STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6053

Investigation of Village of Orleans Electric Department's tariff filing requesting a 9.74% rate increase to take effect March 1, 1998	)))	Hearing at Montpelier, Vermont May 25, 1999

Order entered: 7/22/99

PRESENT: Ennis John Gidney, Hearing Officer
APPEARANCES: James Volz, Esq. [1]
Laura Beliveau, Esq. [2]
for the Vermont Department of Public Service
William B. Piper, Esq.[3]
Trevor R. Lewis, Esq.[4]
Primmer & Piper, P.C.
for Village of Orleans Electric Department

I. INTRODUCTION

On January 14, 1998, the Village of Orleans Electric Department ("Orleans") filed with the Public Service Board ("PSB" or "Board") revisions to its tariffs reflecting a 9.74% increase in its rates, to take effect on a service-rendered basis commencing March 1, 1998, for bills rendered on and after April 1, 1998. The proposed rate increase has, pursuant to 30 V.S.A. § 226(b), been in effect on a temporary basis since March 1, 1998. For the upcoming year, it will produce additional annual revenues in the amount of $139,464. Orleans provided notice of the proposed rate increase to its customers via an insert in each ratepayer's bill.

On February 13, 1998, 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

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.

justness and reasonableness of Orleans's tariff filing. The Board ordered such an investigation on February 20, 1998, and appointed Ennis John Gidney, Chief Economist, as Hearing Officer in this proceeding.

On March 5, 1998, a prehearing conference was held in this docket. Appearances were entered by Trevor R. Lewis, Esq., of Primmer and Piper, P.C. for Orleans, and Laura Beliveau, Esq., for the DPS. A prehearing conference memorandum was issued on April 8, 1998.

On July 1, 1998, Orleans submitted prefiled testimony of Charles J. Underhill.

On July 15, 1998, a public hearing was held at the New Fire Station, Main Street, Orleans, Vermont.

On March 30, 1999, the DPS filed a Memorandum of Understanding ("Exhibit Joint-1" or "MOU") between Orleans 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 9.74% 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 Orleans'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 Orleans 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 March 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 9.74 percent or $139,464, effective for service rendered on or after March 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 February 28, 1999. 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 conclusions to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS OF FACT

1. Orleans filed with the Board revisions to its tariffs reflecting a 9.74% increase in its rates, or an increase in annual revenues of $139,464, to take effect on a service-rendered basis commencing March 1, 1998, for bills rendered on and after April 1, 1998. Orleans Cost of Service.[5]

2. The DPS and Orleans engaged in settlement discussions which have resulted in a Memorandum of Understanding. 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 Orleans' 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 Orleans' test year power costs are the following Hydro-Quebec power costs:

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

Contract	Demand	kW Cost	Energy	kWh Cost	Total	Cost Per kWh
HQ-B[6]	672	$133,716	4,695,920	$ 115,990	$249,706	$ .05318
HQ-Tertiary	0	0	0	0	0	.00000
Total	672	$133,716	4,695,920	$ 115,990	$249,706	$ .05318

Orleans Cost of Service - Attachment A.

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

Contract	Demand	kW Cost	Energy	kWh Cost	Total	Cost Per kWh
HQ-B[7]	722	$ 136,912	2,671,458	$ 111,456	$248,368	$ .09297
HQ-Tertiary	0	0	2,889,861	78,026	78,026	.02700
Total	722	$136,912	5,561,319	$ 189,482	$326,394	$ .05869

Orleans 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 Orleans concerning DSM expenditures during the pendency of the stay. Orleans shall commit and spend annually a minimum amount identified in the rate year cost of service for DSM-related activities to acquire cost-effective energy efficiency. MOU at 3, ¶ 5; exh. Joint-2.

8. Orleans expenses DSM on a pay-as-you-go basis. The amount of DSM reflected in this case is $20,000 or 1.3 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.

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

7. The impact of the Hydro-Quebec sell-back reflected in this settlement is $44,934. Exh. Joint-2 at 2.

11. The Transmission and Distribution Study ("TDS") will have no impact on the revenue requirements, as the cost of the study has not been included in this case. Orleans was ordered by the Board in a prior docket to submit a TDS. Exh. Joint-2 at 3; tr. at 9, 12 (Litkovitz).

12. Orleans has hired an engineer to perform a TDS and a first draft has been completed. Tr. at 32 (Underhill).

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

14. Subject to a potential future refund based on resolution of the HQ Contract, DSM and T&D issues, Orleans and the DPS recommend that the Board approve, as just and reasonable, a temporary rate increase equal to 9.74%, or an additional revenue requirement of $139,464, 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 this case). In the meantime, Orleans will be participating in statewide and individual efforts to mitigate its power supply costs, including those associated with the HQ Contract. Given that Orleans and the DPS have agreed that approval of the MOU will enable Orleans 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 Orleans and the DPS recommending a stay and suspension of this case and a temporary surcharge of 9.74 percent or $139,464, 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 30th day of June, 1999.

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 Memorandum of Understanding dated March 16, 1999, between the Village of Orleans Electric Department and the Vermont Department of Public Service is accepted.

3. Orleans may continue to impose a temporary surcharge, subject to refund, in an annual amount of $139,464. This temporary surcharge shall be implemented by means of an increase of 9.74 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 shall convene a status conference after September 1, 1999, to set a further procedural schedule in this Docket.

DATED at Montpelier, Vermont, this 22nd 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 22, 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.