

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, SEPTEMBER 3, 2009

APPLICATION OF

PRINCE GEORGE
ELECTRIC COOPERATIVE

CASE NO. PUE-2009-00089

For a general increase in electric rates

ORDER FOR NOTICE AND HEARING

On August 18, 2009, Prince George Electric Cooperative ("Prince George" or "Applicant") filed an application with the State Corporation Commission ("Commission") for a general increase in its electric rates ("Application"), pursuant to §§ 56-231.33, 56-231.34, 56-236, and 56-585.3 of the Code of Virginia ("Code").

Prince George states that its most recent rate application to the Commission was for a rate reduction and that the rates approved by the Commission in that case were designed to produce a Times Interest Earned Ratio ("TIER") of 2.25; a modified TIER of 1.59; and a debt service coverage of 2.39.¹ The Applicant's last increase in electric rates was approved by the Commission in its Final Order of March 4, 1985, in Case No. PUE-1984-00026.² Prince George states that since that time, capital and operating costs have increased substantially, causing it to seek Commission approval of an increase in rates. In its Application, Prince George asserts that it has experienced a 7.2% reduction in Gross Margins since 2004 due to demand-related energy costs; that electric distribution operating costs have increased from approximately \$1.5 million in 2004 to approximately \$2.5 million in 2009; and that, as a result of increased costs, Prince

¹ *Application of Prince George Electric Cooperative, For a change in electric rates and to revise its tariffs*, Case No. PUE-1996-00002.

² *Application of Prince George Electric Cooperative, To revise rates in accordance with the rules for expedited rate increases for electric cooperative*, Case No. PUE-1984-00026.

CLERK'S OFFICE
2009 SEP - 3 A 9:35
RECEIVED

George's TIER and Operating TIER for 2008 were 1.33 and 0.85, respectively. The Applicant states that, according to its current projections, it will struggle to make its Rural Utility Services ("RUS") required Operating TIER requirements for the second year in a row even if proposed rates are approved and put in place by September 1, 2009.³ Accordingly, Prince George proposes that the revised rates and charges set forth in the Application be suspended for only a nominal period and be permitted to take effect, on an interim basis and subject to refund, on September 1, 2009.

Prince George seeks approval for an increase in base rates, which will generate an additional \$2,292,018 in annual Virginia jurisdictional revenues, an increase of 7.56%. According to its Application, Prince George's requested increase would produce a TIER of 2.26.

Prince George's Application states that the proposed revised rate schedules would be unbundled, in accordance with the Code, providing separate charges for distribution and energy supply. The Applicant is proposing a number of changes to existing tariffs and is introducing two new tariffs. Additionally, Prince George proposes an increase to its existing Consumer Delivery Charges ("CDC") in order to move the charge toward actual costs. For customer classes with a CDC, the Applicant is also proposing to eliminate the first kWh block in the distribution energy charge and to bill for all energy at a flat rate. With regard to Outdoor Lighting Service, Prince George's Application proposes the separation of charges into Electricity Supply Service ("ESS") and distribution delivery components to be consistent with the other tariffs.

Additionally, Prince George proposes an experimental rate designed for residential consumers who wish to take service with an on-peak and off-peak component for ESS service.

³ As part of the RUS loan requirements, borrowers should not have less than a 1.25 TIER or a 1.1 Operating TIER for any two out of three consecutive years.

Finally, the Applicant proposes an excess facilities rate, which Prince George asserts will provide a mechanism to recover costs associated with providing excess facilities for consumers requiring additional plant investment in order to receive electric service.

Prince George is not proposing any changes to its terms and conditions, and it is not adding new fees. However, it is proposing to clarify its guidelines on members' use of credit cards to pay utility bills.

In its Application, Prince George also requests that the Commission waive the notification requirements of § 56-237.1 C of the Code. Pursuant to Rule 20 VAC 5-200-21 B 7, Prince George also requests a waiver of Rule 20-VAC 5-200-21 E, which requires that any electric cooperative filing a rate application pursuant to § 56-582 of the Code submit Schedules 15-19.

NOW THE COMMISSION, upon consideration of the Application and applicable statutes and rules, is of the opinion and finds that a public hearing should be convened to receive evidence on the Application and that, pursuant to Rule 5 VAC 5-20-120 A of the Commission's Rules of Practice and Procedure, this matter should be assigned to a Hearing Examiner to conduct all further proceedings. We will deny the Applicant's request for waiver of § 56-237.1 C of the Code and direct it to give notice to the public of its Application, and we will give interested persons an opportunity to comment on the Application or to participate as a respondent in this proceeding. The Staff of the Commission ("Staff") shall investigate the Application and present its findings in testimony. The Applicant will be permitted to file testimony in rebuttal to the testimony filed by the respondents and the Staff.

