

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, MARCH 10, 2016

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APPLICATION OF

RAPPAHANNOCK ELECTRIC COOPERATIVE

CASE NO. PUE-2016-00019

For approval of a modified incentive for A/C switch demand-side management program; and for approval of a rate adjustment clause to recover the costs of the demand-side program pursuant to § 56-585.3 A 5 of the Code of Virginia

ORDER FOR NOTICE AND HEARING

On February 17, 2016, Rappahannock Electric Cooperative ("REC" or "Cooperative") filed with the State Corporation Commission ("Commission") an application ("Application") for approval of modified incentives for Cooperative members participating in the air conditioner cycling switch ("A/C switch") demand-side management program ("A/C Program" or "Program"), pursuant to §§ 56-235.1, 56-235.2 and 56-247 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Promotional Allowances, 20 VAC 5-303-10 *et seq.*, and Rules Governing Cost/Benefit Measures Required for Demand-Side Management Programs, 20 VAC 5-304-10 *et seq.* The Cooperative further requests approval, under §§ 56-585.3 A 5 and 56-585.1 A 5 b of the Code, of a rate adjustment clause, the Demand Response Cost Recovery Rider ("DR Rider"), to recover the incremental costs of operating the A/C Program. Concurrent with its Application, REC filed a Motion for Protective Ruling and a proposed protective ruling that establishes procedures governing the use of confidential information in this proceeding.

In its Application, REC seeks approval to modify its A/C Program to provide an ongoing incentive in the form of a recurring credit ("Recurring Credit") in addition to the current one-time

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incentive that was approved in Case No. PUE-2010-00046.¹ The A/C Program is a voluntary program for eligible residential member-consumers in which participants agree to installation by REC of a switch device that cycles a heat pump or central air conditioning unit off and on during periods of peak summer demand to reduce overall system demand, which reduces REC's overall wholesale power costs.²

Currently, participants in the A/C Program receive a one-time bill credit of \$25 in October following the first cooling season after the A/C switch is installed, provided the A/C switch remains in operation through September of that year. In order to increase participation and retention in the A/C Program, REC requests authorization to pay, in addition to the one-time bill credit, a Recurring Credit of \$24 per year per A/C switch.³ REC proposes to apply the Recurring Credit throughout the cooling season in the form of four monthly bill credits of \$6 each (or a \$6 monthly credit corresponding to the number of full billing months remaining in the cooling season after a participant enrolls in the Program).⁴ REC states that the Recurring Credit will be applied to both new and existing participants in the A/C Program, beginning in the cooling season following Commission approval.⁵ REC requests that the Commission approve its Application so REC can promote the Program, obtain enrollment permissions, and install new A/C switches in time to assist in reducing demand during the 2017 cooling season.⁶

¹ *Application of Rappahannock Electric Cooperative, For approval of a demand-side management program including promotional allowances*, Case No. PUE-2010-00046, 2010 S.C.C. Ann. Rept. 513, Order Granting Approval (June 15, 2010).

² Application at 2-3.

³ *Id.* at 8.

⁴ *Id.*

⁵ *Id.* at 9.

⁶ *Id.* at 10.

REC further requests approval of a new DR Rider to recover A/C Program costs not currently recovered in the Cooperative's base retail rates as approved by the Commission in Case No. PUE-2013-00052.⁷ The Application states that, prior to January 1, 2014, the Cooperative was using a Wholesale Power Cost Adjustment rider to pass through changes in the wholesale rates for energy and capacity, which allowed the Cooperative to apply reductions in wholesale power costs toward Program operating costs and to contribute any net benefit to operating margins.⁸ REC states further, however, that when REC began using a Power Cost Adjustment ("PCA") rider in January 1, 2014, it was no longer able to recover Program costs, above those already recovered through base rates, through reductions in wholesale power costs.⁹ Accordingly, REC requests approval of the DR Rider in order to fully recover the costs associated with the existing A/C Program, as well as the capital and operating costs associated with the proposed expansion of the Program including, but not limited to, the Recurring Credit.¹⁰ REC proposes that the DR Rider be applied to those customers subject to the PCA, as it is those customers who receive the benefits from the A/C Program through reductions in wholesale power costs that are passed through to customers by the PCA.¹¹

The Application states that the DR Rider will be determined prospectively for each calendar year based on REC's A/C Program budgeted activity and will include any accumulated

⁷ *Application of Rappahannock Electric Cooperative, For approval of a plan to migrate transitioning customers to the Cooperative's legacy rates and to revise rate schedules for electric service*, Case No. PUE-2013-00052, 2014 S.C.C. Ann. Rept. 270, Order Accepting Stipulation (Apr. 2, 2014).

