COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 9, 2015

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2015 DEC -9 P 12: 32

151220044

APPLICATION OF

VIRGINIA-AMERICAN WATER COMPANY

CASE NO. PUE-2015-00097

For a general increase in rates

CORRECTING ORDER

On October 30, 2015, Virginia-American Water Company ("Virginia-American", "Applicant" or "Company") filed an application with the State Corporation Commission ("Commission") for an increase in water rates ("Application").

On November 30, 2015, the Commission issued an Order for Notice and Hearing ("Order") in this proceeding. The first sentence of Ordering Paragraph (6) of the Order states: "On or before June 7, 2016, any interested person may file written 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." Instead, Ordering Paragraph (6) should have directed public comments to be filed on or before June 14, 2016.

Further, Ordering Paragraph (14) of the Order requires Virginia-American to publish notice in newspapers of general circulation throughout its service territory. This notice contains a similar error to the date for the filing of public comments that is described above as well as inadvertent errors and omissions to the rate tables and the information on proposed rates for the Alexandria District, Hopewell District, Prince William Wastewater District, and Eastern District.

Accordingly, IT IS ORDERED THAT:

(1) The first sentence of Ordering Paragraph (6) of the Commission's November 30, 2015 Order for Notice and Hearing is hereby amended to state the following: "On or before

June 14, 2016, any interested person may file written 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."

(2) The notice provision set forth in Ordering Paragraph (14) of the November 30, 2015 Order for Notice and Hearing is corrected and amended to read as follows:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
VIRGINIA-AMERICAN WATER COMPANY,
FOR AN INCREASE IN RATES
CASE NO. PUE-2015-00097

On October 30, 2015, Virginia-American Water Company ("Virginia-American" or "Applicant" or "Company") filed an application with the State Corporation Commission ("Commission") for an increase in water and wastewater rates ("Application"). The Company filed supplementary materials for Schedules 16; 29, workpaper R-57; and 36, as requested by Commission Staff, on November 16, 2015. The Application was filed pursuant to Article 2 of Chapter 10 of Title 56 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings. Exhibits and the prefiled testimony of William R. Walsh, Lauren S. Sufleta, Tim O'Brien, Gary Akmentins, Rod Nevirauskas, Greg Roach, Jo Anne Lontz, Patrick L. Baryenbruch, Paul Moul, and Paul R. Herbert were included with the Application.

The Company requests authority to increase rates for water and wastewater service to produce an increase in revenues of $8.69 million. The proposed rate increase would constitute an 18.42% increase in the Company's revenues and is based on a 10.75% return on common equity. The proposed increase in water and/or wastewater revenues is divided between Virginia-American's Alexandria District - $2,326,882 (a 15.86% increase); Hopewell District - $3,166,663 (a 25.35% increase); Prince William District - $1,137,416 (a 13.68% increase); Prince William Wastewater District - $1,682,310 (a 17.31% increase); and Eastern District - $372,377 (a 19.07% increase).

The proposed rates for the Alexandria District are as follows:

15122094

RATE:

	Gallons Per Month	Rate Per 100 Gallons
For the first	2,000	(minimum charge)
For all over	2,000	$.20300

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter	Minimum Charge Per Month
5/8 inch	$15.00
3/4 inch	22.50
1 inch	37.50
1 1/2 inch	75.00
2 inch	120.00
3 inch	225.00
4 inch	375.00
6 inch	750.00
8 inch	1,200.00

The proposed rates for potable water in the Hopewell District are as follows:

RATE:

	Gallons Per Month	Rate Per 100 Gallons
For the first	2,000	(minimum charge)
For the next	13,000	$.87580
For the next	2,229,000	.62000
For the next	5,236,000	.36300
For the next	37,400,000	.14200
For all over	44,880,000	.19100

The proposed rates for non-potable water service for customers with potable and non-potable annual consumption averages greater than or equal to 3 million gallons per day in the Hopewell District are as follows:

RATE:

	Gallons Per Month (Hundreds)	Rate Per 100 Gallons
For the first	74,800	$.20560
For the next	2,169,200	.13780
For all over	2,244,000	.15180

The proposed rates for non-potable water service for customers with potable and non-potable annual consumption averages less than 3 million gallons per day in the Hopewell District are as follows:

RATE:

	Gallons Per Month (Hundreds)	Rate Per 100 Gallons
For the first	74,800	$.28230
For the next	149,600	.24180
For all over	224,400	.13430

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter	Minimum Charge Per Month
5/8 inch	$15.00
3/4 inch	22.50
1 inch	37.50
1 1/2 inch	75.00
2 inch	120.00
3 inch	225.00
4 inch	375.00
6 inch	750.00
8 inch	1,200.00
10 inch	1,650.00
12 inch	3,225.00

