

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 6033

Investigation of Barton Village, Inc. Electric )	Hearing at
Department's tariff filing requesting a 13.97% )	Montpelier, Vermont
rate increase to take effect January 1, 1998 )	May 25, 1999

Order entered: 7/30/99

PRESENT: Ennis John Gidney, Hearing Officer

APPEARANCES: James Volz, Esq. <sup>1</sup>  
Laura Scanlon Beliveau, Esq. <sup>2</sup>  
for the Vermont Department of Public Service

William B. Piper, Esq. <sup>3</sup>  
Trevor R. Lewis, Esq. <sup>4</sup>  
Primmer & Piper, P.C.  
for Barton Village, Inc. Electric Department

I. INTRODUCTION

On November 14, 1997, Barton Village, Inc. Electric Department ("Barton") filed with the Board revisions to its tariffs reflecting a 13.97% increase in its rates, to take effect on a service-rendered basis commencing January 1, 1998, for bills rendered on and after February 1, 1998. The proposed rate increase has, pursuant to 30 V.S.A. § 226(b), been in effect on a temporary basis since January 1, 1998. For the upcoming year, it will produce additional annual revenues in the amount of \$203,724. Barton provided notice of the proposed rate increase to its customers via publication in the Barton Chronicle newspaper.

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1. Appeared at hearing, but did not file Notice of Appearance.
  2. Filed Notice of Appearance, but did not attend hearing.
  3. See Footnote 1.
  4. See Footnote 2.

On December 15, 1997, the Vermont Department of Public Service ("DPS"), pursuant to 30 V.S.A. § 225, filed a letter recommending that the Board open an investigation into the justness and reasonableness of Barton's tariff filing. The Board ordered such an investigation on December 23, 1997, and appointed Ennis John Gidney, Chief Economist, as Hearing Officer in this proceeding.

On January 15, 1998, a prehearing conference was held in this docket. Appearances were entered by Trevor R. Lewis, Esq., of Primmer and Piper, P.C., for Barton, and Laura Beliveau, Esq., for the DPS. A prehearing conference memorandum was issued on February 6, 1998.

On March 27, 1998, Barton submitted prefiled testimony of Charles J. Underhill.

On April 21, 1998, a public hearing was held at the Barton Municipal Building, Main Street, Barton, Vermont.

On March 30, 1999, the DPS filed a Memorandum of Understanding ("Exhibit Joint-1" or "MOU") between Barton and the DPS. A copy of the MOU is attached hereto as Appendix I. The MOU seeks a Board Order providing that this docket ". . . should be stayed effective December 15, 1998, with any further proceedings in this docket to be held after September 1, 1999, or such other date as the parties may agree or the Board may order." MOU at 2, ¶ 3. Under the MOU, the current rates, including the 13.97% temporary rate increase, will remain in effect during the period of the stay. Through the MOU, the parties also seek to settle a majority of issues in the case and narrow the number of issues left for resolution when the stay expires and the case resumes. The MOU proposes a resolution of all issues except those concerning Barton's power supply costs, demand-side management ("DSM") issues and transmission and distribution ("T&D") issues. The MOU states that with respect to all other issues ". . . the cost of service filed by Barton represents a just and reasonable revenue requirement." MOU at 2, ¶ 2. Any order approving the MOU would stay this case, not finally resolve it; therefore, the surcharge would continue to be subject to refund upon final resolution of this docket, pursuant to 30 V.S.A. § 226(b), dating back to its implementation on January 1, 1998.

On May 25, 1999, a technical hearing was held in the Board's hearing room. The parties entered into evidence the MOU and sworn testimony supporting the cost of service resulting in

a continued "temporary surcharge" of 13.97 percent or \$203,724, effective for service rendered on or after January 1, 1998, until the Board issues a final order in this docket. No one appeared in opposition to the MOU.

I have reviewed the petition, prefiled testimony, exhibits, the MOU and supporting cost of service for the test year ended December 31, 1996, and the adjusted rate year ended December 31, 1998. I conclude that continuation of the temporary rate increase, as provided in the MOU, is reasonable. In addition, on all issues for which the parties have proposed final resolution (i.e., all issues except power supply costs, DSM and T&D), approval of the MOU will result in rates that are just and reasonable and will promote the general good of the state. Accordingly, I recommend that the MOU be approved by this Board.

