

Division of Public Utilities and Carriers

Memorandum

To: Luly Massaro
Commission Clerk

Date: 6/10/14

From: Stephen Scialabba
Division of Public Utilities and Carriers

Subject: RIPUC Docket 4454 Pascoag Utility District Mid-Year Filing for
Standard Offer Service, Transmission, and Transition Charges.

On April 25, 2014, the Pascoag Utility District (“Pascoag” or “Company”) filed with the Commission a Standard Offer Service, Transmission and Transition Charge reconciliation which included three months of actual data for January through March 2014 and forecast data through the balance of 2014. Included in the filing was testimony of Mike Kirkwood and Judy Allaire of Pascoag, and in addition to providing a partial year reconciliation, the filing sought a change in the various adjustment charges as follows:

April 25, 2014 Proposal

Factor	Current	Proposed on 4/25/14	Difference	Effect @ 500 kwhs
SOS	\$0.07039	\$0.08056	\$0.01017	\$5.09
Transition	\$0.00568	\$0.00613	\$0.00045	\$0.22
Transmission	\$0.02488	\$0.02679	\$0.00191	\$0.96
Total	\$0.10095	\$0.11348	\$0.01253	\$6.27

On May 28, Pascoag filed an update that included actual data through April of 2014. Based on the updated data, Pascoag modified its proposal, for effect July 1, 2014, as follows:

May 28, 2014 Proposal

Factor	Current	Proposed On 5/28/14	Difference	Effect @ 500 kwhs
SOS	\$0.07039	\$0.07736	\$0.00697	\$3.49
Transition	\$0.00568	\$0.00611	\$0.00043	\$0.21
Transmission	\$0.02488	\$0.02913	\$0.00425	\$2.13
Total	\$0.10095	\$0.11260	\$0.01165	\$5.83

As discussed in the testimonies of Mike Kirkwood and Judy Allaire, Pascoag was adversely affected by the significant increase in power prices that were experienced in the January through

March 2014 period. Pascoag's present adjustment factors went into effect on January 1, 2014, and are usually in place for a calendar year, with a reconciliation filing filed around November 1 of the year. Judy Allaire and Mike Kirkwood have been keeping the Division apprised of the situation of the power bills and Pascoag's cash flow situation during the months of January through April through a number of email communications and reports, as well as through phone conferences.

As discussed in Ms. Allaire's testimony and supporting schedules, Pascoag has been fortunate to have available to it a PUC-approved Purchase Power Restricted Fund, which had been previously set up to provide an available source of funds to pay Pascoag's power bills in times of operating cash flow deficiencies. In January and February of 2014, Pascoag drew down \$335,000 from the Purchase Power Restricted Fund in order to pay its power-related invoices. The fund balance, which was about \$500,000 on 1/1/14, fell below \$200,000 by March. One month's worth of purchased power expense can be in excess of \$600,000, as can be seen on schedule A-1 in the 4/25/14 filing where January 2014 actual purchased power expense is detailed to be \$661,585. By not making a mid-year adjustment to the rates as proposed, there would be the risk of utilizing the balance of the Purchased Power Restricted Fund during 2014 and putting Pascoag in a precarious position of having inadequate access to capital to pay its power bills in a timely fashion, jeopardizing its credit rating, and making future power procurement more difficult.

I have reviewed the submittals of Pascoag, including the testimony, calculations and invoices submitted and find the calculated standard offer, transmission, and transition charges as proposed in the May 28, 2014 filing reasonable and necessary to better align the forecast of purchase power cost and revenues over the remainder of 2014 and to address the accumulated underrecoveries through June of 2014.

Cc: Thomas Ahern
Docket 4454 service list.