

Section 6

Section 6

Bebyn Testimony

**Prefiled Direct Testimony
of
David G. Bebyn, CPA**

**Pascoag Utility District
Docket _____**

June 2012

INTRODUCTION

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Q. Please state your name and business address for the record.

A. My name is David G. Bebyn CPA and my business address is 21 Dryden Lane, Providence, Rhode Island 02904.

Q. By whom are you employed and in what capacity?

A. I am the Vice President of B&E Consulting LLC. (B&E). B&E is a CPA firm that specializes in utility regulation, expert rate and accounting testimony, school budget reviews and accounting services.

Q. Mr. Bebyn, have you testified as an expert accounting witness prior to this docket?

A. Yes. I have provided testimony on rate related matters before utility commissions in Rhode Island and Connecticut. Regarding the Rhode Island Public Utilities Commission, I have prepared testimony and testified in the Woonsocket Water Division (WWD) last rate filing Dockets #3800 in support for the adjusted test year and rate design. I also prepared testimony and calculated the Fire Protection Service Charge in Docket #4309. I prepared testimony and testified in the Pawtucket Water Supply Board's (PWSB) last four rate filings, Dockets #3378, #3497, #3674 & #3945, and the Providence Water Supply Board's rate filing Docket #3832 in support of the adjusted test year. In addition to adjusted test year testimony, I prepared testimony and testified on behalf of the Block Island Power Company in Docket #3900 in support of the working capital allowance.

Q. What is your educational background?

A. I received my Bachelors of Science Degree in Accounting (BSA) from Rhode Island College. I became a Certified Public Accountant in 2000 after successfully passing the CPA exam.

Q. What is the purpose of your testimony?

A. B&E was engaged by Pascoag Utility District (PUD) to provide testimony in support of its rate request. My testimony includes a presentation of the Rate Year Cost of Service,

1 rate design, and revenue check and ratepayer impact associated with this rate request. The
2 test year (FYE December 31, 2011) testimony and schedules will be completed by Ms.
3 Judith R. Allaire, Assistant General Manager of Pascoag Utility District.

4

5 **Q. What are the major reasons for requesting rate relief at this time?**

6 A. PUD last filed for rate relief in August of 2003 and the rate year was the FYE
7 December 31, 2004 (Docket 3546). PUD also files yearly an adjustment to the Standard
8 Offer Rate, Transition Charge and Transmission Charge. This yearly filing however only
9 covers the cost of purchasing Power. After eight years of almost level revenue and normal
10 expense increases, PUD finds itself unable to achieve the earnings while adequately
11 funding their Restricted Fund for Capital Improvements.

12

13 During the yearly filing for 2011, Pascoag found itself in the difficult position of providing
14 for adequate coverage to fund the Restricted Fund for Capital Improvement and Debt
15 Service. Pascoag requested and received a reduction of the \$376,000 annual requirement
16 established in Docket 3546 to the lower level of \$185,000 for 2011 and \$62,500 for 2012.
17 PUD will seek to re-establish a higher funding level which is cover in Mr. Kirkwood's
18 testimony.

19

20 Another reason for this rate request is lost revenues which will occur due to the result of a
21 major industrial customer leaving PUD's service area. At this time it appears that Danielle
22 Prosciutto will be leaving the District's service area in 2013. Mr. Kirkwood's testimony
23 details what has occurred with regards to this process and the PUD's attempts to retain this
24 major customer. Initially, PUD believed that they might provide at least distribution
25 services to the new Danielle facility located on Route 102 in Burrillville, but at this time,
26 there are no commitments and none appear likely.

27

28 **Q. What increase is PUD requesting in this filing?**

29 A. Pascoag is requesting an increase in revenue requirement of \$581,145 which is a
30 7.53% increase over the test year revenue. This increase represents a 28.97% increase

1 over the adjusted rate year revenue (excluding Pass Through revenue) at current rates. The
2 28.97% increase equates to about a 4% increase per year since the last base rate increase.

3 **Q. Will all rates increase by this 28.97 %?**

4 A. No. First of all not all revenue is from tariff rates which is why the increase over test
5 year is only 7.53%. Second, I have taken the Rate Year revenue requirement and using a
6 functional cost allocation model I have calculated new rates for all customer classes. (See
7 Schedule DGB-17 for the ratepayer impacts)

8

9 **Q. Does that conclude your introduction?**

10 A. Yes.

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12 **Q. What would you like to discuss next?**

13 A. I would like to review my rate year adjustments and the rate year revenue requirement.

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REVENUE REQUIREMENT

Rate Year - (January 1, 2013 – December 31, 2012)

Q. Mr. Bebyn, in what order would you like to review your rate year adjustments for revenue requirement?

A. I prefer to start with the revenue accounts (see Schedule DGB-2). After reviewing revenues and making the appropriate adjustments, I will review the expense accounts and explain any rate year adjustments that are needed (see Schedule DGB-3).

Revenues:

Q. Please explain how you calculated your rate year revenue levels.

A. PUD received revenue in the test year from sixteen sources (including three pass thru revenue accounts). For this presentation here in my testimony I have combined these revenue accounts into five related classifications.

Pass Thru Revenues	\$5,606,642	72.31%
Demand/Distribution charges	1,648,274	21.26%
Customer charges	309,597	3.99 %
Other revenue	78,744	1.02 %
Miscellaneous revenue	110,839	1.43 %
	<hr/>	
TOTAL TEST YEAR REVENUE	\$7,754,096	100.0 %

The largest revenue classification is Pass Thru revenue (72.31% of total revenue) which for this rate filing has, along with the related pass thru (purchase power) expense, been eliminated from the rate year revenue requirement. See the section on pass thru revenue later in this testimony.

The second largest revenue source is the service charges for both demand and distribution of electricity that represents 21.26% of the total revenue in the test year. The other three sources of revenue account for less than 7% of the total adjusted test year revenue.

1 **Q. Mr. Bebyn, Pass Thru revenue is PUD's largest revenue source. Would you**
2 **please explain how you analyzed Standard Offer, Transmission and Transition**
3 **revenue?**

4 A. Certainly. I eliminated this pass through revenue from the rate year revenue
5 requirement. The rates for these revenue sources are set separately from the other tariff
6 rates as part of a year-end filing before the PUC. Purchased Power and related costs are
7 treated as a pass through charge to the ratepayers. To recover these costs, the upcoming
8 period's costs are estimated. This estimate is adjusted by a true-up of the prior periods
9 when actual sales are compared to actual purchase costs.

10

11 Pascoag has prior to this filing, filed their yearend report (Docket 4298) in November to set
12 the rates for the Standard Offer, Transmission and Transition revenues. Therefore, since
13 these rates for 2013 will be set by the filing for docket 4298, I simply eliminated both pass
14 through revenues and pass through costs from consideration of PUD's base rate
15 calculation.

16

17 I have eliminated the test year pass through revenue (\$5,606,642) and I will also eliminate
18 Purchase power related expenses (cost) when I review the rate year expenses.

19

20 **Q. Would you please explain how you projected the rate year revenue level for**
21 **demand/distribution charges?**

22 A. Yes. Distribution charge revenue includes Kwh usage charges for residential and
23 commercial customers while demand charge revenue includes Kw demand for industrial
24 customers. Rates have been the same for the past eight years. This revenue source over
25 the past four years has only varied about \$70,000 which is 4% of this revenue source.

FY 2008	\$1,578,669
FY 2009	1,590,703
FY 2010	1,624,649
FY 2011	1,648,274

26

27 To project the demand/distribution revenue level for FYE 2013, I first utilized the test year
28 level which was also the peak year for the four year analysis mentioned above. This setting
29 of the Test Year for the Rate Year was also consistent with what Pascoag had filed for in

1 the most recent year end pass through filing. However, I did have to adjust this revenue
2 for the loss of revenue as the result of Danielle Prosciutto (DPI) leaving PUD service area.
3 In order to determine this adjustment I had prepared Schedule DGB-2a to segregate the
4 revenues of DPI from the test year Industrial sales. The rate year presented at the top of
5 the page eliminates all revenues billed to DPI. This adjustment resulted in a reduction of
6 \$127,137 in demand/distribution revenue for the rate year.

7

8 **Q. The third most important revenue classification is customer charges. Would you**
9 **please explain your calculation of rate year levels for the customer charges?**

10 A. Customer charge revenues have increased by a sizable amount since the last docket.
11 The level allowed in Docket #3546 was \$254,540. The actual rate year customer charge
12 revenue for the FYE December 31, 2011 was \$309,597. However much of that increase
13 was due to housing increases of the mid 2000's which peaked in 2008. The average for FY
14 2008 through 2011 was only \$309,407.

15

16 Since the four year average was close to the test year level I started with the test year figure
17 and adjusted it only for the loss of revenue as the result of DPI's departure mentioned
18 above. This adjustment resulted in a reduction of \$2,700 in customer service revenue for
19 the rate year.

20

21 **Q. The next largest classification of revenue is other revenues. How have you**
22 **projected these revenues?**

23 A. This classification includes Public street lighting, private street lighting and power
24 floor. These revenues were once again left at test year with only an adjustment to remove
25 any DPI source revenue (see Schedule DGB-2a). There was no adjustment for either
26 public or private street lighting. There was an adjustment resulted to Power Factor
27 surcharge of a reduction of \$2,449 for the rate year.

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1 **Q. What is your projected Rate Year Revenue at current rates?**

2 A. I have projected \$2,016,169 as shown on Schedule DGB-2. Revenue from the pass
3 through sources has been eliminated from this base rate calculation but there will be pass
4 through revenue in the rate year that will be off-set by pass through related expenses.

5

6 **Q. Does that include your revenue analysis?**

7 A. Yes, it does. Next, I would like to discuss my expense adjustments (Schedule DGB-
8 3).

9

10

11 **Expenses:**

12

13 **Q. Mr. Bebyn, would you please explain how you calculate expense balances?**

14 A. Yes. First, I eliminated the purchase power (pass through) related expense accounts
15 as follows:

16

<u>ACCOUNT #</u>	<u>ACCOUNT</u>	<u>TY BALANCE</u>
<u>Pass Through Related:</u>		
501-5550	Purchase Power	\$4,188,510
501-5570	Power Supply Expense	464
501-5650	Transmission	1,174,104
	Total	<u>\$ 5,363,078</u>

17

18 Purchase Power, Power Supply and Transmission expenses are all pass through related
19 expenses. As I did with the pass through revenue, I have eliminated the purchase power
20 related expenses. The minor difference in the amount of pass through revenue compared
21 to pass through related expense is due to estimating differences and as described in the
22 section on revenues are used in the year end filing to determine the subsequent years
23 Standard Offer, Transmission and Transition pass through rates.

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Payroll Expense

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Q. What expense accounts did you review next?

A. The next area that I looked at was payroll. Payroll costs are allocated to various expense accounts based upon where the employees worked during the day. Administration and customer service employees mainly stay with the customer record/collection account and administrative general salaries account. The operations employees are spread over the various operations and maintenance accounts. These employees are allocated to the various accounts based upon timesheet/work order system.

This work order system also tracks transportation charges and material. These additional charges are also included in the various operations and maintenance accounts. A reconciliation breaking down payroll compensation, transportation charges and material expenses is provided with Schedule DGB-4 so the increase/ decrease in these amounts could be easily determined.

This analysis summarizes the payroll amount from the test year as shown on my Schedule DGB-4 and reconciled it to the actual payroll paid to PUD's employees per Schedule DGB-4a.

Q. How did you calculate the rate year level for the payroll accounts?

A. Using the test year information per employee as a base (see Schedule DGB-4a), I prepared a list of employees which ties in to the W-2. I further reviewed the list of employees to determine the amount of overtime and standby charges to be separated to adequately reflect the employees and their annual salaries. I then increased all of the salaries for the full year impact of the known and measurable 3% to 5% salary increases given to the employees in FYE 2012 (the interim year). Next, I increased the interim year salary levels by 3% to 4% for the anticipated rate year salary levels.

The Linemen however appear at first to be increasing by a larger percentage increase, but the reason for this is that the various linemen have been increasing in experience and have

1 been advancing to the higher lineman position. The actual increase in a given step (for
2 example Linemen 1st Class) from year to year was only 3% to 5% like the remaining
3 employees.

4

5 In addition, two positions for one lineman 1st class and one lineman 2nd class were
6 eliminated and were covered by advancing employees. The rate year listing of employee
7 and count is sufficient to cover PUD's operations.

8

9 The total salary level for the rate year for all employees is shown on Schedule DGB-4a.
10 The total salaries were then applied to the summary payroll compensation amount on
11 Schedule DGB-4. This was then added to the rate year level for transportation and
12 materials and allocated to the various expense accounts listed on Schedule DGB-4. Lastly,
13 the resulting rate year levels were posted to the summary expense Schedule DGB-3. The
14 adjustment from test year to rate year uses the symbol "B" on schedule DGB-3.

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Items Averaged over Five Year

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18 **Q. What types of accounts have you addressed as a group?**

19 A. Many of these accounts have no specific trend in increases or decreases. Furthermore,
20 these accounts vary greatly from year to year. The sum of the adjustments for these various
21 accounts was a reduction \$8,510 in expenses. These accounts are shown on my Schedule
22 DGB-3 with an adjustment symbol "C".

23

24

Items Left at Test Year Levels

25

26 **Q. Are there any other accounts that you addressed as a group?**

27 A. Yes. I felt that it was reasonable to save rate case time and money to leave many of
28 the smaller accounts at the test year levels. These accounts are shown on my Schedule
29 DGB-3 as accounts that have no adjustment (in the adjustment column) from the adjusted
30 test year level to the rate year level.

31

1

2 **Q. In what order would you like to analyze the remaining accounts?**

3 A. It is easier for me to go in the same order as the trial balance so that I don't miss any
4 accounts.

5

6 **Office Supplies and Expense (Account 506-9210)**

7

8 **Q. Would you please continue?**

9 A. Certainly. Reviewing this account over a five year period will demonstrate that it
10 would be inappropriate to simply take an average for this account. In 2007, 2008 and part
11 of 2009, a portion of the Billing Expense (Account 506-9307) was covered in this account.
12 In order to determine a more reasonable expense, I first backed out \$2,275 worth of one-
13 time expenses from FY 2011. I then used an average of the FY 2010 and the adjusted FY
14 2011 to calculate the rate year balance of \$70,520.

15

16 **Custodial Expense (Account 506-9212)**

17

18 **Q. What account would you like to discuss next?**

19 A. This account went from a part time employee to an outside provider. The rate year is
20 calculated based on the most recent contract dated August 2011. This contract was
21 increased 3% for the interim year and 3% for the rate year. This expense includes the
22 monthly fee and a twice yearly carpet cleaning.

23

24 **Administrative Expense Transfer (Account 506-9220)**

25

26 **Q. What would you like to discuss next?**

27 A. Administrative Expense Transfer. PUD provides both electric and water utilities.
28 These two services are segregated by two independent divisions. The electric division is
29 regulated by the RIPUC while the water division is not. To avoid running two separate
30 payrolls for the various administrative and customer service employees, all employees who
31 work for both divisions are paid thru the Electric Division.

1 Instead of netting the reductions for portions allotted to the water division to the various
2 payroll related and benefits account, this account was establish to provide an expenditure
3 offset. The allocation of these expenses to the water division is detailed on my Schedule
4 DGB-7. The allocation includes salary, benefits and pension contributions. Each position
5 is allocated separately from each other based upon work performed. Based upon Schedule
6 DGB-7 the proper balance for the Administrative Transfer Expense for the rate year is
7 \$(113,392).

8

9 **Q. I believe that you have completed your review of the administrative transfer**
10 **expense. What would you like to discuss next?**

11 A. Outside Services – Legal. Due to the transition of General Managers there were a few
12 issues undertaken during the test year. However, Pascoag does not anticipate the higher
13 2007 thru 2010 levels, thus it was inappropriate to merely use a five year average to project
14 the rate year. The rate year increased to \$19,500 of which none of this expense includes any
15 amount to cover this rate filing. That will be addressed in the Rate Case expense.

16

17 **Q. What did you use to base the rate year amount for the Outside services-auditing?**

18 A. The rate year amount reflects the costs from a new three year contract for auditing
19 services. The rate year expense for audit services will be \$20,700.

20

21 **Q. How did you calculate the rate year amount for the Rate Case?**

22 A. I prepared Schedule DGB-10 which shows the rate year calculations for rate case.
23 Since the prior docket was filed over eight years ago, there was no amortized rate case
24 expense for the test year. The estimated total for the rate filing was divided by three so that
25 the rate case expense will be recovered over three years. These calculations result in an
26 adjustment of \$22,508 for the rate year.

27

28 **Q. Has PUD deferred the cost of other regulatory filings at the DPUC or PUC into**
29 **the rate case expense account?**

30 A. No, although PUD has incurred regulatory expense since the last full filing docket
31 relating to the year-end status filings, demand side management program and other

1 miscellaneous DPUC and PUC dockets; all of these regulatory costs were charged to
2 current operations as incurred and not deferred. Furthermore, these filings were handled
3 internally with PUD staff.

4

5 **Q. What is the next account that you would like to review?**

6 A. The Good Neighbor Energy Fund have been evaluated and projected for the rate year
7 at a lower estimate of \$1,500.

8

9 **Q. How have you calculated Property Insurance expense?**

10 A. I prepared Schedule DGB-8 which shows the interim year and rate year calculations
11 for the various insurances listed under property insurance. This schedule also presents the
12 various line items for the test year as well. The interim year rates shown reflect the
13 amounts from actual invoices for all line items except "License & Permitting" which was
14 left at the test year level. The rate year was calculated by increasing the interim year by
15 5%. This was the same percentage increase from the test year to the interim year.

16

17 Pascoag only receives one bill and rate for the entire company. As a result, this account
18 must be allocated between water and electrical. Pascoag uses an allocation factor of 70%
19 electric and 30% water. These calculations result in rate year expense of \$45,049.

20

21 **Q. The next three accounts cover employee benefits. How did you project these
22 accounts for the rate year?**

23 A. The first of these accounts entitled "Benefits/injuries and damages" covers the
24 premium for Workers Compensation. The rate year balance maintained the invoice amount
25 for the interim year. This resulted in an adjustment of \$5,366 for the rate year.

26

27 The Benefits flex expenditure for the past two year has been generating a credit which is
28 not expected to reoccur in the rate year. This resulted in an adjustment of \$2,433 for the
29 rate year.

30 The last of the benefit account covers health, dental, long term health & disability, vision
31 and life insurance. I prepared Schedule DGB-5 which shows the rate year calculations for

1 the various insurances listed under property insurance. The schedule presents the monthly
2 rates for each of the various insurances. The schedule also presents the costs by employee.

3

4 The rates used on this schedule are based on the 2012 rates. The 2012 rates have been
5 increased for health and dental by 10%. This percentage increase was recommended after a
6 conversation with Pascoag's Health Insurance provider. The long term health & disability,
7 vision and life insurance rates, however, were only increased by 3%. These calculations
8 result in rate year expense of \$229,648.

9

10 **Q. Mr. Bebyn, Do the employees pay any contribution towards these employee**
11 **benefits?**

12 A. Yes. Employees contribute 20% of the cost towards Health and Dental insurance as
13 well as 20% for vision insurance. The monthly premiums listed on schedule DGB-5 have
14 already been adjusted to reflect these employee contributions.

15

16 **Q. It appears that the next account is Schools and Seminars. How did you calculate**
17 **the rate year level for this account?**

18 A. I prepared Schedule DGB-9 which shows the rate year calculations for the various
19 expenditures for Schooling and Seminars. This major line item for this account had been
20 the Operation line item. This line item is used to allocate a portion of the linemen payroll
21 to cover the hours spent attending lineman training courses. The payroll allocation also is
22 reflected on Schedule DGB-4. This training is also the reason for the linemen advancing in
23 classes on Schedule DGB-4a.

24

25 The remaining line items cover seminars and employee continuing education. Many of
26 these items had to be reduced in the interim year due to financial concerns but were able to
27 return to normal levels from savings from employee completion of degrees and training.
28 This resulted in an adjustment of \$(19,043) for the rate year.

29

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31

1 **Q. It appears that the next account that must be reviewed is Health Care Other**
2 **expense. How did you calculate the rate year level for this account?**

3 A. This account covers the health and dental care insurance for the PUD board and legal
4 counsel. First, the PUD Board was decreased from 7 members to the current count of 5
5 members. Next, the number of members receiving this benefit was reduced to reflect the
6 current participation. Only three members and legal counsel receive health insurance and
7 only four members and legal receive dental insurance. This participation was continued for
8 the rate year.

9

10 This expense does take into consideration the 20% contribution for participants and the
11 total allocated between electric and water using the same 70% electric 30% water split.
12 Taking all of these factors into consideration, these calculations result in rate year expense
13 of \$40,705.

14

15 **Q. The next account worthy of detail review is the Defined Benefit Plan (DBP)**
16 **Contribution. Would you please explain how you estimated the DBP contribution in**
17 **the rate year?**

18 A. Certainly. PUD contributes towards an employee's DBP based upon 10% of their
19 base salary. In order to calculate the rate year amount, I used the rate year payroll and
20 salary figures from Schedule DGB-4a to which I applied the 10% contribution rate. I
21 prepared Schedule DGB-6 which shows the rate year calculations for the DBP
22 contribution. These calculations result in rate year expense of \$112,413.

23

24 **Q. Would you explain your adjustments to the rate year future capital improvement**
25 **accounts?**

26 A. Yes. First, as I indicated in my introduction above, during the yearly filing for 2011,
27 Pascoag requested and received a reduction of the \$376,000 annual requirement established
28 in Docket 3546 to the lower level of \$185,000 for 2011 and \$62,500 for 2012. PUD will
29 seek to re-establish an amount closer to the prior funding level. Mr. Kirkwood's
30 testimony elaborates on the capital needs of the PUD over the next five years. Mr.

1 Kirkwood also calculated the rate year capital improvement of \$306,200, which is a five
2 year average for funding this program over five years.

3

4 **Q. It appears there is a new account for Storm Contingency. How was that**
5 **adjustment calculated?**

6 A. This item is another line item which is explained in greater detail in Mr. Kirkwood's
7 testimony. Essentially, the PUD is seeking to establish a \$150,000 storm reserve to help
8 cover repairs from major storms like Tropical Storm Irene. The reserve will be funded
9 over a five year period thus the rate year expense would only be \$30,000 for the rate year.

10

11 **Q. It appears that the next account that must be reviewed is maintenance of plant.**
12 **How did you calculate the rate year level for this account?**

13 A. This account mainly covers utility expenses such as electrical and heating for the PUD
14 main facility. Since fuel oil costs have risen over the five year period it would not been
15 appropriate to use a five year average for this account. Also, since some energy costs have
16 dropped subsequent to the test year it would not have been appropriate to leave this account
17 at test year level either. As a result, this account was estimated at about 93% of the test year
18 level and rounded to \$39,000 for the rate year expense.

19

20 **Q. Mr. Bebyn the Property tax has decreased significantly from FY 2007 and FY**
21 **2008. Why is the rate year projected to be only \$800?**

22 A. Prior to the test year, PUD had entered into PILOT negotiations with the Town. The
23 Town no longer charges taxes on the PUD facilities or operations vehicles. The Town is
24 however charging property tax on only one vehicle. This vehicle is used for administrative
25 and customer service. The rate year expense of \$800 is the same amount of the amount
26 billed in the interim year.

27

28 **Q. How did you calculate the payroll tax and unemployment security for the rate**
29 **year?**

30 A. I prepared Schedule DGB-4b which shows the rate year calculations for the social
31 security and medicare payroll taxes. This schedule uses the rate year payroll and salary

1 figures from schedule DGB-4a and lists the amounts by employee. The General Manager's
2 FICA tax was capped to the maximum earnings of \$106,800 which is the projected FICA
3 cap for 2013. These calculations result in rate year expense of \$89,663.

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5 **Q. Does that conclude your revenue and expense (revenue requirement) testimony?**

6 A. Yes.

7 **Q. What would you like to discuss next?**

8 A. I would like to review my schedules for Rate Design.

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Rate Design

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Q. Mr. Bebyn are you proposing a change in rate design for this case?

A. Yes. I believe it is not prudent to implement an across the board increase. One reason for a change in rate design is that one of PUD's largest industrial customer is leaving Pascoag's service. This will cause a major shift in allocations between customer classes. Another reason, as indicated in Pascoag's last full filing, is that the Division's witness indicated that rate allocations between classes were moving toward where these rates need to be but were not there yet. It appears that the rates were being phased closer to the recommended rates.

