

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 5719

Investigation of Village of Enosburg)	Hearing at
Falls Electric Department's tariff)	Montpelier, Vermont
filing in re: rate increase of 18.96%)	May 23, 1994
which took effect March 1, 1994)	

Docket No. 5720

Investigation into DPS/NYPA tariff)
filing in re: rate increase of 26%)
to its Village of Enosburg Falls)
Electric Department Service Territory)
Customers which took effect)
March 1, 1994)

Order Entered: 11/22/94

PRESENT: Kari Dolan, Hearing Officer

APPEARANCES: James Volz, Esq.
Laura S. Beliveau, Esq.
for Department of Public Service

William B. Piper, Esq.
for Village of Enosburg Falls Water and
Light Department

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I. INTRODUCTION

A. Summary

On January 14, 1994, the Village of Enosburg Falls Water & Light Department ("Enosburg Falls" or the "Village") filed a request for a rate increase in the amount of \$295,439 or 19.13 percent. On February 15, 1994, Enosburg Falls amended its rate filing to reduce its rate increase to \$278,838 or 18.96 percent.

On February 11, 1994, the Department of Public Service (the "DPS" or the "Department") requested that the Board investigate Enosburg Fall's proposed rate increase. The Vermont Public Service Board (the "Board") issued an Order opening an investigation on February 18, 1994.

Based upon my independent review of the parties' filings and testimony, I recommend a rate increase of \$212,143 or 14.42 percent. The most significant reasons for this increase are increases in power costs, transmission costs, depreciation expense largely due to the addition to the hydro facility, amortization expense of unbonded debt, and interest expense on existing debt. Exh. AFA-3, Sch. 1.

B. Procedural History

On January 14, 1994, Enosburg Falls filed revisions to its rate tariffs seeking: (1) a rate increase in the amount of \$295,439 or a 19.13 percent; (2) increased rates to its CATV Pole Attachment fees; and (3) revisions to its rules and regulations, including a proposed one percent late payment penalty fee and changes to its service charges.

On January 19, 1994, the DPS, through its Director of Rates and Tariffs, filed a request for a 19 percent rate increase for its Village of Enosburg Falls Electric Department service territory customers. The filing was subsequently amended on January 24, 1994, to increase its rate request from 19 percent to

26 percent to reflect adjustments resulting from the recalculation of lease and billing fees. The DPS requested that the tariff filing be allowed to take effect on a service-rendered basis on or before March 1, 1994.

On February 9, 1994, Enosburg Falls amended its filing to include the tariff sheet for the proposed increase to the CATV pole attachment rate. On February 15, 1994, Enosburg Falls amended its rate filing to reduce its rate increase to \$278,838 or 18.96 percent. In addition, Enosburg Falls withdrew its request to amend its rules and regulations and the fees associated therewith.

On February 11, 1994, the DPS, through the Director for Public Advocacy, recommended Board investigations into both proposed rate increases. On February 18, 1994, the Board issued two Orders, opening an investigation into Enosburg Falls' filing (Docket 5719) and the filing of the DPS's Director of Rates and Tariffs (Docket 5720).

The Board held "back-to-back" prehearing conferences for both dockets on March 3, 1994. At the prehearing conference for Docket 5720, the parties agreed to consolidate this docket with Docket 5719.

A public hearing was held in Enosburg Falls on March 24, 1994, and the technical hearing was held on May 23, 1994, at the Public Service Board Conference Room, Montpelier, Vermont.

II. FINDINGS

Based upon the evidence of the record and the testimony presented at the hearing, I hereby report the following findings to the Board in accordance with 30 V.S.A. §8.

1. Enosburg Falls filed for a total cost of service of \$1,749,713, with a revenue deficiency of \$278,838, representing a 18.96 percent rate increase. Exh. Enosburg AFA-1.

2. The DPS proposes a total cost of service of \$1,642,593, with a revenue deficiency of \$171,719, representing an 11.68 percent rate increase. Exh. DPS-4; tr. at 124.

