STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
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Memorandum

To: L. Massaro
Commission Clerk

From: Al Contente
Division of Public Utilities and Carriers

Date: December 10, 2021

Subject: Power Supply Service, Transmission, and Purchase Power Restricted Fund Credit Reconciliation Filing Docket No. 5194

On November 4, 2021 and pursuant to R.I. Gen. Laws § 39-1-27.3, the Pascoag Utility District ("Pascoag" or "District") filed with the Rhode Island Public Utilities Commission ("Commission") its Year-End Status Report for Power Supply Service, Transmission, and Purchase Power Restricted Fund Credit Reconciliation. The filing contained nine (9) months of actual data through September 2021 and forecasted data through the end of 2021. Pascoag's filing also included the District's projected revenue and expenses for 2022 and proposed rates for effect on January 1, 2022. Pascoag also submitted the direct testimony of two witnesses in support of its filing. The witnesses were identified as Mike Kirkwood, General Manager and Harle Young, Manager of Finance and Customer Service.

On December 2, 2021 Pascoag submitted an Addendum Year-End Status Report which included actual expenses and revenues for October leaving estimates for November and December only. On December 6, 2021, Pascoag submitted a corrected Addendum filing which included the following billing factors:

Factor	Current	Proposed	Difference	500 kWh Bill Impact
Last Resort Service (LRS)	$ 0.06273	$ 0.06451	$0.00178	$0.89
Transmission	$ 0.03687	$ 0.03915	$0.00228	$1.13
Purchase Power Restricted Fund	$(0.00129)	$(0.00121)	$ 0.00008	$0.04
Total	$ 0.09831	$ 0.10215	$0.00414	$2.07

The filing was made in accordance with Pascoag's tariff which requires that Last Resort Service and other adjustment charges be calculated every (12) months and submitted to the Public Utilities Commission for approval. The calculation was based on estimated revenues and expenses of purchased power and transmission expenses for the upcoming year and a reconciliation of the projected year-end 2021 balance applicable to each factor.

Power Entitlements

Mr. Kirkwood provided testimony on Pascoag's power portfolio. He discussed the portfolio in detail and explained that the 2022 power supply portfolio is a combination of energy sources that amounts in 53% non-carbon-based electricity production. Below is a comparison of Pascoag's 2021 and 2022 Power Entitlements. The 2021 information is from Pascoag's 2021 (Docket No. 5083) filing and the 2022 information is from Mr. Kirkwood's testimony in the current filing.

Supply	2021	2022
Brown Bear Hydro (Miller)	2%	2%
Cabot/Turner Hydro	-	7%
Spruce Mountain Wind	3%	3%
Canton Wind	2%	2%
NYPA (PASNY)	14%	13%
Seabrook	19%	19%
NextEra Hedge	8%	7%
NextEra RISE	10%	10%
BP Energy 3-Year Hedge	42%	27%
Shell Energy Block Power	-	9%
ISO-NE Interchange	-	1%
	100%	100%

A noteworthy change from Pascoag’s 2021 filing is the new three (3)-year contract with Shell Energy for which fills the need for power in a block energy deal where the Pascoag purchases blocks of power to best match their load curve. At a price of $59.40/MWh, Pascoag expects to purchase approximately 9% of the company’s energy needs under this contract.

Within the purchase from Pascoag’s wind and hydro renewable energy sources are Renewable Energy Credits (RECs). The District has chosen to sell these RECs in the market and use the revenues to offset the purchase power costs thereby keeping downward pressure on LRS rates. Those benefits have been confirmed by the Division as credits towards their energy bills.

Pascoag also continues to derive financial benefits from their existing contract with Tangent Energy Solutions. Owned and operated by Tangent, the gas-fired power generator was installed in 2019 is located on an easement within Pascoag property and runs on high-demand days to shave peak demand hours. The Division verified the Tangent benefits properly flowed back to customers through the standard offer provision.

Additionally, Pascoag recently entered into an agreement with Ocean State BTM to install a battery storage system to help manage peak loads and potentially reduce capacity costs. Pascoag also expects the battery to alleviate some issues that arise when Pascoag approaches and sometimes exceeds thermal limits on the National Grid (“NGrid”) transmission feeders supplying the Pascoag. In addition to giving peak load relief, the 3MW/9MWh battery storage distributed energy unit will also be able to manage contingency conditions if one of the two NGrid feeders goes out of service. In addition to the battery project, Pascoag made modifications to its substation to allow both feeders to supply power simultaneously, thereby alleviating over-loading conditions.

