



PASCOAG
UTILITY DISTRICT

Pas Electric • Pascoag Water

253 Pascoag Main Street
P.O. Box 107
Pascoag, R.I. 02859
Phone: 401-568-6222
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www.pud-ri.org

PASCOAG UTILITY DISTRICT

RIPUC DOCKET NO. 3709

MID-YEAR STATUS REPORT

JUNE 2006

RECEIVED
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PUBLIC UTILITIES COMMISSION

Supporting Schedules and Purchase Power Reconciliation submitted under separate cover.

PASCOAG UTILITY DISTRICT
ELECTRIC DEPARTMENT

IN RE: PASCOAG UTILITY DISTRICT'S
MID-YEAR STATUS REPORT

RIPUC DOCKET NO. 3709

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1. Cash Flow Schedules (January 2006 through May 2006)
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Supporting Schedules and Purchase Power Reconciliation submitted under separate cover.



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June 27, 2006

Rhode Island Public Utilities Commission
Ms. Luly Massaro
Clerk of the Commission
89 Jefferson Blvd.
Warwick, RI 02888

Re: RIPUC Docket No. 3709
Mid Year Status Report

Dear Ms. Massaro:

On behalf of Pascoag Utility District (Pascoag or the District), we herewith submit an original and nine copies of Pascoag's Mid-Year Status Report as ordered in the above docket. This submittal contains three books – one containing purchase power invoices, one containing supporting schedules, and one containing the Status Report.

Under this order, Pascoag is required to submit the following:

- 1) The actual level of over collection or under collection as of May 31, 2006;
- 2) A projection of the level of over collection or under collection expected at December 31, 2006; and
- 3) Pascoag's recommendation regarding whether or not the rates approved in the Witten Order (dated January 23, 2006) should remain in effect through December 31, 2006.

<u>Date</u>	<u>SOS</u>	<u>Transmission</u>	<u>Transition</u>	<u>Cumulative</u>	
5/31/06	(\$ 84,158)	\$43,390	(\$40,799)	(\$ 81,567)	(Actual)
12/31/06	(\$233,901)	\$19,662	(\$71,664)	(\$285,903)	(Projection)

Recommendation:

Pascoag recommends a mid-year adjustment in rates. Based on revised forecasts for 2007 from Energy New England, the District is recommending a mid-year adjustment in rates. This adjustment would allow Pascoag the ability to begin collecting the under collection over a period of seventeen months, beginning August 1, 2006 and continuing through December 31, 2007.

This rate would provide a measure of rate stability to Pascoag's rate payers and would allow Pascoag to maintain an adequate cash flow over the period.

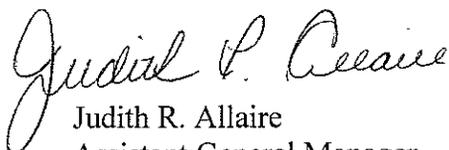
<u>Date</u>	<u>SOS</u>	<u>Transmission</u>	<u>Transition</u>
5/31/06	\$0.07206	\$0.01005	\$0.01190
8/1/06	\$0.07337	\$0.00991	\$0.01398

Under the proposed rates, a residential customer using 500 kilowatt-hours would see his monthly electric bill increase from \$69.48 to \$71.10, an increase of \$1.62 or 2.3%.

The District is recommending that the proposed rates become effective August 1, 2006.

If you have any questions, please do not hesitate to contact me.

Very truly yours,


Judith R. Allaire
Assistant General Manager

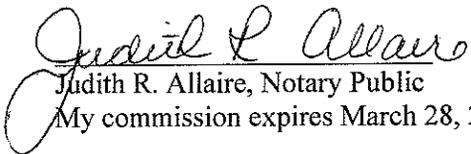
Service list

Pascoag Utility District
Mid-Year Status Report – Docket No. 3709 Service List – June 2006

<u>Name</u>	<u>E-mail</u>	<u>Phone/Fax</u>
Theodore G. Garille General Manager Pascoag Utility District P O Box 107 Pascoag, RI 02859	tgarille@pud-ri.org	(401) 568-6222 (401) 568-0066
Judith R. Allaire Assistant General Manager Pascoag Utility District P O Box 107 Pascoag, RI 02859	jallaire@pud-ri.org	(401) 568-6222 (401) 568-0066
William L. Bernstein, Esq. 627 Putnam Pike Greenville, RI 02828	wblaw@verizon.net	(401) 949-2228 (401) 949-1680
William Lueker, Esq. Dept. of Attorney General 150 South Main Street Providence, RI 02903	Wlueker@riag.state.ri.us David.stearns@ripuc.state.ri.us Al.contente@ripuc.state.ri.us	
Original & nine (9) copies file with: Luly E. Massaro Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02889	Lmassaro@puc.state.ri.us Cwilson@puc.state.ri.us Anault@puc.state.ri.us	(401) 941-4500

CERTIFICATE OF SERVICE

I hereby certify that a copy/copies of this filing in RIPUC Docket No. 3709 (Pascoag Utility District's Mid-Year Status Report) were served electronically and/or by express/or certified mail on the individuals named in the above List of Recipients of Filing, this 30 day of JUNE 2006.


Judith R. Allaire, Notary Public
My commission expires March 28, 2009

State of Rhode Island and Providence Plantations
PUBLIC UTILITIES COMMISSION

RE: PASCOAG UTILITY DISTRICT
RIPUC DOCKET NO. 3709

NOTICE OF CHANGE IN RATE

Pursuant to Rhode Island General Laws (R.I.G.L.), Section 39-3-11, and in accordance with Section 2.4 of the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission (RIPUC), the Pascoag Utility District hereby gives notice of a proposed change in rates filed and published in compliance with R.I.G.L. 39-3-10.

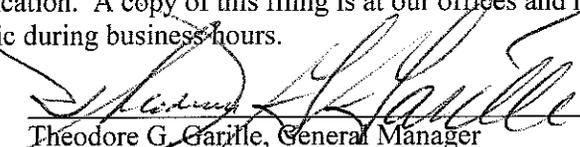
The proposed changes are contained in the exhibits accompanying the filing. The new rates, as proposed, are to become effective August 1, 2006

Standard Offer	Current	\$0.07206	Proposed	\$0.07337
Transition Charge	Current	\$0.01190	Proposed	\$0.01398
Transmission Charge	Current	<u>\$0.01005</u>	Proposed	<u>\$0.00991</u>
		\$0.09401		\$0.09726

A residential customer using 500 kilowatt-hours is currently paying \$69.48. Under the proposed rates, this customer's bill would increase to \$71.10, an increase of \$1.62, or approximately 2.3%.

Be advised as follows:

- 1) Pascoag Utility District, incorporated by a special act of the General Assembly, is a quasi-municipal utility within the Village of Pascoag with offices located at 253 Pascoag Main Street, Pascoag, Rhode Island.
- 2) The Electric Department of the Pascoag Utility District operates an electric distribution system providing retail electric service to customers in the Villages of Pascoag and Harrisville, both in the Town of Burrillville, Rhode Island.
- 3) Correspondence for Pascoag Utility District in this case should be addressed to Theodore G. Garille, General Manager, Pascoag Utility District Electric Department, 253 Pascoag Main Street, P O Box 107, Pascoag, Rhode Island.
- 4) In accordance with the RIPUC Rules and Regulations, the documents accompanying this filing contain data and information in support of Pascoag Utility District's application. A copy of this filing is at our offices and may be examined by the public during business hours.


