

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

Rate Analyst, Division of Public Utilities & Carriers

Date: 12/12/08

**Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges,
RIPUC Docket 4006**

On November 6, 2008, in accordance with Commission Order Number 19361 in Docket RIPUC 3896, the Pascoag Utility District (“Pascoag”, or “Company”) filed with the Commission a year-end status report of the standard offer, transition and transmission accounts for 2008. A revised filing was submitted on December 4, 2008. The revisions were made to update the filing with actual expenses through October and actual revenue through November,

The current overall rate of \$0.10044 per kWh is comprised of the standard offer, transition, and transmission rates, and was originally approved by the Commission in this docket in July 2007. The rates were designed to recover forecast purchased power expenses and a net under recovery of \$81,567 that existed at May 31, 2006. While the rates were approved with no expiration date certain, Pascoag was directed to monitor purchased power revenue and expense, and to file semi-annual status reports with the Commission. In June 2008 Pascoag requested, and was granted, authority to retain the overall rate of \$0.10044 per kWh, while re-allocating the three rate components, i.e., the standard offer, transition, and transmission rates. This was an attempt to mitigate the over-collection and under-collection balances that existed in the individual accounts at that time.

The revised report filed on December 4, 2008 indicates that the actual over recovery of purchased power expense at October 31 was \$186,702. Pascoag anticipates an over recovery of about \$95,800 at December 31, 2008.

The over/under recovery amounts for the three individual components vary in magnitude, as indicated in the Company’s filed Status Report and accompanying schedules. The forecast variances at December 31, 2008 are: Standard Offer: over recovery of \$416,389, Transition: under recovery of \$31,706, and Transmission: under recovery of \$288,864.

The Standard Offer over recovery is due primarily to the availability of more interruptible NYPA power than anticipated; this means that Pascoag was able to re-sell the additional energy to the market, reducing the overall Standard Offer expense.

The Transmission under recovery is the result of higher than forecast transmission expenses. This is addressed at pages 2 and 3 of the testimony of Company witness Judith R. Allaire.

After careful review of the Company's filing and discussions with the Company, the Division recommends that the Commission :

- Approve Pascoag's per-kWh proposed rates, presented below with a comparison to current rates, effective with usage on and after January 1, 2009. The proposed rates would result in an increase in the typical 500 kWh residential bill of \$4.99, or 6.9%. The bill would increase from \$72.69 to \$77.68.

	Proposed	Current	Increase (Decrease)
Transition:	\$0.01411	\$0.01662	(\$0.00251)
Transmission:	\$0.03294	\$0.02440	\$0.00854
Standard Offer:	<u>\$0.06338</u>	<u>\$0.05942</u>	<u>\$0.00396</u>
Total:	<u>\$0.11043</u>	<u>\$0.10044</u>	<u>\$0.00999</u>

- Additionally, the Commission should instruct Pascoag to file, on or before June 30, 2009, a status report including the actual level of over recovery or under recovery in each of the three accounts as of May 30, 2009 and a projection of the level of over recovery or under recovery in the accounts at December 31, 2009.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers