

# Memorandum

**To: L. Massaro**

**Commission Clerk**

**From: D. R. Stearns**

**Rate Analyst, Division of Public Utilities & Carriers**

**Date: 1/16/2004**

**Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges,  
RIPUC Docket 3580**

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On December 30, 2003 Pascoag Utility District ("Pascoag", or "Company") filed with the Commission a proposal to change its Standard Offer, Transition and Transmission rates. The net effect of the rates proposed by the Company would be to decrease by \$3.06, or 5.3%, the 500 kWh monthly bill of a typical residential customer.

The proposed decrease is primarily the result of a net over-recovery of costs totaling approximately \$44,800 at the end of the December 2003. This over-recovery is comprised of:

- Standard Offer: under-recovery of approximately \$18,900
- Transmission: over-recovery of approximately \$13,100
- Transition: over-recovery of approximately \$50,600.

Typically during June, Pascoag receives an annual "Project 6 Surplus Funds" refund from MMWEC. In the past the refund has been returned to customers over a 11-month period. In 2003, after receiving Commission approval, Pascoag applied the entire 2003 refund of about \$77, 000 to the June 2003 MMWEC invoice. This mitigated the rate increase required during the current period, and is partially responsible for the forecast over-recovery in Pascoag's transition account at December 2003. Pascoag also cites greater than anticipated kWh sales during the current period, due to the weather, as contributing to the over-recovery.

Historically, in accordance with Pascoag's tariffs, all costs incurred by Pascoag for power purchased from New York Power Authority (NYPA) have been recorded as Standard Offer costs. In Pascoag's recent cost of service filing (Docket 3546), the Company requested permission to record as transmission costs those charges from NYPA that are identifiable as transmission costs. The Company filed, in Docket 3546, proposed revised tariffs reflecting the accounting change. Pascoag asserts that recording NYPA charges in this way will allow the Standard Offer and Transition accounts to properly reflect the costs associated with each expense item.

On January 14 Pascoag filed an addendum to this Docket 3580. The addendum addresses the NYPA transmission expense issue, and includes additional revised tariffs that would allow the Company to record the transmission charges in the transmission expense account.

The rates proposed by Pascoag are as follows:

*RATES PROPOSED ASSUMING NYPA TRANSMISSION COSTS REMAIN IN STANDARD OFFER RATE:*

*(Pascoag Schedule H-2 of Original Filing:*

	<u>\$ Per kWh</u>		
	<u>Current</u>	<u>Proposed</u>	<u>Increase/(Decrease)</u>
Transition	\$0.01345	\$0.00701	\$(0.00644)
Transmission	\$0.00453	\$0.00525	\$(0.00072)
Standard Offer	<u>\$0.05619</u>	<u>\$0.05579</u>	<u>\$ 0.00040</u>
Total	<u>\$0.07417</u>	<u>\$0.06805</u>	<u>\$(0.00612)</u>

The net effect of the rates above would decrease the bill of a typical residential customer using 500 kWh by \$3.06, from \$57.19 to \$54.13. This represents a decrease of about 5.35 percent. Combined with the increase in base rates approved by the Commission in Docket 3546, the typical 500 kWh residential bill would decrease by \$0.69, from \$57.19 to \$56.50.

*RATES PROPOSED ASSUMING NYPA TRANSMISSION COSTS ARE RECORDED AS TRANSMISSION EXPENSE:*

*(Pascoag Schedule H-2, W/NYPA reallocation, addendum to filing:*

	<u>\$ Per kWh</u>		
	<u>Current</u>	<u>Proposed</u>	<u>Increase/(Decrease)</u>
Transition	\$0.01345	\$0.00701	\$(0.00644)
Transmission	\$0.00453	\$0.00937	\$ 0.00484
Standard Offer	<u>\$0.05619</u>	<u>\$0.05167</u>	<u>\$(0.00452)</u>
Total	<u>\$0.07417</u>	<u>\$0.06805</u>	<u>\$(0.00612)</u>

The net effect of the rates above would decrease the bill of a typical residential customer using 500 kWh by \$3.06, from \$57.19 to \$54.13. This represents a decrease of about 5.35 percent. Combined with the increase in base rates approved by the Commission in Docket 3546, the typical 500 kWh residential bill would decrease by \$0.69, from \$57.19 to \$56.50.

Pascoag requests that any rate changes be effective concurrent with the recently approved base rates for consumption on and after February 1, 2004.

After review, the Division recommends approval of the Standard Offer, Transition and Transmission rates proposed by Pascoag in the Company's addendum to the filing, specifically the rates presented on Schedule H-2 W/NYPA reallocation, and recommends that the proposed rates and revised tariffs become effective for consumption on and after February 1, 2004.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers