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PUBLIC UTILITIES COMMISSION

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns 

Rate Analyst, Division of Public Utilities & Carriers

Date: 12/07/2009

Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges,
RIPUC Docket 4129

On November 13, 2009, in accordance with Commission Order Number 19583 in Docket RIPUC 4006, 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 2009. A revised filing was submitted on December 3rd. The revisions were made to update the filing with actual expenses through October and actual revenue through November,

The current overall rate of \$0.11043 per kWh is comprised of the standard offer, transition, and transmission rates, and was originally approved by the Commission in docket 4006 in December 2008. The rates were designed to recover forecast 2009 purchased power expenses and a forecast net over recovery of \$95,800 at December 31, 2008. 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 2009 Pascoag requested, and was granted, authority to retain the overall rate of \$0.11043 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- and under-recovery balances that existed in the individual accounts at that time.

The revised report filed on December 3, 2009 indicates that the actual over recovery of purchased power expense at October 31 was \$418,650. Pascoag anticipates an over recovery of about \$307,000 at December 31, 2009.

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, 2009 are: Standard Offer: under recovery of \$ 45,702, Transition: over recovery of \$9,151, and Transmission: over recovery of \$343,572.

The primary reasons for the over and under recoveries of the various accounts are addressed at pages 1 through 3 of the testimony of Company witness Judith R. Allaire.

Pascoag suggests three options in calculating rates for 2010:

- Option one would refund the entire forecast over recovery amount at the end of 2009. This would result in a decrease of \$3.05, or 3.9%, to the typical 500 kWh residential bill.
- Option two would allow Pascoag to retain \$200,000 to be used to increase the Company's Purchased Power Restricted Fund (PPRF), while any remaining over recovery (currently forecast at about \$107,000) would be refunded to customers. This option would place the PPRF at about \$500,000 (approximately one month's average purchased power expense), while decreasing the typical residential bill by \$1.11, or 1.4%. The Company has indicated this is its preferred option.
- Option three would allow Pascoag to retain the complete over recovery. The entire amount would be transferred to the PPRF account, with any funds in excess of \$500,000 to be designated a "rate stabilization fund", to be used to offset any future increases in power expenses.

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

- Approve Pascoag's per-kWh rates proposed under option two, presented below with a comparison to current rates, effective with usage on and after January 1, 2009. The proposed rates would increase Pascoag's PPRF to the level of one month's average power costs, while allowing a reduction in rates. The reduction would be small enough to ensure a reasonable level of rate stability while affording customers some relief during these difficult economic times. The decrease on a typical 500 kWh residential bill will be \$1.11, or 1.4%. The bill will decrease from \$77.69 to \$76.58.

	Proposed	Current	Increase (Decrease)
Transition:	\$0.01158	\$0.01411	(\$0.00253)
Transmission:	\$0.02008	\$0.03294	(\$0.01286)
Standard Offer:	<u>\$0.07655</u>	<u>\$0.06338</u>	<u>\$0.01317</u>
Total:	<u>\$0.10821</u>	<u>\$0.11043</u>	<u>(\$0.00222)</u>

- Instruct the Company to file a report, at least annually, showing the status of the PPRF: beginning balance, interest earned, withdrawals (if any), and ending balance, as well as any other information the Commission deems relevant and useful.
- Instruct Pascoag to continue the practice of crediting the PPRF account with interest earned by the account, making the interest subject to the same terms and conditions as the principal amount.
- Require Pascoag to inform the Division and the Commission of any intention to use funds from the PPRF, at least 5 days prior to such proposed use. This would allow the Division and Commission the ability to review the proposed withdrawal from the PPRF. By taking no action, the Division and Commission would be indicating approval of the intended use of funds.
- Additionally, the Commission should instruct Pascoag to continue the practice of monitoring purchased power revenue and expense, and to file semi-annual status reports with the Commission, with actual account balances as of the most recent month available, and a projection of the level of under recovery or over recovery for each account as of December 31, 2010.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers