

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 9, 2019

SCC-LEADS OFFICE
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APPLICATION OF

SOUTHSIDE ELECTRIC COOPERATIVE

CASE NO. PUR-2019-00090

For a general increase in electric rates

ORDER FOR NOTICE AND HEARING

On July 19, 2019, Southside Electric Cooperative ("SEC" or "Cooperative") filed an application ("Application") with the State Corporation Commission ("Commission") pursuant to §§ 56-231.33, 56-231.34, 56-236, 56-238, and 56-585.3 of the Code of Virginia ("Code") requesting approval of a proposed increase in rates and charges for bills rendered on or after January 7, 2020.¹

SEC represents that a rate increase is needed due to low customer growth and increased costs.² Specifically, the Cooperative seeks an increase in jurisdictional sales revenues of \$8.019 million to pay expenses, service debt, fund capital additions, and meet the financial goals established by SEC's Board of Directors.³ The proposed increase would produce total rate year jurisdictional margins of \$9.320 million, a 2.35x Times Interest Earned Ratio ("TIER"), a debt service coverage ratio of 1.74x, and 5.74% rate of return on rate base.⁴

¹ Application at 4. SEC clarifies that while its proposed base rates would take effect for bills rendered on and after January 7, 2020, its new Schedule AS-1 is proposed to take effect for bills rendered on and after February 1, 2020. *Id.* at 4, Schedule 5A.

² *Id.* at 3.

³ *Id.*

⁴ *Id.* at 3-4. The Cooperative is not requesting that the Commission set a TIER of 2.35x and adjust its proposed rates to that TIER. SEC requests that the Commission approve rates as proposed provided the resulting TIER is within a reasonable rate that would normally be recommended for cooperatives in Virginia. *Id.* at 4.

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The Cooperative proposes a demand charge for its Schedule A, Schedule A-TOU, and Schedule GSS members.⁵ SEC states that by separating demand costs from consumption costs, the Cooperative's members will be able to control both types of costs, rather than just consumption costs.⁶ To update Schedule A kilowatt hour sales for the rate year, calendar year 2020, SEC proposes to use a five-year average monthly consumption, rather than the test year, calendar year 2018, average of monthly consumption.⁷ Additionally, the Cooperative proposes to incorporate seasonal price differentials for the electric supply service portions of generation and transmission charges.⁸ SEC also proposes to introduce Schedule AS-1, a new rider to Schedule I that will pass through the cost effects of purchasing power from an alternative supplier to Old Dominion Electric Cooperative ("ODEC").⁹

Of the proposed \$8.019 million rate year revenue increase, SEC allocates the largest percentage increase of 7.66% to Schedule A (Residential), which equals \$7.836.5 million; the next largest percentage increase of 5.79% to Schedule GSS, which equals \$173,339; minimal increases to Schedules I and A-TOU; and non-material increases to Schedules GTP and SL.¹⁰ The Cooperative indicates that overall jurisdictional sales revenue increase is 6.87%.¹¹

SEC also proposes to adjust its Schedule PCA-1 to (1) reflect the rate year level of power cost recovered in proposed base rates; (2) change the Southeastern Power Administration

⁵ *Id.* at 4.

⁶ *Id.*

⁷ *Id.* at 5.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.* at 8-9; Direct Testimony of Jack D. Gaines at 24.

¹¹ Application at 9.

("SEPA") factor definition to incorporate the addition of Morgan Stanley as a supplier; (3) clarify that SEPA rate changes or allocations and changes in price or volume from a non-ODEC supplier do not require a corresponding change in the power cost adjustment factor midyear unless the changes materially affect power cost; and (4) eliminate the non-purchased power cost element in the over- and under-recovery amount calculation.¹²

The Cooperative requests that its proposed rates and charges be approved and that the Commission authorize such rates to be put into effect for bills rendered on and after January 7, 2020, as interim rates subject to refund, if necessary, as provided in Code § 56-238.¹³

NOW THE COMMISSION, having considered this matter, is of the opinion and finds that SEC should provide notice of its Application; a public hearing should be scheduled for the purpose of receiving testimony and evidence on the Cooperative's Application; a procedural schedule should be established to allow interested persons an opportunity to file written or electronic comments on the Cooperative'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 thereon. We also find that a Hearing Examiner should be appointed to conduct all further proceedings in this matter on behalf of the Commission and to file a final report.

