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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: 12/09/2013

Re: Pascoag Utility District Transition, Transmission, and Standard Offer Charges, RIPUC Docket 4454

On November 1, 2013 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 2013. The filing presents actual purchased power revenue and expense through September 2013, and forecast revenue and expense for October through December.

On December 5, Pascoag submitted to the Commission an addendum to the filing of November 1. The purpose of this memo is to address the addendum filed by the Company.

The addendum was filed in order to incorporate actual revenue and actual purchased power expense for October and November 2013. Additionally, because Pascoag has used the average of the most recent three years' MWh sales to forecast 2014 sales, using actual sales for October and November increased the 2014 forecast slightly, from 52,894 MWh to 53,166 MWh. This resulted in a slight decrease in the per-kWh charge for 2014.

As stated in the Division's memo dated December 2, the current overall rate of \$0.07312 per kWh is comprised of the standard offer, transition, and transmission rates, and was originally approved by the Commission in docket 4369 in December 2012. The rates were designed to recover forecast 2013 purchased power expenses and to refund to customers the forecast net over recovery as of December 31, 2012 of \$696,935. Also included in the calculation of the current rates is a refund to customers of \$200,000 plus interest, explained below. While the current rates were approved with no expiration date certain, Pascoag was directed to monitor purchased power revenue and expense, file monthly reports with the Division, and continue filing annual status reports with the Commission.

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 generating 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 \$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, P.U.C. Docket 4341. The Commission granted permission. In addition to the \$696,935 combined Standard offer, Transition and Transmission over-collection forecasted to exist at December 31, 2012, Pascoag included the RSF balance in the 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 rates currently in effect which, as mentioned above, were approved by the Commission in Docket 4369.

The 2013 standard offer, transmission and transition rates are an anomaly, unusually low due to the large over-collection and the refund explained above. While the proposed 2014 combined rates of \$0.10095 represent an increase of \$0.02783/kWh, or 38% when compared with the current \$0.07312/kWh, a look back at 2012 rates, for instance, shows that the approved combined rates in effect for that year were \$.09167/kWh, \$0.00928 less than the proposed combined rates of \$0.10095/kWh in this docket, while the approved per-kWh 2011 rates totaled \$0.10486/kWh, \$0.00391 greater than the rates proposed for 2014. The addendum filed on December 5 indicates that, with actual revenue and expense through November 2013, and December 2013 estimated, Pascoag anticipates an under-recovery of about \$171,677 at December 31, 2013.

The over/under recovery amounts for the three individual components vary in magnitude, as indicated in the Company's updated Status Report and accompanying schedules. The forecast variances at December 31, 2013 are: standard offer: under-recovery of \$531,240, transition: over-recovery of \$130,608, and transmission: over-recovery of \$228,955.

The primary reasons for the forecast over and under recoveries of the various accounts at December 2013, the 2014 purchased power forecast, and the effect of the proposed rates on a typical residential customer's 500 kWh bill are addressed in the filing submitted November 1, at pages 4 through 7 of the pre-filed testimony of Company witness Judith R. Allaire, Pascoag's Assistant General Manager.

Company witness Michael Kirkwood, Pascoag's General Manager, discusses Pascoag's power portfolio at pages 1 through 3 of his pre-filed testimony in the original filing, while the increase in the proposed Standard offer rate for 2014 is addressed at pages 4 and 5.

Combined, Pascoag's proposed rates would result in an increase in the typical 500 kWh residential bill of \$13.90, or 22.0%. The bill would increase from \$63.33 to \$77.23.

As a comparison, Narragansett Electric Company d/b/a/ National Grid recently filed residential standard offer rates for the period January through June 2014 (R.I.P.U.C. Docket No. 4393). The proposed residential standard offer rate of \$0.08372 represents an increase of 27.5% compared with the current standard offer rate of \$0.06567. The typical 500 kWh residential bill would increase about 12%, from \$78.91 to \$88.30.

After careful review of the Company's filing and discussions with Company representatives, the Division recommends that the Commission approve Pascoag's per-kWh rates as proposed, effective with usage on and after January 1, 2014. The proposed rates are presented below with a comparison to current rates.

	<u>Proposed</u>	<u>Current</u>	<u>Increase (Decrease)</u>
Transition:	\$0.00568	\$0.01257	(\$0.00689)
Transmission:	\$0.02488	\$0.02505	(\$0.00017)
Standard Offer:	<u>\$0.07039</u>	<u>\$0.03550</u>	<u>\$0.03489</u>
Total:	<u>\$0.10095</u>	<u>\$0.07312</u>	<u>\$0.02783</u>

Additionally, the Division recommends that the Commission instruct Pascoag to continue the practice of filing monthly reports with the Division, and to file its annual status report with the Commission by November 15, 2014, 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, 2014.

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

Service List