The proposed rates for the Prince William District are as follows:

RATE:

	Gallons Per Month	Rate Per 100 Gallons
For the first	2,000	(minimum charge)
For all over	2,000	$.52990

151220044

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter		Minimum Charge Per Month
5/8	inch	$15.00
3/4	inch	22.50
1	inch	37.50
1 1/2	inch	75.00
2	inch	120.00
3	inch	225.00
4	inch	375.00
6	inch	750.00
8	inch	1,200.00

The proposed rates for the Prince William Wastewater District are as follows:

METERED RATE:

Wastewater service for all metered water customers of Virginia-American, based on water usage.

	Gallons Per Month	Rate Per 100 Gallons
For the first	2,000	(minimum charge)
For all over	2,000	$.6112

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter		Minimum Charge Per Month
5/8	inch	$20.00
3/4	inch	30.00
1	inch	50.00
1 1/2	inch	100.00
2	inch	160.00
3	inch	300.00
4	inch	500.00

151220044

UNMETERED RATE:
Flat rate fee for customers not metered for water consumption by Virginia-American.

Per Connection $38.61 per month

The proposed rates for the Eastern District are as follows:

RATE:

Bi-monthly		Rate Per 100 Gallons
For the first	4,000 gallons	$109.56/ Minimum Charge
All over	4,000 gallons	$1.45200
Monthly		
For the first	2,000 gallons	$54.78/ Minimum Charge
All Over	2,000 gallons	$1.45200

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter	Bi-monthly	Monthly
5/8 inch	$109.56	$54.78
3/4 inch	109.56	54.78
1 inch	109.56	54.78
1 1/2 inch	109.56	54.78
2 inch	109.56	54.78
3 inch	109.56	54.78
4 inch	109.56	54.78
6 inch	109.56	54.78
8 inch	109.56	54.78

In addition, the Applicant proposes to eliminate the Seasonal Base Charge in the Eastern District for service availability that previously applied to seasonal customers that are disconnected from the system.

The Application states that Virginia-American has made significant capital investments in the four years since the filing of its last rate case, and at the same time water consumption per

customer has continued to decline. Virginia-American asserts that it is not earning its allowed return on equity.

The Company asserts an intention to move gradually toward consolidated rates for providing water service across its operating Districts. The Application states that the centralized nature of Virginia-American's operation and the equivalent services provided to the customers in each district support the need to charge more uniform rates. The Company states that a gradual move to a single tariff rate for the same customer class is in the best interest of customers and will prevent Districts from experiencing significant changes in rates at one time.

In 2013, Virginia-American acquired Dale Service, has since merged Dale Service into the Company, and established its wastewater operations as the Prince William Wastewater District. The Company states that it wishes to establish new rates for the Prince William Wastewater District based on the rate base/rate of return methodology rather than the debt service coverage methodology previously used to set rates. In addition to consolidating customer service and other efforts, the Company also states its intention to combine bills for customers in the Prince William Water District and the Prince William Wastewater District. The Application states that as part of this transition, customers in the Prince William Wastewater District who are currently billed quarterly and in advance of receiving service will be billed monthly after receiving service. The Application also states that for customers with metered water service, the Company is proposing bills that reflect actual usage based on water consumption rather than the current flat rates based on general usage levels.

The Company asserts that it has made significant investments in the Prince William Wastewater District, which have resulted in significant benefits to those customers. The Company seeks recognition by the Commission of a ten year amortization of the acquisition costs of Dale Service in excess of rate base and inclusion in the rate base of the unamortized balance of that cost.

The Company proposes a number of changes to its Rules and Regulations, primarily involving the combination of the existing Rules and Regulations applicable to water service and those applicable to wastewater service. The Company states this will serve to reduce any potential customer confusion due to having multiple rules and regulations.

151228964

The Company also proposes the following additional changes to its Rules and Regulations: (1) a new section regarding controls on substances disposed of into the sewer system; (2) the addition of sewer collections system with a refund mechanism under the rule for extension of mains; (3) the ability to shut off water service if either the water or sewer bill is not paid and associated fees; (4) the customer's responsibility to maintain their sewer plumbing system for the performance of routine operation and maintenance work; and (5) new water system cross connection control language.

