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December 26, 2017

Luly E. Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Block Island Power Company – Exemption Request under R.I.G.L. § 39-1-2(26)

Dear Luly:

As you know, this office represents Block Island Power Company (BIPCo).

BIPCo is requesting a continued exemption from the retail access provisions of R.I.G.L. § 39-1-27.3 of the Utility Restructuring Act (URA) through April 30, 2020. Enclosed for filing in this matter are an original and nine copies of the following testimony in support of this request.

1. Supporting Testimony of Jeffery M. Wright, President of BIPCo, and
2. Supporting Testimony of David G. Bebyn, CPA.

If you have any questions or you need any further information, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg

cc: David G. Bebyn, CPA
Timothy Hebert
Nancy Dodge, Esq.
Katherine Merolla, Esq.
Christy Hetherington, Esq.
John Bell
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Cynthia Wilson Frias, Esq.

**Docket No. 4606 – Block Island Power Co. – Waiver/Exemption Requests
under R.I.G.L. § 39-1-27**

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Direct Testimony

Of

Jeffery M. Wright

Regarding petition pursuant to

R.I. General Laws 39-1-2(26)

Block Island Power Company

Docket No. 4606

December, 2017

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

A. My name is Jeffery M. Wright. My principal business address is 100 Ocean Avenue, Block Island, Rhode Island 02807.

Q. By whom are you employed and in what capacity?

A. I am the President and CEO of the Block Island Power Company (BIPCo).

Q. What is the purpose of your testimony in this docket?

A. The purpose of my testimony is to support our request for a continued exemption from the retail choice provisions under R.I. General Laws 39-1-27.3 of the Utility Restructuring Act (URA), through April 30, 2020.

Q. Can you provide a summary for why BIPCO is requesting a continued exemption?

A. BIPCo is required to file an updated reconciliation of its Standard Offer and Transmission Rates every six months. The next reconciliation will be filed in approximately late February, 2018 for rates which will go into effect May 1, 2018. BIPCO would like the new rates to remain in effect for twelve month periods (starting May 1, 2018 – April 30, 2019).

Filing for annual rates will result in the associated costs being allocated across an entire year's worth of sales which will more appropriately allocate fixed charges such as the Direct Assignment Facility (DAF) and BITS Cable charges. This will eliminate adjustments moving up in the winter period (because of less kWh sales to allocate fixed charges across) and then moving down in the summer period (because of more kWh sales to allocate those same fixed charges across).

BIPCo's current power supply contract expires on October 31, 2018. BIPCo would need to secure at least an additional six months of power supply to allow it to file for rates effective from May 1, 2018 – April 30, 2019. However, in light of the historically low

power rates available right now, BIPCo would like to secure an additional 18 month power supply contract through April 30, 2020. This would allow BIPCo to secure power supply at a time when market conditions are favorable.

Q. Mr. Wright, what period of time is BIPCo requesting the extension for?

A. BIPCo is requesting an extension through April 30, 2020 from the retail access provisions of the URA. This will allow BIPCO to obtain an additional 18 month power supply contract and file two annual rate reconciliations for the periods May 1, 2018 – April 30, 2019 and May 1, 2019 – April 30, 2020.

Q. How does an exemption from retail choice affect BIPCo's ability to secure a least cost power supply contract?

A. BIPCo's power supply consultant, Energy New England, has reiterated that if retail choice is available, it will result in a "risk premium" adder to rate proposals provided by power suppliers. BIPCo will be seeking a "load following contract" again, and any possible flight risk of customers will most likely be met with a premium of \$0.0025 to \$0.005 per kilowatt hour unless an exemption is in place. Applying this premium to our current power supply cost of \$.03677/kWh, the risk premium could add between 6.5% and 13.5% to our power supply cost.

In addition, the costs associated with administering a retail choice program would, in my opinion, outweigh any benefit that any participating customers would realize. BIPCo is in the process of installing a new customer care and billing system that could administer a retail choice program. However, the National Information Solutions Cooperative (NISC), which is installing the system, has estimated it would cost approximately \$100,000 and take one year to implement. There would be no additional license fees. This is consistent with our previous research into this. Our past estimates for the necessary software setup costs were in the \$50,000 to \$70,000 range plus monthly

license fees. In each instance, these are only software and implementation costs and do not include ongoing internal labor necessary to administer the program

Q. What is the status of the Block Island Utility District?

A. The Block Island Utility District was created as R.I.G.L. § 45-67-1 et seq. (The Block Island Utility District Act of 2017). Pursuant to R.I.G.L. § 45-67-10(b), “any waiver on retail choice granted by the public utilities commission to BIPCo shall also apply to the utility district.”

