

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

**IN RE: PASCOAG UTILITIES DISTRICT :
ANNUAL RATE RECONCILIATION : DOCKET NO. 23-42-EL**

REPORT AND ORDER

I. Introduction

On November 9, 2023, Pascoag Utility District (Pascoag or District) submitted an annual reconciliation of its Power Supply Service¹ and Transmission² Rates for effect January 1, 2024.³ On December 6, 2023, Pascoag filed updated schedules to reflect actual October expenses and revenues and actual November revenues, leaving only November expenses and December expenses and revenues to be estimated. In this updated filing, Pascoag requested approval of an increase of its Power Supply Service charge from \$0.068549 per kWh to \$0.076357 per kWh, a decrease in the Transmission charge from \$0.048506 per kWh to \$0.039303 per kWh, and a Purchase Power Reserve Fund (PPRF) credit of \$0.000389 per kWh. The impact for residential customers using 500 kilowatts (kW) of electricity a month was an overall decrease in rates of 1% \$0.89 per month from \$88.97 to \$88.08.⁴

On December 11, 2023, 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 the Power Purchase Restricted Fund credit. At an Open Meeting on December 19, 2023, the PUC unanimously approved the rates set forth in Pascoag's amended filing and authorized the PPRF credit factor.

II. Pascoag's Filing

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

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

³ Filings made in the instant matter are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at <https://ripuc.ri.gov/Docket-23-42-EL>.

⁴ Young Addendum Test. at 2-3 (Dec. 6, 2023).

In support of its filing, Pascoag presented pre-filed testimony from William Guertin, Pascoag's Assistant 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. Guertin's Testimony

Mr. Guertin described Pascoag's supply portfolio as including 27% "sustainable power"⁵, with 20% from hydro and 5% from wind. Pascoag's non-carbon based energy comprises 52% of its portfolio and includes nuclear entitlement and Emissions Free Energy Certificates. The balance of Pascoag's energy requirements is from fossil fuel sources, including a four-year contract with Shell Energy which began in 2023 and ends in 2027 and a two-year contract with Dynergy to fill about 20% open exposure. He noted that multi-year contracts provide both guaranteed energy and a stable rate for a set period.⁶

Ms. Young's Testimony

Ms. Young filed testimony on November 9, 2023 and later amended it on November 27, 2023 and December 6, 2023. Her testimony summarized the reconciliation of the factors and estimated a year-end over-collection of \$584,372. She stated that revenues exceeded expenses for January, February, April, and June through October, and they were expected to do the same in November. However, based on ENE's forecasts expenses are expected to exceed revenues in December.⁷ She noted that although Pascoag did not have to use any funding from the PPRF, it provides a safety net should it become necessary for Pascoag to pay its power bills in a timely manner. The expected

⁵ "Sustainable power" is a term used by Pascoag.

⁶ Guertin Test. 1-3 (Nov. 9, 2023).

⁷ Young Add. Test. at 1 (Dec. 6, 2023).

balance in the PPRF after reconciliation will be \$520,933. Pascoag requested authorization to credit \$20,933 to ratepayers.⁸

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 \$774,741.38. She provided that as of October 31, 2023, Pascoag had withdrawn \$112,488.98 of funds from the Restricted for the Substation Debt Services account to pay for the substation loan to the Rhode Island Infrastructure Bank leaving a balance in that account of \$2,331.20. She noted that the District met its Storm Fund funding goal of \$12,000 for 2023, with a \$12,000 annual payment made in quarterly increments of \$3,000. As of September 2023, the Storm Fund balance was \$139,900.⁹

The reasons for the over-collection in 2023 identified by Ms. Young were because Pascoag had an over-collection in nine of eleven months. Pascoag received Forward Capacity Market credits, Constant Energy Peaker Energy Rebates, Use Right credits from Hydro Quebec, UCAPP Sales, REC sales credits, and ISM Solar revenue totaling \$331,846.06.¹⁰

It projected the cumulative over-collection for year-end 2023 to be \$584,372 which is the net of \$242,761 Power Supply Service and \$341,612 Transmission. Also contributing to the over-collection was the lower cost of NYPA entitlements, 5,662,277 interruptible kilowatt hours for the first three quarters of the calendar year.¹¹

Ms. Young stated that the 2024 forecasted power and transmission expense of \$6,814,601 is \$542,217 more than the 2023 budget of \$6,262,384 to which Pascoag added \$10,000 in expected

⁸ Young Test. at 2-3 (Nov. 9, 2023) 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.

⁹ *Id.*

¹⁰ *Id.* at 4.

