



PASCOAG
UTILITY DISTRICT

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Pascoag Utility District – Electric Department
Year-End Status Report for Power Supply Service, Transmission and
Purchase Power Restrict Fund Credit Reconciliation

RIPUC Docket No.: 22-41-EL

Book 1 Testimony and Testimony Exhibits

Michael R. Kirkwood, General Manager

Harle J. Young, Manager of Finance & Customer Service

Q. Can you detail Pascoag’s power supply portfolio for 2023?

A. M. Kirkwood Yes, Pascoag’s power portfolio for 2023, used in developing the Power Supply Service and Transmission rate reconciliation request, is detailed in *Table 1-MRK*, below:

Table 1-MRK

| Source | Percent | Type | Start Date | End Date | 2023 \$/kWh <small>(Note 1)</small> | kWh expected |
|--------------------------|---------|-----------------|--------------|--------------|-------------------------------------|--------------|
| Brown Bear Hydro | 2% | Hydro | 06/01/2016 | 11/30/2025 | .04938 | 1,456,000 |
| Cabot/Turn. Hydro | 7% | Hydro | 01/01/2021 | 12/31/2030 | .03751 | 4,213,000 |
| Spruce Mountain | 3% | Wind | 06/30/2011 | 12/20/2026 | .07425 | 1,584,000 |
| Canton Wind | 2% | Wind | 01/01/2018 | 12/31/2037 | .08190 | 1,275,000 |
| NYPA-St. Lawrence | Total: | Hydro | 05/01/2017 | 04/30/2032 | Total NYPA | Total NYPA: |
| NYPA-Niagara | 13% | Hydro | 09/01/2007 | 04/30/2032 | .06988 | 7,625,000 |
| Seabrook | 17% | Nuclear | Life of unit | Life of unit | .02933 | 10,169,000 |
| NextEra Seabrook | 7% | Nuclear based | 01/01/2020 | 12/31/2029 | .04401 | 4,380,000 |
| NextEra Virtual RISE | 4% | Virtual gas | 06/01/2013 | 05/31/2023 | .05918 | 2,416,000 |
| BP Energy | 21% | Mostly fossil | 01/01/2021 | 12/31/2023 | .03685 | 12,898,000 |
| Shell Energy (2022-24) | Total: | Mostly fossil | 01/01/2022 | 12/31/2024 | Total Shell: | Total Shell: |
| Shell Energy (2023-27) | 22% | Mostly fossil | 01/01/2023 | 10/31/2027 | .07393 | 13,207,000 |
| Gravel Pit III (amended) | 0% | Solar | ETA 2024 | 25 years | .05195-.05795 | N/A |
| ISO-NE interchange | 2% | Mixed energy | As available | As available | ISO LMP | 934,000 |
| OSBTM Battery | n/a | Battery Storage | 07/07/2022 | 15 years | Shared Savings | Net neutral |

Note 1: Including REC sales

The total sustainable power in this portfolio is 27%. This represents hydro power from NYPA, Cabot/Turners and Brown Bear, all together at 22%, and two wind entitlements, Spruce Mountain and Canton Wind which are together estimated to contribute 5% of the District’s total annual purchased energy in 2022.

We note that with the creation of Block Island Utility District (BIUD) in 2019 as the second consumer owned electric system in Rhode Island, we worked with the RI Public Utilities Commission, (Rhode Island’s official agent for NYPA power) and BIUD to reallocate NYPA’s St. Lawrence and Niagara preference power entitlements, which are allocated by NYPA to New York neighboring states’ public power entities including those in Rhode Island. The Rhode Island allocation of NYPA entitlements is further allocated approximately 82% to Pascoag Utility District and 18% to Block Island Utility District.

Pascoag’s total non-carbon based energy for 2022 is 51% of its requirements and includes a mix of the previously mentioned hydro and wind power resources, together with non-carbon based nuclear power from Pascoag’s Seabrook nuclear entitlement together with the NextEra Hedge, which is also Seabrook nuclear based, and is pursuant to the confirmation with NextEra Energy Marketing, LLC (“NextEra”) for the years 2020 through 2029 (“NextEra Hedge”) as provided with previous years’ testimony. This NextEra Hedge includes firm energy and Nuclear-based Emissions Free Energy Certificates (EFECs) from the Seabrook project.

The remaining 49% of Pascoag’s energy requirement is mainly a system mix of power that is fossil fuel based, sourced through a 3-year contract entered into with BP Energy Company (“BP Energy”) which commences in January 2021 and ends at the end of 2023, a 3-year contract with Shell Energy which commences in January 2022 and ends at the end of 2024, a second 4-year contract with Shell Energy which commences in January 2023 and ends in October of 2027, and a virtual gas-fired unit transaction with NextEra Energy Power Marketing (“NextEra RISE”) that began in June of 2013 and ends at the end of May, 2023. BP Energy won the bid for the 2021-2023 three year contract to fill out our hedging strategy for 2021 and beyond at the price of \$36.85/MWh delivered to the Rhode Island ISO-NE load zone, and Shell Energy won the bid for the 2022-2024 three year contract to further hedge our strategy for 2022 and beyond at the price of \$59.40/MWh delivered to the Rhode Island ISO-NE load zone. Shell Energy once again won the bid this year for a multi-year solicitation to complete PUD’s hedging strategy for 2023 and partially hedge future years at the price \$83.35/MWh delivered to the Rhode Island ISO-NE load zone. Please see [Testimony Exhibit 1-MRK](#) which is the confirmation for the latest transaction with Shell Energy, fully signed by both parties on August 4th and 9th, 2022.