Based upon the evidence of record, including the agreement and exhibits contained in the MOU, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

## II. FINDINGS OF FACT

1. Barton filed with the Board revisions to its tariffs reflecting a 13.97% increase in its rates, or an increase in annual revenues of \$203,724, to take effect on a service-rendered basis commencing January 1, 1998, for bills rendered on and after February 1, 1998. Barton's Cost of Service.<sup>5</sup>

2. The DPS and Barton engaged in settlement discussions which have resulted in an MOU. The MOU was filed with the Board on March 30, 1999. DPS letter of March 30, 1999; MOU.

3. If the Board approves the MOU, all issues in the rate case except those concerning Barton's power supply, DSM and T&D costs will be resolved. The MOU provides that all issues associated with power supply, DSM and T&D costs are to be deferred for future resolution. MOU at 2, ¶¶ 2, 3; tr. 5/25/99 at 31.

4. Included in Barton's test year power cost are the following Hydro-Quebec power costs:

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5. The parties stipulated the admission of the filed cost of service in their filing of the Joint Proposal for Decision.

<u>Contract</u>	<u>Demand</u>	<u>kW Cost</u>	<u>Energy</u>	<u>kWh Cost</u>	<u>Total</u>	<u>Cost Per kWh</u>
HQ-B <sup>6</sup>	672	\$ 69,455	4,364,700	\$ 107,233	\$176,688	\$ .04048
HQ-C1	397	95,226	2,520,430	61,901	157,127	.06234
HQ-C2	200	47,973	1,299,520	32,049	80,022	.06158
HQ-C3	58	14,818	376,420	9,092	23,910	.06352
HQ-C4	21	5,354	130,260	3,295	8,649	.06640
HQ-C4a	0	0	0	0	0	.00000
HQ-Tertiary	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>.00000</u>
Total	<u>1,348</u>	<u>\$232,826</u>	<u>8,691,330</u>	<u>\$ 213,570</u>	<u>\$446,396</u>	<u>\$ .05136</u>

Barton's Cost of Service - Attachment A.

5. Included in Barton's rate year power costs are the following Hydro-Quebec power costs:

<u>Contract</u>	<u>Demand</u>	<u>kW Cost</u>	<u>Energy</u>	<u>kWh Cost</u>	<u>Total</u>	<u>Cost Per kWh</u>
HQ-B <sup>7</sup>	672	\$ 76,646	3,945,969	\$ 106,875	\$183,521	\$ .04651
HQ-C1	397	93,660	2,049,515	63,060	156,720	.07647
HQ-C2	200	47,184	903,774	31,748	78,932	.08734
HQ-C3	58	14,616	244,438	9,159	23,775	.09726
HQ-C4	128	32,118	465,473	20,286	52,404	.11258
HQ-C4a	0	0	0	0	0	.00000
HQ-Tertiary	<u>0</u>	<u>0</u>	<u>553,439</u>	<u>14,943</u>	<u>14,943</u>	<u>.02700</u>
Total	<u>1,455</u>	<u>\$264,224</u>	<u>8,162,608</u>	<u>\$ 246,071</u>	<u>\$510,295</u>	<u>\$ .06252</u>

Barton's Cost of Service-Attachment A; exh. Joint-2 at 2.

6. The parties agree that the MOU relates only to these parties and has no precedential or any other impact on proceedings involving other utilities. The parties also agree that the terms of the MOU shall not preclude any party from advocating, or preclude the Board from imposing, any disallowance of costs associated with power supply, DSM or T&D. MOU at 2, ¶¶ 4, 5.

7. The MOU contains additional agreements between the DPS and Barton concerning DSM expenditures during the pendency of the stay. Barton shall commit and spend annually a

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6. The impact of the Hydro-Quebec sell-back is reflected in these figures. Barton's Cost of Service – Attachment A.

7. The impact of the Hydro-Quebec sell-back reflected in this settlement is \$90,740. Exh. Joint-2 at 2.

minimum amount identified in the rate year cost of service, from a bond issuance for DSM totaling \$319,700, for DSM-related activities to acquire cost effective energy efficiency. MOU at 2-3, ¶ 5; exh. Joint-2 at 2.

8. The amount of DSM reflected in this case is \$15,428 or .9 percent of revenues. Exh. Joint-2 at 2.

9. The DSM budget will be adjusted as required by the Board in Docket No. 5980. MOU at 3, ¶ 5; tr. 5/25/99 at 28-31.

10. The budgeted DSM expenditures do not include expenditures for transmission and distribution-related efficiency. MOU at 3, fn. 1.

11. Barton submitted a Transmission and Distribution Study ("TDS") on October 7, 1994, and has begun implementing the TDS. Tr. 5/25/99 at 13 (Litkovitz).

12. The parties request a status conference after September 1, 1999, to set a further procedural schedule in this Docket. MOU at 5, ¶ 8.