⁸ Application at 5-6.

⁹ *Id.* at 6, 13.

¹⁰ *Id.* at 13.

¹¹ *Id.* at 14. Currently all Cooperative customers are subject to Schedule PCA-1, except those served under Schedules HD-1, LP-2, and LP-3, each of which provides for the direct recovery of purchased power costs.

over- or under-recovery of Program costs as of October 31 of the current year.¹² The Application includes a sample calculation for the DR Rider for illustrative purposes.¹³ Based on the sample calculation for 2016, a typical residential monthly bill would increase by approximately \$0.21 per 1,000 kilowatt hours.¹⁴

NOW THE COMMISSION, upon consideration of this matter, is of the opinion and finds that this matter should be docketed; REC should provide public notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Application; a procedural schedule should be established to allow interested persons an opportunity to file written or electronic comments on the 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 thereon.

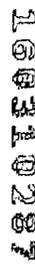
Accordingly, IT IS ORDERED THAT:

- (1) This case is docketed and assigned Case No. PUE-2016-00019.
- (2) As provided by § 12.1-31 of the Code and 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), a Hearing Examiner is appointed to conduct all further proceedings in this matter, including ruling on REC's Motion for Protective Ruling and filing a final report containing the Hearing Examiner's findings and recommendations.

¹² *Id.* at 15-16.

¹³ *Id.* at Exh. G.

¹⁴ *Id.* at 16.



(3) A public hearing is scheduled to commence at 10 a.m. on September 13, 2016, in the Commission's second floor courtroom located in the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, before a Hearing Examiner to receive the testimony of public witnesses and evidence offered by the Cooperative, respondents, and the Staff on the Cooperative's Application. Any person not participating as a respondent, as provided for below, may give oral testimony concerning this case as a public witness at the hearing. Any person desiring to offer testimony as a public witness at the hearing should appear in the Commission's second floor courtroom prior to 9:45 a.m. on the day of the hearing and identify himself or herself to the Commission's Bailiff.

(4) REC shall make copies of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at REC's business office at 247 Industrial Court, Fredericksburg, Virginia 22408. A copy of this Application also may be obtained by submitting a written request to counsel for REC, John A. Pirko, Esquire, LeClair Ryan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060. If acceptable to the requesting party, the Cooperative may provide the Application by electronic means. A copy of the Application and this Order for Notice and Hearing, as well as other orders and documents now or hereafter filed in this matter, shall also be available for public inspection 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. In addition, interested persons may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(5) On or before April 8, 2016, REC shall cause the following notice to be published as display advertising (not classified) on one occasion in newspapers of general circulation in its service territory:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
RAPPAHANNOCK ELECTRIC COOPERATIVE
FOR APPROVAL OF A MODIFIED INCENTIVE FOR
A/C SWITCH DEMAND-SIDE MANAGEMENT PROGRAM
AND FOR APPROVAL OF A RATE ADJUSTMENT CLAUSE
TO RECOVER THE COSTS OF THE DEMAND-SIDE
PROGRAM PURSUANT TO § 56-585.3 A 5
OF THE CODE OF VIRGINIA
CASE NO. PUE-2016-00019