Q. Was Pascoag successful in obtaining a competitive supply to hedge its remaining open positions for the upcoming period based on the expiration of the term of other deals that had been in place?

A. Yes. Pascoag and its power supply consultant, Energy New England, ran a solicitation for some of the open positions in its 2023-2027 time period by seeking competitively supplied wholesale power. The hedging deal signed with Shell Energy is a block-structure transaction to fill out our energy need each hour in 2023, with amounts to partially meet energy needs for each hour in 2024, 2025, 2026 and 2027, diminishing each year. This deal supplements the 2021-2023 block energy deal with BP Energy, and the Shell Energy deal for 2022-2024. The deal fills out close to 100% of our load curve needs for 2023 at the competitively bid price of \$83.35/MWh. The wholesale markets have been negatively impacted this year due to rising natural gas costs, which have been escalating for a variety of reasons articulated in the news this year, hence the higher competitive bids for 2023 and the forward years.

Q. Did Pascoag participate in Rhode Island’s second renewable energy solicitation in 2019?

A. Yes, Pascoag, together with National Grid and Block Island Utility District, participated in Rhode Island’s second renewable energy solicitation, and after a negotiation amongst all parties, Pascoag signed an agreement to purchase up to 400 kW of energy and environmental attributes from a 50 MW solar project in Connecticut. The project entity is named Gravel Pit Solar II, LLC, and was to be located in East Windsor, Connecticut. The price bid in to this solicitation by Gravel Pit Solar II for all products was \$52.95/MWh, for a very competitive rate comparable to many fossil-based power transactions. Unfortunately, Gravel Pit II was not able to meet the required timing of one or more of the Critical Milestones called for in the agreement, and therefore went into Critical Milestone Default. After negotiations with the Gravel Pit developer, National Grid (now Rhode Island Energy) and Block Island Utility District, the parties entered into a Termination Agreement dated June 14, 2022. Pascoag’s remedy under the Termination Agreement was to retain its cash Development Security Deposit provided by Gravel Pit II. Pascoag had two cash security payments from Gravel Pit II of \$4,000 each per the

original agreement, held in an account under Pascoag’s ownership. After execution of the Termination Agreement, Pascoag retained the \$8,000 security deposit plus interest and returned it to its customers through the reconciliation process used to manage our Power Supply Service costs and credits. Please see [Testimony Exhibit 2-MRK](#), which is the Termination Agreement and Release for Gravel Pit Solar II, dated June 4, 2022.

Q. Did Pascoag purchase further long-term renewable energy under a competitive solicitation?

A. Yes, subsequent to the signing of the Gravel Pit Solar II deal discussed above, Pascoag was able to secure a second allocation of solar energy through a contract entity named Gravel Pit Solar III, LLC, under a solicitation run by Energy New England (“ENE”) on behalf of several consumer-owned entities in Massachusetts and Rhode Island, including Pascoag. Pascoag is happy to report that it signed an agreement to purchase up to 670 kW of energy and environmental attributes from this similar 50 MW solar facility to be located in Connecticut. The price bid in to this solicitation was an extremely competitive \$51.95/MWh, which makes this price for renewable energy competitive with many fossil-based power transactions. Pascoag was very happy to participate in this offering which is not only good for Pascoag’s ratepayers, but which will help Pascoag support the Rhode Island Governor’s goal to decarbonize power purchased or generated for the benefit of Rhode Island rate payers by 2033. Subsequent to signing the Gravel Pit Solar III agreement, ENE was notified in early 2022 by the Gravel Pit developer that due to international tariff uncertainty that had recently evolved, the financing of the project was in jeopardy as well as some of the critical milestone dates. After lengthy negotiations between the Gravel Pit developer and ENE, an amended agreement was offered which involved an extension of the Commercial Operation Date milestone from June 30, 2023 to December 31, 2024, an increase in the project security by 87.5% from \$24,000/MW to \$45,000/MW, and a price adjustment provision which would allow some upwards movement on the previous contract price depending on the extent of the international tariff increases on solar panels and components, if any, capped at \$6/MWh. After lengthy consideration of the overall re-offered deal, especially in consideration of the increased security deposit and the projects’ contribution towards helping Pascoag meet in decarbonization goals, Pascoag entered into the Amended and Restated Power Purchase Agreement with Gravel Pit Solar III, LLC dated July 13, 2022. Please see [Testimony Exhibit 3-MRK](#), which is the amended agreement with Gravel Pit Solar III.