Q. Please describe your Rate Design schedules.

A. There are four main schedules. These schedules are:

- **Schedule DGB-11** This schedule presents the allocation of the rate year to the various cost functions.
- **Schedule DGB-12** This schedule presents the derivation of various allocation symbols or allocators that were used in the prior schedule.
- **Schedule DGB-13** This schedule presents the development and calculation of the Demand/Distribution rates along with the Customer Service rates.
- **Schedule DGB-14** This schedule presents the development and calculation of the Street Lighting Service rates.

Q. Please describe what steps you took in calculating rates?

A. My first step was to functionalize the utility revenue requirement according to cost type. The results of this step are presented on Schedules DGB-11 and DGB-12. Usually another set of allocation schedules are prepared to allocate among customer classes. I however combined the allocation between customer classes and calculation of rates by class by function. My reason for choosing to presenting the schedules this way is that a major portion of the rate calculation for kWh rates are not required because of the year-end filing.

1 The combined the allocation between customer classes and calculation of rates by class by
2 function are presented on both Schedules DGB-13 and DGB-14.

3

4 **Q. Mr. Bebyn can you describe the purpose for the "SL-P" allocator for Street
5 Lighting Power consumption?**

6 A: Yes. This allocator attempts to properly recover the cost of power used for street
7 lighting by the street lighting rates. The issue at hand is that the street lighting rate is a flat
8 rate based upon the wattage and type of bulb and not one based on kWh. Furthermore, the
9 power purchase costs are set not as part of this filing but as the year-end pass through filing
10 for the Standard-offer, Transition and Transmission rates. As a result, the only other
11 avenue to offset the costs from the street lighting power costs was to apply it to the
12 demand/distribution rate. I have calculated the cost of power for street lighting on
13 Schedule DGB-14. This cost was transferred to Schedule DGB-11 as an offset to the
14 demand/distribution rate and a cost the street lighting rate.

15

16 **Q. What rates did you use to calculate the cost of power for street lighting?**

17 A. I used the total of Standard-offer, Transition and Transmission rates approved in
18 Docket 4298 which was Pascoag's most recent year-end filing. A summary of these rates
19 are presented on Schedule DGB-15.

20

21 **Q. Mr. Bebyn, can you describe how the "G" allocator for General items was
22 calculated?**

23 A. Yes. To calculate this allocator is was necessary to allocate all other account which
24 could be allocated first. Included in this allocation was the cost of purchase power, which
25 was allocated to demand/distribution since this was a power related cost. To leave out the
26 power costs would have placed too high of an allocation to customer services. Lastly, the
27 given total for each cost component was divided by total of non-general costs.

28

29 **Q. Regarding the Demand/Distribution rate, how was the cost allocated between
30 customer classes?**

1 A. The cost was allocated using the peak month kWh sales, September 2011, from the test
2 year. This peak month, just like the rate year consumption was adjusted to remove the
3 consumption from DPI. Also excluded from this kWh total was the kWh used from Street
4 lighting.

5

6 **Q. Please describe how the customer service charges were calculated by customer**
7 **class?**

8 A. Customer service cost will vary with the number of customer or meters. Typically
9 some types of customers require more customer service attention or may have higher
10 metering costs. For these and other reasons it is customary to apply weighting factors to the
11 base number of meters in each customer class. Based upon the numbers of meters in each
12 customer class and the approved rate from Docket 3546, I was able to calculate that the
13 residential rate used a factor of 1 and commercial used 2.5 while industrial used an 18.75
14 factor. I utilized these same factors when calculating the proposed rate.

15

16 **Q. Have you prepared any other schedules?**

17 A. I have prepared a schedule summarizing current rate and proposed rates (See DGB-
18 15). I have also included a revenue check schedule incorporating overall increase of 7.53%
19 (See DGB-16) and a schedule calculating the impact on each ratepayer class (See DGB-
20 17).

21

22 **Q. What is the overall impact of the proposed rates on a typical residential**
23 **customer?**

24 A. Schedule DGB-12 presents the impacts on various customers and types of services. A
25 typical residential customer who uses 500 kWh per month will see their electrical bill
26 increase by 7.54% from \$67 to \$72 per year. This would represent only a \$5 increase per
27 month. The smaller customer's increase was slightly higher than the overall increase due to
28 the proposed increase in the service charge which is a larger portion of their total bill.

29

30 **Q. Does that conclude your testimony?**

31 A. Yes.

**COST OF SERVICE SUMMARY
PASCOAG UTILITY DISTRICT**

Schedule DGB-1

	TEST YEAR	ADJUSTMENTS	CURRENT RATES RATE YEAR	REVENUE REQUIREMENT	NEW RATES RATE YEAR
TOTAL REVENUE – DGB-2	\$ 7,754,096	\$ (5,737,927)	\$ 2,016,169	\$ 584,145	2,600,314
TOTAL EXPENSES – DGB-3	7,660,867	(5,098,982)	2,561,886	0	2,561,886
NET OPERATING INCOME	\$ 93,229	\$ (638,946)	\$ (545,717)	\$ 584,145	\$ 38,428 <i>er</i>

Percentage increase over TY Revenue (Including Fuel Revenue) \$ 584,145 / \$ 7,754,096 7.53%

Percentage increase over RY Revenue at Current Rates 584,145 / 2,016,169 28.97%

er 1.5% of Expenses

**COMPARATIVE REVENUES ANALYSIS
PASCOAG UTILITYDISTRICT**

Schedule DGB-2

ACCT. #	BUDGET ACCOUNT DESCRIPTION	FY 2009 ACTUAL	FY 2010 ACTUAL	FY 2011 ACTUAL	INTERIM YEAR	RATE YEAR
REVENUE						
<i>Operating Revenue--Electricity Charges by Customer Class</i>						
401-4401	Residential sales	\$ 4,349,623	\$ 4,451,559			
401-4421	Commercial sales	582,129	564,008			
401-4420	Industrial sales	2,537,245	2,578,463			
401-4440	Public street lights	34,779	35,146			
401-4441	Private street lights	40,172	40,597			
<i>Total Operating Revenue--Electricity Charges by Customer Class</i>		7,543,947	7,669,773	0	0	0
<i>Operating Revenue--Pass Through</i>						
	Transmission	-	-	1,211,118	1,211,118	-
	Transition	-	-	604,898	604,898	-
	Standard Offer	-	-	3,790,626	3,790,626	-
<i>Total Operating Revenue--Pass Through</i>		0	0	5,606,642	5,606,642	0
<i>Operating Revenue--Electricity Charge by Rate Class</i>						
	Demand/Distribution	-	-	1,648,274	1,648,274	1,521,138
	Customer Chg	-	-	309,597	309,597	306,897
	Public street lights	-	-	33,950	33,950	33,950
	Private street lights	-	-	40,804	40,804	40,804
	Power Factor Adjustment	-	-	3,990	3,990	1,541
<i>Total Operating Revenue--Electricity Charge by Rate Class</i>		0	0	2,036,615	2,036,615	1,904,330
<i>Other Revenue</i>						
405-4190	Interest income	15,485	6,739	20,613	1,897	2,897
405-4220	Penalty interest	30,232	31,187	29,505	29,505	29,505
405-4210	Non-operating income	3,020	1,058	30,850	30,850	30,850
408-4510	Misc service revenue	41,369	5,968	11,410	11,410	11,410
408-4550	Other revenue/rent	53,605	59,268	31,932	31,932	31,932
408-4560	Other electric revenue	9,397	14,840	5,245	5,245	5,245
408-4570	Gain on sale of assets	-	-	-	-	-
	FEMA revenue (FS purposes)	-	-	53,400		
502-5975	Mutual Aid to W Boylston	-	-	-		
502-5976	Mutual Aid to Holden/Irene	(544)	-	9,530		
<i>Total Other Revenue</i>		152,564	119,059	192,485	110,839	111,839
TOTAL REVENUE		\$ 7,696,512	\$ 7,788,833	\$ 7,835,742	\$ 7,754,097	\$ 2,016,169

**COMPARATIVE REVENUES ANALYSIS
PASCOAG UTILITYDISTRICT**

Schedule DGB-2a

	Rate Year Residential Revenue	Rate Year Commercial Revenue	Rate Year Industrial Revenue	Rate Year Large Industrial Revenue	Rate Year Street Lighting Revenue	Rate Year Total Revenue
Kw	-	-	53,996.87		-	53,996.87
Kwhrs	29,983,772	3,227,223	12,720,677		589,300	46,520,972
Count	4,001.00	493.00	62.00		-	4,556.00
Transmission	\$ 677,851	\$ 76,409	\$ 286,830		\$ -	\$ 1,041,090
Transition	\$ 340,158	\$ 36,302	\$ 144,412		\$ -	\$ 520,873
Standard Offer	\$ 2,135,771	\$ 221,724	\$ 909,257		\$ -	\$ 3,266,753
Demand/Distribution	\$ 1,038,471	\$ 132,888	\$ 349,778		\$ -	\$ 1,521,138
Customer Chg	\$ 192,044	\$ 59,278	\$ 55,575		\$ -	\$ 306,897
Street Lighting power Flr	\$ -	\$ -	\$ (22)		\$ 74,754	\$ 74,732
	\$ -	\$ -	\$ 1,541		\$ -	\$ 1,541
Payables						
Conservation	\$ 59,958	\$ 6,454	\$ 25,171		\$ -	\$ 91,583
Renewables	\$ 8,994	\$ 968	\$ 3,816		\$ -	\$ 13,778
Sales Tax	\$ -	\$ 87,754	\$ -		\$ -	\$ 87,754
Other	\$ 2,427	\$ 500	\$ (4,792)		\$ -	\$ (1,865)
	<u>\$ 4,455,674</u>	<u>\$ 622,278</u>	<u>\$ 1,771,568</u>	<u>\$ -</u>	<u>\$ 74,754</u>	<u>\$ 6,924,273</u>

	FY 2011 Residential Revenue	FY 2011 Commercial Revenue	FY 2011 Industrial Revenue	FY 2011 Large Industrial Revenue	FY 2011 Street Lighting Revenue	FY 2011 Total Revenue
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Kw	-	-	53,996.87	19,469.60	-	73,466.47
Kwhrs	29,983,772	3,227,223	12,720,677	7,423,199	589,300	53,944,171
Count	4,001.00	493.00	60.00	3.00	-	4,557.00

Transmission	\$ 677,851	\$ 76,409	\$ 286,830	\$ 170,028	\$ -	\$ 1,211,118
Transition	\$ 340,158	\$ 36,302	\$ 144,412	\$ 84,025	\$ -	\$ 604,898
Standard Offer	\$ 2,135,771	\$ 221,724	\$ 909,257	\$ 523,874	\$ -	\$ 3,790,626
Demand/Distribution	\$ 1,038,471	\$ 132,888	\$ 349,778	\$ 127,137	\$ -	\$ 1,648,274
Customer Chg	\$ 192,044	\$ 59,278	\$ 55,575	\$ 2,700	\$ -	\$ 309,597
Street Lighting power Flr	\$ -	\$ -	\$ (22)	\$ 22	\$ 74,754	\$ 74,754
	\$ -	\$ -	\$ 1,541	\$ 2,449	\$ -	\$ 3,990
Payables						
Conservation	\$ 59,958	\$ 6,454	\$ 25,171	\$ 14,846	\$ -	\$ 106,430
Renewables	\$ 8,994	\$ 968	\$ 3,816	\$ 2,227	\$ -	\$ 16,005
Sales Tax	\$ -	\$ 87,754	\$ -	\$ -	\$ -	\$ 87,754
Other	\$ 2,427	\$ 500	\$ (4,792)	\$ 727	\$ -	\$ (1,137)
	<u>\$ 4,455,674</u>	<u>\$ 622,278</u>	<u>\$ 1,771,568</u>	<u>\$ 928,036</u>	<u>\$ 74,754</u>	<u>\$ 7,852,309</u>

	Total Industrial Revenue	DPI Industrial Revenue	Remaining Industrial Revenue
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Kw	73,466.47	19,469.60	53,996.87
Kwhrs	20,143,876.00	7,423,199.43	12,720,676.55
Count	63.00	3.00	60.00

