

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 18-____ - ____

Petition of Town of Stowe Electric Department)
pursuant to 30 V.S.A. §§ 225 and 227(a) for a 7.9%)
rate increase to take effect on a service-rendered)
basis August 15, 2018)

PETITION

The Town of Stowe Electric Department (“SED”), a municipal utility subject to Public Utility Commission (“Commission”) jurisdiction, submits this Petition pursuant to 30 V.S.A. §§ 225 through 227 and Commission Rules 2.401 and 2.402 and alleges as follows:

1. SED is a company as defined by 30 V.S.A. § 201 and a municipal electric utility within the meaning of 30 V.S.A. Chapters 14 and 79.
2. SED provides electric service to customers in the Town of Stowe, Vermont pursuant to Commission-approved rate tariffs.
3. SED seeks approval to implement a uniform rate increase of 7.9% to reflect SED’s “Rate Year” revenue requirement and cost of service of \$14,155,762. Ellen Burt, SED (“Burt”) pf. at 6; Stan Faryniarz and Matthew Loiacono, SED (“Daymark”) pf. at 20; Exhibit SED–Daymark–4.
4. Marked and clean rate schedule tariffs to implement the rate increase across all SED rate classes are included with this filing.
5. SED’s most recent rate adjustment was a 3.5% rate decrease implemented on a service-rendered basis effective July 8, 2013 in Docket No. 8074. Burt pf. at 6-7; Daymark pf. at 10.

6. In 2015, SED completed a revenue-neutral rate redesign that was approved September 30, 2015 in Docket No. 8463 and implemented on service-rendered basis April 1, 2015; the 2015 rate redesign included a full allocated cost of service study and resulted in the consolidation of several rate classes and elimination of SED's residential demand rate. Burt pf. at 7; Daymark pf. at 10.
7. Due to a multitude of factors, including increased expenses and limited sales growth, SED forecasts that its current rates will not generate sufficient revenue to meet the utility's financial obligations in 2018 and 2019. Burt pf. at 7-10; Daymark pf. at 15-18.
8. To determine its "Rate Year" cost of service and revenue requirement, SED utilized the same Rate Case Model used previously in 2013 in Docket No. 8074. Burt pf. at 13; Daymark pf. at 18.
9. The Rate Case Model adjusts Test Year (2017) revenues and expenses for known and measurable changes that will occur during the 2018 Rate Year (i.e. "Adjusted Test Year") and normalizes certain revenue and expense items that will change in a known and measurable manner after the Rate Year. Burt pf. at 4-9; Daymark pf. at 20-28; Exhibit SED-Daymark-4; Denise Sullivan, SED ("Sullivan") pf. at 4-9.
10. The Rate Case Model calculates SED's Rate Year cost of service to be \$14,155,762 versus revenue of \$13,119,307, an under-recovery from rates in the amount of \$1,036,046, or 7.9%. Exhibit SED-Daymark-4.
11. SED expects expenses to decline beyond 2019 and, as described below and in the testimony of SED's witnesses, has therefore attempted to balance potential under-recovery in early years (2018 and 2019) and over-recovery in later years (2020 and

- beyond) by normalizing revenue and expense items over a period of up to four-years and limiting the amount of the requested rate increase to 7.9%. Burt pf. at 13-14; Daymark pf. at 31, 35; Exhibit SED–Daymark–4.
12. The factors leading to the requested rate increase include a 4.3% retail sales decrease in 2017 across all customer classes and growth not expected to exceed 0.5% during the Rate Year, a \$350,000 storm event in 2017 for which partial reimbursement from FEMA remains outstanding, and costs associated with additional debt incurred and capital additions made in 2017 and 2018. Burt pf. at 8; Daymark pf. at 15-17; Sullivan pf. at 4.
 13. Power supply and transmission expenses are expected to increase 3.6% in 2018 and 8.1% in 2019, followed by a substantial 12.1% decline in 2020. Timothy Hebert, SED (“Hebert”) pf. at 6; Exhibit SED–TH–2.
 14. SED is experiencing increased transmission charges for Regional Network Service (“RNS”) provide by ISO-NE and in-state transmission provided by Vermont Electric Power Company (“VELCO”); however, a significant portion of the increase in transmission-related expense is the result of a mismatch in timing of the dividends and payments due under the Lamoille County Project (“LCP”) settlement where SED’s Specific Facilities payment obligations continue through 2019, but the Vermont Transco LCP equity dividend intended to partially offset those amounts ends in 2018. Burt pf. at 8; Daymark pf. at 24; Sullivan pf. at 10-12; Hebert pf. at 6.
 15. Operations expenses, not including power supply, transmission, and depreciation, increased 18% from 2016 to 2017 and SED’s Board of Commissioners has agreed to