The Company seeks approval and implementation of an annual Water and Wastewater Infrastructure Service Charge ("WWISC") rider that would allow for the timely recovery of the costs of non-revenue producing investments, such as infrastructure replacement. The Application states that much of Virginia-American's infrastructure is approaching the end of its useful life. The Company asserts that it has made substantial investments in its infrastructure in the last few years, which necessitate the need for the increased rates proposed in this Application. Current investments in infrastructure have amounted to a 0.32% annual replacement rate. However, the Company states that these investments have yielded a lower than optimal replacement rate. The Application states that the industry's and Virginia-American's goal is to reach a replacement rate of approximately 1% a year.

The Company states that the WWISC, as proposed, would provide Virginia-American with the necessary financial support to accelerate infrastructure replacement without having to file for new base rates, while providing the Commission with a significant opportunity for review and approval. The Company asserts that this mechanism will help to ensure that customers are not subject to large rate increases and that the recovery of this needed investment occurs gradually.

Virginia-American asserts an expectation that the WWISC rider will not exceed 10% of a customer's bill. Virginia-American proposes an initial three-year WWISC program with the opportunity to amend the infrastructure replacement plan and extend it for additional periods. The Application states that the rider will be designed to be applied for a twelve-month period and be updated on an annual basis to true-up any over or under collection in the previous year and to reflect the projected expenditures in the upcoming year.

151220044

Virginia-American seeks approval of a Revenue Stability Mechanism ("RSM") which would decouple Virginia-American's recovery of fixed costs from volumetric sales. Virginia-American asserts that under its present rate structure approximately 28% of its revenues are fixed, compared to 88% of its costs being fixed. The Company asserts this makes its ability to generate sufficient revenues to provide reliable service dependent on customer usage and weather patterns.

The Company states that the nature of its investments has shifted from plant needed for serving new customers to non-revenue producing infrastructure replacement and compliance with new drinking water standards. The Company also states that it has seen a continued and persistent trend in declining usage per customer and that this trend constitutes an average decline of 1,120 gallons per customer per year, or approximately 3.1 gallons per customer per day. Virginia-American asserts that the decline in water sales is a potential disincentive to further investment in efficiency.

Virginia-American states that the implementation of the RSM will remove this disincentive to promote water efficiency and will support revenues for continued water efficiency investments. The Company further asserts that the RSM will assure the collection of Virginia-American's base revenue requirement for fixed costs notwithstanding a declining per capita use of water service.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals. While the total revenue that may be approved by the Commission is limited to the amount produced by the Company's proposed rates, TAKE NOTICE that the Commission may approve revenues and adopt rates, fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The Commission has suspended Virginia-American's proposed rates pursuant to § 56-238 of the Code. The Applicant may, but is not obligated to, implement the proposed rates for service rendered on and after April 1, 2016, on an interim basis, subject to refund with interest.

The Commission entered an Order for Notice and Hearing that, among other things, has scheduled a public hearing to commence at 10 a.m. on June 21, 2016, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, for the purpose of receiving comments from members of the public and evidence related to the Application. Any person desiring to make a statement at the public hearing need only appear in the Commission's second floor Courtroom at the address set forth above prior to 9:45 a.m. on the day of the hearing and identify himself or herself to the Commission's Bailiff.

Copies of the Application and the Commission's Order for Notice and Hearing may be obtained by submitting a written request to counsel for the Applicant, Lonnie D. Nunley, III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219-4074. If acceptable to the requesting party, the Applicant may provide the documents by electronic means. Copies of these documents also shall be available for interested persons to review in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: http://www.scc.virginia.gov/case.

Any interested person may participate as a respondent in this proceeding by filing, on or before February 5, 2016, a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Anyone filing a notice of participation simultaneously shall serve a copy of the notice of participation on counsel to the Applicant at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.* ("Rules of Practice"), 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. Interested persons shall refer in all of their filed papers to Case No. PUE-2015-00097.

On or before April 22, 2016, each respondent may file with the Clerk of the Commission and serve on the Staff, the Applicant,

151220044

and all other respondents any testimony and exhibits by which the respondent expects to establish its case. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth above. In all filings, the respondent shall comply with the Commission's Rules of Practice, including 5 VAC 5-20-140, *Filing and service*, 5 VAC 5-20-150, *Copies and format*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUE-2015-00097.

On or before June 14, 2016, any interested person may file with the Clerk of the Commission at the address set forth above, written comments on the Application. On or before June 14, 2016, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: http://www.scc.virginia.gov/case. All correspondence shall refer to Case No. PUE-2015-00097.

The Commission's Rules of Practice may be viewed at: http://www.scc.virginia.gov/case. A printed copy of the Rules of Practice may be obtained from Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

VIRGINIA-AMERICAN WATER COMPANY

(3) All other provisions of the November 30, 2015 Order for Notice and Hearing shall remain in full force and effect.

(4) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Lonnie D. Nunley, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219-4074; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation and Utility Accounting and Finance.

