

# Memorandum

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PUBLIC UTILITIES COMMISSION

To: L. Massaro

Commission Clerk

From: D. R. Stearns 

Rate Analyst, Division of Public Utilities & Carriers

Date: 12/10/2010

Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges, RIPUC  
Docket 4211

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On November 10, 2010 the Pascoag Utility District ("Pascoag", or "Company") filed with the Commission its annual year-end status report of the standard offer, transition and transmission accounts for 2010. A revised filing was submitted on December 3. The revisions were made to update the filing with actual expenses through October and actual revenue through November.

The current overall rate of \$0.10821 per kWh is comprised of the standard offer, transition, and transmission rates, and was originally approved by the Commission in docket 4129 in December 2009. The rates were designed to recover forecast 2010 purchased power expenses and refund to customers a forecast net over recovery of \$107,000 as of December 31, 2009. While the rates were approved with no expiration date certain, Pascoag was directed to monitor purchased power revenue and expense, and to file monthly reports with the Division, and continue filing annual status reports with the Commission.

The revised report filed on December 3, 2010 indicates that the actual over recovery of purchased power expense at October 31 was \$448,972. Pascoag anticipates an over recovery of about \$357,986 at December 31, 2010.

 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, 2010 are: Standard Offer: over recovery of \$234,005, Transition: over recovery of \$19,471, and Transmission: over recovery of \$104,510.

The primary reasons for the over and under recoveries of the various accounts are addressed at pages 1 and 2 of the testimony of Company witness Judith R. Allaire.

Pascoag is part of a group of public power systems which is considering the possibility of purchasing the entire output of a plant in central Massachusetts. ENE is creating this Special Purpose Entity ("SPE"), a consortium of 15 participants, each with differing shares of the plant's output. The entire plant output is estimated at 75MWs. Pascoag's share of the total would be approximately 2.3 MWs, about 3.08% of the total.

Pascoag suggests two options in calculating rates for 2011:

- Option one would refund the entire forecast over recovery amount at the end of 2010, currently projected to be approximately \$357,986. This would result in a decrease of \$3.61, or 4.7%, to the typical 500 kWh residential bill, reducing that bill from \$76.58 to \$72.97.
- Option two would allow Pascoag to retain \$200,000 to be used to establish a rate stabilization fund ("RSF") which would be used to offset future rate increases or to partially fund the SPE described above, thereby reducing the potential loan that Pascoag would require in order to finance the Company's share of the SPE, thereby reducing the interest expense that would otherwise be borne by rate payers. This option would also allow a reduction in rates, as any remaining over recovery (currently forecast at \$157,986) would be refunded to customers. The Company has indicated this is its preferred option.

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

- Approve Pascoag's per-kWh rates proposed under option two, which are presented below with a comparison to current rates, effective with usage on and after January 1, 2011. The proposed rates would allow Pascoag to retain \$200,000 in order to establish the RSF, 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 in a typical 500 kWh residential bill will be \$1.68, or 2.2%. The bill will decrease from \$76.58 to \$74.90. The reduction in rates is illustrated in the table below.

	<u>Proposed</u>	<u>Current</u>	<u>Increase (Decrease)</u>
Transition:	\$0.01132	\$0.01158	(\$0.00026)
Transmission:	\$0.02290	\$0.02008	\$0.00282
Standard Offer:	\$0.07064	\$0.07655	(\$0.00591)
Total:	<u>\$0.10486</u>	<u>\$0.10821</u>	<u>(\$0.00335)</u>

- The Division further recommends that if the \$200,000 retained by Pascoag is not used to partially fund the Company's participation in the SPE outlined above, the Commission instruct Pascoag to file with the Commission an alternate plan for the use or the refund to customers of the \$200,000.
- Additionally, the Division recommends that the Commission instruct Pascoag to continue the practice of filing monthly reports with the Division, and to file its annual status report with the Commission by November 15, 2011, including the actual level of over recovery or under recovery in each of the three accounts as of the most recent month for which data are available, and a projection of the level of over recovery or under recovery in the accounts at December 31, 2011.

Cc: Thomas Ahern,  
Administrator, Division of Public Utilities and Carriers

Service List