Received: 11/20/2018

HUDSON RIVER ENERGY GROUP
Tailored Solutions.

November 20, 2018

VIA ELECTRONIC FILING

Kathleen H. Burgess, Secretary
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, NY 12223-1350

Re: Case 18-E-____ - Rate Filing of Hamilton Municipal Utilities Commission to Increase its Annual Electric Revenues by $213,484 or 7.0%

Dear Secretary Burgess:

On behalf of the Electric Department of the Hamilton Municipal Utilities Commission ("Hamilton" or the "Village") in accordance with the provision of the New York State Public Service Law and the Public Service Commission's ("Commission") regulations, the following tariff leaves are being revised: Leaf Nos. 4, 4.1, 8, 10, 10.1, 11, 13, 13.1, 14, 17, 21 and new Leaf Nos. 22, 22.1 and 22.2 are being introduced. The filing contains provisions and rates designed to increase the monthly bill of an average residential customer using approximately 2,058 kWh of electricity per month during the winter from $102.59 to $106.01 or 6.6%. For a Small Commercial Customer with an annual average usage of 1,624 kWh per month the monthly bill will increase from $87.19 to 93.65 or 7.4%. The proposed increase will produce an estimated annual aggregate increase in revenues of $213,484 or 7.0% based on a forecast test year ending May 31, 2020.

Hamilton's last rate review was the subject of Case 12-E-0286 with new rates being adopted effective February 1, 2013. When new rates will be set it will be over six years since the

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last rate change and in the interim Hamilton has seen a rise in expenses of approximately $180,000, a 6% increase, with the notable increases being labor (an $88,000 increase), health insurance (a $52,000 increase) and depreciation expense on new investments (a $104,000 increase). More new investments are forecast to continue as the Village is in the process of buying a new bucket truck to replace an old one, plans to install an Advanced Metering Infrastructure System ("AMI"), plan to build out a new circuit from its substation for the purpose of relieving some load from an existing circuit (and to have the ability to serve new load) and plans to purchase a new cable puller for the purpose of installing underground conductor to serve customers.

In addition to the financial relief the Village believes will be necessary on a going forward basis, at the same time sales to the Village's largest service classification, Large Commercial, have decreased 7%. This decrease in sales is largely due to energy conservation which the Village continues to promote. From its peak, average monthly use per customer in the Large General Service class has decreased 15%. This is not the only service class that has seen the effects of energy conservation. For the Small Commercial class average monthly use per customer has also decreased by 18%. The Street Lighting class has seen the largest decline in sales with annual sales and average use per customer decreasing by almost 50%. For this class, the decrease in sales is almost singly due to the installation of LED lights which the Village continues to install.

While the Village efforts on energy conservation to date contribute significantly to the Governor Cuomo's goal of reducing the State's electric load to date Hamilton's second largest service class, the Residential Class has seen conservation, a 2.5% reduction in average monthly usage from its peak, it has not been as great as the other classes. To address this issue the Village has recently enacted a LED light bulb giveaway program as a means to encourage more conservation from this service class. Given that the Department of Energy reports that LED lights save between 75%-80% in energy the Village anticipates Residential average usage will decrease due to this and other energy conservation efforts on a going forward basis. This is concerning because the Residential Class has one of the largest variable rates and the second largest service class. As such, even small amounts of energy conservation can lead to significant revenue

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erosion.

In its April 2007 Order in Case 03-E-0640[1] the Commission concluded that the benefits from energy efficiency programs are substantial but that the link between utility sales and revenues could act as a deterrent towards the promotion of energy conservation given that when a customer conserves energy they pay a lower variable charge and the same fixed charges. In that same Order the Commission noted that since some fixed costs are included in variable rates the utility does not recover all of their fixed costs when customer conserve energy[2]. Accordingly the Commission determined that to eliminate disincentives to promote energy efficiency mechanisms need to be in place to "decouple" utility sales from the revenues from those sales and thereby ordered all of major investor owned utilities to file true-up based delivery service revenue decoupling mechanisms[3].

The continued energy conservation efforts by the other service classes, on a going forward basis Hamilton is concerned if revenue erosion persists it may act as a disincentive to vigorously promote energy conservation. To address this issue Hamilton is proposing an RDM that has been adopted from those in place for other upstate electric utilities[4] where it reconciles actual billed delivery revenues to delivery revenue targets which will be established in this rate case.

In accordance with Commission regulations and practices, notice to the public will be made in a local newspaper of general circulation for four (4) consecutive weeks.

Hamilton would also like to update its Factor of Adjustment at this time. The six-year average Factor of Adjustment is 1.0621, which is the method that the Commission has historically used to set the Factor of Adjustment.

Hamilton asks that questions regarding this filing be directed to Frank Radigan of the

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1 Case 03-E-0640 - Proceeding on Motion of the Commission to Investigate Potential Electric Delivery Rate Disincentives Against the Promotion of Energy Efficiency, Renewable Technologies and Distributed Generation, Order Requiring Proposals for Revenue Decoupling, issued and effective April 20, 2007 (the "RDM Order"), page 15.

2 RDM Order pages 7-8.

3 RDM Order, Ordering paragraph 1.

4 Niagara Mohawk Power Corporation, New York State Electric and Gas and Central Hudson Gas and Electric Corporation

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Hudson River Energy Group who may be reached at 235 Lark Street, Albany, NY, 12203, Phone: (518) 527-0932, or via e-mail at FRadigan@aol.com.

Respectfully submitted for the
Hamilton Municipal Utilities Commission

Frank Radigan

Frank W. Radigan
Hudson River Energy Group