Theodore G. Garille, General Manager
Pascoag Utility District

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn to before me on the 28 day of June 2006.


Notary Public

my commission
expires 3/28/05

Status Report - June 2006

Submitted by: Judith R. Allaire

As a part of Pascoag's annual fuel reconciliation of its Standard Offer Service ("SOS"), Transmission and Transition Rates, the District is required to file a mid-year status report that summarizes the actual level of over collection or under collection as of May 31, 2006, along with Pascoag's recommendation regarding whether or not the rates approved in the Written Order (dated January 23, 2006) should remain in effect through the remainder of 2006.

The rates, currently in effect since January 1, 2006 are:

Standard Offer Service	\$0.07206
Transition Charge	\$0.01190
Transmission Charge	\$0.01005

In documentation presented at the District's last annual reconciliation hearing (December 18, 2005), the District projected an under collection in revenues for the period ending December 31, 2005 of (\$10,436). When all the power bills and revenues were recorded for the period ending December 31, 2005, the actual under collection was (\$14,010).

	<u>Estimate</u>	<u>Actual</u>
SOS	(\$75,576)	(\$94,450)
Transition	\$40,630	\$45,359
Transmission	<u>\$24,510</u>	<u>\$35,081</u>
	(\$10,436)	(\$14,010)

As of May 31, 2006, the cumulative under collection is (\$81,567). The summary of the reconciliation of expenses and revenues for this period is submitted under separate cover.

	<u>Balance as of May 31, 2006</u>
SOS	(\$84,158)
Transition	(\$40,799)
Transmission	<u>\$43,390</u>
	(\$81,567)

The bulk of the under collection (\$69,452) occurred in January. This was because beginning January 1, 2006, Pascoag began receiving power under the new contract rates,

however sales to customers were pro-rated, with kilowatt-hour consumption in December based on Pascoag's old rates, and kilowatt-hour consumption in January based on Pascoag's new (higher) rates.

Additional under collection has occurred over the period because sales to customers have not been as high as Pascoag forecast.

In reviewing our forecast expenses and revenues, the District has the following recommendations for future filings:

- 1) Sales to customers should be averaged based on a three-year historical average. This would mitigate annual seasonal fluctuations, providing a more accurate forecast.
- 2) Growth projections should lean to a more conservative number. In the last filing, Pascoag used a 6% growth rate based on a number of new residential construction projects. Although these projects are underway, only a small percentage is complete and occupied.

**ITEMS THAT IMPACT THIS STATUS REPORT INCLUDE THE
FOLLOWING:**

NYPA - During the first five months of the year, there were some reductions in firm hydro energy sales because of continuing low water conditions of the Great Lakes and St. Lawrence drainage basin. There were no interruptible kilowatt-hours from NYPA.

NYPA – The billing error discussed at Pascoag's December hearing has reached resolution. The original error occurred over the period June 2005 to August 2005 and was a result of implementation of new software by the New York Independent System Operator ("NYISO"). Based on recomputed charges for marginal losses and associated congestion charges, Pascoag was under billed in the amount of \$12,818. This amount will be applied to the District's invoices for

July, August and September 2006 in three equal amounts. (See Supporting Documentation, No. 3)

MMWEC Project 6 Surplus Funds – In the last filing, Pascoag assumed that the Surplus credit would remain at 2005 levels. However, based on increased earnings in Bond Reserve and Debt Service Accounts as a result of the rising interest rates, and lowering of Capital Expenditures in 2006, the projected Surplus Funds are higher in 2006. Preliminarily, it appears that Pascoag's share of Surplus Funds could increase by almost \$30,000 this year. This increase is reflected as a credit to the Project 6 invoices, spread over eleven months. The current monthly credit is \$3,081. If MMWEC's projections are correct, the monthly credit would increase to \$5,781. (See Supporting Documentation, No. 3)

PROJECTED OVER/(UNDER) COLLECTION AT DECEMBER 31, 2006

Pascoag has revised its forecast of kilowatt-hour sales to customers based on a three year historical average and a growth factor of 4.5% for the period June 2006 through December 2006, to make the forecast more accurate. The Project 6 Surplus Credit has also been updated to reflect MMWEC's projections. The NYPA billing adjustment has been added for the period August, September, and October 2006. In addition, Energy New England (ENE) has revised the forecast of purchase power expenses for the same period.

As documented in Schedule I, (submitted under separate cover) this is expected to result in a cumulative under collection of \$285,903 at December 31, 2006 if the current rates remain in effect through the remainder of 2006.

RECOMMENDATION

OPTION #1: REQUEST AN INCREASE IN RATES EFFECTIVE

8/1/06:

Under this option, an increase in fuel charges would offset the current and projected under collection expected as of December 31, 2006. This increase, with

a requested effective date of August 1, 2006, would increase an average residential customer by \$4.51, or 6.5%. This bill would increase from \$69.48 to \$73.99.

Under this scenario, the rates would be:

SOS	\$0.07945
Transition	\$0.01416
Transmission	\$0.00943

Based on ENE's forecast for 2007, even with the expected increase in capacity costs, Pascoag's total fuel costs will decrease mainly due to the reduction in Dominion costs from \$90.35 MWH to \$78.25 MWH, and the expected reduction of the remainder of Pascoag's energy requirements, now served by BELD at \$102.30 MWH. ENE believes that this portion, roughly 15% of Pascoag's needs, should conservatively decrease to \$95 MWH.

If Option #1 is approved and the new rate ameliorates the under collection, in January 2007, customers would see a decrease in electric rates. The average residential customer would see his monthly electric bill drop from \$73.99 to \$69.40, a decrease of \$4.59, or 6.6%.

OPTION #2: HOLD RATES AT CURRENT LEVEL AND ADJUST
JANUARY 1, 2007:

If Pascoag holds the current rates in place, based on forecasts from ENE, it appears the under collection at the end of 2006 would be approximately \$286,000.

In order to correct this under collection (even though fuel costs are expected to decrease from \$5.2 million in 2006 to \$5.0 million in 2007), a rate increase would be required. This increase would raise the average electric bill by \$2.58, or 3.7%. The average residential customer would see his bill increase from \$69.48 to \$72.06

The downside of this option is that Pascoag would be "cash poor" for the period, and the under collection would be corrected over a twelve-month period in 2007, only adding to Pascoag's cash flow problems.

**OPTION #3: IMPLEMENT A PARTIAL INCREASE EFFECTIVE
AUGUST 1, 2006 AND HOLD RATES THROUGH
2007:**

This is the option favored by Pascoag because it eliminates “see-saw” rates and would allow Pascoag the ability to recoup the under collection beginning August 1, 2006. If all forecasts hold, it appears that this rate would remain in effect throughout 2007. Therefore, customers would have a period of seventeen months of stable electric rates.

