



**PASCOAG**  
UTILITY DISTRICT

Pascoag Electric • Pascoag Water

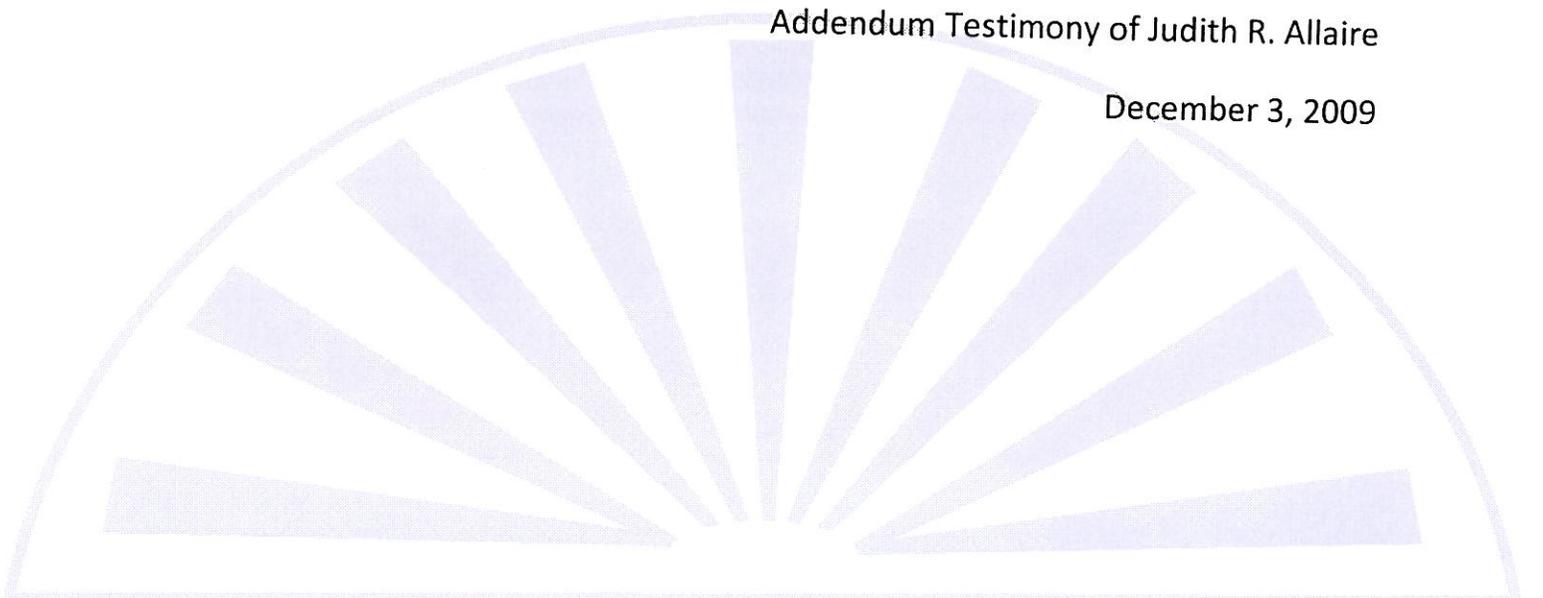
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**Year-End Status Report**

**RIPUC Docket No. 4129**

Addendum Testimony of Judith R. Allaire

December 3, 2009



Addendum Testimony of Judith R. Allaire

RIPUC Docket # 4129: Year-End Status Report

Q. Is this testimony based on information received after the original submittal on November 13, 2009?

A. Yes it is. It includes an adjustment to the cost per MWH for Pascoag's contract with Braintree Electric Light Department ("BELD") for 2010, as well as actual expenses for October and actual revenue for November.

The BELD adjustment is to the forecast of 2010 purchase power expenses, and is based on a reduction in the cost per MWH. In the original submittal, the estimate for a MWH of BELD power was \$80. This was down from 2009's cost of \$96 per MWH. At that time, Pascoag was pleased with the reduction of \$16 per MWH, and felt that the contract was beneficial to the District's power portfolio as well as beneficial to the District's ratepayers.

In mid-November, Pascoag was informed by Energy New England ("ENE") that due to current market conditions, the final signing price with BELD would be \$73 per MWH. The terms and conditions in effect in 2009 remain the same, but Pascoag was able to realize an additional savings of \$23,440 on this portion of its 2010 energy requirements over what was anticipated in the original submittal.

These savings were based on several factors. Since Pascoag will be purchasing energy (about 1,200 MWH) from Miller Hydro Group, there is a resulting reduction of MWH purchases from BELD. With the addition of energy from Miller Hydro to Pascoag's supply mix, Pascoag's open load will be a bit more concentrated into the peak or super-peak hours of the day, thus making it a bit more costly to serve. Historically, Pascoag's open/variable load has been about 5.5% higher than the average peak LMP in both the Rhode Island zone and Massachusetts hub, and about 17% higher than the around-the-clock price. Currently, peak power for 2010 is priced at approximately \$60 per MWH at the Massachusetts hub. Factoring in the 5.5%, as well as an allowance for potential load variability and greater peak concentration, equates to a price of \$73 per MWH for BELD power.

At the same time that these savings were realized, ENE updated the forecast to reflect the actual bilateral market costs. Therefore, there was

some adjustment in the resale to ISO-NE for off-peak power, resulting in an increase of \$8,580.

Listed below, in Table 1 (Addendum), is a summary of activity that results in a net decrease for 2010 estimated costs of \$14,860:

**Table 1 (Addendum)**

<u>2009 Original Budget</u>		<u>2010 Original Budget</u>		<u>2010 Addendum Budget</u>	
<u>Cost</u>	<u>MWH</u>	<u>Cost</u>	<u>MWH</u>	<u>Cost</u>	<u>MWH</u>
\$ 5,878,550	54,974	\$ 5,700,889	54,661	\$ 5,686,030	54,661
		\$ (177,661)		\$ (192,520)	
	<u>\$/MWH</u>		<u>\$/MWH</u>		<u>\$/MWH</u>
	\$ 106.93		\$104.30		\$104.02

<u>Adjustments:</u>	<u>2010 Original</u>	<u>2010 Addendum</u>	<u>Difference</u>
<b><u>Details of Adjustments:</u></b>			
Adjustment to NYPA expenses	\$ (319,482)	\$ (319,482)	\$ -
Adjustment to Seabrook costs	\$ 98,068	\$ 98,068	\$ -
Adjustment to Forward Capacity costs	\$ (5,593)	\$ (5,593)	\$ -
Dominion Capacity Purchases	\$ 98,280	\$ 98,280	\$ -
Miller Hydro Purchases	\$ 45,164	\$ 45,164	\$ -
BELD, reduction in MWH cost/purchase	\$ (304,409)	\$ (327,849)	\$ (23,440)
Adjustment to ISO-NE resale for off-peak	\$ 181,520	\$ 190,100	\$ 8,580
Reduce MMWEC service billing	\$ (5,400)	\$ (5,400)	\$ -
Adjustment to HQ transmission	\$ (3,000)	\$ (3,000)	\$ -
Adjustments to Estimated ISO expenses	\$ (19,604)	\$ (19,604)	\$ -
Adjust to OATT RNS	\$ 29,016	\$ 29,016	\$ -
Adjust to DAF	\$ 27,780	\$ 27,780	\$ -
	\$ (177,660)	\$ (192,520)	\$ (14,860)

A copy of the BELD/Pascoag contract is included with this submittal.

**Q. Are there any other factors that are updated in this submittal?**

A. Yes. In the original submittal, Pascoag used estimated expenses for October, November and December power expenses. Since all of the actual October power invoices have been received, we are now able to supply actual figures for that period.

In the forecast, the October expenses were estimated at \$554,393. This was based on several factors, including the fact that the Seabrook Nuclear Station was down for scheduled maintenance during the month of October, and that Pascoag would be required to buy replacement power at market rates, estimated to be eight cents/kilowatt-hour.

Fortunately, for the October period, Pascoag received, for the first time since May, interruptible kilowatt-hours from its NYPA allotment. That mitigated the expense, since Pascoag did not have to buy market-priced replacement power. The interruptible energy, 450,000 kilowatt-hours, averaged 1.5 cents delivered cost verses replacement market priced power of 8 cents. Adding to the cost-saving benefit was the fact that transmission on NYPA power was somewhat reduced in October over previous months. Based on discussion with NYPA and NYISO staff, this reduction in transmission expense was due to a reduction in congestion for the period.

In addition to this, Pascoag used less energy for the period – a reduction of 397,000 kilowatt-hours from the forecast period.

Actual October expenses were \$426,532, or a reduction of \$127,861 over the forecast expenses.

The estimated November revenue has been updated to reflect the actual revenue. For the forecast period, sales were estimated to be 4,225,000 for total revenue of \$466,567. The actual sales to customers in November were 3,953,252 for total revenue of \$436,558, a reduction of \$30,009 from forecast.

These two items had the impact of increasing the over collection at period end to \$307,021. In the original submittal, Pascoag estimated the over collection to be at \$209,170. The breakdown by factor is listed below in **Table 2 (Addendum)**

Table 2 (Addendum)

Standard Offer Service	(\$ 45,702)
Transition	\$ 9,151
Transmission	<u>\$343,572</u>
Net Over Collection	\$307,021

Q. How does this impact Pascoag's rates for 2010?

A Since the new forecast over collection is approximately \$100,000 over what was anticipated in the first submittal, Pascoag will propose some new scenarios for consideration.

It was, and remains, the goal of the District to increase its Purchase Power Restricted Fund ("PPRF") to cover at least one month of average power bills. Pascoag feels that by doing this, it ensures that all power bills are met in a timely manner in the event of slow cash flow.

*Option 1*, would flow back the entire over collection to customers. Under this option, a residential customer using 500 kilowatt-hours of electricity per month would see a reduction in his bill from \$77.69 to \$74.64, a reduction of \$3.05 or 3.9%. Although Pascoag presents this option for Commission's consideration it is not the one favored by the District, as it does not allow the District the ability to increase the PPRF account. Pascoag does not believe that this option is beneficial in the long-term to its customers, as it may contribute to future "roller coaster" rate increases.

*Option 2* is the one favored by Pascoag. It would retain \$200,000 of the actual over collection for deposit in the PPRF account. The money in that account is to be used only for payment of power bills, either due to slow cash flow or in the event of an unexpected purchase power expense. Pascoag would inform Division prior to withdrawal of any funds from the PPRF account. Any remaining over

collection, now estimated at \$107,021, would flow back through rate reduction to customers. Under this option, the average residential customer would see his bill decrease from \$77.69 to \$76.58, a reduction of \$1.11 per month or 1.4%. Pascoag believes that this option is in the best interest of the District as it increases the PPRF to an average monthly purchase power cost, and yet customers will see the benefit of a rate reduction in extremely difficult economic times.

*Option 3* would allow Pascoag to retain the full over collection amount and deposit that amount in its PPRF account. Again, those funds would be used only to pay power bills in the event that Pascoag did not have sufficient cash flow to do so. However, under this option, Pascoag would request that any amount in the PPRF account in excess of \$500,000 be used as a “rate stabilization” fund to offset any future increases in power expenses. Under this option, the rates would remain at the current level although the individual factors would be realigned. Customers would benefit as the existing rates would remain in place, thus ensuring rate stability. And, future rate increases would be offset by using funds in excess of \$500,000 from the PPRF account. Again, customers would see the benefit of stable rates in future years under this methodology.

Balance in PPRF 10/20/2009	\$296,761
“Over Collection” at 12/31/2009	<u>\$307,021</u>
Forecast Total	\$603,782

Under *Option 3*, the \$103,782 would be available to offset rate increases in future years. Pascoag would work in conjunction with Division on the best use of these proposed rate stabilization dollars.

Table 3 (Addendum) included with this testimony outlines the 3 options presented by Pascoag.

Q. Are you aware of any other items that might impact this filing?

A. As mentioned earlier in this testimony, Seabrook Nuclear Unit was down for scheduled maintenance and refueling in October. It was assumed that Seabrook would be operating at full capacity beginning in November. Unfortunately, that outage was extended due to equipment issues. In mid-November, Seabrook began operation at 65% power level and continues at that capacity to-date. In order to complete the necessary repairs, the unit will be shut down in mid-December for approximately two weeks.

Another factor that will impact the filing is the delivery of NYPA interruptible energy for November and December. Pascoag contacted NYPA to determine if any interruptible energy was dispatched in November, and NYPA did confirm that Pascoag will receive interruptible kilowatt-hours, although NYPA could not determine the amount.

Based on these factors, ENE reviewed the forecast for November and December and believes that the forecast as submitted is accurate.

Q. Does this conclude your testimony?

A Yes it does



JUDY / BILL / DES

Deal #: 4656

Long Form Confirmation Letter

This letter shall confirm the agreement reached 11/5/2009 between Energy New England, LLC (ENE), acting as agent for Pascoag Utility District (PUD), and Braintree Electric Light Department (BELD) concerning the following transaction.

Braintree Electric Light Department shall sell and Pascoag Utility District shall purchase and receive the following:

Deal #: 4656

Type of Transaction: Purchase:

Quantity (MW): 0-7 MW as needed on an hourly basis. Maximum delivery from BELD shall not exceed 7.0 MW in any hour.

Products: "Firm partial-requirements, load-following energy. Deliveries from BELD shall be equal to the difference between Pascoag's total load obligation less any generation Pascoag receives from the NYPA and MHG contracts less the fixed quantity of 3.0 MW (Dominion) less the greater of Seabrook's actual delivery to Pascoag or the nominal seasonal entitlement from Seabrook (1.330 MW in Summer or 1.330 MW in Winter)."

Delivery: Day Ahead

Price: \$73.00 / MWH

Begin Date: Friday 1/01/2010

End Date: Friday 12/31/2010

Time Period: All Hours Delivery Type Physical

Delivery Point: 4005 - Rhode Island Load Zone

Total Quantity (MWH): Variable-Estimated 3,000 MWH

Transaction Value: Estimated \$219,000

Trader: Gil Myette

Phone #: 508-698-1221

Broker: None

Scheduling Contact: Mary Beth Burch @ 508-698-1204 or Accounting Dept @ 508-698-1225

Contract Reference: The general terms and conditions contained in Annex A attached to this confirmation and made part hereof apply and are incorporated herein by reference.

Please confirm that the terms stated herein accurately reflect the agreement reached between ENE and Braintree Electric Light Department by returning an executed copy of this transaction letter via facsimile to ENE at (508) 698-0028 within two business days of receipt. In the event you fail to execute and deliver this confirmation or otherwise fail to provide any written objections to this confirmation within the specified time, you will be deemed to have accepted the terms and conditions set forth herein, including the terms and provisions of the Agreement.

This transaction is subject to all necessary credit approvals.

Pascoag Utility District

Braintree Electric Light Department

By:

*Theodore G. Garille*

By:

*William G. Rothwell*

Name:

THEODORE G. GARILLE

Name:

William G. Rothwell

Title:

GENERAL MANAGER/CEO

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