

Division of Public Utilities and Carriers

Memorandum

To: Luly Massaro
Commission Clerk

Date: 12/05/14

From: Stephen Scialabba
Division of Public Utilities and Carriers

Subject: RIPUC Docket 4529 Pascoag Utility District Year End Filing for
Standard Offer Service, Transmission, and Transition Charges.

On November 5, 2014, the Pascoag Utility District ("Pascoag" or "Company") filed with the Commission its year end Standard Offer Service, Transmission and Transition Charge status report and reconciliation which included nine months of actual data for January through September of 2014 and forecast data through the balance of 2014. Included in the filing was testimony of Mike Kirkwood and Judy Allaire of Pascoag. In addition to providing a reconciliation, the filing sought a change in the various adjustment charges as follows:

November 5, 2014 Proposal

Factor	Current	Proposed on 11/05/14	Difference	Effect @ 500 kwhs
SOS	\$0.07736	\$0.06835	(\$0.00901)	(\$4.51)
Transition	\$0.00611	\$0.01146	\$0.00535	\$2.68
Transmission	\$0.02913	\$0.03283	\$0.0037	<u>\$1.85</u>
Total	\$0.11260	\$0.11264	\$0.00004	\$0.02

On November 21, 2014, Pascoag filed an update that included actual data through October of 2014. Based on the updated data, Pascoag modified its proposal, for effect January 1, 2015, as follows:

November 21, 2014 Proposal

Factor	Current	Proposed On 11/21/14	Difference	Effect @ 500 kwhs
SOS	\$0.07736	\$0.06733	(\$0.01003)	(\$5.02)
Transition	\$0.00611	\$0.01141	\$0.00530	\$2.65
Transmission	\$0.02913	\$0.03313	\$0.00400	<u>\$2.00</u>
Total	\$0.11260	\$0.11187	(\$0.00073)	(\$0.37)

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. The increase in costs experienced last winter put a strain on Pascoag's ability to pay its power bills as well as fund its day to day operations at that time. Pascoag withdrew \$335,000 from its Purchased Power Reserve Fund (PPRF) in January and February of 2014 to pay its bills, bringing the Reserve Fund to a balance of \$181,000. As a result, the Commission approved a mid-year 2014 increase in Pascoag's adjustment clause mechanisms to address the higher costs Pascoag incurred. Pascoag had an accumulated underrecovery in its total adjustment clause accounts of \$708,000 as of June of 2014. That has been reduced, according to its latest filed estimate, to an underrecovery of \$261,245 as of December 31, 2014. That amount is rolled forward into the 2015 rate period and added to the projected 2015 costs for standard offer, transmission, and transition and is included in the development of the proposed factors before the PUC. The PPRF balance has been largely replenished to its January 2014 level through monthly deposits from distribution revenues from DPI (in accordance with a settlement approved by the PUC in rate case docket 4341), as well as an additional \$164,000 in deposits from Pascoag since August of 2014. The balance in the PPRF was \$507,209 at the end of October 2014, which is approximately equivalent to an average monthly power bill for Pascoag, though last year power bills exceeded \$600,000 in certain months.

As New England continues to be faced with the potential for extreme spot electricity prices again this winter, due to continued gas pipeline constraints, Pascoag has since entered into a three year contract (2015-2017) with TransCanada for load following service for Pascoag's requirements that exceed what is otherwise already contracted for. A summary of Pascoag's power supply contracts as described in the filing is shown below:

<u>Supply /Term</u>	<u>Amount</u>	<u>Cost</u>
NYPA (Life of unit)	24%	4.1¢ (Includes transmission cost)
Seabrook (Life of unit)	18%	9.28¢
Miller Hydro (to 5/31/16)	3%	5.73¢
Spruce Mtn (15 yr)	3%	3.7¢ (Net of REC revenue)
NextEra (ends 5/31/2023)	10%	7.6¢
TransCanada (2015-2017)	42%	7.03¢
Total	100%	6.647¢ weighted avg

I have reviewed the submittals of Pascoag, including the testimony, calculations and invoices submitted to the PUC. Also attached to this memo is a response from Pascoag to information requests regarding certain elements of the filing. I believe the calculated standard offer, transmission, and transition charges as proposed in the November 21, 2014 filing are reasonable and correctly calculated. I recommend those rates be approved for usage on and after January 1, 2015. If approved, a 500 kwh residential customer of Pascoag will experience a decrease of \$0.37 or (0.40%) in his monthly bill, which will decrease from \$83.06 to \$82.69.

