STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6384

Tariff filing of Washington Electric	)
Cooperative, Inc. Re: proposed reduction to the	)
monthly water heater timer credit, to take effect	)
June 1, 2000	)

Order entered: 7/12/2000

I. INTRODUCTION

On April 10, 2000, Washington Electric Cooperative, Inc. ("WEC") filed with the Public Service Board ("Board") revisions to its Residential and Farm Rate, Commercial and Commercial Seasonal Rate, and Large Power Rate tariffs. The proposed revisions seek reduction and eventual elimination of WEC's monthly water heater timer credit for these customer classes by reducing the existing credit by 50 percent beginning with service rendered June 1, 2000, and bills rendered on or after August 1, 2000, and then eliminating the credit in its entirety for service rendered on and after December 1, 2000, and bills rendered on and after February 1, 2001. WEC provided notice of the proposed credit reduction and elimination directly to those customers receiving the credit by notice and letter dated April 12, 2000, and via publication in its membership newsletter, *Co-op Currents*.

On May 17, 2000, the Vermont Department of Public Service ("DPS"), pursuant to 30 V.S.A. Section 225, filed a letter recommending that the Board open an investigation into the justness and reasonableness of WEC's tariff filing. The Board ordered such an investigation on May 25, 2000, and appointed Ennis John Gidney, Chief Economist, as Hearing Officer in this proceeding.

On June 6, 2000, a prehearing conference was held in this docket. Appearances were entered by Joshua R. Diamond, Esq., for WEC, and John J. Cotter, Esq., for the DPS. A prehearing conference memorandum was issued on June 7, 2000.

On June 13, 2000, the DPS filed a Memorandum of Understanding ("MOU") between it and WEC. (A copy of the MOU is attached to this Proposal for Decision as Appendix I). In the MOU, WEC and the DPS propose a resolution of all issues raised in this Docket. The resolution envisions a phased reduction and elimination of the water heater timer credit as

outlined in WEC's proposed tariff revisions, but also requires WEC to (1) track the incremental revenue from the reduction and eventual elimination of the credit and (2) apply those amounts to the reduction of its DSM deferral accounts. The MOU provides that these tracking and DSM reduction obligations will continue until the effective date of any rate design changes ordered by the Board in Docket 6328.[1]

I have reviewed the petition, the MOU and other related filings, and I conclude that approval of the MOU will benefit both WEC and WEC's members, provided that (1) the effective date for the 50 percent reduction is changed to service rendered August 1, 2000, and bills rendered on or after October 1, 2000, and (2) the effective date for the elimination is changed to service rendered February 1, 2001, and bills rendered on or after April 1, 2001. Elimination of the water heater timer credit will result in increased revenues to WEC, and the application of those revenues to WEC's DSM deferral accounts (until such time as the revenues are otherwise accounted for by any rate design changes approved by the Board in Docket 6328) will benefit WEC's members. However, it has long been the Board's policy that customers should know what rate they are paying for electricity at the time they consume it. An effective date of June 1, 2000, for the 50 percent reduction would mean that customers currently receiving the water heater timer credit would have consumed electricity for several weeks before they were notified that the Board had approved the credit's elimination.[2] I, therefore, recommend that the MOU be approved by this Board, except that (1) the effective date for the 50 percent reduction should be changed to service rendered August 1, 2000, and bills rendered on or after October 1, 2000, and (2) the effective date for the elimination should be changed to service rendered February 1, 2001, and bills rendered on or after April 1, 2001.

II. FINDINGS OF FACT

No technical hearings were held in this Docket, and the MOU did not address what the Board should consider to be the evidentiary record. However, the parties submitted a joint

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1. WEC's proposed rate design that is the subject of Docket 6328 incorporates the elimination of the water heater timer credit.