We grant the Applicant's request for waiver of Schedules 15-19, as required by Rule 20 VAC 5-200-21 E, and we will permit the Cooperative's proposed rates to become

effective for service rendered on and after October 1, 2009. We are concerned, however, that Prince George delayed filing its Application if it is experiencing the financial distress claimed therein. The Cooperative formally notified the Commission in March 2009 that it intended to file a rate application. If Prince George's financial viability is in jeopardy, it is troubling that the Cooperative would delay filing its Application and, then, ask the Commission not to suspend its proposed rates for the full 150 days permitted by § 56-238 of the Code. Prince George was not prohibited by any Virginia law from filing its Application 150 days prior to September 1, 2009, if it desired its proposed rate increase to take effect on that date. Finally, we also note that the Code of Virginia provides the Cooperative an opportunity to increase rates without Commission approval; if Prince George is facing dire financial consequences, it could have increased rates without coming to the Commission.⁴

Accordingly, IT IS ORDERED THAT:

- (1) This case is docketed and assigned Case No. PUE-2009-00089.
- (2) Pursuant to 5 VAC 5-20-120 A of the Commission's Rules of Practice and Procedure, a Hearing Examiner is appointed to conduct all further proceedings in this matter.
- (3) Prince George's proposed rates and charges shall take effect for service rendered on and after October 1, 2009, on an interim basis and subject to refund.
- (4) Prince George's request for waiver of Rule 20 VAC 5-200-21 E with regard to the filing of Schedules 15-19 is granted.
- (5) A public hearing shall be convened on March 3, 2010, at 10:00 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive evidence related to the establishment of rates in this proceeding. Any person

⁴ Va. Code § 56-585.3.

desiring to offer testimony as a public witness at the hearing concerning the Application need only appear in the Commission's Courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff.

(6) Prince George shall forthwith make copies of its Application, testimony, and schedules, as well as a copy of this Order, available for public inspection during regular business hours at Prince George's business office at 7103 General Mahone Highway, Waverly, Virginia 23890. Copies also may be obtained by submitting a written request to counsel for Prince George, John A. Pirko, Esquire, LeClairRyan, P.C., 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060. In addition, interested persons may review copies in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, or download unofficial copies from the Commission's website:

<http://www.scc.virginia.gov/case>.

(7) On or before October 15, 2009, Prince George shall cause a copy of the following notice to be published as display advertising (not classified) in newspapers of general circulation in its service territory:

NOTICE TO THE PUBLIC OF AN APPLICATION BY PRINCE
GEORGE ELECTRIC COOPERATIVE, FOR A GENERAL
INCREASE IN ELECTRIC RATES
CASE NO. PUE-2009-00089

On August 18, 2009, Prince George Electric Cooperative ("Prince George" or the "Applicant") filed an application with the State Corporation Commission ("Commission") for a general increase in its electric rates ("Application"), pursuant to §§ 56-231.33, 56-231.34, 56-236, and 56-585.3 of the Code of Virginia ("Code").

Prince George states that its most recent rate application to the Commission, filed in 1996, was for a rate reduction and that the

rates approved by the Commission in that case were designed to produce a Times Interest Earned Ratio ("TIER") of 2.25; a modified TIER of 1.59; and a debt service coverage of 2.39. The Applicant's last increase in electric rates was approved by the Commission in its Final Order of March 4, 1985, in Case No. PUE-1984-00026. Prince George states that since that time, capital and operating costs have increased substantially, causing it to seek Commission approval of an increase in rates. In its Application, Prince George asserts that it has experienced a 7.2% reduction in Gross Margins since 2004 due to demand-related energy costs; that electric distribution operating costs have increased from approximately \$1.5 million in 2004 to approximately \$2.5 million in 2009; and that, as a result of increased costs, Prince George's TIER and Operating TIER for 2008 were 1.33 and 0.85, respectively. The Applicant states that, according to its current projections, it will struggle to make its Rural Utility Services ("RUS") required Operating TIER requirements for the second year in a row even if proposed rates are approved and put in place by September 1, 2009.

Prince George seeks approval for an increase in base rates, which will generate an additional \$2,292,018 in annual Virginia jurisdictional revenues, an increase of 7.56%. According to its Application, Prince George's requested increase would produce a TIER of 2.26.

Prince George's proposed rates and charges shall take effect for service rendered on and after October 1, 2009, on an interim basis and subject to refund.