Under this option, an average residential customer would see his bill increase from \$69.48 to \$71.10, an increase of \$1.62 or 2.3%. The rates would be:

SOS	\$0.07337
Transition	\$0.01398
Transmission	\$0.00991

Summary of Cash January 2006

Operating Cash balance forward	\$ 108,210
Projected Purchased Power Expenses:	
ENE	\$(199,772)
Project 6 (MMWEC)	\$ (86,234)
Hydro Quebec (MMWEC)	\$ (1,309)
NYPA	\$ (20,701)
MMWEC/ISO	<u>\$ (27,598)</u>
	\$ (335,614)
Customer Payments	\$ 507,032
Customer NSF cks	\$ (73)
Misc: vendor payments	\$ (61,816)
Payroll, benefits	\$ (81,630)
BankRI Loan Payment	\$ (6,312)
Truck loan payt	\$ (1,160)
Annual Insurance Prem (commercial)	\$ (28,027)
Annual RIDPU Assessment	\$ (15,639)
Quarterly Town Tax payt	\$ (9,729)
Transfer to Restricted Fund	\$ (25,000)
"Over" Balance of DSM to General	\$ 40,853
Jan DSM activity	\$ (7,437) (Revenue less expenditures)

Cash Balance **\$ 83,658**

Other Financial Information:

Accounts Payable Balance	\$ 82,375
** Expenses associated w/ COS case	\$ 6,312
Accounts Receivable Balance	\$ 344,186

Summary of Savings/Investments: (Not Restricted)

Contingency/Emergency	\$ 10,000
Sinking Fund (office)	\$ 25,000
Storm Fund	\$ 15,000
Working Cash Reserve	\$ 60,604
Dedicated DSM Fund	\$ 66,584
Encumber for Power Expense	\$ -
<u>Total Savings/Investment (NR)</u>	<u>\$ 177,188</u>

Restricted Account **\$ 233,941**

Net All Saving/Investment **\$ 411,129**

Misc. Accounts:

Customer Deposit Holding Account	\$ 82,640
Working Capital - on Deposit w/MMWEC	\$ 101,232

Savings Goals for January

Restricted Fund \$ 25,000 (this is "under" funded because of cash flow restrictions during the winter moratorium)

** On 7/29/04, PUD & DPU entered into an agreement for payment of an invoice relating to expenses incurred during the COS in 1/04. Payment of that invoice, totaling \$25,511.86, will be spread over a two-year period with qtrly payments of \$3,200.

Summary of Cash February 2006

Operating Cash balance forward	\$	83,658	
Projected Purchased Power Expenses:			
ENE	\$	(263,004)	
Project 6 (MMWEC)	\$	(85,778)	
Hydro Quebec (MMWEC)	\$	(1,447)	
NYPA	\$	(21,414)	
MMWEC/ISO	\$	<u>(25,561)</u>	
			\$ (397,204)
Customer Payments	\$	643,127	
Customer NSF cks	\$	-	
Misc. vendor payments	\$	(77,265)	
Payroll, benefits	\$	(108,299)	
BankRI Loan Payment	\$	(6,312)	
Truck loan payt	\$	(1,160)	
Annual Insurance Prem (commercial)	\$	(8,228)	
Qtrly DPU Pay't on COS Expenses	\$	(3,200)	
Trans from Rest Fund	\$	25,905	for purchase of new truck
Pay't on new truck	\$	(25,905)	
Transfer to Restricted Fund	\$	(20,000)	
Feb DSM activity	\$	(2,157)	(Revenue less expenditures)

Cash Balance **\$ 102,960**

Other Financial Information:

Accounts Payable Balance	\$	104,117
** Expenses associated w/ COS case	\$	3,112
Accounts Receivable Balance	\$	340,059

Summary of Savings/Investments: (Not Restricted)

Contingency/Emergency	\$	10,000
Sinking Fund (office)	\$	25,000
Storm Fund	\$	15,000
Working Cash Reserve	\$	60,604
Dedicated DSM Fund	\$	68,741
Encumber for Power Expense	\$	-
<u>Total Savings/Investment (NR)</u>	\$	<u>179,345</u>

Restricted Account **\$ 228,036**

Net All Saving/Investment **\$ 407,381**

Misc. Accounts:

Customer Deposit Holding Account	\$	83,710
Working Capital - on Deposit w/MMWEC	\$	101,232

Savings Goals for February

Restricted Fund \$ 20,000 (this is "under" funded because of cash flow restrictions during the winter moratorium)

** On 7/29/04, PUD & DPU entered into an agreement for payment of an invoice relating to expenses incurred during the COS in 1/04. Payment of that invoice, totaling \$25,511.86, will be spread over a two-year period with qtrly payments of \$3,200.

Summary of Cash March 2006

Operating Cash balance forward	\$ 102,960	
Projected Purchased Power Expenses:		
ENE	\$ (231,414)	
Project 6 (MMWEC)	\$ (88,315)	
Hydro Quebec (MMWEC)	\$ (1,525)	
NYPA	\$ (21,120)	
MMWEC/ISO	\$ (27,018)	
		\$ (369,392)
Customer Payments	\$ 673,408	
Customer NSF cks	\$ (102)	
Misc. vendor payments	\$ (112,510)	
Payroll, benefits	\$ (89,192)	
BankRI Loan Payment	\$ (6,312)	
Truck loan payt	\$ (1,160)	
Trans from Rest Fund	\$ 35,153	NEPPA Training Room
Trans to Rest. Fund	\$ (22,000)	NEPPA reimbursement for its share of Training Room
Trans to Rest. Fund	\$ (35,000)	March contribution
Pay't - NEPPA expenses	\$ (35,153)	
Transfer from Rest Fund	\$ 24,316	capital projects (transformers capacitors, meters)
Pay't on transformers, cap, mtrs	\$ (24,316)	
March DSM activity	\$ 5,482	Net activity for the month
Trans from Storm Fund	\$ 3,349	Paid to sub-contractor
Encumber for Purchase Power	\$ (66,000)	

Cash Balance **\$ 83,531**

Other Financial Information:

Accounts Payable Balance	\$ 88,683
** Expenses associated w/ COS case	\$ 3,112
Accounts Receivable Balance	\$ 250,106

Summary of Savings/Investments: (Not Restricted)

Contingency/Emergency	\$ 10,000
Sinking Fund (office)	\$ 25,000
Storm Fund	\$ 11,651
Working Cash Reserve	\$ 61,153
Dedicated DSM Fund	\$ 63,259
Encumber for Power Expense	\$ - (see below)
<u>Total Savings/Investment (NR)</u>	<u>\$ 171,063</u>

Restricted Account **\$ 226,291**

Net All Saving/Investment **\$ 397,354**

Misc. Accounts:

Customer Deposit Holding Account	\$ 83,710
Working Capital - on Deposit w/MMWEC	\$ 101,232

Savings Goals for March

Restricted Fund	\$ 35,000	Funded in full for month, plus a portion of previous months undercollection
Purchase Power	\$ 66,000	Encumbered for future power bills (in Operating Account)

** On 7/29/04, PUD & DPU entered into an agreement for payment of an invoice relating to expenses incurred during the COS in 1/04. Payment of that invoice, totaling \$25,511.86, will be spread over a two-year period with qtrly payments of \$3,200.