On February 17, 2016, Rappahannock Electric Cooperative ("REC" or "Cooperative") filed with the State Corporation Commission ("Commission") an application ("Application") for approval of modified incentives for Cooperative members participating in the air conditioner cycling switch ("A/C switch") demand-side management program ("A/C Program" or "Program"), pursuant to §§ 56-235.1, 56-235.2 and 56-247 of the Code of Virginia ("Code") and the Commission's Rules Governing Utility Promotional Allowances, 20 VAC 5-303-10 *et seq.*, and Rules Governing Cost/Benefit Measures Required for Demand-Side Management Programs, 20 VAC 5-304-10 *et seq.* The Cooperative further requests approval, pursuant to §§ 56-585.3 A 5 and 56-585.1 A 5 b of the Code, of a rate adjustment clause, the Demand Response Cost Recovery Rider ("DR Rider"), to recover the incremental costs of operating the A/C Program. Concurrent with its Application, REC filed a Motion for Protective Ruling and a proposed protective ruling that establishes procedures governing the use of confidential information in this proceeding.

The A/C Program is a voluntary program for eligible residential member-consumers in which participants agree to installation by REC of a switch device that cycles a heat pump or central air conditioning unit off and on during periods of peak summer demand to reduce overall system demand, which reduces REC's overall wholesale power costs.

In its Application, REC seeks approval to modify its A/C Program to provide an ongoing incentive in the form of a recurring credit ("Recurring Credit") in addition to the current one-time \$25 incentive that was approved in Case No. PUE-2010-00046.

Specifically, REC proposes a Recurring Credit of \$24 per year per A/C switch, to be applied in the form of four monthly bill credits of \$6 each (or a \$6 monthly credit corresponding to the number of full billing months remaining in the cooling season after a participant enrolls in the Program). REC states that the Recurring Credit will be applied to both new and existing participants in the A/C Program, beginning in the cooling season following Commission approval, which REC anticipates will be the 2017 cooling season.

REC further requests approval of a new DR Rider to recover A/C Program costs not currently recovered in the Cooperative's base retail rates as approved by the Commission in Case No. PUE-2013-00052. The Application states that REC's former method of recovering Program costs has changed. Accordingly, REC requests approval of the DR Rider in order to fully recover the costs associated with the existing A/C Program, as well as the capital and operating costs associated with the proposed expansion of the Program including, but not limited to, the Recurring Credit. REC proposes that the DR Rider be applied to those customers subject to the PCA, as it is those customers who receive the benefits from the A/C Program through reductions in wholesale power costs that are passed through to customers by the PCA.

The Application states that the DR Rider will be determined prospectively for each calendar year based on REC's A/C Program budgeted activity and will include any accumulated over- or under-recovery of Program costs as of October 31 of the current year. The Application includes a sample calculation for the DR Rider for illustrative purposes. Based on the sample calculation for 2016, a typical residential monthly bill would increase by approximately \$0.21 per 1,000 kilowatt hours.

Interested persons should TAKE NOTICE that after considering all of the evidence, 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 Cooperative's Application, or may apportion revenues among customer classes or design rates in a manner differing from that shown in the Cooperative's Application.

The Commission entered an Order for Notice and Hearing ("Order") that, among other things, scheduled a public hearing to be held on September 13, 2016, at 10 a.m., in the Commission's second floor courtroom located in the Tyler Building, 1300 East

Main Street, Richmond, Virginia 23219, to receive testimony from members of the public and evidence related to the Application from the Cooperative, any respondents, and the Commission's Staff. Any person desiring to testify as a public witness at this hearing should appear fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

Copies of REC's Application, as well as a copy of the Commission's Order, are available for public inspection during regular business hours at REC's business office at 247 Industrial Court, Fredericksburg, Virginia 22408. Copies also may be obtained by submitting a written request to counsel for REC, John A. Pirko, Esquire, LeClair Ryan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060. If acceptable to the requesting party, the Cooperative may provide the documents by electronic means. Copies of the public versions of all documents also are 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>.

On or before May 6, 2016, any person interested in participating as a respondent in this proceeding shall file a notice of participation. If not filed electronically, an original and fifteen (15) copies of a 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. The respondent shall simultaneously serve a copy of the notice of participation on counsel for the Cooperative, John A. Pirko, Esquire, LeClair Ryan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060. Pursuant to Rule 5 VAC 5-20-80 B, *Participation as a respondent*, of the Commission's Rules of Practice and Procedure ("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. All filings shall refer to Case No. PUE-2016-00019.

