

**VILLAGE OF AKRON  
21 MAIN STREET  
AKRON, NEW YORK 14001-0180**

April 20, 2017

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

Dear Secretary Burgess:

Re: Village of Akron - Electric Rates

Enclosed please find an electronic copy of the revised Leaf Nos. 1, 2, 3, 4, 4.1, 5, 6, 7, 8, 9, 10, 11, and 12 of PSC No. 1 - Electricity for the Village of Akron (Village), issued April 20, 2017 to be effective September 1, 2017.

The proposed Tariff Leaves will increase the base revenue portion (customer charge and energy charge) of the monthly bill of a residential customer using 750 kilowatt-hours from \$34.57 to approximately \$39.12, or 13.16%. The proposed change will increase the Village's normalized annual base revenues by \$319,412 (from \$1,169,376 to \$1,488,788).

### **The Village**

The Village operates a municipal electric utility in the Village of Akron, New York. It is governed by a Mayor and Board of Trustees and provides service to approximately 1,600 customers. The Village's service area is located in the northeast corner of New York's Erie County. The average number of customers has remained consistent over the last several years; with little or no growth expected in the near term. The quality of service is excellent with no complaints. The electric safety record of the Village is excellent. The Village's Electric Department is well managed and professionally operated.

The Village continues to be an efficient and successful public power community. The Village will continue to provide safe, reliable, low cost power to its customers. Recognizing the need to use its low cost power prudently and efficiently, the Village will continue its programs promoting energy efficiency and strategically invest in economic development.

### **The Rate Filing**

The Village's last rate increase was approximately eight years ago with an effective date of November 12, 2008. There are three primary reasons for the current rate increase. First, the Village's Electric Department has incurred losses from operations in each of its last three fiscal years. The current fiscal year (year ended May 31, 2017) is also projected to report a loss from operations.

Second, the Village's rate of return on surplus for fiscal year May 2016 (its most recent year end) was in a negative position at (4.04)%. The forecasted rate of return on surplus, before the requested revenue increase, is expected to be negative (6.97)%. The negative rate of return generated in the most recent historic year (as well as the two previous years) is due to the fact that the rate base and operating costs have grown considerably since the last rate increase. With the proposed change in base revenues, the rate of return on surplus is estimated to be 2.95%.

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Third, more than half of the Village's expenses are related to purchased power expense with the next largest expense item being labor and fringe benefits. These costs continue to increase because of outside forces, and the Village's wishes to pay competitive wages and benefits in order to retain the existing workforce.

In addition, the Village has identified certain capital improvements necessary to keep the system in good repair. These capital improvements will be financed through existing operating cash balances, depreciation cash reserves, and long-term borrowing. As a by-product of this requested rate increase, the Village intends to replenish operating cash balances and depreciation reserves over time, with increased cash flows.

As described above, this filing requests an increase in annual base revenues of \$313,154. In comparing the Village's existing customer rates to other municipal electric utilities in New York State, the Village's base customer rates are among the lowest in the municipal group.

The Village has made significant efforts to increase opportunistic revenues and revenue sources and to economize and improve efficiencies to generate cash flows. These efforts have not been sufficient to offset rising mandated costs, inflation, and the impact of reduced demand.

The Village's proposed rate design was structured so that each customer class would receive the same rate increase. The Village also proposes a fixed factor of adjustment of 1.031757, the average factor of adjustment over the last six years, to be applied to its customer billings, via the Purchased Power Adjustment.

In addition, the revised tariff includes the Village's desire to perform an annual reconciliation of its Purchased Power Adjustment to determine whether there was an under or over billing of purchased power expense during the preceding year.

The filing provides an ample basis for the Commission to process the application expeditiously. The filing contains three years of income statements and projections of revenues, expenses, and rate base. The filing is based on fiscal year May 31, 2016 data, the Village's most recent year-end for which data is available. The Village has detailed back-up workpapers supporting the rate request and will provide them to staff in electronic and hard copy format upon request.

As an attachment to the filing, the Village has submitted a revised (amended) Municipal Electric Utilities Annual Report for the fiscal year ended May 31, 2016. Information from this revised (amended) Annual Report was used to establish Base Year May 31, 2016 (historic test year) amounts, as presented in this filing.

#### **Public Notice**

The Village will individually notify each of its customers regarding the rate request via mail. Notice will also be made to the public in a local newspaper for four (4) consecutive weeks.

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**Further Information**

The Village asks that questions regarding this filing be directed to:

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[Kelley@akronvillage.us](mailto:Kelley@akronvillage.us)

The Village also utilized the assistance of William C. Freitag, CPA, of BST & Co. CPAs, LLP, in the development and submission of this filing. Please feel free to contact Mr. Freitag at (518) 459-6700 and/or [wfreitag@bstco.com](mailto:wfreitag@bstco.com).

Respectfully submitted,

VILLAGE OF AKRON

*Carl E. Patterson* dmc

Carl E. Patterson  
Mayor

CEP/dmc  
Enclosures