

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: PASCOAG UTILITIES DISTRICT :
ANNUAL RECONCILIATION OF STANDARD : **DOCKET NO. 4990**
OFFER SERVICE, TRANSMISSION, AND :
TRANSITION CHARGES :

REPORT AND ORDER

I. Introduction

Electric distribution companies are required by R.I. Gen. Laws § 39-1-27.3 to provide Standard Offer Service (SOS) to retail customers. On November 7, 2019, Pascoag Utility District (Pascoag or District) submitted an annual reconciliation of its Standard Offer Service,¹ Transmission,² and Transition³ Rates for effect January 1, 2020.⁴ Pascoag sought the Public Utilities Commission's (PUC) approval for an overall decrease in rates of \$6.72, or 8.3%, for a residential customer using 500 kilowatts (kW) of electricity a month.

On December 5, 2019, Pascoag filed updated schedules to reflect actual October expenses and revenues, leaving only November and December expenses and revenues to be estimated. In this updated filing, Pascoag requested approval of a decrease of its Standard Offer Service charge from \$0.07793 per kWh to \$0.006672 per kWh, a decrease in the Transmission charge from \$0.03186 per kWh to \$0.03170 per kWh, a decrease in the Transition Charge from \$0.00161 per kWh to \$0.00010 per kWh, and a Purchase

¹ Pascoag's tariff defines its Standard Offer Service charge as the charge for Pascoag to provide energy to its customers.

² The Transmission Charge recovers Pascoag's costs of getting electricity from the generating station to Pascoag's sub-station.

³ The Transition Charge is a surcharge representative of a transition cost paid by Pascoag to other utilities and suppliers.

⁴ Filings made in the instant matter are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at <http://www.ripuc.ri.gov/eventsactions/docket/4990-Pascoag-Transmittal%2011-7-19.pdf>.

Power Reserve Fund Credit of (\$0.000279). The impact for residential customers using 500 kilowatts (kW) of electricity a month was an overall decrease in rates of 7.9%, a slightly lower decrease in rates from Pascoag's initial filing.

On December 11, 2019, Al Contente, a rate analyst with the Division of Public Utilities and Carriers (Division), filed a Memorandum on behalf of the Division recommending that the PUC approve Pascoag's requested rates. At an Open Meeting on December 17, 2019, the PUC unanimously approved the rates set forth in Pascoag's amended filing.

II. Pascoag's Filing

In support of its filing, Pascoag presented prefiled testimony from Michael Kirkwood, Pascoag's General Manager, and Harle J. Round, Pascoag's Finance and Customer Service Manager. As required by R.I. Gen. Laws § 39-1-27.8, each electric distribution company must submit annually a supply procurement plan for approval by the PUC. Pascoag submits its plan as part of its Standard Offer Service Reconciliation each year.

Mr. Kirkwood's Testimony

Mr. Kirkwood described Pascoag's supplies portfolio which included 21% sustainable power, with 16% from hydro and 5% from wind. Pascoag's power entitlement from nuclear was 25%. The balance of Pascoag's energy requirements were from fossil fuel sources, including a three year contract with PSEG Energy Resources and Trade, LLC; a virtual gas-fired unit transaction with NextEra Energy; and a one-year hedge with Dynergy Marketing and Trade. Mr. Kirkwood explained that with the creation of the Block Island Utility District (BIUD), Rhode Island's allocation of New York Power Authority (NYPA),

which had previously gone entirely to Pascoag, was now further allocated, 82.34% to Pascoag and 17.66% to BIUD.⁵

Mr. Kirkwood described a transaction executed in late 2017 with NextEra Energy, for firm supply of 0.5 MW each hour from a carbon-free nuclear facility, including Nuclear-based Emissions Free Energy Certificates (EFECs). The price for all power and EFECs delivered under this transaction, scheduled to begin in January 2020, will be \$40.87/MWh delivered to the Massachusetts Hub.⁶

Mr. Kirkwood explained that Pascoag has negotiated several Edison Electric Institute (EEI) Master Power Purchase and Sales Agreements. He asserted that these agreements streamlined negotiations, improving Pascoag's position in contract negotiations. He reported that the District's Standard & Poor rating had improved; moving from "A-" to "A."

Mr. Kirkwood stated that Pascoag extended its renewable energy entitlement with Miller Hydro (now known as Brown Bear Hydro) until 2021, allowing it to continue to have a portfolio that includes a high percentage of renewable power. Mr. Kirkwood also noted that the ISM Solar Facility had commenced commercial operations in the third quarter of 2019 and that monthly payments of \$3,300 had commenced.⁷

Ms. Round's Testimony

Ms. Round summarized the reconciliation of the factors and estimated a year-end over-collection of \$346,815. She stated that the District's cash flow in 2019 was more than adequate to meet all the purchase power obligations and that the District did not have to

⁵ Test. of Michael R. Kirkwood at 2; <http://www.ripuc.ri.gov/eventsactions/docket/4990-Pascoag-Kirkwood-redacted%2011-7-19.pdf>.

