

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

March 8, 2013

Hon. Jeffrey Cohen, Acting Secretary to the Commission
New York State Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Dear Acting Secretary Cohen:

Re: Penn Yan Municipal Utilities Board - Rates

Enclosed please find a copy of the revised Leaf Nos. 1, 2, 3, 4, 5, 6, 6.1, 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 March 8, 2013, to be effective July 1, 2013.

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 \$32.80 to approximately \$34.48, or 5.14%. The proposed change will increase the Village's annual base revenues by \$194,309 (from \$2,764,056 to \$2,958,365). The filing is a "mini-filing" under the Commission's Rules of Procedures, and a hearing is not required.

Also, in the attachment to this letter, we provide a discussion on a discrepancy in the existing tariff. We trust that this discrepancy is fully explained in the attachment, and will assist you in your review of the proposed Tariff Leaves.

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 3,000 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 fourteen years ago with an effective date of June 30, 1998. There are two main reasons for the current rate increase. First, the Board's rate of return for fiscal year 2012 was 1.07%. The forecasted rate of return before the requested revenue increase is expected to be 1.40%. This low rate of return is due to the fact that the rate base and operating costs have grown considerably since the last rate increase. This filing requests an increase in base revenues of approximately \$195,000 which allows the Board to file as a "mini-filing" under the Commission's Rules and Regulations.

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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 1.047040, the average factor of adjustment over the last six years.

In addition, the revised tariff includes the Board's desires 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 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, 2012 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:

Brent Bodine, Director of Public Works
Village of Penn Yan
111 Elm Street
Penn Yan, New York
Tel: (315) 536-3374
bbodine@villageofpennyan.com

The Board also utilized the assistance of William C. Freitag, CPA, of Bollam, Sheedy, Torani & Co. LLP, in the development and submission of this filing. Please feel free to contact Mr. Freitag at (518) 459-6700.

Respectfully submitted,

PENN YAN MUNICIPAL UTILITIES BOARD

Robert Church, Mayor

RC/dmc
Enclosures