Q. Would you please describe any additional renewable power contracts executed by Pascoag in recent years?

A. Yes, Pascoag’s power portfolio for 2022 and beyond has been supplemented with a renewable hydropower contract that runs for 10 years that began in January 2021. Pascoag joined 20 public power utilities from Massachusetts, Rhode Island, and Vermont in this, the largest publicly-owned electric utility purchase of “green power” in New England history. The contract is for hydropower generated in Western Massachusetts that will lower greenhouse-gas emissions at a very competitive rate for renewable energy.

The purchase agreement, structured and negotiated between hydro generator company FirstLight Power and Energy New England on behalf of the 20 public power entities mentioned above helps cover year-round electric power demands for the equivalent of 23,000 typical homes across the region for the 10 year period by sourcing clean generation from the Turners Falls and Cabot hydro-generating facilities on the Connecticut River in Montague, Massachusetts. This addition to Pascoag’s portfolio provides renewable energy to replace electricity produced by fossil fuels such as natural gas or oil. FirstLight’s Turners Falls and Cabot hydroelectric generating stations have been generating reliable renewable power for more than a century.

The power is priced at very competitive rates, even when compared to fossil generation which has been typically lower cost than renewable generation in the past. The on-peak pricing began at less than \$44/MWh in 2021, and escalates very modestly to less than \$50/MWh by 2030. Off-peak pricing began at less than \$37/MWh and escalates to less than \$42/MWh over the 10 year period.

Q. Has Pascoag done anything else that would improve its fiscal position and rate stability?

A. M. Kirkwood The District has, over the past years, negotiated a number of EEI Master Power Purchase and Sales Agreements. Pascoag already had in place EEI Master Agreements with PSEG, Shell, TransCanada, NextEra Energy, Exelon/Constellation Energy and Macquarie Energy. In late 2017, Pascoag further broadened the list by negotiating and signing an EEI Master Agreement with Dynegy Marketing and Trade, LLC (“Dynegy”) and then in November of 2019, Pascoag signed another EEI Master Agreement with BP Energy Company. These EEI Master documents improve Pascoag’s position in contract negotiations by streamlining the negotiation process with those it has signed such EEI Master agreements with and by ensuring credit worthiness by both parties prior to Pascoag requesting bids. In fact, it was the use of EEI Master Agreements over the past several years which allowed the competitive solicitations that resulted in beneficial energy deals with Exelon/Constellation, Shell Energy, TransCanada, PSEG, Dynegy, BP Energy and the NextEra Hedge deal for carbon-free nuclear power. These EEI Master Agreements allow the parties to transact quickly based on market conditions at the time the transactions are priced.

Finally, by way of important information regarding Pascoag’s fiscal health, Standard and Poor’s increased the District’s “A-“credit rating to “A” in January 2019, based on the results of their periodic review and rating of our company. That “A” rating was re-confirmed in 2022. Pascoag has maintained an A or A- rating with S&P from 2008 to the present, which allows us to provide proof of good credit quality in our negotiations for power supply options.

Q. Has Pascoag looked at other opportunities for its power portfolio?

A. M. Kirkwood Yes, Pascoag has been in various discussions with solar energy farm and wind developers during the past several years, and reached an agreement with ISM Solar Development LLC (“ISM Solar”) and National Grid in July of 2016. The agreement, together with the filing before the Rhode Island Public Utilities Commission (“PUC”), and the subsequent PUC approval in May, 2017 can all be found in Docket No. 4636. In summary, the agreement allows for ISM Solar, which is on the border of our service territory, to interconnect and sell energy directly to National Grid, in return for a monthly

payment from ISM Solar to Pascoag of \$3,300 (\$39,600 annually) to compensate the Pascoag customers for lost benefits of power directly from a solar farm, namely potential reductions to transmission and capacity charges. The ISM Solar facility entered commercial operation in the third quarter of 2019 and the monthly payments to Pascoag are credited back to our customers in the Power Supply Service reconciliation as savings against Power Supply Service costs. Pascoag continues to entertain other solar and wind developer proposals for a possible future renewable facility in the Pascoag service territory.

Q. Has Pascoag entered into any other agreements that help it to deliver the most cost effective power resources to its customers?

A. M. Kirkwood Yes. Pascoag signed an energy services agreement with Ocean State BTM, LLC., a subsidiary of Agilitas (formerly New England Battery Storage), to provide a very beneficial battery storage facility to Pascoag, not only to help manage Pascoag’s peaks for transmission and forward capacity market purposes, but as an integral part of a non-wires alternative solution for its need to enhance its connection to National Grid and through National Grid to the rest of the ISO-New England network. The background for mobilizing this alternative is that Pascoag commissioned a System Impact Study with National Grid in 2019 that determined that Pascoag was approaching and sometimes exceeding the thermal limits on the National Grid feeder lines that connect Pascoag to the outside world. After reviewing the various alternatives presented by National Grid to solve this operational issue, Pascoag began implementing the most cost-effective alternative, which includes the expansion of Pascoag’s own substation capacity, supplemented with moderate changes to the National Grid system, and the implementation of a 3 MW/9 MWh battery storage distributed energy unit to be able to manage contingency conditions when one of the feeder lines is out of service. The work on Pascoag’s substation included “splitting the bus”, thereby allowing Pascoag to utilize both National Grid (now Rhode Island Energy) feeder lines simultaneously under normal operating conditions, thus lowering the load on each feeder line vs. using just one line with the other as a contingency back-up. Previously, Pascoag’s total load was connected to one feeder line, with the other one used solely for contingency. The new arrangement including battery storage now allows a much more efficient use of the feeder line connections, thereby saving Pascoag customers money while enhancing service reliability.

We note that the substation project was eligible for financing through the Rhode Island Infrastructure Bank due to our implementation of battery storage as part of the solution, through the Efficient Building Funds statute, and that we were also eligible for a \$250,000 grant for the project from the Rhode Island Office of Energy Resources based on this being a “non-wires alternative” that is more cost effective than standard infrastructure replacement. This \$250,000 grant has been used primarily to help Pascoag compensate National Grid/Rhode Island Energy for the required system enhancements to their system to allow for the interconnection of the battery storage device. The Battery Storage project went into Commercial Operation in July of this year, and has provided a great contribution to the reliability of electricity supply enjoyed by our customers.

Q. Would you provide a graphical representation of Pascoag’s power supply portfolio for 2022?

A. M. Kirkwood Yes. *Testimony Exhibit 4-MRK* highlights the total mix of resources for 2022 in graphical form.

Q. **Does this conclude your portion of the testimony?**

A. M. Kirkwood Yes it does.

**Power Forward Confirmation between
Pascoag Utility District and
Shell Energy North America L.P.,
August 4, 2022
(Redacted Version)**

Termination Agreement and Release

between

Pascoag Utility District and

Gravel Pit Solar II, LLC,

June 14, 2022

(Redacted Version)

