

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 25, 2017

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APPLICATION OF

NORTHERN NECK ELECTRIC COOPERATIVE

CASE NO. PUR-2017-00101

For a general increase in electric rates

ORDER FOR NOTICE AND HEARING

On July 20, 2017, Northern Neck Electric Cooperative ("NNEC" or "Cooperative") filed with the State Corporation Commission ("Commission") an application and supporting documents for a general increase in electric rates ("Application").<sup>1</sup> NNEC is also requesting certain changes to its rate schedules for retail electric service.

In its Application, the Cooperative seeks approval to increase jurisdictional revenues by \$1.8 million based on a rate year revenue requirement of \$35.9 million.<sup>2</sup> A typical residential customer using 1,000 kilowatt hours will experience an average increase of \$8.05 per month under the proposed annualized rates.<sup>3</sup> NNEC is requesting that the new rates be made effective on all bills issued on and after January 1, 2018.<sup>4</sup> The Cooperative estimates that the proposed revenues should produce a rate year jurisdictional Times Interest Earned Ratio ("TIER") of

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<sup>1</sup> On August 15, 2017, NNEC filed corrected versions of Rate Schedules GS-5, LP-7, and PCA-1, which are included in Schedule 5A of the Application.

<sup>2</sup> Application at 3.

<sup>3</sup> *Id.* at Schedule 15A. The average monthly bill increase of \$8.05 is based on annualized rates. NNEC proposes seasonal price differentials in calculating the Electricity Supply Service ("ESS") portions of the proposed residential service schedule. NNEC's proposed rate design results in a monthly increase of \$18.96 in the months of June through September, and \$2.60 for October through May. *Id.* at Schedules 5A and 6.

<sup>4</sup> *Id.* at 9. The Cooperative requests authorization to put the new rates into effect on and after January 1, 2018, on an interim basis and subject to refund, if necessary. *Id.*

2.25x, a Debt Service Coverage Ratio of 2.21x and a rate of return on rate base of 4.14%.<sup>5</sup> However, NNEC is not requesting that the Commission set a TIER of 2.25x and adjust its proposed rates to that TIER. Instead, NNEC is requesting that the Commission approve its rates as proposed so long as the resulting rate year TIER falls within what has been recognized in recent cooperative rate cases as a reasonable range for an electric cooperative such as NNEC.<sup>6</sup>

NNEC proposes to adjust the ESS rates of each rate class to recover the rate year allocated purchased power expense and to increase the Access Charges in each rate class to reflect better what the cost of service study classified as customer-related costs.<sup>7</sup> To address class parity, NNEC is proposing to allocate the increase primarily to Schedule R-4, Schedule PE-2, Schedule C-7, and Schedule GS-4 Non-demand, with a slight increase to Schedule T-3. NNEC states that no material increases are allocated to Schedule GSD-1, Schedule LP-6, or Schedule SL-5.<sup>8</sup>

NNEC proposes to withdraw Schedule TD-3 and Schedule IS. NNEC is proposing to modify Schedule GS-4 (renumbered as Schedule GS-5) to be applicable to customers with demand up to 20 kW.<sup>9</sup> NNEC proposes a new schedule, Schedule GSD-1, for customers with demand greater than 20 kW and not exceeding 50 kW. In addition, the rates of Schedule SL-6 are being unbundled into distribution and energy supply service components. NNEC also proposes to withdraw Schedule G WPCA and replace it with Schedule PCA-1. Schedule PCA-1

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<sup>5</sup> *Id.* at 4.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 5.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

is a power cost adjustment designed to recover booked purchased power expense on a dollar-for-dollar basis.<sup>10</sup>

NNEC also proposes to introduce seasonal price differentials in calculating the ESS portions of proposed Schedules R-5, PE-3, C-8, GS-5, GSD-1, and LP-7, to reflect better the effects of summer load on purchased power expense.<sup>11</sup> NNEC is proposing to introduce higher seasonal prices for ESS service in the months of June through September, in order to send price signals that more appropriately reflect cost causation and more fairly recover costs within each rate class.<sup>12</sup>

NNEC is not proposing any substantive changes in its Terms and Conditions at this time, though the list of available rate schedules and any cross-references to those rate schedules in the Terms and Conditions would change if the Commission approves the Cooperative's proposed changes to its rate schedules.<sup>13</sup>

NOW THE COMMISSION, upon consideration of the matter, is of the opinion and finds that a public hearing should be convened to receive evidence on the Cooperative's Application. We also find that pursuant to 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),<sup>14</sup> we should assign this matter to a Hearing Examiner to conduct all further proceedings on behalf of the Commission, including filing a final report containing the Hearing Examiner's findings and recommendations. We find that interested persons should have the opportunity to comment on the Application or to

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 6.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 8.