- union and non-union labor, salary, and benefits increases of up to 4% in 2018 followed by additional increases thereafter. Burt pf. at 9; Daymark pf. at 27; Sullivan pf. at 9.
16. SED is a municipal at-cost provider of electricity and its rates are established at levels intended only to recover the costs of providing electric service to customers; however, SED has, as in prior rate cases, requested a return on rate base in the form of a time interest earning ratio (“TIER”). Burt pf. at 10, 13; Daymark pf. at 28-31.
 17. SED has requested the same TIER return in this rate case, 1.25, that it has been approved for previously; the dollar value of the requested TIER return is \$227,123. Burt pf. at 10, 13; Daymark pf. at 28-31.
 18. SED’s cash flow analysis submitted in support of the rate change demonstrates that, even with the rate increase, SED will be forced to operate with net decreases to cash flow during 2018 and 2019 until expenses decline and income improves in 2021. Burt pf. at 13-16; Sullivan pf. at 11-12; Exhibit SED–DS–3.
 19. In light of these fluctuations, and by limiting the amount of the rate increase, SED is accepting that it will need to operate in a particularly prudent and fiscally responsible and constrained manner for the next 18 to 24 months, including the need to utilize its line of credit as necessary to cover operating expenses until conditions improve. Burt pf. at 13-16; Sullivan pf. at 11-12.
 20. SED’s rates, system-wide and by class, are competitive when benchmarked against other Vermont utilities and its rate growth has been favorable over time relative to inflation indices such as the Consumer Price Index (“CPI”). Burt pf. at 11-12; Daymark pf. at 10-15.

21. SED has attempted to balance the interests of rate stability and predictability for customers while ensuring it can cover its costs, continue providing reliable service, and meet its goals and those of the State. Burt pf. at 13-17; Daymark pf. at 34-36.
22. Vermont law requires electric rates to be “just and reasonable.” 30 V.S.A. § 218.
23. In order to maintain just and reasonable rates it is necessary to, periodically, review the utility’s financial performance, current cost of service and revenue requirement, and changes to operating conditions to ensure the utility is able to meet its financial obligations, as well as its obligations to provide safe, reliable, and cost-effective service to customers. Burt pf. at 6-16.
24. SED believes the rates proposed in this proceeding are just and reasonable because they are both intended and necessary to meet those objectives. Burt pf. at 16-17; Daymark pf. at 36.
25. 30 V.S.A. § 225 establishes procedures for modifying rate tariff schedules and contains publication and notice requirements.
26. 30 V.S.A. § 227 requires the Board to make a final determination on a proposed rate change within seven months of the date of the filing of a request.

In support of its petition, SED submits the pre-filed testimony and supporting exhibits sponsored by the following witnesses:

Witness:

Ellen Burt, General Manager,
Stowe Electric Department

Subject:

Provides an overview of SED’s requested rate increase, introduces SED’s other witnesses, explains why the amount of the increase is appropriate, and discusses its implications on SED’s ability to meet its financial obligations and serve its customers.

Timothy Hebert,
Energy New England

Provides power supply and transmission budget projections from 2018 to 2021 for incorporation into the Rate Case Model.

Denise Sullivan, Controller,
Stowe Electric Department

Provides an overview of SED's 2017 financial performance, explains the non-power supply adjustments to revenue and expenses from the Test Year to the Rate Year, and provides cash flow, debt service, and capital spending projections for the time period 2018 to 2021.

Stan Faryniarz,
Daymark Energy Associates

Describes the Rate Case Model, adjustments made to revenue and expenses from the Test Year to the Rate Year, and normalization of items that change beyond 2018, and explains why the proposed rate increase is just and reasonable.

NOW, THEREFORE, SED requests that the Commission:

- A. With consideration given to the comments and recommendations of the Department of Public Service, SED ratepayers, and other interested parties, determine whether opening an investigation is necessary to review SED's proposed rate increase and, if so, appoint a Hearing Officer to convene a prehearing conference and to conduct such public, technical, or other hearings as necessary;
- B. Find that SED's proposed uniform 7.9% rate increase is just and reasonable and order implementation thereof pursuant to the rate tariff schedules submitted herewith; and
- C. Take such other measures as in the Commission's judgment are necessary for a full and expeditious resolution of this proceeding.

Dated at Stowe, Vermont, this 28th day of June, 2018.

STACKPOLE & FRENCH LAW OFFICES

By: 

Jeremy D. Hoff, Esq.
Attorney for Stowe Electric Department

Jeremy D. Hoff, Esq.
Stackpole & French Law Offices
P.O. Box 819
Stowe, VT 05672
802.253.7339
802.253.7330
jhoff@stackpolefrench.com