

Prefiled Direct Testimony
of
Walter E. Edge Jr. MBA, CPA

for
Block Island Power Company

Docket # _____

NOVEMBER 2007

1 **Q. Please state your name and business address for the record.**

2 A. My name is Walter E. Edge Jr., MBA CPA and my business address is B&E Consulting
3 LLC., 21 Dryden Lane, Providence, Rhode Island 02904.

4

5 **Q. What is your position with B&E Consulting?**

6 A. I am the President and Consulting Department Director.

7

8 **Q. Mr. Edge, have you testified as an expert witness prior to this docket?**

9 A. Yes. I have testified as an expert witness in support of numerous filings for Block
10 Island Power Company (BIPCo), Interstate Navigation Company, Providence Water Supply
11 Board, Pawtucket Water Supply Board, Newport Water Department, Stone Bridge Fire
12 District and Prudence Ferry Inc., all of which were filed before the Rhode Island Public
13 Utilities Commission (PUC) or the Division of Public Utilities and Carriers (DPUC). I
14 have also testified before the Federal Communications Commission - Joint Committee, the
15 Power Authority of the State of New York, the U. S. District Court in RI, and on a dozen
16 occasions before the Rhode Island State Superior Court. In addition to the above, I was the
17 chief rate analyst for the DPUC and advisor to the PUC for five years and frequently
18 testified as an expert witness.

19

20 **Q. What is your educational background?**

21 A. I received my Bachelors Degree in Business Administration (BSBA) with a major in
22 Accounting from Bryant College and a Masters Degree in Business Administration (MBA)
23 from the University of Rhode Island. I became a Certified Public Accountant (CPA) after
24 successfully passing the national CPA exam in 1974.

25

26 **Q. What is the purpose of your testimony?**

27 A. B&E Consulting (B&E) was engaged by BIPCo to provide expert accounting and rate
28 testimony in support of its rate request. My testimony and schedules will include a
29 presentation of the pro forma rate year (June 1, 2008 through May 31, 2009), the proposed
30 rate of return on equity, and the weighted cost of capital, rate year rate base, and rate design.
31 The test year (FYE May 31, 2007) testimony and schedules will be completed by Mr. David
32 G. Bebyn CPA, Vice President of B&E and manager of the B&E consulting department.

1 **Q. What are the major reasons for requesting rate relief at this time?**

2 A. BIPCo last filed for rate relief in December of 2004 and the rate year was the FYE May
3 31, 2006. After two years of almost level revenue and normal expense increases, BIPCo
4 finds itself unable to achieve the earnings and debt ratios required by its Rural Utilities
5 Service borrowings of nearly \$4,000,000.

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7 With a May 31, 2009 rate year in this filing, BIPCo will have gone three years (2006, 2007
8 and 2008) without additional rate relief. Over those three years the financial position of the
9 Company has improved due to the efforts of a good management team, the implementation
10 of cost controls (budgeting and variance analysis) and the owners' continuance of
11 reinvesting the majority of profits back into the company.

12

13 In addition, the financial position of the Company was improved when BIPCo sold about an
14 acre of land and related buildings (not used in the utility business) for around \$900,000 (the
15 net amount after closing cost \$814,000). This sale resulted in a significant improvement in
16 the Company's debt/equity ratio and the Company's cash position but did not help the
17 Company's operating income, only its total net income. Nevertheless, it should be
18 emphasized that all of the proceeds of the land sale went to the good of the Company and its
19 ratepayers and no proceeds from the land sale were or will be distributed to the owners.

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21 In addition to the increases in operating costs, BIPCo is faced with additional depreciation
22 and return on its most recent investment relating to two new SCR units needed for its
23 engines #22 and #23 and the purchase of a new bucket truck (combined total cost \$250,000).
24 Also, environmental costs, which were projected to decrease in FYE 2006 and beyond, have
25 instead continued at expense levels greater than the amounts approved in Docket #3655.

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27 Another reason for this rate request is lost revenues as a result of conservation. In addition,
28 BIPCo will receive fewer funds from its communications tower (due to cell phone industry
29 consolidation) as well as other miscellaneous revenues (a reduction of about \$40,000). The
30 cost increases and lost revenues have resulted in a projected budgetary loss for FYE 2008 of
31 \$130,270. BIPCo has been working to address the FY 2008 budget loss by cutting and/or
32 deferring costs.

1 **Q. What increase is BIPCo requesting in this filing?**

2 A. BIPCo is requesting an increase in revenue requirement of \$400,027 which is an 8.91%
3 increase over the test year revenue. This increase represents a 17.46% increase over the
4 adjusted rate year revenue (excluding fuel revenue) at current rates. The 17.46% increase
5 equates to about a 6% increase per year since the last base rate increase.

6

7 **Q. Will all rates increase by this 17.46 %?**

8 A. No. Not all revenue is from tariff rates therefore, the “across the board” rate increase
9 on all applicable tariff rates will be 19.0% (See Schedule WEE-16).

10

11 **Q. What will be the increase in the rate year on customer bills?**

12 A. With the exception of street lighting which pays no fuel charges, customer bills will
13 increase less than 10% in the rate year, assuming the same cost of fuel and the same level of
14 customer usage.

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16 **Q. Does that conclude your introduction?**

17 A. Yes.

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19 **Q. What would you like to discuss next?**

20 A. I would like to review my rate year adjustments and the rate year revenue requirement.

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1 REVENUE REQUIREMENT

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3 Rate Year - (June 1, 2008 – May 31, 2009)

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5 **Q. Mr. Edge, in what order would you like to review your rate year adjustments for**
6 **revenue requirement?**

7 A. I prefer to start with the revenue accounts (see Schedule WEE-2). After reviewing
8 revenues and making the appropriate adjustments, I will review the expense accounts and
9 explain any rate year adjustments that are needed (see Schedule WEE-3).

10
11 **Revenues:**

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13 **Q. Please explain how you calculated your rate year revenue levels.**

14 A. BIPCo received revenue in the test year from seventeen sources (including four fuel
15 revenue accounts). For this presentation I have combined these revenue accounts into five
16 related classifications.

17
18 The largest revenue classification is fuel revenue (48.86% of total revenue) which for this
19 rate filing has, along with the related fuel expense, been eliminated from the rate year
20 revenue requirement. See the section on fuel revenue later in this testimony.

21
22 The second largest revenue source is the sale of electricity that represents 41.60% of the
23 total revenue in the test year. The other three sources of revenue account for less than 10%
24 of the total adjusted test year revenue. Customer charge revenue represents more than half
25 of the 10%. The five revenue classifications for the test year are as follows:

26

Fuel Revenues	\$2,193,557	48.86%
Electric charges	1,867,755	41.60%
Customer charges	237,490	5.29 %
Other revenue	189,724	4.23 %
Miscellaneous revenue	1,128	0.02 %
TOTAL TEST YEAR REVENUE	<u>\$4,489,655</u>	<u>100.0 %</u>

1 **Q. Mr. Edge, fuel revenue is BIPCo's largest revenue source. Would you please**
2 **explain how you analyzed fuel revenue?**

3 A. Certainly. I eliminated fuel revenue from the rate year revenue requirement. Fuel and
4 fuel related costs are treated as a pass through charge to the ratepayers. Fuel and fuel
5 related costs are collected as part of the monthly Fuel Adjustment Clause (FAC) revenue
6 calculation. Therefore, rather than trying to estimate fuel related revenue and fuel related
7 costs, I simply eliminated both fuel revenues and fuel costs from consideration of BIPCo's
8 base rate calculation.

9
10 I have eliminated the test year fuel revenue (\$2,193,557) and I will also eliminate FAC
11 related expenses (cost) when I review the rate year expenses. It should be noted, however,
12 that the fuel revenue in the test year in the last filing (FYE 2004) was only \$960,113. That
13 means that the fuel costs have more than doubled since the last docket. With the exception
14 of some minor timing issues the elimination of both fuel related revenues and expenses (plus
15 the related gross receipts tax) from the base rate calculation is revenue neutral. See my
16 comments regarding fuel costs later in this testimony.

17
18 **Q. Would you please explain how you projected the rate year revenue level for**
19 **electric charges?**

20 A. Yes. Electric charge revenue includes usage charges for residential and commercial
21 customers; demand charges; public streets and highway charges; other public authorities;
22 and system charges. Rates have been the same for the past two years (FYE 2006 and 2007).

23
24 To project the electric sales revenue level for FYE 2009, I first review two years of actual
25 revenue for the test year (2007) and the preceding year (2006). I also estimated the interim
26 year, FY 2008. I will update the interim year projection in my rebuttal testimony if needed.

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28 The following chart shows the actual electric charge revenues for the test year and the
29 preceding year and my estimate for the interim year. Using these three years I projected the
30 rate year anticipated electric revenue.

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Date	Actual Revenue (000)	Dollar Increase (000)	Percentage Increase (Decrease)
5/31/06	\$1,871		
5/31/07	1,869	\$(2)	(0.11) %
Est. 5/31/08	1,843	(26)	(1.40) %
Average		(14)	
Rate Year	\$1,829	(14)	(0.75) %

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2 From the above table it is evident that BIPCo has had no increase in the sale of electricity
3 since the last rate filing. In fact, there has been an average decrease of about \$14,000 per
4 year since the last filing.

5

6 It is important to note, that in the last docket, I estimated that there would be a 2.1% growth
7 in electric revenue in the interim year (FYE 2005) and an additional revenue growth of
8 3.82% in the rate year (FYE 2006) based upon an average of prior years. However I stated,
9 at that time, that the trend of decreasing levels of electric revenue sales growth was
10 troubling. History shows that my projections in the last case were much too optimistic and
11 my concerns were justified.

12

13 **Q. How did you calculate the rate year electric charge revenue level for this filing?**

14 A. I intended to use the above calculated amount of \$1,829,000 for the rate year electric
15 charge revenue. However, the above projection assumes a continuation of the downward
16 trend in electric revenue sales through the rate year. To be conservative, I have chosen to
17 use the test year revenue level for electric charge revenue in this prefiled testimony.

18 However, I will readdress this issue, if necessary, in my rebuttal testimony if I find that the
19 downward trend continues in the interim year.

20

21 **Q. The third most important revenue classification is customer charges. Would you
22 please explain your calculation of rate year levels for the customer charges?**

23 A. Customer charge revenues have been relatively flat since the last docket.

1 The level allowed in Docket #3655 was \$236,500. The actual rate year customer charge
2 revenue for the FYE May 31, 2006 was \$234,702 (a shortfall of \$1,798). FYE May 31,
3 2007 customer charge revenue was \$237,490 (a gain of \$990).

4

5 Since the net change from the customer charge level approved by the Commission in the last
6 docket has been an average annual increase of \$495, I have increased the test year level of
7 customer charge revenue by \$1,007 (needed to reflect 8 new services) to arrive at my rate
8 year projected level of customer charge revenue of \$238,497.

9

10 **Q. The next largest classification of revenue is other revenues. How have you**
11 **projected these revenues?**

12 A. Rental revenues (the largest of the other revenues) have decreased from \$175,719
13 approved in the last docket to \$150,648 in the test year in this docket. The fact that BIPCo
14 sold approximately one acre of non-utility land and buildings which had previously
15 generated rental income is part of the decrease. The rest of the decrease can be explained as
16 fewer companies renting space on the communications tower. Mr. Bebyn normalized the
17 rent-lease revenue, pole rental income, and miscellaneous revenue with his test year
18 adjustments. The "Biller Penalty" account was left at the test year level.

19

20 **Q. What is your projected Rate Year Revenue at current rates?**

21 A. I have projected \$2,291,692 as shown on Schedule WEE-2. Revenue from the FAC
22 has been eliminated from this base rate calculation but there will be FAC revenue in the rate
23 year that will be off-set by fuel related expenses.

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25 **Q. Does that include your revenue analysis?**

26 A. Yes, it does. Next, I would like to discuss my expense adjustments (Schedule WEE-3).

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1 **Expenses:**

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3 **Q. Mr. Edge, would you please explain how you calculate expense balances?**

4 A. Yes. First, I eliminated 1) the fuel related expense accounts, and 2) interest related
5 expense accounts as follows:

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<u>ACCOUNT #</u>	<u>ACCOUNT</u>	<u>TY BALANCE</u>
<u>Fuel Surcharge Related:</u>		
5547.0001	Fuel	\$1,900,558
5547.0401	Fuel Procurement	107,078
Allocation	Fuel GRT	87,742
5547.0102	Fuel Handling Plant-P/R	807
5935.0905	Urea	26,022
Per Stipulation	IRP & DSM Surcharge	54,190
<u>Interest:</u>		
7431.0003	Interest Loan #39903	15,426
7431.0004	Interest Loan #39904	2,190
7431.0005	Bridge loan and digger truck	56,150
7431.0007	RUS Loan Interest	157,934
	Total	<u>\$ 2,408,097</u>

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8 Fuel, fuel procurement, fuel gross receipts tax (GRT), fuel handling plant -PR and urea are
9 all Fuel Adjustment Clause (FAC) related expenses. The IRP & DSM Surcharge was also
10 collected through the FAC. As I did with the FAC revenue, I have eliminated the fuel
11 related expenses. The minor difference in the amount of fuel revenue compared to fuel
12 related expense is due to timing differences and the return authorized through the FAC for
13 the carrying cost of fuel inventory. NOTE: to account for this return on fuel inventory I
14 have excluded fuel inventory from rate base.

15

16 The IRP/DSM surcharge portion of the FAC was established by the Commission in the last
17 docket to last for three years. The three years were FYE May 31, 2006, 2007 and 2008 (the
18 summers of CY 2005, 2006 and 2007). The surcharge is now over and therefore I have
19 eliminated the funding for the surcharge from the rate year costs. Interest expense is
20 accounted for as part of the return on rate base therefore for regulatory purposes the interest
21 expense is eliminated from the rate year projected cost.

1 Payroll Expense

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3 **Q. What expense accounts did you review next?**

4 A. The next area that I looked at was payroll. Payroll costs are allocated to various payroll
5 expense accounts based upon where the employees worked during the day. I summarized
6 the payroll accounts from the test year as shown on my Schedule WEE-4 and reconciled the
7 total charged to the payroll accounts on Schedule WEE-4 to the actual payroll paid to
8 BIPCo's employees per Schedule WEE-4a.

9

10 **Q. How did you calculate the rate year level for the payroll accounts?**

11 A. Using the test year information per employee as a base (see Schedule WEE-4a), I
12 reviewed the list of employees to determine if any adjustment were needed to adequately
13 reflect the employees and their annual salaries (eliminate retirees or annualize new hires). I
14 then increased all of the salaries for the full year impact of the known and measurable 3%
15 salary increases given to the employees in FYE 2008 (the interim year). Next, I increased
16 the interim year salary levels by 3% (consistent with the approach used by the Division in
17 the last docket) for the anticipated rate year salary levels.

