

**VILLAGE OF FAIRPORT
ELECTRIC DEPARTMENT
31 SOUTH MAIN STREET
FAIRPORT, NEW YORK 14450-2132**

December 30, 2015

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: Village of Fairport - Electric 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, 16, 17, 18, and 19 of PSC No. 1 - Electricity for the Village of Fairport (Village), issued December 30, 2015, to be effective July 1, 2016.

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 \$36.92 to \$37.70, or 2.12%. The proposed change will increase the Village's normalized annual base revenues by \$464,440 (from \$18,577,618 to \$19,042,058). 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 Fairport, New York and its surrounding areas. It is governed by a Mayor, Board of Trustees, and Board of Commissioners and provides service to approximately 17,000 customers. The Village's service area is located in New York's Monroe County, approximately nine miles east of the City of Rochester. The average number of customers has remained consistent over the last several years; however modest residential growth is expected over the next few years. The quality of service is excellent with no complaints. The electric safety record of the Village is excellent. The Village's Electric Department is well managed and professionally operated.

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

The Rate Filing

The Village's last rate increase was approximately one year ago with an effective date of November 1, 2014. There are two primary reasons for the current rate increase. First, the Village's "normalized" rate of return on surplus for fiscal year May 2015 (its most recent year end) was 1.92%. The forecasted rate of return on surplus, before the requested revenue increase, is expected to be 0.88%. The low rate of return generated in the most recent historic year is due to the fact that the rate base and operating costs have grown considerably over the past few years. With the proposed change in base revenues, the rate of return on surplus will be 2.90%.

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

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In addition, the Village has identified certain capital improvements necessary to keep the system in good repair. These capital improvements may be financed through (1) existing operating cash balances, (2) existing depreciation cash reserves, and (3) long-term financing. However, as a by-product of this requested rate increase, the Village intends to replenish those depreciation reserves over time, with increased cash flows.

This filing requests an increase in base revenues of approximately \$465,000 which allows the Village to file as a "mini-filing" under the Commission's Rules and Regulations. The requested increase in base revenues is approximately 2.5% of normalized base revenues.

The Village 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 Village's proposed rate design was structured so that each customer class would receive the same rate increase. The Village also proposes a fixed factor of adjustment of 1.045263, the average factor of adjustment over the last six years, to be applied to its customer billings, via the Purchased Power Adjustment.

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, 2015 data, the Village's most recent year-end for which data is available. The Village 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 Village will individually notify each of its customers regarding the rate request via mail. Notice will also be made to the public in a local newspaper for four (4) consecutive weeks.

Further Information

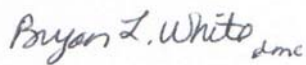
The Village asks that questions regarding this filing be directed to:

Aaron Daniels, CPA, Deputy Treasurer
Village of Fairport
31 South Main Street
Fairport, New York 14450
Tel: (585) 421-3228 (Direct Line)
aad@fairportny.com

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

Respectfully submitted,

VILLAGE OF FAIRPORT

A handwritten signature in dark ink that reads "Bryan L. White" followed by a small, stylized monogram "dmc".

Bryan L. White
Village Manager

BLW/dmc
Enclosures