⁶ *Id.*

⁷ See PUC order No. 22876 in Docket No. 4636 for the PUC's approval of the ISM Solar Facility Agreement; http://www.ripuc.ri.gov/eventsactions/docket/4636-ISM-Pascoag-Ord22876_9-22-17.pdf.

use any funding from the Purchase Power Restricted Fund (PPRF).⁸ Pascoag proposed reducing the PPRF flowback to customers, approved in Docket No. 4895, to a total of \$153,185, from \$161,079.⁹

Ms. Round reported that the Restricted Fund for Capital and Debt Service, which provides for withdrawals and deposits as necessary for capital projects and purchases, was fully funded and had a balance as of the filing of \$882,800. The District anticipated expenses of \$200,000 for a bucket truck, with an expected delivery date in January 2020; \$50,000 for a vehicle for the General Manager; and \$134,430 in capital expenses for a new substation.

Ms. Round noted that the District had fully funded its Storm Fund in 2019, with its \$20,000 annual payment made in quarterly increments of \$5,000. As of November 2019, the Storm Fund balance was \$75,909.¹⁰

Although Pascoag began 2019 with a cumulative under-collection of \$40,245 from 2018, the District experienced over-collections in February, April, June, August, and September 2019. Pascoag projected the cumulative over-collection for year-end of 2019 to be \$364,815, the net of \$262,881 Standard Offer Service, (\$5,719) Transition, and \$107,653 Transmission.¹¹

⁸ The PPRF is a reserve account that Pascoag uses when power costs rise significantly. The goal of the fund is to ensure that Pascoag has sufficient revenues to meet one month of its power bills. The PPRF which provides for a safety net equal to one month of the District's highest month of power bills, on average. In Docket 4341 (2012), upon concerns that the District's largest industrial customer, Danielle Prosciutto International (DPI), might leave the service territory, the PUC approved transferring DPI's base rate revenues, (customer charges and demand charges) into the PPRF on a monthly basis. Additionally, due to continued uncertainty of DPI's future, base revenues from DPI are not included in the District's revenue requirement. In Docket 4584 (rates for 2016), the PUC increased the target funding for the PPRF to \$550,000. By the beginning of 2018, the balance of the PPRF was \$659,963. In Docket 4895 (rates for 2019), the PUC approved a flowback of funds to rate payers from the PPRD of \$161,079 through a credit on customer electric bills.

⁹ Ms. Round testified that as of Oct. 31, 2019, the District had flowed back \$134,232.50 to customers in 2019.

¹⁰ Testimony of Harle J. Round at 4; <http://www.ripuc.ri.gov/eventsactions/docket/4990-Pascoag-Harle%2011-7-19.pdf>.

¹¹ *Id.* at 6.

Ms. Round reported final Surplus funds for 2019 of \$167,328 and Regional Network funds of \$16,148. In addition, Pascoag received renewable energy credits (RECs) totaling \$36,487: \$19,218 from Spruce Mountain; \$15,863 from Canton Mountain; and \$1,406 from Brown Bear. Commencing in September 2019, the District also began receiving monthly checks of \$3,300 for the ISM Solar Development agreement. These funds will continue monthly for twenty years. She noted that Pascoag's receipt of 2,838,214 interruptible kWh from NYPA entitlements for the three quarters ending September 2019, which was an increase of 687,414 kWh compared to the same period in 2018, contributed to the over-collection.¹²

Ms. Round noted that the 2020 forecasted power and transmission expense of \$5,798,203 is \$336,436 less than the 2019 Budget of \$6,134,639.¹³ She identified eleven adjustments used by Energy New England (ENE) in its 2020 Bulk Power Cost Projections for Pascoag: (1) adjustments for the Seabrook projections, including a fixed cost reduction and surplus funds being applied; (2) NYPA projections that reflect a change in entitlements and a reduction to transmission due to the change in entitlement; (3) updated capacity projections; (4) updated NextEra Rise Call Options, including a price lock; (5) a net decrease in bilateral transactions; (6) a change from resales to purchases with ISO-NE; (7) increase in charges by ENE to regular and short supply; (8) an overall net increase to adjustments in estimated ISO-NE expenses; (9) a decrease in National Grid's Network Transmission charges; (10) ENE adjustments to the sub-transmission charges; and (11) a net adjustment of \$8,423 for the Hydro Quebec Transmission Charges.¹⁴

¹² *Id.*

¹³ *Id.* at 7.

¹⁴ *Id.* at 8-9.