Accordingly, IT IS ORDERED THAT:

- (1) This matter is docketed and assigned Case No. PUR-2019-00090.
- (2) As provided by Code § 12.1-31 and Rule 5 VAC 5-20-120, *Procedures before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"),¹⁴

¹² *Id.*

¹³ *Id.* at 10.

¹⁴ 5 VAC 5-20-10 *et seq.*

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) SEC may implement its proposed rates, subject to refund with interest, for bills rendered on and after January 7, 2020.

(4) A public hearing shall be convened at 10 a.m. on February 4, 2020, 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 evidence of the Cooperative, any respondents, and the Staff. Any person desiring to offer testimony as a public witness need only appear at the hearing location fifteen (15) minutes before the starting time of the hearing and identify himself or herself to the Commission's Bailiff.

(5) The Cooperative shall make copies of a public version of its Application, as well as a copy of this Order for Notice and Hearing, available for public inspection during regular business hours at each of the Cooperative's business offices in the Commonwealth of Virginia. A copy may also be obtained by submitting a written request to counsel for SEC, Garland S. Carr, Esquire, Williams Mullen, 200 South 10th Street, Suite 1600, Richmond, Virginia 23219. If acceptable to the requesting party, the Cooperative may provide the documents by electronic means. Copies of the public version of all documents filed in this case shall also 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 September 9, 2019, SEC shall cause the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Cooperative's service territory:

NOTICE TO THE PUBLIC OF
SOUTHSIDE ELECTRIC COOPERATIVE'S APPLICATION
FOR A GENERAL INCREASE IN RATES
CASE NO. PUR-2019-00090

On July 19, 2019, Southside Electric Cooperative ("SEC" or "Cooperative") filed an application ("Application") with the State Corporation Commission ("Commission") pursuant to §§ 56-231.33, 56-231.34, 56-236, 56-238, and 56-585.3 of the Code of Virginia requesting approval of a proposed increase in rates and charges for bills issued on or after January 7, 2020.

SEC represents that a rate increase is needed due to low customer growth and increased costs. Specifically, the Cooperative seeks an increase in jurisdictional sales revenues of \$8.019 million to pay expenses, service debt, fund capital additions, and meet the financial goals established by SEC's Board of Directors. The proposed increase would produce total rate year jurisdictional margins of \$9.320 million, a 2.35x Times Interest Earned Ratio, a debt service coverage ratio of 1.74x, and 5.74% rate of return on rate base.

The Cooperative proposes a demand charge for its Schedule A, Schedule A-TOU, and Schedule GSS members. SEC states that by separating demand costs from consumption costs, the Cooperative's members will be able to control both types of costs, rather than just consumption costs. To update Schedule A kilowatt hour sales for the rate year, calendar year 2020, SEC proposes to use a five-year average monthly consumption, rather than the test year, calendar year 2018, average of monthly consumption. Additionally, the Cooperative proposes to incorporate seasonal price differentials for the electric supply service portions of generation and transmission charges. SEC also proposes to introduce Schedule AS-1, a new rider to Schedule I that will pass through the cost effects of purchasing power from an alternative supplier to Old Dominion Electric Cooperative ("ODEC").

Of the proposed \$8.019 million rate year revenue increase, SEC allocates the largest percentage increase of 7.66% to Schedule A (Residential), which equals \$7.836.5 million; the next largest percentage increase of 5.79% to Schedule GSS, which equals \$173,339; minimal increases to Schedules I and A-TOU; and

non-material increases to Schedules GTP and SL. The Cooperative indicates that overall jurisdictional sales revenue increase is 6.87%.

SEC also proposes to adjust its Schedule PCA-1 to (1) reflect the rate year level of power cost recovered in proposed base rates; (2) change the Southeastern Power Administration ("SEPA") factor definition to incorporate the addition of Morgan Stanley as a supplier; (3) clarify that SEPA rate changes or allocations and changes in price or volume from a non-ODEC supplier do not require a corresponding change in the power cost adjustment factor midyear unless the changes materially affect power cost; and (4) eliminate the non-purchased power cost element in the over- and under-recovery amount calculation.

The Cooperative represents that it is not making any substantive changes to its Terms and Conditions at this time. Notwithstanding, SEC will need to make several non-substantive revisions to its Terms and Conditions to reflect the changes being made to its rate schedules. 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 Cooperative'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 entered an Order for Notice and Hearing that, among other things, permits the Cooperative to place its proposed rates, charges, and terms and conditions of service into effect, subject to refund, for bills rendered on and after January 7, 2020.