Cc: Thomas Ahern
Docket 4529 service list.

**Answer to Division Questions for Pascoag regarding the year-end filing, Docket 4529
December 1, 2014**

1. Is it accurate that the net cost per kwh for Spruce Mtn in 2014 is about 2.4 cents per kwh after the credit for REC's?

Answer: For 2014, PUD purchased 1,761,454 kWhrs from Spruce Mtn. The total cost was \$166,491 with a REC credit of \$124,568, or a final cost of \$41,923. That does translate to 2.4 cents per kWhr. (As a note, in 2015, ENE forecasts the cost at 3.7 cents/kWhr. The REC credits are sold on Pascoag's behalf each quarter by ENE, and ENE estimates conservatively in the forecast period. Pascoag has been very pleased to-date with the REC credits actually received.)

2. What does the monthly Dominion (Brayton Point) UCAP cost of \$14,040 pertain to?

Answer: This transaction is for a Capacity-only bilateral with Dominion (former owner of Brayton Point) for 2,400 kW of capacity to help Pascoag offset its Forward Capacity Market requirements with ISO-New England. This particular transaction ends in 2015. There is no energy exchanged under this agreement, only unit-based capacity.

3. Where is the monthly Project 6 transition cost of \$46,917 broken out in, for example, the May invoice package?

Answer: The total transition cost for 2014 of \$563,000 (or \$46,917/month) comes directly from Pascoag's audited financial statements, and is based on the aggregate amount of Pascoag's required payments under the Power Service Agreements (PSA) and Project Participants Agreement (PPA) exclusive of the Reserve and Contingency Fund billings to MMEEC at December 31, 2013.

Schedule A-1, Line 58 identifies the transition charge, and Schedule A-2 Line 106, subtracts that amount from SOS, giving the "Restated SOS" on Line 107.

In the May example, the invoice package total for SOS is \$242,361. By backing out the identified transition charge of \$46,917, the Restated SOS becomes \$195,444. (Schedule A-2, Line 105-107).

4. What accounts for the relatively high cost of Miller Hydro in May of 2014 of 9.9 cents/kwh compared to the cost during the balance of 2014 of about 5.7 cents/kwh?

Answer: After reviewing the May 2014 details, we realized we transposed Miller Hydro and Spruce Mountain kWh (lines 9 and 10 on Schedule A-1) and dollars (lines 32 and 33 on Schedule A-1). So Spruce Mountain for May 2014 should have been \$12,948.30 for 130,461 kWh or 9.9 cents/kWh, and Miller Hydro should have been \$11,375.52 for 198,353 kWh or 5.7 cents/kWh. Since the numbers were transposed only, the Line 22 and 50 totals (kWh and dollars) remain valid.

5. Pascoag purchased 18,221 MWH from NYPA in 2014, but projects purchasing only 14,564 MWH in 2015, which is an approximate 20% reduction in NYPA purchases. What accounts in the forecasted reduction in NYPA purchases in 2015?

Answer: Since interruptible kwhrs are never guaranteed, ENE tends to estimate on the conservative side in forecasting delivery of NYPA to Pascoag.

Total kwhrs received from NYPA – 2014:	18,221,000
Interruptible kwhrs from NYPA – 2014:	<u>4,974,000</u>
Total 2014	13,247,000

6. Is the forecast of reduced Seabrook output in October of 2015 due to scheduled maintenance?
Answer: That is correct. The previous refueling/maintenance outage can be seen in April 2014 actuals on Schedule A-1, which means the cycle-length between these two refueling/maintenance outages is approximately 17-18 months. The cycles lengths are mainly driven by the need for refueling of the fuel rods.

7. The restricted account for Capital Items has a balance \$609,842 as of 10/15/14, with an annual funding increase of \$306,000 due to occur in 2015. Please provide the plans for the use of these funds in 2015 to the extent they are known.

Answer: Please see our 5-year Capital Budget on the next page (2014 existing capital budget, with 2015-2019 projected). The 5-year projection is geared to average an expenditure of \$305,600 per year. We will still be incurring costs in 2014 which will drop the balance from \$609,842, such as the Truck T-6 replacement, which will be delivered in December or January. Pascoag's largest capital expenditure periods in our 5-year program are anticipated for 2017 and 2019, where amongst other capital expenditures, we expect to replace one bucket truck and one digger/derrick truck.

2014			2015		
Computer Replacements	\$ 8,000		Computer Replacements	\$ 10,000	
AMR Meters & Chips	\$ 40,000	(2)	AMR Meters	\$ 40,000	(2)
Street Lights	\$ 20,000		Street Lights	\$ 15,000	
Poles	\$ 20,000		Poles	\$ 20,000	
Transformers	\$ 30,000		Transformers	\$ 30,000	
Wire & miscellaneous	\$ 20,000		Wire & miscellaneous	\$ 20,000	
IT System Upgrade/Reliability	\$ 40,000		IT System Upgrade/Reliability	\$ 50,000	
Truck T-6	\$ 30,000	2006 Ford Escape	Truck T-14	\$ 45,000	1993 Dump truck
Reclosers	\$ 8,000		Business Software Upgrade	\$ 70,000	
Business Software Upgrade	\$ 150,000		Contingency	\$ 15,000	
Office Painting and Rehab	\$ 20,000				
Contingency	\$ 15,000				
2013 capital and debt	\$ 401,000		2014 capital and debt	\$ 315,000	
2016			2017		
Computer Replacements	\$ 10,000		Computer Replacements	\$ 10,000	
AMR Meters	\$ 30,000	(2)	AMR Meters	\$ 18,000	(2)
Street Lights	\$ 25,000		Street Lights	\$ 10,000	
Poles	\$ 20,000		Poles	\$ 20,000	
Transformers	\$ 30,000		Transformers	\$ 25,000	
Wire & miscellaneous	\$ 20,000		Wire & miscellaneous	\$ 15,000	
IT System Upgrade/Reliability	\$ 60,000		IT System Upgrade/Reliability	\$ 40,000	
Recloser - 3-phase	\$ 22,000		Truck T-2 (Piccardi)	\$ 30,000	2004 Silverado
Reclosers - Single phase	\$ 18,000		Bucket Truck T-5	\$ 225,000	1999 Terex
Contingency	\$ 15,000		Contingency	\$ 15,000	
2015 capital and debt	\$ 250,000		2016 capital and debt	\$ 408,000	
2018			2019		
Computer Replacements	\$ 10,000		Computer Replacements	\$ 10,000	
AMR Meters	\$ 15,000		AMR Meters	\$ 15,000	
Street Lights	\$ 15,000		Street Lights	\$ 15,000	
Poles	\$ 30,000		Poles	\$ 10,000	
Transformers	\$ 30,000		Transformers	\$ 30,000	
Wire & miscellaneous	\$ 20,000		Wire & miscellaneous	\$ 20,000	
IT System Upgrade/Reliability	\$ 40,000		IT System Upgrade/Reliability	\$ 40,000	
Contingency	\$ 15,000		Digger/Dereck replacement	\$ 225,000	2003
			Contingency	\$ 15,000	
2017 capital and debt	\$ 175,000		2018 capital and debt	\$ 380,000	
			Five Year Average:	\$ 305,600	

(1) Note, unless otherwise noted all capital projects will be paid for using Pascoag's Restricted Fund Account

(2) Some items, such as AMR Metering Technology and IT System Upgrade/Reliability will be encumbered for a multi-year project.