Ms. Round provided that the impact of Pascoag's proposed changes would result in a monthly decrease of \$6.72 for a residential customer using 500 kWh. She noted that Pascoag did not use a growth factor in its assumptions due to very slow growth and the impact of energy efficiency measures upon consumptions levels. Finally, she indicated that Pascoag continues to experience difficulty in collecting from its protected and financial hardship customers and projected total uncollectibles in 2019 of \$36,393.¹⁵

As stated above, Pascoag filed supplemental testimony and exhibits on December 5, 2019, updating estimates in its original filing. The updated figures, which include actual power costs for October 2019, revealed an over-collection of \$339,948 as opposed to the \$364,815 over-collection in Pascoag's initial filing. Pascoag amended its proposed rates: Standard Offer Service rate of \$0.06672 per kWh; a Transition rate of \$0.00010 per kWh; a Transmission rate of \$0.03170 per kWh; and a Purchase Power Restricted Fund credit of (\$0.00279) per kWh. The impact of the amended proposed rates on a residential customer using 500 kWh per month would be a decrease of \$6.37 from current rates, or a 7.9% decrease.¹⁶

III. The Division of Public Utilities and Carriers

Mr. Contente's memorandum reviewed the initial rates proposed by Pascoag in its November 7, 2019 filing as well as the updated rates in Pascoag's December 5, 2019 filing, which included actual October expenses and an adjustment to the PPRF. Mr. Contente compared Pascoag's proposed 2020 supply portfolio to the 2019 allotments. The largest change from 2019 was the inclusion of a Dynegy hedge, with 1 MW of \$41.78/MWh "around the clock energy" to make up for the reduction of other contracts. He also

¹⁵ *Id.* at 9.

¹⁶ Round Supplemental at 1-2 (Dec. 5, 2019).

highlighted the fact that Pascoag now must share NYPA power with BIUD. As of September 1, 2019, BIUD now receives 17.66% of the NYPA power allotment.¹⁷

Mr. Contente reported that Pascoag continued to derive financial benefits from its contract with Tangent Energy Solutions, which owns and operates the natural gas-fired generator located on an easement within Pascoag's property. Tangent operates the generator on high demand days to shave peak demand hours, reducing Pascoag's transmission and capacity charges. Mr. Contente noted that in 2019, ratepayers received a benefit of approximately \$20,000 through a sharing formula with Tangent. In addition, Tangent also pays Pascoag an energy service fee rebate.¹⁸

Mr. Contente relayed that 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 projected a \$5,719 under-recovery of transitions charges from customers at the end of 2019. The proposed transition factor is designed to recover the under-recovery only and, after 2020, the transition charge will be eliminated.¹⁹

Mr. Contente explained that the Division had reviewed Pascoag's testimony, calculations, and invoices, as well as Pascoag's responses to data requests and discussions with Pascoag's representatives. He concluded that the proposed rates were reasonable and accurately calculated. The Division recommended approval of the rates for usage on and after January 1, 2020.²⁰

¹⁷Memo. by Al Contente at 3; <http://www.ripuc.ri.gov/eventsactions/docket/4990-Division-Memo%2012-11-19.pdf>.

¹⁸ *Id.*

¹⁹ *Id.* at 4.

²⁰ *Id.*

At an Open Meeting held on December 17, 2019, the PUC unanimously voted to approve Pascoag's updated proposed rates effective for usage on and after January 1, 2020. As in previous years, the evidence provided by Pascoag demonstrated its continued efforts to operate in a superb and efficient manner, providing high quality and committed service to its customers. The PUC continues to believe that, based on the strength of Pascoag's financial management, the current filing requirements of monthly status reports with the Division are sufficient. The Commission also approved Pascoag's supply portfolio pursuant to R.I. Gen. Laws § 39-1-27.8.

ACCORDINGLY, it is hereby

(23773) ORDERED:

1. Pascoag Utility District's Standard Offer Charge of \$0.06672 per kWh is hereby approved to be effective for usage on and after January 1, 2020.
2. Pascoag Utility District's Transmission Charge of \$0.03170 per kWh is hereby approved to be effective for usage on and after January 1, 2020.
3. Pascoag Utility District's Transition Charge of \$0.00010 per kWh is hereby approved to be effective for usage on and after January 1, 2020.
4. Pascoag Utility District's Purchase Power Restricted Fund credit of (\$0.00279) per kWh is hereby approved to be effective for usage on and after January 1, 2020.
5. Pascoag Utility District's supply procurement plan as required by R.I. Gen. Laws § 39-1-27.8 is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2020
PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 17, 2019.
WRITTEN ORDER ISSUED ON FEBRUARY 18, 2020.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran

Margaret E. Curran, Chairperson

Marion S. Gold

Marion S. Gold, Commissioner

Abigail Anthony

Abigail Anthony, Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.