Demand/Distribution	\$ 476,915	\$ 127,137	\$ 349,778
Transmission	\$ 456,858	\$ 170,028	\$ 286,830
Transition	\$ 228,438	\$ 84,025	\$ 144,412
Conservation	\$ 40,018	\$ 14,846	\$ 25,171
Renewables	\$ 6,043	\$ 2,227	\$ 3,816
Customer Chg	\$ 58,275	\$ 2,700	\$ 55,575
Standard Offer	\$ 1,433,131	\$ 523,874	\$ 909,257
Street Lighting power Flr	\$ -	\$ 22	\$ (22)
Sales Tax	\$ -	\$ -	\$ -
	\$ 3,990	\$ 2,449	\$ 1,541
Other	\$ (4,064)	\$ 727	\$ (4,792)
	<u>\$ 2,699,603</u>	<u>\$ 928,036</u>	<u>\$ 1,771,568</u>

EXPENSE ANALYSIS
PASCOAG UTILITY DISTRICT

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR	ADJUSTMENTS	ADJUSTED RATE YEAR
<i>EXPENSES</i>				
<i>Operating Expense--Power Production</i>				
501-5550	Purchased power	\$ 4,188,510	A (\$4,188,510)	\$ -
501-5570	Power supply expense	464	A (464)	0
501-5650	Transmission	1,174,104	A (1,174,104)	0
<i>Total Operating Expense--Power Production</i>		5,363,078	(5,363,078)	0
<i>Operating Expense--Distribution</i>				
502-5800	S/L Signal	27,995	B (1,995)	26,000
502-5801	Operation Supervisor	59,131	B 52,869	112,000
502-5820	Operation supply & expense	87,038	B 2,962	90,000
502-5860	O&M Meter expense	45,941	B 2,059	48,000
502-5880	Misc distribution expense	44	B (44)	0
<i>Total Operating Expense--Distribution</i>		220,149	55,851	276,000
<i>Operating Expense--Customer Service</i>				
503-6750	Misc general	0	B 0	0
503-9020	Customer meter reading	45,010	B 4,990	50,000
503-9030	Customer record/collection	237,628	B (2,535)	235,093
503-9040	Uncollectible accounts	28,696	C (3,609)	25,087
<i>Total Operating Expense--Customer Service</i>		311,334	(1,154)	310,180
<i>Operating Expense--Administrative</i>				
506-9201	Admin general salaries	351,015	B (12,872)	338,143
506-9210	Office supplies and expense	75,081	D (4,561)	70,520
506-9212	Custodial expense	7,430	E 630	8,060
506-9220	Admin expense transfer	(127,502)	F 14,110	(113,392)
506-9221	Dues and memberships	9,164	TY 0	9,164
506-9230	Outside Service-legal	16,493	G 3,007	19,500
506-9231	Outside Service-auditing	15,778	H 4,922	20,700
506-9233	Outside Service-pension	14,000	TY 0	14,000
506-9234	Outside Service-consulting	28,781	C 1,030	29,811
506-9235	Outside Service-computer/IT	60,555	C (15,293)	45,262
	Rate Case	0	I 22,508	22,508
506-9236	GNEF	3,276	J (1,776)	1,500
506-9240	Property insurance	43,275	K 1,774	45,049
506-9250	Benefits/injuries & damages	15,090	L 5,366	20,456
506-9259	Benefits/Flex	(2,433)	L 2,433	0
506-9261	Employee Benefits-health	204,048	L 25,600	229,648
506-9262	Schools & seminars	62,043	M (19,043)	43,000
506-9263	Health Care - Others	46,560	N (5,855)	40,705
506-9264	DBP contributions	96,340	O 16,073	112,413
506-9265	Employee benefits UHC-HRA	0	TY 0	0
506-9306	Transportation	5,003	C 7,206	12,209
999-9999	DB adjustment	0	TY 0	0
<i>Total Operating Expense--Administrative</i>		923,997	45,259	969,256

EXPENSE ANALYSIS
PASCOAG UTILITY DISTRICT

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR	ADJUSTMENTS	ADJUSTED RATE YEAR
<i>Maintenance Expense—Distribution System</i>				
502-5850	Maint of street lights	0	B 0	0
502-5840	Underground expense	0	B 0	0
502-5920	Maint of station expense	2,482	B (2,482)	0
502-5921	Maint of structures	23,999	B 1,001	25,000
502-5930	Overhead line expense	268,422	B 6,578	275,000
502-5931	Contracted OH expense	57,846	B 27,154	85,000
502-5970	Maint of meters	0	B 0	0
<i>Total Maintenance Expense—Distribution System</i>		352,749	32,251	385,000
<i>Maintenance Expense—General</i>				
506-9305	Hazardous waste	641	C (289)	352
	<i>Capitalized Labor</i>	32,250	B (32,250)	0
	Future capital	175,000	P 131,200	306,200
	Storm Contingency	0	Q 30,000	30,000
506-9321	Maint of plant	42,045	R (3,045)	39,000
<i>Maintenance Expense—General</i>		249,936	125,616	375,552
<i>Taxes</i>				
504-4080	Taxes - real estate	685	S 115	800
504-4081	Taxes - employer FICA	86,102	T 3,561	89,663
504-4082	Unemployment security	4,848	T 152	5,000
<i>Total Taxes</i>		91,635	3,828	95,463
<i>Depreciation</i>				
	Depreciation	(0)	TY 0	(0)
<i>Total Depreciation</i>				
<i>Other Deductions</i>				
504-4280	Amortization of debt acq	0	TY 0	0
505-4270	Interest on LTD	0	TY 0	0
505-4310	Other interest expense	7,525	TY 0	7,525
<i>Total Other Deductions</i>		7,525	0	7,525
<i>Misc. General</i>				
506-9301	General advertising	1,391	C (325)	1,066
506-9302	Safety expense	23,268	TY 0	23,268
506-9303	Misc. general expense	70,822	C 2,376	73,198
506-9304	Donations	867	C 394	1,261
506-9307	Billing expense	44,116	TY 0	44,116
	Transfers	0	TY 0	0
<i>Total Misc General</i>		140,464	2,445	142,909
TOTAL EXPENSES		7,660,867	(5,098,982)	2,561,886

TY = Item left at test year level for the rate year.

(A) = Fuel items eliminated DGB Testimony page 7.

**EXPENSE ANALYSIS
PASCOAG UTILITY DISTRICT**

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR	ADJUSTMENTS	ADJUSTED RATE YEAR
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- (B) = Payroll adjustment. (Schedule DGB-4).
- (C) = Five year average used for rate year.
- (D) = Office Supplies Expense adjusted DGB Testimony pages 10
- (E) = Custodial expenses set to new contract DGB Testimony pages 10
- (F) = Admin Transfer adjusted to rate year employee compensation. (Schedule DGB-7).
- (G) = Adjust Outside Services-legal expenses DGB Testimony pages 11
- (H) = Outside Services-auditing expenses set to new contract DGB Testimony pages 11
- (I) = Rate case expense DGB Testimony page 11. (Schedule DGB-10).
- (J) = Good Neighbor Energy Fund Adjustment DGB Testimony page 12
- (K) = Property Insurance adjustment. (Schedule DGB-8).
- (L) = Employee Benefits adjustment. (Schedule DGB-5).
- (M) = School and Seminar adjustment. (Schedule DGB-9).
- (N) = Adjust Health Benefit other for increase in healthcare rates and reflect current participation. DGB testimony pages 14
- (O) = Adjust DBP contribution for rate year employee compensation. (Schedule DGB-6)
- (P) = Capital Restricted Funding DGB Testimony pages 14
- (Q) = Storm Contingency Funding DGB Testimony pages 15
- (R) = Maintenance of Plant Adjustment. DGB Testimony pages 15
- (S) = Property tax adjusted to reflect current rate for PILOT applied only on Admin/Customer Service vehicle.
- (T) = Payroll tax adjustment. (Schedule DGB-4b).

**RATE YEAR COMPENSATION EXPENSES
PASCOAG UTILITY DISTRICT**

Schedule DGB-4

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR	ADJUSTMENTS	ADJUSTED RATE YEAR
<i>EXPENSES</i>				
<i>Operating Expense—Distribution</i>				
502-5800	S/L Signal	27,995	B (1,995)	\$ 26,000
502-5801	Operation Supervisor	59,131	B 52,869	112,000
502-5820	Operation supply & expense	87,038	B 2,962	90,000
502-5860	O&M Meter expense	45,941	B 2,059	48,000
502-5880	Misc distribution expense	44	B (44)	0
<i>Operating Expense—Customer Service</i>				
503-6750	Misc general	0		0
503-9020	Customer meter reading	45,010	B 4,990	50,000
503-9030	Customer record/collection	237,628	B (2,535)	235,093
<i>Operating Expense—Administrative</i>				
506-9201	Admin general salaries	351,015	B (12,872)	338,143
506-9262	Schools & seminars (LABOR ONLY)	25,056	(10,056)	15,000
<i>Maintenance Expense—Distribution System</i>				
502-5850	Maint of street lights	0	B 0	0
502-5840	Underground expense	0	B 0	0
502-5920	Maint of station expense	2,482	B (2,482)	0
502-5921	Maint of structures	23,999	B 1,001	25,000
502-5930	Overhead line expense	268,422	B 6,578	275,000
502-5931	Contracted OH expense	57,846	B 27,154	85,000
502-5970	Maint of meters	0	B 0	0
<i>Maintenance Expense—General</i>				
	<i>Capitalized Labor</i>	32,250	B (32,250)	0
		\$ 1,263,857	\$ - \$ 35,379	\$ 1,299,236

DGB-9

Compensation Schedule DGB RY-4a	\$ 1,150,105	\$ 1,188,432
Transportation (non labor)	57,530	48,804
Materials	56,222	62,000
	<u>\$ 1,263,857</u>	<u>\$ 1,299,236</u>

**RATE YEAR COMPENSATION
PASCOAG UTILITY DISTRICT**

Schedule DGB-4a

Employee Position	Test Year Compensation Overtime Included by employee	Test Year Compensation Overtime budgeted separately		Interim Year Compensation		Rate Year Compensation
<i>Administration and Customer Service</i>						
GM	\$ 120,000	\$ 120,000	3%	\$ 123,000	3%	\$ 126,990
AGM-Op	84,000	84,000	5%	88,065	3%	90,707
AGM-F/CS	84,000	84,000	5%	88,065	3%	90,707
HR	55,200	55,200	3%	56,856	3%	58,562
Exec Aide	45,200	45,200	3%	46,556	3%	47,953
CS-Super (a)	48,400	48,400	3%	49,852	3%	51,348
CSR#1	42,036	38,500	3%	39,655	3%	40,845
CSR#2	38,736	35,200	4%	36,565	3%	37,662
CSR#3	38,736	35,200	4%	36,565	3%	37,662
GM Retiring (a)	17,063	17,063				
<i>Operations</i>						
Foreman	80,157	72,500	3%	74,675	3%	77,000
System Tech	58,802	50,400	5%	52,912	4%	55,000
Arborist (b)	34,419	34,419	3%	44,283	4%	46,000
Assistant (c)	21,762	21,762	3%	34,278	4%	35,500
Lineman 1st (1,1,1)	79,455	68,850	3%	70,915	3%	73,100
Lineman 1st (2,1b,1)	61,531	55,850	5%	58,906	24%	73,100
Lineman B (3,2,1b)	57,195	50,940	11%	56,305	10%	62,000
Lineman B (3,2,1b)	59,150	50,940	11%	56,305	10%	62,000
Lineman 2 (UW,3,2)	44,942	39,468	21%	47,860	21%	57,995
Lineman 1st (retired in 2011) (d)	66,466	66,466		-		-
Lineman 2 (Left District) (e)	12,855	12,855		-		-
Overtime & Standby		62,892		64,300		64,300
<i>Total Compensation</i>	\$ 1,150,105	\$ 1,150,105		\$ 1,125,918		\$ 1,188,432

- (a) - This balance represents the payout of accumulated vacation and sick time from the retiring GM. The new GM filled the position for the entire test year.
- (b) - This position was vacant during the Test Year from January to April. The base salary for a full year was \$42,994
- (c) - This position was vacant during the Test Year from January to June. The base salary for a full year was \$33,280
- (d) - This Lineman 1st position was vacant by the end of the Year. The position was replaced by employees who were moving up the ranks due to education and training.
- (e) - This Lineman 2 position was vacant by the end of the Year. The position was not filled but replaced by employees who were moving up the ranks due to education and training.

The various lineman positions listed above presents the rate year position attained.
The bracket numbers show the rank for the test year, interim year and rate year.

- 1 = Lineman 1st
- 1B = Lineman B
- 2 = Lineman 2
- 3 = Lineman 3
- UW = Utility Worker

The base salary positions increased 3% to 5%. The higher percentage increases for linemen was due to step increase for the next rank.