Amended and Restated Power Purchase Agreement

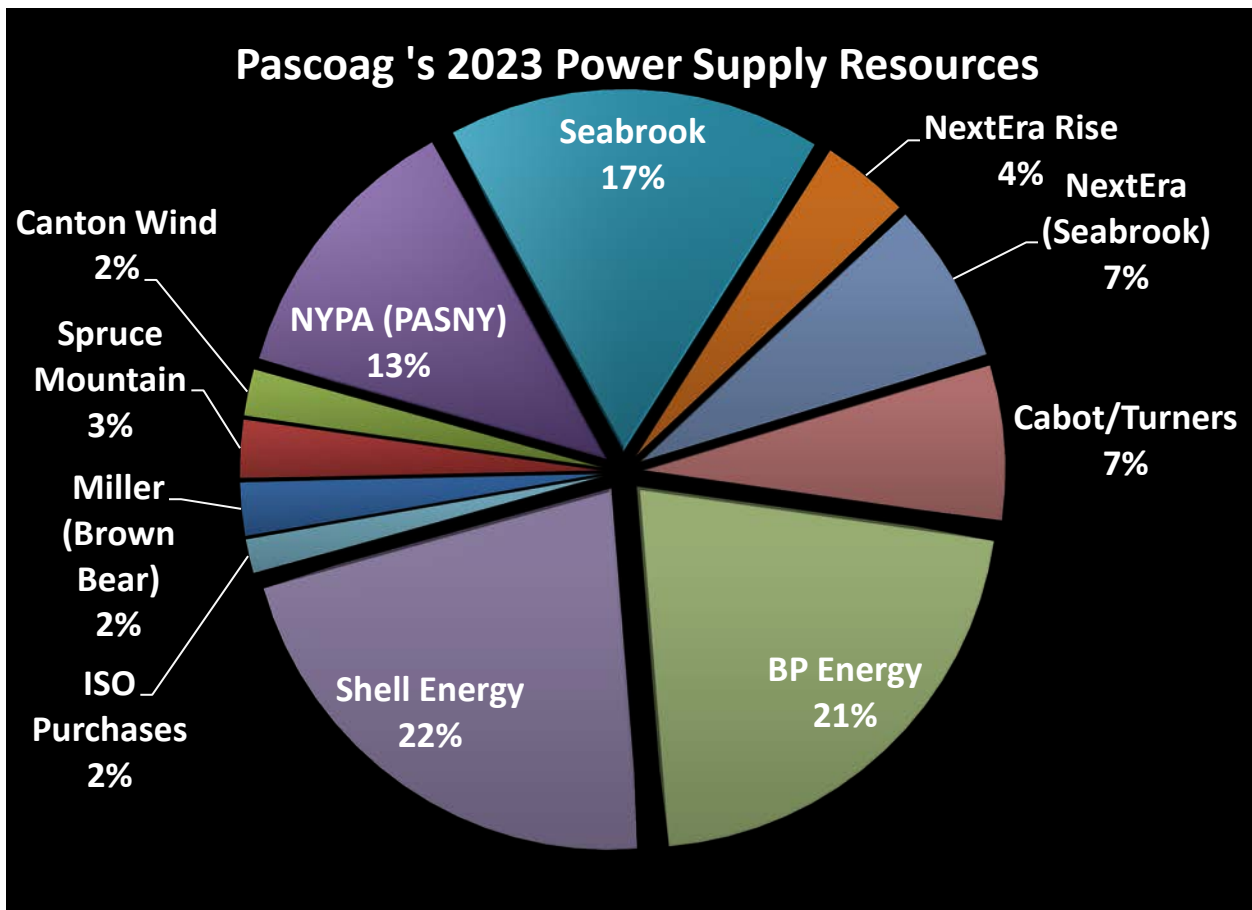
between

Pascoag Utility District and

Gravel Pit Solar III, LLC,

July 13, 2022

(Redacted Version)



Testimony & Testimony Exhibits

Harle J. Young, Manager, Finance & Customer Service

- **Q1. Please provide an update of the status of the Pascoag’s fuel reconciliation for the period ending December 31, 2022.**

A1. As of this filing dated (November 7, 2022), this submittal contains actual expenses and revenues through September 2022. The fourth quarter (October through December) is based on updated estimates provided by Energy New England (“ENE”) in September of 2022. The 2022 estimates included the updated Seabrook projections to the March 30th, 2022 forecast, the NYPA transmission reflects the previous year’s cost, the ISO Load charges include the forecast of \$3/MWH for the Mystic Cost of Service winter reliability charges, the updated DAF Charge of \$15,700, and the open position price to reflect pricing as of September 15, 2022. The projected reconciliation at December 31, 2022 is estimated to be an under- collection of (\$134,097.) Please see **Testimony Exhibit HJR-10.1- 10.6 for ENE’s projections for October – December 2022.**

- **Q2. Before you get into the details of the under collection, could you please provide an update on Pascoag’s Purchase Power Restricted Fund and Restricted Fund for Capital & Debt Services, and the Restricted Fund for the Substation Debt Services as well as a status on the Districts Cash flow position.**

A2. The District’s cash flow was very tight in September in meeting the purchase power obligations for the August Power bills. This was due to the previous over-collection being absorbed and the fact we had an under-collection in total of (\$25,942). We also saw record high power bills for both July at \$600,263.07 and August at \$665,967.24. The District was fortunate to receive an additional state cooling grant for 227 of our low-income customers. They each received \$640 for a total of \$145,280.00. The August AR balance was \$618,069 and it decreased to \$383,631 in September. As a result, the District has not had to use money from the **Purchase Power Restricted Fund (“PPRF”)** which is being reduced to a goal of \$500,000 per RIPUC Docket 5194. The District feels very strong that this restricted fund remain in place, as a safety net should the District need to borrow against the fund to meet its power bill obligations in a timely manner.

The District continues to reimburse customers for the Purchase Power Restricted Fund Credit of \$9,575 per month; these withdrawals were approved in RIPUC Docket 5194 for \$114,900 reimbursement of the PPRFC that is being issued back to the customers through a credit on their electric bills. The balance in this account is now at \$503,196.92 as of the November transfer, which included the December transfer in order to complete the transfers for the year. A summary of activity for the PPRF for 2022 is available in **Testimony Exhibit HJY 1.1.**

The District was required to reduce the PPRF funding level to \$500,000 in RIPUC Docket No. 5194, which gives us a safety net equal to just about one month of the District’s highest month of power bills on average. The District expects to have a balance of less than

\$500,000 at year-end when the account is reconciled. As of October 31, 2022, the District has flowed back \$99,261.29 through a billing credit. **As of October 31, 2022, the District has over issued the billing credits by \$3,511.29. This will further reduce the balance in the Purchase Power Restricted fund when it is reconciled at the end of the year.** The District would like to suspend the Purchase Power Restricted Fund Credit PPRFC in 2023. We are no longer required to transfer the base rate and demand from the three DPI accounts to the Purchase power fund, so monthly interest income will be the only thing added to this account going forward. Please see **Testimony Exhibit HJY 2** Summary of Activity –Rate Stabilization Fund for the activity.

The **Restricted for Capital and Debt Services** balance is on deposit with Bristol County Savings Bank as a repurchase agreement that allows Pascoag to make deposits and withdrawals as needed for capital purchases. As of November 1, 2022, the District has fully funded the account to the \$306,000 level for 2022 with \$306,000 in deposits and \$3,563.15 in interest. The balance in this account is \$750,777.03 as of this filing. The District uses this money to fund all capital projects and capital purchases, including vehicles, transformers, poles etc. The 2022 activity of deposits and capital expenses for this account is listed in detail in **Testimony Exhibit HJY-3**.

