

**VILLAGE OF CHURCHVILLE
23 EAST BUFFALO STREET
CHURCHVILLE, NEW YORK 14428**

October 30, 2009

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

Dear Secretary Brilling:

Re: Village of Churchville - Rates

Enclosed please find five copies of the revised Leaf Nos. 4, 5, 6, 7, 8, 9, 10, 11, and 12 of PSC No. 1 - Electricity for the Village of Churchville (Village), issued October 30, 2009, to be effective April 1, 2010.

This increase will represent approximately one half of the requested increase with the second half effective April 1, 2011.

The proposed Tariff Leaves, when combined with the April 1, 2011 increase, will increase the monthly bill of a residential customer using 750 kilowatt-hours from \$41.23 to \$49.99, or 21.24%. The total proposed change will increase the Village's annual base revenues by \$299,000 (from \$991,963 to \$1,290,963). 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 Churchville, New York. It is governed by a Mayor and Board of Trustees and provides service to approximately 944 customers. The Village's service area is in western New York in Monroe County. The average number of customers has remained generally consistent over the last several years, and there are no indications that this will change dramatically 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 three years ago with an effective date of 7/1/2006. There are three main reasons for the current rate increase.

First, the Village's rate of return for fiscal year 2009 was effectively zero at 0.06% (and a negative 12.91%, when normalized). The forecasted rate of return before the requested revenue increase is expected to be slightly improved to a negative 1.14%). This low rate of return is due to the fact that the rate base and operating costs have grown considerably over the last few years. This filing requests an increase in base revenues of approximately \$299,000 which allows the Village to file as a "mini-filing" under the Commissions Rules and Regulations.

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

Third, the Village substation which was originally constructed over fifty years ago with some of the steel salvaged, needs to be replaced for operating and safety reasons. The estimated cost of \$2,925,000 is to be financed using BANs and serial bonds over a fifteen-year period. The average annual debt service under this financing plan is \$264,493. The annual depreciation on this balance (over 30 years) is \$97,500. The debt service exceeds the amount of the rate increase derived using standard rate calculations by \$166,993. Without special ratemaking consideration, the Electric Fund will be unable to generate sufficient cash flow to meet the debt service within three years, and the condition gets worse in future years. Therefore, we are requesting special consideration whereby the depreciation for the acquisition be replaced by the debt service amount. We suggest that this difference could be in the form of a fixed term temporary rate differential so that once the debt is paid off, the rates would automatically return to the level without the debt service and would, therefore, match the cash flow requirements of the Electric Fund.

The Village's proposed rate design was structured so that each customer class would receive the same rate increase. The Village also proposes to increase the factor of adjustment from 1.033721 to 1.037480, the average factor of adjustment over the last six years.

The Village does not currently reconcile and bill or credit the calculated net under or over of the PPAC for each fiscal year. The Village requests that they be allowed to commence this billing or crediting this amount.

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 February 28, 2009 data, the Village's most recent year-end for which data is available. The debt service requirement is compared to the depreciation expense to demonstrate the need for additional cash flow.

The Village has detailed back-up workpapers supporting the rate request which will be provided to staff in electronic and hard copy format.

Public Notice

The Village will individually notify each of its customers regarding the rate request via billing inserts.

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Further Information

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

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With copies to:

Sue Davis, Clerk-Treasurer
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sue@churchville.net

Respectfully submitted,
For the Village of Churchville



Willard G. Reynolds

WGR/dmc
Enclosures

cc: Sue Davis, Clerk-Treasurer