



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS  
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December 11, 2023

*Via Electronic Mail*

Luly Massaro  
Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

**RE: Docket No. 23-42-EL – Pascoag Utility District’s 2023 Annual Reconciliation Filing**

Dear Ms. Massaro:

On behalf of the Division of Public Utilities and Carriers (“Division”), please accept for filing the attached memorandum regarding the above referenced docket.

Thank you for your attention to this submission.

Very truly yours,

*/s/ Mark A. Simpkins*

Mark A. Simpkins, Esq.  
Deputy Chief of Legal Services  
Division of Public Utilities and Carriers

Enclosure

cc: 23-42-EL Service List

Linda George, Esq., Division Administrator  
John Spirito, Esq., Division Deputy Administrator  
Paul Roberti, Esq., Division Chief Economic and Policy Analyst



**STATE OF RHODE ISLAND**

**DIVISION OF PUBLIC UTILITIES & CARRIERS**

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**To: Luly Massaro, Commission Clerk  
Rhode Island Public Utilities Commission**

**From: Patricia Smith, Utility Analyst  
Division of Public Utilities & Carriers**

**Date: December 11, 2023**

**Re: R.I.P.U.C. Docket No. 23-42-EL  
Pascoag Utility District's 2023 Annual Reconciliation Filing**

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On November 8, 2023, Pascoag Utility District (“Pascoag” or “Company”) filed with the Rhode Island Public Utilities Commission (“Commission”) its year end status report on Power Supply Service, Transmission and Purchase Power Restricted Fund Credit (“PPRFC”), which included nine months of actual data for the period of January through September of 2023. Included in the filing was testimony of William Guertin, the Assistant General Manager and Harle Young, Manager of Finance & Customer Service. The filing was made in accordance with Pascoag’s tariff which requires the Power Supply Service and Transmission adjustments to be calculated every 12 months and submitted to the Commission for approval. The calculations are based on estimated total costs of each component of purchased power and transmission expenses for the upcoming year and a reconciliation of any over or under collection from previously approved rates. On December 5, 2023, Pascoag supplemented its filing with actual information for the month of October 2023 and provided the following chart summarizing the current and proposed power supply, transmission and PPRC factors.

**Table 1**

<b>Factor</b>	<b>Current (2023)</b>	<b>Proposed (2024)</b>	<b>Difference</b>	<b>500 kWh Impact</b>
Power Supply	\$0.068549	\$0.076357	\$.007808	\$3.90
Transmission	\$0.048506	\$0.039303	(\$0.009203)	(4.60)
PPRFC	\$0.000000	(\$0.000389)	(\$0.000389)	(0.19)
<b>Total</b>	<b>\$0.117055</b>	<b>\$0.115271</b>	<b>(0.001784)</b>	<b>(\$0.89)</b>

Based on the above proposed rates, a residential customer using 500 kWh’s per month would see an \$0.89 or 1% bill decrease, from \$88.97 to \$88.08.

### Review of 2023 Reconciliation

Pascoag’s filing included a reconciliation of the 2023 estimated revenue and expenses that were presented in the 2022 reconciliation filing with updated information that included actuals through October 2023 and updated estimates for November and December 2023. The below table provides summary comparison of the original and updated estimates.

**Table 2**

	<b>2023 Forecast (1)</b>	<b>2023 Updated (2)</b>	<b>Difference</b>	<b>% Difference</b>
Sales (MWH)	53,958	53,161	(797)	-1.5%
Expenses:				
Power Supply	\$3,778,573	\$3,550,227	(\$228,346)	-6.0%
Transmission	\$2,493,811	\$2,105,621	(\$388,190)	-15.6%
<b>Total Expenses</b>	<b>\$6,272,384</b>	<b>\$5,655,848</b>	<b>(\$616,536)</b>	<b>-9.8%</b>

(1) Pascoag's 12-1-22 Addendum Filing page 19.

(2) Pascoag's 12-5-23 Addendum Filing page 8.

As can be seen in the above table, sales for 2023 are coming in 1.5% lower than forecast. Power Supply and Transmission expenses are projected to be 6% and 15.6% lower, respectively. The lower 2023 sales are similar to the lower level of sales that Rhode Island Energy is experiencing, and most likely weather related. In 2023, Rhode Island experienced a warmer winter and cooler summer than typical and especially when compared to 2022. These milder temperatures also mitigated certain power supply costs and resulted in lower supply expenses in 2023. As can be seen in the above table, transmission expenses are coming in much lower than forecasted. In 2022, Pascoag experienced high transmission expenses due to congestion charges to move NYPA power from New York into New England. It appears that due to the milder weather in 2023, Pascoag did not experience the level of congestion charges it had projected for 2023. The lower transmission expenses, along with the lower power supply expenses, resulted in a combined power supply and transmission projected year-end over recovery of \$584,372. The Division verified that the over recovery was properly considered in the calculation of the proposed 2024 power supply and transmission factors.

In addition to reviewing costs when Pascoag submits its annual filing, the Division reviews monthly information that Pascoag submits, including actual kWh sales, power supply and transmission expenses. The Division reviews the monthly filings and verifies the expenses to the supporting invoices. Based on our review of the filings submitted in 2023, we did not note any irregularities. We also verified that amounts that should be credited to the reconciliation were credited. The credits included the amounts related to the ISM Solar project, and Renewable Energy Credit (REC) revenues.

## Review of 2024 Forecasts

The following table provides a comparison of the updated 2023 sales, power supply and transmission expenses, compared to the 2024 estimates included in Pascoag's filing.

