



January 22, 2004

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

RE: Hamilton Municipal Utilities Commission

Dear Secretary Brilling:

Enclosed please find an original and four copies of revised Leaf Numbers 4, 8, 10, 13 and 17 of P.S.C. No. 1 – Electricity for the Hamilton Municipal Utilities Commission (the Village) to be effective May 1, 2004. Also attached (hard copy only) are work papers that constitute the primary basis for this rate filing.

The proposed tariff leaf will increase the average residential customer's annual charge from \$450 to approximately \$513 per year or 14%. The proposed charge will increase the Village's annual revenues by \$299,999 from \$2.1 million to \$2.4 million. 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 Hamilton. It is governed by the Utilities Board of Commissioners and provides service to approximately 1,500 residential and commercial customers including Colgate University. The Village's service area also includes the towns of Hamilton, Lebanon, Madison and Eaton. 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.

The Rate Filing

The Village's last rate increase was 10 years ago. The primary causes for the requested rate increase is increasing expenses. For fiscal year 2003 (the twelve months ending May

31, 2003), the Village lost \$338,000. Purchased power expense comprises 65% of the Village's operating budget. The next most significant expense item is labor costs, a budget line item that has been steadily increasing. The Village wishes to fill a vacant position, which contributes to the need for the rate increase. Next, the Village of makes a payment in lieu of taxes (PILOT) to the Village of Hamilton itself. This PILOT payment contributed to the net loss in the last fiscal year and contributes to the need to increase rates. Finally, the Village has a very large capital program ahead of it because substantial work is required on its system. This work includes substantial work at it substation, rebuilding feeders and the purchase of a new bucket truck. In all, over the next six years, the Village anticipates spending \$2.6 million for new construction. To the Village, this is a significant amount of money as the current net plant balance is only \$3.1 million. Even before the impact of the capital program is considered, the Village calculates that it needs to increase its rates well above \$430,000. To moderate customer impacts, however, the rate request is being limited to \$299,999.

This 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 pro-forma rate year was developed by using a normalized test year, which was developed by averaging the expenses for the last three fiscal years. There are only four adjustments: the new employee and PILOT payments mentioned above, an adjustment to purchased power expense to normalize the impact of refunds, and increased revenues for load growth. The Village has detailed back-up work papers supporting the rate request and will provide them to staff both electronically and hard copy format.

Transmission Expense Refund

At the beginning of fiscal year 2004, the Village has received a refund of \$260,000 from its transmission service provider New York State Electric and Gas Corporation. In the past, these refunds were returned to the customers. This year, however, the Village would like to consider this money as a customer contribution for the purposes of purchasing capital items and capital improvements. The Village asks that the Commission specifically approve on this 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.

Further Information

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

Frank W. Radigan
Hudson River Energy Group
120 Washington Ave., 2nd Floor
Albany, New York 12210
Tel: (518) 436-1628

Respectfully submitted,
For the Hamilton Municipal Utilities Commission

A handwritten signature in black ink, appearing to read "Frank W. Radigan". The signature is fluid and cursive, with a large loop at the end.

Frank W. Radigan

Enclosures