On or before May 27, 2016, each respondent may file with the Clerk of the Commission and serve on the Commission Staff,

the Cooperative, 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 Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Respondents also 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-2016-00019.

On or before September 6, 2016, any interested person wishing to comment on the Cooperative's Application shall file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, written comments on the Application. Any interested person desiring to file comments electronically may do so on or before September 6, 2016, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All such comments shall refer to Case No. PUE-2016-00019.

The Commission's Rules of Practice may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

RAPPAHANNOCK ELECTRIC COOPERATIVE

(6) On or before April 8, 2016, REC 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 Cooperative provides service. Service shall be made by first class mail to the customary place of business or residence of the person served.

(7) On or before April 29, 2016, REC shall file with the Clerk of the Commission proof of the notice and service required by Ordering Paragraphs (5) and (6) herein, including the name, title and address of each official served, with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219.

(8) On or before April 20, 2016, REC shall file with the Clerk of the Commission, at the address set forth in Ordering Paragraph (7), an original and fifteen (15) copies of the following: (1) a schedule of all projected costs by type of cost and year associated with the proposed DR Rider; (2) all documents, contracts, studies, investigations or correspondence that support projected costs proposed to be recovered by the DR Rider; (3) the annual revenue requirement over the duration of the proposed DR Rider by year and by class; and (4) any testimony and exhibits in support of its Application. Each witness's testimony shall include a summary not to exceed one page and shall specify those portions of the Application that such witnesses will sponsor at the hearing. REC shall serve copies thereof on counsel for all respondents and Staff. In lieu of prefiled testimony, REC may file with the Clerk of the Commission by such date a document in which REC: (a) identifies witnesses who will appear and offer testimony at the hearing in support of the Cooperative's Application and additional information filed as ordered herein at the hearing; (b) specifies those portions of the Application and additional filed information that such witnesses will adopt and support as their testimony at the hearing; and (c) includes a summary not to exceed one page of each such witness's testimony.

(9) On or before May 6, 2016, any person interested in participating as a respondent in this proceeding shall file a notice of participation. If not filed electronically, an original and fifteen (15) copies of a notice of participation shall be submitted to the Clerk of the Commission

at the address set forth in Ordering Paragraph (7). The respondent simultaneously shall serve a copy of the notice of participation on counsel for REC at the address in Ordering Paragraph (4). 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. All filings shall refer to Case No. PUE-2016-00019.

(10) Within three (3) business days of receipt of a copy of a notice of participation as a respondent, REC 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 Cooperative with the Commission unless these materials already have been provided to the respondent.

(11) On or before May 27, 2016, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (7) and serve on the Commission Staff, the Cooperative and on all other respondents, any testimony and exhibits by which the respondent expects to establish its case, and 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 (7). 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-2016-00019.

(12) On or before September 6, 2016, any interested person may file with the Clerk of the Commission, at the address set forth in Paragraph (7), written comments on the Application. Any interested person desiring to submit comments electronically may do so on or before September 6, 2016, by following the instructions found on the Commission's website, <http://www.scc.virginia.gov/case>. Compact discs or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUE-2016-00019.

(13) The Commission Staff shall investigate the Application. On or before August 2, 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 each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall promptly serve a copy of the same on counsel to REC and all respondents.

(14) On or before August 30, 2016, REC may file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer, and each witness's testimony shall include a summary not to exceed one page. REC shall simultaneously serve a copy on the Staff and all respondents. 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 Paragraph (7).

(15) The Commission's Rule of Practice 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and things*, shall be modified for this proceeding as follows: Responses and objections to written interrogatories and requests for production of documents shall be served within seven (7) calendar days after receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, on the day that copies are filed with the Clerk of the

Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.¹⁵ Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice, 5 VAC 5-20-240 *et seq.*

(16) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: John A. Pirko, Esquire, and James Patrick Guy II, Esquire, LeClair Ryan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060; 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 the Commission's Office of General Counsel and Divisions of Energy Regulation and Utility Accounting and Finance.

¹⁵ The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUE-2016-00019, in the appropriate box.