



February 9, 2011

Hon. Jaclyn A. Brillling
Secretary
New York State Dept. of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Dear Secretary Brillling:

This filing is being made on behalf of the Municipal Commission of Boonville ("Municipal Commission") to revise certain rates and charges to customers served under its S.C. No. 1 Residential Service Classification and to increase its base purchased power costs as applicable to all service classifications. The Boonville electric system is a winter peaking utility whose load is largely driven by customers who use electricity to heat their homes. This causes a large increase in winter usage compared to summer usage both in terms of energy use and recorded demand. For example, in February 2010 the Municipal Commission recorded sales to residential customers of 6.7 million kWh whereas in July 2009 recorded sales were only 2.4 million kWh. Similarly in February 2010 the recorded peak demand was 10.5 MW whereas in July 2009 it was only 4.9 MW. The increased demand in the winter period forces the Municipal Commission to exceed its hydro allocation and rely on supplemental power to meet its energy requirements. The cost differential between these two sources is large (2.7 cents per kWh for Hydro Power and 7.3 cents per kWh for supplemental power) which increases the Power Purchase Adjustment Clause ("PPAC") during the winter period. In order to send the proper price signal to customers as to the true cost of power, the Municipal Commission seeks to re-design its rates.

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In redesigning rates it must be recognized that not all customers use electricity to heat their homes and there is a large disparity in usage among customers. The Municipal Commission has undertaken to perform a Class Demand Study to determine which customers are placing the heaviest demand on the system's infrastructure so that the results could be used in a Cost of Service Study (COSS). The results of that Class Demand Study show that there are certain large residential users that place the heaviest demand on the system in the winter period (November-April). In order to encourage energy conservation the Municipal Commission would like to significantly expand the inclining block rate structure which is currently in use.

Currently the inclining block rate for the winter period for usage over 1,000 kWh per month is set at 3.53 cents per kWh which is 1.09 cents per kWh greater than the rate charged for usage up to 1,000 kWh per month. Given that the incremental cost of power is approximately 7.3 cents per kWh the current rate is far below the incremental cost of power. As such, the existing rate structure does not give customers the correct price signal on the cost of electricity. An inclining block rate structure whose top rate is set at or near the true cost of incremental power is far superior in sending the correct price signal and the Municipal Commission believes that this is the preferred rate design approach.

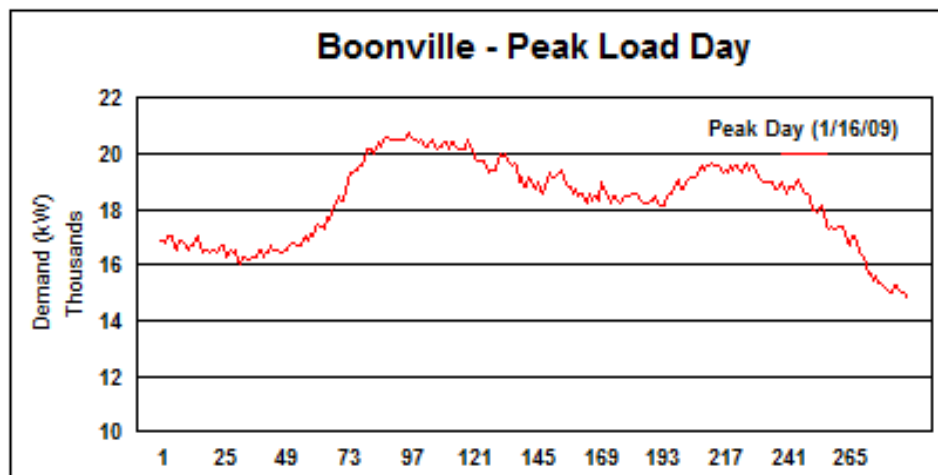
The Municipal Commission recognizes that the introduction of an expanded inclining block rate structure could have a significant impact on customers who use a large amount of energy on a month to month basis and the Municipal Commission is sensitive to this. Accordingly, the Municipal Commission has undertaken to educate customers on the Class Demand Study through a series of newspaper articles. The last newspaper article published in early January explained the impacts of the proposed tariffs on various customer groups. As part of this education program beginning with the fall of 2011 heating season, the Municipal Commission propose to give all residential customers a home weatherization kit and detailed measure they should take to reduce their homes energy consumption and improve its comfort. Finally the Municipal Commission has partnered with the New York Power Authority to perform a Village Insulation Program. This will permit the Municipal Commission to target those low income or other financially constrained customers impacted by the tariff.

