STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: PASCOAG UTILITIES DISTRICT	**:**	
ANNUAL RECONCILIATION OF STANDARD	**:**	**DOCKET NO. 5083**
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.[1] On November 3, 2020, Pascoag Utility District (Pascoag or District) submitted an annual reconciliation of its Standard Offer Service,[2] Transmission,[3] and Transition[4] Rates for effect January 1, 2021.[5] On December 4, 2020, Pascoag filed updated schedules to reflect actual October expenses and revenues, leaving only November and December expenses and revenues to be estimated. The updated schedules reflected a reduction in forecasted sales from 54,809,000 kWh to 54,013,000 kWh.[6] In this updated filing, Pascoag requested approval of an decrease of its Standard Offer Service charge from $0.06672 per kWh to $0.06273 per kWh, an increase in the Transmission charge from $0.03170 per kWh to $0.03687 per kWh, a decrease in

[1] Beginning in 2021, the commodity service referred to as "standard offer service" pursuant to §39-1-27.3(b) expired and the service became what is referred to as "last resort service" under §39-1-27.3(c). While there are different procurement options available to the utility under last resort service, the procurements and commodity service for 2021 being provided by Pascoag are unaffected by the change, except in name only. On January 4, 2021, Pascoag made a tariff advice filing which reflected the name change.
[2] Pascoag's tariff defines its Standard Offer Service charge as the charge for Pascoag to provide energy to its customers.
[3] The Transmission Charge recovers Pascoag's costs of getting electricity from the generating station to Pascoag's substation.
[4] The Transition Charge is a surcharge representative of a transition cost paid by Pascoag to other utilities and suppliers.
[5] 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/5083page.html.
[6] While historically Pascoag has used a three-year average to forecast sales, this year it chose to use a one-year average of January through November 2020 and December 2019 which it believes is more indicative of what sales will be like in light of the COVID pandemic.

the Transition Charge from $0.00010 per kWh to $0.00000 per kWh, and a Purchase Power Reserve Fund Credit of ($0.00129). The impact for residential customers using 500 kilowatts (kW) of electricity a month was an overall increase in rates of 1.7% or $1.29 per month, from $74.63 to $75.92.

On December 10, 2020, 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. After a hearing and at an Open Meeting on December 23, 2020, 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 R. Kirkwood, Pascoag's General Manager, and Harle J. Young, 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 supply portfolio which included 21% sustainable power, with 16% from hydro and 5% from wind. Pascoag's power entitlement from nuclear was 27%. The balance of Pascoag's energy requirements were from fossil fuel sources, including a three-year contract with BP Energy Company and a virtual gas-fired unit transaction with NextEra Energy. Mr. Kirkwood explained that Pascoag is allotted 82.34% of Rhode Island's allocation of New York Power Authority (NYPA) entitlements with the remainder going to Block Island Utility District (BIUD).[7]

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[7] Test. of Michael R. Kirkwood at 1 (Nov. 3, 2020).

Mr. Kirkwood noted that Pascoag was successful in obtaining a competitive supply to hedge its remaining open positions for the upcoming period with a three-year deal with BP Energy Company. This deal replaces the three-year load following deal with PSEG Energy and the one-year block energy deal with Dynegy. The cost of the BP Energy Company deal is $36.85/MWh. Pascoag also secured two allotments of solar energy, one though Rhode Island's second renewable energy solicitation and the other under a competitive solicitation.[8]

Mr. Kirkwood stated that Pascoag negotiated several Edison Electric Institute (EEI) Master Power Purchase and Sales Agreements. He explained that these agreements streamline negotiations, improve Pascoag's position in contract negotiations, and allow for quick transactions based on market conditions at the time the transactions are priced. He reported that the Pascoag's Standard & Poor rating had improved; moving from "A-" to "A."[9]

Mr. Kirkwood stated that Pascoag receives $3,300 per month from ISM Solar as payment to Pascoag for allowing ISM Solar, which is located on the border of Pascoag's service territory, to sell energy directly to National Grid. Pascoag applies this monthly payment to its standard offer costs. Pascoag signed an energy services agreement with Ocean State BTM, LLC for a battery storage device to help manage Pascoag's peaks for transmission forward capacity market purposes. Mr. Kirkwood identified this as part of the non-wires alternative solution for the need to enhance its connection to National Grid and through National Grid to the rest of the New England network. Because Pascoag sometimes approaches and exceeds the thermal limits on feeder lines that connect it to the