151200044

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 30, 2015

SCC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2015 NOV 30 A 10: 03

APPLICATION OF

VIRGINIA-AMERICAN WATER COMPANY CASE NO. PUE-2015-00097

For a general increase in rates

ORDER FOR NOTICE AND HEARING

On October 30, 2015, Virginia-American Water Company ("Virginia-American," "Applicant" or "Company") filed an application with the State Corporation Commission ("Commission") for an increase in water rates ("Application"). The Company filed supplementary materials for Schedules 16; 29, workpaper R-57; and 36, as requested by Commission Staff, on November 16, 2015. The Application was filed pursuant to Article 2 of Chapter 10 of Title 56 of the Code of Virginia ("Code")[1] and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings.[2] Exhibits and the prefiled testimony of William R. Walsh, Lauren S. Sufleta, Tim O'Brien, Gary Akmentins, Rob Nevirauskas, Greg Roach, Jo Anne Lontz, Patrick L. Baryenbruch, Paul Moul, and Paul R. Herbert were included with the Application.

The Company requests authority to increase rates to produce additional jurisdictional sales revenues of $8.69 million.[3] The proposed rate increase would constitute an 18.42% increase in test year revenues and is based on a 10.75% return on common equity.[4] The proposed increase in water and/or wastewater revenues is divided between Virginia-American's

[1] Va. Code § 56-232 *et seq.*

[2] 20 VAC 5-201-10 *et seq.*

[3] Application at 2.

[4] *Id.*

Alexandria District - $2,326,882 (a 15.86% increase); Hopewell District - $3,166,663 (a 25.35% increase); Prince William District - $1,137,416 (a 13.68% increase); Prince William Wastewater District - $1,682,310 (a 17.31% increase); and Eastern District - $372,377 (a 19.07% increase).[5]

The Application states that Virginia-American has made significant capital investments in the four years since the filing of its last rate case, and at the same time water consumption per customer has continued to decline. Virginia-American asserts that it is not earning its allowed return on equity.[6]

The Company asserts an intention to move gradually toward consolidated rates for providing water service across its operating Districts.[7] The Application states that the centralized nature of Virginia-American's operation and the equivalent services provided to the customers in each district support the need to charge more uniform rates. The Company states that a gradual move to a single tariff rate for the same customer class is in the best interest of customers and will prevent districts from experiencing significant changes in rates at one time.[8]

In 2013, Virginia-American acquired Dale Service Corporation ("Dale Service"), has since merged Dale Service into the Company, and established its wastewater operations as the Prince William Wastewater District.[9] The Company states that it wishes to establish new rates for the Prince William Wastewater District based on the rate base/rate of return methodology rather than the debt service coverage methodology previously used to set rates. In addition to consolidating customer service and other efforts, the Company also states its intention to

---

[5] *Id.* at 2.

[6] *Id.*

[7] *Id.* at 4.

[8] *Id.* at 5.

[9] *Id.*

combine bills for customers in the Prince William Water District and the Prince William Wastewater District.[10] The Application states that as part of this transition customers in the Prince William Wastewater District, who are currently billed quarterly and in advance of receiving service, will be billed monthly after receiving service. The Application also states that for customers with metered water service, the Company is proposing bills that reflect actual usage based on water consumption rather than the current flat rates based on general usage levels.[11]

The Company asserts that it has made significant investments in the Prince William Wastewater District, which have resulted in significant benefits to those customers.[12] The Company seeks recognition by the Commission of a ten-year amortization of the acquisition costs of Dale Service in excess of rate base and inclusion in the rate base of the unamortized balance of that cost.[13]

The Company proposes a number of changes to its Rules and Regulations, primarily involving the combination of the existing Rules and Regulations applicable to water service and wastewater service. The Company states this will serve to reduce any potential customer confusion due to having multiple rules and regulations.[14]

The Company also proposes the following additional changes to its Rules and Regulations: (1) a new section regarding controls on substances disposed of into the sewer system; (2) the addition of sewer collections system with a refund mechanism under the rule for

---

[10] *Id.* at 6.

