State of Rhode Island
Division of Public Utilities & Carriers

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Date: December 13, 2018

To: Luly Massaro
Commission Clerk

From: John Bell, Chief Accountant J.B.
Patricia Smith, Rate Analyst P.S.

Subject: RIPUC Docket 4895 Pascoag Utility District's 2019 Annual Reconciliation Rate Filing

On November 5, 2018, the Pascoag Utility District ("Pascoag") filed with the Commission its year end Standard Offer Service, Transmission and Transition Charges status report and reconciliation which included nine months of actual data through September 2018 and forecasted data through the balance of 2018. The filing also included new proposed rates for effect on January 1, 2019. Included in the filing was testimony of Mike Kirkwood, the General Manager and Harle Round, Manager of Finance and Customer Service.

On November 30, 2018, Pascoag filed an update that included actual costs through October 31, 2018 and updated proposed rates as follows:

Factor	Current	Proposed	Difference	Effect @ 500 kWh's
Standard Offer	$0.07166	$.07793	0.006271	$3.13
Transition	$0.00040	$0.00161	0.00121	$0.60
Transmission	$0.02973	$0.03186	0.00213	$1.06
Purchased Power Restricted Fund Credit	($0.00469)	($0.00291)	0.00178	$0.89
Total	**$0.09710**	**$0.10849**	**$0.1139**	**$5.69**

The filing is made in accordance with Pascoag's tariff which requires the standard offer and other adjustment charges to be calculated every 12 months and submitted to the Public Utilities Commission for approval. The calculation is based on estimated total costs of each component of purchased power expense for the upcoming year and a reconciliation of any over or under collection from previously approved rates.

Purchased Power Restricted Fund Credit (PPRFC)

In a past decision, the Commission authorized the creation of a purchased power restricted fund (PPRF) for the purpose of ensuring Pascoag has the ability to meet one month of power bills. This account is funded with the base electric utility revenues from Daniele Prosciutto International (DPI), which is in accordance with the PUC approved settlement in Pascoag's last base rate case (Docket 4341). At the time of the last rate case, continued operations of the DPI plant in Pascoag's service territory was uncertain. As a result, the base revenues from DPI were not included in Pascoag's revenue requirements calculation. Instead, it was agreed that the base revenues from DPI would be deposited into the PPRF.

At the beginning of 2018, the balance in the PPRF was $659,963. The target balance for this fund is $550,000. To bring the balance closer to the target level, the Commission authorized Pascoag to return $266,167 to customers through the PPRFC. Pascoag effectuated this credit with monthly withdrawals from the PPRF of $22,180. Pascoag continues to deposit the DPI base revenues to the fund. The 2018 deposits through November totaled $162,825. The projected year-end balance is $563,208. Pascoag proposed in the current filing to flow back $161,079 in 2019 from the PPRF. The Division believes this proposal is reasonable especially considering that year-end fund balance is close to the target level and the uncertainty of the DPI revenues. The Division recommends the Commission approve the flowback of $161,079 through the PPRFC as Pascoag proposed.

2019 Power Entitlements

Mr. Kirkwood provided testimony in this filing on Pascoag's power portfolio. He discussed the portfolio in detail and explained that the 2019 power supply portfolio is used in developing the Standard Offer, Transition and Transmission rate request. Below is a comparison of Pascoag's 2018 and 2019 Power Entitlements. The 2018 information is from Pascoag's 2017 filing and the 2019 information is from Mr. Kirkwood's testimony in the current filing.

Supply	2018	2019
NYPA	17%	17%
Miller (Brown Bear)	2%	2%
Spruce Mountain	3%	3%
Seabrook	17%	18%
NextEra RISE	9%	9%
NextEra hedge	7%	14%
PSEG Load Follow	43%	35%
Canton Wind	2%	2%
Total	100%	100%

The largest change related to an increase in the NextEra hedge entitlement from 7% of the total portfolio in 2018 to 14% in 2019. This is the result of an increase in the contract quantity from .5 MW in 2018 to 1 MW in 2019 and an increase in the contract hours from 4,380 to 8,760. This increase in supply displaces the requirements from the PSEG Load Following Service which results in the decrease in supply under this contract from 43% in 2018 to 35% in 2019.

As stated in Mike Kirkwood's testimony, in January 2018, Pascoag provided to the Commission a contract between itself and Tangent Energy Solutions ("Tangent") for load reducing power from a newly constructed 1.1-megawatt gas-fired peak generation facility owned by Tangent and sited at Pascoag's main office. By reducing peak obligations, Pascoag's transmission and capacity charges are lower. In addition, Tangent pays Pascoag an energy service fee rebate of 50% of the LMP margin. The energy service fee rebate for 2017 totaled $5,658 and was paid to Pascoag in April 2018. The Division verified that these savings flowed through Pascoag's reconciliation (Exhibit 6-4, Line 55) as a credit to the benefit of customers.

Standard Offer, Transition and Transmission Charges

As discussed in the Addendum Year-End Status Report, Pascoag projects a $22,383 under-collection at December 31, 2018, broken out as follows:

Description	**Forecast at 12/31/18**
Standard Offer	$ (155,188)
Transition	$ 42,982
Transmission	$ 89,823
Total	**$ (22,383)**

Throughout the year, Pascoag submits detailed monthly purchased power reconciliation reports. The reports detail any monthly over/under collection along with the status of the cumulative balance. The Division reviews these reports during the course of the year. Based on our review of these reports along with our review of the information submitted in this filing, the Division concludes that the actual information submitted through October 2018 is accurately calculated and that the projected year-end balance is reasonable.

To calculate the proposed 2019 factors for the Standard Offer, Transition and Transmission Charges, Pascoag combines the forecasted 2018 year-end balances with the projected costs for 2019. Pascoag uses its 2019 power entitlements and works with Energy New England to develop its 2019 forecast. The forecast included in this filing is $4,283,813 for Energy/Transition and $1,850,825 for Transmission for a total of $6,134,639. This is an increase of $228,992 from 2018. Pascoag included a detailed discussion in its filing related to the projected $228,992 increase. The Division reviewed the testimony and supporting documents and concluded that the basis for Pascoag's projections is reasonable.

The Division reviewed the submittals of Pascoag, including the testimony, calculations and invoices submitted in this docket. In addition, we reviewed Pascoag's responses to data requests and had discussions with Pascoag representatives. Based on our review in this docket, we concluded that the proposed rates are reasonable and accurately calculated. The Division recommends the Commission approve the proposed rates included in Pascoag's November 30, 2018 Addendum Year-End Status Report. The Division recommends the rates be approved for usage on and after January 1, 2019. If approved, a 500 kWh residential customer will experience an increase of $5.69 in their monthly bill from $75.31 to $81.00.