3. The DPS Director of Rates and Tariffs filed revisions to its NYPA tariffs, proposing an increase in the initial 175 kWh block from the present rate of \$0.0311 to \$0.0393 per kWh or an approximately 26 percent rate increase for its Enosburg Falls service territory customers¹. Tariff Filing No. 1684, First Revision of 1/24/94.

4. Enosburg Falls used the fiscal year January 1, 1992 through December 31, 1992 as the test year. Enosburg Falls selected the fiscal year January 1, 1994 through December 31, 1994, as the adjusted test year. Exh. Enosburg AFA-1.

5. Enosburg Falls used 1992 audited financial reports to prepare its rate case. Tr. at 39.

6. The 1993 audited financial reports would have been available to Enosburg Falls by the end of February or the beginning of March of this year. It would have taken Enosburg Falls about a month to file a rate case. Tr. at 118.

7. As the basis for the DPS's recommendations in this rate case, the Department used Enosburg Falls' 1993 Annual Report, the 1993 trial balance, the 1993 general ledger, and its rate case filing. Exh. DPS-4; tr. at 129.

8. Enosburg Falls estimated at a number of expenses for the adjusted test year by increasing the 1992 data using an inflation factor. Tr. at 93; 147-149.

9. Enosburg Falls proposed \$42,676 for power production expense in the adjusted test year. The Department recommends that this be reduced to \$32,369. The Department's adjustment is based on Enosburg Falls's 1993 financial statements, adjusted to reflect inflation and wage and salary increases. Enosburg Falls

1. The actual requested rate increase is 26.37 percent.

agreed to this adjustment which reduces power production costs by \$10,307. Tr. at 40.

10. Enosburg Falls proposes \$848,963 for power purchase expense in the adjusted test year. The Department initially recommended that this amount be reduced to \$839,621. Tr. at 129-130.

11. At the technical hearing, Enosburg Falls corrected a number of entries in its filing, the labeling of several schedules, and explained how it derived the proposed figure of \$848,963 using the figures presented in several spreadsheets. In light of the corrections and explanatory information provided at the hearing, the Department agrees with Enosburg Falls' power purchase expense. Tr. at 36, 40-46, 69-84, 136; DPS Brief at 3.

12. Enosburg Falls proposed \$120,747 for distribution expense in the adjusted test year. The Department recommended that this amount be increased to \$130,602. The adjustment is based on Enosburg Falls's 1993 financial statements, adjusted to reflect inflation and wage and salary increases. Enosburg Falls agreed to this adjustment which increases the cost of service by \$9,855. Tr. at 46, 130.

13. Enosburg Falls proposed \$41,772 for customer accounting. The Department recommends that this amount be decreased to \$36,445. The Department's adjustment is based on Enosburg Falls's 1993 financial statements, adjusted to reflect inflation and wage and salary increases. Enosburg Falls agreed with the Department's adjustment to customer accounts, resulting in a reduction to the cost of service of \$5,327. Tr. at 46, 130.

14. The Department confirmed that a correction should be made to reduce "other income" from \$53,964 to \$37,192. The adjustment of \$16,772, tax affected for the gross revenue and weatherization tax, results in a total cost of service increase of \$16,941. Tr. at 123, 124; exh. DPS-4.

15. Enosburg Falls proposes \$310,019 for administrative and general expenses ("A&G") for the 1994 adjusted test year.

Enosburg Falls adjusted the 1992 A&G expenses as follows:

	COST	INCREASES		TOTAL
		(%)	(\$)	REQUEST
Total 1992	\$298,333			
Commissioners Salaries	900	0.0	0	\$ 900
VPPSA	6,003	0.0	(6,003)	0
Administrative Salaries	63,990	3.0%	1,920	65,820
Balance, A&G Expenses	227,440	7.2%	16,759	<u>244,199</u>
Total Adjusted Test Year Cost				\$310,919

Exh. Enosburg AFA-1.