[11] *Id.*

[12] *Id.*

[13] *Id.*

[14] *Id.* at 7.

extension of mains; (3) the ability to shut off water service if either the water or sewer bill is not paid and associated fees; (4) the customer's responsibility to maintain their sewer plumbing system for the performance of routine operation and maintenance work; and (5) new water system cross connection control language.[15]

The Company seeks approval and implementation of an annual Water and Wastewater Infrastructure Service Charge ("WWISC") rider that would allow for the timely recovery of the costs of non-revenue producing investments, such as infrastructure replacement. The Application states that much of Virginia-American's infrastructure is approaching the end of its useful life. The Company asserts that it has made substantial investments in its infrastructure in the last few years, which necessitate the need for the increased rates proposed in this Application. Current investments in infrastructure have amounted to a 0.32% annual replacement rate.[16] However, the Company states that these investments have yielded a lower than optimal replacement rate. The Application states that the industry's and Virginia-American's goal is to reach a replacement rate of approximately 1% a year.[17]

The Company states that the WWISC, as proposed, would provide Virginia-American with the necessary financial support to accelerate infrastructure replacement without having to file for new base rates, while providing the Commission with a significant opportunity for review and approval.[18] The Company asserts that this mechanism will help to ensure that customers are

---

[15] *Id.*

[16] *Id.* at 8.

[17] Pre-filed Testimony of Timothy Z. O'Brien at 6.

[18] Pre-filed Testimony of Gary Akmentins at 31.

not subject to large rate increases and that the recovery of this needed investment occurs gradually.[19]

Virginia-American asserts an expectation that the WWISC rider will not exceed 10% of a customer's bill.[20] Virginia-American proposes an initial three-year WWISC program with the opportunity to amend the infrastructure replacement plan and extend it for additional periods.[21] The Company states that the rider will be designed to be applied for a twelve-month period, and updated on an annual basis to true-up any over or under collection in the previous year and to reflect the projected expenditures in the upcoming year.[22]

Virginia-American seeks approval of a Revenue Stability Mechanism ("RSM"), which would decouple Virginia-American's recovery of fixed costs from volumetric sales. Virginia-American asserts that under its present rate structure approximately 28% of its revenues are fixed, compared to 88% of its costs being fixed. The Company asserts this makes its ability to generate sufficient revenues to provide reliable service dependent on customer usage and weather patterns.[23]

The Company states that the nature of its investments has shifted from plant needed for serving new customers to non-revenue producing infrastructure replacement and compliance with new drinking water standards.[24] The Company also states that it has seen a continued and

---

[19] Application at 9.

[20] Pre-filed Testimony of Gary Akmentins at 36.

[21] *Id.* at 35.

[22] *Id.* at 36.

[23] Application at 10.

[24] Pre-filed Testimony of Rod Nevirauskas at 8.

persistent trend in declining usage per customer[25] and that this trend constitutes an average decline of 1,120 gallons per customer per year, or approximately 3.1 gallons per customer per day.[26] Virginia-American asserts that the decline in water sales is a potential disincentive to further investment in efficiency.[27]

Virginia-American states that the implementation of the RSM will remove this disincentive to promote water efficiency and will support revenues for continued water efficiency investments.[28] The Company further asserts that the RSM will assure the collection of Virginia-American's base revenue requirement for fixed costs notwithstanding a declining per capita use of water service.[29]

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that the Company should provide public notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Company's Application; a procedural schedule should be established to allow interested persons an opportunity to file written or electronic comments on the Company's Application or to participate in this proceeding as a respondent; and the Commission's Staff ("Staff") should be directed to investigate the Application and file testimony and exhibits containing its findings and recommendations on the Application. The Company may, but is not required to, implement its proposed rates for service rendered on and after April 1, 2016, on an interim basis, subject to refund with interest.

---

[25] Application at 10.

[26] Pre-filed Testimony of Gregory Roach at 4.

[27] Application at 10.

[28] *Id.*

[29] *Id.*

Accordingly, IT IS ORDERED THAT:

(1) This case is docketed and assigned Case No. PUE-2015-00097.

(2) Pursuant to § 12.1-31 of the Code and 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure ("Rules of Practice"), *Procedure before hearing examiners*, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission, concluding with the issuance of a report containing the Hearing Examiner's findings and recommendations.

(3) The proposed rates are suspended, pursuant to § 56-238 of the Code. The Applicant may, but is not obligated to, implement the proposed rates for service rendered on and after April 1, 2016, on an interim basis, subject to refund with interest.

(4) A public hearing shall be convened on June 21, 2016, at 10 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive comments from members of the public and to receive evidence on the Application. Any person desiring to make a statement at the public 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 Commission's Bailiff.

(5) Copies of the Application, testimony, and schedules, as well as a copy of this Order for Notice and Hearing, may be obtained by submitting a written request to counsel for the Applicant, Lonnie D. Nunley, III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219-4074. If acceptable to the requesting party, the Applicant may provide the documents by electronic means. Copies of these documents also shall be available for interested persons to review in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main

Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: http://www.scc.virginia.gov/case.

