

**VILLAGE OF RICHMONDVILLE  
ELECTRIC DEPARTMENT**

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS  
Based on the Year Ended May 31, 2007 (Base Year)**

**A – Sales to customers** – The test year had heating degree days that were approximately equal to the long term average so no adjustment has been made.

**B – Rental Income** – This figure represents revenues derived from Pole Attachments billed to the phone and cable companies. The Village Electric Department filed for and received authorization from the Public Service Commission to increase their Pole Attachment rates to the proxy rate authorized by the PSC in Case #06-E-1427 Issued and Effective May 9, 2007. These rates became effective January 1, 2008 and were used in bills issued during January 2008. The Rate Year revenues reflect this new rate.

Pole Attachment Rev. – Base Year 2007	\$ 10,266
Rate Year Pole Attachment Billed (FY 2008 actual)	<u>14,196</u>
Rate Year Increase	\$ 3,930

**C - Sales Expense** –The Electric Department did work on the Summit Shock Facility incurring expenses of approximately \$3,400. This was later reimbursed with the reimbursement recorded as Miscellaneous Revenues. The \$3,400 is being removed from both the Revenue and Expense accounts for the Rate Year as it was a one time event.

**D – Sale of Assets** – The Electric Department does not anticipate the sale of any assets in the foreseeable future.

**E – Normalizing Adjustments for Expenses** – The three-year average was used to normalize expenses. See Exhibit 4.

**F – Vacation & Sick Pay** – During the Base Year, the Village paid unused vacation and sick pay to a retiree in the amount of \$11,695. We assumed a three-year amortization in the amount of \$3,898./year.

Vacation and Sick Time – posted to Employee Benefits	
Base Year	\$ 43,377
Less: FY '07 Retiree – 2 years' amortization	<u>(7,797)</u>
Adjusted Base Year	\$ 35,580
FY '05	31,691
FY '06	<u>32,021</u>
Normalized Base Year (average)	\$33,097

**G – Repairs, Distribution, Customers' Accounting & Collection, and Administrative & General – Other Expenses** – These include contractual and material expenses as well as services provided by outside vendors. Because the Consumer Price Index inflation rates for the previous three years have varied from 2.5% to 4.1%, each year's expense was inflated to 2007 dollars and the average was calculated. The average was then inflated for the Rate Year. See Exhibit 13 for detailed calculations.

**H – Labor** - See Exhibit 5 –Electric Department employees received a 3% wage increase for fiscal year 2008. No staffing changes are anticipated during FY 2008, however, the Superintendent will be retiring in June. He is owed \$23,000 in unpaid vacation and sick pay which we have amortized over three years. His position is assumed to be filled by the current Class A Lineman and a new Laborer is expected to be hired at \$9.00/hour. The Clerk/Treasurer will be retiring in the second half of 2009, however the exact details of her replacement are not known at this time so no adjustment was made.

Labor, net of capitalization, vacation & sick time -	
Normalized Base Year	\$ 97,782
Net change – Exhibit 5	<u>(1,836)</u>
Rate Year Labor	\$ 95,946
Customers' Accounting & Coll'n Labor -	
Normalized Base Year	\$ 18,964
Rate Year – include 3.25% increase	<u>19,580</u>
Rate Year Increase	\$ 616
General & Administrative Labor -	
Normalized Base Year	\$ 33,162
Rate Year – include 3.25% increase	<u>34,240</u>
Rate Year Increase	\$ 1,078
Vacation and Sick Time – posted to Employee Benefits	
Base Year - less retiree	\$ 31,682
Plus: 3.25% increase	1,030
FY '07 Retiree – amortization	3,898
Superintendent's vacation & sick pay (3 year amort'n)	<u>7,667</u>
Total Rate Year expense	\$ 44,277
Normalized Base Year	<u>33,097</u>
Rate Year Increase	\$ 11,180

**I – Sales Expense** - During FY 2007 Richmondville started an Energy Conservation Program as part of their Richmondville Days celebration. The Electric Department sponsored activities at the celebration and distributed energy efficient light bulbs to customers. This will be an on-going program with expenses anticipated to be approximately the same each year. The costs incurred during FY 2007 for this project were about \$ 3,500.

**J - Pension Expense** –Annual pension expense has decreased recently due the retirement of Tier 1 and Tier 2 employees. The retiring Superintendent is Tier 2, however the level of the proposed new hire laborer is unknown at this time. For this purpose, we assumed Tier 4 for the laborer and estimated the pension expense accordingly.

