

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: PASCOAG UTILITIES DISTRICT :
ANNUAL RECONCILIATION OF STANDARD : DOCKET NO. 4129
OFFER SERVICE, TRANSMISSION AND :
TRANSITION CHARGES :

REPORT AND ORDER

On November 13, 2009, Pascoag Utility District (“Pascoag”) submitted its annual reconciliation of its Standard Offer Service (“SOS”), Transmission and Transition Rates for effect January 1, 2010. Pascoag requested that the current rate of \$0.11043 kWh remain the same. On December 4, 2009, Pascoag filed updated schedules to reflect actual October expenses and November revenues, leaving only November expenses and December expenses and revenues to be estimated. While Pascoag does not seek to increase the overall rate, it requests approval to realign the individual factors by increasing the SOS charge from 6.338 cents per kWh to 7.525 cents per kWh, decreasing the Transmission charge from 3.294 cents per kWh to 2.283 cents per kWh and decreasing the Transition Charge from 1.411 cents per kWh to 1.235 cents per kWh. The request, if approved, would result in a 500 kilowatt-hour residential customer experiencing the same rate of \$77.69 per month.¹

I. Pascoag’s November 13, 2009 Filing

Electric distribution companies are required by R.I.G.L. § 39-1-27.3 to provide SOS to retail customers who choose not to purchase power through the retail access market from non-regulated power producers. Pascoag offers SOS to any customer not otherwise served by a non-regulated power producer even if the customer has previously left the system and wishes to return to having Pascoag supply its energy needs. Ms.

¹ Pascoag Exhibit No. 1 filed November 13, 2009; Pascoag Exhibit No. 2 filed December 4, 2009.

Judith Allaire, Assistant General Manager of Pascoag, explained the proposed rate of \$0.11043 per kWh as based on projected costs and a projected over collection of \$209,167.²

Ms. Allaire noted that the over-collection was a combination of three events: Pascoag selling back energy to the pool because of its receipt of interruptible kilowatt hours from its Niagara and St. Lawrence allotments from January to May 2009; NYISO amendments to its tariffs preventing market manipulation which caused higher transmission expenses for delivery of New York Power Authority (“NYPA”) power and Energy New England’s (“ENE”) additional forecast expense reduction. Based on Pascoag’s power mix, ENE is forecasting a total cost of \$5,700,890 in 2010 which is \$177,660 less than the 2009 forecast. Even though there is an over-collection and Pascoag is forecasting lower energy costs for 2010, it is not proposing to return the over-collection to ratepayers and reduce rates but instead proposing that rates remain the same.³

Ms. Allaire noted that Pascoag had three options with regard to the over-collection. The first option would be to return the entire over-collection to the ratepayers. This coupled with the lower forecasted expenses for 2010 would result in a 2.7% reduction in rates resulting in a decrease for the average residential customer using 500 kilowatt-hours of electricity per month from \$77.69 to \$75.61. The second option would be to allow Pascoag to increase its Purchase Power Restricted Fund (“PPRF”) with \$150,000 of the over-collection to \$450,000 which would be almost equivalent to the approximate \$460,000 monthly power bill incurred by Pascoag and allow for an 8/10% reduction to average residential customer’s bill of approximately \$0.63 per month. The

² Pascoag Exhibit No. 1, Pre-Filed Testimony of Judith R. Allaire at 1.

³ *Id.* at 1-5.

final option, which Ms. Allaire noted is the preference of Pascoag, is to retain the entire amount of the over-collection in the PPRF account for future years some of which would be used as a rate stabilization fund to offset future increases in energy costs and to maintain rates at the current level.⁴

Ms. Allaire explained that Pascoag is requesting a realignment of factors resulting in an increase in Standard Offer and a decrease in both Transition and Transmission. She pointed out that Pascoag's contract with Miller Hydro Electric Group commencing in March 2010 will allow Pascoag to obtain clean, carbon-free hydroelectricity at a relatively low cost of \$63.50 per MWH. She noted that Pascoag's total power portfolio contains slightly over forty-seven (47%) percent non-carbon based generation. Additionally, she pointed out that Pascoag renegotiated its Braintree Electric Light Department ("BELD") Contract resulting in a reduction of \$16 per MWH in 2010. Finally, Ms. Allaire noted that based on the current economy, Pascoag used a one (1%) percent growth rate.⁵

