

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PASCOAG UTILITIES DISTRICT :
ANNUAL RECONCILIATION OF STANDARD : DOCKET NO. 3709
OFFER SERVICE, TRANSMISSION AND :
TRANSITION CHARGES :

REPORT AND ORDER

I. Pascoag's Filing

On June 30, 2006, Pascoag Utility District ("Pascoag") submitted its mid-year status report of its Standard Offer Service ("SOS"), Transmission and Transition Rates. Pascoag filed new rates for effect August 1, 2006 because it had a total undercollection in the amount of \$81,567 as of May 31, 2006. Pascoag explained that the bulk of this undercollection, \$69,452, occurred in January 2006. Pascoag explained that this undercollection was caused because Pascoag began receiving power under the new contract rates on January 1, 2006 but sales to customers were pro-rated with consumption in December 2005 based on Pascoag's old rates and consumption in January 2006 based on Pascoag's new higher rates. In addition, Pascoag indicated that sales to its customers have not been as high as forecast. In its new filing, Pascoag revised its forecast of kilowatt-hour sales from a one-year average to a three year average, and reduced the growth rate from 6 percent to 4.5 percent.¹

To address the undercollection, Pascoag presented three options. The first option presented by Pascoag would eliminate the entire undercollection by December 31, 2006 but would cause rates to increase by 6.5 percent in August 2006 and then decrease by 6.6 percent in January 2007. The second option would postpone any increase to eliminate the undercollection until after January 1, 2007 and would result in a 3.7 percent increase

¹ Pascoag Ex. 4 (Mid Year Status Report), pp. 1-3.

in January 2007 but cause cash flow problems for Pascoag. The third option would gradually eliminate the undercollection and the new rates would remain in effect through 2007. Pascoag recommended the third option. This option would increase the SOS charge from 7.206 cents per kWh, to 7.337 cents per kWh, decrease the Transmission charge from 1.005 cents per kWh to 0.991 cents per kWh, and increase the Transition Charge from 1.190 cents per kWh to 1.398 cents per kWh. The effect on the average residential customer using 500 kWh per month, if approved, would be an increase of \$1.62, or 2.3% for an overall bill of \$71.10 per month.²

A. Standard Offer Service Charge

Electric distribution companies are required by R.I.G.L. § 39-1-27.3 to provide SOS to retail customers who choose not to purchase power through the retail access market from non-regulated power producers. Pascoag offers SOS to any customer not otherwise served by a non-regulated power producer even if the customer has previously left the system and wishes to return to having Pascoag supply its energy needs.

The proposed increase in Pascoag's SOS rate is based upon Pascoag's estimated purchased power costs through December 2007. The proposed SOS also includes any reconciling balance.

The filing proposes an increase in the SOS rate from 7.206 cents per kWh to 7.337 cents per kWh for the period beginning August 1, 2006. This factor was determined as follows:

² Id., pp 3-5.

Forecast Standard Offer cost (June 2006 through December 2006)	\$2,430,687
Standard Offer cost (January 2006 through May 2006)	1,389,177
Standard Offer revenues (January 2006 through May 2006)	(1,399,468)
Under-collection from December 2005	94,450
Forecast Standard Offer Cost (January 2007 through December 2007)	<u>3,742,219</u>
Total Standard Offer costs to recover	\$6,257,065
Forecast MWH sales for the period (June 2006 through December 2007)	85,280
Standard Offer factor (\$6,257,065/85,280,000 kWh)	\$ 0.07337 ³

B. Transition Charge

Electric distribution companies are authorized by R.I.G.L. § 39-1-27.4 to collect a non-bypassable transition charge from all customers of the electric distribution company.

Pascoag's filing proposes a transition rate of 1.398 cents per kWh for the period beginning August 1, 2006. This factor was determined as follows:

Forecast Transition cost (June 2006 through December 2006)	\$ 407,540
Transition cost (January 2006 through May 2006)	291,100
Transition revenues (January 2006 through May 2006)	(204,942)
Over-collection from December 2005	(45,359)
Forecast Transition Cost (January 2007 through December 2007)	<u>744,000</u>
Total Transition costs to recover	\$ 1,192,339
Forecast MWH sales for the period (June 2006 through December 2007)	85,280
Transition Charge factor (\$1,192,339/85,280,000 kWh)	\$ 0.01398 ⁴

C. Transmission Charge

Pascoag also has an annual reconciling Transmission Charge factor to recover the cost of transmitting energy from Pascoag's power supply sources to its distribution substation. The Transmission Charge applies only if a customer elects to have Pascoag provide transmission service to its distribution substation; otherwise the customer has the option of obtaining transmission service from its own suppliers.

