

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 22, 2017

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APPLICATION OF

AQUA UTILITIES CAPTAIN'S COVE, INC.
d/b/a AQUA VIRGINIA

CASE NO. PUR-2017-00017

For an increase in rates and fees

ORDER FOR NOTICE AND HEARING

On October 14, 2016, Aqua Utilities Captain's Cove, Inc. d/b/a Aqua Virginia ("Aqua Captain's Cove" or "Company"), pursuant to the Small Water or Sewer Public Utility Act (§§ 56-265.13:1 *et seq.* of the Code of Virginia ("Code")), notified its customers and the State Corporation Commission's ("Commission") Division of Public Utility Regulation ("Division") of its intent to increase rates and fees effective for service rendered on and after November 28, 2016 ("Proposed Rate Increase").¹

The Company proposes to increase its rates and fees as follows:

Existing Rates for Monthly Water:

- | | | |
|----|-------------------------------------|------------|
| 1. | Flat rate service | \$40.86 |
| 2. | Flat rate service (Marina Building) | \$1,052.98 |
| 3. | Availability rate | \$6.21 |

¹ Aqua Captain's Cove, along with other Virginia affiliates, filed an application, in what is now docketed as PUR-2017-00018, seeking approval for the affiliates to merge into their corporate parent, Aqua Virginia, leaving Aqua Virginia as the surviving entity. Should the merger transaction be approved, it will likely be completed prior to a final order in the present proceeding. Accordingly, the rates that are determined in this proceeding, PUR-2017-00017, would be the rates adopted by the post-merger Aqua Virginia entity for customers in the current Aqua Captain's Cove service area.

Proposed Rates for Monthly Water:

- 1. Flat rate service \$45.00
- 2. Flat rate service (Marina Building) \$1,159.67
- 3. Availability rate \$6.84

As of January 31, 2017, the Division has received 271 letters from Aqua Captain's Cove customers requesting that the Commission convene a public hearing to fully review the Proposed Rate Increase. Some of the letters received were from customers with the same service address or availability lot.

NOW THE COMMISSION, having considered the matter, is of the opinion and finds as follows. Pursuant to § 56-265.13:6 of the Code:

Upon application to the Commission by at least 25 percent of all customers affected by a rate change or by 250 affected customers, whichever number is lesser, or by the small water or sewer utility itself, or by the Commission, upon its own motion, a hearing shall be held after at least 30 days' notice to the small water or sewer utility and to its customers. The Commission may order such improvements or changes in service, measurements, practices, acts, rates, charges, fees, and rules and regulations of such utility as are just and reasonable.

When a hearing is ordered, the Commission shall have the authority to suspend such rates, charges, fees, and rules and regulations for no more than 60 days or to declare them to be interim, or both. Interim rates, fees, and charges shall be subject to refund with interest until such time as the Commission has made its final determination in the proceeding. Upon completion of the hearing and decision, the Commission may order such public utility to refund, with interest at a rate set by the Commission, the portion of such rates, charges, or fees found not justified by its decision.

Upon setting the matter for hearing, the Commission has the authority to make the rates interim, subject to refund. We find that a hearing should be scheduled on the Company's

proposed rate increase and that the proposed rates should be made interim, subject to refund with interest, until such time as the Commission renders its final decision in this proceeding.²

Accordingly, IT IS ORDERED THAT:

(1) This matter shall be docketed and assigned Case No. PUR-2017-00017.

(2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedures before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),³ a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

(3) Pursuant to § 56-265.13:6 of the Code, the Company's proposed rates are made interim, subject to refund with interest, until such time as the Commission has made a final decision in this proceeding.

(4) A local public hearing shall be convened on May 16, 2017, at 2 p.m. and 7 p.m., at Captain's Cove Golf & Yacht Club, 3323 Dock Court, Greenbackville, Virginia 23356, to receive testimony on the Company's Proposed Rate Increase from public witnesses participating as provided by 5 VAC 5-20-80 C, *Public witnesses*, of the Rules of Practice.

(5) A public evidentiary hearing shall be convened on August 1, 2017, 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 into the record the testimony of public witnesses and the evidence of the Company, any respondents, and the Commission's Staff. Any person desiring to offer testimony at this evidentiary hearing should appear in the Commission's courtroom fifteen

² We note that the rates charged by Aqua Captain's Cove prior to the November 28, 2016 increase were implemented as interim rates as ordered by the August 4, 2015 Order Granting Approval in Case No. PUE-2015-00014. To the extent that interim rates designated in Case No. PUE-2015-00014 are modified by the Commission following submittal of the financial information required by the Order in Case No. PUE-2015-00014, that modification will also be addressed in this proceeding.

³ 5 VAC 5-20-10 *et seq.*

(15) minutes before the starting time on the day of the hearing and identify himself or herself to the Commission's Bailiff.

(6) Aqua Captain's Cove forthwith shall make copies of its Proposed Rate Increase, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at the Company's business office at 3370 Captain's Corridor, Greenbackville, Virginia 23356. 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 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>.

(7) On or before March 22, 2017, the Company shall cause the following notice to be sent to each of its customers by first class mail, postage prepaid (bill inserts are acceptable):

NOTICE TO THE PUBLIC OF A HEARING
ON THE PROPOSED CHANGE IN WATER RATES AND FEES
OF AQUA UTILITIES CAPTAIN'S COVE, INC.
CASE NO. PUR-2017-00017

On October 14, 2016, Aqua Utilities Captain's Cove, Inc. d/b/a Aqua Virginia ("Company"), pursuant to the Small Water or Sewer Public Utility Act (§§ 56-265.13:1 *et seq.* of the Code of Virginia), notified its customers and the State Corporation Commission's ("Commission") Division of Public Utility Regulation ("Division") of its intent to increase rates and fees effective for service rendered on and after November 28, 2016 ("Proposed Rate Increase").