II. Pascoag's December 4, 2008 Updated Filing

On December 4, 2008, Pascoag filed revisions to a number of its schedules to reflect actual October energy costs and actual November revenue. Because the October costs and actual November revenue resulted in changes to the projected over- and under-collections at the end of 2009, Pascoag's request to keep rates the same was modified to a request to decrease rates by 1.4%. Ms. Allaire stated that the November 13, 2009 request for \$0.06338 kWh for Standard Offer Service, \$0.01411 kWh for Transition and \$0.03294 kWh for Transmission was revised to \$0.07655 kWh for Standard Offer Service, \$0.01158 kWh for Transition and \$0.02008 kWh for Transmission. Ms. Allaire

⁴ *Id.* at 5-6.

⁵ *Id.* at 8-10.

also noted that Pascoag's receipt of interruptible kilowatt-hours from its NYPA allotment, as well as its use of less energy for the October period (a reduction of almost 400,000 kilowatt hours from the forecast period) resulted in an increase in the amount of over-collection from \$209,170 to \$307,021.⁶

Ms. Allaire also discussed the impact of the increased over-collection and the various options available to the Commission. The first option would flow back the entire over-collection to customers causing ratepayers to see a reduction of 3.9% of \$3.05 per month from \$77.69 to \$74.64. This option is not favored by Pascoag and was described as possibly contributing to future "roller coaster" rate increases. The second option, the one preferred by Pascoag, would allow Pascoag to retain \$200,000 in the PPRF account and flow back the remaining amount to ratepayers resulting in a bill decrease of 1.4% or \$1.11 per month from \$77.69 to \$76.58. The third option would allow Pascoag to retain the entire amount of over-collection in the PPRF account and to offset future rate increases by any amount in excess of \$500,000 in the PPRF account. Ms. Allaire noted that Seabrook Nuclear Unit was down for scheduled maintenance for a period of time in October and has been operating at 65% power level to date. It will be shut down in the middle of December for approximately two weeks to complete the necessary repairs. Additionally, Pascoag will receive a yet to be determined amount of interruptible kilowatt-hours from NYPA.⁷

III. Division's Position

On December 7, 2009, Mr. David Stearns, Division Rate Analyst, filed a Memorandum with the Commission recommending that the Commission approve the rates in option two proposed by Pascoag for usage on and after January 1, 2009. Mr.

⁶ Pascoag Exhibit No. 2, Revised Year-End Status Report at 1-3.

⁷ *Id.* at 4-6.

Stearns explained that the forecast variances at December 31, 2008 are as follows: “Standard Offer: under recovery of \$45,702, Transition: over recovery \$9,151, and Transmission: over recovery of \$343,572.” He noted that Ms. Allaire had provided explanation of the reasons for the variances. Mr. Stearns indicated that allowing Pascoag to increase the PPRF to the level of one month’s average power cost would still allow Pascoag to reduce rates and provide its customers with some relief during these difficult financial times. Mr. Stearns also recommended that Pascoag be required to file annual reports regarding the status of the PPRF which include beginning balance, interest earned, withdrawals (if any) and ending balance. Furthermore, he suggested that Pascoag be instructed to continue to credit the PPRF with interest earned and that it be required to notify the Division and Commission of any intent to use funds from the PPRF at least five (5) days prior to withdrawal from the account. Inaction by the Commission and Division will constitute approval of the intended use of funds. Finally, Mr. Stearns recommended that Pascoag be instructed to continue the practice of monitoring purchased power revenue and expense and to file semi-annual status reports with the Commission that show actual account balances and project year end under or over recovery.⁸ On December 11, 2009, Mr. Stearns filed a Clarification Memorandum recommending that the Commission’s order in Docket No. 4006 alleviating Pascoag of the obligation to file semi-annual reports continue and further that Pascoag be required to continue to file monthly reports with the Division.⁹

⁸ Division Exhibit 1, Memorandum of David Stearns filed December 7, 2009.