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[8] *Id*. at 2.
[9] *Id.* at 4.

outside world, it began implementing the most cost-effective alternative which included expanding its substation capacity, moderate changes to the National Grid system, and implementation of a 3 MW/9 MWh battery storage DG unit when one of the feeder lines is out of service. Because the substation work had the implementation of battery storage as part of the solution, Pascoag is eligible for financing though the Rhode Island Infrastructure Bank and for a $250,000 grant from the Office of Energy Resources.[10]

On November 17, 2020, Mr. Kirkwood filed addendum testimony. The addendum described an additional power contract that Pascoag had entered into since its November 3, 2020 filing. Pascoag supplemented its portfolio with a ten-year green hydropower contract that commences in January 2021. Pascoag joined with twenty other public power utilities in Massachusetts, Rhode Island, and Vermont in entering into this contract that will lower its greenhouse gas emissions and overall carbon footprint. The contract is competitively priced at $44/MWh in 2021 and escalating to less than $50/MWh by 2030. Off-peak pricing is less starting at $37/MWh to $42/MWH over the ten-year period.[11]

Ms. Young's Testimony

Ms. Young summarized the reconciliation of the factors and estimated a year-end over-collection of $317,538. She stated that the District's cash flow in 2020 was more than adequate to meet all the purchase power obligations and that the District did not have to use any funding from the Purchase Power Restricted Fund (PPRF).[12] Pascoag proposed

[10] *Id.* at 4. *See* PUC order No. 22876 in Docket No. 4636 for the PUC's approval of the ISM Solar Facility Agreement.
[11] Kirkwood Addendum at 1 (Nov. 17, 2020).
[12] 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 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

reducing the PPRF flowback to customers, approved in Docket No. 4895, to a total of $153,185, from $161,079 approved by the Commission last year.[13]

Ms. Young 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 $713,224.41. She noted that the District had fully funded its Storm Fund in 2020, with a $20,000 annual payment made in quarterly increments of $5,000. As of November 2020, the Storm Fund balance was $95,909.[14] Noting that it began the year with an over-collection and then received Forward Capacity Market credits, use right credits from Hydro Quebec, REC sales credits, ISM Solar revenue, an over-collection of transition costs, an anticipated over-collection of transmission costs, and 2,037,915 of interruptible kWh from its NYPA entitlements, Pascoag projected the cumulative over-collection for year-end 2020 to be $317,538, the net of $132,159 Standard Offer Service, $5,210 Transition, and $180,170 Transmission.[15]

Ms. Young stated that the 2021 forecasted power and transmission expense of $5,656,262 is $141,940 less than the 2020 budget of $5,789,203.[16] She identified twelve adjustments used by Energy New England (ENE) in its 2021 Bulk Power Cost Projections for Pascoag: (1) adjustments for the Seabrook projections, including a fixed cost reduction; (2) NYPA projections that reflect a change in entitlements resulting in lower purchases and no change in transmission costs due to the change in entitlement; (3) updated capacity projections; (4) updated NextEra Rise Call Options, including a price lock; (5) a net

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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. In Docket No. 4990, the Commission further reduced this flowback to $153,185.42.

[13] Young Test. at 2 (Nov. 6, 2020).

[14] *Id*.

[15] *Id*. at 5-7.

[16] *Id*. at 7.

decrease in bilateral transactions; (6) a change from resales to purchases with ISO-NE; (7) an increase in charges by ENE to regular and short supply; (8) an overall net increase to adjustments in estimated ISO-NE expenses; (9) the ISM Solar credit; (10) an increase in National Grid's Network Transmission charges; (11) ENE adjustments to the sub-transmission charges; and (12) a net adjustment of $3,610 for the Hydro Quebec Transmission Charges.[17]

Ms. Young provided that the impact of Pascoag's proposed changes would result in a monthly increase of $0.09 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 2020 of $20,733.[18] Pascoag's uncollectibles have decreased by almost half of what it experienced last year which it explained was due to actively enrolling customers in the Arrearage Management Program, as well as the customer service representative being very diligent in staying on top of collections.[19]

As stated above, Pascoag filed supplemental testimony and exhibits on December 4, 2020, updating estimates in its original filing and revising its forecast using a one-year average for January through November 2020 and December 2019 for consumption. The updated figures, which include actual power costs for October and November 2020, revealed an over-collection of $276,062 as opposed to the $317,538 over-collection in Pascoag's initial filing. Pascoag amended the rates originally proposed in its November 3,

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[17] *Id*. at 8-9.
[18] *Id.* at 9.
[19] PUC 1-2.

