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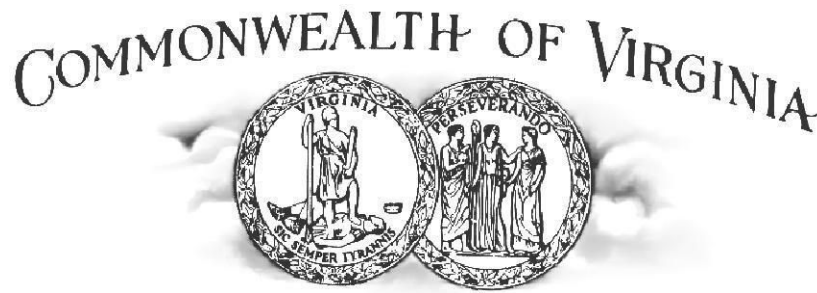
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STATE CORPORATION COMMISSION
DIVISION OF UTILITY ACCOUNTING AND FINANCE

April 16, 2025

State Corporation Commission
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MEMORANDUM REPORT

TO: Samuel T. Towell, Chairman
Jehmal T. Hudson, Commissioner
Kelsey A. Bagot, Commissioner

FROM: Scott C. Armstrong
Ross Newton
Sarah Cuba

RE: Staff Interim Report
Southwestern Virginia Gas Company
Case No. PUR-2025-00036

Introduction: Southwestern Virginia Gas Company (“Company”) filed an application for an expedited increase in rates (“Application”) with the State Corporation Commission (“Commission”) on March 31, 2025, pursuant to the Commission’s Rules Governing Utility Rate Applications and Annual Informational Filings of Investor-Owned Gas Utilities, 20 VAC 5-205-5 *et seq.* (“Rate Case Rules”). The Company completed the filing of its Application on April 2, 2025.

In Case No. PUR-2022-00196 (“2022 Rate Case”), the Company’s last non-gas base rate increase of \$825,000 was approved by the Commission on September 8, 2023, for bills rendered on and after March 31, 2023, based on a 9.90% return on common equity (“ROE”).¹

In the Company’s current Application, fully-adjusted Virginia jurisdictional operating revenues were \$12,814,873 during the test year ended December 31, 2024. The Application requests an annual revenue increase of \$808,513, which represents an overall increase in total operating revenue of 6.3%.² According to the Application, the Company states that it has


¹ *Application of Southwestern Virginia Gas Company, For a general increase in rates*, Case No. PUR-2022-00196, 2023 S.C.C. Ann. Rept. 307, Final Order (Sept. 8, 2023).

² Application at 2.

“...continued to experience increases in the costs that it incurs to provide service to customers, including the costs that it incurs to attract and retain a skilled workforce and continued increases in interest costs.”³ The Company requests to place interim rates into effect, subject to refund, for bills rendered on and after April 30, 2025.

Relevant Case Facts: The Company has not represented any substantial change in circumstances.⁴ The proposed test year of calendar year 2024 does not overlap with the test year of the 2022 Rate Case. The Company proposes ratemaking adjustments consistent with those previously employed in the 2022 Rate Case, and it also proposes the same 9.90% ROE as adopted in that case.⁵ For purposes of this expedited rate Application, the Company maintains the same revenue apportionment and rate design that was adopted by the Commission in accordance with the 2022 Rate Case stipulation. The Company also updated its cost of service methodology as directed in the Commission’s Final Order from the 2022 Rate Case, focusing on improved allocation of costs to the rate classes with emphasis on services and meter installations. The Company states that it does not anticipate any new significant customers to begin taking service during the rate year.⁶ Further, the Company states that it has deferred depreciation associated with a portion of the investment made in the pipeline to serve Commonwealth Crossing Business Centre in accordance with the treatment adopted in the 2022 Rate Case.⁷

Recommendation: Staff does not oppose the Company’s request to implement its rate increase on an interim basis, subject to refund, with the following caveat. The Company requests to place interim rates into effect, subject to refund, for bills rendered on and after April 30, 2025. Staff is concerned that this would allow the Company’s proposed rates to be effective for service rendered earlier than 30 days following the Application, perhaps for service rendered as early as March 31, 2025. Staff recommends that the Commission order an alternate implementation date for proposed rates to be effective, subject to refund, for bills rendered on and after May 31, 2025.⁸



Scott C. Armstrong
Deputy Director, UAF



Ross Newton
Utility Specialist, UAF



Sarah Cuba
Associate Analyst, PUR

³ *Id.*

⁴ See 20 VAC 5-205-20 C of the Rate Case Rules.

⁵ *Id.*; Direct testimony of Bernadette J. Stowe at 3-4.

⁶ Direct testimony of James McClain, II at 2.

⁷ Direct testimony of Bernadette J. Stowe at 6.

⁸ This is consistent with the timeline of the Company’s most recent expedited rate case, in which the Company’s application was filed September 14, 2012, and the Commission authorized interim rates for bills rendered on and after November 30, 2012. See *Application of Southwestern Virginia Gas Company, For an expedited increase in rates*, Case No. PUE-2012-00076, Order for Notice and Hearing (Oct. 18, 2012), 2012 S.C.C. Ann. Rept. at 477.