16. In determining A&G expenses for the adjusted test year, Enosburg Falls adjusted the 1992 amount for inflation by 7.2 percent. Id.; tr. at 93-94.

17. The Department recommends that A&G expenses be decreased by \$59,426 to \$251,493. The Department's recommendation is based on Enosburg Falls's 1993 financial statements that contain A&G expenses of \$253,791. The DPS then adjusted this amount to reflect inflation and the elimination of the following nonrecurring items:

- (1) the Federal Energy Regulatory Commission ("FERC") Docket No. EL92-33-000 rate case expenses (Barton Village et al. versus Citizens Utilities Company) in 1993 of \$7,347;
- (2) recovery of \$1,213 relating to instate bond counsel consulting fees for the hydro project;
- (3) \$1,624 for engineering services in connection with Enosburg Falls' integrated resource plan ("IRP"); and
- (4) a \$300 adjustment for a payment made to the City of St. Albans.

Exh. DPS-1, 4; tr. at 110, 112-114, 130-131, 150.

18. The largest portion of the DPS' recommended reduction of \$59,426 in A&G expense is \$44,542. That amount is due to the DPS use of the \$253,791 for A&G expense, an unaudited 1993 expense, instead of \$298,333 from the audited 1992 reports. Exh. DPS-1, 4.

19. Enosburg Falls expects increased legal activity at the FERC in the adjusted year. Thus, the amount of legal expenses for the adjusted test year is based on the anticipated level of activity that occurred in the test year, modified to include the

additional legal expense that Enosburg Falls anticipates for the adjusted test year. Tr. at 48, 88.

20. The FERC docket to which these legal fees pertain is still ongoing. Tr. at 47.

21. The payments to the City of St. Albans saves Enosburg Falls money because it replaces the need to provide 24-hour coverage at its dispatch center in order to handle after-hour calls. Tr. at 49-50.

22. Enosburg Falls proposes \$124,529 for depreciation. The Department recommends that this amount be reduced by \$18,737 to \$105,792. Exh. Enosburg AFA-1; Exh. DPS-4.

23. Enosburg Falls calculated depreciation using two depreciation schedules; one schedule for assets which are depreciated on a straight line basis ("straight-line depreciation" or "SLD") and another schedule for assets related to the hydro project which are depreciated on an accelerated basis and consistent with repayments on the debt. Tr. at 50-51 and 68.

24. To calculate depreciation for the adjusted test year, Enosburg Falls used the 1992 depreciation schedule of \$85,518 and adjusted them for: (1) deletions that would arise for assets that would be fully depreciated at the end of the adjusted test year; (2) the scheduled depreciation under the hydro project; and (3) the addition of a truck. The depreciation schedules were prepared by its audit firm. Tr. at 50-51, and 68.

25. The DPS's recommended depreciation expense of \$105,792 for the year 1993 consists of an SLD of \$65,468 and hydro annuity depreciation of \$40,324. Tr. at 144-146; Letter of Andrew

Albright of Metrix which was filed with the Board on 5/26/94²; exh. DPS-4.

26. Under the annuity method, the hydro plant depreciation will increase by \$2,540 between years 1993 and 1994. Metrix Letter of 5/26/94; tr. at 156.

27. The 1993 SLD of \$65,468 includes \$1,942 for the depreciation of a 1990 Ford Pickup and 1989 Chevrolet Pick-up truck, purchased in 1993 for \$9,520 and \$4,620, respectively. Analyzing the SLD for 1993 results in an increase in depreciation expense of \$887. The distribution plant additions of \$20,203 produced a 1993 depreciation expense of approximately \$390, which, on an annualized basis, would increase the depreciation expense by \$757 to \$1,147. Deletions for the fully depreciated plant by the end of the 1994 adjusted test year is \$1,064. Therefore, the total adjusted depreciation expense for the adjusted test year is \$108,912:

2. I hereby take official notice of the letter of Andrew Albright of Metrix which was filed with the Board on 5/26/94 ("Metrix Letter of 5/26/94"), pursuant to 3 V.S.A. §810(4). Any party that objects to including that document in the official record of this Docket shall notify the Board of its objections in its comments on this Proposal for Decision.