18

19 The total salary level for the rate year for all employees is shown on Schedule WEE-4a.
20 The total salaries were then applied to each of the summary payroll accounts on Schedule
21 WEE-4 and the resulting rate year levels were posted to the summary expense Schedule
22 WEE-3.

23

24 Items Left at Test Year Levels

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26 **Q. Are there any other accounts that you addressed as a group?**

27 A. Yes. Since BIPCo received rate relief for FYE May 31, 2006 and at that time all
28 accounts were trued up, I felt that it was reasonable to save rate case time and money to
29 leave many of the smaller accounts at the test year levels. These accounts are shown on my
30 Schedule WEE-3 as accounts that have no adjustment (in the adjustment column) from the
31 adjusted test year level to the rate year level.

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1 **Q. In what order would you like to analyze the remaining accounts?**

2 A. It is easier for me to go in the same order as the trial balance so that I don't miss any
3 accounts.

4

5 **Misc. Distribution Expense**

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7 **Q. Would you please continue?**

8 A. Certainly. The first significant account is the Misc. Distribution Expense account. In
9 Docket #3655, BIPCo explained that it needed to employ (and in fact was already
10 employing) an outside service to do its overhead line work because its own overhead lines
11 employee had recently retired.

12

13 The Commission approved an amount of \$130,178 for this activity in Docket #3655.
14 BIPCo in fact spent \$134,728 in the FY 2006; and \$129,830 in the FY 2005 for overhead
15 line outside services. During those two years, BIPCo had losses from operations of
16 \$133,168 (2006) and \$136,909 (2005). The 2005 loss was the direct result of the use of an
17 outside service overhead line company without having this cost in base rates.

18

19 BIPCo then hired a replacement for their overhead line employee. That replacement
20 however was inexperienced in many facets of the job but was willing to learn and therefore
21 BIPCo needed to continue to employ the services of the outside company but for fewer
22 hours per year. In FYE May 31, 2007, BIPCo increased its salary and fringe expense by
23 about \$35,000 for this new employee but was able to reduce the overhead line outside
24 services cost to \$51,074 (a reduction of about \$84,000). BIPCo anticipates that it will need
25 to continue the overhead lines outside company through the rate year at about the same cost
26 level. Therefore, I have left the cost of this account at the test year level.

27

28 It should be noted that BIPCo was able to make many improvements to its distribution
29 system in FYE 2005 and 2006 using two outside service overhead linesmen. BIPCo
30 believes that the value of the time spent and experience of the outside service linesmen has
31 resulted in significant improvements in BIPCo's distribution system.

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Management Compensation

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Q. What account would you like to discuss next?

A. Although I have already calculated the rate year level of compensation of the President, CFO and COO in the salary section of this testimony, I believe that it is important at this time to explain what has transpired since the decision in Docket #3655 relating to the compensation of these three positions. In Docket #3655 the compensation of the President, CFO and COO was reviewed by the Division, the Town and the Commission.

A stipulation of the total revenue requirement in that docket was signed by all of the parties that provided a total compensation for these three positions of \$135,611 in the rate year. Based upon the stipulation, BIPCo intended to pay salaries of \$133,000 to these three positions and to pay dividends of \$35,000 to increase their compensation to the level that BIPCo felt was reasonable.

After discussions with the Division, BIPCo's management agreed to forgo the \$35,000 dividends in order to improve the overall debt/equity ratio of the Company and also to stay in total compliance with the stipulation. BIPCo's management actually received \$2,611 less than the amount approved by the Commission. However, as part of the stipulation, BIPCo agreed to file justification for the three salaries as part of its next rate filing.

Q. Has BIPCo filed a compensation justification in this docket?

A. No. The Commission decided in its order in the last docket that it was not in the best interest of the ratepayers for BIPCo to wait until its next rate filing to file its compensation justification. The Commission ordered that BIPCo make a compensation justification filing within 90 days. BIPCo complied and filed the expert testimonies of Matthew M. Bodah, Ph.D and Walter E. Edge Jr. MBA CPA. The two testimonies and attached schedules addressed all of the Commission's concerns and the Commission accepted the filing as being compliant.

1 **Q. What compensation level was paid to the President, CFO and COO in the year**
2 **after the rate year (FY 2007)?**

3 A. BIPCo increased the compensation of the President to \$72,000, the CFO to \$48,000 and
4 the COO to \$48,000 which is less than the low end of the salary ranges calculated by Dr.
5 Bodah. The salary ranges calculated by Dr. Bodah included a low end compensation level
6 of \$82,905 for the President; \$51,371 for the CFO; and \$50,862 for the COO.

7
8 The increased compensation given in FYE 2007 to the three managers is the same as the
9 compensation level mentioned by the Commission as appropriate in the form of salaries and
10 dividends in the Commission's compliance order for the compensation filing. However,
11 BIPCo chose to pay the compensation all as salaries instead of a combination of salaries and
12 dividends because it is cheaper for the ratepayers to do so in this fashion.

13
14 **Q. Did BIPCo increase the salary levels of the President, CFO and COO for the**
15 **interim and rate years in this filing?**

16 A. No.

17
18 **Outside Services**

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20 **Q. What would you like to discuss next?**

21 A. Outside Services and Accounting. BIPCo has a very limited staff. Because of its
22 limited staff, it is necessary for BIPCo to outsource many of the professional type activities
23 that are commonly completed by utility, in house management and staff, in the larger
24 utilities. The under funding of the outside services account in previous rate filings has
25 caused a disruption to BIPCo's efforts to make its mandatory annual RUS financing ratios.
26 The following table highlights why.

Account	Approved Docket #3655	Spent Actual 2006	Spent Actual 2007 (TY)
Outside Services	\$85,000	\$235,162	152,571
Accounting	35,151	34,915	74,868
Total	\$120,151	\$270,077	\$227,439

(TY) = Test Year

1 Year after year, BIPCo has had to employ expert outside service consultants to provide
2 expertise not available within BIPCo's employees. Overage in any expense account
3 reduces "dollar for dollar" the operating profit which reduces the Operating Times Interest
4 Earned Ratio (OTIER) which is a required ratio that must be met in the RUS annual report
5 (Form 7).

6

7 **Q. Why do you believe that the outside services account has always been a problem?**

8 A. The charges to this account, although significant each year, are not always for the same
9 exact service provided in the test year, interim year or even the rate year of a filing. For
10 example, no one during the last rate case anticipated that BIPCo would sell property in the
11 rate year, but BIPCo did and incurred significant additional outside service costs that were
12 not included in rates.

13

14 Further, I don't think that BIPCo, or for that matter I, have done a very good job supporting
15 the various activities that are paid for in the outside service and accounting accounts. The
16 first problem that I noted in preparing this filing is the fact that many of the items that
17 should have been in the accounting general ledger account were charged in the past to the
18 outside service account. I felt that it was important to correct this posting problem.

19

20 ***New Outside Services and Accounting Accounts:***

21 For this filing, I have completed a review of all of the test year expenditures in the Outside
22 Service and Accounting accounts and I asked Mr. Bebyn to reclassify the funds from these
23 two general accounts into thirteen new specific accounts. I then reviewed each of these new
24 accounts to determine what if any of the test year expenditures could be reduced.

25

26 ***Outside Services – Other:***

27 This account includes EMJ retirement services (\$1,450), lobbyist (\$3,825), Abacus Benefit
28 (\$250) and a few other small amounts. BIPCo believes that these charges are appropriate
29 operating expenses and it is expected that these charges will continue at about the same level
30 in the rate year. I made no adjustment to this account.

31

32

1 ***Accounting General Matters:***

2 In the test year, \$12,993 was charged to this account. This balance represents the funds
3 paid to B&E Consulting to address numerous management issues that have financial impact
4 on the Company. For example, Mr. Edge is asked to review the financial statements
5 monthly and to point out any items of interest that he may see during his review. This
6 account also includes the times that Mr. Edge is asked to opine on general management
7 matters during the year. BIPCo believes that Mr. Edge's assistance on these general matters
8 is worth the approximate \$1,000 per month it costs the Company. I made no adjustment to
9 this account.

10

11 ***Accountant Regulatory:***

12 This account represents different activities each year with the exception of the PUC annual
13 report. During the test year BIPCo paid B&E Consulting \$22,995 to address various
14 regulatory matters such as responding to data requests of the Commission, Division, and the
15 Town. B&E also prepares testimony and schedules; and/or exhibits and reports required for
16 mandatory informational filings such as a land sale filing, management compensation filing,
17 related party filing, etc.

18

19 These activities do not include rate filings, but do include other mandatory filings required
20 by the Commission and the Division. The cost of these filings is not included in the rate
21 case expense recovery. In addition, it covers the cost of B&E responding to issues raised by
22 the Town (which are many) each year. These types of activities have been at this level for
23 years. No adjustment is necessary.

24

25 ***Account Financing:***

26 This was the cost paid to B&E Consulting to assist with the \$600,000 bridge loan, respond
27 to Washington Trust requests for financial information, explain to Washington Trust RUS
28 requirements, and generally working with legal counsel in all matters pertaining to obtaining
29 waivers from Washington Trust, when necessary. BIPCo does not intend to borrow from
30 Washington Trust in the rate year so this amount (\$10,374) can be eliminated for the rate
31 year.

32

1 ***Legal and Accounting RUS:***

2 This account contains the cost of doing business with RUS. Although the RUS loans are
3 made at reduced interest rates the accounting, legal and filing requirements are enormous.
4 In the test year BIPCo paid out \$33,160 for B&E Consulting and Schacht & McElroy to
5 address RUS related concerns, filing requirements, audits, etc. Although this account can
6 not be eliminated, BIPCo does expect some savings in the rate year in the time needed to
7 deal with the RUS auditors. BIPCo estimates that about \$25,000 is the normal level of
8 activity for dealing with RUS annually, therefore an adjustment of \$8,160 was made to
9 reduce this account to that level.

10

11 Two additional things should be noted at this time. First, BIPCo intends to borrow from
12 RUS to install new electronic switch gear on all of its remaining engines that do not already
13 have it. Also, BIPCo intends to borrow from RUS to replace all of its current meters and in
14 the long run funds to upgrade the distribution system. The professional cost relating to
15 these activities will be paid out of this account.

16

17 Although RUS has many administrative requirements, BIPCo still believes that RUS is the
18 best source of financing for BIPCo and its ratepayers. It is estimated, at this time, that
19 BIPCo will save in excess of \$750,000 in interest expense over the term of its current RUS
20 loans. These savings and the ability to finance large projects make RUS the right choice at
21 this time.

22

23 ***Legal General Matters:***

24 Much like the general management issues that Mr. Edge opines on, Mr. McElroy is also
25 asked to opine on general legal issues. Mr. McElroy also attends the annual meeting of the
26 Board to discuss pending issues and maintains the corporate legal records and minute book.
27 In the test year \$4,850 was spent on these types of activities. BIPCo believes that Mr.
28 McElroy's assistance on these general matters is worth the \$400 per month it costs the
29 Company. No adjustment is needed.

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1 ***Legal Regulatory:***

2 This account represents different activities each year. During the test year BIPCo paid
3 Schacht & McElroy \$24,626 to address the legal requirements of the Commission, Division,
4 and the Town. Mr. McElroy also files with the PUC and Division any testimony,
5 schedules, exhibits, etc. that are required that are prepared by BIPCo's experts. Mr.
6 McElroy represents BIPCo in all matters before the PUC and the Division. These activities
7 do not include rate filings but do include other filings which are not covered in the recovery
8 of rate case expense. This activity has been at this level for years. No adjustment is
9 necessary.

10

11 ***Legal Financing:***

12 This is the cost paid to Schacht & McElroy to assist with the \$600,000 bridge loan for the
13 purchase of engine #25. BIPCo does not intend to borrow from Washington Trust in the
14 rate year so this amount (\$5,242) can be eliminated for the rate year.

15

16 **Q. Does that complete your review of the new Outside Service accounts?**

17 A. Yes.

18

19 **Accounting Services**

20

21 **Q. What are the new Accounting Service accounts?**

22 A. They are Audit, Board and Annual Meetings, Bookkeeping, Finance Committee and
23 Budgeting, and Accounting-Taxes. I have reviewed each of these accounts and determined
24 the following:

25

26 ***Audit:***

27 BIPCo, a for profit company, is required to have a year end audit by a Certified Public
28 Account (CPA) firm (BIPCo in the past has used James Nadeau and Company). This
29 annual financial audit results in audited financial statements which are sent to Washington
30 Trust, the Rural Utilities Services (with its Form 7), a number of BIPCo's major vendors and
31 other interested parties such as the Town, the Division and the Commission, if requested.

32 The total cost of the audit in the test year was \$28,637.50.

1 Of this test year amount, \$3,750 was paid for a special audit report on related party activity.
2 This report should not be required in the future and therefore can be eliminated for the rate
3 year. The remaining balance will be required for the rate year. BIPCo has changed
4 auditors (new auditor is Carlucci & Dugan CPAs) and has negotiated a slightly lower rate
5 for the interim year audit but the 2008 contract rate, paid in the rate year, will be about the
6 same as the test year level.

7

8 ***Preparation for and Attendance at Board and Annual Meetings:***

9 As BIPCo's bookkeeper, B&E, under the supervision of the Treasurer, is required to provide
10 certain analyses of revenue and expense accounts, present the analyses at the various Board
11 meetings and responds to questions. The test year cost was \$6,437.50. The Treasurer,
12 after reviewing B&E's detail analysis, makes a presentation regarding the financial position
13 of the Company. Mr. Edge has been attending these meetings for years and has acquired a
14 wealth of historic knowledge and general knowledge of the books and records of the
15 Company. The cost of this activity is reasonable and Mr. Edge's contribution is important
16 to the successful operation of the Company. I made no adjustment to this account.

17

18 ***Bookkeeping:***

19 B&E provides daily bookkeeping service to BIPCo for an annual fee of \$24,000. This
20 account also includes about \$3,000 of payroll related expense paid to an outside payroll
21 company (Advantage Payroll).

22

23 B&E, under the supervision of the Treasurer, manages the cash flow for BIPCo, reconciles
24 bank accounts, completes the FAC filings, Fuel Excise Tax filings, and Gross Receipts Tax
25 filings. B&E deals with all vendor complaints, collection calls, etc. B&E completes the
26 monthly financial statements and distributes them to the Treasurer and the rest of the
27 management team (which included Mr. Milner). In fact, Mr. Milner has taken a much more
28 active roll in managing costs on the island than his predecessor.

29

30 No adjustment was needed for this account. B&E has agreed to continue to provide this
31 service for \$24,000 through the rate year. It is possible that the payroll cost could increase
32 but any increase to the \$3,000 charge was considered immaterial.

