable way to generate more accurate data on the seasonal customer classes. Stipulation at I, ¶6.

4. The Parties proposed that levelized rates should be applied to WEC's current rate structure, based on the rates approved by the Public Service Board on May 4, 2000, in Docket 6315. Stipulation at II, ¶10.

5. New NEPOOL market rules essentially eliminate the seasonality of power costs, and therefore, the need for WEC to utilize seasonal rates no longer exists. Without the seasonal power cost basis, WEC believes that winter/summer differentiated rates are no longer cost justified, and that seasonal rates should be discontinued in favor of levelized rates throughout the year. Stipulation at II, ¶9.

6. WEC filed with the Board on September 28, 2000, proposed tariff changes which reflect the deseasonalization of rates to all customer classes as reflected in the Stipulation. Stipulation at IV, ¶14.

7. The proposed tariff changes, as filed, are designed to be revenue neutral, on both a rate class and going-forward 12-month annual basis. Stipulation at II, ¶12.

8. Based on the bill impact analyses provided by WEC in support of its amended rate design filing, deseasonalizing rates based on the current rate structure is expected to result in similar, if not lesser, bill impacts than those reflected in the amended filing. For primary residential members, about 90% of annual bills when repriced under non-seasonal rates are subject to change by $\pm 5\%$. Stipulation at II, ¶11.

9. The parties agree that the deseasonalization of rates represents a settlement between WEC and the Department of another phase of the allocated cost of service study and proposed rate design that was filed with the Board on November 19, 1999. However, other issues remain to be resolved, and the parties have agreed to work together to compile more accurate data with regard to typical month seasonal usage patterns, and then to move forward with review of the proposed cost allocation. Stipulation at I, ¶6.

10. The parties agree that WEC shall continue to track the gross dollar amount of the former water heater timer credits as they are reduced and eliminated from the bills of affected members each month (as provided in the Board's 7/12/00 Order in Docket 6384), and shall continue to apply all such dollar amounts monthly to the reduction of its DSM deferral accounts until the effective date of any future rate design changes ordered by the Board in this Docket. Letter from Denise Jacques to the Clerk of the Board, dated November 7, 2000.

11. If the provisions of the Stipulation are not approved and adopted by the Board in their entirety, the parties reserve the right to terminate the Stipulation. Stipulation at V, ¶16.

12. If the provisions of the Stipulation are not approved and adopted by the Board in their entirety, the parties shall prepare a procedural schedule in this Docket for Board approval. If such a schedule cannot be agreed upon, the parties will take the unresolved scheduling issues to the Board for resolution. Stipulation at V, ¶16.

III. DISCUSSION

The Stipulation filed by the parties on October 12, 2000, resolves issues pertaining to the proposed deseasonalization of rates. WEC has represented that the winter/summer rate structure is no longer cost justified because new NEPOOL market rules have essentially eliminated the seasonality of power costs to utilities.

The deseasonalization of rates, based on the currently approved rate structure, is not intended to alter revenues, which are expected to remain the same on a going forward 12-month basis. Further, no shifting of revenues from one WEC class of customer to another will result from the deseasonalization of these component rate changes. The bill impact analyses provided with the amended filing in this docket supports WEC's contention that the majority of its members will not be adversely impacted by changes in their annual bills when repriced under the proposed levelized rates. Therefore, I recommend approval of the elimination of the winter/summer rate structure, and the implementation of levelized rates, based on the rates approved by the Board on May 4, 2000, in Docket 6315, to take effect with service rendered on and after December 1, 2000, and bills rendered on and after February 1, 2001.

IV. CONCLUSION

Based on my review of the Stipulation and the evidence in the record, I find that the Stipulation between WEC and the Department recommending the elimination of WEC's winter/summer rate differential will benefit both WEC and its members. I, therefore, recommend that the Stipulation be approved by this Board, in its entirety, and that levelized rates be implemented with service rendered on and after December 1, 2000, and bills rendered on and after February 1, 2001, based on rates that were approved by the Board on May 4, 2000, in Docket No. 6315.

I further recommend that this Docket be temporarily suspended, and in the interim, the parties work together to compile data that more accurately reflects typical monthly seasonal usage patterns. Once that data has been compiled, the parties should attempt to move forward with the review of the proposed allocated cost of service study in an effort to resolve other outstanding issues related to the proposed rate design filing. I recommend that the parties be required to file a status report on their negotiations on or before April 2, 2001.

This Proposal for Decision has been served on all parties to this proceeding in accordance with 3 V.S.A., § 811.

DATED at Montpelier, Vermont, this 21st day of November, 2000.

s/Ennis John Gidney

Ennis John Gidney

Hearing Officer

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Findings and Conclusion of the Hearing Officer are adopted.
2. The Stipulation between Washington Electric Cooperative, Inc. and the Vermont Department of Public Service, filed with this Board on October 12, 2000, is accepted, in its entirety.
3. WEC shall eliminate the current winter/summer rate differential and implement levelized rates, based on rates approved by this Board on May 4, 2000, in Docket No. 6315, effective with service rendered on and after December 1, 2000, and bills rendered on and after February 1, 2001. The proposed tariffs filed by WEC on September 29, 2000, are approved.
4. WEC shall continue to track the gross dollar amount of the former water heater timer credits as they are reduced and eliminated from the bills of affected members each month (as provided by the Board's 7/12/00 Order in Docket 6384), and shall continue to apply all such dollar amounts monthly to the reduction of its DSM deferral accounts. WEC's obligations under this paragraph shall continue until the effective date of any future rate design changes ordered by the Board in this Docket.
5. This Docket shall be temporarily suspended, and in the interim, the parties shall work together to compile data that more accurately reflects typical monthly seasonal usage. Once that data has been compiled, the parties shall proceed with the review of the allocated cost of service study in an effort to resolve other outstanding issues related to the rate design filing. The parties shall file a status report on their negotiations on or before April 2, 2001.
6. This Docket shall remain with the Hearing Officer, Ennis John Gidney.

DATED at Montpelier, Vermont this 27th day of November, 2000.

<u>s/Michael H. Dworkin</u> _____))	PUBLIC SERVICE
)	
<u>s/David C. Coen</u> _____))	BOARD
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_____))	OF VERMONT

OFFICE OF THE CLERK

FILED: November 27, 2000

ATTEST: s/Susan M. Hudson _____

Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.