SLD (for 1993):	\$ 65,468
Annualized 1993 investment in plant:	1,644
Fully depreciated plant for 1994:	<u>(1,064)</u>
Depreciation expense for 1994:	\$ 66,048
Annuity depreciation for hydro plant:	<u>42,864</u>
Total depreciation for 1994:	<u><u>\$108,912</u></u>

Annual Report of the Village of Enosburg Falls Electric

Department to the Department of Public Service for year ending
December 31, 1993³; Metrix Letter of 5/26/94.

28. Enosburg Falls' proposed amortization expenses of \$35,874 consists of bond refinancing costs of \$975, purchase power costs of \$26,899, and DSM costs of \$8,000. The DPS recommended a reduction of the amortization expenses by \$26,777 for a total amortization expense of \$9,097. Exh. DPS-4; tr. at 131-132.

29. The reduction of \$26,777 in amortization expenses recommended by the DPS reflects the inclusion of \$8,000 for DSM (as proposed by Enosburg Falls) and \$1,097 for bond refinancing. Enosburg Falls proposed \$975 for bond refinancing, which was accepted by the DPS, for an adjusted recommendation by the DPS of \$26,899. Id.; DPS brief at 8.

30. The Department's total proposal for depreciation and amortization does not allow Enosburg Falls sufficient revenue to make its scheduled debt service payments during 1994. Tr. at 52.

3. I hereby take official notice of the Annual Report of the Village of Enosburg Falls Electric Department to the Department of Public Service for the year ending December 31, 1993, which was filed with the Board on 4/14/94 ("Enosburg Falls' 1993 Annual Report to the DPS"), pursuant to 3 V.S.A. §810(4). Any party that objects to including that document in the official record of this Docket shall notify the Board of its objections in its comments on this Proposal for Decision.

III. DISCUSSION

A. Preliminary Matter

The DPS raises in its brief the concern that Enosburg Falls had poorly prepared its tariff filing. The DPS notes that its review of the filing was unnecessarily difficult due to the omission of a narrative section and explanatory footnotes to explain the significance and use of figures presented in the spreadsheets. Moreover, the DPS states that the key figures presented on the spreadsheets were only corrected at the hearing, and several spreadsheets were incorrectly labeled. DPS Brief at 1-2; findings 9, 10, 11, 12, 13, 14.

I similarly found the review of Enosburg Falls' filing difficult. I recommend that the Board instruct Enosburg Falls to submit a complete and accurate filing with necessary documentation to support that filing in all future rate case proceedings.

B. Test Year

The selection of an appropriate test year was an issue in this proceeding. Enosburg Falls selected the fiscal year 1992 (which is equivalent to the calendar year 1992) as its test year, and used audited financial information to prepare its filing. The Village stated that it had performed a casual review of the audited 1993 data, but did not notice any significant changes from 1992 "other than revenue, power costs, depreciation charges, and debt service". Findings 4, 5; tr. at 14.

The DPS argues that a test year of 1993 would be more appropriate and relies upon Enosburg Falls' 1993 Annual Report, the 1993 trial balance, the 1993 general ledger, and its rate case filing in preparing its recommendation. The DPS states that, as a general principle, the adjusted test year should be based on the most recently available financial information. The DPS substantiates its argument by observing that there is a

significant difference between the information contained in the 1992 and that of the 1993 annual reports.⁴ More importantly, there are significant differences between Enosburg Falls' rate request filing and the 1993 annual report. The DPS states:

In the absence of some evidence suggesting that 1993 will be an atypical year on a going forward basis, 1993 information should have been used as the starting point.

Finding 7; exhs. DPS-1, 3; tr. at 127-128; DPS brief at 4.

