

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: PASCOAG UTILITIES DISTRICT** :  
**ANNUAL RECONCILIATION OF POWER SUPPLY** : **DOCKET NO. 5194**  
**SERVICE, TRANSMISSION, AND PURCHASE** :  
**POWER RESTRICTED FUND** :

**REPORT AND ORDER**

**I. Introduction**

On November 4, 2021, Pascoag Utility District (Pascoag or District) submitted an annual reconciliation of its Power Supply Service<sup>1</sup> and Transmission<sup>2</sup> Rates for effect January 1, 2022.<sup>3</sup> On December 2, 2021, 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 54,013,000 kWh to 53,728,000 kWh.<sup>4</sup> Pascoag filed a corrected addendum on December 6, 2021 adjusting estimated sales to 53,744,000 and the estimated over-collection to be \$124,788. In this updated filing, Pascoag requested approval of an increase of its Power Supply Service charge from \$0.06273 per kWh to \$0.06451 per kWh, an increase in the Transmission charge from \$0.03687 per kWh to \$0.03915 per kWh, and a Purchase Power Reserve Fund Credit of (\$0.00121). The impact for residential customers using 500 kilowatts (kW) of electricity a month was an overall increase in rates of 2.7% or \$2.07 per month, from \$75.92 to \$77.99.

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<sup>1</sup> Pascoag's tariff defines its Power Supply Service charge as the charge for Pascoag to provide energy to its customers.

<sup>2</sup> The Transmission Charge recovers Pascoag's costs of getting electricity from the generating station to Pascoag's substation.

<sup>3</sup> 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/5194page.html>.

<sup>4</sup> Last year the Commission allowed Pascoag to use a one-year average of January through November 2020 and December 2019 which it believed to be more indicative of what sales would be like in light of the COVID pandemic. Pascoag chose to do that again this year and used a one-year average of January through September 2021 and October through December 2020.

On December 10, 2021, the Division of Public Utilities and Carriers (Division), filed a Memorandum recommending that the PUC approve Pascoag's requested Power Supply and Transmission rates and recommending that the Commission reduce the target balance in Pascoag's Purchase Restricted Fund (PPRF) from \$550,000 to \$500,000. After a hearing and at an Open Meeting on December 21, 2021, the PUC unanimously approved the rates set forth in Pascoag's amended filing and directed the company to include in its compliance filing a PPRF credit factor that reduces the target balance in the PPRF to \$500,000.

## **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 27% sustainable power, with 22% from hydro and 5% from wind. Pascoag's power entitlement from nuclear is 26%. The balance of Pascoag's energy requirements is from fossil fuel sources, including a three-year contract with BP Energy Company, a three-year contract with Shell Energy beginning in 2022, and a virtual gas-fired unit transaction with NextEra Energy Marketing, LLC. Mr. Kirkwood explained that Pascoag is allotted 82% of Rhode Island's allocation of New York Power Authority (NYPA) entitlements with the remainder going to Block Island Utility District (BIUD).<sup>5</sup>

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<sup>5</sup> Test. of Michael R. Kirkwood at 1-2 (Nov. 4, 2021).

Mr. Kirkwood noted that Pascoag was successful in obtaining a competitive supply with Shell Energy to fill out its remaining energy needs each hour and that will partially meet its energy needs for each hour in 2023 and 2024. This deal supplements the three-year block energy deal with BP Energy Company. The cost of the Shell Energy deal is \$59.40 MWh. Pascoag also secured two allotments of solar energy, one through Rhode Island's second renewable energy solicitation and the other under a competitive solicitation. Mr. Kirkwood noted that Pascoag's portfolio is also supplemented with a ten-year renewable hydropower contract beginning in 2021 that was structured and negotiated between FirstLight Power and Energy New England on behalf of 20 consumer owned entities in Rhode Island and Massachusetts in which Pascoag is included.<sup>6</sup>

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." in January 2019, and since 2008 it has maintained an "A" or "A-" rating.<sup>7</sup>

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 transmission and capacity 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

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<sup>6</sup> *Id.* at 2-3.

<sup>7</sup> *Id.* at 3-4.