**RATE YEAR PAYROLL TAX EXPENSE
PASCOAG UTILITY DISTRICT**

Schedule DGB-4b

Employee Position	RATE YEAR COMPENSATION	FICA TAX	MEDICARE	RATE YEAR PAYROLL TAX
<i>Administration and Customer Service</i>				
GM	\$ 126,990	\$ 6,622	\$ 1,841	\$ 8,463
AGM-Op	90,707	5,624	1,315	6,939
AGM-F/CS	90,707	5,624	1,315	6,939
HR	58,562	3,631	849	4,480
Exec Aide	47,953	2,973	695	3,668
CS-Super	51,348	3,184	745	3,928
CSR#1	40,845	2,532	592	3,125
CSR#2	37,662	2,335	546	2,881
CSR#3	37,662	2,335	546	2,881
GM Retiring				
<i>Operations</i>				
Foreman	77,000	4,774	1,117	5,891
System Tech	55,000	3,410	798	4,208
Arborist	46,000	2,852	667	3,519
Assistant	35,500	2,201	515	2,716
Lineman 1st (1,1,1)	73,100	4,532	1,060	5,592
Lineman 1st (2,1b,1)	73,100	4,532	1,060	5,592
Lineman B (3,2,1b)	62,000	3,844	899	4,743
Lineman B (3,2,1b)	62,000	3,844	899	4,743
Lineman 2 (UW,3,2)	57,995	3,596	841	4,437
Lineman 1st (retired in 2011)				
Lineman 2 (Left District)				
Overtime & Standby	64,300	3,987	932	4,919
	\$ 1,188,432	\$ 72,431	\$ 17,232	\$ 89,663

Test Year 504-4081 Taxes - employer FICA \$ 86,102

Rate Year 504-4081 Taxes - employer FICA 89,663

Rate Year Adjustment \$ 3,561

RATE YEAR EMPLOYEE BENEFIT EXPENSES
PASCOAG UTILITY DISTRICT

Schedule DGB-5

Administrative/Customer Accounts:

	Health	Dental	LTHC (2)	Life (2) LTD, Vision	Monthly Total	Annual Total
GM	\$ 1,325	\$ 102	\$ 41	\$ 124	\$ 1,592	\$19,106
AGM - Op	1,325	102	17	95	1,539	18,469
AGM-Fin	491	34	46	137	708	8,490
HR Admin	1,178	102	46	117	1,443	17,315
Exec Aide	1,178	102	11	68	1,359	16,305
CS - Supervisor	1,325	102	23	98	1,547	18,569
CSR #1	N/A	N/A	41	85	126	1,517
CSR #2	1,325	102	15	56	1,498	17,972
CSR #3	1,178	102	11	52	1,343	16,113
	<u>\$ 9,323</u>	<u>\$ 747</u>	<u>\$ 253</u>	<u>\$ 832</u>	<u>\$ 11,155</u>	<u>\$ 133,856</u>

Operations

	Health	Dental	LTHC (2)	Life (2) LTD, Vision	Monthly Total	Annual Total
Foreman	\$ 1,325	\$ 102	\$ 11	\$ 76	\$ 1,514	\$ 18,167
Lineman 1st	491	34	12	64	600	7,200
Lineman B	1,325	102	11	65	1,503	18,040
Lineman 2nd	1,325	102	11	78	1,516	18,187
Lineman 2nd	785	102	18	71	976	11,712
Lineman 3rd	N/A	N/A	32	73	105	1,259
System Tech	N/A	102	41	68	211	2,535
Arborist	1,325	102	13	69	1,509	18,104
Assistant	N/A	N/A	11	38	49	588
	<u>\$ 6,575</u>	<u>\$ 645</u>	<u>\$ 161</u>	<u>\$ 601</u>	<u>\$ 7,983</u>	<u>\$ 95,792</u>

Net Benefit Cost	\$ 15,898	\$ 1,393	\$ 414	\$ 1,433	\$ 19,137	\$ 229,648
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Test Year 506-9261 Employee Benefits-health \$ 204,048

Rate Year 506-9261 Employee Benefits-health 229,648

Rate Year Adjustment \$ 25,600

- (1) This is based on actual cost to District. On health and dental, the District pays 80%; the employee 20%
Health and dental are based on 2012 rates, plus 10% increase
For Life Ins, LTD, LTHC, the District pays 100%
For Vision, the District pays 90%; the employee 20%

- (2) Assume 3% increase

**RATE YEAR DBP EXPENSE
PASCOAG UTILITY DISTRICT**

Schedule DGB-6

Employee Position	Rate Year Compensation	DBP Rate	Rate Year DBP Contribution
<i>Administration and Customer Service</i>			
GM	\$ 126,990	10%	\$ 12,699
AGM-Op	90,707	10%	9,071
AGM-F/CS	90,707	10%	9,071
HR	58,562	10%	5,856
Exec Aide	47,953	10%	4,795
CS-Super	51,348	10%	5,135
CSR#1	40,845	10%	4,085
CSR#2	37,662	10%	3,766
CSR#3	37,662	10%	3,766
GM Retiring			-
<i>Operations</i>			
Foreman	77,000	10%	7,700
System Tech	55,000	10%	5,500
Arborist	46,000	10%	4,600
Assistant	35,500	10%	3,550
Lineman 1st (1,1,1)	73,100	10%	7,310
Lineman 1st (2,1b,1)	73,100	10%	7,310
Lineman B (3,2,1b)	62,000	10%	6,200
Lineman B (3,2,1b)	62,000	10%	6,200
Lineman 2 (UW,3,2)	57,995	10%	5,800
Lineman 1st (retired in 2011)	-		-
Lineman 2 (Left District)	-		-
Overtime & Standby (c)	64,300		-
	\$ 1,188,432		\$ 112,413

Test Year 506-9264 DBP Contribution \$ 96,340

Rate Year 506-9261 DBP Contribution 112,413

Rate Year Adjustment \$ 16,073

DBP is 10% of base salary. New employees are not eligible to participate in DBP for one year from hire

**RATE YEAR ADMIN TRANSFER
PASCOAG UTILITY DISTRICT**

Schedule DGB-7

	Title/Position	Salary (1)	Benefits (2) (see note)	Total Compensation	Split Time (3) Water/Electric %	Split Time Water/Electric \$'s	Salary/ Hourly
1	General Manager DBP (10% salary)	\$ 126,990	\$ 19,106 \$ 12,699 \$ 31,805	\$ 158,795	15% water 85% electric	\$ 23,819 \$ 134,976 \$ 158,795	S
2	AGM-Operations DBP (10% salary) <small>(in 2012, this was changed to 70% Admin/30% Op)</small>	\$ 90,707	\$ 18,469 \$ 9,071 \$ 27,540	\$ 118,247	20% water 80% electric	\$ 23,649 \$ 94,597 \$ 118,247	S
3	AGM-Finance DBP (10% salary)	\$ 90,707	\$ 8,490 \$ 9,071 \$ 17,561	\$ 108,268	10% water 90% electric	\$ 10,827 \$ 97,441 \$ 108,268	S
4	HR - Administrator DBP (10% salary)	\$ 58,562	\$ 17,315 \$ 5,856 \$ 23,171	\$ 81,733	15% water 85% electric	\$ 12,260 \$ 69,473 \$ 81,733	S
5	Executive Aide DBP (10% salary)	\$ 47,953	\$ 16,305 \$ 4,795 \$ 21,100	\$ 69,053	5% water 95% electric	\$ 3,453 \$ 65,600 \$ 69,053	H
6	CS-Supervisor DBP (10% salary)	\$ 51,348	\$ 18,569 \$ 5,135 \$ 23,704	\$ 75,052	15% water 85% electric	\$ 11,258 \$ 63,794 \$ 75,052	S
7	CSR #1 DBP (10% salary)	\$ 40,845	\$ 1,517 \$ 4,085 \$ 5,601	\$ 46,446	10% water 90% electric	\$ 4,645 \$ 41,802 \$ 46,446	H
8	CSR #2 DBP (10% salary)	\$ 37,662	\$ 17,972 \$ 3,766 \$ 21,738	\$ 59,400	25% water 75% electric	\$ 14,850 \$ 44,550 \$ 59,400	H
9	CSR #3 DBP (10% salary)	\$ 37,662	\$ 16,113 \$ 3,766 \$ 19,879	\$ 57,541	15% water 85% electric	\$ 8,631 \$ 48,910 \$ 57,541	H
Totals		\$ 582,436	\$ 133,856 \$ 58,244 \$ 192,100	\$ 774,536	Water Electric	\$ 113,392 \$ 661,144 \$ 774,536	

Rate Year 506-9220 Admin expense transfer \$ (127,502)

Rate Year 506-9220 Admin expense transfer (113,392)

Rate Year Adjustment \$ 14,110

(1) Salaries listed are base salaries only and include no overtime

(2) The District pays 80% of health/dental; the employee pays 20%.

Life Insurance, LTHC, LTD are paid 100% by District. Vision is 90% District, 10% employee

(3) This is based on estimated average time for the year, and

is reimbursed to the Electric Department as Administrative Transfer (#506-9220).

**RATE YEAR PROPERTY INSURANCE EXPENSE
PASCOAG UTILITY DISTRICT**

Schedule DGB-8

Policy	2011		2011		
	Term	Amount	Electric (70%)	Water (30%)	
Excess Liability	1/1/2011 - 1/1/2012	\$ 10,096	\$ 7,067	\$ 3,029	
General Liability	1/1/2011 - 1/1/2012	11,078	7,755	3,323	
Fiduciary Liability	1/1/2011 - 1/1/2012	2,500	1,750	750	
Public Officials	1/1/2011 - 1/1/2012	4,965	3,476	1,490	
Auto Liability	1/1/2011 - 1/1/2012	7,621	5,335	2,286	
Premium Credit		(966)	(676)	(290)	
Auto PD	1/1/2011 - 1/1/2012	4,849	3,394	1,455	
Contractor Equip	1/1/2011 - 1/1/2012	99	69	30	
Commercial Property	1/20/2011 - 1/20/2012	6,629	4,640	1,989	
Employee Practices	2/22/2011 - 2/22/2013	6,930	4,851	2,079	
Crime	4/12/2011 - 4/12/2014	2,422	1,695	727	
License & Permit	7/20/2011 - 7/20/2012	540	378	162	
ERISA	4/12/2011 - 4/12/2014	375	263	113	
PURMA Dues		1,150	805	345	
PURMA Fee		544	381	163	
Test Year		<u>\$ 58,832</u>	\$ 41,182	\$ 17,650	<u>\$ 58,832</u>
Policy	2012		2012		
	Term	Amount	Electric (70%)	Water (30%)	
Excess Liability	1/1/2012 - 1/1/2013	\$ 11,099	\$ 7,769	\$ 3,330	
General Liability	1/1/2012 - 1/1/2013	11,606	8,124	3,482	
Fiduciary Liability	1/1/2012 - 1/1/2013	2,500	1,750	750	
Public Officials	1/1/2012 - 1/1/2013	5,348	3,744	1,604	
Auto Liability	1/1/2012 - 1/1/2013	8,285	5,800	2,486	
Premium Credit		(2,371)	(1,660)	(711)	
Auto PD	1/1/2012 - 1/1/2013	5,604	3,923	1,681	
Contractor Equip	1/1/2012 - 1/1/2013	143	100	43	
Commercial Property	1/20/2012 - 1/20/2013	6,970	4,879	2,091	
Employee Practices	2/22/2011 - 2/22/2013	7,484	5,239	2,245	
Crime	4/12/2011 - 4/12/2014	2,255	1,579	677	
License & Permit	7/20/2012-7/20/2013	540	378	162	Due July
ERISA	4/12/2011 - 4/12/2014	375	263	113	
PURMA Dues		1,150	805	345	
PURMA Fee		544	381	163	
Interim Year	5%	<u>\$ 61,532</u> **	\$ 43,072	\$ 18,460	<u>\$ 61,532</u>
	Average yearly increase	<u>5%</u>			
Rate Year		<u>\$ 64,356</u>	\$ 45,049	\$ 19,307	<u>\$ 64,356</u>

Test Year 506-9240 Property Insurance \$ 43,275

Rate Year 506-9240 Property Insurance 45,049

Rate Year Adjustment \$ 1,774

RATE YEAR SCHOOLS & SEMINARS EXPENSE
PASCOAG UTILITY DISTRICT

Schedule DGB-9

	<u>2011</u>	<u>2012</u>	<u>2013</u> ⁽¹⁾	
	<u>Test Year</u>	<u>Interim Year</u>	<u>Rate Year</u>	
Operations	\$ 25,056	\$ 23,900	\$ 15,000	DGB-4
DC Legislative Rally	5,212	2,750	4,000	
PURMA Annual Conference	425	500	500	
NEPPA Management Training	2,825	0	2,500	
Board Training	425	0	500	
Sungard (on-site)	9,918	0	0	
Tuition reimbursement/books	8,485	12,500	9,000	(2)
APPA training	511	0	1,000	
Customer Service	3,130	0	4,500	
Human Resource	485	0	1,000	
NEPPA Annual Conference	5,571	2,000	5,000	
Misc	0	1,500	0	
	<u>\$ 62,043</u>	<u>\$ 43,150</u>	<u>\$ 43,000</u>	

(1) Increased in 2013 to go back to more normal levels. In 2012, due to financial concerns, this line item was decreased lower than normal funding levels.