¹¹ *Id.* at 5.

legal fees for 2024.¹² 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 net decrease; (3) updated capacity projections; (4) Dynegy Purchase net increase; (5) a net decrease in bilateral transactions; (6) a change from resales to purchases with ISO-NE; (7) an increase in charges by ENE; (8) an overall net increase to adjustments in estimated ISO-NE expenses; (9) the ISM Solar credit; (10) a decrease in Network Transmission charges; (11) ENE adjustments to the sub-transmission charges; and (12) a net adjustment for the Hydro Quebec Transmission Charges. The twelve adjustments resulted in a \$542,217 increase to the Pascoag 2024 budget.¹³

Ms. Young provided that the impact of Pascoag's proposed changes would result in a monthly decrease of \$0.89 for a residential customer using 500 kWh.¹⁴ She noted that Pascoag did not use a growth factor in its assumptions due to very slow growth and the impact of energy efficiency 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 2023 of \$21,851.¹⁵

As stated above, Pascoag filed supplemental testimony and exhibits on December 6, 2023, updating estimates in its original filing and revising its forecast using a three-year average for January through November 2021, 2022, and 2023 and a two-year average using consumption from 2021 and 2022 for December. The updated figures, which include actual power costs for October

¹² Young Test. at 6.

¹³ *Id.* at 7-8.

¹⁴ Young Add. Test. at 2.

¹⁵ Young Test. at 10.

and November 2023 revealed an over-collection of \$584,372. It estimated 2024 sales to be 53,867 MWH.¹⁶

III. The Division of Public Utilities and Carriers

The Division's memorandum reviewed the initial rates proposed by Pascoag in its November 9, 2023 filing as well as the updated rates in Pascoag's December 6, 2023 filing, which included actual October expenses. The Division noted that Pascoag's sales for 2023 were lower than forecasted and that power supply and transmission expenses are also projected to be lower. The lower figures are likely the result of a warmer winter and cooler summer as compared to 2022. It confirmed the over-recovery figure presented by Pascoag was properly considered in calculating the proposed 2024 rates. The Division verified the credits to the reconciliation. It supported Pascoag's method to set its sales forecast and did not recommend any adjustments.¹⁷

The Division noted that even though Pascoag's power supply expenses are forecasted to increase, its power supply portfolio has mitigated price increases seen throughout the region and its proposed increase is considerably lower than other utilities in the area. It found the transmission expense forecast reasonable and consistent with the prior year's forecast. The Division found the request to flow \$20,933 back to customers through the PPRF while maintaining a \$500,000 balance in the account to be reasonable. The Commission will review the level of funding of that account again next year.¹⁸

After review of Pascoag's testimony, calculations, and invoices, 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, 2024.¹⁹

¹⁶ Young Add. Test. at 2.

¹⁷ Smith Mem. at 2-3 (Dec. 11, 2023).

¹⁸ *Id.* at 3-5.

¹⁹ *Id.* at 5.

IV. Decision

At an Open Meeting held on December 19, 2023, the Commission unanimously voted to approve Pascoag's updated proposed rates effective for usage on and after January 1, 2024. As in previous years, the evidence provided by Pascoag demonstrated its continued efforts to operate in an efficient manner. The Commission continues to believe that, based on the history of Pascoag's prudent financial management, the current filing requirements of monthly status reports with the Division are sufficient.

The Commission agrees with Pascoag and the Division that continuation of the PPRF is reasonable to ensure Pascoag is able to pay its power invoices in a timely manner, especially in light of price increases in the region. Additionally, the Commission approved Pascoag's supply portfolio pursuant to R.I. Gen. Laws § 39-1-27.8. The Commission recognizes Pascoag's efforts to operate in a manner that is directionally consistent with the state's emissions reduction and clean energy goals.

ACCORDINGLY, it is hereby

(24907) ORDERED:

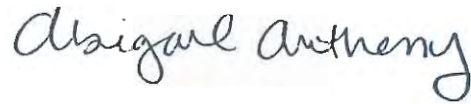
1. Pascoag Utility District's Power Supply Service Charge of \$0.076357 per kWh is approved for usage on and after January 1, 2024.
2. Pascoag Utility District's Transmission Charge of \$0.039303 per kWh is approved for usage on and after January 1, 2024.
3. Pascoag Utility District's Purchase Power Restricted Fund credit of \$0.000389 per kWh is hereby effective January 1, 2024.
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, 2024 PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 19, 2023. WRITTEN ORDER ISSUED ON JANUARY 17, 2024.

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.