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The Class Demand Study is explained more fully below along with the results of the study, the proposed rates and the customer education program. Attached are the proposed tariffs (Leaf Nos. 2, 4, 5, 6.1, 6.2, 6.3, 7, 8, 11, 15, and 17).

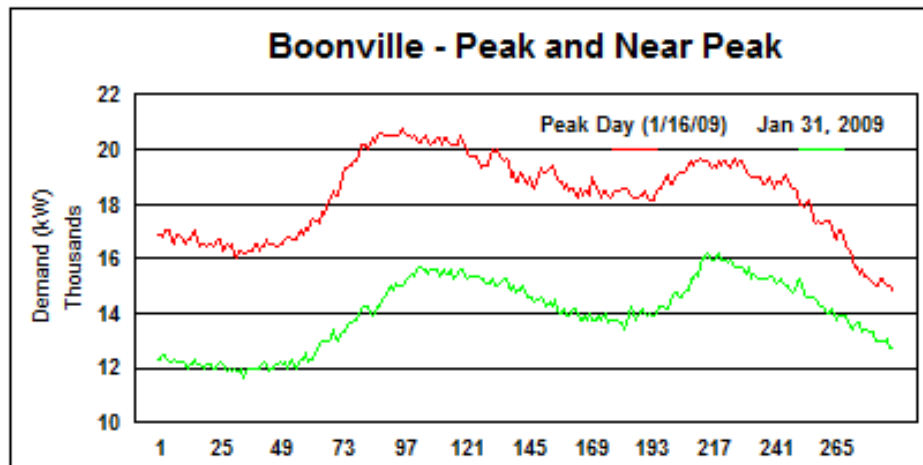
Class Demand Study

The class demand estimates presented are based upon studies of sample test customer load profile characteristics. For the sampled classes the test customers were selected by statistically sampling the class population. For the system, peak demand in the winter months is approximately 21 MW while during the summer the peak demand is 9 MW.



As illustrated by the graph below there can be large swings in demand in just two weeks. In this case the low temperature on the peak day of January 16, 2009 was minus seven degrees. On January 31, 2009 the low temperature was eight degrees. With demand being driven by weather it indicates that much of the demand is driven by electric heating load.

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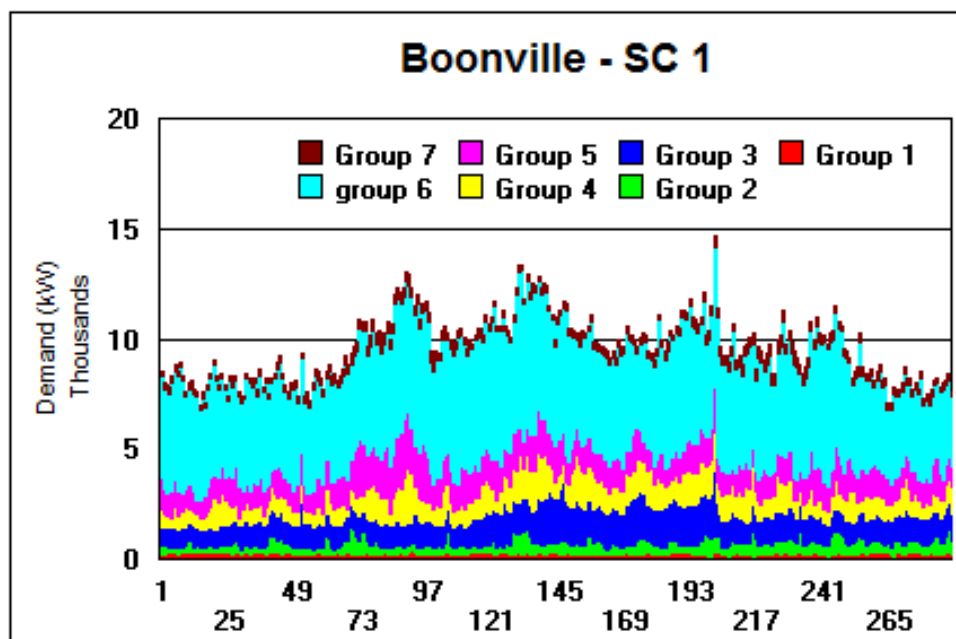
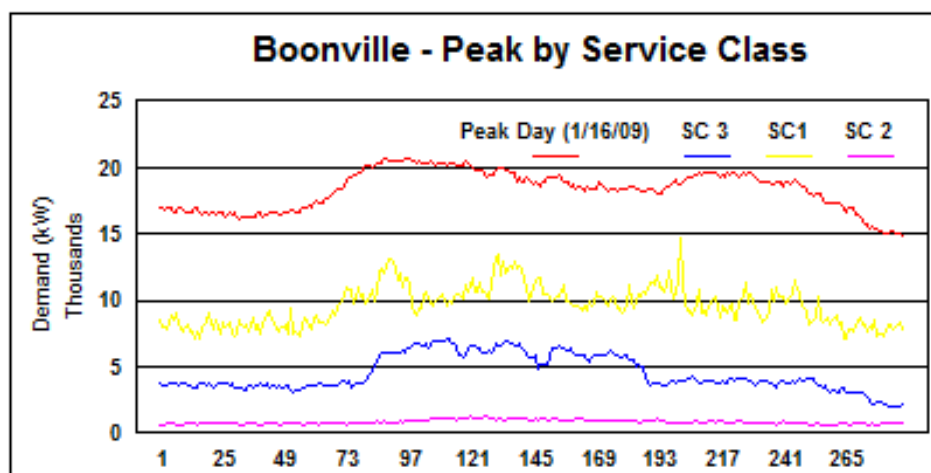