(2) reduced in 2013 to reflect one employee completion of degree

RATE YEAR RATE CASE EXPENSE
PASCOAG UTILITY DISTRICT

Schedule DGB-10

<u>Item/Vendor</u>	<u>Expense</u>
Division Consultants	\$ 25,000
B&E Consulting	38,725
Legal (Bernstein)	2,500
Legal Notices	1,000
Printer	<u>300</u>
	\$ 67,525
Amortization period	<u>3</u>
Rate Year Rate Case Expense	<u>\$ 22,508</u>

**EXPENSE ANALYSIS
PASCOAG UTILITY DISTRICT**

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED RATE YEAR	Production/ Purchase	Transmission	Demand/ Distribution	Street Lighting	Customer Service
EXPENSES							
<i>Operating Expense—Power Production</i>							
501-5550	Purchased power	\$ -	P	\$ -	\$ -	\$ -	\$ -
	Purchased power - Street Light	0	SL-P	0	0	(54,021)	54,021
501-5570	Power supply expense	0	P	0	0	0	0
501-5650	Transmission	0	P	0	0	0	0
<i>Total Operating Expense—Power Production</i>		0		0	0	(54,021)	54,021
<i>Operating Expense—Distribution</i>							
502-5800	S/L Signal	26,000	SL	0	0	26,000	0
502-5801	Operation Supervisor	112,000	D	0	0	112,000	0
502-5820	Operation supply & expense	90,000	D	0	0	90,000	0
502-5860	O&M Meter expense	48,000	C	0	0	0	48,000
502-5880	Misc distribution expense	0	D	0	0	0	0
<i>Total Operating Expense—Distribution</i>		276,000		0	0	202,000	26,000
<i>Operating Expense—Customer Service</i>							
503-6750	Misc general	0	C	0	0	0	0
503-9020	Customer meter reading	50,000	C	0	0	0	50,000
503-9030	Customer record/collection	235,093	C	0	0	0	235,093
503-9040	Uncollectible accounts	25,087	G	0	0	23,582	251
<i>Total Operating Expense—Customer Service</i>		310,180		0	0	23,582	251
<i>Operating Expense—Administrative</i>							
506-9201	Admin general salaries	338,143	G	0	0	317,854	3,381
506-9210	Office supplies and expense	70,520	G	0	0	66,289	705
506-9212	Custodial expense	8,060	G	0	0	7,576	81
506-9220	Admin expense transfer	(113,392)	A	0	0	(69,169)	(1,134)
506-9221	Dues and memberships	9,164	G	0	0	8,614	92
506-9230	Outside Service-legal	19,500	G	0	0	18,330	195
506-9231	Outside Service-auditing	20,700	G	0	0	19,458	207
506-9233	Outside Service-pension	14,000	G	0	0	13,160	140
506-9234	Outside Service-consulting	29,811	G	0	0	28,022	298
506-9235	Outside Service-computer/IT	45,262	G	0	0	42,546	453
	Rate Case	22,508	G	0	0	21,158	225
506-9236	GFNF	1,500	D	0	0	1,500	0
506-9240	Property insurance	45,049	D	0	0	45,049	0
506-9250	Benefits/injuries & damages	20,456	Pr	0	0	15,342	409
506-9259	Benefits/Flex	0	Pr	0	0	0	0
506-9261	Employee Benefits-health	229,648	Pr	0	0	172,236	4,593
506-9262	Schools & seminars	43,000	G	0	0	40,420	430
506-9263	Health Care - Others	40,705	G	0	0	38,263	407
506-9264	DBP contributions	112,413	Pr	0	0	84,310	2,248
506-9265	Employee benefits UHC-HRA	0	Pr	0	0	0	0
506-9306	Transportation	12,209	G	0	0	11,476	122
999-9999	DB adjustment	0	G	0	0	0	0
<i>Total Operating Expense—Administrative</i>		969,256		0	0	882,435	12,852
<i>Maintenance Expense—Distribution System</i>							
502-5850	Maint of street lights	0	D	0	0	0	0
502-5840	Underground expense	0	D	0	0	0	0
502-5920	Maint of station expense	0	D	0	0	0	0
502-5921	Maint of structures	25,000	D	0	0	25,000	0
502-5930	Overhead line expense	275,000	D	0	0	275,000	0
502-5931	Contracted OH expense	85,000	D	0	0	85,000	0
502-5970	Maint of meters	0	D	0	0	0	0
<i>Total Maintenance Expense—Distribution System</i>		385,000		0	0	385,000	0
<i>Maintenance Expense—General</i>							
506-9305	Hazardous waste	352	D	0	0	352	0
	Capitalized Labor	0	D	0	0	0	0
	Future capital	306,200	D	0	0	306,200	0
	Storm Contingency	30,000	D	0	0	30,000	0
506-9321	Maint of plant	39,000	D	0	0	39,000	0
<i>Maintenance Expense—General</i>		375,552		0	0	375,552	0

EXPENSE ANALYSIS
PASCOAG UTILITY DISTRICT

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED RATE YEAR		Production/ Purchase	Transmission	Demand/ Distribution	Street Lighting	Customer Service
<i>Taxes</i>								
504-4080	Taxes - real estate	800	C	0	0		0	800
504-4081	Taxes - employer FICA	89,663	Pr	0	0	67,247	1,793	20,623
504-4082	Unemployment security	5,000	Pr	0	0	3,750	100	1,150
<i>Total Taxes</i>		95,463		0	0	70,997	1,893	22,573
<i>Depreciation</i>								
	Depreciation	(0)	D	0	0	0	0	0
<i>Total Depreciation</i>								
<i>Other Deductions</i>								
504-4280	Amortization of debt acq	0	D	0	0	0	0	0
505-4270	Interest on LTD	0	D	0	0	0	0	0
505-4310	Other interest expense	7,525	D	0	0	7,525	0	0
<i>Total Other Deductions</i>		7,525		0	0	7,525	0	0
<i>Misc. General</i>								
506-9301	General advertising	1,066	G	0	0	1,002	11	53
506-9302	Safety expense	23,268	D	0	0	23,268	0	0
506-9303	Misc. general expense	73,198	D	0	0	73,198	0	0
506-9304	Donations	1,261	G	0	0	1,185	13	63
506-9307	Billing expense	44,116	C	0	0	0	0	44,116
	Transfers	0	C	0	0	0	0	0
<i>Total Misc General</i>		142,909		0	0	98,653	23	44,232
TOTAL EXPENSES		2,561,886	R	0	0	1,991,723	95,041	475,121
Net Operating Income		38,428	R	0	0	29,974	1,537	6,917
Power Factor Adjustment		1,541	R	0	0	1,202	62	277
Total Other Revenue		111,839	R	0	0	87,235	4,474	20,131
Net Revenue Requirement		\$ 2,486,934		\$ -	\$ -	\$ 1,933,261	\$ 92,043	\$ 461,630

ALLOCATION FACTORS
PASCOAG UTILITY DISTRICT

Schedule DGB-12

DESCRIPTION	Allocator	Production/ Purchase	Transmission	Demand/ Distribution	Street Lighting	Customer Service	
Power Purchase	P	100%	0%	0%	0%	0%	
Transmission	T	0%	100%	0%	0%	0%	
Demand/Distribution	D	0%	0%	100%	0%	0%	
Street light - Maintenance	SL	0%	0%	0%	100%	0%	
Stree light - power	SL-P	This allocator recovers the amount of power used by and provides an offset to other electric customers					
Customer service	C	0%	0%	0%	0%	100%	
General Allocator	G	0%	0%	94%	1%	5%	
Payroll -Related	Pr	0%	0%	75%	2%	23%	
Admin Transfer	A	0%	0%	61%	1%	38%	
Revenue	R	0%	0%	78%	4%	18%	

Determination of Street Lighting Charges
Pascoag Utility District

Schedule DGB-14

Monthly Lamp Maint. Cost

Street Lighting Allocation	\$ 92,043	See Schedule DGB-11
Annual Lamp Energy Revenue	54,021	
Annual Lamp Maint Revenue	<u>\$ 38,022</u>	
Monthly Lamp Maint Revenue	\$ 3,168.46	
No. of Lamps	1,147 *	
Monthly Rate per Lamp	<u>\$ 2.76</u>	

Monthly Lamp energy Cost

Lamp Wattage and Type	Lamp Op Watt	Monthly Op Hours	Monthly Energy Use (kWh)	Average Utility Energy COS (\$/kWh)	Monthly Lamp Energy Cost (\$)
175 Watt Mercury	205.00	305	63	\$ 0.09167	\$ 5.73
50 Watt Sodium	66.00	305	20	\$ 0.09167	\$ 1.85
70 Watt Sodium	88.00	305	27	\$ 0.09167	\$ 2.46
100 Watt Sodium	130.00	305	40	\$ 0.09167	\$ 3.63
150 Watt Sodium	193.00	305	59	\$ 0.09167	\$ 5.40
250 Watt Sodium	294.00	305	90	\$ 0.09167	\$ 8.22
400 Watt Sodium	465.00	305	142	\$ 0.09167	\$ 13.00

	Lamp Count	Monthly Energy Use (kWh)	Total Yearly Energy Use (kWh)	Monthly Lamp Energy Cost (\$)	Total Yearly Lamp Energy Revenue
175 Watt Mercury	58	63	43,517	\$ 5.73	\$ 3,989
50 Watt Sodium	512	20	123,679	\$ 1.85	\$ 11,338
70 Watt Sodium	253	27	81,486	\$ 2.46	\$ 7,470
100 Watt Sodium	73	40	34,733	\$ 3.63	\$ 3,184
150 Watt Sodium	64	59	45,208	\$ 5.40	\$ 4,144
250 Watt Sodium	92	90	98,996	\$ 8.22	\$ 9,075
400 Watt Sodium	95	142	161,681	\$ 13.00	\$ 14,821
	<u>1,147 *</u>		<u>589,300</u>		<u>\$ 54,021</u>

Total Street Lighting Charge

Lamp Wattage and Type	Monthly Lamp Energy Cost (\$)	Monthly Lamp Energy Cost (\$)	Monthly Lamp Rate (\$)	Annual Lamp Rate (\$)
175 Watt Mercury	\$ 5.73	\$ 2.76	\$ 8.49	\$ 101.93
50 Watt Sodium	\$ 1.85	\$ 2.76	\$ 4.61	\$ 55.29
70 Watt Sodium	\$ 2.46	\$ 2.76	\$ 5.22	\$ 62.67
100 Watt Sodium	\$ 3.63	\$ 2.76	\$ 6.40	\$ 76.77
150 Watt Sodium	\$ 5.40	\$ 2.76	\$ 8.16	\$ 97.90
250 Watt Sodium	\$ 8.22	\$ 2.76	\$ 10.98	\$ 131.79
400 Watt Sodium	\$ 13.00	\$ 2.76	\$ 15.76	\$ 189.16