1 ***Finance Committee and Budgeting:***

2 B&E prepares the template for the annual budget meeting which includes every individual
3 line item (all revenues and expenditures) in the general ledger. For each item, B&E
4 provides a schedule that shows the amount approved in the last rate filing, the actual
5 expense for the last two years, the prior year budget and a blank line for the current year
6 budget.

7
8 At the annual budget meeting the Budget Committee reviews each line item and determines
9 what is expected in the budget year. At the meeting B&E serves as the recording secretary
10 listing the amounts agreed to by the finance committee members. Answers to any
11 questions, relating to the detail of any account, are provided by B&E.

12
13 Any calculations that have to be made, such as salary increases, are completed by B&E after
14 the meeting. The final budgets are then distributed to the finance committee members for
15 final review before being approved by the Board. Some years, like this current year (FY
16 2008) the Budget Committee is required to have follow-up budget meetings to address
17 projected shortfalls. B&E charged \$6,169 in the test year for assisting the Budget
18 committee with the FY 2008 budget. This expense is annual and no adjustment is
19 necessary.

20
21 ***Accounting – Taxes:***

22 B&E provides the detail information to the independent tax preparer and responds to all
23 questions of the preparer relating to the details supporting BIPCo's Federal Tax return. In
24 the test year, BIPCo changed tax accountants (from Bacon & Company to Knowles, Edge
25 and Associates) and there were some additional costs relating to the changeover. I estimate
26 that the portion of the test year expenditures in this account that can be reduced is the \$1,350
27 paid to the previous tax professional for his assistance in the change over. BIPCo made the
28 change in tax preparers because the new tax preparer is less expensive.

29
30
31

1 **Q. I believe that you have completed your review of the new outside service and**
2 **accounting accounts. Please continue with the next expense account that you wish to**
3 **discuss.**

4 A. The next sizeable account is employee pensions. This account includes annual
5 pensions for two former employees (\$12,000 per year each), two former general managers
6 (\$12,000 per year each), and the former President (\$24,000 per year). The Commission has
7 already approved the first four pensions (\$12,000 each) and BIPCo is legally obligated to
8 continue these pensions. Therefore, the only new pension that has to be considered in this
9 filing is the \$24,000 pension given to Mr. Edwards the former BIPCo President.

10

11 **Q. Why was Mr. Edwards given a \$2,000 per month pension?**

12 A. Mr. Edwards served as the full time President of BIPCo from 1994 through 2004 and
13 retired in 2005. His accomplishments for the Company and the ratepayers were all
14 provided in the last docket, so I do not feel it is necessary to review them again here.
15 However, BIPCo would be happy to provide Mr. Edwards accomplishments, if requested,
16 during the travel of this case.

17

18 During Mr. Edwards presidency the Company did not fund a pension for Mr. Edwards. It
19 should also be noted that BIPCo is not providing any pension for the current President, CFO
20 or COO. Clearly Mr. Edwards' exemplary service entitles him to a pension. BIPCo's
21 board of directors approved a \$2,000 per month pension for Mr. Edwards. BIPCo is
22 requesting that this pension be approved by the Commission in order to properly recognize
23 Mr. Edwards' years of excellent service.

24

25 **Q. Before leaving your discussion about pensions can you please explain the Pension**
26 **Expense account?**

27 A. Yes I can. For the rate year I have calculated the pension contribution at 3% of the rate
28 year payroll excluding the compensation for the President, CFO, and COO (See Schedule
29 WEE-7). This is the same pension contribution level that was approved by the Commission
30 in Docket #3655.

31

1 As I am sure the Commission recalls, BIPCo was allowed in the last docket to convert its
2 “profit sharing” plan to a “defined contribution” pension plan providing for a 3%
3 contribution of salaries each year. It is BIPCo’s position that this pension program should
4 eliminate the need for future special \$1,000 or \$2,000 per month pension plans.

5

6 **Q. How did you calculate the rate year amount for the General Liability Insurance?**

7 A. I prepared Schedule WEE-9 which shows the test year and rate year calculations of
8 general insurance expense. These calculations result in an adjustment of \$7,248 for the rate
9 year.

10

11 **Q. What is the next account that must be reviewed?**

12 A. Employee benefits (health and dental) have been evaluated and projected for the rate
13 year in the same manner as they were approved by the Commission in the last docket.
14 Please see my Schedules WEE-5, 5a, and 5b for the detail calculations.

15

16 **Q. How have you calculated regulatory commission and rate case expense?**

17 A. Regulatory Commission expense is paid yearly to the PUC based upon an assessment of
18 the PUC cost to all utilities. The test year amount of regulatory commission expense was
19 \$9,507. BIPCo expects that this charge will be about the same as the test year level for the
20 rate year. Rate case expense was estimated for this Docket as follows:

➤ Test Year, Rate Year, Rate Base, Rate of Return and Rate Design Testimony and Assist others	\$ 45,000
➤ Legal	40,000
➤ Division	30,000
➤ Commission	10,000

Total \$125,000

21

22 The total current docket rate case expense of \$125,000 was amortized over three years
23 (\$42,000 per year). It should be noted that \$125,000 is \$55,000 less than the rate case
24 expense amount requested by BIPCo in the last docket. BIPCo will update these estimates
25 at the end of the hearings so that the Commission can use actual costs rather than the above
26 estimates but BIPCo is hopeful that rate case expense can be held in check.

1 **Q. Mr. Edge, given that yours and Mr. McElroy's hourly rates have increased since**
2 **the last docket, how do you expect the rate case cost to be less?**

3 A. A significant portion of the rate case expense in the last case was spent fighting issues
4 that have been lingering for years (13 years to be exact). With the stipulation in the last
5 case many of these issues were fully addressed. It is my hope that these issues will not be
6 litigated again.

7

8 **Q. How much did BIPCo receive as an annual rate case expense reimbursement in the**
9 **last Docket?**

10 A. The rate case expense that was allowed in the last docket was \$180,000 (\$60,000 per
11 year over three years). This balance will be fully amortized (three years FY 2006, 2007,
12 2008) and collected from the ratepayers by the end of the interim year in this docket, FY
13 2008.

14

15 **Q. Did BIPCo spend more than the amount allowed in the last Docket for rate case**
16 **expense in the last docket?**

17 A. Yes they did. BIPCo incurred \$225,508 for the last rate case. The balance, \$45,508;
18 between the amount spent \$225,508 and the amount allowed in rates \$180,000 has not been
19 amortized to the ratepayers. On BIPCo's books this amount will be added to the rate case
20 expense in this docket and amortized over three years. For this reason, I have increased the
21 rates case expense that I calculated above from \$42,000 per year to \$57,169 per year to
22 address the under-collection of rate case expense of the prior docket.

23

24 **Q. Has BIPCo deferred the cost of other regulatory filings at the DPUC or PUC into**
25 **the rate case expense account?**

26 A. No, although BIPCo has incurred significant regulatory expense since the last docket
27 relating to the land sale, compensation filing, related party filing, two financing filings (RUS
28 and WT), fuel adjustment filings and other miscellaneous DPUC and PUC dockets; all of
29 these regulatory costs were charged to current operations as incurred and not deferred.

30

31

1 **Q. The next account is the environmental expense. How did you project this account**
2 **for the rate year?**

3 A. This account has been increasing since the last docket. BIPCo spent \$49,702 in FYE
4 2006 (Commission approved \$40,000 in rates in Docket #3655) and \$66,567 in FYE 2007.
5 Mr. Milner and I have projected that the environmental account should be as follows in the
6 rate year.

7

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Environmental Engineering	\$40,000
Treatment System Operations and Maintenance	7,000
State Fees (Air Operating Permit)	8,000
Emission Tests	<u>15,000</u>
Total	<u>\$ 70,000</u>

8

9 I have used the above amount which seems to address the increasing trend of this account. I
10 increased the test year cost by \$3,433 in the rate year.

11

12 **Q. It appears that the next account is Clean Air Compliance. How did you calculate**
13 **the rate year level for this account?**

14 A. This account was approved for the rate year in the last docket at an amount of \$40,091
15 which was a five year average (2000-2004) and coincidentally close to the test year level in
16 that case of \$43,126. Since the last docket, this expense account has contributed to BIPCo's
17 problem of generating a profit in order to make the annual RUS ratios.

18

19 The actual expenditure in FY 2006 was \$71,227 and in the FY 2007 it was \$60,822 (both
20 years much higher than the \$40,091 amount allowed in the last docket). The overage in
21 these two years, in conjunction with other account overages, resulted in BIPCo missing its
22 CY 2006 RUS ratios and has put BIPCo at risk of missing its CY 2007 RUS ratios. Two
23 consecutive years of missing the RUS loan ratios would put BIPCo in default on its
24 \$4,000,000 of RUS loans.

25

1 BIPCo believes that it has controlled the clean air expense as well as possible in both CY
2 2006 and CY 2007. Therefore BIPCo is hesitant to project an amount less than \$71,227 for
3 the rate year. However, BIPCo wants to continue to make every effort to control these, and
4 all of BIPCo's costs and asked me to average the last two year's costs and request that
5 average amount for the rate year. I did so, and the amount that I used for the rate year for
6 the Clean-Air account is \$66,000.

7

8 **Q. Mr. Edge why didn't you use a greater number of years (more than 2) for**
9 **calculating your average for the clean air account?**

10 A. This clean air account is related to BIPCo's current engines. BIPCo has four relatively
11 new engines and one older stand-by unit. The clean-air costs relating to BIPCo's older
12 engines do not reflect the appropriate clean air cost for the number of engines or type of
13 engines currently in service at BIPCo.

14

15 **Q. The next account worthy of detail review is SCR maintenance. Would you please**
16 **explain how you estimated SCR maintenance in the rate year?**

17 A. Certainly. BIPCo has not purchased any "stand alone" SCR catalysts since the last
18 docket. However, BIPCo has purchased three new SCR units from Caterpillar after
19 obtaining one SRC unit for free. All four of the SCR units had new catalysts. Caterpillar
20 has guaranteed that BIPCo will get 20,000 hours in service from each set of catalysts. I
21 have added the projected catalysts costs to my projection of engine maintenance costs
22 schedule (see below).

23

24 **Q. Would you explain your adjustments to the rate year engine maintenance**
25 **accounts?**

26 A. Yes. First I eliminated the SCR and engine installation and maintenance cost charged
27 in the test year for each individual engine. I then calculated the rate year SCR and engine
28 maintenance requirements needed to appropriately fund the SCR/Engine maintenance
29 reserve account suggested by the Division and approved by the Commission in the last
30 docket.

31

1 To do so, I requested from Mr. Milner a detailed schedule of the engine maintenance (top
2 ends and major maintenance) by engine that is expected for the rate year and two subsequent
3 years. I further requested that his schedule include the projected SCR catalyst replacement
4 costs for those same three years. Lastly, I asked him to estimate the average general
5 maintenance per year for the SCR and engines.

6

7 Mr. Milner estimated that the average general maintenance on all engines was about \$30,000
8 per year (average \$7,000 per engine (4 newer engines) and the stand-by unit was estimated
9 to require \$2,000 of general maintenance.) This general maintenance covers requirements
10 such as oil changes, lubrication, etc. As BIPCo's relatively new engines age it is expected
11 that the average annual general maintenance cost will increase.

12

13 I used Mr. Milner's schedule of engine maintenance and SCR catalyst replacement to
14 calculate an average allowance needed for the rate year and the subsequent two years. As
15 part of my calculation, I was had to amortize the remaining test year balance (\$188,000) in
16 the SCR/Engine maintenance restricted account. The net average cost requirement for the
17 three years was then used for the rate year. See my Schedule WEE-8.

18

19 **Q. It appears that you made a small adjustment to payroll taxes. How was that**
20 **adjustment calculated?**

21 A. See my Schedule WEE-6 for the detail calculation.

22

23 **Q. It appears that the next account that must be reviewed is depreciation expense.**
24 **How did you calculate the rate year level for this account?**

25 A. B&E maintains BIPCo's depreciation records on its computer. David Bebyn simply
26 added the new assets projected for FY 2008 and FY 2009 and rolled the depreciation
27 schedules forward to the rate year. See Schedule WEE-10 for the summary list of asset
28 groups and the test year and rate year depreciation.

29

30

31

32

1 **Q. What is the credit balance for LOC interest (actually Amortization of Federal**
2 **Income Tax Prepaid)?**

3 A. This account has been misnamed for years. The minor balance in the account is the
4 amortization of the taxes paid as the add-on to Contribution in Aid (CIA). BIPCo returns
5 the taxes paid to the ratepayers as BIPCo is allowed to recover the depreciation of the assets
6 on its federal income tax return. This balance has been decreasing each year and the test
7 year balance was \$6,502. The appropriate amount for the rate year is a credit of \$4,729
8 (See highlighted amount at the bottom of the page on Schedule WEE-11.)

9

10 **Q. How did you calculate the federal income tax and the net change in deferred**
11 **federal income tax for the rate year?**

12 A. The federal income tax calculation is determined after the calculation of the return on
13 equity which is a part of the calculation of the return on rate base. I prepared Schedule
14 WEE-15 that shows the calculation of federal income taxes for the rate year.

15

16 The adjustment to the deferred federal income tax is a minor change. It is calculated on the
17 "Analysis of Rate Base Items" schedule (See my Schedule WEE-11 top half of the page the
18 highlighted amount).

19

20 **Q. How did you calculate gross earnings tax (GRT)?**

21 A. As I stated earlier in this testimony, I first removed the GRT relating to the FAC. The
22 rate year GRT relating to base rates is then calculated by multiplying the rate year gross
23 revenues, subject to the GRT, by 4%. This calculation was completed on my Schedule
24 WEE-1.

25

26 **Q. Are there any other expense accounts adjustments that you would like to discuss?**

27 A. Only one. Dr. Casazza asked me to add \$10,000 to the cost of service for a meter
28 replacement survey. I have added a new account under the general accounts for this
29 adjustment.

30

31

32

1 **Q. Mr. Edge have you prepared any additional schedules for this filing?**

2 A. Yes. In addition to the rate base and rate of return schedules that I will discuss in the
3 next two sections of this testimony, I have also prepared the following schedules which are
4 attached to my testimony in compliance with PUC regulations.

5

6 1. Schedule WEE-16 “Calculation of Revenue Requirement Percentage Increase”.

7 2. Schedules WEE-16A and 16B “Calculation of Rates”.

8 3. Schedule WEE-17 “Revenue Check”.

9 4. Schedules WEE-17A, 17B and 17C “Calculation of Revenues – Across the Board”.