The **Restricted for the Substation Debt Services** balance is on deposit with Bristol County Savings banks as a money market account that allows Pascoag to make deposits and withdrawals as need for the Substation debt. As of October 31, 2022, the District has fully funded the account to \$113,600.23 and has withdrawn \$113,590.08 to pay the substation loan with Rhode Island Infrastructure Bank. The Restricted for Substation Debt Service bank account earned \$101.68 in interest and the balance in the account as of November 1, 2022 is \$111.83. The 2022 activity of deposits and loan expenses for this account is listed in detail in **Testimony Exhibit HJY-4**.

The **Storm Fund's** maximum balance was increased in the Cost of Service Study in 2021; this allows for funding of \$12,000 per year up to \$150,000. The District has funded the \$12,000 annual requirement to 100% as of this filing. Please see **Table #3** for the activity.

| Date | Deposit | Withdrawal | Balance |
|--------------------------|---------|------------|-----------|
| Start Balance (Dec 2021) | 115,900 | | |
| 3-2022 | \$3000 | | \$118,900 |
| 6-2022 | \$3,000 | | \$121,900 |
| 9-2022 | \$3,000 | | \$124,900 |
| 9-2022 | \$3,000 | | \$127,900 |

As of this filing, Pascoag has met all of our financial obligations. The Cash Flow Summaries for fiscal year 2022 are attached in **Testimony Exhibit HJY 5.1 through 5.9**. The Accounts Payable balances are all within the thirty-day window and Standard and Poor’s reaffirmed Pascoag’s A Rating, in 2022. A Summary of the Accounts Payable/Accounts Receivable balances is attached as **Testimony Exhibit HJY 6.1 & 6.2**.

- **Q3. Please provide the details of the cumulative under-collection and then break it out by factor.**

A3. The cumulative under-collection of the combined Power Supply Service and Transmission charge is expected to be (\$134,097) as shown in **Table #4**.

| Table #4 | Summary of Year-End Cumulative Over/ (Under) Collection as of 12/31/2022¹ |
|----------------------|---|
| Power Supply Service | \$ 51,959 Exhibit HJY 7.1 |
| Transmission | (\$ 186,057) Exhibit HJY 7.2 |
| Total | (\$ 134,097) Exhibit HJY 7.3 |

- **Q4. Please provide reasons for the under-collection in 2022.**

A4. The District started the year with a cumulative over-collection for the combined Purchase Supply Service and Transmission Charge of \$201,557 from December 31, 2021. The balance in this account is \$77,714, which is reconciled to the September-22 Schedule C-1; please see **HJY Testimony Exhibit 7.3**. The District had under-collections for five of the nine months; January, March, June, July and August, for a total of (\$292,636) which helped to bring down the cumulative over-collection. In four of the nine months; February, April, May, and September, there were over collections totaling \$168,792. The District estimates that from October – December there will be an under-collection of an additional (\$211,812). The cumulative under-collection is forecast to be (\$134,097) at year-end December 31, 2022.

The District deposits any over-collection money to a Year-End over Collection (“YEOC”) account that is on deposit with Bristol County Saving Bank. The money in this account is then used to make up the gap in revenue when the rate reduction began flowing the over-collection back to the District’s customers. This year we expect to have an under-collection, which will be collected through increased rates for 2023.

¹ Based on actual expenses and revenue through September; estimates were used for October through December.

The District has received a total of \$82,039.50 in Forward Market Capacity Credits (FMC) and \$5,056.36 in settlements, \$9,100.69 in Use Right Credits from Hydro Quebec, an \$8,000 default credit when Gravel Pit Solar II, LLC failed to satisfy some of the critical milestones and \$38,355 in UCAPP Sales. The District has received a total of (\$134,189.69) in REC sales credits for 2022, which help to reduce the Purchase Power expenses. The District will receive \$39,600 from the ISM Solar Development agreement. The total credits received were \$316,341.24. **A copy of Schedule A-1 showing the various credits and the REC sales is in Testimony Exhibit HJY 8.1**

When reconciling the ENE Forecast to the Actual cost through September, the forecast was under-budget by \$158,464 and the MWH purchased were over budget by 489 MWH. **Please see Testimony Exhibit HJY 8.2.**

Using ENE’s 2022 updated Power Assumptions for October, November and December of 2022, we estimate the cumulative under-collection will be (\$134,097)at the end of 2022, which is the net of an over-collection of \$51,959 with Power Supply Service and an under-collection of (\$186,057) with Transmission. The estimated sales to customers for 2023 are 54,014 MWH which is calculated using an actual three-year average for January– October 2020-2022 and a two-year average using November and December 2020-2021. We have factored in 0.00% growth factor for 2023. **Please see Testimony Exhibit HJY 7.1 through Testimony Exhibit HJY 7.5.**