**Table 3**

	<b>2023 Updated (1)</b>	<b>2024 Estimates (2)</b>	<b>Difference</b>	<b>% Difference</b>
Sales (MWH)	53,161	53,867	706	1.33%
Expenses:				
Power Supply	\$3,550,227	\$4,355,860	\$805,633	22.69%
Transmission	\$2,105,621	\$2,458,742	\$353,121	16.77%
<b>Total Expenses</b>	<b>\$5,655,848</b>	<b>\$6,814,602</b>	<b>\$1,158,754</b>	<b>20.49%</b>

(1) Pascoag's 12-5-23 Addendum Filing, page 8.

(2) Pascoag's 12-5-23 Addendum Filing page 18.

### Review of Sales Forecast

To develop the 2024 sales forecast, Pascoag used a 3-year average of actual kWh sales for the period of 2021-2023, with the exception that a 2-year average is used for December 2023 since actuals are not available yet. This method to set 2024 sales appears reasonable since averaging sales over multiple years reduces the impact of weather anomalies. The Division notes that Pascoag's forecast does not include a growth factor. The Division reviewed sales data for the past 12 years and noted that sales have been relatively flat. As an example, sales in 2012 were 54,341 MWH's which is within 1% of the forecast that Pascoag is using for 2024. Based on these reasons, the Division believes the method Pascoag uses to set its sales forecast is reasonable and we do not propose any adjustments.

### Review of Power Supply and Transmission Forecasts

As shown in Table 3, Pascoag is forecasting for 2024 an increase of \$805,633 or 22.7% in power supply expenses over 2023. This increase is due to a general trend of increasing power supply costs under existing and new contracts. Table 4 below provides a comparison of power supply resources and prices between 2023 and 2024.

**Table 4**

<b>Power Supply Prices 2023 vs. 2024</b>			
<b>Source</b>	<b>2023 \$/kWh (1)</b>	<b>2024 \$/kWh (2)</b>	<b>% Change</b>
Cabot/Turn. Hydro	\$0.03751	\$0.04267	14%
Canton	\$0.08190	\$0.08290	1.2%
Dynegy	-	\$0.07296	-
Gravel Pit Solar III	-	\$0.05195	-
Miller Hydro (Brown Bear)	\$0.04938	\$0.05037	2.0%
NextEra (Seabrook)	\$0.04401	\$0.04511	2.5%
NYPA	\$0.06988	\$0.05878	-15.9%
Seabrook	\$0.02933	\$0.02979	1.6%
Shell Energy	\$0.07393	\$0.06833	-7.6%
Spruce Mountain	\$0.07425	\$0.07425	0.0%
NextEra Virtual Rise	\$0.05918	-	-
BP Energy	\$0.03685	-	-

(1) Table 1 MRK, 2022 Reconciliation Filing.

(2) Table 1-WJG, 2024 Reconciliation Filing (Amended Table).

As mentioned in Pascoag’s filing, their consultant, Energy New England (“ENE”), developed the 2024 bulk power cost projections based on the above prices and it is included in the filing as Exhibit HJY-9.1. The Division reviewed the exhibits and did not note anything unusual. Though prices are increasing under most existing and replacement contracts, Pascoag’s power supply portfolio has mitigated the higher prices that have been seen in the overall New England energy market for the past few years. It is widely known that energy prices in the region have increased significantly over past years and though Pascoag is projecting an 22.7% increase in power costs for 2024, the proposed supply charge (7.6 cents/kWh) in this docket is much lower than many other utilities in the region.

The transmission expense forecast was also developed by ENE. The 2024 forecast of \$2,458,742 is in line with the 2023 forecast of \$2,493,811. The Division did not conduct a detailed review of the forecast but on the surface, it appears reasonable because of the consistency with the prior year’s forecast and therefore the Division does not object to it.

### **Purchased Power Restricted Fund Credit**

The Purchased Power Restricted Fund Credit Factor is designed to flow back funds to ratepayers that are 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 for several years had a target level of \$550,000. In Pascoag’s 2021 Annual Reconciliation (Docket No. 5094), the Division recommended the target balance of the PPRF be reduced from \$550,000 to \$500,000 in order to bring the balance more in line with the largest draw from the fund over the most recent 10-year period, which was \$485,000.

Pascoag agreed with the Division's recommendation and the Commission approved the new target balance.

According to Pascoag's filing, because of interest earning on the PPRF, they expect the balance in the fund to be approximately \$520,932.74 at the end of 2023. Pascoag is proposing to refund \$20,933 through the PPRFC Factor in 2024. The credit results in a PPRFC factor of (\$0.000389) as shown in Table 1 above. Assuming continued interest earnings on the fund similar to the 2023 level, the fund will still have an approximate balance of \$520,000 at the end of 2024. In other words, the proposed credit will not bring the fund balance to the \$500,000 target level. Even though this is the case, the Division does not propose a larger credit at this time because the overall rate changed proposed in this filing is a slight decrease. The Division prefers to review the level of the PPRFC fund in conjunction with next year's filing to determine whether a larger credit is warranted. In conclusion, the Division supports the proposed 2024 PPRFC Factor.

### **Conclusion**

The Division has reviewed Pascoag's filing, which included testimony, calculations, and monthly invoices submitted in this docket. Based on the review, the Division concludes that the proposed Power Supply Service, Transmission rates and the PPRFC Factor proposed in the filing are reasonable and accurately calculated. The Division recommends approval of the proposed factors as submitted in Pascoag's addendum filing submitted on December 5, 2023 in this docket.