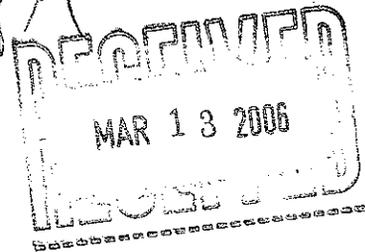
Restricted Account - Funding 2006

Annual Requirement **\$ 376,650**

	<u>Period Contribution</u>	<u>Year-to-date</u>	<u>Percent</u>	<u>Balance to Fund</u>	<u>Goal</u>
Period Ending: March 2006	\$ 80,000	\$ 80,000	21%	\$ 197,650	25%
Period Ending: June 2006	\$ 99,000	\$ 179,000	48%		50%
Period Ending: Sept 2006			0%		75%
Period Ending: Dec 2006					100%



*Today
I GUESS - Not
more correct -
JH*



March 9, 2006

Steven Frias, Esq.
Counsel
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Dear Mr. Frias:

By letter dated December 14, 2005, we had advised your organization of a problem with the marginal loss charges in your June, July and August bills. The problem occurred when the New York Independent System Operator (NYISO) implemented new software features on June 1, 2005 for scheduling of controllable lines with other control areas. It is our understanding that the points of delivery and withdrawal for the Neighboring State transactions were not properly matched up. The NYISO finally corrected this problem on August 8th. While the NYISO announced that there was a problem with the marginal loss calculations in late August, the details of this problem and their impact were not known to us until November when we began to receive the four month rebills. Since congestion charges are also dependent on delivery and withdrawal points, they were also incorrectly calculated.

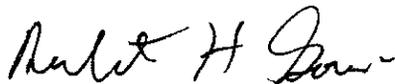
The attached table sets forth the corrected marginal losses and congestion costs for June and July. The column marked LSE Name indicates the transaction source (Niagara or St. Lawrence) and the customer along with additional information (firm, firm peaking or interruptible or the end-user). The next three columns represent the Day Ahead Market transactions; scheduled MW are the megawatt-hours scheduled for the month in question for that LSE Name, Forward Energy Congestion \$ and Forward Energy Loss \$. These dollar amounts are the difference between the as billed amounts and the corrected amounts. They are the amounts by which the June or July bills are to be corrected. Similarly, the fourth and fifth columns are the Balancing Congestion \$ and Balancing Loss \$. Again, the dollar amounts are the difference between the as billed amounts and the corrected amounts and are the amounts by which the June or July bills are to be corrected. This information was extracted from our data warehouse based on NYISO monthly invoices and the transactions we have scheduled with the NYISO.

Mr. Frias
March 9, 2006
Page 2

Based on recomputed charges for marginal losses and associated congestion charges, your organization was underbilled for marginal losses and congestion charges for the June and July 2005 period in the amount of \$12,817.77. The NYISO reran the August billing before issuing it so the marginal loss and congestion charges for that month are correct. In order to provide you sufficient time to adjust your rates to recover this additional amount, surcharges will be applied to the invoices for the months of July, August and September 2006. Except as provided in the NYISO rebills, no interest will be charged or credited to your accounts.

If you have any questions please contact me at (914) 390-8104 or at robert.gow@nypa.gov.

Sincerely,



Robert H. Gow
Senior Economist
- Power Contracts

cc: Mr. Ted Garille
John Spiritos, Esq.

Rhode Island

Data is the delta amount to be invoiced for the True-up (V2-V1) to **JUNE 2005**

A positive value indicates \$ due to NYPA from the ISO (resulting in a payment from NYPA to the Customer)

A negative number indicates \$ due to the ISO from NYPA (resulting in charge to the customer)

LSE Name	Sch MW	FE Cong \$	FE Loss \$	Bal Cong \$	Bal Loss \$	Total TUC	NIAGARA		SL
							TOTAL	TOTAL	
NIA NEPX INTR	14,334	-31,431.50	-59,676.11	0.00	0.00	-91,107.61	-91,107.61	0.00	0.00
SL NEPX F GF114	2,137	-3,616.43	-8,427.49	0.00	0.00	-12,043.92	0.00	-12,043.92	0.00
NIA NEPX F GF108	22,879	-52,898.26	-95,698.62	0.00	0.00	-148,596.88	-148,596.88	0.00	0.00
NIA NEPX P GF108	1,008	-6,357.50	-5,643.32	0.00	0.00	-12,000.82	-12,000.82	0.00	0.00
Total	40,358	-94,303.69	-169,445.54	0.00	0.00	-263,749.23	-251,705.31	-12,043.92	-12,043.92

Total Niagara 38,221
 Total St. Lawrence 2,137
 Rhode Island's Niagara 338
 Rhode Island's St. Lawrence 758

-\$2,225.91

Month of June Totals
 -\$4,272.01
 -6,497.92

JULY 2005

SL NEPX F GF114	2,448	-2,930.22	-11,441.84	0.00	0.00	-14,372.06	0.00	-14,372.06	0.00
NIA NEPX F GF108	24,922	-33,100.03	-120,072.01	0.00	0.00	-153,172.04	-153,172.04	0.00	0.00
NIA NEPX P GF108	1,041	-3,829.41	-7,097.86	0.00	0.00	-10,927.27	-10,927.27	0.00	0.00
Total	28,411	-39,859.66	-138,611.71	0.00	0.00	-178,471.37	-164,099.31	-14,372.06	-14,372.06

Total Niagara 25,963
 Total St. Lawrence 2,448
 Rhode Island's Niagara 215
 Rhode Island's St. Lawrence 845

-\$1,358.91

Month of July Totals
 -\$4,960.94
 -6,319.85

December 15, 2005

Mr. Theodore Garille
Manager
Pascoag Utility District
253 Pascoag-Main Street
P.O. Box 107
Pascoag, RI 02859

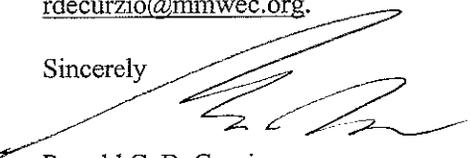
Dear Mr. Garille:

As a result of receiving updated operating budget data for the 2006 calendar year from the lead owner of each unit, as well as the MMWEC A&G expenses for the 2006 calendar year, we have prepared a comparison by Project of the projected 2006 Surplus Funds versus the actual 2005 Surplus Funds. Below you will find an analysis done by Unit and Project explaining the outcome of these comparisons.

Seabrook Unit - Seabrook Project (Project 6) Projected 2006 Surplus Funds are higher in 2006 due to increased earnings in the Bond Reserve, Debt Service Accounts and the R & C Fund as a result of the rising interest rates. In addition, Capital Expenditures are projected to be lowering in the 2005/2006 contract year versus actual in the 2004/2005 contract year.

If you have any questions, please feel free to contact me at 413-589-0141, Ext. 358 or by e-mail at rdecurzio@mmwec.org.

Sincerely


Ronald C. DeCurzio
Treasurer & Director - Financial Services

RCD/lac:ltr estimated surplus funds 2006

Attachment

PASCOAG UTILITY DISTRICT

<u>PROJECT:</u>	<u>SURPLUS FUNDS</u>		
	<u>2006 Estimated</u>	<u>2005</u>	<u>Variance 2005-2006</u>
NUCLEAR MIX 1	-	-	-
NUCLEAR PROJECT 3	-	-	-
NUCLEAR PROJECT 4	-	-	-
NUCLEAR PROJECT 5	-	-	-
PROJECT 6	63,591.00	33,899.64	29,691.36
WYMAN PROJECT	-	-	-
STONY BROOK INTERMEDIATE PROJECT	-	-	-
STONY BROOK PEAKING PROJECT	-	-	-
	<u>\$63,591.00</u>	<u>\$33,899.64</u>	<u>\$29,691.36</u>

$$\begin{aligned}
 & \$63,591 / 11 \text{ MONTHS} = \\
 & \qquad \qquad \qquad \$5,781/mt
 \end{aligned}$$



PASCOAG
UTILITY DISTRICT

Pas Electric • Pascoag Water

253 Pascoag Main Street
P.O. Box 107
Pascoag, R.I. 02859
Phone: 401-568-6222
Fax: 401-568-0066
www.pud-ri.org

PASCOAG UTILITY DISTRICT

RIPUC DOCKET NO. 3709

MID-YEAR STATUS REPORT

JUNE 2006

RECEIVED
2006 JUN 30 PM 12:04
PUBLIC UTILITIES COMMISSION

Supporting Schedules and Purchase Power Reconciliation submitted under separate cover.