Pension Expense – Actual FY '08	\$ 13,653
Less: retiree	(5,322)
Plus: new hire	<u>1,404</u>
Estimated Rate Year	\$ 9,735
Normalized Base Year	<u>24,341</u>
Rate Year Decrease	(\$14,606)

**K – Health Insurance** – The current monthly premium for the Electric Department’s portion of the Village Health Insurance is \$3,551.27/month. The Village reimburses employees for their co-pays and deductibles. They also reimburse a retired clerk for her insurance coverage that is at a rate lower than the Village’s plan and pay the current clerk \$1,000 per year because she has coverage through her spouse’s plan. After retirement, the Village will continue to cover the Superintendent at his current rate and will cover the new laborer appropriately. For these purposes, we estimate the new employee to have family coverage. The Rate Year cost was calculated as follows:

Premium (\$3,551.27/month)	\$ 42,615
Co-pays and Deductibles (based on FY 2007)	1,737
Retired Clerk’s Benefit	1,550
Current Clerk’s Benefit	1,000
New Laborer (@ \$878.57/mo.)	10,543
Total Rate Year Health Insurance Expense	<u>\$ 57,445</u>
Normalized Base Year	\$ 46,238
Rate Year – calculated above	<u>57,445</u>
Rate Year Increase	\$ 11,207

**L – PILOT** – The Electric Department pays the Village an annual PILOT based approximately on the net book value of the Electric Department’s operating property (excluding consumer meters and other property on consumer premises, office, stores, and shop equipment, communication and laboratory equipment, general tools and miscellaneous tangible property) at the end of the prior calendar year. The Village’s Equalization Rate is 100% and the current tax rate is \$6.47366239 per \$1,000. For rate making purposes, we used the ORPS Valuation as of 7/1/2007 for property outside the Village and extrapolated to get the net cost of property inside the Village (Exhibits 14 and 15).

PILOT Paid – Base Year 2007	\$ 11,000
Rate Year PILOT Calculated (Exh. 15)	<u>8,739</u>
Rate Year Decrease	(\$2,261)

**M - Property Taxes** - Rate Year Property Taxes are based on bills received for the fiscal year ending May 31, 2008. Property and School taxes have increased considerably due to revaluation of properties in Richmondville. The assessed value of the Electric Department’s properties increased from \$375,000 on 3/1/06 to \$937,043 on 3/1/07. Taxes paid have increased as follows:

Fiscal Year	Amount
2005	\$ 3,551
2006	\$ 4,007
2007	\$ 15,091
2008	\$ 33,602
Property & School Taxes Normalized Base Year	\$ 7,550
Property & School Taxes – 2008 Actual	<u>33,062</u>
Rate Year Increase	\$ 25,512

**N – Uncollectible Revenues** – The Village’s Uncollectible Receivables has fluctuated in recent years. For this reason, a five year average was used to approximate the Rate Year amount.

Uncollectible Revenues –	
FY ‘03	\$ 5,400
FY ‘04	5,400
FY ‘05	5,400
FY ‘06	(7,100)
FY ‘07	35,482
Five Year Average	\$ 8,916
Normalized Base Year	11,261
Rate Year Decrease	<u>(\$ 2,345)</u>

**O – Miscellaneous Expenses Transferred** – This represents the allocation of employee benefits and supervision time to the various tasks performed by the line crew either of a capital or expense nature, depending on the work performed. The percentage used for the allocation is based on historical data and is reviewed annually by the Village’s outside accountants. The current rate is 38% which has been consistent for the past three years. The credit account is necessary to properly allocate these costs to capital and/or expense accounts without losing the integrity of the costs in the general ledger. The forecasted amount for the Rate Year has been estimated utilizing the same Inflation method as in (G) above. See Exhibit 13 for detailed calculations.

Misc. Expenses Transferred – Normalized Base Year	\$ 40,995
Misc. Expenses Transferred – Rate Year (Inflated)	<u>46,113</u>
Rate Year Increase	\$ 5,118

**P – Amortization of Rate Case Filing Costs** – Fees associated with the 2008 rate filing are amortized over a three-year period. Amortization of these costs began in FY 2008 at an amount of \$8,000/year.

**Q – Depreciation** – see Exhibit 12.

**R – Sales** – A reconciliation of Purchased Power Adjustments was done for Fiscal Year 2007 and indicates that \$14,576 in purchased power costs was under collected. See Exhibit 16. Analysis of the number of bills produced over the past five years indicates a growth of approximately 200 per year. However, the Village has indicated that there has been no substantial development in their service area during this time and therefore the number of customers has not increased. They believe that the fluctuation in number of bills produced is due to the number of apartment rentals to SUNY Cobleskill students. Because students move in and out during the year, each residence can have multiple bills produced during a month where tenants change. The fact that the average number of kWh sold has not similarly increased seems to verify this.