

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

SWAN'S ISLAND ELECTRIC COOPERATIVE  
Request for Approval of Rate Change

Docket No. 2013-0534

## STIPULATION

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Swan's Island Electric Cooperative ("SIEC"), the Maine Office of Public Advocate ("OPA"), intervener SIEC member Lisa Stanley, and intervener SIEC member Jennifer VanHorne, Esq., (collectively the "Parties") hereby agree and stipulate as follows:

### I. PURPOSE

The purpose of this Stipulation is to settle all issues in these proceedings, to avoid a hearing on those issues raised in Docket No. 2013-0534, and to expedite the Public Utilities Commission's consideration and resolution of the proceedings. The provisions agreed to herein have been reached as a result of information gathered through discovery and discussions among the Parties in this case. The Parties agree that they will work together to obtain Commission approval of the terms of this Stipulation.

### II. PROCEDURAL BACKGROUND

On December 30, 2013, SIEC, filed with this Commission notice of rate increase, to be effective April 15, 2014, effecting member-customers on Swan's Island and Frenchboro island. The proposed rate increase was anticipated to result in additional revenue of \$107,087. SIEC filed this proposed increase pursuant to 35-A M.R.S. §304.

On January 10, 2014, the Office of the Public Advocate (OPA) filed a petition to intervene per 35-A M.R.S. § 1702 and § 8.B of the Rules of Practice and Procedure (Chapter 110) of the Maine Public Utilities Commission, resulting in OPA's intervention in this rate case.

On March 4, 2014, a duly noticed public hearing was held at the Swan's Island School at 7:00 PM. Tim Schneider, the Maine Public Advocate was in attendance. At the public hearing, SIEC member rate payers were given financial data to explain the proposed rate increase and told that the increase would be approximately 14.5%, and assessed as a meter charge.

On April 1, 2014, the Commission received a petition bearing a sufficient number of customer signatures per §3502 (8) and (9). The petition resulted in a rate case investigation by the Commission, and related suspension of the rate increase unless otherwise ordered, per 35-A M.R.S. § 310. The Commission initiated proceedings to determine whether the proposed rate increase is just and reasonable and based on known and measurable changes in the finances of SIEC. On May 5, 2014, SIEC members Lisa Stanley and Jennifer VanHorne, Esq., successfully petitioned to intervene.

On May 7, 2014, the initial case conference was held and resulted in a scheduling order setting forth a schedule of actions to be taken in this matter. Pursuant to the Scheduling Order, SIEC filed its proposed rate schedule pursuant to the requirements of 35-A M.R.S. §3502 and Chapter 120 §§ 3 and 8 of the Commission's Rules.

Prior to the technical conference held on June 24, 2014, SIEC responded to 44 data requests. SIEC subsequently responded to 4 oral data requests.

On July 7, 2014, July 9, 2014, July 11, 2014, July 15, 2014, and July 16, 2014, case participants held settlement discussions, with all Parties provided notice and opportunity to participate, and in fact did participate, including the Commission by request and consent of all other case participants.

This proposed comprehensive stipulation is the product of the the above-described proceedings and settlement discussions, and is intended by the case participants to resolve all issues in Docket No. 2013-0534. The overall impact of this rate change, effective as of July 1, 2014, is an increase in SIEC member rates of approximately 14.45%. The reasons underlying the agreed-to increase in revenues include the following: revenues needed to cover (a) deferred maintenance, (b) SIEC's recent investment in upgrade of its plant under a \$813,000 loan, (c) SIEC's schedule for meter replacements, (d) the SIEC's schedule for relocation of services, and (e) the SIEC's schedule for a renewed clearance of right-of-way vegetation. In addition to the rate adjustment, under this Stipulation SIEC will meet certain benchmark performance measures and undertake related annual reporting.

### III. RECOMMENDED APPROVALS AND FINDINGS

Based upon the record in this case, the Parties to this Stipulation agree and recommend that the Commission conclude the proceedings in Docket No. 2013-534 by issuing an order which approves, accepts and adopts this Stipulation, including the following provisions:

#### A. DISTRIBUTION RATE INCREASE:

As part of the Stipulation, the Parties agree that SIEC's distribution rates shall increase, effective July 1, 2014, by approximately 14.45% as more particularly detailed in the attached SIEC Rate Schedule attached hereto as SIEC Stipulation Attachment A, incorporated herein by reference. The prorated rate increase of \$107,087 per annum will be applied as a meter charge, as reflected on SIEC Stipulation Attachment A, and includes a normalized rate-case cost recovery amount of \$8,333 per annum. The distribution rate increase is based on a revenue requirement in the Pro Forma year of \$845,620, and results in a forecast TIER ratio of approximately 1.52.

#### B. BENCHMARK PERFORMANCE MEASURES AND ANNUAL REPORTING:

As part of the overall revenue requirements agreed to in this Stipulation, the Parties agree that SIEC's will meet the following benchmark performance measures and related annual reporting requirements for each year the rate increases referenced in this Stipulation are in effect:

- 1) SIEC will implement a meter replacement schedule in order to annually replace no fewer than 28 meters (5% of meters) and submit a written report annually on

performance thereof to the following: Maine Public Utility Commission; Maine Office of the Public Advocate; SIEC membership.

