STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

IN RE: PASCOAG FIRE DISTRICT	:	
STANDARD OFFER SERVICE	:	DOCKET NO. 2861
TRANSITION CHARGE AND	:	
TRANSMISSION CHARGE FILING	:	

REPORT AND ORDER

On January 7, 2000, the Pascoag Fire District ("Pascoag") filed with the Rhode Island Public Utilities Commission ("Commission") proposed changes, to take effect on February 1, 2000, to Pascoag's Standard Offer Charge, Transmission Charge and Transition Charge, pursuant to a semi-annual purchased power reconciliation plan previously approved by the Commission.[1] The filing was revised on January 20, 2000 (Pasc. Exh. 2). In its revised filing, Pascoag proposes to: increase its Standard Offer Charge from the current $0.03020 per kilowatt-hour ("kWh") to $0.03384 per kWh; increase the Transition Charge from the current $0.01942 per kWh to $0.02353 per kWh; and decrease the Transmission Charge from $0.00569 per kWh to $0.00517 per kWh. The cumulative effect of these changes on a typical residential customer using 500 kWh per month is to increase the monthly electric bill by $3.61, from $47.77 to $51.38, an increase of 7.6% (Pasc. Exh. 2).

Following public notice, a hearing was conducted at the Commission's offices, 100 Orange Street, Providence, on January 28, 2000. The following individuals entered appearances:

FOR PASCOAG: William L. Bernstein, Esq.

FOR THE DIVISION: Leo Wold, Esq.
Special Assistant Attorney General

FOR THE COMMISSION: Steven Frias
Senior Legal Counsel

Pascoag's General Manager, Theodore G. Garille, testified in support of the filing. Mr. Garille explained that Pascoag is considering providing electric service to the Zambarano Hospital,[2] and selling at retail, electricity to the remainder of the town of Burrillville.[3] Mr. Garille also discussed the status of Pascoag's negotiation with New York Power Authority for the renewal of its contract to receive electric power from St. Lawrence/FDR plant until 2023.[4]

Standard Offer Charge

Electric distribution companies are required by Section 39-1-27.3 of the Rhode Island Utility Restructuring Act of 1996 ("URA") to provide Standard Offer service to retail customers who choose not to purchase power through the retail access market from a nonregulated power producer. Pascoag offers Standard Offer service to any customer not otherwise served by a nonregulated power producer, even if the customer has previously left the system and wishes to return to having Pascoag supply its energy needs.

The proposed increase in Pascoag's Standard Offer Charge is based upon Pascoag's estimated purchased power costs for the upcoming six-month period. These estimates are based upon projections supplied by Energy New England for

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[1] See Order Nos. 15634 and 15676, issued on June 30 and August 26, 1998, respectively.
[2] According to Mr. Garille, the Zambarano Hospital would become Pascoag's second largest customer. T., 14.
[3] Mr. Garille stated that Pascoag's desire to offer electricity to the remainder of the residents of Burrillville would bring the benefits of electric retail competition to residential customers. T., 45-46.

the period February 2000 through July 2000, as well as assumptions regarding the market cost of power. For calendar year 1999, Pascoag assumed the market cost of power was $0.035 per kWh; in its projections for January 2000 forward, Pascoag assumes the market cost to be $0.038 per kWh. The proposed Standard Offer Charge also includes any reconciling balance (Standard Offer costs netted against Standard Offer revenues) for the prior six-month period. From June 1999 through November 1999, Pascoag experienced an increase in actual purchased power costs, resulting in an undercollection of $7,642 on its Standard Offer Charge. The estimated purchased power costs, to which any reconciling balance is added or subtracted, as appropriate, are then divided by the projected Standard Offer kWh sales for the upcoming six-month period to produce the per-unit factor (Kwh charge) for the upcoming six-month period.

The filing proposes a Standard Offer Charge factor of 3.384¢ per kWh for the six-month period beginning February 1, 2000. This factor was determined as follows:

Forecast Standard Offer cost (February 2000 though July 2000)	$706,483
Reconciling period cost (June 1999 through November 1999)	$617,160
Reconciling period revenues	<u>($609,518</u>)
Total Standard Offer costs to recover	$714,125
Forecast MWH sales for the period	21,100
Standard Offer factor ($714,125/21,100)	$0.03384

<u>See</u> Pasc. Exh. 2 , at revised Exh V.

<u>**Transition Charge**</u>

[4] Approximately one-third of Pascoag's power is purchased from NYPA. T., 16. The purchase of NYPA power is

Electric distribution companies are authorized by Section 39-1-27.4 of the URA to collect a nonbypassable transition charge from all customer of the electric distribution company. This charge recovers certain costs incurred as a result of Pascoag's contractual obligations under its wholesale power supply contracts that were entered into before retail access was mandated by the URA. For Pascoag, the Transition Charge recovers contract termination costs for the upcoming six-month period. The Transition Charge includes the above-market cost of energy associated with Pascoag's purchases under the MMWEC Project Six Contract (Seabrook power) and its contractual obligations to Montaup Electric Co., net of transmission costs and any re-marketing savings. Also included are payments to ISO-New England and the reconciling balance for a prior six-month period.

The proposed increase in Pascoag's Transition Charge is based upon purchased power cost projections supplied by Energy New England for the period February 2000 through July 2000[5], as well as an undercollection of $59,405 in Pascoag's Transition Charge from June 1999 through November 1999. The proposed Transition Charge increase is also attributable to the expenses billed by ISO--New England in connection with Pascoag's purchase and sale of energy through ISO-New England Energy Markets.[6] A further factor contributing to the increase in Pascoag's Transition Charge is MMWEC's revision of the Surplus

necessary for the continued existence of Pascoag. T., 54.