2. I realize that WEC notified those customers affected by this rate design change of its proposal to reduce and eliminate the credit, but notice that WEC proposed the rate design change is not the same as a Board order approving the change.

draft proposal for decision that included proposed findings of fact. Based on this joint draft proposal for decision, I assume that the parties have agreed that the documents relied upon in their proposed findings of fact are part of the official evidentiary record in this Docket. These documents include: (1) Tariff Filing No. 3855; (2) WEC letter of May 3, 2000, to Ennis Gidney, Hearing Officer, Vermont Public Service Board; (3) DPS letter of June 13, 2000, to Susan M. Hudson, Clerk, Vermont Public Service Board; and (4) the MOU.

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

1. WEC filed with the Board revisions to its Residential and Farm Rate, Commercial and Commercial Seasonal Rate, and Large Power Rate tariffs. The proposed revisions seek the reduction and eventual elimination of WEC's monthly water heater timer credit for these customer classes by reducing the existing credit by 50 percent beginning with service rendered June 1, 2000, and bills rendered on or after August 1, 2000, and then eliminating the credit in its entirety for service rendered on and after December 1, 2000, and bills rendered on and after February 1, 2001. Tariff Filing No. 3855.

2. Approximately 640 WEC members currently receive the water heater timer credit which will be reduced and eventually eliminated by the proposed revisions. WEC letter of May 3, 2000.

3. The major reasons for the reduction and elimination of the water heater timer credit are: (1) changes in the manner in which wholesale power is purchased have substantially reduced WEC's power cost savings from the timers; and (2) a practical inability to ensure that the timers are functioning properly. WEC letter of May 3, 2000.

4. WEC has represented that the water heater timer credit program is no longer cost effective, and that the cost of service study for the proposed rate design under consideration in Docket 6328 reflects that the elimination of the program will increase WEC's revenues by approximately $49,000 annually. MOU at 1.

5. The DPS and WEC engaged in settlement discussions which resulted in a Memorandum of Understanding supporting implementation of the proposed tariff revisions conditioned on the tracking and application by WEC of the resulting incremental revenue against WEC's DSM deferral accounts until the effective date of any rate design changes

ordered by the Board in Docket 6328. The MOU was filed with the Board on June 13, 2000. MOU, generally.

6. If the Board approves the MOU, WEC will reduce, and eventually eliminate, the water heater timer credit subject to the following:

> a. WEC will reduce the current existing water heater timer credit by 50 percent for affected members for service rendered on and after June 1, 2000, and bills rendered on and after August 1, 2000.
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> b. WEC will eliminate the balance of the water heater timer credit for affected members for service rendered on and after December 1, 2000, and bills rendered on and after February 1, 2000.
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> c. WEC will track the gross dollar amount of the former credits as they are reduced and eliminated from the bills of affected members each month and will apply all such dollar amounts monthly to the reduction of its DSM deferral accounts. WEC's obligations under this subparagraph c will continue until the effective date of any rate design changes ordered by the Board in Docket 6328.

MOU at 2, ¶ 4.

7. The MOU contains further agreements that:

> a. If the provisions of the MOU are not approved and adopted in their entirety, the parties reserve the right to terminate the MOU.
>
> b. If the provisions of the MOU are not approved and adopted in their entirety, then the parties will attempt to create for this docket a procedural schedule for Board approval. If such a schedule cannot be agreed upon, the parties will take the unresolved scheduling issues to the Board for resolution.

MOU at 3, ¶ 6.

III. DISCUSSION

The MOU filed by the parties on June 13, 2000, resolves all of the contested issues in this Docket. WEC has represented that the water heater timer credit is no longer cost effective due to changes in the way in which wholesale power is purchased and to a practical inability to keep the timers functioning properly. WEC has further represented that the cost of service

study submitted in support of its new rate design proposal in Docket 6328 reflects that the elimination of the credit will lead to incremental revenues for WEC of approximately $49,000 per year. Due to a postponement until January 1, 2001, of the proposed effective date of the new rate design in Docket 6328, WEC has sought separate approval for the elimination of the water heater timer credit to minimize the losses associated with the program. Approval of the MOU will result in incremental revenues to WEC, which in turn will benefit WEC's members because those revenues will reduce WEC's DSM deferral accounts until the effective date of any rate design changes ordered by the Board in Docket 6328.