- The forecasted 2023 Transmission cost is \$2,493,811 plus an estimated under-collection of \$186,057 equals \$2,679,868 divided by 54,014 MWH equals \$49.61 per MWH or \$0.049614 per kWh, an increase of \$0.010467 to the Transmission rate.
- The forecasted Power Supply Service for 2023 is \$3,778,573 minus the estimated over-collection of \$51,959 equals \$3,726,614 divided by 54,014 MWH equals \$68.99 per MWH or \$0.068994 per kWh an increase of \$0.004481 to the Purchase Supply Service rate.
- The District is also proposing to suspend the Purchase Power Restricted Fund Credit (PPRFC) as the fund will drop below the \$500,000 target balance in 2022. This will result in increase of \$0.002140 per kWh.
- The net result of the Transmission, Power Supply Service, and PPRFC will be an increase of \$0.017088 per kWh or an increase of 11.2%.
- A 500-Kilowatt Hour per month Residential Customer will see their bill increase from \$80.70 to \$89.74, or an increase of \$9.04. This amount includes a \$0.50 Cent increase to the DSM Rate on a 500 kWh Customer, which has been requested in the DSM Filing Docket No. 22-40-EE. The rate for DSM will increase from \$0.002000 to \$0.003000 per Kwh. The rate for the renewables will remain the same at \$0.0003.

Please see Testimony Exhibit HJY-7.6 through 7.7.

Factors that contributed to the over-collection to the Power Supply Service component was the fact that Pascoag received 2,531,713 interruptible kilowatt-hours (kWh) from the two New York Power Authority (NYPA) entitlements for the previous three quarters ending in September 2022. ENE forecasted a cost of \$2,652,350, but the actual cost as of September 2022 was \$2,640,605 a difference of \$11,746 under-budget. **Please see Testimony Exhibit HJY 12.1- 12.3.**

The District estimated in last year's filing that we would have 45,546 MWh in sales through the month of October 2022. The actual sales through October were 46,386 or 840 MWh more than forecasted, which was due to the extremely hot weather we had this past summer. The District is still feeling the effects of energy conservation measures that continue to be implemented by the Demand Side Management Program that are keeping consumption levels flat. The District will be using a three-year average this year that smooths out the highs and lows. **Please see Testimony Exhibit HJY 11.1.**

The transmission charge is estimated to have an under-collection of \$186,057 at the end of 2022. Revenue exceeded expenses in two of the nine months and expenses exceeded revenue in seven of the nine months. ENE revised estimates for 2022 were used to calculate October, November, and December of 2022. ENE forecasted a cost of \$1,684,074 through September of 2022 and the actual bills through September are \$1,860,319 a difference of \$164,499 more than the forecasted budget. **Please see Testimony Exhibit HJY-12.1-12.3.**

- **Q5. You stated that the forecast in this filing contained actual expenses and revenue through September and that estimates were used for October, November and December. Will you be able to provide an update on the actual expenses at or prior to the hearing?**

A5. Yes, all the October power invoices should be received by November 30, 2022. The District will be able to provide actual expenses and revenue for October shortly after that date. The District will provide an Addendum to this filing incorporating that information.

When the November and December invoices are received and recorded, Pascoag will provide the Division with this information through the monthly updates.

- **Q6. What is the forecast for purchase power cost for 2023?**

A6. The District, working with its consultants at Energy New England ("ENE"), has submitted the 2023 forecast total of \$6,262,384 which is an increase of \$563,434 from the 2022 Budget of \$5,698,950.

| Table #6: | ENE Forecast 2023 | Estimated Legal Expenses | Restated to include Legal fees |
|------------------|--------------------------|---------------------------------|---------------------------------------|
| Energy | \$3,770,174 | \$8,400 | \$3,778,574 |
| Transmission | <u>\$2,492,211</u> | <u>\$1,600</u> | <u>\$2,493,811</u> |
| Total | \$6,262,384 | \$10,000 | \$6,272,384 |

ENE has provided a summary sheet of the 2023 Bulk Power Cost Projections for Pascoag Utility District, which is included as **Testimony Exhibit HJY-9.1 through 9.2**.

The District has added a placeholder of \$10,000 for Legal fees to this estimate for 2023. The District has close to three years of history. Please see Testimony **Exhibit HJY-13.1-13.2**

The major adjustments used by ENE are listed below and broken out in more detail in Testimony Exhibit HJY-9.3.

1. The Seabrook projections include a fixed cost reduction based on the 3/30/20 Budget which will result in a \$1,056 increase. The energy will be reduced to \$4.58/MWH for a decrease of (\$6,751) and Transmission will decrease by (\$15). The estimated net decrease is **(\$5,680)**;
2. The NYPA projections are based on Historical deliveries and cost. The entitlement in the fixed costs will be 81.68% of the Rhode Island Allotment (1,600 kW Base, 100 kW Peaking). The Energy capacity factor has been set at 75% that will result in a cost decrease of (\$41). The transmission costs based on August of 2021-July of 2022 actuals of \$428,000 with a 0.5% increase will increase the cost by \$279,499. The net decrease for NYPA is **\$279,458**;
3. ENE updated the Capacity projections to reflect the auction pricing, bilateral, and payments by the Lead Participants. The FMC payments by Lead Participants will increase by \$58,612. The ISO FCM cost will decrease by (\$359,425). The Capacity Charge for Constant Energy will decrease by (\$30,142). The net adjustments to the capacity cost is **(\$330,954)**;
4. ENE Updated NextEra Rise Call Options expires 5/31/23, which will decrease the fixed cost by (\$51,460), and the capacity contract cost by (\$17,570) The Energy contract decreases the energy cost by (\$145,363). The net decrease is **(\$214,393)**;
5. The Bilateral Transactions includes a contract extension for Miller Hydro which will increase cost by \$1,410, Spruce Mountain update projects based on historical deliveries including place holder of \$25/REC for sale is a decrease of (\$1,371) and a contract with Canton Wind which includes placeholders for \$25/REC for sale will increase \$3,149. ENE projected an increase of \$548,088 for NextEra (Seabrook) &

