

**MOHAWK MUNICIPAL COMMISSION  
VILLAGE OF MOHAWK  
28 COLUMBIA STREET  
MOHAWK, NEW YORK 13407-1322**

December 21, 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: Mohawk Municipal Commission - Rates

Enclosed please find a copy of the revised Leaf Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, and 23 of PSC No. 2 - Electricity for the Mohawk Municipal Commission (Commission), issued December 21, 2017, to be effective June 1, 2018.

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 \$39.21 to approximately \$43.61, or 11.22%. The proposed change will increase the Commission's normalized annual base revenues by \$136,634 (from \$764,672 to \$901,306).

**The Commission**

The Commission operates a municipal electric utility in the Village of Mohawk, New York. It is governed by a Mayor, Board of Trustees, and Board of Commissioners and provides service to approximately 1,300 customers. The Board's service area is in central New York in Herkimer County. The average number of customers has remained fairly consistent over the last several years; however, during the recently concluded fiscal year May 31, 2017, the Commission lost several customers due to removal of certain properties affected by the June 2013 flooding of the Mohawk Valley. The removal of these properties/customers is permanent, and the rate filing as presented, reflects this loss of revenues.

In addition, the local high school that is serviced by the Commission will suspend its operations and related electric service with the conclusion of the 2017/2018 school year. This suspension of operations and related electric service will continue through the 2019/2020 school year due to significant renovations to the building and related properties. The suspension of this service, and the related loss of revenues during this time period has been presented in this rate filing.

The quality of the Commission's service is excellent with no complaints. The electric safety record of the Commission is excellent. The Commission is well managed and professionally operated.

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

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### **The Rate Filing**

The Commission's last rate increase was over twenty years ago with an effective date of April 1, 1995. There are two main reasons for the current rate increase. First, the Commission's rate of return on surplus for fiscal year 2017 (its most recent year end in which information is available) was a negative 27.68%. The forecasted rate of return on surplus before the requested revenue increase is expected to be a negative 16.67%. This negative rate of return generated in the most recent historic year (as well as the five preceding years) is due to the fact that normal operating costs have grown considerably since the last rate increase, and the existing customer base rates can no longer sustain the Commission's day-to-day operations. With the proposed change in base revenues, the rate of return on surplus is expected to be 3.83%.

Second, more than half of the Commission'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 (such as mandates), and the Commission's wishes to pay competitive wages and benefits to retain the existing workforce.

This filing requests an increase in annual base revenues of \$136,634.

The Commission 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 Commission's proposed rate design was structured so that each customer class would receive the same rate increase. The Commission also proposes a factor of adjustment of 1.062559, the average factor of adjustment over the last six years.

In addition, the revised tariff includes the Commission'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 New York State Department of Public Service 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, 2017 data, the Commission's most recent year-end for which data is available. The Commission 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 Commission 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.

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**Further Information**

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

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The Commission 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.

Respectfully submitted,

MOHAWK MUNICIPAL COMMISSION



Michael Shedd, Co-Superintendent

MS/dmc  
Enclosures