2020 filing. The impact of the amended proposed rates on a residential customer using 500 kWh per month would be an increase of $1.29 from current rates, or a 1.7% increase.[20]

III. The Division of Public Utilities and Carriers

The Division's memorandum reviewed the initial rates proposed by Pascoag in its November 3, 2020 filing as well as the updated rates in Pascoag's December 4, 2020 filing, which included actual October expenses and an adjustment to the PPRF.

The Division compared Pascoag's proposed 2021 supply portfolio to the 2020 allotments. The largest change from 2020 was the inclusion of the three-year contract with BP Energy Company for load-following energy which will comprise 42% of the portfolio at $36.85/MWh. Also noteworthy was the elimination of the transition charge.[21]

The Division 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 within an easement on Pascoag's property. Tangent operates the generator on high demand days to shave peak demand hours, reducing Pascoag's transmission and capacity charges. The Division noted that the Division verified that the Tangent benefits flow back to ratepayers through the standard offer provision. The Division addressed Pascoag's agreement with Ocean State BTM to install a battery storage system and noted that there will be no current rate impact since the in-service date is not expected until late 2021 or early 2022.[22]

The Division stated that the Division was satisfied that the actual information submitted through October 2020 was accurate and that the year-end balance and projections were reasonable. He described the calculation of the proposed factors and how the forecast was

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[20] Young Addendum at 1-2 (Dec. 4, 2020).
[21] Contente Mem. at 3 (Dec. 10, 2020).
[22] *Id*.

developed noting that because of the COVID pandemic MWh sales are expected to be lower necessitating the need for the minor proposed rate increase. He 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 did not incur any additional transition charges. However, Pascoag projected a $5,183 over-recovery of transition charges from customers at the end of 2020 and proposed crediting this amount to the standard offer provision and terminating the transition factor. He stated that the Division did not object to this treatment of the over-recovery or to the elimination of the transition factor.[23]

The Division explained that the Division had reviewed Pascoag's testimony, calculations, and invoices, as well as Pascoag's responses to data requests and its 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, 2021.[24]

The Commission held an evidentiary hearing on December 23, 2020. At the hearing, Mr. Kirkwood testified that transmission rates are increasing due to the build out of the transmission system in New England. He explained Pascoag's power portfolio noting that he prefers it be diverse and tries to model it with long and intermediate term contracts. He stated that he tries to come as close to being 100% hedged as possible. Mr. Kirkwood testified about Pascoag's decision to depart from its historic practice of using a three-year forecast noting that 2020 actuals may be more accurate in light of the COVID pandemic.

[23] *Id*. at 4.
[24] *Id*.

He testified that the planned battery storage will avoid infrastructure upgrades and investments.

At an Open Meeting held on December 23, 2020, the PUC unanimously voted to approve Pascoag's updated proposed rates effective for usage on and after January 1, 2021. 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. While it is a departure from historical practice, the Commission found that Pascoag's proposal to use a one-year average to forecast sales is appropriate and supported by the evidence in light of how its sales have been and may continue to be affected by the COVID pandemic. The Commission also approved Pascoag's supply portfolio pursuant to R.I. Gen. Laws § 39-1-27.8.

ACCORDINGLY, it is hereby

(23965) ORDERED:

1. Pascoag Utility District's Standard Offer Charge of $0.06273 per kWh is approved for usage on and after January 1, 2021.

2. Pascoag Utility District's Transmission Charge of $0.03687 per kWh is approved for usage on and after January 1, 2021.

3. Pascoag Utility District's Transition Charge over-collection of $5,183 shall be credited to the standard offer provision and the Transition Charge shall be eliminated effective January 1, 2021.

4. Pascoag Utility District's Purchase Power Restricted Fund credit of ($0.00129) per kWh is hereby approved for usage on and after January 1, 2021.

5. Pascoag Utility District's supply procurement plan as required by R.I. Gen. Laws § 39-1-27.8 is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2021 PURSUANT TO A BENCH ORDER DECEMBER 23, 2020. WRITTEN ORDER ISSUED ON JANUARY 5, 2021.

PUBLIC UTILITIES COMMISSION

Ronald T. Gerwatowski, Chairperson

Marion S. Gold, Commissioner

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.