



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

Accounting Section
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500
(401) 941-9248 – Fax

Memorandum

To: Luly Massaro, Commission Clerk
Public Utilities Commission

From: Al Contente
Division of Public Utilities and Carriers

Date: May 13, 2021

Re: Docket No 5141 Block Island Utility District Last Resort (Standard Offer) and
Transmission Charges & 2021 Procurement Plan

On March 30, 2021, Block Island Utility District (“BIUD” or the “Company”) filed its annual recalculation of the Last Resort Service (“LRS”) and the Transmission Rates along with its 2021 Procurement Plan. BIUD requested new rates effective May 1, 2021, however they agreed to move the effective date to June 1, 2021, in order to give the Division of Public Utilities and Carriers (“Division”) and the Rhode Island Public Utilities Commission (“PUC”) time to thoroughly review the filing prior to the PUC ruling on it. The Division respectfully provides the following comments on BIUD’s filings and the settlement reached by the parties in this docket.

LRS and Transmission Filing

The LRS and Transmission rate filing included actual revenues and expenses for the period June 1, 2020 through February 28, 2021 and projected amounts for the period from March 1, 2021 through April 30, 2022. The filing also included a sizable projected over recovery at the end of the current reconciliation period (April 2021) of \$226,643. This over recovery was generated as the result of higher kWh sales than those used to set the current factors. The kWh sales forecast was reduced when the factors were set last year due to a decline in sales at the outset of the COVID pandemic. However, after new rates went into place on July 1, 2020, the sales recovered and remained strong through the rest of the year. Subsequent to the submittal

of this year's filing, BIUD provided actual information for the month of March and updated the projected over recovery through May 31, 2021 (\$262,108).

The Division's review of the filing included, but was not limited to: 1) reviewing calculations for mathematical accuracy; 2) agreed actual costs to the invoices included in the filing; 3) verified that the power purchase rate used for the net metering facility on BIUD's property was the currently effective LRS and Transmission rate as required by the PUC's order in last year's filing; and 4) verified that the fuel costs incurred related to the testing of the on island diesel generators were accurately calculated.

As noted in BIUD's filing, they purchase the majority of their power supply under a contract that provides load following service. The price under the contract is \$34.85 MW. The current contract expires on October 31, 2021. BIUD included a projected power price of \$40.23 per MW in their filing for an anticipated load following power purchase contract for the period beginning November 1, 2021. This projection is based on an ENE estimate from March 17, 2021 and appears reasonable.

After our review of the filing, the Division held settlement talks with BIUD concerning the disposition of the \$262,108 over recovery and we were able to reach a settlement. The main components of the settlement are described below:

Elimination of the Distribution System Improvement ("DSI") Charge

Under BIUD's Fuel Adjustment Tariff, it collects a \$0.01 surcharge per kWh of consumption during the months of June, July, August, and September each year. The revenues collected under the surcharge are used for improvements to the distribution system. The surcharge is scheduled to expire at the end of September 2022. Since a large portion of the current LRS and Transmission over recovery was generated during the summer months of 2020, the parties agreed that permanently eliminating the DSI surcharge now would provide additional rate relief to the group of customers that generated the over recovery. The parties agreed to use \$136,298 of the over recovery to eliminate the surcharge and provide BIUD with the funding to continue improvements to the distribution system. The \$136,298 is a fixed amount and is not subject to true-up. The amount was calculated based on the projected sales for the upcoming June – September period multiplied by 2 to approximate the revenues that would have been collected had the surcharge remained in place through September 2022.

Elimination of the Final Year of the 6-Year Interconnection Amortization

The Block Island Power Company paid \$273,254 to interconnect to the transmission system around the time the Block Island Undersea Cable was placed in-service. These costs are being amortized on a straight line basis at \$45,542.33 per year over the 6-year period of May 2017 through April 2023. The parties agreed to use \$45,542.33 of the over recovery to eliminate the final year's (May 2022 – April 2023) amortization. The parties agreed that this is a better alternative for ratepayers as opposed to refunding the amount in the upcoming period only to have to recollect it next year. This alternative will provide some rate stability instead of reducing rates this year to refund the \$45,542.33 only to increase them next year to collect the same amount to cover the final year's amortization.

Refund the \$80,267 Remaining Balance of the Over Recovery

The parties agreed to refund the remaining balance of the over recovery during the upcoming period to provide additional rate relief during these COVID times. BIUD originally proposed to maintain some of the over recovery as a reserve, however the parties eventually agreed to include the balance as a credit in the calculation of the proposed factors. The credit equates to an approximate \$0.006/kWh reduction in rates or a savings of \$3/month for a customer using 500 kWh.

Procurement Plan

BIUD's current power supply portfolio includes purchases from the New York Power Authority that covers approximately 10% of their load. They also receive power from the 90kW photovoltaic array donated to the Company and installed on the rooftops at the BIUD complex that began operation in July 2020. The remainder of their power supply comes from an 18-month load following contract at a fixed price of \$34.85/MWh. The contract expires at the end of October 2021.

The filed procurement plan seeks approval of 3 new power contracts with renewable generators and authorization to enter into a new contract in place of the contract expiring October 31, 2021. The agreements with renewable generators include one with a solar facility at \$52.95/MWh for 20 years, and another at \$51.95/MWh for 25 years. The third agreement is with a hydro facility at an average price of about \$46.00/MWh for ten years. The filing also explains that BIUD will continue working with their current power supply consultant, Energy New England ("ENE"), to procure the continuing energy needs of their customers after the expiration of the current load following contract. BIUD further explains in their plan that they will consider either entering into another load following contract as in the past or purchasing shaped block products for their energy supply. The shaped block process would require the Company to contract power for baseload and peak load, purchase blocks of hourly power to match their power curve and then purchase the remaining required power on the spot market. The option to buy on the spot market as needed would help eliminate the unused energy BIUD would have to sell. This process is more complicated and may not work for BIUD due to their small size. If feasible, it could bring more potential suppliers, and thus more competition to Block Island which would give BIUD more flexibility and a chance at greater price stability for their ratepayers. BIUD explained in their filing that the current process of soliciting bids for load following 18-month contracts has served them well. As a smaller wholesale market participant their options are limited. The Company's expert, Tim Hebert, Vice President at ENE said : "[t]he ability to procure its energy in multiple tranches over time to provide dollar cost averaging is simply not available to BIPCo [the Company]. This is a common attribute in many procurement plans but is unworkable here and was thus rejected."¹ The problem, he opined, is that there is such a small load and the demand in the off-season is just too low to make other reasonable wholesale agreements.

After review of the procurement plan, the Division finds it to be reasonable. The renewable contracts provide long-term price stability. The process outlined in the procurement plan for replacing the current load following contract appears reasonable. In addition, BIUD is utilizing

¹ RIPUC data response 1-19, Dkt No. 4690, 2/27/17

an outside expert to assist in the process to ensure the best outcome for their ratepayers.

Conclusion

Under the settlement filed in this docket, rates would decrease by over \$0.04/kWh for the period June 1, 2021 through September 30, 2021 and over \$0.03/kWh for the remaining months of the reconciliation period (through April 30, 2022). The Division believes the settlement is in the best interest of ratepayers and recommends approval.