Since not all customers use energy the same, customers were segregated into groups for statistical study. Customers were first segregated by service class and then by size. Sample test data was used to estimate class demands for the Municipal Commission of Boonville Service Classifications Nos. 1, 2 and 3. Given that Boonville is predominantly a winter peaking utility test customers were arranged and stratified according to winter usage. A statistically significant number of customers were chosen to be studied and load monitors were placed on service and demand tracked for a year to ensure accurate results. In all 72 customers were studied (48 in S.C. No. 1, 35 in S.C. No. 2 and 9 in S.C. No. 3). Based on load data collected load profiles for each group were developed and this load profile data was extrapolated to the appropriate class populations obtained from billing data.

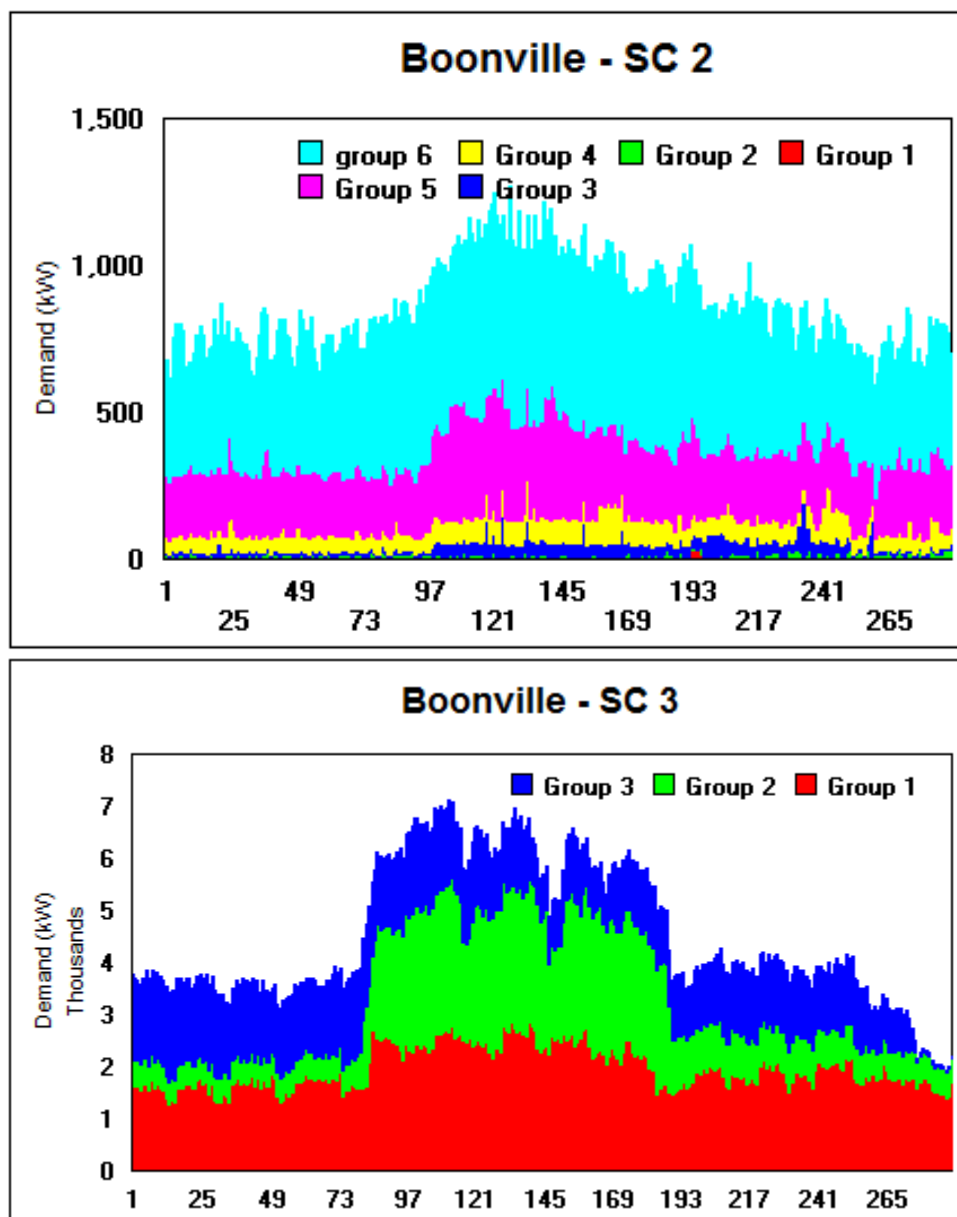
The graphs below summarize the results of the load profile study. As can be seen, S.C. No. 1 contributes the most to system peak at the time of peak. The S.C. No. 2 customers place very small demands on the system and do not contribute significantly to peak demand. S.C. No. 3 are large users and exhibit a load pattern typical of this type of customer; a pronounced increase in demand at the beginning of business hours followed by a rather constant level of demand until the end of the business day. These patterns are even more pronounced on the graphs of the individual service classifications. Of particular interest is that of S.C. No. 1 where the load profiles for Groups 4, 5, 6 and 7 show pronounced increase in load just before 8 am and around 5 pm. This indicates heating load being added when people are getting ready for work