(6) On or before June 7, 2016, any interested person may file written 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. On or before June 14, 2016, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: http://www.scc.virginia.gov/case. All comments shall refer to Case No. PUE-2015-00097.

(7) Any interested person may participate as a respondent in this proceeding by filing, on or before February 5, 2016, a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (6). Anyone filing a notice of participation simultaneously shall serve a copy of the notice of participation on counsel for the Applicant at the address set out in Ordering Paragraph (5). Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice, 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. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. Interested persons shall refer in all of their filed papers to Case No. PUE-2015-00097.

(8) Within five (5) business days of receipt of a notice of participation as a respondent, the Applicant shall serve upon each respondent a copy of this Order for Notice and Hearing, a

copy of the Application, and all materials filed by the Applicant with the Commission, unless these materials already have been provided to the respondent.

(9) On or before April 22, 2016, each respondent may file with the Clerk of the Commission and serve on the Staff, the Applicant, and all other respondents, any testimony and exhibits by which the respondent expects to establish its case. Each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (6). In all filings, the respondent shall comply with the Commission's Rules of Practice, including: 5 VAC 5-20-140, *Filing and service*, 5 VAC 5-20-150, *Copies and format*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUE-2015-00097.

(10) The Staff shall investigate the Application. On or before May 20, 2016, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits and shall serve a copy on counsel to the Applicant and all respondents. Each Staff witness's testimony shall include a summary not to exceed one page.

(11) On or before June 3, 2016, the Applicant shall file with the Clerk of the Commission any rebuttal testimony and exhibits that the Applicant expects to offer in rebuttal to the testimony and exhibits of the respondents and the Staff and simultaneously shall serve a copy on the Staff and all respondents. Each witness's testimony shall include a summary not to exceed one page. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (6).

150115035I

(12) The Commission's Rule of Practice, 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, shall be modified for this proceeding as follows: answers to interrogatories and requests for production of documents shall be served within seven (7) business days after receipt of the same. Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice.

(13) On or before January 8, 2016, the Applicant shall serve a copy of this Order for Notice and Hearing 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.

(14) On or before January 8, 2016, the Applicant shall cause a copy of the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Applicant's service territory:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
VIRGINIA-AMERICAN WATER COMPANY,
FOR AN INCREASE IN RATES
CASE NO. PUE-2015-00097

On October 30, 2015, Virginia-American Water Company ("Virginia-American" or "Applicant" or "Company") filed an application with the State Corporation Commission ("Commission") for an increase in water rates ("Application"). The Company filed supplementary materials for Schedules 16; 29, workpaper R-57; and 36, as requested by Commission Staff, on November 16, 2015. The Application was filed pursuant to Article 2 of Chapter 10 of Title 56 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings. Exhibits and the prefiled testimony of William R. Walsh, Lauren S. Sufleta, Tim O'Brien, Gary Akmentins, Rob Nevirauskas, Greg Roach, Jo Anne

Lontz, Patrick L. Baryenbruch, Paul Moul, and Paul R. Herbert were included with the Application.

The Company requests authority to increase rates for water service to produce an increase in water revenues of $8.69 million. The proposed rate increase would constitute an 18.42% increase in the Company's water revenues and is based on a 10.75% return on common equity. The proposed increase in water and/or wastewater revenues is divided between Virginia-American's Alexandria District - $2,326,882 (a 15.86% increase); Hopewell District - $3,166,663 (a 25.35% increase); Prince William District - $1,137,416 (a 13.68% increase); Prince William Wastewater District - $1,682,310 (a 17.31% increase); and Eastern District - $372,377 (a 19.07% increase).

The proposed rates for the Alexandria District are as follows:

RATE:

	Gallons Per Month	Rate Per 1,000 Gallons
For the first	2,000	(minimum charge)
For all over	2,000	$.20300

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter	Minimum Charge Per Month
5/8 inch	$15.00
3/4 inch	22.50
1 inch	37.50
1 1/2 inch	75.00
2 inch	120.00
3 inch	225.00
4 inch	375.00
6 inch	750.00
8 inch	1,200.00

The proposed rates for potable water in the Hopewell District are as follows:

RATE:

	Gallons Per Month	Rate Per 100 Gallons
For the first	2,000	(minimum charge)
For the next	13,000	$.87580
For the next	2,229,000	.62000
For the next	5,236,000	.36300
For the next	37,400,000	.14200
For all over	44,880,000	.19100

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter	Minimum Charge Per Month
5/8 inch	$15.00
3/4 inch	22.50
1 inch	37.50
1 1/2 inch	75.00
2 inch	120.00
3 inch	225.00
4 inch	375.00
6 inch	750.00
8 inch	1,200.00
10 inch	1,650.00
12 inch	3,225.00