10 5. Schedules WEE-18, 18A, 18B, 18C, 18D, 18E and 18F “Rate Payer Impact by
11 Customer Class”

12

13 **Q. Does that conclude your revenue and expense (revenue requirement) testimony?**

14 A. Yes.

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1 **RATE BASE**

2

3 **Q. What are the components of rate base?**

4 A. The rate base components approved by the Commission in the last docket (Docket 3655
5 were as follows:

6

ACCOUNT	AMOUNT
Net Utility Plant	\$4,604,457
Working Capital	113,753
Materials and Supplies	66,850
Prepaid Expenses	23,155
Deferred Credits	(206,533)
Deferred FI Taxes	(361,379)
Total Rate Base	\$4,240,303

7

8 **Q. What was the net utility plant at the end of the test year?**

9 A. Per the May 31, 2007 audited trial balance the net utility plant (net of depreciation) is
10 \$4,475,382. To this amount, I added the non-utility plant (the communications tower) net
11 of accumulated depreciation on the tower because all of the benefit of the tower goes to the
12 benefit of the ratepayers. The total plant at the end of the test year was \$4,624,949 (see
13 Schedule WEE-10a).

14

15 **Q. What adjustments have you made to arrive at the average net utility plant for the
16 rate year?**

17 A. The adjustments are as follows:

Balance at May 31, 2007	\$ 4,624,949	Schedule WEE-10a
FYE 2008 Purchases:		
Bucket Truck	86,000	Per Testimony
Less Depreciation FYE 2008	(335,533)	Work papers
Balance at May 31, 2008	<u>\$4,375,416</u>	
FYE May 31, 2009 Purchases:		
Roof Repair- Day Building	50,000	Per Testimony
Switch Gear for Engine #24	250,000	Per Testimony
Less Depreciation FYE 2009	(353,093)	Schedule WEE-10
Balance at May 31, 2006	<u>\$4,322,323</u>	

1 The average of the net utility plant in rate base would be the total at May 31, 2008 and May
2 31, 2009 rate base amounts divided by 2 calculated as follows:

3

Balance at May 31, 2008	\$4,375,416
Balance at May 31, 2009	<u>4,322,323</u>

Total \$8,697,739

Divided by 2 \$4,348,850

4

5 **Q. Please provide a description of the capital additions listed in the above net utility**
6 **plant calculation table for the FYE May 31, 2008 and FYE May 31, 2009.**

7 A. The purchase in FYE 2008 is a new bucket truck. BIPCo has already purchased this
8 vehicle and put it into service. The SCR units for engines 22 and 23 that are part of the
9 recent \$250,000 financing from WT were added to utility plant in FY 2007.

10

11 The first purchase listed in FYE 2009 is a major roof repair on the "Day Building" which is
12 the building that houses the computer equipment for monitoring the new switch gear on
13 engine #25 (BIPCo's newest engine and the only one with the new electronic switch gear.)
14 This building is also used by employees for breaks. The roof of this building is leaking
15 badly and management has decided that it must be fixed for safety reasons. BIPCo has
16 received a proposal to do the work for \$50,000.

17

18 The second item listed as a FYE 2009 (rate year purchase) is new switch gear for engine #
19 24. It is BIPCo's intent to install electronic switch gear on all of its new engines (22, 23,
20 and 24) so that eventually BIPCo will be able to monitor and control the engines from an
21 off-site location, reducing the need for night watchmen. The immediate value of this switch
22 gear is that any engine with the electronic switch gear (currently only engine #25) is able to
23 monitor the distribution system needs and moderate itself for system surges. When this
24 switch gear is installed on engine #24 it will improve the consistency of the power supply
25 provided to BIPCo's customers when engines #24 and #25 are operating.

26

27

28

1 **Q. How did you calculate working capital for the rate base?**

2 A. This was a well contested issue in the last docket. The Company completed a lead lag
3 study and requested a working capital amount of \$190,197. The Division suggested a
4 number of changes and BIPCo accepted the Division's changes and agreed to accept a
5 working capital allowance of \$113,753.

6

7 Mr. Bebyn used the same working capital model used by the Division in the last docket and
8 made only three changes for this filing. Mr. Bebyn adjusted the working capital to address
9 the additional gross receipts tax relating to the rate year increase in revenues. His second
10 adjustment was to add FAC revenues and fuel and fuel related expenses to the lead lag
11 study. His third change was to use the current dollar amounts and apply them to the
12 previously approved model. Mr. Bebyn calculated that the rate year working capital
13 amount should be \$165,382.

14

15 **Q. The next item in rate base is inventory. How did you calculate the inventory**
16 **allowance?**

17 A. I calculated the twelve month average for the test year inventory balances. I posted that
18 total, \$116,517 to my Schedule WEE-13 "Rate Year Rate Base".

19

20 **Q. How did you calculate fuel inventory in the rate base?**

21 A. As I stated above, the Commission allows BIPCo to recover the carrying cost of fuel
22 inventory in the FAC. I therefore don't believe that fuel inventory should be included in
23 rate base. Therefore, I have excluded fuel inventory from the rate base calculation.

24

25 **Q. Have you included any prepaid expenses in rate base?**

26 A. Yes. Once again, I used the test year-end balance of \$27,284 in rate base. It should be
27 noted that the balance of the prepaid expenses is about \$27,000 each year.

28

29 **Q. How did you calculate deferred credits?**

30 A. See my schedule WEE-11 for the calculation of Deferred Federal Income tax and
31 deferred credits. The rate year average deferred credits were posted to the rate base.

32

1 **Q. Mr. Edge have you posted the average rate case expense balance in the rate base?**

2 A. No. Although I believe that this is an appropriate rate base item (a deferred debit), it is
3 my understanding that the Commission's accountant believes that it is not an applicable item
4 in rate base. After conferring with the Commission's accountant and the Division, I may
5 adjust my rate base to add this item in my rebuttal testimony.

6

7 **Q. Does that conclude your rate base testimony?**

8 A. Yes.

9

10 **Q. Mr. Edge, what would you like to discuss next?**

11 A. Rate of return.

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1 **RATE OF RETURN**

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3 **Q. What rate of return on rate base have you calculated for the rate year?**

4 A. I calculated the “weighted” cost of debt and equity of 6.69% (See my Schedule WEE-
5 14). This weighted cost of debt and equity was applied to my rate base amount of
6 \$4,229,354 to get a return on rate base of \$292,795 (Schedule WEE-12). This return on rate
7 base was then added to the rate year expenses to arrive at the rate year cost of service (See
8 Schedule WEE-1).

9

10 **Q. How did you obtain the cost of debt in your calculation of weighted debt and**
11 **equity?**

12 A. I was able to use actual fixed interest rates for the cost of debt for the Washington Trust
13 debt and the individual draw downs of the RUS financing. (See Schedule WEE-14)

14

15 **Q. How did you calculate the cost of equity?**

16 A. BIPCo considered hiring a cost of capital witness (which would have increased the rate
17 case expense and would have been more expensive for the ratepayers) but realized that the
18 impact of a ½ percent change in the return on equity given the current capital structure was
19 only about \$8,000 (a cost of capital witness would cost far more than \$8,000 and would be
20 unlikely to get an additional ½ percent more than 10.7%).. Recently, there have not been
21 many cases at the PUC that have addressed rate of return on equity. The only recent case
22 that I am aware of is the Interstate Navigation’s rate case in which the Commission allowed
23 a return on equity of 10.7%. BIPCo is hopeful to get at least a 10.7% rate of return on
24 equity.

25

26 **Q. How did you calculate the average common equity balance for the rate year?**

27 A. First, I used the actual common stock balance of \$191,515 (Common stock \$213,000 –
28 Treasury Stock \$21,485) that will not change through the rate year. I then calculated the
29 average retained earnings balance for the test year using a “12 month” average (See
30 Schedule WEE-14a). Next, I added the estimated return for the interim year (FY 2008) and
31 the estimated return for the rate year (FY 2009). The average rate year common equity is
32 \$1,326,848 (\$191,515 + \$1,135,333); see Schedule WEE-14.

1 **RATE DESIGN**

2

3 **Q. Mr. Edge what rate design issues are appropriate for this case?**

4 A. There are no rate design issues. BIPCo has asked me to increase all rates using an
5 across-the-board approach. However, should the Division decide to hire Mr. Oliver, who
6 created BIPCo's current rate structure, to review this docket, BIPCo would be very
7 interested in Mr. Oliver's suggestions.

8

9 **Q. Does that conclude your testimony?**

10 A. Yes.

11

COST OF SERVICE SUMMARY
BLOCK ISLAND POWER COMPANY

	ADJUSTED TEST YEAR	ADJUSTMENTS	CURRENT RATES RATE YEAR	REVENUE REQUIREMENT	NEW RATES RATE YEAR
TOTAL REVENUE -- WEERY-2	\$ 4,489,655	\$ (2,197,962)	\$ 2,291,692	\$ 400,027	2,691,719
TOTAL EXPENSES -- WEERY-3	4,559,384	(2,164,895)	2,394,489	14,435	2,408,924
NET OPERATING INCOME	\$ (69,729)	\$ (33,068)	\$ (102,797)	\$ 385,592	\$ 282,795
Percentage increase over TY Revenue		\$ 400,027 /	\$ 4,489,655	<u>8.91%</u>	
Percentage increase over RY Revenue at Current Rates		400,026.90 /	2,291,692.22	<u>17.46%</u>	

et See WEE-12 for calculation

COMPARATIVE REVENUE ANALYSIS
BLOCK ISLAND POWER COMPANY

ACCT. #	BUDGET ACCOUNT DESCRIPTION	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ADJUSTED ❖	INTERIM YEAR	RATE YEAR
REVENUE							
<i>Operating Revenue---Electricity Charges</i>							
4440.0001	Residential sales	\$ 517,464	\$ 532,596	\$ 613,191	\$ 607,748	\$ -	\$ -
4442.0001	Commercial sales	231,167	227,978	246,786	251,453		
4443.0001	Demand Electric	565,676	565,572	658,429	651,848		
4444.0001	Public streets & highway	82,547	83,329	105,195	112,860		
4445.0001	Other public authorities	12,422	12,422	12,545	12,684		
4500.0001	Demand - all rates	153,045	160,929	184,458	188,004		
4600	System Charge	38,728	31,550	50,768	43,158		
	<i>Total Operating Revenue---Electricity Charges</i>	1,601,049	1,614,376	1,871,373	1,867,755	1,843,000	1,867,755
<i>Operating Revenue---Fuel Surcharge</i>							
4440.0003	Residential Fuel	374,056	541,590	784,156	848,294		
4442.0003	Commercial Fuel	137,847	197,158	285,044	313,247		
4443.0003	Demand Fuel	381,473	529,449	775,290	852,053		
4444.0003	Public Authority Fuel	66,737	101,305	162,045	179,964		
	<i>Total Operating Revenue---Fuel Surcharge</i>	960,113	1,369,502	2,006,535	2,193,557		
<i>Operating Revenue---Service Charges</i>							
4451.0002	Removal Non Payment	550	700	-	-		
4500	Customer Charge	206,585	210,450	234,702	237,490	237,490	238,497
5431.0201	Connection Charges	-	444	-	-		
	<i>Total Operating Revenue---Service Charges</i>	207,135	211,594	234,702	237,490	237,490	238,497
<i>Other Revenue</i>							
5421.0201	Interest income	1,489	1,394	1,454	2,679	2,679	2,679
5421.0301	Rent - lease	167,661	188,806	181,605	150,648	150,648	150,648
5421.0401	Pole Rental Income	-	-	-	15,249	15,249	9,837
7431.0221	Biller Penalty	15,499	18,256	22,048	21,148	21,148	21,148
	<i>Total Other Revenue</i>	184,650	208,456	205,107	189,724	189,724	184,311
	Miscellaneous Revenue	3,848	2,121	49,580	1,128	1,128	1,128
	TOTAL REVENUE	\$ 2,956,795	\$ 3,406,048	\$ 4,367,297	\$ 4,489,655	\$ 2,271,342	\$ 2,291,692

EXPENSE ANALYSIS
BLOCK ISLAND POWER COMPANY

Schedule WEE-3

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR	RATE YEAR ADJUSTMENTS	ADJUSTED RATE YEAR
EXPENSES				
Operating Expense---Power Production				
5546.0001	Supervision P/R (Payroll) Only	\$ 22,232 (1)	\$ (4,010)	\$ 18,222
5547.0001	Fuel	1,900,558 (2)	(1,900,558)	-
4500.0100	Fuel Discounts	- (2)	-	-
5440.0001	IRP & DSM Surcharge Funding	54,190 (2)	(54,190)	-
5547.0101	Fuel Handling Plant P/R Only	807 (2)	(807)	-
5547.0102	Fuel Procurement P/R Only	- (2)	-	-
5547.0301	Inventory Charge	394		394
5547.0401	Fuel Procurement	107,078 (2)	(107,078)	-
5548.0001	Watchman P/R Only	107,957 (1)	6,575	114,531
5548.1001	Lubrication	24,747		24,747
5549.0001	Freight	-		-
5549.0201	Inside Maint. P/R Only	73,331 (1)	4,466	77,797
5549.0401	Misc. Costs Power Gen Exp	-		-
5549.1001	Misc Cost	-		-
5550.0101	Auto Repair	4,939		4,939
5550.0201	Purchased Power	3,740		3,740
5905.0001	Miscellaneous	1,544		1,544
5935.0905	UREA EXPENSE	26,022 (2)	(26,022)	-
Total Operating Expense---Power Production		2,327,539	(2,081,624)	245,915
Operating Expense---Distribution				
5581.0001	Supervision - P/R Only	23,005 (1)	(3,963)	19,043
5583.0001	Overhead lines - P/R Only	45,365 (1)	2,987	48,351
5583.0002	Overhead lines	-		-
5584.0001	Underground line P/R Only	38 (1)	2	40
5585.0001	ST Lights & Sign P/R only	376 (1)	23	398
5586.0001	Meters - P/R Only	1,927 (1)	117	2,044
5586.0002	Meters	-		-
5587.0001	Customer install. P/R	252 (1)	15	267
5588.0001	Misc. Distrib. P/R	6,005 (1)	366	6,371
5588.0002	Misc. Distrib. Expense	51,074		51,074
5935.0301	Lease - motor vehicle	24,407		24,407
Total Operating Expense---Distribution		152,448	(453)	151,995
Operating Expense---Customer Service				
5902.0001	Meter reading - P/R Only	9,236 (1)	562	9,798
5903.0001	Rec. & collection - P/R	17,610 (1)	1,072	18,682
5916.0001	Conservation/Education	-		-
Total Operating Expense---Customer Service		26,846	1,635	28,481
Operating Expense---Administrative				
5903.0002	Bad Debt	3,183		3,183
5920.0201	Office salaries - P/R	16,930 (1)	1,031	17,961
5920.0211	Management Fee	-		-
5920.0212	MANAGEMENT FEE BONUS	-		-
5920.0205	Accrued Vacation	913		913
5920.0401	Vacation Pay - P/R Only	22,561 (1)	1,374	23,935

