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PUBLIC UTILITIES COMMISSION

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

Rate Analyst, Division of Public Utilities & Carriers

Date: 12/14/2012

Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges, RIPUC Docket 4369

On November 7, 2012 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 2012. An addendum was filed on December 5. The revisions were made to update the filing with actual expenses through October and actual revenue through November.

The current overall rate of \$0.09167 per kWh is comprised of the standard offer, transition, and transmission rates, and was originally approved by the Commission in docket 4298 in December 2011. The rates were designed to recover forecast 2012 purchased power expenses and refund to customers \$389,766, the forecast net over recovery as of December 31, 2011. 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 to continue filing annual status reports with the Commission.

The addendum filed on December 5, 2012 indicates that the over recovery of purchased power expense at November 30, 2012, with actual revenue through November and expenses estimated for the month of November, is \$726,495. Pascoag anticipates an over recovery of about \$696,935 at December 31, 2012.

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, 2012 are: Standard Offer: over recovery of \$420,517, Transition: over recovery of \$25,874, and Transmission: over recovery of \$250,544.

The primary reasons for the over recoveries of the various accounts are addressed at pages 4 and 5 of book 1 of the November 7 filing, as part of the testimony of Company witness Judith R. Allaire.

In December 2010 Pascoag explained that the Company 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. In 2011 Pascoag requested permission to retain the \$200,000 plus accrued interest of about \$2,100 to establish a rate stabilization fund ("RSF"), which would be

used to offset the probable rate increase resulting from Pascoag's planned 2012 rate case. The Commission granted permission. In addition to the \$696,935 Standard Offer, Transition and Transmission over collections detailed above, Pascoag has included the RSF balance in its total to be refunded to customers during 2013. This would bring the total to be refunded to \$899,035. This amount is reflected in the proposed rates in this filing.

The two tables presented below quantify the changes in rates and in a typical residential monthly 500 kWh bill assuming Pascoag's filed rates are approved effective for usage on and after January 1, 2013. Table 1 illustrates the changes effectuated by the rates proposed in this docket; Table 2 illustrates the changes effectuated by the rates proposed in this docket combined with the rates proposed in Pascoag's Application to Change Electric Base Distribution Rates, Docket 4341.

TABLE 1

Typical 500 kWh Residential Bill: Proposed Docket 4369 Rates and Current Base Rates:

	<u>Proposed</u>	<u>Current</u>	<u>Increase (Decrease)</u>	<u>% Decrease</u>
Cust. Charge	\$4.00	\$4.00	\$0.00	
Distribution	\$0.03464	\$0.03464	\$0.00000	
DSM/Renewable	\$0.00230	\$0.00230	\$0.00000	
Transition:	\$0.01243	\$0.01117	\$0.00126	
Transmission:	\$0.02494	\$0.02393	\$0.00101	
Standard Offer:	<u>\$0.03748</u>	<u>\$0.05657</u>	<u>(\$0.01909)</u>	
Total Bill:	<u>\$59.90</u>	<u>\$68.32</u>	<u>(\$8.42)</u>	<u>-12.3%</u>

TABLE 2

Typical 500 kWh Residential Bill Combining Dockets 4369 and 4341:

	<u>Proposed</u>	<u>Current</u>	<u>Increase (Decrease)</u>	<u>% Decrease</u>
Cust. Charge	\$6.00	\$4.00	\$2.00	
Distribution	\$0.03932	\$0.03464	\$0.00458	
DSM/Renewable	\$0.00230	\$0.00230	\$0.00000	
Transition:	\$0.01243	\$0.01117	\$0.00126	
Transmission:	\$0.02494	\$0.02393	\$0.00101	
Standard Offer:	<u>\$0.03748</u>	<u>\$0.05657</u>	<u>(\$0.01909)</u>	
Total Bill:	<u>\$64.19</u>	<u>\$68.32</u>	<u>(\$4.13)</u>	<u>-6.1%</u>

On December 12, 2012, Pascoag made another supplemental filing with calculations of the standard offer, transition, and transmission charges based upon the alternative effective implementation dates of both February 1 and March 1, 2013.¹ This information was provided in the event the Commission was considering having the rates from the rate case, docket 4341 go into effect at the same time as the new rates for standard

¹ The calculations included the updated revenue and expense data filed December 5, 2012.

offer, transition and transmission.² As detailed in that December 12 filing, the overall rate decrease from docket 4341 and 4369 is larger if the rate changes are implemented on February 1. If both dockets are implemented March 1, the rate reduction is larger still.

After review of the Company's filing and discussions with Company representatives, the Division is of the opinion that Pascoag's filing is mathematically correct and complies with the Commission's bench decision issued on December 20, 2011 (written order number 20637 issued on January 3, 2012).

- 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, 2013, 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, 2013.
- The Division also recommends the implementation of the new rates for the standard offer, transition charge, and transmission charges be done at the same time as the new base rates from docket 4341 in order to avoid fairly large rate swings occurring over a relatively short time frame.

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

Service List

² The hearing for docket 4341, in which a settlement was filed, is scheduled for January 28, 2013.