There is one aspect of the MOU that I find troubling: the proposed effective date of the 50 percent reduction in the water heater timer credit, June 1, 2000, is already past. The Board has a long-standing policy that customers should know what rate they are paying for electricity at the time they consume it. As the Board stated in 1992:

> The Board's general rule is to implement rate changes on a service-rendered basis. This policy is based on considerations of fundamental fairness. It is intended to give customers notice of rate changes before the rate changes go into effect so that customers are fully aware of the charges they will incur for consumption of energy before the consumption actually occurs. It is appropriate to depart from this policy only where there is a strong reason for doing so . . . [3]

I am not persuaded that this situation justifies an exception to the Board's general rule regarding the implementation of rate changes. Customers with functioning water heater timers are currently altering their electricity consumption patterns in return for a monthly credit. These customers may choose different consumption patterns once the credit is reduced. WEC has offered to work with the affected members to remove the water heater timer device and/or help them convert their water heating needs to alternate fuels.[4] I commend WEC for making this offer, however, customers should be given time to take advantage of it before the water heater credit is reduced. Therefore, I recommend that the effective date of the 50 percent reduction should be service rendered August 1, 2000, and bills rendered on or after October 1, 2000. To maintain the phase in over a year, I also recommend that the effective date of the

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3. 4/2/92 Order, Docket 5532, p. 107.
4. WEC Letter of May 3, 2000.

elimination of the water heater credit be changed to service rendered February 1, 2001, and bills rendered on or after April 1, 2001.

IV. CONCLUSION

Based upon my review of the MOU and the evidence in the record, I find that the MOU between WEC and the DPS recommending reduction and eventual elimination of the water heater timer credit, subject to WEC's obligation to track and apply all resulting incremental revenue against its DSM deferral accounts until the effective date of any rate design changes ordered by the Board in Docket 6328, is just and reasonable *if* (1) the effective date of the 50 percent reduction of the water heater timer credit is changed to service rendered August 1, 2000, and bills rendered on or after October 1, 2000, and (2) the effective date of the elimination of the water heater credit is changed to service rendered February 1, 2001, and bills rendered on or after April 1, 2001. I, therefore, recommend that the MOU be approved by this Board, if the effective dates of the 50 percent reduction and the elimination of the water heater timer credit are modified as described in the preceding sentence.

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 11th day of July, 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 Memorandum of Understanding dated June 13, 2000, between Washington Electric Cooperative, Inc. and the Vermont Department of Public Service is accepted, except that the effective date for the 50 percent reduction in the water heater timer credit shall be service rendered August 1, 2000, and bills rendered on and after October 1, 2000, and the effective date for the elimination of the water heater timer credit shall be service rendered February 1, 2002, and bills rendered on and after April 1, 2001.

3. WEC shall reduce the current existing water heater timer credit by 50 percent for affected members for service rendered on and after August 1, 2000, and bills rendered on and after October 1, 2000, and shall eliminate the balance of the water heater timer credit for affected members for service rendered on and after February 1, 2001, and bills rendered on and after April 1, 2001.

4. WEC shall track the gross dollar amount of the former credits as they are reduced and eliminated from the bills of affected members each month and shall 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 rate design changes ordered by the Board in Docket 6328.

5. This Docket is closed.

DATED at Montpelier, Vermont, this 12th day of July, 2000.

s/Michael H. Dworkin	)	
	)	PUBLIC SERVICE
	)	
	)	BOARD
	)	
	)	OF VERMONT
sDavid C. Coen	)	

OFFICE OF THE CLERK

FILED: July 12, 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.