

MUNICIPAL ELECTRIC SYSTEM

SANDRA A. INGERSON
Clark-Treasurer

PHILIP J. HUGHES, JR.
Supt. Public Works

INCORPORATED 1872

VILLAGE OF

Philadelphia

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MUNICIPAL WATER AND SEWER SYSTEM

WAYNE L. HUNTRESS, Mayor

JAMES H. PURCELL, Trustee

DONALD F. COOKE, JR., Trustee

August 29, 2003

Jaclyn Brilling, Acting Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Dear Secretary Deixler:

Re: Village of Philadelphia - Rates

Enclosed please find an original and four copies of the revised Leaf Nos. 4, 6, 8, 10, and 13 of PSC No. 1 - Electricity for the Village of Philadelphia (Village), issued August 29, 2003, to be effective December 1, 2003. Also attached are workpapers that constitute the primary basis for this rate filing.

The proposed Tariff Leaf will increase the monthly bill of a residential customer using 750 kilowatt-hours from \$39.27 to approximately \$42.54 or 8.3%. The proposed charge will increase the Village's annual revenues by \$45,125 from \$545,780 to \$590,905. The filing is a "mini-filing" under the Commission's Rules of Procedures and a hearing is not required.

The Village

The Village operates a municipal electric utility in the Village of Philadelphia and parts of the Town of Philadelphia. It is governed by the Mayor of the Village and Board of Trustees and provides service to approximately 700 customers. The Village's service area is in northern New York between the Adirondack Mountains and the St. Lawrence River in Jefferson County. The average number of customers has remained consistent over the last several years and there are no indications that this will change in the near term. The quality of service is excellent with no complaints. The electric safety record of the Village is excellent. The Village is well managed and professionally operated.

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The Rate Filing

The Village's last rate increase was eleven years ago. There are three main reasons for the rate increase. One, the Village's rate of return for fiscal year 2002 was 3.8%. This low rate of return is due to the fact that the rate base and expenses have grown considerably since the last rate case.

Second, approximately half of the Village 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 also wishes to pay competitive wages in order to retain the existing workforce. Increased costs in wages and fringe benefits account for approximately a third of the requested increase.

The final major issue is the equipment replacement program. Because of the inadequate cash flow being generated, the Village has not been able to replace equipment in a timely manner in accordance with good utility practice. The Village has approved a five-year capital program that will allow for the continuation of safe and reliable service. These improvements include several vehicles (digger, loader, and pickup truck), the installation of new poles and primaries, construction of storage building, and renovation of a substation. The replacements total over \$300,000 which is significantly higher than historic levels. To limit the rate increase now, the Village plans to issue a bond in 2007 and do the work over the next few years.

The Village's proposed rate design was structured so that each customer class would get roughly the same rate increase. As the purchased power adjustment factor is such a large percentage of costs, there is some slight variation in rate increase to classes depending on their energy usage levels. The Village also proposes to decrease the factor of adjustment from 1.091518 to 1.088263, the average factor of adjustment over the last six years.

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 the last fiscal year for data that is currently available, May 31, 2002. Even though this is a mini-rate filing and does not require a fully forecast rate year submission, the Village has produced a normalized rate year for costs for the calendar year 2004. The annual report for the fiscal year 2003 will not be filed with the Commission until September 30, 2003. The Village will provide the data to staff, however, as soon as it becomes available. The Village has detailed back-up workpapers supporting the rate request and will provide them to staff both electronically and hard copy format upon your request.

Public Notice

The Village will publish a notice to the public of the proposed change once each week for four consecutive weeks in a newspaper having general circulation in the Village and Town.

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Further Information

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

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Respectfully submitted,
For the Village of Philadelphia

Frank Radigan

FR/dmc
Enclosures

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