The proposed rates for the Prince William District are as follows:

RATE:

	Gallons Per Month	Rate Per 100 Gallons
For the first	2,000	(minimum charge)
For all over	2,000	$.52990

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter		Minimum Charge Per Month
5/8	inch	$15.00
3/4	inch	22.50
1	inch	37.50
1 1/2	inch	75.00
2	inch	120.00
3	inch	225.00
4	inch	375.00
6	inch	750.00
8	inch	1,200.00

The proposed rates for the Prince William Wastewater District are as follows:

RATE:

	Gallons Per Month	Rate Per 100 Gallons
For the first	2,000	(minimum charge)
For all over	2,000	$.6112

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter		Minimum Charge Per Month
5/8	inch	$20.00
3/4	inch	30.00
1	inch	50.00
1 1/2	inch	100.00
2	inch	160.00
3	inch	300.00
4	inch	500.00

The proposed rates for the Eastern District are as follows:

RATE:

Bi-monthly		Rate Per 100 Gallons
For the first	4,000 gallons	$109.56/ Minimum Charge
All over	4,000 gallons	$11.9535
Monthly		
For the first	2,000 gallons	$54.78/ Minimum Charge
All Over	2,000 gallons	$1.45200

MINIMUM CHARGE:

No bill will be rendered for less than the minimum charges set forth below:

Size of Meter	Bi-monthly	Monthly
5/8 inch	$109.56	$54.78
3/4 inch	109.56	54.78
1 inch	109.56	54.78
1 1/2 inch	109.56	54.78
2 inch	109.56	54.78
3 inch	109.56	54.78
4 inch	109.56	54.78
6 inch	109.56	54.78
8 inch	109.56	54.78

The Application states that Virginia-American has made significant capital investments in the four years since the filing of its last rate case, and at the same time water consumption per customer has continued to decline. Virginia-American asserts that it is not earning its allowed return on equity.

The Company asserts an intention to move gradually toward consolidated rates for providing water service across its operating Districts. The Application states that the centralized nature of Virginia-American's operation and the equivalent services provided to the customers in each district support the need to charge more uniform rates. The Company states that a gradual move to a single tariff rate for the same customer class is in the best interest of customers and will prevent Districts from experiencing significant changes in rates at one time.

In 2013, Virginia-American acquired Dale Service, has since merged Dale Service into the Company, and established its wastewater operations as the Prince William Wastewater District. The Company states that it wishes to establish new rates for the Prince William Wastewater District based on the rate base/rate of return methodology rather than the debt service coverage methodology previously used to set rates. In addition to consolidating customer service and other efforts, the Company also states its intention to combine bills for customers in the Prince William Water District and the Prince William Wastewater District. The Application states that as part of this transition, customers in the Prince William Wastewater District who are currently billed quarterly and in advance of receiving service will be billed monthly after receiving service. The Application also states that for customers with metered water service, the Company is proposing bills that reflect actual usage based on water consumption rather than the current flat rates based on general usage levels.

The Company asserts that it has made significant investments in the Prince William Wastewater District, which have resulted in significant benefits to those customers. The Company seeks recognition by the Commission of a ten year amortization of the acquisition costs of Dale Service in excess of rate base and inclusion in the rate base of the unamortized balance of that cost.

The Company proposes a number of changes to its Rules and Regulations, primarily involving the combination of the existing Rules and Regulations applicable to water service and those applicable to wastewater service. The Company states this will serve to reduce any potential customer confusion due to having multiple rules and regulations.

The Company also proposes the following additional changes to its Rules and Regulations: (1) a new section regarding controls on substances disposed of into the sewer system; (2) the addition of sewer collections system with a refund mechanism under the rule for extension of mains; (3) the ability to shut off water service if either the water or sewer bill is not paid and associated fees; (4) the customer's responsibility to maintain their sewer plumbing system for the performance of routine operation and maintenance work; and (5) new water system cross connection control language.

The Company seeks approval and implementation of an annual Water and Wastewater Infrastructure Service Charge

("WWISC") rider that would allow for the timely recovery of the costs of non-revenue producing investments, such as infrastructure replacement. The Application states that much of Virginia-American's infrastructure is approaching the end of its useful life. The Company asserts that it has made substantial investments in its infrastructure in the last few years, which necessitate the need for the increased rates proposed in this Application. Current investments in infrastructure have amounted to a 0.32% annual replacement rate. However, the Company states that these investments have yielded a lower than optimal replacement rate. The Application states that the industry's and Virginia-American's goal is to reach a replacement rate of approximately 1% a year.