The filing proposes a Transmission Charge factor of 0.991 cents per kWh for the period commencing August 1, 2006. This factor was determined as follows:

³ Pascoag Ex. 5 (Supporting Schedules for Mid Year Status Report), Schedule N-1

⁴ Id., Schedule N-1

Forecast Transmission cost (June 2006 through December 2006)	\$ 341,845
Transmission cost (January 2006 through May 2006)	197,722
Transmission revenues (January 2006 through May 2006)	(206,031)
Over-collection from December 2005	(35,081)
Forecast Transmission Cost (January 2007 through December 2007)	<u>546,706</u>
Total Transmission costs to recover	\$ 845,161
Forecast MWH sales for the period (June 2006 through December 2007)	85,280
Transmission factor (\$845,161/85,280,000 kWh)	\$ 0.00991 ⁵

II. Division's Position

On July 20, 2006, Mr. David Stearns, Division Rate Analyst V, filed a Memorandum with the Commission recommending that the Commission approve Pascoag's SOS, Transmission and Transition rates as proposed by the Company in its June 30, 2006 filing. Mr. Stearns stated that a small increase in electric rates over a seventeen month period is preferable to avoid rate shock and promotes rate stability. He noted that Pascoag's combined SOS, transition and transmission rate will equal 9.727 cents per kWh while National Grid's electric rates total 11.489 cents per kWh. He recommended that Pascoag's proposed rates be approved for usage on and after August 1, 2006. He also recommended that Pascoag continue to monitor its purchased power and revenue expense, and consider revising its rates if there is a substantial over recovery or under recovery. Lastly, he recommended that Pascoag file purchased power status reports on January 31st and June 30th with actual balances of the most recent month for which data is available and a projection of purchased power revenue and expense by month through the remainder of the calendar year.⁶

III. Hearing

On July 26, 2006, after due notice, the Commission conducted an evidentiary hearing at Pascoag Utility District's office at 253 Pascoag Main Street, Pascoag, Rhode Island. The following entered appearances:

⁵ Id., Schedule N-1

⁶ Div Ex. 2 (Stearns Memorandum).

FOR PASCOAG: William Bernstein, Esq.
FOR DIVISION: William K. Lueker, Esq.
Special Assistant Attorney General
FOR COMMISSION: Steven Frias, Esq.
Executive Counsel

Ms. Judith Allaire, and Mr. Theodore Garille, General Manager of Pascoag, testified in support of the filing. Ms. Allaire discussed the filing. She also noted that currently: 47 percent of Pascoag's electric power comes from Dominion at roughly \$90 a MW; 14 percent comes from Braintree at \$102 a MW, 21 percent comes from NYPA at \$23 a MW , and 18 percent comes from Seabrook at \$100 a MW⁷. Ms. Allaire indicated that there would be a \$183,000 undercollection by the end of 2006 but that this amount was manageable for Pascoag. ⁸

The Division presented Mr. David Stearns to testify on behalf of the Division's position. Mr. Stearns revised his recommendation to require Pascoag to file status reports on November 30th and May 31st rather than December 31st and June 30th. He also indicated that in recent energy legislation enacted by the Rhode Island General Assembly this year stable rates was made one of the goals of the Commission.⁹ At the conclusion of the hearing, the Commission adopted Pascoag's 2.3 percent increase in electric rates and the Division's recommendation regarding reporting requirements for Pascoag.

IV. Commission Findings

After hearing and considering the evidence presented, the Commission approved the proposed rates as filed on June 30, 2006. While the impact of the new rates represents a 2.3% increase to the overall monthly bill of a typical residential customer,

⁷ Tr. 7/26/06, pp.16-17.

⁸ *Id.*, pp.32-33.

⁹ *Id.*, pp. 50-52.

Pascoag's SOS rate of \$0.07337 is the lowest in the State of Rhode Island and Pascoag's overall electric rate is clearly lower than National Grid's overall electric rate. Also, this new rate will hopefully provide rate stability to ratepayers for the remainder of 2006 and through 2007.

Accordingly, it is

(18723) ORDERED:

1. Pascoag's Standard Offer Charge of \$0.07337 per kWh is hereby approved to be effective for usage on and after August 1, 2006.
2. Pascoag's Transmission Charge of \$0.00991 per kWh is hereby approved to be effective for usage on and after August 1, 2006.
3. Pascoag's Transition Charge of \$0.01398 per kWh is hereby approved to be effective for usage on and after August 1, 2006.
4. Pascoag shall file purchased power status reports on November 30th and May 31st with actual balances of the most recent month for which data is available and a projection of purchased power revenue and expense by month through calendar year 2007.
5. Pascoag shall comply with all other findings and directives contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON AUGUST 1, 2006,
PURSUANT TO A BENCH DECISION ON JULY 26, 2006. WRITTEN ORDER
ISSUED ON SEPTEMBER 27, 2006.

PUBLIC UTILITIES COMMISSION



Elia Germani

Elia Germani, Chairman

Robert B. Holbrook

Robert B. Holbrook, Commissioner

Mary E. Bray

Mary E. Bray, Commissioner