EXPENSE ANALYSIS
BLOCK ISLAND POWER COMPANY

Schedule WEE-3

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR		RATE YEAR ADJUSTMENTS	ADJUSTED RATE YEAR
Operating Expense--Administrative (Continued)					
		-			-
5920.0501	Bonus - P/R Only	9,368	(1)	571	9,938
5920.0502	Bonus-Non P/R	122			122
5920.0601	Holiday Pay - P/R only	5,765	(1)	351	6,116
5920.0701	Holiday Not Worked - P/R Only	10,692	(1)	651	11,343
5920.0801	Sick Leave Pay - P/R Only	6,044	(1)	368	6,412
5920.0901	Personal Pay - P/R Only	3,227	(1)	197	3,424
5920.0902	President's Compensation	72,000	(1)	-	72,000
5920.0903	CFO Compensation	48,000	(1)	-	48,000
5920.0904	COO Compensation	48,000	(1)	-	48,000
5921.0001	Office supplies and Expen	37,083			37,083
5921.0201	Trash Removal	10,307			10,307
5923.0001	O/S-Outside Services	-			-
5923.0002	O/S-Miscellaneous	5,861			5,861
5923.0004	O/S-Accountant-General	12,993			12,993
5923.0005	O/S-Accountant-Regulatory	22,995			22,995
5923.0006	O/S-Accountant-Financing	10,374	(3)	(10,374)	-
5923.0015	O/S-Accountant and Legal-RUS	33,160	(3)	(8,160)	25,000
5923.0016	O/S-Legal-General	4,850			4,850
5923.0017	O/S-Legal-Regulatory	24,626			24,626
5923.0018	O/S-Legal-Financing	5,242	(3)	(5,242)	-
5923.0019	O/S-Legal-Sale of Property	-			-
5923.0020	O/S-Legal-Zoning	-			-
5923.0201	Employee Pension	72,000			72,000
5924.0301	General Liability Ins	119,548	(4)	7,248	126,796
5926.0001	Employee Benefits	141,926	(5)	18,280	160,205
5927.0001	Pension Expense	13,271	(6)	741	14,012
5927.1000	Rate Case Expense	61,835	(7)	(4,666)	57,169
5928.0001	Reg Comm Exp	9,507			9,507
5930.0001	Travel And Misc. Expense	5,719			5,719
5930.0002	Rental Expense-Apartment	5,000			5,000
5930.0101	Directors Meetings	7,950			7,950
5933.0001	Accounting	0			0
5933.0002	Accounting-Audit	28,638	(8)	(3,750)	24,888
5933.0003	Accounting-Board/Annual Mtgs	6,437			6,437
5933.0004	Accounting-Bookkeeping	27,485			27,485
5933.0005	Accounting-Finance Comm & Budg	6,169			6,169
5933.0006	Accounting-Taxes	6,139	(8)	(1,350)	4,789
5935.0901	Environmental	66,567	(9)	3,433	70,000
5935.0902	Clean air compliance	60,822	(9)	5,178	66,000
5935.0904	Meter Replacement Survey	-	(10)	10,000	10,000
Total Operating Expense---Administrative		1,053,307		15,880	1,069,188
Maintenance Expense--Distribution System					
5418.0101	Subcontractor Expense	-			-
5550.0102	Backhoe Repair	524			524
5590.0101	Supervision - P/R Only	22,050	(1)	(4,021)	18,029
5592.0001	Station equip	(110)			(110)

EXPENSE ANALYSIS
BLOCK ISLAND POWER COMPANY

Schedule WEE-3

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR		RATE YEAR ADJUSTMENTS	ADJUSTED RATE YEAR
Maintenance Expense---Distribution System (Continued)					
		-			-
5593.0001	Overhead lines - P/R Only	2,804	(1)	171	2,975
5593.0501	Tree Trimming	6,591			6,591
5593.2001	Transformer Expense	-			-
5594.0001	Underground P/R	-	(1)	-	-
5594.0002	Maint Underground Lines	-			-
5596.0001	Street lights&signals P/R	139	(1)	8	147
5596.0002	Maint of Street Lights	(1)			(1)
5597.0001	Meters- P/R only	429	(1)	26	455
5598.0001	Misc	(178)			(178)
Total Maintenance Expense---Distribution System		32,248		(3,816)	28,432
Maintenance Expense---Generation System					
5553.0201	Supervision - P/R Only	21,702	(1)	(4,042)	17,660
5553.0501	Maint. of Gen & Elect Plt	324			324
5554.0101	Gasoline	17,747			17,747
5555.0001	Misc.	174			174
Total Maintenance Expense---Generation System		39,947		(4,042)	35,905
Maintenance Expense---General					
5552.0001	Maintenance of Struct P/R	445	(1)	27	472
5552.0002	Maint. of Structures	5,369			5,369
5935.0101	maint general plant	2,023			2,023
5935.0201	Small tools	-			-
5935.0501	Tank Testing	-			-
5935.0801	Haz. Waste Store/Remov/Hd	13,399			13,399
5935.2003	Generator #19 maint.	-			-
5935.2030	Uniforms	-			-
5935.2090	SCR Maint	4,485	(11)	(4,485)	(0)
5935.2100	SCR & Engine Maint Res.Exp.	-	(11)	238,917	238,917
5935.2101	General Maintenance	271	(11)	(271)	(0)
5935.2108	Generator #21 Maint	-			-
5935.2111	GENERATOR #22 INSTALL	-			-
5935.2113	GENERATOR # 22 MAINTENANCE	15,793	(11)	(15,793)	0
5935.2117	Engine #23 Maint	60,079	(11)	(60,079)	0
5935.2122	Engine #24 Maint	6,930	(11)	(6,930)	0
5935.2124	ENGINE #25 MAINTENANCE	4,659	(11)	(4,659)	-
5935.2125	Cellular Tower Maint & Expense	15,532			15,532
Total Maintenance Expense---General		128,984		146,727	275,710
Taxes					
6408.0101	Payroll taxes	38,313	(12)	(188)	38,126
6408.0201	RI Sales taxes	3,730			3,730
6408.0401	Property taxes	15,125			15,125
6408.0501	Registrations	1,792			1,792
6408.0601	RI gross earnings tax	93,234			93,234
	RI gross earnings tax-Fuel Portion	87,742	(2)	(87,742)	-
Total Taxes		239,936		(87,930)	152,006

EXPENSE ANALYSIS
BLOCK ISLAND POWER COMPANY

Schedule WEE-3

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR		RATE YEAR ADJUSTMENTS	ADJUSTED RATE YEAR
Depreciation					
7403.0001	Depreciation expense	302,755	(13)	50,338	353,093
Other Deductions					
5929.0000	Finance Charges	1,080			1,080
7431.0003	Interest On Loan #39903	15,426	(14)	(15,426)	-
7431.0004	Interest On Loan #39904	2,190	(14)	(2,190)	-
7431.0005	DIGGER LOAN INTEREST 48141	-	(14)	-	-
7431.0006	Interest on Loan 91125530	56,150	(14)	(56,150)	-
7431.0007	RUS LOAN INTEREST	157,934	(14)	(157,934)	-
7431.0201	Interest - Other	-			-
7431.0601	LOC Interest	(6,502)	(15)	1,772	(4,729)
7431.0901	Federal Income Tax	-	(16)	29,042	29,042
7431.0903	Net Change In Deferred Tx	27,213	(17)	(725)	26,488
7439.0001	MISC-Bank Fees	249			249
7600.0001	Loss(Gain) on Sale of Asset	-			-
7600.0002	(Gain) on sale of asset-Land	-			-
7600.0003	Land sale expenses	-			-
8503.0001	Misc other expenses	304			304
8505.0001	Cond Fees	1,330			1,330
9800.0000	Misc.-Sewer Exp on Rental Prop	-			-
Total Other Deductions		255,373		(201,610)	53,764
Dividends					
9999.9997	Dividends	-			-
Total Dividends		-		-	-
TOTAL EXPENSES		\$ 4,559,384		\$ (2,164,895)	\$ 2,394,489

- (1) = Payroll adjustment WEE-4.
- (2) = Fuel items eliminated WEE Testimony page 8.
- (3) = Outside Services expense WEE Testimony pages 13-16
- (4) = General Liability was calculated on Schedules WEE-9.
- (5) = Employee benefits were calculated on Schedules WEE-5, 5a and 5b
- (6) = Pension expense WEE testimony page 19 and Schedule WEE-7.
- (7) = Rate case expense WEE Testimony page 20-21
- (8) = Accounting expense WEE Testimony pages 16-18.
- (9) = Environmental & Clean Air expenses WEE Testimony pages 22-23
- (10) = Meter Replacement Survey expenses WEE Testimony page 25
- (11) = SCR & Engine Maintenance WEE Testimony pages 23-24 and schedule WEE-8.
- (12) = Payroll tax adjustment WEE-6.
- (13) = Depreciation WEE Testimony page 24 and Schedule WEE-10.
- (14) = Interest related items eliminated WEE Testimony page 8.
- (15) = Amortization of Federal Income Tax - WEE Testimony pages 25 and Prepaid Schedule WEE-11
- (16) = Federal Income tax Schedule WEE - 15
- (17) = Net change in Deferred Federal Income Tax WEE Testimony page 25 and Schedule WEE - 11

RATE YEAR COMPENSATION EXPENSES
BLOCK ISLAND POWER COMPANY

Schedule WEE-4

ACCT. #	BUDGET ACCOUNT DESCRIPTION	ADJUSTED TEST YEAR	Adjustments	Percentage Increase (B)	ADJUSTED RATE YEAR
EXPENSES					
<i>Operating Expense--Power Production</i>					
5546.0001	Supervision P/R (Payroll) Only	\$ 22,232	(A) \$ (5,056)	\$ 1,046	\$ 18,222
5547.0101	Fuel Handling Plant P/R Only	807		49 (D)	0
5547.0102	Fuel Procurement P/R Only	0		0 (D)	0
5548.0001	Watchman P/R Only	107,957		6,575	114,531
5549.0201	Inside Maint. P/R Only	73,331		4,466	77,797
<i>Operating Expense--Distribution</i>					
5581.0001	Supervision - P/R Only	23,005	(A) (5,056)	1,093	19,043
5583.0001	Overhead lines - P/R Only	45,365	(C) 211	2,776	48,351
5584.0001	Underground line P/R Only	38		2	40
5585.0001	ST Lights & Sign P/R only	376		23	398
5586.0001	Meters - P/R Only	1,927		117	2,044
5587.0001	Customer install. P/R	252		15	267
5588.0001	Misc. Distrib. P/R	6,005		366	6,371
<i>Operating Expense--Customer Service</i>					
5902.0001	Meter reading - P/R Only	9,236		562	9,798
5903.0001	Rec. & collection - P/R	17,610		1,072	18,682
<i>Operating Expense--Administrative</i>					
5920.0201	Office salaries - P/R	16,930		1,031	17,961
5920.0401	Vacation Pay - P/R Only	22,561		1,374	23,935
5920.0501	Bonus - P/R Only	9,368		571	9,938
5920.0601	Holiday Pay - P/R only	5,765		351	6,116
5920.0701	Holiday Not Worked - P/R Only	10,692		651	11,343
5920.0801	Sick Leave Pay - P/R Only	6,044		368	6,412
5920.0901	Personal Pay - P/R Only	3,227		197	3,424
5920.0902	President's Compensation	72,000		0	72,000
5920.0903	CFO Compensation	48,000		0	48,000
5920.0904	COO Compensation	48,000		0	48,000
<i>Maintenance Expense--Distribution System</i>					
5590.0101	Supervision - P/R Only	22,050	(A) (5,056)	1,035	18,029
5593.0001	Overhead lines - P/R Only	2,804		171	2,975
5594.0001	Underground P/R	0		0	0
5596.0001	Street lights&signals P/R	139		8	147
5597.0001	Meters- P/R only	429		26	455
<i>Maintenance Expense--Generation System</i>					
5553.0201	Supervision - P/R Only	21,702	(A) (5,056)	1,014	17,660
<i>Maintenance Expense--General</i>					
5552.0001	Maintenance of Struct P/R	445		27	472
	<i>Capitalized Labor</i>	29,985		1,826	31,811
		<u>\$ 628,279</u>	<u>\$ (20,013)</u>	<u>\$ 26,812</u>	<u>\$ 634,222</u>

A) 3% Increase for Interim Year and 3% increase for Rate Year (See WEE-4a)

B) Remove Salaries from New Retiree (See WEE-4b)

C) Full year of hours for Gann

D) Account eliminated on Schedule WEE-3 - fuel related account

RATE YEAR COMPENSATION
BLOCK ISLAND POWER COMPANY

Schedule WEE-4a

Employee	Test Year Compensation	May 2008 Compensation (d)	May 2009 Compensation (e)
Alpers	\$ 46,740	\$ 48,142	\$ 49,586
Casazza (*)	72,000	72,000	72,000
Dulac	37,605	38,733	39,895
Foote	40,524	41,740	42,992
Fowler	64,472	66,406	68,398
Gann (a)	8,898	28,028	28,869
Jacobsen	28,421	29,274	30,152
Littlefield (b)	18,100	-	-
Martin	72,984	75,174	77,429
McGinnis (*)	48,000	48,000	48,000
Milner	78,711	81,072	83,504
Pezzenita (*)	48,000	48,000	48,000
Savoie	43,598	44,906	46,253
Wagner (c)	20,226	-	-
	\$ 628,279	\$ 621,474	\$ 635,079

May 2009 Compensation \$ 635,079
Less Compensation covered by Fuel Surcharge (856)
Rate Year Compensation (including Capitalized Labor) \$ 634,223

- (a) - Gann was hired in the second half of test year to replace Littlefield. His 2008 pay was based on a percentage of his and Littlefield's test year dollars [7 months of actual for Littlefield (\$18,100) reduced for Gann rate (\$16,089)] & [4 month of actual for Gann (increased to 5 months (\$11,123) to make a full 12 month period]
- (b) - Littlefield left during the test year. His hours were replaced by Gann.
- (c) - Wagner helped manage in the first quarter of test year. His hours were to assist Milner with the transition of Milner assuming the General Manager position, as a result no amount has been budgeted for his hours in the rate year payroll. See WEERY-4b
- (d) - Calculated a 3% increase over the Test Year.
- (e) - Calculated a 3% increase over FY 2008.
- (*) - Calculated a 0% increase over Test Year and 0% increase over FY 2008.