PASCOAG UTILITY DISTRICT
ELECTRIC DEPARTMENT

IN RE: PASCOAG UTILITY DISTRICT'S
MID-YEAR STATUS REPORT

RIPUC DOCKET NO. 3709

TABLE OF CONTENTS

Letter of Transmittal

Notice of Rate Change

Status Report

1. Cash Flow Schedules (January 2006 through May 2006)
2. Summary of Restricted Fund Activity for 2007
3. Supporting Documentation (NYPA adjustment and Project 6 Surplus Funds)

Supporting Schedules and Purchase Power Reconciliation submitted under separate cover.



PASCOAG
UTILITY DISTRICT

Pascoag Electric • Pascoag Water

253 Pascoag Main Street
P.O. Box 107
Pascoag, R.I. 02859
Phone: 401-568-6222
Fax: 401-568-0066
www.pud-ri.org

June 27, 2006

Rhode Island Public Utilities Commission
Ms. Luly Massaro
Clerk of the Commission
89 Jefferson Blvd.
Warwick, RI 02888

Re: RIPUC Docket No. 3709
Mid Year Status Report

Dear Ms. Massaro:

On behalf of Pascoag Utility District (Pascoag or the District), we herewith submit an original and nine copies of Pascoag's Mid-Year Status Report as ordered in the above docket. This submittal contains three books – one containing purchase power invoices, one containing supporting schedules, and one containing the Status Report.

Under this order, Pascoag is required to submit the following:

- 1) The actual level of over collection or under collection as of May 31, 2006;
- 2) A projection of the level of over collection or under collection expected at December 31, 2006; and
- 3) Pascoag's recommendation regarding whether or not the rates approved in the Witten Order (dated January 23, 2006) should remain in effect through December 31, 2006.

<u>Date</u>	<u>SOS</u>	<u>Transmission</u>	<u>Transition</u>	<u>Cumulative</u>	
5/31/06	(\$ 84,158)	\$43,390	(\$40,799)	(\$ 81,567)	(Actual)
12/31/06	(\$233,901)	\$19,662	(\$71,664)	(\$285,903)	(Projection)

Recommendation:

Pascoag recommends a mid-year adjustment in rates. Based on revised forecasts for 2007 from Energy New England, the District is recommending a mid-year adjustment in rates. This adjustment would allow Pascoag the ability to begin collecting the under collection over a period of seventeen months, beginning August 1, 2006 and continuing through December 31, 2007.

This rate would provide a measure of rate stability to Pascoag's rate payers and would allow Pascoag to maintain an adequate cash flow over the period.

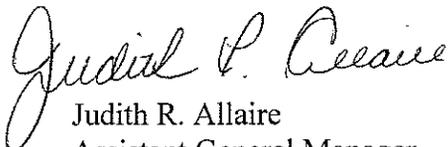
<u>Date</u>	<u>SOS</u>	<u>Transmission</u>	<u>Transition</u>
5/31/06	\$0.07206	\$0.01005	\$0.01190
8/1/06	\$0.07337	\$0.00991	\$0.01398

Under the proposed rates, a residential customer using 500 kilowatt-hours would see his monthly electric bill increase from \$69.48 to \$71.10, an increase of \$1.62 or 2.3%.

The District is recommending that the proposed rates become effective August 1, 2006.

If you have any questions, please do not hesitate to contact me.

Very truly yours,


Judith R. Allaire
Assistant General Manager

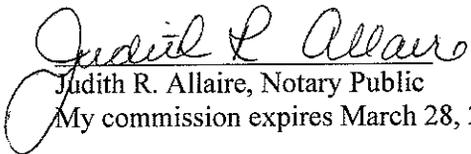
Service list

Pascoag Utility District
Mid-Year Status Report – Docket No. 3709 Service List – June 2006

<u>Name</u>	<u>E-mail</u>	<u>Phone/Fax</u>
Theodore G. Garille General Manager Pascoag Utility District P O Box 107 Pascoag, RI 02859	tgarille@pud-ri.org	(401) 568-6222 (401) 568-0066
Judith R. Allaire Assistant General Manager Pascoag Utility District P O Box 107 Pascoag, RI 02859	jallaire@pud-ri.org	(401) 568-6222 (401) 568-0066
William L. Bernstein, Esq. 627 Putnam Pike Greenville, RI 02828	wblaw@verizon.net	(401) 949-2228 (401) 949-1680
William Lueker, Esq. Dept. of Attorney General 150 South Main Street Providence, RI 02903	Wlueker@riag.state.ri.us David.stearns@ripuc.state.ri.us Al.contente@ripuc.state.ri.us	
Original & nine (9) copies file with: Luly E. Massaro Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02889	Lmassaro@puc.state.ri.us Cwilson@puc.state.ri.us Anault@puc.state.ri.us	(401) 941-4500

CERTIFICATE OF SERVICE

I hereby certify that a copy/copies of this filing in RIPUC Docket No. 3709 (Pascoag Utility District's Mid-Year Status Report) were served electronically and/or by express/or certified mail on the individuals named in the above List of Recipients of Filing, this 30 day of JUNE 2006.


Judith R. Allaire, Notary Public
My commission expires March 28, 2009

State of Rhode Island and Providence Plantations
PUBLIC UTILITIES COMMISSION

RE: PASCOAG UTILITY DISTRICT
RIPUC DOCKET NO. 3709

NOTICE OF CHANGE IN RATE

Pursuant to Rhode Island General Laws (R.I.G.L.), Section 39-3-11, and in accordance with Section 2.4 of the Rules of Practice and Procedure of the Rhode Island Public Utilities Commission (RIPUC), the Pascoag Utility District hereby gives notice of a proposed change in rates filed and published in compliance with R.I.G.L. 39-3-10.

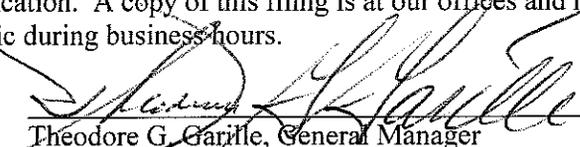
The proposed changes are contained in the exhibits accompanying the filing. The new rates, as proposed, are to become effective August 1, 2006

Standard Offer	Current	\$0.07206	Proposed	\$0.07337
Transition Charge	Current	\$0.01190	Proposed	\$0.01398
Transmission Charge	Current	<u>\$0.01005</u>	Proposed	<u>\$0.00991</u>
		\$0.09401		\$0.09726

A residential customer using 500 kilowatt-hours is currently paying \$69.48. Under the proposed rates, this customer's bill would increase to \$71.10, an increase of \$1.62, or approximately 2.3%.