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and coming home from work. These groups represent 38% of all residential customers but consume approximately 61% of all energy use in the residential service classification.



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Observations on Load Study

- Most customers are small users
- In the summer approximately 61% of residential customers use less than 1,000 kWh per month
- In the summer approximately 95% of residential customers use less than 2,000 kWh per month

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- In the winter 33% of residential customers use less than 1,000 kWh per month
- In the winter 18% of residential customers use between 1,000 and 1,500 kWh per month
- In the winter 24% of residential customers use between 1,500 and 2,500 kWh per month
- In the winter 14% of residential customers use between 2,500 and 3,500 kWh per month, and
- In the winter approximately 11% of residential customers use above 3,500 kWh per month
- There are a certain group of customers that are both large users in the summer and the winter. These customers are either dairy farms or large users who are served under the Residential service classification by law. Examples of this type of customer are the Cerebral Palsy Center, several churches and the VFW home.
- There are some very large users on the system with some customers with peak usage of approximately 16,000 kWh per month.
- In order to encourage energy conservation an inclining block rate structure for at least the winter period should be introduced.

Increase in Base Purchased Power Costs

Currently the PPAC varies month to month depending on the amount of supplemental power that the Municipal Commission must purchase for the system. In Fiscal Year 2010 the PPAC varied between a low of 0.7644 cents per kWh in June 2009 to a high of 1.809 cents per kWh in January 2010. During Fiscal Years 2009 and 2010, the PPAC averaged 1.5 cents per kWh with the summer period PPAC averaging 1.0 cent per kWh. The Municipal Commission is convinced the means for sending the best price signal to customers is to have the tariff rate set as close to the total cost of service as possible with the PPAC being as close to zero without being a

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large negative number. To achieve this balance the Municipal Commission proposed to increase the tariff rate for all service classes by 1.0 cent per kWh.

Proposed Rates

Residential Service

Non-Winter Rate (May-October)

<u>Usage (kWh per month)</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
0-1,000 kWh	\$0.02440	\$0.03420
1,001-2,000 kWh	\$0.02440	\$0.03420
2,001-3,000 kWh	\$0.02440	\$0.03420
3,001-4,000 kWh	\$0.02440	\$0.03420
>4,000 kWh	\$0.02440	\$0.0442

Winter Rate (November-April)

<u>Usage (kWh per month)</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
0-1,000 kWh	\$0.02440	\$0.03420
1,001-2,000 kWh	\$0.03530	\$0.03920
2,001-3,000 kWh	\$0.03530	\$0.05020
3,001-4,000 kWh	\$0.03530	\$0.05020
>4,000 kWh	\$0.03530	\$0.06000

