

**VILLAGE OF PENN YAN
PENN YAN MUNICIPAL UTILITIES BOARD
111 ELM STREET
PENN YAN, NEW YORK 14527**

December 20, 2018

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: Penn Yan Municipal Utilities Board - 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, and 16 of PSC No. 1 - Electricity for the Penn Yan Municipal Utilities Board (Board), issued December 20, 2018 to be effective June 1, 2019.

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 \$33.14 to approximately \$35.86, or 8.21%. The proposed change will increase the Village's "normalized" annual base revenues by \$331,333 (from \$3,031,811 to \$3,363,144).

The Board

The Board operates a municipal electric utility in the Village of Penn Yan, New York. It is governed by a Mayor and Board of Trustees and provides service to approximately 3,100 customers. The Board's service area is in central New York in Yates 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 Board is excellent. The Board is well managed and professionally operated.

The Board continues to be an efficient and successful public power community. The Board 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 Board will continue its programs promoting energy efficiency and strategically invest in economic development.

The Rate Filing

The Board's last rate increase was over five years ago with an effective date of November 1, 2013. There are two main reasons for the current rate increase. First, the Board's rate of return for fiscal year 2018 (its most recent year end in which published information is available) was 0.67%. The forecasted rate of return before the requested revenue increase is expected to be negative (3.02)%. This low rate of return and negative rate of return is due to the fact that the rate base and operating costs have grown considerably since the last rate increase, and the existing customer base rates can no longer sustain the Board's day to day operations. With the proposed change in base revenues, the rate of return on rate base is expected to be 4.11%.

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Second, more than half of the Board 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 Board's wishes to pay competitive wages and benefits in order to retain the existing workforce.

The Board 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 Board's proposed rate design was structured so that each customer class would receive the same rate increase. The Board also proposes a factor of adjustment of 1.045249, 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 fiscal year May 31, 2018 data, the Board's most recent year-end for which data is available. The Board 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 Board will individually notify each of its customers regarding the rate request via billing inserts. Notice will also be made to the public in a local newspaper for four (4) consecutive weeks.

Further Information

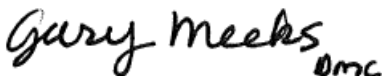
The Board asks that questions regarding this filing be directed to:

Gary Meeks, Village Treasurer
Village of Penn Yan
111 Elm Street
Penn Yan, New York
Tel: (315) 536-3374
gmeeks@villageofpennyan.com

The Board 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 or wf Freitag@bstco.com.

Respectfully submitted,

PENN YAN MUNICIPAL UTILITIES BOARD



Gary Meeks, Village Treasurer

GM/dmc
Enclosures