Be advised as follows:

- 1) Pascoag Utility District, incorporated by a special act of the General Assembly, is a quasi-municipal utility within the Village of Pascoag with offices located at 253 Pascoag Main Street, Pascoag, Rhode Island.
- 2) The Electric Department of the Pascoag Utility District operates an electric distribution system providing retail electric service to customers in the Villages of Pascoag and Harrisville, both in the Town of Burrillville, Rhode Island.
- 3) Correspondence for Pascoag Utility District in this case should be addressed to Theodore G. Garille, General Manager, Pascoag Utility District Electric Department, 253 Pascoag Main Street, P O Box 107, Pascoag, Rhode Island.
- 4) In accordance with the RIPUC Rules and Regulations, the documents accompanying this filing contain data and information in support of Pascoag Utility District's application. A copy of this filing is at our offices and may be examined by the public during business hours.


Theodore G. Garille, General Manager
Pascoag Utility District

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Subscribed and sworn to before me on the 28 day of June 2006.


Notary Public

my commission
expires 3/28/05

Status Report - June 2006

Submitted by: Judith R. Allaire

As a part of Pascoag's annual fuel reconciliation of its Standard Offer Service ("SOS"), Transmission and Transition Rates, the District is required to file a mid-year status report that summarizes the actual level of over collection or under collection as of May 31, 2006, along with Pascoag's recommendation regarding whether or not the rates approved in the Written Order (dated January 23, 2006) should remain in effect through the remainder of 2006.

The rates, currently in effect since January 1, 2006 are:

Standard Offer Service	\$0.07206
Transition Charge	\$0.01190
Transmission Charge	\$0.01005

In documentation presented at the District's last annual reconciliation hearing (December 18, 2005), the District projected an under collection in revenues for the period ending December 31, 2005 of (\$10,436). When all the power bills and revenues were recorded for the period ending December 31, 2005, the actual under collection was (\$14,010).

	<u>Estimate</u>	<u>Actual</u>
SOS	(\$75,576)	(\$94,450)
Transition	\$40,630	\$45,359
Transmission	<u>\$24,510</u>	<u>\$35,081</u>
	(\$10,436)	(\$14,010)

As of May 31, 2006, the cumulative under collection is (\$81,567). The summary of the reconciliation of expenses and revenues for this period is submitted under separate cover.

	<u>Balance as of May 31, 2006</u>
SOS	(\$84,158)
Transition	(\$40,799)
Transmission	<u>\$43,390</u>
	(\$81,567)

The bulk of the under collection (\$69,452) occurred in January. This was because beginning January 1, 2006, Pascoag began receiving power under the new contract rates,

however sales to customers were pro-rated, with kilowatt-hour consumption in December based on Pascoag's old rates, and kilowatt-hour consumption in January based on Pascoag's new (higher) rates.

Additional under collection has occurred over the period because sales to customers have not been as high as Pascoag forecast.

In reviewing our forecast expenses and revenues, the District has the following recommendations for future filings:

- 1) Sales to customers should be averaged based on a three-year historical average. This would mitigate annual seasonal fluctuations, providing a more accurate forecast.
- 2) Growth projections should lean to a more conservative number. In the last filing, Pascoag used a 6% growth rate based on a number of new residential construction projects. Although these projects are underway, only a small percentage is complete and occupied.

**ITEMS THAT IMPACT THIS STATUS REPORT INCLUDE THE
FOLLOWING:**

NYPA - During the first five months of the year, there were some reductions in firm hydro energy sales because of continuing low water conditions of the Great Lakes and St. Lawrence drainage basin. There were no interruptible kilowatt-hours from NYPA.

NYPA – The billing error discussed at Pascoag's December hearing has reached resolution. The original error occurred over the period June 2005 to August 2005 and was a result of implementation of new software by the New York Independent System Operator ("NYISO"). Based on recomputed charges for marginal losses and associated congestion charges, Pascoag was under billed in the amount of \$12,818. This amount will be applied to the District's invoices for

July, August and September 2006 in three equal amounts. (See Supporting Documentation, No. 3)

MMWEC Project 6 Surplus Funds – In the last filing, Pascoag assumed that the Surplus credit would remain at 2005 levels. However, based on increased earnings in Bond Reserve and Debt Service Accounts as a result of the rising interest rates, and lowering of Capital Expenditures in 2006, the projected Surplus Funds are higher in 2006. Preliminarily, it appears that Pascoag's share of Surplus Funds could increase by almost \$30,000 this year. This increase is reflected as a credit to the Project 6 invoices, spread over eleven months. The current monthly credit is \$3,081. If MMWEC's projections are correct, the monthly credit would increase to \$5,781. (See Supporting Documentation, No. 3)

PROJECTED OVER/(UNDER) COLLECTION AT DECEMBER 31, 2006

Pascoag has revised its forecast of kilowatt-hour sales to customers based on a three year historical average and a growth factor of 4.5% for the period June 2006 through December 2006, to make the forecast more accurate. The Project 6 Surplus Credit has also been updated to reflect MMWEC's projections. The NYPA billing adjustment has been added for the period August, September, and October 2006. In addition, Energy New England (ENE) has revised the forecast of purchase power expenses for the same period.

As documented in Schedule I, (submitted under separate cover) this is expected to result in a cumulative under collection of \$285,903 at December 31, 2006 if the current rates remain in effect through the remainder of 2006.

RECOMMENDATION

OPTION #1: REQUEST AN INCREASE IN RATES EFFECTIVE

8/1/06:

Under this option, an increase in fuel charges would offset the current and projected under collection expected as of December 31, 2006. This increase, with

a requested effective date of August 1, 2006, would increase an average residential customer by \$4.51, or 6.5%. This bill would increase from \$69.48 to \$73.99.

Under this scenario, the rates would be:

SOS	\$0.07945
Transition	\$0.01416
Transmission	\$0.00943

Based on ENE's forecast for 2007, even with the expected increase in capacity costs, Pascoag's total fuel costs will decrease mainly due to the reduction in Dominion costs from \$90.35 MWH to \$78.25 MWH, and the expected reduction of the remainder of Pascoag's energy requirements, now served by BELD at \$102.30 MWH. ENE believes that this portion, roughly 15% of Pascoag's needs, should conservatively decrease to \$95 MWH.

If Option #1 is approved and the new rate ameliorates the under collection, in January 2007, customers would see a decrease in electric rates. The average residential customer would see his monthly electric bill drop from \$73.99 to \$69.40, a decrease of \$4.59, or 6.6%.

**OPTION #2: HOLD RATES AT CURRENT LEVEL AND ADJUST
JANUARY 1, 2007:**

If Pascoag holds the current rates in place, based on forecasts from ENE, it appears the under collection at the end of 2006 would be approximately \$286,000.

In order to correct this under collection (even though fuel costs are expected to decrease from \$5.2 million in 2006 to \$5.0 million in 2007), a rate increase would be required. This increase would raise the average electric bill by \$2.58, or 3.7%. The average residential customer would see his bill increase from \$69.48 to \$72.06

The downside of this option is that Pascoag would be "cash poor" for the period, and the under collection would be corrected over a twelve-month period in 2007, only adding to Pascoag's cash flow problems.