RECLASSIFY RETIRED EMPLOYEE TIME
BLOCK ISLAND POWER COMPANY

Schedule WEE-4b

Reclass Wagner Salary

	<u>Test Year Hours</u>		<u>Test Year Amount</u>
5546.0001 Supervision P/R (Payroll) Only	126	25%	\$ 5,056
5581.0001 Supervision - P/R Only	126	25%	5,056
5590.0101 Supervision - P/R Only	126	25%	5,056
5553.0201 Supervision - P/R Only	126	25%	5,056
	<u>1,742</u>	<u>100%</u>	<u>\$ 20,226</u>

RATE YEAR EMPLOYEE MEDICAL & DENTAL BENEFITS
BLOCK ISLAND POWER COMPANY

Schedule WEE-5

5926.0001 Employee benefits

Test Year Benefits	\$	141,926	See WEERY-5a
Rate Year Benefits	\$	<u>160,206</u>	See WEERY-5b
Rate Year Adjustment	\$	<u>18,280</u>	

Schedule WEERY-5a

TEST YEAR EMPLOYEE BENEFITS
BLOCK ISLAND POWER COMPANY

Employee	plan	# of Months benefits were received between June06-Feb07	# of Months benefits were received between Mar07-May07	Plan rate between June06-Feb07	Plan rate between Mar07-May07	Test Year
Medical						
Alpers	Individual	9	3	\$ 471.57	\$ 499.89	\$ 5,743.80
Dulac	Individual	9	3	471.57	499.89	5,743.80
Footo	Individual	9	3	471.57	499.89	5,743.80
Fowler	Family	9	3	1,249.65	1,324.72	15,221.01
Gann	S/S	2	3	1,108.18	1,174.75	5,740.61
Jacobsen	Ind. lchild	9	3	754.50	799.83	9,189.99
Littlefield	Individual	6	0	471.57	499.89	2,829.42
Martin	S/S	9	3	1,108.18	1,174.75	13,497.87
Milner	Family	9	3	1,249.65	1,324.72	15,221.01
Savoie	S/S	9	3	1,108.18	1,174.75	13,497.87
Wagner	S/S	4	0	1,108.18	1,174.75	4,432.72
Edwards	S/S	9	3	1,108.18	1,174.75	13,497.87
McGinnes	S/S	9	3	1,108.18	1,174.75	13,497.87
					Total Medical	\$ 123,857.64
Dental						
Alpers	Individual	9	3	\$ 34.98	\$ 37.54	\$ 427.44
Dulac	Individual	9	3	34.98	37.54	427.44
Footo	Individual	9	3	34.98	37.54	427.44
Fowler	Family	9	3	103.83	111.49	1,268.94
Gann	Family	2	3	103.83	111.49	542.13
Jacobsen	Family	9	3	103.83	111.49	1,268.94
Littlefield	Individual	6	0	34.98	37.54	209.88
Martin	Family	9	3	103.83	111.49	1,268.94
Milner	Family	9	3	103.83	111.49	1,268.94
Savoie	Family	9	3	103.83	111.49	1,268.94
Wagner	Family	4	0	103.83	111.49	415.32
Edwards	Does not Participate					0.00
McGinnes	Family	9	3	103.83	111.49	1,268.94
					Total Dental	\$ 10,063.29
		# of Months benefits were received between June06-Dec06	# of Months benefits were received between Jan07-May07	Plan rate between June06-Dec06	Plan rate between Jan07-May07	
Casazza	Medical Monthly Reimb	7	5	610.50	746.30	8,005.00
				Total Benefit		\$ 141,925.93

RATE YEAR EMPLOYEE BENEFITS
BLOCK ISLAND POWER COMPANY

Employee	plan	# of Months benefits were received between June08-Feb09	# of Months benefits were received between Mar09-May09	Plan rate between June08-Feb09	Plan rate between Mar09-May09	Rate Year
Medical						
Alpers	Individual	9	3	\$ 528.63	\$ 559.03	\$ 6,434.79
Dulac	Individual	9	3	528.63	559.03	6,434.79
Foote	Individual	9	3	528.63	559.03	6,434.79
Fowler	Family	9	3	1,400.89	1,481.44	17,052.35
Gann	S/S	9	3	1,242.30	1,313.73	15,121.87
Jacobson	Ind. Ichid	9	3	845.82	894.45	10,295.75
Littlefield	S/S	9	3	1,242.30	1,313.73	15,121.87
Martin	Family	9	3	1,400.89	1,481.44	17,052.35
Milner	S/S	9	3	1,242.30	1,313.73	15,121.87
Savoie	S/S	9	3	1,242.30	1,313.73	15,121.87
Wagner	S/S	9	3	1,242.30	1,313.73	15,121.87
Edwards	S/S	9	3	1,242.30	1,313.73	15,121.87
McGinnes	S/S	9	3	1,242.30	1,313.73	15,121.87
				<i>Total Medical</i>		\$ 139,314.20
Dental						
Alpers	Individual	9	3	\$ 38.87	\$ 40.24	\$ 470.55
Dulac	Individual	9	3	38.87	40.24	470.55
Foote	Individual	9	3	38.87	40.24	470.55
Fowler	Family	9	3	115.44	119.52	1,397.50
Gann	Family	9	3	115.44	119.52	1,397.50
Jacobson	Family	9	3	115.44	119.52	1,397.50
Littlefield	Family	9	3	115.44	119.52	1,397.50
Martin	Family	9	3	115.44	119.52	1,397.50
Milner	Family	9	3	115.44	119.52	1,397.50
Savoie	Family	9	3	115.44	119.52	1,397.50
Wagner	Family	9	3	115.44	119.52	1,397.50
Edwards	Family	9	3	115.44	119.52	1,397.50
McGinnes	Family	9	3	115.44	119.52	1,397.50
				<i>Total Dental</i>		\$ 11,194.17
Does not Participate						
Monthly Reimb		7	5	789.21	834.59	9,697.45
				<i>Total Benefit</i>		\$ 160,205.81
Average Increase per Year for 2004-2007						
Apr/Mar 2003/2004	Apr/Mar 2004/2005	Apr/Mar 2005/2006	Apr/Mar 2006/2007	Mar/Feb 2007/2008	Mar/Feb 2008/2009	Mar/Feb 2009/2010
Individual \$ 401.25	Individual 453.63	Individual 457.30	Individual 471.57	Individual 499.89	Individual 518.63	Individual 559.03
Ind. Ichid 641.99	Ind. Ichid 725.79	Ind. Ichid 731.68	Ind. Ichid 754.50	Ind. Ichid 799.83	Ind. Ichid 845.82	Ind. Ichid 894.45
Family 1,063.31	Family 1,202.10	Family 1,211.85	Family 1,249.65	Family 1,324.72	Family 1,400.89	Family 1,481.44
S/S 942.94	S/S 1,056.02	S/S 1,074.66	S/S 1,108.18	S/S 1,174.75	S/S 1,242.30	S/S 1,313.73
Individual \$ 32.69	Individual 33.59	Individual 34.16	Individual 34.98	Individual 37.54	Individual 38.87	Individual 40.24
Family 97.05	Family 99.68	Family 101.42	Family 103.83	Family 111.49	Family 115.44	Family 119.52
				<i>Total Benefit</i>		\$ 834.59
				<i>Total Benefit</i>		\$ 610.50
				<i>Total Benefit</i>		\$ 746.30
				<i>Total Benefit</i>		\$ 834.59

**RATE YEAR PAYROLL TAX
BLOCK ISLAND POWER COMPANY**

Employee	RATE YEAR COMPENSATION	FICA TAX	MEDICARE	RIES & JDF TAX	RATE YEAR PAYROLL TAX
Alpers	\$ 49,586	\$ 3,074	\$ 719	\$ 266	\$ 4,059
Casazza	72,000	0	0	0	0
Dulac	39,895	2,473	578	266	3,318
Foote	42,992	2,665	623	266	3,555
Fowler	68,398	4,241	992	266	5,498
Gann	28,869	1,790	419	266	2,474
Jacobsen	30,152	1,869	437	266	2,573
Martin	77,429	4,801	1,123	266	6,189
McGinnis	48,000	0	0	0	0
Milner	83,504	5,177	1,211	266	6,654
Pezzmenta	48,000	0	0	0	0
Savoie	46,253	2,868	671	266	3,804
	\$ 635,079	\$ 28,959	\$ 6,773	\$ 2,394	\$ 38,126

Test Year Payroll Tax \$ 38,313
 Rate Year Payroll Tax \$ 38,126
 Rate Year Adjustment \$ (188)

* These position's compensations do not require payroll tax.

RATE YEAR PENSION EXPENSE
BLOCK ISLAND POWER COMPANY

Employee	RATE YEAR COMPENSATION	COMPENSATION FOR ELIGIBLE EMPLOYEES
Alpers	\$ 49,586	\$ 49,586
Casazza	72,000	0
Dulac	39,895	39,895
Foote	42,992	42,992
Fowler	68,398	68,398
Gann	28,869	28,869
Jacobsen	30,152	30,152
Martin	77,429	77,429
McGinnis	48,000	0
Milner	83,504	83,504
Pezmenta	48,000	0
Savoie	46,253	46,253
	\$ 635,079	\$ 467,079

Rate Year Total Payroll \$ 467,079

Profit Sharing 3%

Payroll portion of Profit Sharing \$ 14,012

Profit Sharing Plan Management Fees \$ - Included in Outside Service-General

Rate Year Profit Sharing \$ 14,012

CALCULATION OF ENGINE MAINTENANCE & SCR CATALYST EXPENSES
BLOCK ISLAND POWER COMPANY

Schedule WEE-8

Engine #	FY 2009	FY 2010	FY 2011	Comments
22				
Out of pocket costs	\$ 113,500	\$ -	\$ 79,450	2009 Major Overhaul two weeks of CAT assistance
Catalysts	2,000		1,000	2011 Top End Overhaul one week of CAT assistance
				SCR Catalysts replacement every 20,000 hrs (every third year)
23				
Out of pocket costs	137,500		96,250	2009 Major Overhaul two weeks of CAT assistance
Catalysts	2,000		1,000	2011 Top End Overhaul one week of CAT assistance
				SCR Catalysts replacement every 20,000 hrs (every third year)
24				
Out of pocket costs		137,500		2010 Major Overhaul two weeks of CAT assistance
Catalysts		2,000		2012 Top End Overhaul one week of CAT assistance
		51,525		SCR Catalysts replacement every 20,000 hrs (every third year)
25				
Out of pocket costs		137,500		2010 Major Overhaul two weeks of CAT assistance
Catalysts		2,000		2012 Top End Overhaul one week of CAT assistance
			51,525	SCR Catalysts replacement every 20,000 hrs (every third year)
General Maintenance	30,000	30,000	30,000	\$10,000 per year Engines 22, 23, 24, 25 and \$5,000 for Engine 19
Amortization of Carry Forward Balance	(62,667)	(62,667)	(62,667)	Amortization of \$188,000 balance of reserve account
Amount Required	\$ 222,333	\$ 297,858	\$ 196,558	
Average Annual Cost			\$ 238,917	

Schedule WEE-9

ANALYSIS OF GENERAL INSURANCE EXPENSE
BLOCK ISLAND POWER COMPANY

Test Year Insurance \$ 119,548
Rate Year Insurance \$ 126,796
Rate Year Adjustment \$ 7,248

Policy	Actual 2007		Expense 6/1/06-5/31/07	Prior Year Prepaid Amount	Test Year Insurance Expense	Actual 2008		Expense 6/1/07-5/31/08	FY 2007 Prepaid Amount	FY 2008 Prepaid Amount	Rate Year Insurance Expense	FY 2009 Prepaid Amount
	Premium less rebates	6/1/06-5/31/07				Premium less rebates	6/1/07-5/31/08					
Commercial Policy	59,938.00	55,604.23	55,604.23	3,497.28	59,001.51	59,636.00	59,636.00	59,224.57	4,433.77	4,411.43	61,282.74	4,543.77
Umbrella Policy	25,001.00	23,151.61	23,151.61	1,849.32	25,000.93	25,000.00	25,000.00	23,150.68	1,849.39	1,849.32	25,694.52	1,904.79
Business Auto	28,745.00	26,618.66	26,618.66	2,183.80	28,802.26	27,090.00	27,090.00	25,086.08	2,126.34	2,003.92	27,842.58	2,064.04
Workers Comp	6,775.00	6,273.84	6,273.84	469.58	6,743.42	11,643.00	11,643.00	10,781.74	501.16	861.26	11,966.45	887.10
Contractors Equipment	-	-	-	-	-	-	-	-	-	-	-	-
	120,459.00	111,548.34	111,548.34	7,999.77	119,548.11	123,369.00	123,369.00	114,243.07	8,910.66	9,125.93	126,796.29	9,399.70

Commercial Policy	2005		2006		2007		2008	
	Premium less rebates	6/1/05-5/31/06	Premium less rebates	6/1/06-5/31/07	Premium less rebates	6/1/07-5/31/08	Premium less rebates	6/1/08-5/31/09
Commercial Policy	56,998.00	56,403.00	56,403.00	59,938.00	59,636.00	59,636.00	59,636.00	59,636.00
Umbrella Policy	23,637.00	25,000.00	25,000.00	25,001.00	25,000.00	25,000.00	25,000.00	25,000.00
Business Auto	26,713.00	29,519.00	29,519.00	28,745.00	27,090.00	27,090.00	27,090.00	27,090.00
Workers Comp	4,269.00	6,348.00	6,348.00	6,775.00	11,643.00	11,643.00	11,643.00	11,643.00
Contractors Equipment	693.00	-	-	-	-	-	-	-
	111,310.00	117,270.00	117,270.00	120,459.00	123,369.00	123,369.00	123,369.00	123,369.00
		5%		3%			2%	

DEPRECIATION EXPENSE
BLOCK ISLAND POWER COMPANY

Schedule WEE-10

Asset Group	TEST YEAR ASSETS	ADJUSTED TEST YEAR	RATE YEAR ADJUSTMENTS	ADJUSTED RATE YEAR	RATE YEAR ASSETS
Access Electric	\$ 87,252	\$ 3,289	\$ (449)	\$ 2,840	\$ 87,252
Aid in Const.	202,980	7,315	357	7,672	202,980
Comm. Equipment	262,680	16,851	-	16,851	262,680
Fuel System	374,609	21,981	-	21,981	374,609
Furniture and Fixtures	1,327	-	-	-	1,327
Land and Land Rights	79,610	-	-	-	79,610
Lines	233,915	8,990	(510)	8,480	233,915
Meters	166,182	3,587	(112)	3,474	166,182
Office Furniture and Equip.	87,684	46	(46)	-	87,684
Oil Pollution	63,005	-	-	-	63,005
Overhead Dev.	682,805	14,085	1,761	15,846	682,805
Poles	270,296	7,537	511	8,048	270,296
Generation Equipment	3,531,757	185,197	19,405	204,603	3,781,757
Street lighting/signs	16,292	313	(49)	264	16,292
Structure Imp.	507,289	5,356	1,231	6,586	557,289
Substation Imp.	1,447,528	36,203	-	36,203	1,447,528
Tool Shop and Garage	25,431	30	-	30	25,431
Transportation Equip.	460,056	8,886	17,200	26,086	460,056
Underground	754,940	28,689	(2,938)	25,751	840,940
Vaults	29,251	884	-	884	29,251
Negative Fixed Assets	(989,473)	(46,485)	13,978	(32,507)	(989,473)
	8,295,415				8,681,415
<i>Depreciation Expense</i>		302,755	50,338	353,093	