England network. Because Pascoag sometimes approaches and exceeds the thermal limits on feeder lines that connect it to the 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 through the Rhode Island Infrastructure Bank and for a \$250,000 grant from the Office of Energy Resources.<sup>8</sup>

### **Ms. Young's Testimony**

Ms. Young filed testimony on November 4, 2021 and later amended it on November 30, December 2, and December 6, 2021. Her testimony summarized the reconciliation of the factors and estimated a year-end over-collection of \$122,614. 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).<sup>9</sup> The expected balance in the PPRF after December meter reads are billed is \$614,899.87. Pascoag proposed flowing back a total of \$64,899.87 as a credit to customers.<sup>10</sup>

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 \$642,540.46. She noted that the District had fully funded its Storm

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<sup>8</sup> *Id.* at 4. See PUC order No. 22876 in Docket No. 4636 for the PUC's approval of the ISM Solar Facility Agreement.

<sup>9</sup> 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.

<sup>10</sup> Young Test. at 2-3 (Nov. 30, 2021).

Fund in 2021, with a \$20,000 annual payment made in quarterly increments of \$5,000. As of November 2021, the Storm Fund balance was \$115,909.<sup>11</sup> 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 anticipated over-collection of power supply and transmission costs, and 832,108 of interruptible kWh from its NYPA entitlements (costing almost \$40,000 more than forecasted by ENE), Pascoag projected the cumulative over-collection for year-end 2021 to be \$122,614, the net of \$6,979 Power Supply Service and \$115,635 Transmission.<sup>12</sup>

Ms. Young stated that the 2022 forecasted power and transmission expense of \$5,698,950 is \$42,687 more than the 2021 budget of \$5,656,263.<sup>13</sup> She identified twelve adjustments used by Energy New England (ENE) in its 2022 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 a reduction in transmission costs; (3) updated capacity projections; (4) updated NextEra Rise Call Options, including a price lock; (5) a net increase 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) a reduction in National Grid's Network Transmission charges; (11) ENE adjustments to the sub-transmission charges; and (12) a net adjustment of \$1,907 for the Hydro Quebec Transmission Charges.<sup>14</sup>

Ms. Young provided that the impact of Pascoag's proposed changes would result in a monthly increase of \$2.13 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

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<sup>11</sup> *Id.* at 4.

<sup>12</sup> *Id.* at 5-6.

<sup>13</sup> *Id.* at 7.

<sup>14</sup> *Id.* at 7-8.

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 2021 of \$19,844.<sup>15</sup>

As stated above, Pascoag filed supplemental testimony and exhibits on December 2, 2021, updating estimates in its original filing and revising its forecast using a one-year average for January through November 2021 and December 2020 for consumption. The updated figures, which include actual power costs for October and November 2021, revealed an over-collection of \$132,896 as opposed to the \$122,614 over-collection in Pascoag's initial filing. Pascoag amended the rates originally proposed in its November 4, 2021 filing. The impact of the amended proposed rates on a residential customer using 500 kWh per month would be an increase of \$1.99 from current rates, or a 2.6% increase.<sup>16</sup>

On December 6, 2021, Pascoag filed corrected addendum testimony to reflect a couple of errors in sales to customers that it discovered in the Addendum filed on December 2, 2021. The correction adjusted estimated sales for 2022 to 53,774 MWh. The updated overcollection is estimated to be \$124,788. The impact on customers will be a monthly increase of \$2.07 or a 2.7% increase.<sup>17</sup>

### **III. The Division of Public Utilities and Carriers**

The Division's memorandum reviewed the initial rates proposed by Pascoag in its November 4, 2021 filing as well as the updated rates in Pascoag's December 6, 2021 filing, which included actual October expenses and an adjustment to the PPRF.

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<sup>15</sup> *Id.* at 8-9.

<sup>16</sup> Young Addendum at 1-2 (Dec. 2, 2021).

<sup>17</sup> Young Corrected Addendum at 1-2 (Dec. 6, 2021).

The Division compared Pascoag's proposed 2021 supply portfolio to the 2021 allotments. The largest change from 2021 was the inclusion of the three-year contract with Shell Energy which fills the need for power in a block energy deal where Pascoag purchases blocks of power to best match their load curve. Pascoag expects to purchase about 9% of its energy needs under this contract at \$59.40/MWh.<sup>18</sup>

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 it 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 it is expected to be installed and operational in 2022. It noted that Pascoag expects little financial impact from operation of this unit.<sup>19</sup>

The Division stated that it was satisfied that the actual information submitted through October 2021 was accurate and that the year-end balance and projections were reasonable. It also discussed Pascoag's PPRF Credit which was established in Docket No. 3709 to provide Pascoag with one month of power supply and transmission expenses in the event it encountered cash flow issues. In Docket No. 4341 and based on the anticipated closure of one of Pascoag's largest industrial customers, Danielle Prosciutto International (DPI), the Commission approved the exclusion of revenues from DPI from the base distribution revenue requirements and allowed those revenues to be credited to the PPRF. In its last base rate case, Docket No. 5134, DPI's revenues were included in Pascoag's revenue requirement and as of January 1, 2022, those revenues will no longer be

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<sup>18</sup> Contente Mem. at 2 (Dec. 10, 2021).