The Company proposes to increase its rates and fees as follows:

Existing Rates for Monthly Water:

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| 1. | Flat rate service | \$40.86 |
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2.	Flat rate service (Marina Building)	\$1,052.98
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Proposed Rates for Monthly Water:

1.	Flat rate service	\$45.00
2.	Flat rate service (Marina Building)	\$1,159.67
3.	Availability rate	\$6.84

As of January 31, 2017, the Division has received 271 letters from Aqua Captain's Cove customers requesting that the Commission convene a public hearing to fully review the Proposed Rate Increase. Some of the letters received were from customers with the same service address or availability lot.

While the total revenue requirement 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 Proposed Rate Increase and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Proposed Rate Increase and supporting documents.

The Commission entered an Order for Notice and Hearing in this proceeding that, among other things, scheduled public hearings in Greenbackville and Richmond, Virginia. A local public hearing before a Hearing Examiner will be convened on May 16, 2017, at 2 p.m. and 7 p.m., at Captain's Cove Golf & Yacht Club, 3323 Dock Court, Greenbackville, Virginia 23356, for the sole purpose of receiving testimony of public witnesses. The public hearing will resume on August 1, 2017, 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 Proposed Rate Increase from the Company, any respondents, and the Commission Staff. Any person desiring to testify as a public witness should appear at the hearing location fifteen (15) minutes before the starting time on the day of the hearing and identify himself or herself to the Commission's Bailiff.

A copy of the Company's Proposed Rate Increase and a copy of the Commission's Order for Notice and Hearing are available for public inspection during regular business hours at the Company's business office at 3370 Captain's Corridor, Greenbackville, Virginia 23356. 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 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

On or before July 7, 2017, any interested person may file written comments on the Proposed Rate Increase 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 on or before July 7, 2017, by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUR-2017-00017.

Any interested person or entity may participate as a respondent in this proceeding by filing, on or before June 9, 2017, a notice of participation in this proceeding. 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 above. 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 shall be represented by counsel as required by Rule 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. A copy of the notice of participation shall be served on the Company at the address set forth above. All filings shall refer to Case No. PUR-2017-00017. For additional information about participation as a respondent, any person or entity should obtain a copy of the Commission's Order for Notice and Hearing.

All written communications to the Commission concerning the Proposed Rate Increase shall be directed to Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center,

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1300 East Main Street, Richmond, Virginia 23219, and shall refer to Case No. PUR-2017-00017.

The Commission's Rules of Practice and Procedure may be viewed at <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and Procedure and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

AQUA UTILITIES CAPTAIN'S COVE, INC.

(8) On or before March 22, 2017, the Company 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 equivalent official) and city or town attorney of every city and town in which Aqua Captain's Cove provides service. Service shall be made by personal delivery or first class mail to the customary place of business or residence of the person served.

(9) On or before April 19, 2017, the Company shall file proof of the notice and service required by Ordering Paragraphs (7) and (8) herein, including the name, title, and address of each official served, with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

(10) On or before March 29, 2017, the Company shall file with the Clerk of the Commission the testimony and exhibits that the Company intends to present at the public hearing, and each witness's testimony shall include a summary not to exceed one page. The testimony shall include a balance sheet, income statement, statement of cash flows, and rate of return statement. If not filed electronically, an original and fifteen (15) copies of the testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9). All testimony and exhibits shall refer to Case No. PUR-2017-00017.

(11) On or before July 7, 2017, any interested person may file with the Clerk of the Commission at the address in Ordering Paragraph (9) any written comments on the Company's Proposed Rate Increase. Any interested person desiring to file comments electronically may do so on or before July 7, 2017, by following the instructions found on the Commission's website: <http://www.scc.virginia.gov/case>. Compact disks or any other form of electronic storage medium may not be filed with the comments. All comments shall refer to Case No. PUR-2017-00017.

(12) On or before June 9, 2017, any person may participate as a respondent in this proceeding by filing 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 (9). A copy of the notice of participation simultaneously shall be served on the Company at the address set forth in Ordering Paragraph (6). 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 shall 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. PUR-2017-00017.

(13) Within three (3) business days of receipt of a notice of participation as a respondent as required by Ordering Paragraph (12), the Company shall serve upon the respondent a copy of this Order for Notice and Hearing, a copy of the Proposed Rate Increase, and all materials filed by the Company with the Commission, unless these materials have already been provided to the respondent.

(14) On or before June 9, 2017, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (9) and serve on the Staff, the Company, and all other respondents, any testimony and exhibits by which it 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 the testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9). In all filings, the respondent shall comply with the Commission's Rules of Practice, including, but not limited to: 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. PUR-2017-00017.

(15) The Staff shall investigate the Company's Proposed Rate Increase. On or before June 30, 2017, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of testimony and exhibits, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on the Company and all respondents.

(16) On or before July 14, 2017, the Company may file with the Clerk of the Commission any rebuttal testimony and exhibits that it expects to offer, and each rebuttal witness's testimony shall include a summary not to exceed one page. The Company shall serve a copy on the Commission Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of the rebuttal testimony and exhibits shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (9).

(17) 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 Rule 5 VAC 5-20-260 of the Rules of Practice, 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.⁴ 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.*

(18) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: John J. Aulbach II, President, Aqua Utilities Captain's Cove, Inc., 2141 Granite Ridge Road, Rockville, Virginia 23146; and C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Regulation and Utility Accounting and Finance.

⁴ The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," then "Search Cases," and entering the case number, PUR-2017-00017, in the appropriate box.