Comparison of Existing and Proposed Rates & Charges
Pascoag Utility District

Schedule DGB-15
Page 1 of 2

		Current	Proposed	% Increase
<u><i>Demand/Distribution Rates</i></u>				
Residential (A)	per kWh - all kWh	\$ 0.03464	\$ 0.04076	17.68%
Commercial (B)	per kWh - all kWh	\$ 0.04110	\$ 0.04359	6.05%
Large Commercial & Industrial (C & C-5)	All kW peak demand	\$ 6.53	\$ 10.56	61.75%
Large Commercial & Industrial (C-5)	All kW 75%	\$ 4.89	\$ 7.92	62.00%
<u><i>Customer Charge</i></u>				
Residential (A)	Charge per month	\$ 4.00	\$ 6.00	50.00%
Commercial (B)	Charge per month	\$ 10.00	\$ 15.25	52.50%
Large Commercial & Industrial (C & C-5)	Charge per month	\$ 75.00	\$ 113.50	51.33%
<u><i>Street Lighting</i></u>				
175 Watt Mercury	Charge per month	\$ 5.77	\$ 8.49	47.21%
50 Watt Sodium	Charge per month	\$ 3.65	\$ 4.61	26.24%
70 Watt Sodium	Charge per month	\$ 4.37	\$ 5.22	19.52%
100 Watt Sodium	Charge per month	\$ 5.04	\$ 6.40	26.93%
150 Watt Sodium	Charge per month	\$ 6.23	\$ 8.16	30.96%
250 Watt Sodium	Charge per month	\$ 10.89	\$ 10.98	0.85%
400 Watt Sodium	Charge per month	\$ 12.12	\$ 15.76	30.06%
175 Watt Mercury	Charge per year	\$ 69.24	\$ 101.93	47.21%
50 Watt Sodium	Charge per year	\$ 43.80	\$ 55.29	26.24%
70 Watt Sodium	Charge per year	\$ 52.44	\$ 62.67	19.52%
100 Watt Sodium	Charge per year	\$ 60.48	\$ 76.77	26.93%
150 Watt Sodium	Charge per year	\$ 74.76	\$ 97.90	30.96%
250 Watt Sodium	Charge per year	\$ 130.68	\$ 131.79	0.85%
400 Watt Sodium	Charge per year	\$ 145.44	\$ 189.16	30.06%

Comparison of Existing and Proposed Rates & Charges
Pascoag Utility District

Schedule DGB-15
Page 2 of 2

	Current	Proposed	% Increase
<u>Pass through revenues</u>			
<u>Standard Offer — Per Tariff (set by year end filing in December 2012 - Docket 4298)</u>			
Residential (A)	\$ 0.05657	\$ 0.05657	0.00%
Commercial (B)	\$ 0.05657	\$ 0.05657	0.00%
Large Commercial & Industrial (C & C-5)	\$ 0.05657	\$ 0.05657	0.00%
<u>Transition — Per Tariff (set by year end filing in December 2012 - Docket 4298)</u>			
Residential (A)	\$ 0.01117	\$ 0.01117	0.00%
Commercial (B)	\$ 0.01117	\$ 0.01117	0.00%
Large Commercial & Industrial (C & C-5)	\$ 0.01117	\$ 0.01117	0.00%
<u>Transmission — Per Tariff (set by year end filing in December 2012 - Docket 4298)</u>			
Residential (A)	\$ 0.02393	\$ 0.02393	0.00%
Commercial (B)	\$ 0.02393	\$ 0.02393	0.00%
Large Commercial & Industrial (C & C-5)	\$ 0.02393	\$ 0.02393	0.00%

**Proof of Revenues
Pascoag Utility District**

Schedule DGB-16

	Count or Usage	Current	Rate	Current Revenue	Proposed Revenue	Dollar Increase
<u>Demand/Distribution Rates</u>						
Residential (A) - per kWh	29,983,772	\$ 0.03464 # \$	0.04	\$ 1,038,638	\$ 1,222,266	\$ 183,628
Commercial (B) - kWh	3,227,223	\$ 0.04110 # \$	0.04	\$ 132,639	\$ 140,667	\$ 8,028
Large Commercial & Industrial (C & C-5) Per kW	53,997	\$ 6.53 \$	10.56	\$ 352,600	\$ 570,329	\$ 217,729
				<u>\$ 1,523,877</u>	<u>\$ 1,933,262</u>	<u>\$ 409,385</u>
<u>Customer Charge (per month rate)</u>						
Residential (A)	48,012	\$ 4.00 # \$	6.00	\$ 192,048	\$ 288,072	\$ 96,024
Commercial (B)	5,916	\$ 10.00 # \$	15.25	\$ 59,160	\$ 90,219	\$ 31,059
Large Commercial & Industrial (C & C-5)	744	\$ 75.00 # \$	113.50	\$ 55,800	\$ 84,444	\$ 28,644
				<u>\$ 307,008</u>	<u>\$ 462,735</u>	<u>\$ 155,727</u>
<u>Street Lighting (per month rate)</u>						
175 Watt Mercury	696	\$ 5.77 # \$	8.49	\$ 4,016	\$ 5,912	\$ 1,896
50 Watt Sodium	6,144	\$ 3.65 # \$	4.61	\$ 22,426	\$ 28,310	\$ 5,884
70 Watt Sodium	3,036	\$ 4.37 # \$	5.22	\$ 13,267	\$ 15,856	\$ 2,589
100 Watt Sodium	876	\$ 5.04 # \$	6.40	\$ 4,415	\$ 5,604	\$ 1,189
150 Watt Sodium	768	\$ 6.23 # \$	8.16	\$ 4,785	\$ 6,266	\$ 1,481
250 Watt Sodium	1,104	\$ 10.89 # \$	10.98	\$ 12,023	\$ 12,125	\$ 102
400 Watt Sodium	1,140	\$ 12.12 # \$	15.76	\$ 13,817	\$ 17,970	\$ 4,154
				<u>\$ 74,748</u>	<u>\$ 92,043</u>	<u>\$ 17,295</u>
Power Factor Adjustment				\$ 1,541	\$ 1,541	\$ -
Total Rates and Charges				\$ 1,907,174	\$ 2,489,581	\$ 582,407
Total Other Revenue (Schedule DGB-2)				\$ 111,839	\$ 111,839	\$ -
TOTAL REVENUE				<u><u>\$ 2,019,013</u></u>	<u><u>\$ 2,601,420</u></u>	<u><u>\$ 582,407</u></u>
Revenue Required (Schedule DGB-1)					2,600,314	
Variance					\$ 1,106	0.04%

**Impact of Proposed Rates
Pascoag Utility District**

Schedule DGB-17

	Usage (kWh)	Usage (kV)	Current Revenue	Proposed Revenue	Dollar Increase	% Increase
Residential (A)						
	300		\$ 41.89	\$ 45.73	\$ 4	9.16%
	500		\$ 67.16	\$ 72.22	\$ 5	7.54%
	1000		\$ 130.31	\$ 138.43	\$ 8	6.23%
	2,000		\$ 256.62	\$ 270.87	\$ 14	5.55%
Commercial (B)						
	500		\$ 76.39	\$ 82.88	\$ 6	8.50%
	800		\$ 116.22	\$ 123.46	\$ 7	6.23%
	1000		\$ 142.77	\$ 150.51	\$ 8	5.42%
	3,000		\$ 408.31	\$ 421.02	\$ 13	3.11%
	5,000		\$ 673.85	\$ 691.54	\$ 18	2.62%
Large Commercial & Industrial (C & C-5)						
	6,388	25	\$ 816.34	\$ 963.14	\$ 147	17.98%
	20,075	50	\$ 2,226.78	\$ 2,481.89	\$ 255	11.46%
	40,150	100	\$ 4,378.55	\$ 4,850.27	\$ 472	10.77%
	200,750	500	\$ 21,590.00	\$ 23,794.62	\$ 2,205	10.21%
	321,200	800	\$ 34,503.40	\$ 38,007.70	\$ 3,504	10.16%

Section 7

Section 7

Kirkwood Testimony



PASCOAG
UTILITY DISTRICT

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Prefiled Testimony and Testimony Exhibits

Michael R. Kirkwood

General Manager

Cost of Service Rate Case – June 2012

RIPUC Docket No. _____

Prefiled Testimony of Michael R. Kirkwood – Pascoag Utility Cost of Service

1 **Q. Please state your name, title and business address.**

2 **A.** My name is Michael R. Kirkwood. I am the General Manager/CEO of Pascoag Utility District. My
3 business address is 253 Pascoag Main Street, Pascoag, Rhode Island.

4 **Q. What is the purpose of your testimony?**

5 **A.** The purpose of my testimony is to discuss some of the important issues and challenges facing
6 Pascoag Utility District during these next several years, and to address how the Company intends to
7 meet such challenges through changes in its various tariffs for electric distribution service as presented
8 in this Cost of Service rate case.

9 **Q. The Company is requesting the implementation of a Storm Contingency Account to be funded**
10 **through rates. Could you please elaborate on this?**

11 **A.** The Company has unofficially maintained a storm contingency account over the past several
12 years, and we were fortunate to have approximately \$38,000 accrued in that account when Tropical
13 Storm Irene devastated the area in August of 2011. The Company used a portion of this fund, \$35,600,
14 to help pay for the restoration of our electric service, and together with FEMA funds that we were
15 eligible for, we were able to weather the financial impact of the extreme damage we faced totaling
16 approximately \$50,000. Such additional costs included substantial overtime costs for our operations
17 and office staff, and costs related to materials, supplies and equipment that had to be replaced due to
18 the damage to our distribution system.

19 Since we had not had a significant weather event like Tropical Storm Irene since the time that Hurricane
20 Bob impacted our area approximately 20 years ago, it became evident to us how important it is to
21 prepare financially for such an event. To that end, the Company would like to set up an official Storm

Prefiled Testimony of Michael R. Kirkwood – Pascoag Utility Cost of Service

1 Contingency Account funded through rates. We have been trying to rebuild our unofficial storm
2 account during 2012, and as discussed in the testimony of Judy Allaire, we currently have brought that
3 account back to a level of approximately \$17,100. However, a significant event can quickly exceed that
4 level of reserve. As we prepared this cost of service and rate filing, I sat with Judy Allaire; our Assistant
5 General Manager of Finance, in order to strategize what may be the proper mechanism to fund a
6 sustainable storm reserve account. We believe that if we are able to structure our rates to allow for an
7 account to be built based on a committed level of \$2,500 per month until we reach a maximum reserve
8 of \$150,000, that such account would strategically allow the Company to adequately handle the most
9 severe weather-related events. \$2,500 per month would increase the fund by \$30,000 per year. If the
10 Company had no qualifying events where it would need to withdraw such funds, then over the course of
11 a five year period, the Company would meet its goal of a storm fund of \$150,000. So our request in this
12 Cost of Service and Rate filing is to include a component to recover \$2,500 per month to be deposited
13 into a Storm Contingency Account for a total annual accrual of \$30,000.

14 **Q. Is the Company proposing a new Economic Development Tariff? If so, what is the reason**
15 **behind such request.**

16 **A.** The Company would like to add an economic development tariff to its current cadre of rate
17 tariffs in order to encourage new commercial or industrial businesses greater than 1 megawatt in size to
18 come in to our service area, thereby helping to support our cost structure and keep rates low for all
19 customers by spreading fixed costs over a broader revenue base. The genesis of this new rate concept
20 came about due to the Company being notified that it will be losing its largest customer, Daniele
21 Prosciutto, Inc. (DPI) sometime in 2013. The Company was informed by DPI in 2011 that it was working
22 with the Town of Burrillville to expand its capacity by relocating its operations to the Commerce Park
23 industrial area off Route 102 in Harrisville, an area currently being served by National Grid. We also

Prefiled Testimony of Michael R. Kirkwood – Pascoag Utility Cost of Service

1 learned that once the new facility was operational, DPI would be phasing out the operations of its
2 facilities at the industrial park on Davis Drive where PUD currently serves them. We met with the
3 director of facilities for DPI in early 2012 to propose that Pascoag Utility would be able to provide the
4 service for the new buildings being added to their existing small facility at Commerce Park, and we even
5 provided a discounted rate structure to encourage them to have the Company serve the new portions of
6 the facility. Unfortunately, DPI although encouraging at the meeting, did not respond to our proposal of
7 a discounted rate, and so we anticipate that the Davis Drive facilities will stop production by the end of
8 2013 shortly after the Commerce Park facility comes on-line.

9 Because the DPI facilities represent the largest single source of revenue for the Company at over
10 \$925,000 in 2011, we determined that we needed to encourage other manufacturers to bring new
11 production capacity to the Pascoag industrial park or other areas within our service territory in order to
12 help support our desire to provide the lowest possible rates for all our customers by spreading the
13 Company's fixed costs over as wide a base as possible. To that end, we are proposing an Economic
14 Development Rate that has a discounted structure. We propose the discounted rate to be available for
15 the first five years of operation of a qualifying new facility. Once the incentive period is over, the
16 customer would be switched to the appropriate large commercial or industrial rate.