**OPTION #3: IMPLEMENT A PARTIAL INCREASE EFFECTIVE
AUGUST 1, 2006 AND HOLD RATES THROUGH
2007:**

This is the option favored by Pascoag because it eliminates “see-saw” rates and would allow Pascoag the ability to recoup the under collection beginning August 1, 2006. If all forecasts hold, it appears that this rate would remain in effect throughout 2007. Therefore, customers would have a period of seventeen months of stable electric rates.

Under this option, an average residential customer would see his bill increase from \$69.48 to \$71.10, an increase of \$1.62 or 2.3%. The rates would be:

SOS	\$0.07337
Transition	\$0.01398
Transmission	\$0.00991

Summary of Cash January 2006

Operating Cash balance forward	\$ 108,210
Projected Purchased Power Expenses:	
ENE	\$(199,772)
Project 6 (MMWEC)	\$ (86,234)
Hydro Quebec (MMWEC)	\$ (1,309)
NYPA	\$ (20,701)
MMWEC/ISO	<u>\$ (27,598)</u>
	\$ (335,614)
Customer Payments	\$ 507,032
Customer NSF cks	\$ (73)
Misc: vendor payments	\$ (61,816)
Payroll, benefits	\$ (81,630)
BankRI Loan Payment	\$ (6,312)
Truck loan payt	\$ (1,160)
Annual Insurance Prem (commercial)	\$ (28,027)
Annual RIDPU Assessment	\$ (15,639)
Quarterly Town Tax payt	\$ (9,729)
Transfer to Restricted Fund	\$ (25,000)
"Over" Balance of DSM to General	\$ 40,853
Jan DSM activity	\$ (7,437) (Revenue less expenditures)

Cash Balance **\$ 83,658**

Other Financial Information:

Accounts Payable Balance	\$ 82,375
** Expenses associated w/ COS case	\$ 6,312
Accounts Receivable Balance	\$ 344,186

Summary of Savings/Investments: (Not Restricted)

Contingency/Emergency	\$ 10,000
Sinking Fund (office)	\$ 25,000
Storm Fund	\$ 15,000
Working Cash Reserve	\$ 60,604
Dedicated DSM Fund	\$ 66,584
Encumber for Power Expense	\$ -
<u>Total Savings/Investment (NR)</u>	<u>\$ 177,188</u>

Restricted Account **\$ 233,941**

Net All Saving/Investment **\$ 411,129**

Misc. Accounts:

Customer Deposit Holding Account	\$ 82,640
Working Capital - on Deposit w/MMWEC	\$ 101,232

Savings Goals for January

Restricted Fund \$ 25,000 (this is "under" funded because of cash flow restrictions during the winter moratorium)

** On 7/29/04, PUD & DPU entered into an agreement for payment of an invoice relating to expenses incurred during the COS in 1/04. Payment of that invoice, totaling \$25,511.86, will be spread over a two-year period with qtrly payments of \$3,200.

Summary of Cash February 2006

Operating Cash balance forward	\$	83,658	
Projected Purchased Power Expenses:			
ENE	\$	(263,004)	
Project 6 (MMWEC)	\$	(85,778)	
Hydro Quebec (MMWEC)	\$	(1,447)	
NYPA	\$	(21,414)	
MMWEC/ISO	\$	<u>(25,561)</u>	
			\$ (397,204)
Customer Payments	\$	643,127	
Customer NSF cks	\$	-	
Misc. vendor payments	\$	(77,265)	
Payroll, benefits	\$	(108,299)	
BankRI Loan Payment	\$	(6,312)	
Truck loan payt	\$	(1,160)	
Annual Insurance Prem (commercial)	\$	(8,228)	
Qtrly DPU Pay't on COS Expenses	\$	(3,200)	
Trans from Rest Fund	\$	25,905	for purchase of new truck
Pay't on new truck	\$	(25,905)	
Transfer to Restricted Fund	\$	(20,000)	
Feb DSM activity	\$	(2,157)	(Revenue less expenditures)

Cash Balance **\$ 102,960**

Other Financial Information:

Accounts Payable Balance	\$	104,117
** Expenses associated w/ COS case	\$	3,112
Accounts Receivable Balance	\$	340,059

Summary of Savings/Investments: (Not Restricted)

Contingency/Emergency	\$	10,000
Sinking Fund (office)	\$	25,000
Storm Fund	\$	15,000
Working Cash Reserve	\$	60,604
Dedicated DSM Fund	\$	68,741
Encumber for Power Expense	\$	-
<u>Total Savings/Investment (NR)</u>	\$	<u>179,345</u>

Restricted Account **\$ 228,036**

Net All Saving/Investment **\$ 407,381**

Misc. Accounts:

Customer Deposit Holding Account	\$	83,710
Working Capital - on Deposit w/MMWEC	\$	101,232

Savings Goals for February

Restricted Fund \$ 20,000 (this is "under" funded because of cash flow restrictions during the winter moratorium)

** On 7/29/04, PUD & DPU entered into an agreement for payment of an invoice relating to expenses incurred during the COS in 1/04. Payment of that invoice, totaling \$25,511.86, will be spread over a two-year period with qtrly payments of \$3,200.

Summary of Cash March 2006

Operating Cash balance forward	\$ 102,960	
Projected Purchased Power Expenses:		
ENE	\$ (231,414)	
Project 6 (MMWEC)	\$ (88,315)	
Hydro Quebec (MMWEC)	\$ (1,525)	
NYPA	\$ (21,120)	
MMWEC/ISO	\$ (27,018)	
		\$ (369,392)
Customer Payments	\$ 673,408	
Customer NSF cks	\$ (102)	
Misc. vendor payments	\$ (112,510)	
Payroll, benefits	\$ (89,192)	
BankRI Loan Payment	\$ (6,312)	
Truck loan payt	\$ (1,160)	
Trans from Rest Fund	\$ 35,153	NEPPA Training Room
Trans to Rest. Fund	\$ (22,000)	NEPPA reimbursement for its share of Training Room
Trans to Rest. Fund	\$ (35,000)	March contribution
Pay't - NEPPA expenses	\$ (35,153)	
Transfer from Rest Fund	\$ 24,316	capital projects (transformers capacitors, meters)
Pay't on transformers, cap, mtrs	\$ (24,316)	
March DSM activity	\$ 5,482	Net activity for the month
Trans from Storm Fund	\$ 3,349	Paid to sub-contractor
Encumber for Purchase Power	\$ (66,000)	

Cash Balance **\$ 83,531**

Other Financial Information:

Accounts Payable Balance	\$ 88,683
** Expenses associated w/ COS case	\$ 3,112
Accounts Receivable Balance	\$ 250,106

Summary of Savings/Investments: (Not Restricted)

Contingency/Emergency	\$ 10,000
Sinking Fund (office)	\$ 25,000
Storm Fund	\$ 11,651
Working Cash Reserve	\$ 61,153
Dedicated DSM Fund	\$ 63,259
Encumber for Power Expense	\$ - (see below)
<u>Total Savings/Investment (NR)</u>	<u>\$ 171,063</u>

Restricted Account **\$ 226,291**

Net All Saving/Investment **\$ 397,354**

Misc. Accounts:

Customer Deposit Holding Account	\$ 83,710
Working Capital - on Deposit w/MMWEC	\$ 101,232

Savings Goals for March

Restricted Fund	\$ 35,000	Funded in full for month, plus a portion of previous months undercollection
Purchase Power	\$ 66,000	Encumbered for future power bills (in Operating Account)

** On 7/29/04, PUD & DPU entered into an agreement for payment of an invoice relating to expenses incurred during the COS in 1/04. Payment of that invoice, totaling \$25,511.86, will be spread over a two-year period with qtrly payments of \$3,200.