The Company states that the WWISC, as proposed, would provide Virginia-American with the necessary financial support to accelerate infrastructure replacement without having to file for new base rates, while providing the Commission with a significant opportunity for review and approval. The Company asserts that this mechanism will help to ensure that customers are not subject to large rate increases and that the recovery of this needed investment occurs gradually.

Virginia-American asserts an expectation that the WWISC rider will not exceed 10% of a customer's bill. Virginia-American proposes an initial three-year WWISC program with the opportunity to amend the infrastructure replacement plan and extend it for additional periods. The Application states that the rider will be designed to be applied for a twelve-month period be and updated on an annual basis to true-up any over or under collection in the previous year and to reflect the projected expenditures in the upcoming year.

Virginia-American seeks approval of a Revenue Stability Mechanism ("RSM") which would decouple Virginia-American's recovery of fixed costs from volumetric sales. Virginia-American asserts that under its present rate structure approximately 28% of its revenues are fixed, compared to 88% of its costs being fixed. The Company asserts this makes its ability to generate sufficient revenues to provide reliable service dependent on customer usage and weather patterns.

The Company states that the nature of its investments has shifted from plant needed for serving new customers to non-revenue producing infrastructure replacement and compliance with new drinking water standards. The Company also states that

it has seen a continued and persistent trend in declining usage per customer and that this trend constitutes an average decline of 1,120 gallons per customer per year, or approximately 3.1 gallons per customer per day. Virginia-American asserts that the decline in water sales is a potential disincentive to further investment in efficiency.

Virginia-American states that the implementation of the RSM will remove this disincentive to promote water efficiency and will support revenues for continued water efficiency investments. The Company further asserts that the RSM will assure the collection of Virginia-American's base revenue requirement for fixed costs notwithstanding a declining per capita use of water service.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals. While the total revenue that may be approved by the Commission is limited to the amount produced by the Company's proposed rates, TAKE NOTICE that the Commission may approve revenues and adopt rates, fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The Commission has suspended Virginia-American's proposed rates pursuant to § 56-238 of the Code. The Applicant may, but is not obligated to, implement the proposed rates for service rendered on and after April 1, 2016, on an interim basis, subject to refund with interest.

The Commission entered an Order for Notice and Hearing that, among other things, has scheduled a public hearing to commence at 10 a.m. on June 21, 2016, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, for the purpose of receiving comments from members of the public and evidence related to the Application. Any person desiring to make a statement at the public hearing need only appear in the Commission's second floor Courtroom at the address set forth above prior to 9:45 a.m. on the day of the hearing and identify himself or herself to the Commission's Bailiff.

Copies of the Application and the Commission's Order for Notice and Hearing may be obtained by submitting a written request to counsel for the Applicant, Lonnie D. Nunley, III, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219-4074. If acceptable to the requesting party, the Applicant may provide the documents by electronic means. Copies of these documents also shall be available for interested persons to review in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: http://www.scc.virginia.gov/case.

Any interested person may participate as a respondent in this proceeding by filing, on or before February 5, 2016, a notice of participation. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Anyone filing a notice of participation simultaneously shall serve a copy of the notice of participation on counsel to the Applicant at the address set forth above. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.* ("Rules of Practice"), 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. Interested persons shall refer in all of their filed papers to Case No. PUE-2015-00097.

On or before April 22, 2016, each respondent may file with the Clerk of the Commission and serve on the Staff, the Applicant, and all other respondents any testimony and exhibits by which the respondent expects to establish its case. If not filed electronically, an original and fifteen (15) copies of such testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth above. In all filings, the respondent shall comply with the Commission's Rules of Practice, including 5 VAC 5-20-140, *Filing and service*, 5 VAC 5-20-150, *Copies and format*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUE-2015-00097.

On or before June 14, 2016, any interested person may file with the Clerk of the Commission at the address set forth above,

written comments on the Application. On or before June 7, 2016, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: http://www.scc.virginia.gov/case. All correspondence shall refer to Case No. PUE-2015-00097.

The Commission's Rules of Practice may be viewed at: http://www.scc.virginia.gov/case. A printed copy of the Rules of Practice may be obtained from Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

VIRGINIA-AMERICAN WATER COMPANY

(15) On or before January 8, 2016, Virginia-American shall furnish direct mail notice to its industrial customers in the Hopewell District that purchase non-potable water, advising those customers of the proposed rate increases reflected on pages 4 and 5 of Schedule 41 of the Application.

(16) On or before February 5, 2016, the Applicant shall file proof of the notice and service as ordered herein with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

(17) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Lonnie D. Nunley, Esquire, and Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219-4074; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation and Utility Accounting and Finance.

151149351