**TEST YEAR NET UTILITY PLANT
BLOCK ISLAND POWER COMPANY**

Schedule WEE-10a

Asset Group	ENDING ASSET COST	TEST YEAR ACCUMULATED DEPRECIATION	TEST YEAR NET ASSETS
Access Electric	\$ 87,252	\$ 74,227	\$ 13,026
Aid in Const.	202,980	63,692	139,287
Comm. Equipment	262,680	110,079	152,601
Fuel System	374,609	198,151	176,459
Furniture and Fixtures	1,327	1,327	0
Land and Land Rights	79,610	60,000	19,610
Lines	233,915	117,770	116,145
Meters	166,182	115,782	50,400
Office Furniture and Equip.	87,684	87,684	0
Oil Pollution	63,005	63,005	0
Overhead Dev.	682,805	487,101	195,704
Poles	270,296	155,024	115,272
Prime Movers	3,531,757	1,266,813	2,264,944
Street lighting/signs	16,292	14,928	1,364
Structure Imp.	507,289	415,091	92,198
Substation Imp.	1,447,528	157,838	1,289,690
Tool Shop and Garage	25,431	25,251	180
Transportation Equip.	460,056	377,072	82,984
Underground	754,940	535,408	219,533
Vaults	29,251	15,315	13,936
Negative Fixed Assets	(989,473)	(671,091)	(318,382)
<i>NET UTILITY PLANT</i>	8,295,415	3,670,465	4,624,949

Annual Report Reconciliation (page 110):

Net Utility Plant	\$ 4,475,382
Non-Utility Plant - Tower	274,355
Accumulated Depreciation	(124,788)
	<u>\$ 4,624,949</u>

**ANALYSIS OF RATE BASE ITEMS
BLOCK ISLAND POWER COMPANY**

Schedule WEE-11

Deferred Federal Income Tax

	FIT Asset	FIT Liability	Total
Test Year Balance	1,173.42	(178,257.15)	(177,083.73)
FY 2008 Amortization	(15,214.55)	93,088.16	77,873.61
FY 2008 Balance	16,387.97	(271,345.31)	(254,957.34)
Rate Year Amortization	(1,484.92)	27,972.56	26,487.64
Rate Year Balance	17,872.89	(299,317.87)	(281,444.98)

FY 2008 Balance	16,387.97	(271,345.31)	(254,957.34)
Rate Year Balance	17,872.89	(299,317.87)	(281,444.98)
Average	17,130.43	(285,331.59)	(268,201.16)

Deferred Credits

	Prepaid Income Tax	Deferred Rental Income	Deferred Tower Rental Income	Total
Test Year Balance	(40,842.19)	(2,000.00)	(149,997.90)	(192,840.09)
FY 2008 Amortization	4,996.63	-	16,667.00	21,663.63
FY 2008 Balance	(35,845.56)	(2,000.00)	(133,330.90)	(171,176.46)
Rate Year Amortization	4,729.31	-	16,667.00 *	21,396.31
Rate Year Balance	(31,116.25)	(2,000.00)	(116,663.90)	(149,780.15)
FY 2008 Balance	(35,845.56)	(2,000.00)	(133,330.90)	(171,176.46)
Rate Year Balance	(31,116.25)	(2,000.00)	(116,663.90)	(149,780.15)
Average	(33,480.91)	(2,000.00)	(124,997.40)	(160,478.31)

Rate year amortization

* Included in lease income

**RETURN ON RATE BASE
BLOCK ISLAND POWER COMPANY**

Schedule WEE-12

Total Rate Year Rate Base		\$	4,229,354
Weighted Return on Rate Base			6.69%
Net Utility Profit		\$	282,795

Allocation of Net Utility Profit

Interest	0.0391	58% x a		\$	165,380
Equity	0.0278	42% x a			117,416
	0.0669	100%		\$	282,795

**RATE YEAR RATE BASE
BLOCK ISLAND POWER COMPANY**

Schedule WEE-13

Description			AVERAGE
Net Utility Plant		\$	4,348,850
Additions:			
Working Capital			165,382
Inventory			116,517
Inventory--Fuel			-
Prepaid Expenses			27,284
Deductions:			
Contributions in Aid			-
Deferred Credits			(268,201)
Deferred Taxes			(160,478)
Net average Rate Year base		\$	4,229,354

DGB-6

RY-11

RY-11

**CAPITAL STRUCTURE
BLOCK ISLAND POWER COMPANY**

Schedule WEE-14

	5/31/2008	5/31/2009	Average	Weighted Percentage	Rate	Weighted Factor
Debt:						
WTC LOAN	\$ 242,373	\$ 223,827	\$ 233,100	0.0456	7.090%	0.0032
1st RUS Draw Down	844,289	815,470	829,880	0.1623	5.915%	0.0096
2nd RUS Draw Down	356,815	344,337	350,576	0.0686	5.622%	0.0039
3rd RUS Draw Down	157,229	151,519	154,374	0.0302	5.649%	0.0017
4th RUS Draw Down	287,926	277,713	282,820	0.0553	5.449%	0.0030
5th RUS Draw Down	537,077	516,062	526,570	0.1030	4.412%	0.0045
6th RUS Draw Down	204,473	196,574	200,524	0.0392	4.392%	0.0017
7th RUS Draw Down	626,255	602,162	614,209	0.1201	4.444%	0.0053
Engine	600,000	590,018	595,009	0.1164	5.240%	0.0061
Distribution	-	0	0	-	6.000%	0.0000
Debt			<u>\$ 3,787,060</u>	<u>0.7405</u>		<u>0.0391</u>
Equity:						
COMMON STOCK	\$ 191,515	\$ 191,515	\$ 191,515	0.0374	10.700%	0.0040
R/E - 12month ave. *	<u>1,077,677</u>	<u>1,192,988</u>	<u>1,135,333</u>	0.2220	10.700%	<u>0.0238</u>
Equity			<u>\$ 1,326,848</u>	<u>0.2595</u>		<u>0.0278</u>
Total Debt & Equity			<u>\$ 5,113,907</u>	<u>1.00</u>		<u>0.0669</u>

*** R/E - 12month roll forward:**

FY 2007	<u>\$ 1,077,677</u>	See Schedule 12a
FY2008	<u>\$ 1,077,677</u>	BIPCo hopes to break even in the FYE 2005
FY2009	<u>\$ 1,192,988</u>	2005 retain earnings plus 10.7%

Calculation of Average Capital
BLOCK ISLAND POWER COMPANY

Schedule WEE-14a

Retained Earnings--12 Months Average

	Total Capital	Retained Earnings
June 30, 2006	\$ 1,026,827	\$ 835,312
July 31, 2006	1,304,803	1,113,288
August 31, 2006	1,566,262	1,374,747
September 30, 2006	1,694,234	1,502,719
October 31, 2006	1,531,650	1,340,135
November 30, 2006	1,380,758	1,189,243
December 31, 2006	1,293,489	1,101,974
January 31, 2007	1,195,071	1,003,556
February 28, 2007	1,145,133	953,618
March 31, 2007	1,078,962	887,447
April 30, 2007	1,078,710	887,195
May 31, 2007	934,404	742,889
	15,230,305	\$ 12,932,125
	/12	/12
FY 2000 12 Month Average	\$ 1,269,192	1,077,677
Capital stock		200,000
Premium		13,000
Treasury Stock		(21,485)
		191,515
Check		\$ 1,269,192

FEDERAL TAX CALCULATION
BLOCK ISLAND POWER COMPANY

Schedule WEE-15

Net Utility Profit	\$	282,795	WEE-12
Less: Interest Expense		165,380	
Net Income after Interest	\$	117,416	
Federal Income Tax (effective rate)		25%	
Federal Income Tax	\$	29,042	

Taxable income over	Not over	Tax rate	Calculation of Effective Tax rate	
0	50,000	15%	\$50,000	6%
\$ 50,001	75,000	25%	\$25,000	5%
75,001	100,000	34%	\$25,000	7%
100,001	335,000	39%	\$ 17,416	6%
			\$117,416	25%

CALCULATION OF REVENUE REQUIREMENT
PERCENTAGE INCREASE
BLOCK ISLAND POWER COMPANY

Schedule WEE-16

Calculation of Percentage Increase in Revenue Requirement

Revenue Increase (WEE-1)	\$ 400,027	
Rate Year Revenue at Old Rates (WEE-1)	\$ 2,291,692	<u>17.46%</u>

Calculation of Across the Board Increase Percentage

Revenue Increase (WEE-1)	\$ 400,027
Increase covered by Extended Summer Period	<u>-</u>
Revenue Increase to be covered by an across the board % Increase	<u>\$ 400,027</u>

Revenue Items which could be increased by an across
the board % Increase

Electricity Charges	\$ 1,867,755
Customer Charge	<u>238,497</u>
Total Revenue Available for Increase	<u>\$ 2,106,252</u>
Across the Board Percentage Increase	<u>18.99%</u>

**CALCULATION OF RATES
BLOCK ISLAND POWER COMPANY**

Schedule WEE-16A

Energy Charges

	Current Rates	Increase	Proposed Rates
<i>Residential (Rate "R")</i>			
Summer	0.2132	0.1899	0.2537
Winter	0.0809	0.1899	0.0963
<i>Commercial General Srvc. (Rate "G")</i>			
Summer	0.2357	0.1899	0.2805
Winter	0.1071	0.1899	0.1274
<i>Commercial Demand Srvc. (Rate "D")</i>			
Summer	0.1942	0.1899	0.2311
Winter	0.0969	0.1899	0.1153
<i>Public Demand Srvc. (Rate "P")</i>			
Summer	0.1739	0.1899	0.2069
Winter	0.0869	0.1899	0.1034
<i>Public Non-demand Srvc. (Rate "P")</i>			
Summer	0.2155	0.1899	0.2564
Winter	0.1078	0.1899	0.1283

System Charges

	Current Rates	Increase	Proposed Rates
<i>Residential (Rate "R")</i>			
Summer Only	20.0000	0.1899	23.7985
<i>Commercial General Srvc. (Rate "G")</i>			
Summer Only	37.5000	0.1899	44.6221
<i>Public Non-demand Srvc. (Rate "P")</i>			
Summer Only	37.5000	0.1899	44.6221

Demand Charges

	Current Rates	Increase	Proposed Rates
<i>Commercial Demand Srvc. (Rate "D")</i>			
Summer	17.4000	0.1899	20.7047
Winter	5.8000	0.1899	6.9016
<i>Public Demand Srvc. (Rate "P")</i>			
Summer	16.5000	0.1899	19.6337
Winter	5.5000	0.1899	6.5446

**CALCULATION OF RATES
BLOCK ISLAND POWER COMPANY**

Schedule WEE-16B

Street lightning

	Test Year Rates	Increase	Proposed Rates
Other public authorities	<u>15.4500</u>	0.1899	<u>18.3843</u>

Customer Charge

	Test Year Rates	Increase	Proposed Rates
<i>Residential (Rate "R")</i> Summer & Winter	<u>11.0000</u>	0.1899	<u>13.0892</u>
<i>Commercial General Svc. (Rate "G")</i> Summer & Winter	<u>11.0000</u>	0.1899	<u>13.0892</u>
<i>Commercial Demand Svc. (Rate "D")</i> Summer & Winter	<u>16.5000</u>	0.1899	<u>19.6337</u>
<i>Public Demand Svc. (Rate "P")</i> Summer & Winter	<u>16.5000</u>	0.1899	<u>19.6337</u>
<i>Public Non-demand Svc. (Rate "P")</i> Summer & Winter	<u>11.0000</u>	0.1899	<u>13.0892</u>

**REVENUE CHECK
BLOCK ISLAND POWER COMPANY**

Schedule WEE-17

**Across the Board
Revenue Summary:**

	<u>Rate Year at Current Rates</u>	<u>Rate Year</u>	<u>Reference</u>
Electricity Charges	\$ 1,867,755	\$ 2,222,486	See Below WEE-2
Fuel Surcharges	-	-	
Service Charges	238,497	283,793	See Below WEE-2
Other Revenue	184,311	184,311	WEE-2
Miscellaneous Revenue	1,128	1,128	WEE-2
Total Revenue	\$ 2,291,692	\$ 2,691,719	
Total Revenue (Per Schedule WEE-1)		\$ 2,691,719	
Variance		\$ (0)	

Summary of Detail Calculations:

Electricity Charges

Residential sales	607,759	723,187	WEE - 17A
Commercial sales	251,453	299,210	WEE - 17A
Demand Electric	651,848	775,649	WEE - 17A
Public streets & highway	112,860	134,295	WEE - 17A
Other public authorities	12,684	15,094	WEE - 17B
Demand - all rates	187,993	223,697	WEE - 17B
System Charge	43,158	51,354	WEE - 17B
	\$ 1,867,755	\$ 2,222,486	

Service Charges

Removal Non Payment	\$ -	\$ -	WEE-2
Customer Charges	238,497	283,793	WEE - 17C
Connection Charges	-	-	WEE-2
	\$ 238,497	\$ 283,793	

**CALCULATION OF REVENUES-
ACROSS THE BOARD
BLOCK ISLAND POWER COMPANY**

<u>Energy Charges</u>	<u>Service Units</u>	<u>Current Rates</u>	<u>Revenue</u>	<u>Service Units</u>	<u>Proposed Rates</u>	<u>Revenue</u>
<i>Residential (Rate "R")</i>						
Summer	2,039,311	0.2132 \$	434,781	2,039,311	0.2537 \$	517,356
Winter	2,138,171	0.0809	172,978	2,138,171	0.0963	205,831
	<u>4,177,482</u>			<u>4,177,482</u>		
Total			<u>\$ 607,759</u>	Total		<u>\$ 723,187</u>
 <i>Commercial General Svc. (Rate "G")</i>						
Summer	726,550	0.2357 \$	171,248	726,550	0.2805 \$	203,772
Winter	748,884	0.1071	80,205	748,884	0.1274	95,438
	<u>1,475,434</u>			<u>1,475,434</u>		
Total			<u>\$ 251,453</u>	Total		<u>\$ 299,210</u>
 <i>Commercial Demand Svc. (Rate "D")</i>						
Summer	2,470,301	0.1942 \$	479,732	2,470,301	0.2311 \$	570,845
Winter	1,776,218	0.0969	172,116	1,776,218	0.1153	204,804
	<u>4,246,519</u>			<u>4,246,519</u>		
Total			<u>\$ 651,848</u>	Total		<u>\$ 775,649</u>
 <i>Public Demand Svc. (Rate "P")</i>						
Summer	270,470	0.1739 \$	47,035	270,470	0.2069 \$	55,968
Winter	549,184	0.0869	47,724	549,184	0.1034	56,788
 <i>Public Non-demand Svc. (Rate "P")</i>						
Summer	50,583	0.2155	10,901	50,583	0.2564	12,971
Winter	66,796	0.1078	7,201	66,796	0.1283	8,568
	<u>937,033</u>			<u>937,033</u>		
Total			<u>\$ 112,860</u>	Total		<u>\$ 134,295</u>