Large Residential and Agricultural Service

Non-Winter Rate (May-October)

<u>Usage (kWh per month)</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
0-1,000 kWh	\$0.02440	\$0.03420
1,001-2,000 kWh	\$0.02440	\$0.03420
2,001-3,000 kWh	\$0.02440	\$0.03420
3,001-4,000 kWh	\$0.02440	\$0.03420
>4,000 kWh	\$0.02440	\$0.03520

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Winter Rate (November-April)

<u>Usage (kWh per month)</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
0-1,000 kWh	\$0.02440	\$0.03420
1,001-2,000 kWh	\$0.03530	\$0.03420
2,001-3,000 kWh	\$0.03530	\$0.04750
3,001-4,000 kWh	\$0.03530	\$0.05020
>4,000 kWh	\$0.03530	\$0.05250

Revenues and Rate Impact

As stated previously in this filing, the Municipal Commission purpose is to modify the Residential Tariff to better reflect the true costs associated with customers' usage patterns. As a whole, the residential service class generates sufficient revenues to cover the total cost of providing service. No rate increase appears necessary. With this in mind, a "Revenue Neutral" approach was utilized to evaluate the various rate options. Reported kWh and revenues for Fiscal Year 2009-10 form the basis for the rate development. The existing, seasonal, block rates were expanded, while still meeting the goal of remaining revenue neutral. The reallocation of class costs did, however, result in some customers' bills rising, while others fell.

The future impact to those customers billed under the proposed "Residential Service" varies by their individual consumption. During the winter period, 98% of all class customers or those using 0 to 3,300kWh/month will see no increase or a modest decrease. Above the 3,300 mark, the impact parallels the consumption. A home consuming 5,000kWh/month will see an increase of 12% or \$20/month. During the summer period, most customers' bills are unchanged.

For future customers billed under the "Large Residential and Agricultural Service" class the impact also varies by their individual consumption. During the winter season, 29% of all class customers or those using 0 to 4,500kWh/month will see no increase or a modest decrease. Above 4,500 the impact parallels the consumption. A location consuming 8,500kWh/month will see an increase of 10% or \$30/month. During the summer period most customers' will also see little change in their bill.

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Customer Education and Assistance

When the Municipal Commission initially contemplated a modification to its Residential Service Tariff, it recognized a corresponding need to communicate the basic factors driving the change with our customers. A series of articles were published in both the local daily and weekly newspapers. The series began with an article detailing the impact electric heat conversions were having on customer's rates and the strain it was creating on the distribution system. Next an article was published describing the planned COSS, the scope of the study and its intended goals. With the completion of the COSS, the results were released and the conclusions examined, in the next article. This article also included discussion concerning its next step, the tariff structure and the parameters to be used in the rate design.

At the Municipal Commission's January 4th meeting, the board approved the proposed Residential Service Tariff. The details of the tariff were release in the final article of the series, which was published during the month January. This article explained, in summary form, the impacts of the new tariff on various customer groups. It also laid out the tariff approval and adoption process. Customers were informed of future plans for a "Public Information Meeting" once the tariff is filed with the PSC.

The Municipal Commission is also a member of The NY Municipal Electric Utility Association's Independent Energy Efficiency Program (IEEP). Through the IEEP, customers have access to a wide variety of programs all geared toward conserving energy and increasing the efficiency of their homes. The programs range from Energy Star Appliance Rebates, to a Home Insulation Program.

In the past, the IEEP has assisted the Municipal Commission with distribution of home weatherization kits and information mailing pieces. As part of this petition, and prior to the beginning of the fall of 2011 heating season, the Municipal Commission intends to repeat this effort. All residential customers will receive a home weatherization kit and mailing pieces suggesting measure they should take to reduce their homes energy consumption and improve its comfort.

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Additionally, in 2010 the Municipal Commission signed an agreement to partner with the New York Power Authority in a Village Insulation Program. This three-year program will permit the Municipal Commission to target those low income or other financially constrained customers impacted by the tariff. The Municipal Commission would rely on establish screening criteria, HEAP for example, to assist with the selection process.

For its customers as a whole, the Municipal Commission plans to include in its Annual Water Quality Report and the Environmental Label's direct mailing, energy conservation and energy efficiency mailing pieces. Local experience has demonstrated that this direct approach best meets the need of our customers.

Further Information and Communications

The Municipal Commission asks that questions regarding this filing be directed to:

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Respectfully submitted,

For Municipal Commission of Boonville



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