The Commission's Order for Notice and Hearing scheduled a public hearing at 10 a.m. on February 4, 2020, in the Commission's second floor courtroom located in the 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 Commission's Staff. Any person desiring to testify as a public witness should appear at the hearing location fifteen (15) minutes prior to the starting time of the hearing and contact the Commission's Bailiff.

Copies of the public version of all documents filed in this case 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>.

Copies of the Cooperative's Application and the Commission's Order for Notice and Hearing also may be inspected during regular business hours at each of the Cooperative's business offices in the Commonwealth of Virginia. Copies of these documents also may be obtained, at no charge, by submitting a written request to counsel for the Cooperative: Garland S. Carr, Esquire, Williams Mullen, 200 South 10th Street, Suite 1600, Richmond, Virginia 23219. If acceptable to the requesting party, the Cooperative may provide the documents by electronic means.

On or before January 7, 2020, any interested person may file written comments on the Cooperative's Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Interested persons desiring to submit comments electronically may do so on or before January 7, 2020, 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 cannot be filed with the comments. All such comments shall refer to Case No. PUR-2019-00090.

Any person or entity may participate as a respondent in this proceeding by filing a notice of participation on or before October 30, 2019. If not filed electronically, an original and fifteen (15) copies of a notice of participation shall be filed with the Clerk of the Commission at the address set forth above. A copy of the notice of participation shall be sent to counsel for SEC at the address set forth above. Pursuant to Rule 5 VAC 5-20-80, *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. All filings shall refer to Case No. PUR-2019-00090. 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 documents filed in the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

The Commission's Rules of Practice may be viewed at the Commission's website: <http://www.virginia.scc.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 the Clerk of the Commission at the address set forth above.

SOUTHSIDE ELECTRIC COOPERATIVE

(7) On or before September 9, 2019, SEC shall serve a copy of its Application and this Order for Notice and Hearing on the following local officials, to the extent the position exists, in each county, city, and town in which the Cooperative provides service in the Commonwealth of Virginia: the chairman of the board of supervisors of each county; the mayor or manager (or equivalent official) of every city and town; and the county, city, or town attorney. Service shall be made by either personal delivery or first class mail to the customary place of business or residence of the person served.

(8) On or before October 1, 2019, SEC shall file proof of the notice and service required by Ordering Paragraphs (6) and (7), 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.

(9) On or before January 7, 2020, any interested person may file written comments on the Application with the Clerk of the Commission at the address set forth in Ordering Paragraph (8). Any interested person desiring to file comments electronically may do so on or before January 7, 2020, 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 cannot be filed with the comments. All comments shall refer to Case No. PUR-2019-00090.

(10) On or before October 30, 2019, any person or entity 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 a notice of participation shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (8), and each respondent shall serve a copy of the notice of participation on counsel to SEC at the address set forth 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 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-2019-00090.

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

(12) On or before November 22, 2019, each respondent may file with the Clerk of the Commission at the address set forth in Ordering Paragraph (8) 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 and exhibits shall be filed with the Clerk of the Commission at the address set forth in Ordering

Paragraph (8). In all filings, respondents shall comply with the Commission's Rules of Practice, including, but not limited to: 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-240, *Prepared testimony and exhibits*. All filings shall refer to Case No. PUR-2019-00090.

(13) The Staff shall investigate the Application. On or before December 12, 2019, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of testimony and exhibits concerning the Application, and each Staff witness's testimony shall include a summary not to exceed one page. The Staff shall serve a copy thereof on counsel to the Cooperative and all respondents.

(14) On or before January 3, 2020, SEC shall 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 Cooperative shall serve a copy thereof on the Staff and all respondents. If not filed electronically, an original and fifteen (15) copies of such rebuttal testimony and exhibits shall be filed with the Clerk of the Commission at the address set forth in Ordering Paragraph (8).

(15) All documents filed with the Office of the Clerk of the Commission in this docket may use both sides of the paper. In all other respects, all filings shall comply fully with the requirements of 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice.

(16) 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) business days after receipt of the same. In addition to the service requirements of 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.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.*

(17) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Garland S. Carr, Esquire, and James Patrick Guy II, Esquire, Williams Mullen, 200 South 10th Street, Suite 1600, Richmond, Virginia 23219; 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 shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility 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," then "Search Cases," and entering the case number, PUR-2019-00090, in the appropriate box.