

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)	
)	
VIRGINIA-AMERICAN)	
WATER COMPANY)	Case No. PUE-2011-00127
)	
For a general increase in rates)	

STIPULATION

This Stipulation represents the agreement between Virginia American Water Company (“Virginia American” or “Company”), the Staff of the State Corporation Commission (“Staff”), the Office of the Attorney General, Division of Consumer Counsel (“Consumer Counsel”), Concerned Ratepayers of the Eastern District (“CRED”), Hopewell Committee for Fair Water Rates (“Committee”), and the City of Hopewell (collectively, “Stipulating Participants”) resolving all issues raised by the Stipulating Participants relating to the Application filed on February 6, 2012 by Virginia American for a general increase in rates (“Application”).

1. The Application, its pre-filed direct testimony, its rebuttal testimony (the “Rebuttal Testimony”) and their exhibits shall be made a part of the record without cross-examination.
2. The testimonies and exhibits filed by Staff, Consumer Counsel, CRED, Committee and City of Hopewell shall be made a part of the record without cross-examination.
3. To resolve all issues raised by the Stipulating Participants concerning the Application and to establish the Company’s rates, the Stipulating Participants accept the positions of Staff set out in its pre-filed testimony on the Application filed August 23, 2012 (the “Staff Testimony”) with the modifications below.

4. The amount of \$41,657 will be used in the rate year for Sewer and Billing revenue in the Alexandria District.

5. A three-year operations and maintenance (“O&M”) expense percentage for each district (as calculated in the Rebuttal Testimony) will be used. The Company will continue to use a 3-year O&M expense percentage for each district in all Annual Informational Filings filed by the Company until the Company’s next base rate case, at which time the use of a three-year average on an ongoing basis will be reviewed.

6. The Company’s Rate Case Expense will be normalized over five years.

7. The Cost of Service will include \$256,570 of the projected Service Company Business Transformation expense. This includes \$120,473 for the Alexandria District, \$41,206 for the Hopewell District, and \$94,891 for the Prince William District.

8. The Cost of Service for the Eastern District will include \$100,000 of management fees. In each subsequent rate case, the Company will be allowed to include an additional \$75,000 of management fees, if prudently incurred, for the Eastern District until the full level of prudently incurred management fees is included in rates.

9. The Cash Working Capital changes in the Rebuttal Testimony will be adopted, with the exception that a \$0 cash working capital impact will be used for Utility Tax Collection. In addition, the Company agrees that in any future lead/lag study, it will use Staff’s methodology for Utility Tax Collection, which will set the net lead/lag days equal to the maximum allowable payment time under the applicable municipal codes.

10. The Return on Equity (“ROE”) of 9.75% will be used to establish rates in this proceeding.

11. The ROE range in this proceeding will be 9.0% - 10.0%. This ROE range, until changed by the Commission, will be used for future earnings tests.

12. With these modifications to Staff's pre-filed testimony, the additional revenue requirements for each District, for service rendered on and after July 12, 2012, will be:

a. Alexandria	\$929,970
b. Hopewell	\$0
c. Prince William	\$1,128,710
d. Eastern	<u>\$228,427</u>
Total	\$2,287,107

In addition, the Stipulating Participants agree to the following provisions:

13. The Company will maintain bi-monthly billings in the Eastern District until at least the next rate case and will provide notice to the customers in the Eastern District at least six months before changing to monthly billings.

14. The Company will not implement its proposed DSM program for the Hopewell District at this time. The Company will work with the District's industrial customers and other rate classes to further refine the parameters and timing of implementation of a DSM program for the Hopewell District if it is needed in the future.

15. The Company will file tariffs with the Commission for its review and approval prepared in conformance with this Stipulation and the rate design proposed by Staff in the Staff Testimony. For the Hopewell District, the rates, as they existed prior to the interim rate increase resulting from the Application, will remain unchanged.

16. Any necessary refunds of interim rates will be determined and completed as ordered by the Commission.

17. This Stipulation represents a settlement in this case only and shall not be regarded as a precedent or any other principle in any future case, except as specifically provided for in

paragraphs 5, 8, and 9 above. The Stipulating Participants agree that the resolution of the issues in the Stipulation, taken as a whole, and the disposition of all other matters set forth in the Stipulation are in the public interest. This Stipulation is conditioned on and subject to acceptance by the Commission and is non-severable and of no force or effect and may not be used for any other purpose unless accepted in its entirety by the Commission, except that this paragraph shall remain in effect in any event.

18. In the event that the Commission does not accept the Stipulation in its entirety, including the issuance of a recommendation to approve the Stipulation, the Stipulating Participants retain the right to withdraw support for the Stipulation. In the event of such action by the Commission, any of the signatories to the Stipulation will be entitled to give notice exercising its right to withdraw support for the Stipulation; provided that the Stipulating Participants may, by unanimous consent, elect to modify the Stipulation to address any modifications required, or issues raised, by the Commission. Should the Stipulation not be approved, it will be considered void and have no precedential effect, and the Stipulating Participants reserve their rights to participate in all relevant proceedings in the captioned case notwithstanding their agreement to the terms of the Stipulation. If the Commission chooses to reject the Stipulation, the Stipulating Participants may request that an *ore tenus* hearing be convened at which time testimony and evidence may be presented by the case participants and cross-examination may occur on any issues arising in this proceeding.

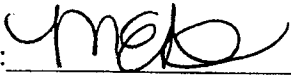
Respectfully submitted,
VIRGINIA AMERICAN WATER COMPANY

October 4, 2012

By: 
Counsel

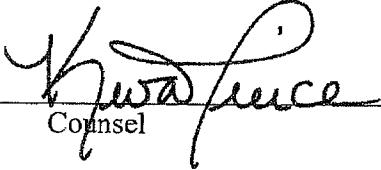
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HOPEWELL COMMITTEE FOR FAIR WATER
RATES

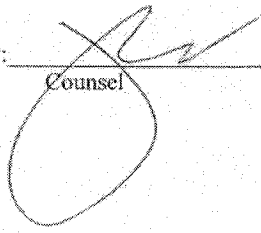
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A handwritten signature in black ink, appearing to read 'David C. Fratarangelo', is written over a horizontal line. Below the line, the word 'Counsel' is printed.

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