<sup>14</sup> 5 VAC 5-20-10 *et seq.*

participate as a respondent in this proceeding; that the Staff of the Commission ("Staff") shall investigate the Application and present its findings in testimony; and that the Cooperative may file testimony in rebuttal to the testimony filed by Staff and any respondents. We also will permit NNEC's proposed rates to become effective for bills rendered on and after January 1, 2018, on an interim basis and subject to refund with interest.

Accordingly, IT IS ORDERED THAT:

(1) This case is docketed and assigned Case No. PUR-2017-00101.

(2) Pursuant to § 12.1-31 of the Code and 5 VAC 5-20-120 A of the Rules of Practice, a Hearing Examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission.

(3) NNEC may implement its proposed rates and charges for bills rendered on and after January 1, 2018, on an interim basis and subject to refund with interest.

(4) A public hearing shall be convened on February 27, 2018, at 10 a.m., in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, to receive the testimony of public witnesses and the evidence of the Cooperative, any respondents, and the Staff. Any person desiring to offer testimony as a public witness at the hearing 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) NNEC forthwith shall make copies of its Application and this Order for Notice and Hearing available for public inspection during regular business hours at NNEC's business office at 85 St. Johns Street, Warsaw, Virginia 22572-0288. Copies also may be obtained by submitting a written request to counsel for NNEC, John A. Pirko, Esquire, LeClairRyan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060. If acceptable to the

requesting party, the Cooperative may provide the documents by electronic means. In addition, interested persons may review all public documents filed in this proceeding 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 September 15, 2017, NNEC shall cause a copy of 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  
NORTHERN NECK ELECTRIC COOPERATIVE  
FOR A GENERAL INCREASE IN ELECTRIC RATES  
CASE NO. PUR-2017-00101

- **Northern Neck Electric Cooperative ("NNEC") has applied for approval for a general increase in electric rates. NNEC seeks to increase jurisdictional revenues by \$1.8 million based on a rate year revenue requirement of \$35.9 million.**
- **A typical residential customer using 1,000 kilowatt hours will experience an average increase of \$8.05 per month under the proposed annualized rates.**
- **NNEC is also requesting certain changes to its rate schedules for retail electric service.**
- **A Hearing Examiner appointed by the Commission will hear the case on February 27, 2018, at 10 a.m.**
- **Further information about this case is available on the SCC website at:  
<http://www.scc.virginia.gov/case>.**

On July 20, 2017, Northern Neck Electric Cooperative ("NNEC" or "Cooperative") filed with the State Corporation Commission ("Commission") an application and supporting documents for a general increase in electric rates ("Application"). NNEC is also requesting certain changes to its rate schedules for retail electric service.

In its Application, the Cooperative seeks approval to increase jurisdictional revenues by \$1.8 million based on a rate year revenue requirement of \$35.9 million. A typical residential customer using 1,000 kilowatt hours will experience an average increase of \$8.05 per month under the proposed annualized rates. NNEC is requesting the new rates be made effective on all bills issued on and after January 1, 2018. The Cooperative estimates that the proposed revenues should produce a rate of return on rate base of 4.14%.

NNEC proposes to adjust the Electricity Supply Service ("ESS") rates of each rate class to recover the rate year allocated purchased power expense and to increase the Access Charges in each rate class to reflect better what the cost of service study classified as customer-related costs. To address class parity, NNEC is proposing to allocate the increase primarily to Schedule R-4, Schedule PE-2, Schedule C-7, and Schedule GS-4 Non-demand, with a slight increase to Schedule T-3. NNEC states that no material increases are allocated to Schedule GSD-1, Schedule LP-6, or Schedule SL-5.

NNEC proposes to withdraw Schedule TD-3 and Schedule IS. NNEC is proposing to modify Schedule GS-4 (renumbered as Schedule GS-5) to be applicable to customers with demand up to 20 kW. NNEC proposes a new schedule, Schedule GSD-1, for customers with demand greater than 20 kW and not exceeding 50 kW. In addition, the rates of Schedule SL-6 are being unbundled into distribution and energy supply service components. NNEC also proposes to withdraw Schedule G WPCA and replace it with Schedule PCA-1. Schedule PCA-1 is a power cost adjustment designed to recover booked purchased power expense on a dollar-for-dollar basis.

NNEC also proposes to introduce seasonal price differentials in calculating the ESS portions of proposed Schedules R-5, PE-3, C-8, GS-5, GSD-1, and LP-7, to reflect better the effects of summer load on purchased power expense. NNEC is proposing to introduce higher seasonal prices for ESS service in the months of June through September, in order to send price

signals that more appropriately reflect cost causation and more fairly recover costs within each rate class.

NNEC is not proposing any substantive changes in its Terms and Conditions at this time, though the list of available rate schedules and any cross-references to those rate schedules in the Terms and Conditions would change if the Commission approves the Cooperative's proposed changes to its rate schedules.

For more detailed information about the Cooperative's proposals, interested persons should view NNEC's Application.

TAKE NOTICE that the Commission may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents and thus may adopt rates that differ from those appearing in the Company's Application and supporting documents.

The Commission issued an Order for Notice and Hearing ("Order") in this proceeding that, among other things, scheduled a public hearing on February 27, 2018, 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 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 the Cooperative's Application and this Order are available for public inspection during regular business hours at NNEC's business office at 85 St. Johns Street, Warsaw, Virginia 22572-0288. Copies also may be obtained by submitting a written request to counsel for NNEC, John A. Pirko, Esquire, LeClairRyan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060. If acceptable to the requesting party, the Cooperative may provide the documents by electronic means. In addition, interested persons may review copies of all public documents filed in this proceeding 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 person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before October 24, 2017. 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. A copy of the notice of participation as a respondent also shall be sent simultaneously to counsel for NNEC, John A. Pirko, Esquire, LeClairRyan, 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, 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. All filings shall refer to Case No. PUR-2017-00101. 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.

On or before February 20, 2018, any interested person wishing to comment on the Cooperative's Application shall 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. Any interested person desiring to file comments electronically may do so on or before February 20, 2018, 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 written comments. All such comments shall refer to Case No. PUR-2017-00101.

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 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.

#### NORTHERN NECK ELECTRIC COOPERATIVE

(7) On or before September 15, 2017, NNEC 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 alternative 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.

(8) On or before September 29, 2017, NNEC shall provide proof of the notice and service required by Ordering Paragraphs (6) and (7) herein.

(9) Any person or entity may participate as a respondent in this proceeding by filing a notice of participation in accordance with 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*, of the Rules of Practice on or before October 24, 2017. 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. Any person or entity simultaneously shall serve a copy of the notice of participation upon counsel for NNEC at the address set forth in Ordering Paragraph (5). Pursuant to 5 VAC 5-20-80 B, *Participation as a respondent*, of the 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 pursuant to 5 VAC 5-20-30, *Counsel*, of the Rules of Practice. All filings shall refer to Case No. PUR-2017-00101.

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

(11) On or before December 19, 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 Cooperative, and 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 shall be submitted to the Clerk of the Commission. 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. PUR-2017-00101.

(12) The Staff shall investigate the reasonableness of NNEC's Application. On or before January 23, 2018, the Staff shall file with the Clerk of the Commission and serve on the Cooperative and all parties in accordance with the Rules of Practice, its testimony and exhibits regarding its investigation of the Application, and each Staff 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 shall be submitted to the Clerk of the Commission.

(13) On or before February 6, 2018, NNEC shall file with the Clerk of the Commission: (a) 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; and (b) a summary not to exceed one page of each direct witness's testimony if not previously included therewith. The Cooperative simultaneously shall serve a copy of the testimony and exhibits on the Staff and all respondents. 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 (9).

(14) On or before February 20, 2018, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (9). Diskettes, compact discs, or any other form of electronic storage medium may not be filed with written comments. Interested persons desiring to submit comments electronically may do so, on or before February 20, 2018, by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/case>. All comments shall refer to Case No. PUR-2017-00101.

(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 ten (10) 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<sup>15</sup> if the interrogatory or request for production is directed to the Staff. Except as modified herein, discovery shall be in accordance with Part IV of the Rules of Practice, 5 VAC 5-20-240 *et seq.*

(16) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: John A. Pirko, Esquire, LeClairRyan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel,

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<sup>15</sup> 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 case number PUR-2017-00101 in the appropriate box.

Office of Attorney General, 202 North 9th Street, 8<sup>th</sup> Floor, Richmond, Virginia 23219. 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.

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