**CALCULATION OF REVENUES-
ACROSS THE BOARD
BLOCK ISLAND POWER COMPANY**

<u>System Charges</u>	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue
<i>Residential (Rate "R")</i>						
Summer Only	1,421	20.0000 \$	28,420	1,421	23.7985 \$	33,818
<i>Commercial General Svc. (Rate "G")</i>						
Summer Only	363	37.5000	13,613	363	44.6221	16,198
<i>Public Non-demand Svc. (Rate "P")</i>						
Summer Only	30	37.5000	1,125	30	44.6221	1,339
	<u>1,814</u>			<u>1,814</u>		
Total		\$	<u>43,158</u>	Total		<u>\$ 51,354</u>

<u>Demand Charges</u>	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue
<i>Commercial Demand Svc. (Rate "D")</i>						
Summer	6,346	17.4000 \$	110,420	6,346	20.7047 \$	131,392
Winter	5,557	5.8000	32,231	5,557	6.9016	38,352
<i>Public Demand Svc. (Rate "P")</i>						
Summer	1,797	16.5000	29,651	1,797	19.6337	35,282
Winter	2,853	5.5000	15,692	2,853	6.5446	18,672
	<u>16,553</u>			<u>16,553</u>		
Total		\$	<u>187,993</u>	Total		<u>\$ 223,697</u>

<u>Street Lighting</u>	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue
	821	15.4500 \$	12,684	821	18.3843 \$	15,094
	<u>821</u>			<u>821</u>		
Total		\$	<u>12,684</u>	Total		<u>\$ 15,094</u>

CALCULATION OF REVENUES-
ACROSS THE BOARD
BLOCK ISLAND POWER COMPANY

<u>Customer Charge</u>	<u>Service Units</u>	<u>Current Rates</u>	<u>Revenue</u>	<u>Service Units</u>	<u>Proposed Rates</u>	<u>Rate Year Revenue</u>
<i>Residential (Rate "R")</i>						
Summer	5,266	11.0000 \$	57,926	5,266	13.0892	\$ 68,928
Winter	10,454	11.0000	114,994	10,454	13.0892	136,834
<i>Commercial General Svc. (Rate "G")</i>						
Summer	1,263	11.0000	13,893	1,263	13.0892	16,532
Winter	2,527	11.0000	27,797	2,527	13.0892	33,076
<i>Commercial Demand Svc. (Rate "D")</i>						
Summer	380	16.5000	6,270	380	19.6337	7,461
Winter	763	16.5000	12,590	763	19.6337	14,981
<i>Public Demand Svc. (Rate "P")</i>						
Summer	45	16.5000	743	45	19.6337	884
Winter	93	16.5000	1,535	93	19.6337	1,826
<i>Public Non-demand Svc. (Rate "P")</i>						
Summer	84	11.0000	924	84	13.0892	1,099
Winter	166	11.0000	1,826	166	13.0892	2,173
	<u>21,041</u>			<u>21,041</u>		
Total			<u>\$ 238,497</u>			<u>\$ 283,793</u>

Summer Period covers June-Sept for Current Rates and May-Oct for Proposed Rates
 Winter Period covers Oct-May for Current Rates and Nov-Apr for Proposed Rates

**RATEPAYER IMPACT BY CUSTOMER CLASS
BLOCK ISLAND POWER COMPANY**

Schedule WEE-18

	Annual KWH	Base Revenue			Total Revenue		
		Current Rates	Proposed Rates	Increase \$	Current Rates	Proposed Rates	Increase \$
Residential (Rate "R")	4,177,482	\$ 809,099	\$ 982,766	\$ 153,667	\$ 1,657,546	\$ 1,811,213	\$ 153,667
Commercial General Srvc. (Rate "G")	1,475,434	\$ 306,756	\$ 365,016	\$ 58,260	\$ 619,990	\$ 678,251	\$ 58,260
Commercial Demand Srvc. (Rate "D")	4,246,519	\$ 813,358	\$ 967,834	\$ 154,476	\$ 1,665,210	\$ 1,819,686	\$ 154,476
Public Demand Srvc. (Rate "P")	819,654	\$ 142,378	\$ 169,419	\$ 27,041	\$ 299,833	\$ 326,874	\$ 27,041
Public Non-demand Srvc. (Rate "P")	117,379	\$ 21,976	\$ 26,150	\$ 4,174	\$ 44,525	\$ 48,699	\$ 4,174
Street Lighting Service (Rate "S")	-	\$ 12,684	\$ 15,094	\$ 2,409	\$ 12,684	\$ 15,094	\$ 2,409
Total Revenue from Sales	10,836,468	\$ 2,106,252	\$ 2,506,279	\$ 400,027	\$ 4,299,789	\$ 4,699,816	\$ 400,027
Other Revenue & Misc. Revenue	-	\$ 185,440	\$ 185,440	\$ -	\$ 185,440	\$ 185,440	\$ -
TOTAL REVENUE		\$ 2,291,692	\$ 2,691,719	\$ 400,027	\$ 4,485,229	\$ 4,885,256	\$ 400,027
REVENUE REQUIREMENT				\$ 400,027			
VARIANCE				\$ (0)			

RATEPAYER IMPACT BY CUSTOMER CLASS
BLOCK ISLAND POWER COMPANY

Schedule WEE-18A

Residential (Rate "R")

	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue	Increase \$	Increase %
<u>Energy Charges</u>								
Summer	2,039,311	0.2132	\$ 434,781	2,039,311	0.2537	\$ 517,356	\$ 82,575	19.0%
Winter	2,138,171	0.0809	172,978	2,138,171	0.0963	205,831	\$ 32,853	19.0%
Total	<u>4,177,482</u>		<u>\$ 607,759</u>	<u>4,177,482</u>		<u>\$ 723,187</u>	<u>\$ 115,428</u>	19.0%
<u>Customer Charge</u>								
Summer	5,266	11.0000	\$ 57,926	5,266	13.0892	\$ 68,928	\$ 11,002	19.0%
Winter	10,454	11.0000	114,994	10,454	13.0892	136,834	\$ 21,840	19.0%
Total	<u>15,720</u>		<u>\$ 172,920</u>	<u>15,720</u>		<u>\$ 205,762</u>	<u>\$ 32,842</u>	19.0%
<u>System Charges</u>								
Summer Only	1,421	20.0000	\$ 28,420	1,421	23.7985	\$ 33,818	\$ 5,398	19.0%
Subtotal Base Revenue			<u>\$ 809,099</u>			<u>\$ 962,766</u>	<u>\$ 153,667</u>	19.0%
<u>Fuel Surcharge</u>	4,177,482	0.2031	\$ 848,447	4,177,482	0.2031	\$ 848,447	\$ -	0.0%
Subtotal Base Revenue			<u>\$ 1,657,546</u>			<u>\$ 1,811,213</u>	<u>\$ 153,667</u>	9.3%

RATEPAYER IMPACT BY CUSTOMER CLASS
BLOCK ISLAND POWER COMPANY

Commercial General Svc. (Rate "G")

	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue	Increase \$	Increase %
<u>Energy Charges</u>								
Summer	726,550	0.2357	\$ 171,248	726,550	0.2805	\$ 203,772	\$ 32,524	19.0%
Winter	748,884	0.1071	80,205	748,884	0.1274	95,438	15,233	19.0%
Total	<u>1,475,434</u>		<u>\$ 251,453</u>	<u>1,475,434</u>		<u>\$ 299,210</u>	<u>\$ 47,757</u>	<u>19.0%</u>
<u>Customer Charge</u>								
Summer	1,263	11.0000	\$ 13,893	1,263	13.0892	\$ 16,532	\$ 2,639	19.0%
Winter	2,527	11.0000	27,797	2,527	13.0892	33,076	5,279	19.0%
Total	<u>3,790</u>		<u>\$ 41,690</u>	<u>3,790</u>		<u>\$ 49,608</u>	<u>\$ 7,918</u>	<u>19.0%</u>
<u>System Charges</u>								
Summer Only	363	37.5000	\$ 13,613	363	44.6221	\$ 16,198	\$ 2,585	19.0%
Subtotal Base Revenue			<u>\$ 306,756</u>			<u>\$ 365,016</u>	<u>\$ 58,260</u>	<u>19.0%</u>
<u>Fuel Surcharge</u>	1,475,434	0.2123	\$ 313,235	1,475,434	0.2123	\$ 313,235	\$ -	0.0%
Subtotal Base Revenue			<u>\$ 619,990</u>			<u>\$ 678,251</u>	<u>\$ 58,260</u>	<u>9.4%</u>

RATEPAYER IMPACT BY CUSTOMER CLASS
BLOCK ISLAND POWER COMPANY

Schedule WEE-18C

Commercial Demand Svc. (Rate "D")

	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue	Increase \$	Increase %
<u>Energy Charges</u>								
Summer	2,470,301	0.1942	\$ 479,732	2,470,301	0.2311	\$ 570,845	\$ 91,113	19.0%
Winter	1,776,218	0.0969	172,116	1,776,218	0.1153	204,804	\$ 32,689	19.0%
Total	<u>4,246,519</u>		<u>\$ 651,848</u>	<u>4,246,519</u>		<u>\$ 775,649</u>	<u>\$ 123,801</u>	<u>19.0%</u>
<u>Customer Charge</u>								
Summer	380	16.5000	\$ 6,270	380	19.6337	\$ 7,461	\$ 1,191	19.0%
Winter	763	16.5000	12,590	763	19.6337	14,981	\$ 2,391	19.0%
Total	<u>1,143</u>		<u>\$ 18,860</u>	<u>1,143</u>		<u>\$ 22,441</u>	<u>\$ 3,582</u>	<u>19.0%</u>
<u>Demand Charges</u>								
Summer	6,346	17.4000	\$ 110,420	6,346	20.7047	\$ 131,392	\$ 20,971	19.0%
Winter	5,557	5.8000	32,231	5,557	6.9016	38,352	\$ 6,121	19.0%
	<u>11,903</u>		<u>\$ 142,651</u>	<u>11,903</u>		<u>\$ 169,744</u>	<u>\$ 27,093</u>	<u>19.0%</u>
Subtotal Base Revenue			<u>\$ 813,358</u>			<u>\$ 967,834</u>	<u>\$ 154,476</u>	<u>19.0%</u>
<u>Fuel Surcharge</u>	4,246,519	0.2006	\$ 851,852	4,246,519	0.2006	\$ 851,852	\$ -	0.0%
Subtotal Base Revenue			<u>\$ 1,665,210</u>			<u>\$ 1,819,686</u>	<u>\$ 154,476</u>	<u>9.3%</u>

RATEPAYER IMPACT BY CUSTOMER CLASS
BLOCK ISLAND POWER COMPANY

Schedule WEE-18D

Public Demand Srv. (Rate "P")

	Service Units	Current Rates	Current Revenue	Service Units	Proposed Rates	Proposed Revenue	Increase \$	Increase %
<u>Energy Charges</u>								
Summer	270,470	0.1739	\$ 47,035	270,470	0.2069	\$ 55,968	\$ 8,933	19.0%
Winter	549,184	0.0869	47,724	549,184	0.1034	56,788	9,064	19.0%
Total	<u>819,654</u>		<u>\$ 94,759</u>	<u>819,654</u>		<u>\$ 112,756</u>	<u>\$ 17,997</u>	<u>19.0%</u>
<u>Customer Charge</u>								
Summer	45	16.5000	\$ 743	45	19.6337	\$ 884	\$ 141	19.0%
Winter	93	16.5000	1,535	93	19.6337	1,826	291	19.0%
Total	<u>138</u>		<u>\$ 2,277</u>	<u>138</u>		<u>\$ 2,709</u>	<u>\$ 432</u>	<u>19.0%</u>
<u>Demand Charges</u>								
Summer	1,797	16.5000	\$ 29,651	1,797	19.6337	\$ 35,282	\$ 5,631	19.0%
Winter	2,853	5.5000	15,692	2,853	6.5446	18,672	2,980	19.0%
	<u>4,650</u>		<u>\$ 45,342</u>	<u>4,650</u>		<u>\$ 53,954</u>	<u>\$ 8,612</u>	<u>19.0%</u>
Subtotal Base Revenue			<u>\$ 142,378</u>			<u>\$ 169,419</u>	<u>\$ 27,041</u>	<u>19.0%</u>
<u>Fuel Surcharge</u>	819,654	0.1921	\$ 157,456	819,654	0.1921	\$ 157,456	\$ -	0.0%
Subtotal Base Revenue			<u>\$ 299,833</u>			<u>\$ 326,874</u>	<u>\$ 27,041</u>	<u>9.0%</u>

RATEPAYER IMPACT BY CUSTOMER CLASS
BLOCK ISLAND POWER COMPANY

Schedule WEE-18E

Public Non-demand Svc. (Rate "P")

	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue	Increase \$	Increase %
<u>Energy Charges</u>								
Summer	50,583	0.2155	10,901	50,583	0.2564	12,971	\$ 2,070	19.0%
Winter	66,796	0.1078	7,201	66,796	0.1283	8,568	\$ 1,368	19.0%
Total	117,379		\$ 18,101	117,379		\$ 21,539	\$ 3,438	19.0%
<u>Customer Charge</u>								
Summer	84	11.0000	924	84	13.0892	1,099	\$ 175	19.0%
Winter	166	11.0000	1,826	166	13.0892	2,173	\$ 347	19.0%
Total	250		\$ 2,750	250		\$ 3,272	\$ 522	19.0%
<u>System Charges</u>								
Summer Only	30	37.5000	1,125	30	44.6221	1,339	\$ 214	19.0%
Subtotal Base Revenue			\$ 21,976			\$ 26,150	\$ 4,174	19.0%
<u>Fuel Surcharge</u>	117,379	0.1921	22,549	117,379	0.1921	22,549	\$ -	0.0%
Subtotal Base Revenue			\$ 44,525			\$ 48,699	\$ 4,174	9.4%

RATEPAYER IMPACT BY CUSTOMER CLASS
BLOCK ISLAND POWER COMPANY

Schedule WEE-18F

Street lighting Service (Rate "S")

	Service Units	Current Rates	Revenue	Service Units	Proposed Rates	Revenue	Increase \$	Increase %
<u>Street lighting</u>	821	15,450	\$ 12,684	821	18,384	\$ 15,094	\$ 2,409	19.0%
Total	821		\$ 12,684	821		\$ 15,094	\$ 2,409	19.0%