[5] In his prefiled testimony, Mr. Garille noted that Energy New England's purchased power cost projections for Pascoag reflected such factors as a decrease in NYPA hydro-power production due to low water availability, increases in energy and capacity charges under the EUA system contract, and anticipated increases in various ISO-New England charges.

[6] Mr. Garille expressed serious concerns regarding ISO-New England's billing practices. T., 26.

Funds received annually by each Seabrook Project Six participant.[7] For fiscal year 1999-2000, Pascoag's share of these savings will decrease from a credit of $13,680 per month to $9,110 per month. In addition, a credit of approximately $10,800 per month to Pascoag's ratepayers of transmission service overcharges refunded by Northeast Utilities was completed in January 2000.

In its last order in this Docket, the Commission approved Pascoag's request to establish a $75,000 reserve fund ("Rate Stablization Fund"), to be recovered through the Transition Charge, in order to offset any future costs associated with Seabrook Project Six closure costs.[8] Pursuant to the order, Pascoag was to set aside $6,250 per month in the Rate Stabilization Fund for a 12-month period beginning August 1, 1999. In November 1999, however, as the result of a NEPOOL settlement with MMWEC of a complaint that NEPOOL had been double charging for transmission access under NEPOOL's Open Access Transmission Tariff ("OATT"), Pascoag began receiving a $110,000 refund that will be returned to Pascoag over a 9-month period ending August 1, 2000. Pascoag has deposited the intitial $25,000 of this NEPOOL OATT refund into the Rate Stabilization Fund. As a result, Pascoag will only need to set aside $6,250 for an additional two months in order to fully fund the Rate Stabilization Fund. Pascoag proposes crediting the Transition Charge with the remaining NEPOOL OATT refund balance of $82,800 ratably over the 9-month period.

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[7] Pascoag is a recipient of these funds due to its contract with the Seabrook Nuclear Power plant. Approximately one-third of Pascoag's power is purchased from Seabrook.
[8] Order No. 15936 (issued August 30, 1999).

The filing proposes a Transition Charge factor of 2.353¢ per kWh for the six-month period beginning February 1, 2000. The Transition Charge calculation reflects a credit of $9,500 per month resulting from the NEPOOL OATT refund. This factor was determined as follows:

Forecast Transition Cost (February 2000 through July 2000)	$481,675
Reconciling period cost (June 1999 through November 1999)	$495,439
Reconciling period revenues	($436,034)
NEPOOL OATT refund--$9,500 x 6 months	($ 57,000)
Reserve for MMWEC Project Six costs--$6,250 x 2 months	$ 12,500
Total Transition Charge costs to recover	$496,580
Forecast MWH sales for the period	21,100
Transition Charge factor ($496,580/21,100)	$0.02353

See Pasc. Exh.2, at revised Exh. V.

Transmission Charge

Pascoag also has a six-month reconciling Transmission Charge factor to recover the costs of transmitting energy from Pascoag's power supply sources to its distribution substation. The Transmission Charge applies only if a customer elects to have Pascoag provide transmission service to its distribution substation; the customer has the option of obtaining transmission service from its own supplier.

Pascoag proposes to decrease its Transmission Charge factor from $0.00569 per kWh to $0.00517 per kWh, based upon Pascoag's actual cost for purchased power for the prior 6-month period, as well as Energy New England's projections of purchased power costs for the ensuing 6-months. Pascoag overcollected $15,336 in its Transmission Charge from June 1999 through November 1999.

The filing proposes a Transmission Charge factor of .517¢ per kWh for the six-month period commencing February 1, 2000. This factor was determined as follows:

Forecast Transmission cost (February 2000 to July 2000)	$124,422
Reconciling period cost (June 1999 to November 1999)	$93,103
Reconciling period revenues	($108,439)
Total Transmission costs to recover	$109,086
Forecast MWH sales for the period	21,100
Transmission factor ($109,086/21,100)	$0.00517

See Pasc. Exh. 2, at revised Exh. V

Division Position

Mr. Wold, speaking on behalf of the Division of Public Utilities and Carriers, recommended that the Commission approve the filed tariffs, as revised by Pascoag on January 20, 2000.

Commission Findings

At an open meeting on January 31, 2000, the Commission considered the evidence presented. The Commission found Pascoag's proposed Standard Offer Charge, Transition Charge and Transmission Charge to be reasonable, in the interest of the ratepayers and supported by the evidence, and approved the proposed rate changes effective for bills rendered on and after February 1, 2000.

Accordingly, it is

(16246) ORDERED:

1. That Pascoag's proposed Standard Offer Charge of $0.03384 per kWh is hereby approved to be effective for bills rendered on and after February 1, 2000.
2. That Pascoag's proposed Transmission Charge of $0.00517 per kWh is hereby approved to be effective for bills rendered on and after February 1, 2000.
3. That Pascoag's proposed Transition Charge of $0.02353 per kWh is hereby approved to be effective for bills rendered on and after February 1, 2000.
4. That Pascoag shall comply with all other findings and directives of this Report and Order.

EFFECTIVE AT PROVIDENCE, RHODE ISLAND, ON FEBRUARY 1, 2000, PURSUANT TO AN OPEN MEETING DECISION ON JANUARY 31, 2000. WRITTEN ORDER ISSUED ON MAY 11, 2000.

PUBLIC UTILITIES COMMISSION

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Kate F. Racine, Commissioner

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Brenda K. Gaynor, Commissioner