

# 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: 12/13/2011 

Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges, RIPUC  
Docket 4298

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On November 4, <sup>2011</sup>~~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 2011. A revised filing was submitted on December 2, 2011. The revisions were made to update the filing with actual expenses through October and actual revenue through November.

The current overall rate of \$0.10486 per kWh is comprised of the standard offer, transition, and transmission rates, and was originally approved by the Commission in docket 4211 in December 2010. The rates were designed to recover forecast 2011 purchased power expenses and to refund to customers the forecast net over recovery as of December 31, 2010 of \$357,986, less \$200,000, as explained below. 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 report filed on December 2, 2011 indicates that, with actual revenue through November and actual expense through October and the remaining months of 2011 estimated, the forecast over recovery of purchased power expense at November 30, 2011 was \$437,735. Pascoag anticipates an over recovery of about \$389,766 at December 31, 2011.

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, 2011 are: Standard Offer: over recovery of \$234,791, Transition: over recovery of \$19,992, and Transmission: over recovery of \$134,983.

The primary reasons for the over and under recoveries of the various accounts are addressed at pages 2 and 3 of the testimony of Company witness Judith R. Allaire.

In December 2010 Pascoag explained that it had joined a group of public power systems which was considering the possibility of purchasing the entire output of a plant in central Massachusetts. To help fund this endeavor, Pascoag requested, and the Commission granted, permission to retain \$200,000 of the anticipated 2010 over collection in order to help finance Pascoag's portion of participation in this Special Purpose Entity ("SPE"), a consortium of 15 participants. If the purchase did not occur, Pascoag was to refund the \$200,000, plus accrued interest, to customers. The total including interest at October 31, 2011 was \$202,095.89. The SPE

endeavor did not come to fruition. Pascoag's suggested method of flowing this \$202,096 back to customers is discussed below.

Pascoag intends to file a comprehensive cost of service study and rate design proposal in mid-2012. On page 5 of her prefiled testimony, Judith R. Allaire cites a few reasons for the need to file a rate case. Among these reasons is the fact that Pascoag has not approached the Commission for a rate increase since the 2003/2004 time period.

Another important consideration is the fact that Pascoag has been notified by the town of Burrillville and by Danielle Prosciutto Industries ("DPI") that DPI is begin to phase out its operations in Pascoag's service territory in 2013. DPI is currently Pascoag's largest customer, accounting for approximately twenty percent of Pascoag's annual energy sales. Such a loss of sales would adversely affect Pascoag's remaining customers.

Pascoag presents the following two options in the calculation of rates for 2012:

- Under option one, rates would be designed to refund the entire forecast over recovery amount available as of the end of 2011, currently projected to be approximately \$389,800, along with the \$202,096 SPE funding and interest discussed above. This would result in a decrease of \$8.51, or 11.4%, to the typical 500 kWh residential bill, reducing that bill from \$74.90 to \$66.39.
- Option two would allow Pascoag to retain the \$202,096 SPE amount to be used to establish a rate stabilization fund ("RSF") which would be used to offset the rate increase resulting from Pascoag's planned 2012 rate case. Any such increase would probably be effective as of the beginning of 2013. This option would also allow a current reduction in rates, albeit a smaller reduction than option one, as any remaining over recovery (currently forecast at \$389,766) would still be refunded to customers during 2012. 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, 2012. The proposed rates would allow Pascoag to retain \$200,000 plus interest in order to alleviate any increase in rates resulting from the Company's 2012 cost of service filing. The January 2012 reduction would ensure a greater level of rate stability than would option one, while affording customers some relief during these difficult economic times. The decrease in a typical 500 kWh residential bill will be \$6.59, or 8.8%. The bill will decrease from \$74.90 to \$68.31. The reduction in rates is illustrated in the table below.

	<u>Proposed</u>	<u>Current</u>	<u>Increase (Decrease)</u>
Transition:	\$0.01117	\$0.01132	(\$0.00015)
Transmission:	\$0.02393	\$0.02290	\$0.00103
Standard Offer:	\$0.05657	\$0.07064	(\$0.01407)
Total:	<u>\$0.09167</u>	<u>\$0.10486</u>	<u>(\$0.01319)</u>

- 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, 2012, 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, 2012.

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

Service List