17 In order to provide the right economic incentive, the Company proposes in this Economic Development
18 Rate that the Transition Charge (RIPUC 965) component of the rate be eliminated during the 5-year
19 term. Since the Transition Charge of the Company's rates is comprised of the above market costs of
20 certain long term contracts, and since we propose to sunset the customer's ability to enjoy the
21 discounted rate for only 5-years, we believe there is inherent logic to the discounted rate structure, i.e.,
22 that the new facility has not contributed to the need for the long term contracts already captured in the
23 Transition Charge, and so the Economic Development Rate will encourage new facilities to contemplate

Prefiled Testimony of Michael R. Kirkwood – Pascoag Utility Cost of Service

1 building capacity within our service territory. The Company is hopeful that this enticement to situate
2 new businesses within our service territory will ultimately benefit all our customers through the support
3 to overall fixed costs.

4 **Q. Has the Company filed new Terms and Condition with this Cost of Service filing?**

5 **A.** Yes. The Company is proposing a completely revamped Terms and Conditions tariff, RIPUC 703,
6 to replace the previous Terms and Conditions tariff RIPUC 702. The Company is here also proposing to
7 include a completely new terms and conditions tariff to delineate how the Company will handle
8 nonregulated power producers who may provide electricity supply to any of the Company's distribution
9 customers. This new tariff is titled "Terms and Conditions for Nonregulated Power Producers, and is
10 being proposed as RIPUC 801. The revised RIPUC 703 and new RIPUC 801 were developed after
11 reviewing our currently effective Terms and Conditions against the similar tariffs that Nation Grid had in
12 place. The Company decided that since rate cases are proposed infrequently, it would make good sense
13 to bring our Terms and Conditions up to the current standard, and so the resulting proposed RIPUC 703
14 and new RIPUC 802 were developed by taking the best features from the Pascoag Utility District and
15 National Grid terms and conditions and proposing the rewritten documents to be implemented in this
16 filing.

17 **Q. In the Company's 5-year Capital Budget, there are several replacements of fleet vehicles.**
18 **Please explain the Company's fleet replacement program.**

19 **A.** An electric distribution company is very capital intensive, and requires many specialized and
20 non-specialized fleet vehicles to carry out its work in maintaining and improving system reliability. The
21 Company maintains all its equipment, including its vehicles, for maximum reliability, but due to the

Prefiled Testimony of Michael R. Kirkwood – Pascoag Utility Cost of Service

1 heavy duty use of such equipment, the Company includes replacement of its fleet vehicles as part of its
2 normal business practices as we develop our 5-year capital "look forward" plan.

3 However, due to the need to conserve cash for operations during the most recent two year period since
4 our last rate case in 2003/04, the Company made an assessment of the condition of its current vehicle
5 fleet vs. the 5-year capital replacement plan, and requested the Commission to allow the Company to
6 defer some of its vehicle and heavy equipment purchases in 2011 and 2012 pursuant to Docket #3546.
7 In this docket, the Division concurred with the Company's request, and the Commission allowed the
8 Company to reduce its funding requirements for the restricted capital account in 2011/12, and defer
9 certain vehicle purchases until our development of a new capital plan in our 2012 cost of service case
10 here filed.

11 Accordingly, for this 2012 cost of service and rate filing, the Company has developed a new 5-year
12 capital plan which has the following fleet vehicle replacements contemplated:

13	2013	Replacement of PUD's 1994 bucket truck	\$200,000
14	2014	Replacement of AGM of Operations' 4-wheel drive truck	\$ 35,000
15	2015	Replacement of PUD's 1996 plow/general purpose truck	\$ 40,000
16		and PUD's 2006 Meter/System Tech truck	\$ 30,000
17	2016	Replacement of PUD's 1999 bucket truck	\$200,000
18	2017	Rebuild of PUD's tree-trimming bucket truck	\$100,000

19 This capital program is intended to keep a very reliable fleet of vehicles available to continue to provide
20 the Company's customers with reliable service. The bucket trucks and tree trim truck are some of the
21 most expensive pieces of equipment owned by the Company, but their value cannot be underestimated
22 as was evidenced in the incredible duty they needed to perform during the recovery from Tropical
23 Storm Irene and the Halloween weekend storm. As stated above, the Company continues to maintain

Prefiled Testimony of Michael R. Kirkwood – Pascoag Utility Cost of Service

1 all its vehicles to an excellent standard, but based on the heavy daily duty of these vehicles, the
2 Company strives to implement a replacement program that anticipates the vehicles reaching the end of
3 their useful lives.

4 Our overall 5-year capital program can be seen in Exhibit MRK-1. One other major expenditure during
5 the 5-year plan that I would like to note is the replacement of our customer information system and
6 accounting software, which can be seen as an anticipated \$150,000 expenditure in 2014 under the title
7 “Business Software Upgrade”. Our existing customer service/billing system is way past its useful life,
8 and has been hampering our ability to easily put in place state of the art customer features such as
9 electronic payments and easy access to customer records. The system is a DOS based system that is
10 inflexible and will not sustain our ultimate movement to smart grid technology. Our business plan
11 includes a complete evaluation of the various software options in 2013, development of a specification,
12 followed by the issuance of an RFP for a new system to be put in place. We anticipate that the major
13 implementation work will be done in 2014.

14 As can be calculated from Exhibit MRK-1, the average of the capital requirements for the 5-year period
15 of 2013 through 2017 is \$306,200 per year. The Company therefore believes that funding a capital
16 reserve account of \$306,200 per year will allow the district to continue its excellent capital
17 refurbishment program and maintain the high level of reliability its customer base has enjoyed.

18 **Q. Has the Company developed a plan to implement a smart metering program?**

19 **A.** As mentioned in previous dockets, the Company had developed a plan to implement smart
20 metering technology subject to the availability of ARRA grant money for that purpose. Unfortunately,
21 the Company was not selected as one of the recipients of the smart metering grant money through
22 ARRA, and due to implementation costs and the continuing advancement of the technology, we have

Prefiled Testimony of Michael R. Kirkwood – Pascoag Utility Cost of Service

1 instead strategically decided to be more of a studied observer of this field. As such, we have not yet
2 developed a definitive plan to implement the technology. The positive aspect of this wait and see
3 approach has been that the technology continues to become more sophisticated and user friendly, and
4 the cost has continued to decrease for the major components, such as meters, communications
5 equipment and software. I plan to attend one of the smart metering conferences next year to get a
6 good understanding of the latest advances in the technology, and will keep a keen eye towards how the
7 equipment will integrate with the planned implementation of our new customer software system
8 discussed above, and do so in the most cost-effective manner.

9 **Q. Is it true that the Company may be losing its largest customer, Daniele Prosciutto, Inc.?**

10 **A.** Yes. Unfortunately, as discussed in the narrative above regarding our proposed Economic
11 Development tariff, the Company was notified in 2011 of the potential loss of its largest customer, DPI,
12 at the industrial park on Davis Drive in Pascoag. Since that early discussion, DPI has now secured the
13 property for their new facility at the Commerce Industrial Park in Harrisville, which is served by National
14 Grid. DPI now has all its permits in place and has begun construction. DPI's stated intention is to close
15 down the Davis Drive facilities in the Company's service territory once the new facility at Commerce
16 Park is complete. This will be a substantial degradation to the Company's revenue and kWh sales. As
17 can be seen in **Exhibit MRK-2** for 2011, DPI was by far the District's largest customer, with the
18 Company's sales to DPI totaling over \$925,000, with kWh sales of over 7.3 million. DPI has stated that
19 they will phase out production at Davis Drive over 6 months once their new facility is operational, so the
20 Company expects to see its sales to DPI diminish to zero by the end of 2013.

21 **Q. Does this conclude your pre-filed testimony?**

22 **A.** It does.

Supporting MRK Exhibits

**Pascoag Utility District - Five Year Capital Budget (1)
2013-2017**

<u>2012 (3)</u>	
Computer Replacements	\$ 5,000
Meters	\$ 6,000
Distribution Transformers	\$ 20,000
Truck Replacement	
Street Lights	\$ 7,000
Poles	\$ 10,000
Customer Notification System	
Contingency	\$ 7,500
IT System Upgrade/Reliability	\$ 7,000
	<u>\$ 62,500</u>

2012 capital and debt \$ 62,500

<u>2013</u>		
Computer Replacements	\$ 5,000	
Meters	\$ 5,000	
Distribution Transformers	\$ 30,000	
Street Lights	\$ 15,000	
Poles	\$ 25,000	
Contingency	\$ 10,000	
Bucket Truck	\$ 200,000	1994 International Bucket
Wire trailer refurbishment	\$ 5,000	1987 Morse
Replace Server	\$ 20,000	
Daniele @ Commerce	\$ 50,000	
IT System Upgrade/Reliability	\$ 10,000	
	<u>\$ 375,000</u>	

2013 capital and debt \$ 375,000

<u>2014</u>		
Computer Replacements	\$ 5,000	
Meters	\$ 5,000	
Street Lights	\$ 10,000	
Poles	\$ 10,000	
IT System Upgrade/Reliability	\$ 40,000	
Truck T-1 (Bill)	\$ 35,000	2004 Silverado
Transformers	\$ 30,000	
Business Software Upgrade	\$ 150,000	
Contingency	\$ 10,000	
	<u>\$ 295,000</u>	

2014 capital and debt \$ 295,000

<u>2015</u>		
Computer Replacements	\$ 8,000	
Smart Meter/Technology	\$ 40,000	(2)
Street Lights	\$ 15,000	
Poles	\$ 10,000	
IT System Upgrade/Reliability	\$ 40,000	
Plow Truck	\$ 40,000	1996 Chevy
Transformers	\$ 30,000	
Truck E-6	\$ 30,000	2006 Ford Escape
Contingency	\$ 15,000	
	<u>\$ 228,000</u>	

2015 capital and debt \$ 228,000

<u>2016</u>		
Computer Replacements	\$ 5,000	
Smart Meter/Technology	\$ 40,000	
Street Lights	\$ 15,000	
Poles	\$ 10,000	
IT System Upgrade/Reliability	\$ 40,000	
Bucket Truck	\$ 200,000	1999 Truck
Transformers	\$ 25,000	
Wire Trailer Replacement	\$ 25,000	
Contingency	\$ 15,000	
	<u>\$ 375,000</u>	

2015 capital and debt \$ 375,000

<u>2017</u>		
Computer Replacements	\$ 8,000	
Smart Meter/Technology	\$ 40,000	
Street Lights	\$ 15,000	
Poles	\$ 10,000	
IT System Upgrade/Reliability	\$ 40,000	
Tree Trim Truck rebuild	\$ 100,000	
Transformers	\$ 30,000	
Contingency	\$ 15,000	
	<u>\$ 258,000</u>	

2015 capital and debt \$ 258,000

- (1) Note, unless otherwise noted all capital projects will be paid for using Pascoag's Restricted Fund Account
- (2) Some items, such as Smart Metering Technology and IT System Upgrade/Reliability will be encumbered for a multi-year project.
- (3) 2012 Capital Budget reduced to meet revenue projection short fall - COS will be completed in 2012

Top 10 Electric Customers - FY 2011

	<u>Customer</u>	<u>Business</u>	<u>kwhrs</u>	<u>\$'s</u>
1	Daniele International, Inc (1)	meat/gourmet foods	7,383,760	\$ 925,675.12
2	Burrillville School system (2)	public school	2,218,400	\$ 335,002.64
3	Zambarano Hospital	state hospital	2,154,400	\$ 266,987.53
4	Brigido's Market	groceries	774,120	\$ 105,781.49
5	Bayberry Commons	nursing/rehab	468,400	\$ 68,132.40
6	Pine Grove	nursing/rehab	456,420	\$ 64,084.71
7	Algonquin Gas	transmission lines	445,380	\$ 66,436.13
8	Lockheed	manugacturing	355,080	\$ 52,611.97
9	Neighborworks Blackstone River	housing complex	350,200	\$ 48,430.94
10	Burrillville Housing Authority	elderly housing	<u>321,360</u>	<u>\$ 42,187.86</u>
			14,927,520	\$ 1,975,330.79

(1) DPI includes 3 meters, but operating under one company business

(2) 4 meters throughout town: high school, skating rink, 2 elementary schools