



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION  
89 Jefferson Blvd.  
Warwick RI 02888  
(401) 941-4500

Chairman Elia Germani  
Commissioner Robert B. Holbrook  
Commissioner Mary E. Bray

MEMORANDUM

To: William Lueker, Esq. and William Bernstein, Esq. (via email)  
Cc: Service List (via email)  
From: Cynthia Wilson-Frias, Senior Legal Counsel  
Date: December 3, 2007  
Re: Docket No. 3896 – Pascoag Utility District Annual Reconciliation and Funding of Purchase Power Restricted Fund (PPRF)

This memorandum addresses the PPRF. While I have no indication the Commission may alter its decision, as counsel to the Commission, I do have some concerns in light of the fact that there is a projected over-collection at the end of 2007 which could offset the rate increase proposed by the Division. Therefore, I think the Commission needs more evidence on the record to show compliance with state law and that the decision would be in the best interests of ratepayers.

Because the decision to allow the PPRF is unique to Pascoag and was decided without a hearing and, it appears, without any data requests, I believe strongly that the Commission needs to have evidence/rationale/legality on the record for the interests of all parties.

Parties are free to object, as always, to the Commission revisiting a prior order. However, under RIGL 39-3-11, I think the Commission has the ability to do so and if notice is an issue, the Commission can certainly hold a hearing on this specific issue.

**Issue:** Please be prepared to address the provisions in RIGL 39-1-27.3 (b) which discuss the reconciliation and the legality of allowing the Purchase Power Restricted Fund account, specifically, whether it complies with that subsection. I am referring specifically to the following language:

"The rates that are charged by the electric distribution company to customers for standard offer service...shall be designed to recover the electric distribution company's costs *and no more than the electric distribution company's costs*; provided, that the commission may establish and/or implement a rate that averages the costs over periods of time."  
(emphasis added)

I don't think the next sentence applies yet, as the least cost procurement and system reliability provisions of the law have not yet been triggered.

The next provision I'm looking at states, "The electric distribution company's standard offer revenues and its standard offer costs shall be accounted for and reconciled with interest at least annually. *Except as otherwise may be directed by the commission in order to accomplish purposes established by law, any over recoveries shall be refunded to customers in a manner directed by the commission, and any under recoveries recovered by the electric distribution company through a uniform adjustment factor approved by the commission.*" (emphasis added)

**Question:** Is the PPRF in compliance with RI state law and why?

**Question:** Assuming the PPRF is in compliance with RI state law, why is it in the best interest of ratepayers to allow funding in the current situation?