

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 30, 2009

CLERK'S OFFICE

APPLICATION OF

2009 MAR 30 PM 3: 11

CENTRAL VIRGINIA ELECTRIC
COOPERATIVE

DOCUMENT CONTROL

CASE NO. PUE-2009-00013

For a Streamlined Increase in Rates

ORDER

On March 3, 2009, Central Virginia Electric Cooperative ("CVEC" or the "Cooperative") filed with the State Corporation Commission ("Commission") an application requesting approval for a streamlined increase in rates in the amount of \$2,314,643. This is a 4.63% increase in CVEC's rates, proposed to be effective on a permanent basis for bills rendered on and after April 1, 2009.¹ CVEC filed its application pursuant to § 56-585.3 of the Code of Virginia ("Code"),² and our implementing regulations in 20 VAC 5-200-21, Rules governing streamlined

¹ The effective date was amended from April 1, 2009 to April 2, 2009 by cover letter filed with the application. We grant the amendment to April 2, 2009.

² Section 56-585.3 provides, in pertinent part:

After the expiration or termination of capped rates, the rates, terms and conditions of distribution electric cooperatives subject to Article 1 (§ 56-231.15 et seq.) of Chapter 9.1 of this title shall be regulated in accordance with the provisions of Chapters 9.1 (§ 56-231.15 et seq.) and 10 (§ 56-232 et seq.) of this title, as modified by the following provisions.

...

2. Each cooperative may, without Commission approval or the requirement of any filing other than as provided in this subdivision, upon an affirmative resolution of its board of directors, increase or decrease all classes of its rates for distribution services at a time, provided, however, that such adjustments will not effect a cumulative net increase or decrease in excess of 5 percent in such rates in any three year period. Such adjustments will not affect or be limited by any existing fuel or wholesale power cost adjustment provisions. The Cooperative will promptly file any such revised rates with the Commission for informational purposes.

rate proceedings and general rate proceedings for electric cooperatives subject to the Commission's rate jurisdiction ("Rate Case Rules"). The application complies with the filing requirements of the Rate Case Rules.³ Customer notice was given by the Cooperative 60 days prior to the application being filed pursuant to 20 VAC 5-200-21.B.6, and one customer inquiry was received in response. No objections or requests for hearing have been received in response to the public notice, proof of which was provided by the Cooperative pursuant to 20 VAC 5-200-21.C.11.

CVEC's current rates were established in the Cooperative's last general rate increase application, Case No. PUE-2000-00583, by Final Order issued December 18, 2001, and by Order Modifying Discount from Capped Rates, issued October 11, 2006. In Case No. PUE-2000-00583, the Commission approved CVEC's unbundling of its service into distribution and energy costs and approved rate schedules that included capped distribution rates and discounted distribution rates. The capped distribution rates were designed to produce a 2.0 Times Interest Earned Ratio ("TIER") based on projected 2007 costs and, pursuant to then-existing law, a discounted rate schedule was implemented to allow the Cooperative to discount from the capped distribution rates to produce a TIER of 2.0 based on 2001 costs.⁴ The Commission also approved a TIER range of 1.75 to 2.25 and required CVEC to file annual reports of actual earned TIER. If the TIER fell outside the approved TIER range, the Cooperative was permitted to petition the Commission to adjust the discount applied to its capped distribution rates to achieve a TIER of 2.0. In our October 11, 2006 Order Modifying

³ A memorandum of completeness was filed by Staff on March 6, 2009.

⁴ Energy rates were designed to generate sufficient revenues to cover the Cooperative's power supply costs. A Power Cost Adjustment Schedule was approved to allow the Cooperative to adjust energy charges up or down to match the cost of purchased power. These purchased power costs were not capped and were not subject to the discount.

Discount from Capped Rates, we approved the removal of the discounts on the capped distribution rates and CVEC began charging the capped distribution rates effective for bills rendered on and after November 1, 2006.

In its application, the Cooperative has reported experiencing significant increases in its plant construction costs due to customer needs and significant increases in commonly used construction materials, and increased costs due to the Cooperative's merger of its pension plan with the Retirement Security Plan of NRECA in 2007. Additionally, the Cooperative states that it has experienced slower load growth over the past two years.

CVEC notes that it is limited in the instant streamlined proceeding to a total increase in operating revenues not to exceed the change in the Consumer Price Index ("CPI") for the test period or 5%, whichever is less (20 VAC 5-200-21.C.1.A). The Cooperative states that the change in the test year CPI was 4.9%. The Cooperative requests an overall 4.63% increase in revenues in this application.

CVEC recognizes that its streamlined application is only available to the Cooperative if it has not been more than five (5) years since the later of the final order or the effective date of the rates specified in the final order of the applicant's last general rate case.⁵

While the Cooperative's capped distribution rates have remained unchanged since approval on December 18, 2001, in Case No. PUE-2000-00583, the Cooperative charged the discounted rates also approved on that date until they were changed at the end of 2006. The discount to the capped distribution rates was eliminated for bills rendered on and after November 1, 2006, less than three (3) years ago.

The instant application thus requests:

⁵ 5 VAC 5-200-21.C.9.

If this combination of events does not directly support a streamlined proceeding under 5 VAC 5-200-21.C.9, then CVEC requests that the Commission waive this requirement in 5 VAC 5-200-21.C.9 pursuant to its authority to waive any of these Rate Case Rules pursuant to 5 VAC 5-200-21.B.7 and allow this streamlined application to proceed.

Application, para. 6, at 5.

The Commission, having considered the instant application and applicable law, is of the opinion that this application may proceed as a streamlined application. The order we entered in Case No. PUE-2000-00583 specifically contemplated that the basic rates approved therein could change from time to time depending on the applied discount and we find that those rates changed less than five (5) years prior, in 2006.

In the instant streamlined application, we note that the request for the rate increase to take effect is otherwise contrary to the notice given. The notice published on January 30, 2009, states the revised rates are proposed to be made effective April 1, 2009 (Exhibit E to Application). This is inconsistent with the Application's request that the increase in rates become effective for bills rendered on and after April 1, 2009. The Cooperative bills in arrears and, therefore, to request an increase effective with bills rendered on and after April 1, 2009, would effectively apply the increase to service rendered prior to April 1, 2009. We will only consider the requested rate increase to become effective for service rendered on and after April 2, 2009, consistent with the notice given by publication and the amendment granted.

IT IS THEREFORE FOUND that this application may be filed as a streamlined application and CVEC's request that the Commission allow its rates to increase by \$2,314,643 or 4.63% on an annual basis should be granted. The proposed rates should be put in place for service rendered on and after April 2, 2009.

Accordingly, IT IS ORDERED THAT:

(1) CVEC's request for a streamlined increase in rates in the amount of \$2,314,643 which equals a 4.63% increase, to be effective on a permanent basis for service rendered on and after April 2, 2009, is hereby approved.

(2) CVEC shall file rate schedules in compliance with those approved in this Order on or before April 15, 2009.

(3) Following the increase in rates to become effective for service rendered on and after April 2, 2009, as provided in Ordering Paragraph (1) above, this case shall be closed and dismissed from the Commission's docket.

The Commission Clerk shall mail an attested copy of the Order to: Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; and deliver copies to the Commission's Office of General Counsel, Division of Energy Regulation, and Division of Public Utility Accounting.

A True Copy
Teste:


Clerk of the
State Corporation Commission