Although the DPS believes that a utility should use audited numbers in preparing its rate cases, the Department would support a case in which a utility adjusted the audited but outdated financial statements with current information. The DPS further argues that the Village should have planned its filing better:

...if the basis for filing this [c]ase was they [Enosburg Falls] lost money in 1992, it took them more than 12 months to make a rate filing. ...had they lost money in 1992 and decided to come in for a rate case, ... it should have been sometime earlier than January 7, 199[4].

Tr. at 135, 148-149.

The DPS points out that Enosburg Falls could have deferred the rate increase by two or three months in order to use audited financial information for 1993, which would more closely reflect the anticipated costs for the adjusted test year.

Enosburg Falls counters that it is more appropriate to use audited information. At the time the Village filed its rate case, audited 1993 financial information was not available. Enosburg Falls notes that the DPS's recommendation is based on unaudited 1993 data. Furthermore, Enosburg Falls asserts that the Department's methodology of replacing audited 1992 figures with unaudited 1993 data is a way of establishing rates using "selective updating". Tr. at 39; Enosburg Falls Brief at 2-3.

4. For example, the DPS points out that there is a \$45,000 difference in A&G expense between the years 1992 and 1993. Finding 18.

The DPS has effectively demonstrated that there are substantial differences in expenses reported for the years 1992 and 1993. In addition, I am persuaded by the DPS's arguments that Enosburg Falls should have planned better in order to use the most currently available data for this rate case. I note that Enosburg Falls did not complete its tariff filing until February 15, 1994. Witnesses for the Village testified that the 1993 audited financial reports would have been available by the end of February or the beginning of March, enabling Enosburg Falls to file a rate case shortly thereafter using the most current *and audited* financial information. Findings 6.

The Department's proposed methodology of replacing 1992 data with more current data, rather than Enosburg Falls' strategy of simply increasing the 1992 data by an inflation factor, more accurately predicts costs that will likely occur in the adjusted test year. Finding 8; tr. at 148-149.

I therefore recommend that the Board agree to the use of fiscal year 1993 for the test year in this proceeding. I recommend that the Board find the DPS's methodology as an acceptable means of establishing just and reasonable rates for the adjusted test year in this proceeding.

C. Administration and General

The DPS notes that Enosburg Falls estimated A&G expense by simply adjusting the 1992 expense by an inflationary factor of 7.2 percent. The Department recommends decreasing A&G expenses by using 1993 A&G expenses and by removing certain nonrecurring expenses that were included in the 1993 financial statements. Those items include: (1) expenses for legal fees of a Washington law firm; (2) expenses for bond counsel; (3) expenses for engineering services; and (4) payment to the City of Albans. Findings 15, 16, 17.

Enosburg Falls opposed the removal of those items on the grounds that Enosburg Falls will probably incur some expenses in these broad categories in 1994. With regard to the legal fees of the Washington law firm, Enosburg Falls asserts that the case before FERC involving the Citizens Utilities Company tariff is on-going, and anticipates the level of legal activity in the adjusted test year will be "more intense rather than less intense" than what took place during the test year. Findings 19, 20; tr. at 93.

With respect to the expenses associated with the bond counsel and engineering services, the Village notes that the bond counsel is used periodically to provide financial support, and miscellaneous problems arise throughout the year that require engineering services. Tr. at 48-49.

Enosburg Falls states that the payments to the City of St. Albans (for after-hours telephone coverage) saves the Village money because it replaces the need to provide additional coverage after hours. Finding 21.

I recommend the inclusion of the payments to the City of St. Albans in the Enosburg Falls' cost-of-service. Such payments allow the Village to avoid the need to provide additional coverage.

I concur with the Department, however, that expenses for legal fees of a Washington law firm, bond counsel, and engineering services, while occurring from time-to-time, are not sufficiently predictable to be treated as recurring expenses. Therefore, I recommend that they not be recognized as current operating expenses. Instead, if Enosburg Falls incurs such expenses in the future, it may recover those costs in a subsequent rate case if circumstances so warranted. The proper accounting treatment to support such a recovery would be for the Village to capitalize bond counsel and engineering expenses. Similarly, legal fees should be deferred and recovered over an

appropriate period, such as a three-year period for rate case expenses.