The battery system is scheduled to be installed and operational in 2022, however, no projected revenue or expenses were included in the current filing for operation of the battery storage facility. Pascoag expects little impact in the way of expenses or revenue from the operations of the unit, as there is a "zero sum game at the end of the day" according to the response to Division data request Div. 1-4. There may be differences in locational market prices during the charging vs. discharging cycles, but Mr. Kirkwood stated that "Pascoag would like to gain experience in battery storage operation prior to attempting to forecast such price differences"[1].

Last Resort Service and Transmission Charges

As discussed in the Addendum, Year-End Status Report, Pascoag projects a $124,788 over-collection on December 31, 2021, broken out as follows:

	Updated Forecast to 12/31/21
Last Resort Service	$17,540
Transmission	$107,247
Total (overcollection)	**$124,787**

Throughout the year, Pascoag submits detailed monthly purchased power and transmission reconciliation reports detailing 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 2021. 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 2021 is properly supported by the supplied invoices and the reconciliation amounts are properly calculated.

To calculate the proposed 2022 factors for the Last Resort Service and Transmission Charges, Pascoag combines the forecasted 2021 year-end balances with the projected revenue and expenses for 2022. Pascoag uses its 2021 power entitlements and works with Energy New England to develop its 2022 forecast. The original forecast included in this filing is $3,486,640 for Energy and $2,213.309 for Transmission for a total of $5,698,949. The updated total for 2021 including actual information for the month of October is a decrease to $5,575,221. Pascoag included a detailed discussion in its filings related to the projected $123,728 decrease.

The Division reviewed the testimony and supporting documents including the amended filing and concludes that the basis for Pascoag's projections is reasonable.

Purchased Power Restricted Fund Credit (PPRFC)

The Purchased Power Restricted Fund Credit Factor is designed to flow back funds to ratepayers above the target level of the Purchased Power Restricted Fund (PPRF). The PPRF was established to provide the necessary funds to cover one month of power supply and transmission expenses in case of cash flow issues and currently has a target level of $550,000. In accordance with PUC decision in Docket 3709, due to an anticipated closure of one of Pascoag's large customers (Daniele Prosciutto International (DPI)), the base revenues for DPI were excluded from the base distribution revenue requirements and instead credited to the PPRF fund. The PPRFC Factor was set at a level to flow back funds above the target level. The funds above the target level were generally generated from the DPI credits.

[1] RIPUC Docket 5194, Response to Division DR Div. 1-4

DPI has remained a customer of Pascoag's and in the most recent rate case the DPI revenues were included in the revenue requirement and the practice of crediting DPI base revenues to the PPRF will end effective January 1, 2022.

In its filing, Pascoag projects a 2021 year-ending PPRF balance of $614,900 and proposes to credit $64,900 to customers through the PPRFC Factor to bring the balance to the target level of $550,000 by the end of 2022.

According to Pascoag's response to Commission Data request PUC-1, the PPRF was used twice in the last ten years. The fund was first drawn upon in 2013 in an amount of $485,000 and again in 2014 in an amount of $355,000. According to information provided to the Division by Pascoag, the funds were used to help the company remain current with power bills during times were cash-flow had become an issue.

Pascoag considers the PPRF to be a contingency fund that should be utilized if circumstances arise such that purchase power costs become higher than originally estimated. Pascoag believes that, without access to a contingency reserve, its ratepayers could become subject to the high fees associated with late and/or default payments. When asked by the Division if Pascoag had considered short-term borrowing solutions other than maintaining a reserve fund, the company suggested that it does have access to lines-of-credit but there is a significant lag between the time between the funds are requested and the time the funds are available. The PUD also stated it is concerned that maintain certain levels of indebtedness could negatively impact its credit rating thereby costing ratepayers more in the form of higher interest rates.

For these reasons, the Division agrees with Pascoag's position that it should continue to maintain the PPRF but recommends lowering the fund level from $550,000 to $500,000, which would result in an additional $50,000 credited to customers through the PPRFC Factor for a total flowback of $114,900 to ratepayers in 2022. Taking into consideration the fact that that the highest amount needed in the past ten years was $485,000, the Division believes a $50,000 reduction as reasonable.

Conclusion

The Division reviewed Pascoag's submissions, including the testimony, calculations, and invoices submitted in this docket. Additionally, the Division reviewed Pascoag's responses to data requests and participated in discussions with Pascoag representatives. Based on our review, the Division finds that the proposed Last Resort Service and Transmission rates are reasonable and accurately calculated and recommends the Commission approve the applicable rates included in Pascoag's December 6, 2021 Year-End Status Report Corrected Addendum, Concerning the PPRFC, as noted in our earlier discussion, the Divisions recommends and additional flowback of $50,000 from the Purchased Power Reserve Fund to bring the target balance to $500,000. Based on our calculations, this results in a PPRF factor of $(0.00214).