- 2) SIEC will include in its annual budget sufficient funds for no less than 15 service relocations per year and submit a written report annually regarding the actual number of service relocations per year to the following: Maine Public Utility Commission; Maine Office of the Public Advocate; SIEC membership.
- 3) SIEC will implement a right-of-way vegetation management schedule and include in its annual budget sufficient funds and expend such funds to clear and maintain between 4 and 6 miles of right-of-way per year and submit a written report annually regarding performance of the right-of-way vegetation management schedule, including miles of right-of-way cleared per year, to the following: Maine Public Utility Commission; Maine Office of the Public Advocate; SIEC membership.
- 4) SIEC will seek approval of the Maine Public Utility Commission to use the residential standard offer not less than annually, and submit a written report annually regarding efforts and progress towards approval for use by SIEC of the residential standard offer to the following: Maine Office of the Public Advocate; SIEC membership.
- 5) During the period between August 1, 2014 and March 31, 2015, the SIEC and its agents will investigate the depreciation status of the components of its plant in, at least, the following three plant accounts: Account 364 (Poles & Towers), Account 365 (Over-Head Conduits), and Account 368 (Line Transformers). The SIEC will determine the extent to which portions of each of those accounts have been in service prior to December 31, 1984, with the purpose of identifying whether any portions of those accounts are fully depreciated. For the purpose of determining whether plant in the three accounts listed above is fully depreciated, the SIEC will apply its convention of a 30-year depreciation life for such plant. The goal of this exercise will be to reduce the SIEC's depreciation expense going forward.
- 6) SIEC's Board will form committees and will investigate the following, and submit to the Maine Office of the Public Advocate and SIEC membership a written report annually regarding status of efforts and progress in each area until completed:
  - a) Pro Forma budget and rate schedule for two years forward, sufficient to maintain TIER within a target range of 1.75-2.25 TIER;
  - b) Planning for underwater transmission cable replacement, including timing, cost, financing;
  - c) Feasibility, costs, and benefits of a merger with Emera-Maine;
  - d) Independent power options, including consultation with qualified industry experts as funds are available, including grant sources as the committee may pursue.
  - e) The need for additional staffing to continue to provide safe, reliable electric service.
- 7) SIEC's annual reporting is subject to the following further requirements:

- a) SIEC's annual reporting referenced in Section III (B)(1-4) of this Stipulation to the Maine Public Utility Commission is required to be accomplished by including the referenced information in SIEC's annual Reliability Report to the Commission each year.
- b) SIEC's annual reporting obligations to the Office of the Public Advocate referenced in Section III (B)(1-5) of this Stipulation are due simultaneous with reporting to the Maine Public Utility Commission.
- c) SIEC's annual reporting obligations to SIEC membership referenced in Section III (B)(1-5) of this Stipulation must be met within 30 days of SIEC's annual meeting each year.

#### IV. PROCEDURAL STIPULATIONS

- A. Staff Presentation of Stipulation: The Parties to the Stipulation hereby waive any rights that they have under 5 M.R.S.A. § 9062(4) and Section 8(F)(4) of the Commission Rules of Practice and Procedure to the extent necessary to permit the Advisory Staff to discuss this Stipulation and the resolution of this case with the Commissioners prior to, or at the Commission's scheduled deliberations, without providing to the Parties an Examiners Report or the opportunity to file Exceptions.
- B. Record. The record on which the Parties enter into this Stipulation and on which the Commission may base its decision whether to accept and approve this Stipulation shall consist of (a) this Stipulation; (b) all prefiled testimony and exhibits; (c) all documents and information provided in responses to written or oral data requests; and (d) the transcripts of any Technical Conferences and any other material furnished by the Advisory Staff to the Commission, either orally or in writing, to assist the Commission in deciding whether to accept and approve this Stipulation.
- C. Non-Precedential Effect. This Stipulation shall not be considered legal precedent, nor shall it preclude a party from making any contention or exercising any rights, including the right of appeal, in any future Commission investigation or proceeding or any other trial or action.
- D. Stipulation as Integrated Document. This Stipulation represents the full agreement between the Parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole.
- E. Incorporation of Attachments. All attachments referred to in this Stipulation are incorporated herein by reference and are intended to be considered as part of this Stipulation as if their terms were fully set forth in the body of this Stipulation.
- F. Void if Rejected. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall be void and of no further effect and shall not prejudice any position taken by any party before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.
- G. Waiver of Reconsideration or Appeal. The Parties to this Stipulation hereby waive their rights to request reconsideration pursuant to Section 11(D) of the Commission's Rules of Practice and Procedure to appeal pursuant to 35-A M.R.S.A. § 1320, or to otherwise seek

reconsideration or judicial review of any Commission Order approving this Stipulation.

Respectfully submitted this \_\_\_\_ day of July, 2014.

**Seen and Agreed to:**

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Swan's Island Electric Cooperative,  
by its duly authorized general manager, Jeffery Ellison

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Maine Office of Public Advocate,  
by its duly authorized \_\_\_\_\_, \_\_\_\_\_

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Intervener, SIEC member Lisa Stanley

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Intervener, SIEC member Jennifer VanHorne, Esq.