Prince George's Application states that the proposed revised rate schedules would be unbundled, in accordance with the Code, providing separate charges for distribution and energy supply. The Applicant is proposing a number of changes to existing tariffs and is introducing two new tariffs. Additionally, Prince George proposes an increase to its existing Consumer Delivery Charges in order to move the charge toward actual costs. For customer classes with a Consumer Delivery Charge, the Applicant is also proposing to eliminate the first kWh block in the distribution energy charge and to bill for all energy at a flat rate. With regard to Outdoor Lighting Service, Prince George's Application proposes the separation of charges into Electricity Supply Service ("ESS") and distribution delivery components to be consistent with the other tariffs. Additionally, Prince George proposes an experimental rate designed for residential consumers who wish to take service with an on-peak and off-peak component

for ESS service. Finally, the Applicant proposes an excess facilities rate, which Prince George asserts will provide a mechanism to recover costs associated with providing excess facilities for consumers requiring additional plant investment in order to receive electric service.

Prince George is not proposing any changes to its terms and conditions, and it is not adding new fees. However, it is proposing to clarify its guidelines on members' use of credit cards to pay utility bills.

The Commission has scheduled a public hearing to commence at 10:00 a.m. on March 3, 2010, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving evidence related to the Application in this proceeding. Any person desiring to offer testimony as a public witness at the hearing concerning the Application need only appear in the Commission's Courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff.

Copies of Prince George's Application, testimony, and schedules, as well as a copy of the Commission's Order in this proceeding, are available for public inspection during regular business hours at Prince George's business office at 7103 General Mahone Highway, Waverly, Virginia 23890. Copies also may be obtained by submitting a written request to counsel for Prince George, John A. Pirko, Esquire, LeClairRyan, P.C., 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060. In addition, interested persons may review copies in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday, or download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before February 24, 2010, any interested person may file an original and fifteen (15) copies of any comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Interested persons desiring to submit comments electronically may do so by following the instructions available at the Commission's website.

On or before November 23, 2009, any interested person may participate as a respondent in this proceeding, as provided by

the Commission's Rules of Practice and Procedure, by filing an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set forth above. Interested parties should obtain a copy of the Commission's Order for further details on participation as a respondent.

All written communications to the Commission concerning Prince George's Application shall be directed to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, shall refer to Case No. PUE-2009-00089, and shall simultaneously be served on counsel for Prince George at the address set forth above.

PRINCE GEORGE ELECTRIC COOPERATIVE

(8) On or before October 15, 2009, Prince George shall serve a copy of this Order on the chairman of the board of supervisors and county attorney of each county and upon the mayor or manager of every city and town (or upon equivalent officials in counties, towns and cities having alternate forms of government) in which the Applicant provides service. Service shall be made by first class mail to the customary place of business or residence of the person served.

(9) On or before November 30, 2009, Prince George shall provide proof of service and notice as required in this Order.

(10) On or before February 24, 2010, any interested person may file an original and fifteen (15) copies of any comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. All comments shall refer to Case No. PUE-2009-00089. Interested persons desiring to submit comments electronically may do so by following the instructions available at the Commission's website. Any person not participating as a respondent as provided for in Ordering Paragraph (11) below may offer testimony as a public witness at the March 3, 2010 public hearing. Public witnesses desiring to offer testimony need only appear in the

Commission's Second Floor Courtroom in the Tyler Building at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff.

(11) On or before November 23, 2009, any interested party may participate as a respondent in this proceeding by filing an original and fifteen (15) copies of a notice of participation with the Clerk of the Commission at the address set forth in Ordering Paragraph (10) above and shall simultaneously serve a copy of the notice of participation on counsel to Prince George at the address set forth in Ordering Paragraph (6) above. Pursuant to Rule 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, any notice of participation shall set forth (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Respondents shall refer in all filed papers to Case No. PUE-2009-00089.

(12) Within five (5) business days of receipt of a notice of participation as a respondent, Prince George shall serve upon each respondent a copy of this Order, a copy of the Application, and all materials filed with the Commission, unless these materials have already been provided to the respondent.

(13) On or before December 16, 2009, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (10) above an original and fifteen (15) copies of any testimony and exhibits by which it expects to establish its case. Each respondent shall serve copies of the testimony and exhibits on counsel to Prince George and on all other respondents.

(14) On or before February 3, 2010, the Staff shall investigate the reasonableness of Prince George's Application and shall file with the Clerk of the Commission an original and

fifteen (15) copies of testimony and exhibits regarding its investigation of the Application and shall promptly serve a copy on counsel to the Applicant and all respondents.

(15) On or before February 17, 2010, Prince George shall file with the Clerk of the Commission an original and fifteen (15) copies of any testimony that it expects to offer in rebuttal to the testimony and exhibits of the respondents and the Commission Staff and shall, on the same day, serve one copy on Staff and all respondents.

(16) Prince George and respondents shall respond to written interrogatories within ten (10) calendar days after receipt of the same. Except as modified herein, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

(17) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
John A. Pirko, Esquire, LeClairRyan, P.C., 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia, 23060; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia, 23219; and the Commission's Office of General Counsel and Divisions of Energy Regulation, Economics and Finance, and Public Utility Accounting.