

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

Rate Analyst, Division of Public Utilities & Carriers

Date: 12/14/06

Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges, RIPUC Docket 3709

On November 30, 2006, the Pascoag Utility District (“Pascoag”, or “Company”), in accordance with the Commission’s report and order in Docket 3709, filed with the Commission a year–end status report of the standard offer, transition and transmission accounts for 2006. On December 8 Pascoag filed responses to Commission data requests. As a result of one of the responses, Pascoag filed revisions to certain of the filing’s schedules.

The current rates, filed in June and approved by the Commission in this docket in July 2006 have been in effect since August 1, 2006. The rates were designed to allow Pascoag to recover purchased power costs and the anticipated under recovery at July 2006 over the seventeen-month period ending December 2007. The seventeen-month approach was taken in order to mitigate the rate increase at August 2006 that would have been necessary given a shorter rate period.

The report indicates that as of October 31, 2006 Pascoag’s actual under recovery of purchased power expense is \$86,288. Assuming the current rates remain in effect, the Company anticipates the under recovery will increase to about \$106,000 at the end of December 2006. These amounts represent a net under recovery, comprised of Pascoag’s Standard Offer, Transmission and Transition expenses. In the Company’s 2006 mid-year filing, which resulted in the current rates, Pascoag projected a \$101,376 under recovery at December 2006. The Company’s net under recovery amount is on target with the June 2006 forecast.

The over/under recovery amounts for the three individual components do vary in magnitude, as indicated in the Company’s filed Status Report and accompanying schedules. This indicates that it may be desirable at some point to re-align the factors. At this time, however, such misalignment has no significant negative effect. Misalignment would only become an issue if and when Pascoag customers switch to a competitive supplier for the energy portion of their electricity requirements. The

facts are, no customers have left Pascoag to contract with an alternate supplier, nor, to the best of Division's knowledge, are there any alternate suppliers available at this time.

Below are the current factors, approved by the Commission (Order number 18753):

Standard Offer: \$0.07337 per kWh

Transition \$0.01398 per kWh

Transmission \$0.00991 per kWh

After review, the Division recommends that the Commission:

- approve Pascoag's proposal to retain the currently approved standard offer, transition and transmission rates presented above, with no expiration date certain;
- direct the Company to continue to monitor purchased power revenue and expense on a monthly basis, giving consideration to revising rates in the event that a substantial over recovery or under recovery is anticipated, and;
- direct Pascoag to submit to the Commission purchased power status reports according with the following schedule:

by each May 30, with actual balances as of the most recent month for which data are available, and a projection of purchased power revenue and expense, by month, through December 31 of the current year, and

by each November 30, with actual balances as of the most recent month for which data are available, and a projection of purchased power revenue and expense, by month, through December 31 of the following year.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers