



State of Rhode Island  
Division of Public  
Utilities & Carriers

Accounting Section  
89 Jefferson Blvd.  
Warwick, R.I. 02888

## Memorandum

**To:** L. Massaro  
Commission Clerk

**From:** Al Contente   
Division of Public Utilities & Carriers

**Date:** December 11, 2019

**Subject:** RIPUC Docket 4990 Pascoag Utility District's 2019 Annual Reconciliation Rate Filing

On November 7, 2019, the Pascoag Utility District ("Pascoag") filed with the Commission its Year-End Status Report for Standard Offer Service, Transmission and Transition Reconciliation which included nine months of actual data through September 2019 and forecasted data through the balance of 2019. The filing also included new proposed rates for effect on January 1, 2020. Included in the filing was testimony of Mike Kirkwood, General Manager and Harle Round, Manager of Finance and Customer Service.

On December 5, 2019, Pascoag filed an addendum that included actual costs and supporting documents through October 31, 2019 and updated proposed rates as follows:

| Factor                         | Current     | Proposed    | Difference  | 500 kWh Bill Impact |
|--------------------------------|-------------|-------------|-------------|---------------------|
| Standard Offer                 | \$ 0.07793  | \$ 0.06672  | \$(0.01121) | \$(5.60)            |
| Transition                     | \$ 0.00161  | \$ 0.00010  | \$(0.00151) | \$(0.75)            |
| Transmission                   | \$ 0.03186  | \$ 0.03170  | \$(0.00016) | \$(0.08)            |
| Purchase Power Restricted Fund | \$(0.00291) | \$(0.00279) | \$ 0.00012  | \$ 0.06             |
| Total                          | \$ 0.10849  | \$ 0.09574  | \$(0.01275) | \$(6.37)            |

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 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 2019, the balance in the PPRF was \$569,629. The target balance for this fund is \$550,000. To bring the balance closer to the target level, the Commission authorized Pascoag to return \$161,076 to customers through the PPRFC. Pascoag's proposal to flow back slightly less in 2020 is due to a decline in demand revenues compared to past years. According to Pascoag's filing, the decline may be due to the installation of new equipment at DPI's facility. Since there may be an ongoing decline in revenues from this facility, the Division finds the reduction in the flowback to be reasonable. The Division recommends the Commission approve the flowback of \$153,185 at \$12,765/month through the PPRFC as Pascoag proposed.

### **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 2019 and 2020 Power Entitlements. The 2019 information is from Pascoag's 2018 (Dkt#4895) filing and the 2020 information is from Mr. Kirkwood's testimony in the current filing.

| <b>Supply</b>       | <b>2019</b> | <b>2020</b> |
|---------------------|-------------|-------------|
| NYPA                | 17%         | 13%         |
| Miller (Brown Bear) | 2%          | 3%          |
| Spruce Mountain     | 3%          | 3%          |
| Seabrook            | 18%         | 18%         |
| NextEra RISE        | 9%          | 10%         |
| NextEra hedge       | 14%         | 7%          |
| Dynegy hedge        | -           | 15%         |
| PSEG Load Follow    | 35%         | 29%         |
| Canton Wind         | 2%          | 2%          |
| <b>Total</b>        | <b>100%</b> | <b>100%</b> |

The largest change from 2019 is the inclusion of Dynegy hedge with 1MW of \$41.78/MWh “around the clock energy” which is to make-up for the reduction of other contracts. Another change in supply is because of the introduction of Block Island Utility District (BIUD), Pascoag now shares the portion of Rhode Island’s allotment of hydro-power from New York Power Authority (NYPA). Originally, Pascoag was able to purchase the entire Rhode Island allotment. As of September 1, 2019, BIUD now purchases 17.66% of said power at the same \$0.03799/kWh.

Pascoag continues to derive financial benefits from their contract with Tangent Energy Solutions ("Tangent"). The gas-fired power generator owned and operated by Tangent is located on an easement within Pascoag property and runs on high-demand days to shave peak demand hours. By reducing peak obligations, Pascoag's transmission and capacity charges are lower; ratepayers received a benefit of approximately \$20,000 in year 2019 through a sharing formula with Tangent. In addition, Tangent pays Pascoag an energy service fee rebate of 50% of the Locational Marginal Pricing (LMP) margin. In April of 2019 Pascoag received a credit of \$7,449.52. The Division verified that these savings flowed through Pascoag's reconciliation (Exhibit A-1, Line 54) 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 \$339,948 over-collection at December 31, 2019, broken out as follows:

| <b>Description</b> | <b>Forecast at 12/31/19</b> |
|--------------------|-----------------------------|
| Standard Offer     | \$247,800                   |
| Transition         | \$(5,719)                   |
| Transmission       | \$97,867                    |
| <b>Total</b>       | <b>\$339,948</b>            |

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. Tariffs allow for an interim refiling of rates if the over or under-collection surpasses 10% of the total budget, which did not occur in 2019. 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 2019 is accurately calculated and that the projected year-end balance is reasonable.

To calculate the proposed 2020 factors for the Standard Offer, Transition and Transmission Charges, Pascoag combines the forecasted 2019 year-end balances with the projected costs for 2020. Pascoag uses its 2019 power entitlements and works with Energy New England to develop its 2020 forecast. The forecast included in this filing is \$3,917,298 for Energy/Transition and \$1,841,306 for Transmission for a total of \$5,758,604. This is a decrease of \$134,757 from 2019 (estimated). Pascoag included a detailed discussion in its filings related to the projected \$134,757 decrease. The Division reviewed the testimony and supporting documents and concludes that the basis for Pascoag's projections is reasonable.

Pascoag's transition charge recovers the debt service related to the Seabrook Nuclear Power Plant. The debt service payments ended in 2019 and Pascoag will not be incurring any additional transition charges. Pascoag projects a \$5,719 under-recovery of transition charges from customers as of the end of 2019. The proposed transition factor for 2020 is designed to recover the under-recovery only. After 2020 the transition charge factor will be discontinued.

### **Conclusion**

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 December 5, 2019 Addendum Year-End Status Report. The Division recommends the rates be approved for usage on and after January 1, 2020. If approved, a 500kWh residential customer will experience a decrease of \$6.37 in their monthly bill from \$81.01 to \$74.63.