⁹ Division Exhibit 3, Clarification Memorandum of David Stearns filed December 11, 2009.

IV. Hearing

On December 14, 2009, following public notice, the Commission conducted an evidentiary hearing at its offices at 89 Jefferson Boulevard, Warwick, Rhode Island. The following entered appearances:

FOR PASCOAG:	William Bernstein, Esq.
FOR DIVISION:	Ladawn S. Toon, Esq. Special Assistant Attorney General
FOR COMMISSION:	Patricia S. Lucarelli, Esq. Chief of Legal Services

Henry Shelton provided public comment on behalf of the George Wiley Center and complimented Pascoag on its effort to lower rates. Ms. Judith Allaire, Assistant General Manager of Pascoag and Mr. Theodore Garille, General Manager of Pascoag, testified in support of the filing. Ms. Allaire explained the three options proposed by Pascoag and noted that option two allowed for both the District and its ratepayers to benefit. She pointed out that option one, which would allow for the entire over-collection to be flowed back to the ratepayers, could result in “rollercoaster ratemaking” if rates needed to be raised in the following year. Mr. Stearns testified for the Division in support of Pascoag’s proposal.¹⁰

V. Commission Findings

Immediately following the evidentiary hearing on December 14, 2009, the Commission voted unanimously to approve Pascoag’s proposed rates effective with usage on and after January 1, 2010. The Commission applauds Pascoag for its presentation of various options for the Commission to consider and agrees with Pascoag that its second option will be most beneficial to its ratepayers. The Commission

¹⁰Transcript of Hearing, December 14, 2009.

commends Pascoag for its efficient operation and superb management. Its ratepayers clearly receive high quality and committed service from Pascoag's general manager and staff. The Commission continues to believe that based on the strength of Pascoag's financial management, the current filing requirements of monthly status reports with the Division are sufficient.

Finally, the Commission was saddened by the announcement of Mr. Garille that he will be retiring in October of 2010. Mr. Garille is well deserving of the numerous accolades that have been expressed throughout the years by Commissioners, staff members, ratepayers and other utility personnel. He has spent tireless amounts of time ensuring that Pascoag's ratepayers spend no more than absolutely necessary while maintaining a superbly run electric distribution system. His openness and transparency about the operations at Pascoag as well as his professionalism, intellect, and business savvy make Mr. Garille an invaluable asset that Pascoag will have great difficulty in replacing. He will certainly be missed by the Commission.

Accordingly, it is

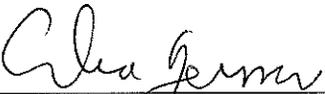
(19883) ORDERED:

1. Pascoag's Standard Offer Charge of \$0.07655 per kWh is hereby approved to be effective for usage on and after January 1, 2010.
2. Pascoag's Transmission Charge of \$0.02008 per kWh is hereby approved to be effective for usage on and after January 1, 2010.
3. Pascoag's Transition Charge of \$0.01158 per kWh is hereby approved to be effective for usage on and after January 1, 2010.
4. Pascoag's supply procurement plan as required by R.I. Gen. Laws §39-1-27.8 is hereby approved.

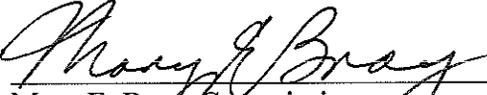
5. Pascoag shall comply with all other findings and directives contained in this Report and Order.

EFFECTIVE AT WARWICK, RHODE ISLAND, ON JANUARY 1, 2010
PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 14, 2009.
WRITTEN ORDER ISSUED ON DECEMBER 23, 2009.

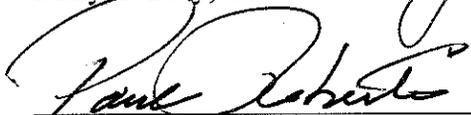
PUBLIC UTILITIES COMMISSION



Elia Germani, Chairman



Mary E. Bray, Commissioner



Paul J. Roberti, Commissioner