D. Depreciation

Enosburg Falls is responsible for justifying its proposed depreciation amount for 1994. The amount Enosburg Falls proposes, however, appears to be inconsistent with its 1993 financial statements.

Upon review of the Metrix Letter of 5/26/94, and Enosburg Falls' 1993 Annual Report to the DPS, I find that the adjusted test year depreciation expense should be \$108,912.⁵ Findings 23, 24, 26, 27.

E. Amortization

The DPS points out that the difference between the amount proposed by Enosburg Falls for recovery of amortization expense and the Department's proposed amount is \$26,899, the amount that the Village is seeking for the amortization of power costs. The DPS states that although Enosburg Falls presents this amount on Schedule Four of its tariff filing as an operating expense, it is, in fact, not an expense. It is a request by the Village to seek sufficient funds to amortize loans that were incurred to pay expenses of a prior year. Findings 28, 29.

The Department opposes Enosburg Falls' methodology on the grounds that it is a form of retroactive rate-making. The Department believes that if Enosburg Falls was experiencing a revenue shortfall in 1992, it should have sought rate relief at that time. Because it failed to do so, it is now requesting that

5. Please refer to Footnote One on page 10 and Footnote Two on page 27, above for the reference to these two documents.

current ratepayers pay for energy that was used by 1992 ratepayers.⁶

Notwithstanding the DPS's objection, in principle, to the recovery of amounts necessary to amortize debt incurred to cover operating expenses, the Department does not oppose allowing Enosburg Falls to recover the \$26,899. The DPS recognizes that its original DPS recommendation for Enosburg Falls to recover a total amortization expense of \$9,097 would have resulted in insufficient revenue to meet the Village's 1994 debt service. Finding 30; DPS Brief at 8-9.

I recommend that the Board permit Enosburg Falls to recover \$35,874 in amortization expense, including the amount necessary to cover the amortization of power costs. In allowing this amount, I am not endorsing retroactive rate-making. I recommend that the Board direct Enosburg Falls to modify its strategy to recover current power costs by deferring the excess power cost and requesting its recovery over a period of time.

F. Resolution of Docket No. 5720

The DPS recommends resolving Docket No. 5720 by applying the Board's approved revenue requirement in Docket No. 5719 to the appropriate lease and billing components. I recommend that the Board accept that recommendation. DPS Brief at 10.

The Proposal for Decision has been served on all parties to this proceeding in accordance with 3 V.S.A. §811.

h:

6. The DPS states that if Enosburg Falls had properly deferred a portion of its 1992 power costs and capitalized such costs as part of its work on its hydro-plants, the Department would not have opposed the amortization of such costs. The Department believes that it probably would have been appropriate to defer a portion of these expenses on the grounds that they were extraordinary items; however, Enosburg Falls did not defer any of these expenses. DPS Brief at 9.

DATED at Montpelier, Vermont, this 25th day of
October, 1994.

s/Kari T. Dolan
Kari T. Dolan
Hearing Officer

IV. BOARD FINDINGS

The Board modifies the Hearing Officer's recommendations in regard to the 1993 annual revenues, administrative and general expenses related to the FERC rate case expense of \$7,347, engineering services of \$1,624, and the use of the refund for implementation of DSM Programs.

31. Total revenues at existing rates for 1992 and 1993 were \$1,543,990 and \$1,536,994, respectively. DPS-3.

32. The Board adopts findings 19 and 20, and therefore allows rate case recovery of one third of FERC rate case expense of \$7,347, or \$2,449 per year. Id.

33. The Village spent \$1,624 for engineering services in connection with Enosburg Falls' Integrated Resource Plan (IRP). Finding 17.

34. The Village has implemented the following DSM programs: (a) it has replaced one-third of its mercury-vapor street lamps with lower wattage pressurized sodium lamps; and (b) in the Act 250 review process, the Village hired an engineer to review plans for an expansion at the Franklin Cheese Company to insure that cost-effective energy efficiency measurers were included. Tr. at 19-20.

