

Bryan White
VILLAGE MANAGER



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November 18, 2020

Hon. Michelle L. Phillips, Secretary
New York State Public Service Commission
Empire State Plaza
Agency Building 3
Albany, New York 12223-1350

Dear Secretary Phillips:

Re: Village of Fairport – Electric Rates

Enclosed please find an electronic copy of the revised Leaf Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19, of PSC No. 1 - Electricity for the Village of Fairport (Village), issued (November 18, 2020), to be effective June 1, 2021.

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 \$38.86 to \$39.58, or 1.83%. The proposed change will increase the Village's normalized annual base revenues by \$400,738 (from \$19,171,136 to \$19,571,874).

The Village

The Village operates a municipal electric utility in the Village of Fairport, New York, and its surrounding areas. It is governed by a Mayor, Board of Trustees, and Board of Commissioners and provides service to approximately 17,783 individual accounts with a population served over 50,000. The Village's service area is located in New York's Monroe County, approximately nine miles east of the City of Rochester. The average number of customers has moderately increased the last several years and is expected to continue this trend over the next few years. The quality of service is excellent with a reliability rating in the top 10% of all electric utilities in the country. 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 with an emphasis on providing safe, reliable, and 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.

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The Rate Filing

The Village's last rate increase was three years ago with an effective date of August 1, 2017. There are two primary reasons for the current rate increase. First, the Village's "normalized" rate of return on Surplus for fiscal year ending May 31, 2020 (its most recent year end) was a negative 1.32%. The forecasted rate of return on Surplus, after rate year adjustments, but before the requested revenue increase, is expected to be 0.28%. The negative rate of return generated in the most recent historic year is primarily due to the fact that the rate base and operating costs have increased over the past few years. With the proposed change in base revenues, the rate of return on Surplus will be 2.18% (2.49% on Rate Base).

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

The Village has identified certain capital improvements necessary to maintain our system and minimize unplanned outages and disruptions. These capital improvements may be financed through (1) existing operating cash balances, (2) existing depreciation cash reserves, and (3) long-term financing. However, as a by-product of this requested rate increase, the Village intends to replenish our deprecation reserves over time, with increased cash flows.

The Village will be submitting a supplement to this filing over the next few weeks detailing our need and request for lineworker compensation adjustments that are required to stay competitive in the utility market by recruiting and retaining quality lineworkers. The request will be for structured multi-year increases to lineworker salaries in an effort to compete with the market. The Village has lost four lineworkers over the last 12 months to investor owned utilities and have other lineworkers interviewing presently. Our ability to be competitive is paramount in sustaining system integrity, customer service and expectations our customers have come to expect and demand. The Fairport Municipal Commission is one of the most premier municipal electric utilities in NYS and our ability to manage and lead our utility is a top priority.

This filing requests an increase in base revenues of approximately \$400,738. The requested increase in base revenues is approximately 2.1% of normalized base revenues.

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 and inflation.

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The Village's proposed rate design was structured so that each customer class would receive the same rate increase. The Village also proposed re-calculated cost structures for both Security Lighting and Street Lighting, Service Classes 5 and 6, respectively. The Village also proposes a fixed factor of adjustment of 1.038929, the average factor of adjustment over the last six years, to be applied to its customer billings, via the Purchase Power Adjustment.

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, 2020 data, the Village's most recent year-end for which information 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.

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.

Further Information

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

Aaron A. Daniels, CPA
Deputy Village Treasurer
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The Village also utilized the assistance of William C. Freitag, CPA, of BST & Co. CPA's, LP, in the development and submission of this filing. Please feel free to contact Mr. Freitag at (518) 459-6700.

Respectfully submitted,

VILLAGE OF FAIRPORT

Handwritten signature of Bryan L. White in cursive, with the initials "dmc" written below the signature.

Bryan L. White, Village Manager

BLW/dmc
Enclosures