13. Subject to potential future refund based on resolution of the HQ Contract, DSM and T&D issues, Barton and the DPS recommend that the Board approve, as just and reasonable, a temporary rate increase equal to 13.97%, or an additional revenue requirement of \$203,724, to be collected through a temporary surcharge until a final order is issued in this docket. MOU at 2, ¶¶ 1-3; tr. 5/25/99 at 31.

### III. DISCUSSION

The MOU filed by the parties on March 30, 1999, resolves most of the contested issues in this docket. Three issues currently remain unresolved: (1) power supply costs; (2) DSM expenditures; and (3) T&D system issues.

The parties have proposed a stay until September 1, 1999, for all outstanding issues during which time the temporary rate increase will remain in effect (subject to potential refund based upon final resolution of the case). In the meantime, Barton will be participating in statewide and individual efforts to mitigate its power supply costs, including those associated with the HQ Contract. Given that Barton and the DPS have agreed that approval of the MOU will enable Barton to pursue power supply reform, including mitigation options with respect to the HQ Contract, I believe it is reasonable to defer this issue for future resolution.

The second unresolved issue is the level of DSM expenditures. Because of the active involvement of the parties in Docket No. 5980, which has the potential to significantly impact DSM issues, the parties have requested that this issue be reserved for future resolution.

The third issue is T&D expenditures. The parties have agreed that this issue should be reserved for future resolution.

#### IV. CONCLUSION

I have reviewed the MOU, the original Cost of Service filing, and the testimony of the respective parties. I find that based upon all of the foregoing and the evidence in the record, the MOU between Barton and the DPS recommending a stay and suspension of this case and a temporary surcharge of 13.97 percent or \$203,724, taken as a whole, promotes the general good of the state and, except with respect to power supply costs, DSM, and T&D issues, all costs included in the rate filing are resolved. I, therefore, recommend that the MOU be approved by this Board.

The parties have waived their right to service of the Proposal for Decision in accordance with 3 V.S.A. § 811.

DATED at Montpelier, Vermont, this 30<sup>th</sup> day of June, 1999.

s/ Ennis John Gidney  
Ennis John Gidney  
Hearing Officer

BOARD DISCUSSION

On September 18, 1997, the Vermont Public Service Board ("Board" or "PSB") rendered the following comments and conclusions in Docket No. 5951: "A financing of this magnitude represents a significant undertaking for a utility the size of Barton. Significant rate increase requests will likely result as Barton finds it necessary for the full effect of this borrowing to be included in rates. We understand that Barton's voters have been fully informed of the ramifications of this financing. We also understand that a possible alternative future course of action for Barton, the sale of the utility to a Vermont investor-owned utility, was rejected by the voters. Thus, we understand that Barton's voters have consciously decided to proceed on a major rebuild of its distribution system having carefully considered the alternatives. Therefore, we are approving the proposed treatment of this filing for three reasons: (1) because we believe that the DPS has closely examined the need for the planned system improvements and other uses of the funds and that the DPS agrees with them; (2) because the voters were asked to, and did, approve a larger borrowing amount than is finally approved here; and (3) because the voters have been made aware of the rate increases that will result from the upgrade program." The Board found that the issuance by Barton of up to \$2,557,000 in revenue bonds in order to fund needed investments in its distribution system and demand-side management programs to be consistent with the general good of the State of Vermont. The issuance was deemed approved as of June 5, 1997, by the passage of 90-days' time. With this understanding and for the reasons set out by the Hearing Officer above, we approve the Proposal for Decision.

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 Memorandum of Understanding dated March 16, 1999, between Barton Village, Inc. Electric Department and the Vermont Department of Public Service is accepted.
3. Barton may continue to impose a temporary surcharge, subject to refund, in an annual amount of \$203,724. This temporary surcharge shall be implemented by means of an increase of 13.97 percent for all existing rates which shall be shown as a "temporary surcharge" on customer bills until a final resolution is reached in this docket.
4. This docket shall remain with the Hearing Officer, Ennis John Gidney.
5. The Hearing Officer will convene a status conference after September 1, 1999, to set a further procedural schedule in this Docket.

DATED at Montpelier, Vermont, this 30<sup>th</sup> day of July, 1999.

s/ Michael H. Dworkin	)	PUBLIC SERVICE
	)	
	)	
s/ Suzanne D. Rude	)	BOARD
	)	
	)	OF VERMONT
s/ David C. Coen	)	

OFFICE OF THE CLERK

Filed: July 30, 1999

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 of any technical errors, in order that any necessary corrections may be made.*

*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.*