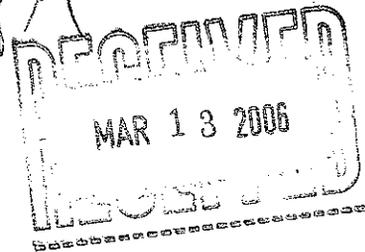
Restricted Account - Funding 2006

Annual Requirement **\$ 376,650**

	<u>Period Contribution</u>	<u>Year-to-date</u>	<u>Percent</u>	<u>Balance to Fund</u>	<u>Goal</u>
Period Ending: March 2006	\$ 80,000	\$ 80,000	21%	\$ 197,650	25%
Period Ending: June 2006	\$ 99,000	\$ 179,000	48%		50%
Period Ending: Sept 2006			0%		75%
Period Ending: Dec 2006					100%



*Today
I GUESS - Not
more correct -
JH*



March 9, 2006

Steven Frias, Esq.
Counsel
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Dear Mr. Frias:

By letter dated December 14, 2005, we had advised your organization of a problem with the marginal loss charges in your June, July and August bills. The problem occurred when the New York Independent System Operator (NYISO) implemented new software features on June 1, 2005 for scheduling of controllable lines with other control areas. It is our understanding that the points of delivery and withdrawal for the Neighboring State transactions were not properly matched up. The NYISO finally corrected this problem on August 8th. While the NYISO announced that there was a problem with the marginal loss calculations in late August, the details of this problem and their impact were not known to us until November when we began to receive the four month rebills. Since congestion charges are also dependent on delivery and withdrawal points, they were also incorrectly calculated.

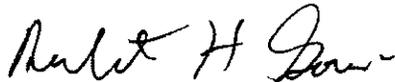
The attached table sets forth the corrected marginal losses and congestion costs for June and July. The column marked LSE Name indicates the transaction source (Niagara or St. Lawrence) and the customer along with additional information (firm, firm peaking or interruptible or the end-user). The next three columns represent the Day Ahead Market transactions; scheduled MW are the megawatt-hours scheduled for the month in question for that LSE Name, Forward Energy Congestion \$ and Forward Energy Loss \$. These dollar amounts are the difference between the as billed amounts and the corrected amounts. They are the amounts by which the June or July bills are to be corrected. Similarly, the fourth and fifth columns are the Balancing Congestion \$ and Balancing Loss \$. Again, the dollar amounts are the difference between the as billed amounts and the corrected amounts and are the amounts by which the June or July bills are to be corrected. This information was extracted from our data warehouse based on NYISO monthly invoices and the transactions we have scheduled with the NYISO.

Mr. Frias
March 9, 2006
Page 2

Based on recomputed charges for marginal losses and associated congestion charges, your organization was underbilled for marginal losses and congestion charges for the June and July 2005 period in the amount of \$12,817.77. The NYISO reran the August billing before issuing it so the marginal loss and congestion charges for that month are correct. In order to provide you sufficient time to adjust your rates to recover this additional amount, surcharges will be applied to the invoices for the months of July, August and September 2006. Except as provided in the NYISO rebills, no interest will be charged or credited to your accounts.

If you have any questions please contact me at (914) 390-8104 or at robert.gow@nypa.gov.

Sincerely,



Robert H. Gow
Senior Economist
- Power Contracts

cc: Mr. Ted Garille
John Spiritos, Esq.

Rhode Island

Data is the delta amount to be invoiced for the True-up (V2-V1) to **JUNE 2005**

A positive value indicates \$ due to NYPA from the ISO (resulting in a payment from NYPA to the Customer)

A negative number indicates \$ due to the ISO from NYPA (resulting in charge to the customer)

LSE Name	Sch MW	FE Cong \$	FE Loss \$	Bal Cong \$	Bal Loss \$	Total TUC	NIAGARA		SL
							TOTAL	TOTAL	
NIA NEPX INTR	14,334	-31,431.50	-59,676.11	0.00	0.00	-91,107.61	-91,107.61	0.00	0.00
SL NEPX F GF114	2,137	-3,616.43	-8,427.49	0.00	0.00	-12,043.92	0.00	-12,043.92	0.00
NIA NEPX F GF108	22,879	-52,898.26	-95,698.62	0.00	0.00	-148,596.88	-148,596.88	0.00	0.00
NIA NEPX P GF108	1,008	-6,357.50	-5,643.32	0.00	0.00	-12,000.82	-12,000.82	0.00	0.00
Total	40,358	-94,303.69	-169,445.54	0.00	0.00	-263,749.23	-251,705.31	-12,043.92	-12,043.92

Total Niagara 38,221
 Total St. Lawrence 2,137
 Rhode Island's Niagara 338
 Rhode Island's St. Lawrence 758

-\$2,225.91

Month of June Totals
 -\$4,272.01
 -6,497.92

JULY 2005

SL NEPX F GF114	2,448	-2,930.22	-11,441.84	0.00	0.00	-14,372.06	0.00	-14,372.06	0.00
NIA NEPX F GF108	24,922	-33,100.03	-120,072.01	0.00	0.00	-153,172.04	-153,172.04	0.00	0.00
NIA NEPX P GF108	1,041	-3,829.41	-7,097.86	0.00	0.00	-10,927.27	-10,927.27	0.00	0.00
Total	28,411	-39,859.66	-138,611.71	0.00	0.00	-178,471.37	-164,099.31	-14,372.06	-14,372.06

Total Niagara 25,963
 Total St. Lawrence 2,448
 Rhode Island's Niagara 215
 Rhode Island's St. Lawrence 845

-\$1,358.91

Month of July Totals
 -\$4,960.94
 -6,319.85

December 15, 2005

Mr. Theodore Garille
Manager
Pascoag Utility District
253 Pascoag-Main Street
P.O. Box 107
Pascoag, RI 02859

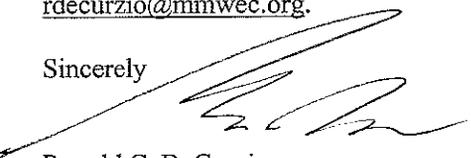
Dear Mr. Garille:

As a result of receiving updated operating budget data for the 2006 calendar year from the lead owner of each unit, as well as the MMWEC A&G expenses for the 2006 calendar year, we have prepared a comparison by Project of the projected 2006 Surplus Funds versus the actual 2005 Surplus Funds. Below you will find an analysis done by Unit and Project explaining the outcome of these comparisons.

Seabrook Unit - Seabrook Project (Project 6) Projected 2006 Surplus Funds are higher in 2006 due to increased earnings in the Bond Reserve, Debt Service Accounts and the R & C Fund as a result of the rising interest rates. In addition, Capital Expenditures are projected to be lowering in the 2005/2006 contract year versus actual in the 2004/2005 contract year.

If you have any questions, please feel free to contact me at 413-589-0141, Ext. 358 or by e-mail at rdecurzio@mmwec.org.

Sincerely


Ronald C. DeCurzio
Treasurer & Director - Financial Services

RCD/lac:ltr estimated surplus funds 2006

Attachment