35. The Village will borrow \$40,000 to finance the initial DSM programs, incentives, and administrative costs. This loan will be repaid over a five-year period with an annual carrying cost of \$1,450 and amortization of \$8,000. Tr. at 20.

V. BOARD DISCUSSION

We concur with the Hearing Officer that the most recent data should be used in establishing rates for the future and for this case. We agree with the Village that the revenues at existing rates for 1993 should be used in this case and we therefore recognize a decrease in revenue at existing rates of \$6,996, the

difference between the 1992 and 1993 revenues at existing rates. Thus, we are essentially employing 1993 as the test year in this case. Finding 31.

It has been the Board's policy to allow recovery of rate case expense over a period of time, three to five years. It is our opinion, from a review of the record, that the Village will continue to have expenses related to the litigation at FERC and other regulatory agencies. We therefore will allow \$2,449 for rate case expenses. Finding 32.

The Village has hired an engineer to review plans for an expansion at the Franklin Cheese Company to insure that cost-effective energy efficiency measures are included. We therefore will allow, as an estimate of future DSM and IRP cost, the engineering cost of \$1,624. Finding 33.

In Docket 5270, and in related implementation dockets, we have set out clear policies under Vermont law, which require Vermont's electric and gas utilities to capture cost-effective efficiency savings for their customers through utility-sponsored investments in end-use efficiency and demand-side management. 30 V.S.A. Section 218c.

We have approved the DSM Amortization cost of \$8,000 for DSM programs requested in this docket in reliance upon Enosburg Falls's representations about implementation of efficiency programs. However, in keeping with our general policy, the Board will consider a failure to move forward with cost-effective efficiency programs to be sufficient cause for the Board to initiate an investigation into the rates charged by Enosburg Falls. Such an investigation could lead to orders requiring the escrow (and potential refund to customers) of revenues associated with power costs that could have been avoided by cost-effective energy efficiency investments.

We do not find that the refund ordered in this docket should be used for enhanced DSM programs; it is not apparent from the

record that appropriate programs are in place nor is there an agreement among the parties as to what programs are to be implemented and what specific controls are in place to trace these funds.⁷

7. We note that the DPS has questioned the legality of the targeted refund approach; however, in view of our practical concerns with the implementation of the proposed refund, we need not reach the legal issue at this juncture.

IV. BOARD ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Findings and conclusions of the Hearing Officer are accepted, except as modified herein.
2. The total adjusted cost of service of \$1,779,525 is just and reasonable. Attachment A to the Order.
3. The Village of Enosburg Falls Electric Department 's total cost of service is \$1,687,132. The tail block revenues for Enosburg Falls are \$1,463,879. Enosburg Falls Electric Department shall file rates calculated to collect an additional \$223,253 by means of a 15.25 percent increase, which tariffs will take effect on service rendered on and after the date of the meter reading immediately following the filing of the tariffs.
4. The Rates and Tariffs Division of the Department of Public Service's total cost of service is \$92,393. The Department of Public Service shall file rates calculated to collect an additional \$19,278 by means of a 26.37 percent increase, which tariffs will take effect on service rendered on and after the date of the meter reading immediately following the filing of the tariffs.
5. The Village of Enosburg Falls Electric Department and the Department of Public Service shall determine the total appropriate refund for their customers, issue a credit to the customers' accounts, and file a copy of the refund analysis with the Board on or before December 1, 1994.
6. Enosburg Falls shall submit a complete and accurate filing with necessary documentation to support that filing in all future rate case proceedings.

DATED at Montpelier, Vermont, this 22nd day of November, 1994.

s/Richard H. Cowart)

) PUBLIC SERVICE
)
s/Suzanne D. Rude) BOARD
)
s/Leonard U. Wilson) OF VERMONT

OFFICE OF THE CLERK

FILED: November 22, 1993

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board of any technical errors, in order that any necessary corrections may be made.

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this order, absent further order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.