<sup>19</sup> *Id.* at 2-3.

credited to the PPRF. Currently, Pascoag is authorized to have a balance of \$550,000 in the PPRF account and when the account exceeds that amount, the excess is flowed back to ratepayers. The Division noted that Pascoag has previously used funds from the account in 2013 and 2014, the highest amount being \$485,000, to help it remain current with its power bills. The Division expressed its satisfaction that there is not an alternative to maintaining this account that may not negatively affect Pascoag's credit rating which would in turn negatively impact ratepayers by resulting in higher interest rates. It agreed with Pascoag that the PPRF should continue but that the target level should \$500,000 a reduction of \$50,000. This will result in \$114,900 being flowed back to ratepayers through the PPRF factor.<sup>20</sup>

After review of Pascoag's testimony, calculations, and invoices, as well as Pascoag's responses to data requests and its discussions with Pascoag's representatives. The Division concluded that the proposed rates were reasonable and accurately calculated, and recommended approval of the rates for usage on and after January 1, 2022.<sup>21</sup>

The Commission held an evidentiary hearing on December 20, 2021. At the hearing, both Mr. Kirkwood and Ms. Young provided testimony. Ms. Young testified that the current proposal to increase the Power Supply charge by \$0.00178 and the Transmission charge \$0.00228 and flowing back about \$64,000 from the purchase power restricted fund to ratepayers will result in a monthly increase of \$2.07 for a 500 kWh hour customer. If the Commission approved increase from Pascoag's most recent rate case were included that same customer would experience an overall increase of \$5.25 a month for a bill of \$81.16 a month.<sup>22</sup>

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<sup>20</sup> *Id.* at 3-4.

<sup>21</sup> *Id.*

<sup>22</sup> Hr'g Tr. at 11-12 (Dec. 20, 2021).



Mr. Kirkwood testified that when Pascoag's Tangent peaker unit is able to hit peak in a given month, its transmission charges are reduced. He also provided testimony about the PPRF noting that it was set up initially as a tool to prevent cash flow issues resulting from customers not paying their bills. He noted that in later years, it was used to help pay power bills when an increase in gas prices caused electric prices to increase. When questioned about alternatives to using this fund, i.e., drawing on a line of credit, Mr. Kirkwood detailed his concerns. He stated that would not be a preferable option, because it could take time to access funds and it could negatively affect Pascoag's Standard and Poors' A rating. Ms. Young noted that Pascoag's power bills are usually due within fifteen days of receipt.<sup>23</sup>

At an Open Meeting held on December 21, 2021, the Commission unanimously voted to approve Pascoag's updated proposed rates effective for usage on and after January 1, 2022. 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. It made particular note of the uniqueness of the utility, in that being a municipally run company, its directors are elected by its ratepayers. The Commission expressed confidence in Pascoag's management and recognized the thoroughness of responses it provided to all inquiries. The Commission 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. Based on the Division's recommendation and Pascoag's agreement, the Commission found that reducing the purchase power restricted fund by \$50,000 is reasonable. It stated that having these funds available in case of an emergency or in the event of sudden price increases because of unusual

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<sup>23</sup> *Id.* at 14-21.

weather events, which seem to be more frequent, is a wise business decision. The Commission also approved Pascoag's supply portfolio pursuant to R.I. Gen. Laws § 39-1-27.8.

ACCORDINGLY, it is hereby

(24316 ) ORDERED:

1. Pascoag Utility District's Power Supply Service Charge of \$0.06451 per kWh is approved for usage on and after January 1, 2022.
2. Pascoag Utility District's Transmission Charge of \$0.03915 per kWh is approved for usage on and after January 1, 2022.
3. Pascoag Utility District's Purchase Power Restricted Fund credit of (\$0.00214) per kWh is hereby approved for usage on and after January 1, 2022.
4. 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, 2022 PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 21, 2021. WRITTEN ORDER ISSUED ON FEBRUARY 21, 2022.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner



John C. Revens, Jr., 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.