- BP Bilateral, Shell & Cabot/ Turners Bilateral. The net increase to the Bilateral Transactions is **\$551,275**;
6. A change from resales to purchases with ISO –NE resulting in an increase of **\$44,397**;
 7. The ENE charges to the regular and short supply update fees to reflect estimated service agreement with Spruce, Canton & LT Seabrook Monthly fees increased by **\$1,248**;
 8. The adjustments to estimated ISO-NE expense saw a \$0.00 change to the annual fee, the load based charges to account for the Mystic Cost of Service \$3/MWH and Winter Inventory Energy Program (IEP) @\$5.5/MWH Dec –Feb 2023 increased by \$232,139. The ISO-NE scheduled charges increase by \$3,239 and the transmission projections by ISO-NE decreased YOY by (\$32,161). The net increase to Adjustments to estimated ISO-NE Expenses was **\$203,218**;
 9. ISM Solar Credit inclusion -20 years no change **\$0.00**;
 10. National Grid’s Network Transmission Charges increased forecast to \$350K based on historical invoices 8/21-7/22 with an estimated increase of 3% or **\$26,199**;
 11. ENE adjustments to the DAF Sub-transmission increased projection to \$15,700 from \$14,420/month Jan -Dec increase by **\$15,360**;
 12. For the Hydro Quebec Transmission Charges, the Use Right Values associated with the new HQ ICC transfer contract were decreased (\$9,012) and the FCM Credit was increased \$2,318. The net adjustment was **(\$6,694.)**

The total adjustments for all categories resulted in an increase of \$563,434 to the 2023 budget. The estimated Forecasted Budget from ENE is \$6,262,384. The District added and estimated \$10,000 in Legal fees this year bring the total to \$6,272,384.

- **Q7. What are the proposed factors, and what impact will they have on a residential customer using 500 kilowatt-hours of electricity.**

A7. A residential customer using 500 Kilowatt-hours of electricity currently pays \$80.70 under the proposed rates; that customer would see his monthly bill increase to \$89.74, an increase of \$9.04. A detailed summary of current rates and requested rates is included in this filing as **Testimony Exhibit HJY-7.7**. The Factors proposed are listed in **Table #7**, which removes a Purchase Power Restricted Fund Credit (“PPRFC”) as mentioned earlier in this testimony.

| Table 7: Factor | Current (2022) | Proposed (2023) | Difference |
|----------------------------|-----------------------|------------------------|-------------------|
| Power Supply Service | \$0.064513 | \$0.068994 | 0.004481 |
| Transmission | \$0.039147 | \$0.049614 | 0.010467 |
| PPRFC | (\$0.00129) | \$0.00 | 0.002140 |
| Total | \$.10152 | \$0.118608 | \$0.017088 |

If the increase proposed to the Demand side Management rate is approved in Docket No. 22-40-EE, it will increase the DSM/Renewable rate to \$0.003300 from \$0.002300, an increase of \$0.001 per KWH or an increase of 50% on a 500-Kilowatt hour user.

- **Q8. Is Pascoag using any growth factors in its calculations for 2023**

A8. No, The District is not using a growth factor this year. Growth is very slow and the energy efficiency measure being implemented are reducing consumption.

- **Q9. Are there any other issues that impact Pascoag’ financial position?**

A9. We continue to see high annual write offs. This year the uncollectable accounts is estimated at \$25,144. The District continues to have problems collecting money from its protected class and financial hardship classified customers. These problems are outlined more fully in the District’s monthly RIPUC 1725 filing. **Table #8** is a history of the District’s uncollectable account.

| TABLE #8: History of the District’s Write Offs | |
|---|--------------------------|
| Year: | Write Off Amount: |
| 2011 | \$31,355 |
| 2012 | \$36,083 |
| 2013 | \$31,777 |
| 2014 | \$28,875 |
| 2015 | \$39,195 |
| 2016 | \$53,514 |
| 2017 | \$33,323 |

| | |
|------|-------------------|
| 2018 | \$32,418 |
| 2019 | \$38,348 |
| 2020 | \$20,424 |
| 2021 | \$12,021 |
| 2022 | \$25,144 Estimate |

Q10. Does this conclude your testimony?

Q10A. Yes, it does.