The Block Island Utility District Board of Commissioners has been working on organizing and obtaining financing to purchase BIPCo. They have engaged legal counsel to assist in the purchase of BIPCo and to advise them on negotiating with the 1/3 minority BIPCo stock owner.

Finally, pursuant to R.I.G.L. § 45-67-4(a), “all rights, obligations and duties under contracts and agreements to which BIPCo is a party that are assumed by or transferred to the utility district . . . shall be assumed, performed and be fully enforceable by and against the utility district.”

Q. Is the Block Island Utility District Board of Commissioners aware that BIPCO is seeking this exemption and do they support it?

A. Yes. The Block Island Utility District supports this request.

Q. Does this conclude your testimony?

A. Yes, it does.

Direct Testimony
of
David G. Bebyn CPA
Regarding petition pursuant to
R.I. General Laws 39-1-2(26)

Block Island Power Company
Docket No. 4606

December 2017

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

2 A. My name is David G. Bebyn CPA and my business address is 21 Dryden Lane,
3 Providence, Rhode Island 02904.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am the President of B&E Consulting LLC. (B&E). B&E is a CPA firm that
7 specializes in utility regulation, expert rate and accounting testimony, school budget
8 reviews and accounting services.

9
10 **Q. What is the purpose of your testimony in this docket?**

11 A. I was asked by Block Island Power Company (BIPCo) to provide testimony, and if
12 necessary, schedules in support of BIPCo's request under R.I. General Laws 39-1-2(26)
13 for a continued exemption from the retail access provisions under R.I. General Laws 39-
14 1-27.3 of the Utility Restructuring Act (URA) through April 30, 2020.

15
16 **Q. Can you provide a summary of the current exemption?**

17 A. Certainty. Pursuant to this law, on September 26, 1997, BIPCo filed with the
18 Commission a request for an exemption from all provisions of the URA. BIPCo asked
19 for this exemption to remain in effect until six (6) months after an undersea cable
20 connecting the Island to the mainland electric grid was installed and operational (Docket
21 No. 2490). This Commission agreed, and in Order No. 15461 in Docket No. 2490,
22 ordered that "the Block Island Power Company is hereby authorized to delay
23 implementation of the Utility Restructuring Act's mandates until six months following
24 the installation and operation of the undersea cable connecting the island to the mainland
25 electric grid."

26
27 Because it was expected that the cable would be operational on or about April 1, 2017,
28 BIPCo's exemption at that time would have expired on October 1, 2017. Therefore, on
29 February 3, 2017, BIPCo filed with the Commission (Docket No. 4606) a request for an
30 exemption from the URA's retail access requirements, to remain in effect until October 1,
31 2018. BIPCo cited several economic, transitional and logistical concerns in support of its

1 request. The Division, in its March 23, 2017 memo, supported BIPCo's request and
2 recommended that the Commission grant the exemption through October 1, 2018. This
3 Commission agreed, and in an Open Meeting held on March 30, 2017 granted BIPCo's
4 request.

5

6 **Q. Mr. Bebyn, for what period is BIPCo seeking to extend the retail access
7 exemption?**

8 A. BIPCo is requesting an extension of the retail access exemption from October 1,
9 2018 to April 30, 2020.

10

11 **Q. Why is BIPCO requesting this additional extension?**

12 A. BIPCo is preparing in advance for the next reconciliation of its Standard Offer and
13 Transmission Rates which will cover rates begin May 1, 2018. It was determined in
14 BIPCo's first six-month reconciliation that there will be a benefit to BIPCo's ratepayers
15 if its Standard Offer and Transmission Rates are set and reconciled on an annual basis.
16 Since BIPCo's current purchase power agreement only covers 18 months and would
17 expire on October 31, 2018, that would only allow for a six-month rate period at the next
18 reconciliation. Power prices are at historic lows. BIPCo believes that it will be able to
19 secure more favorable supply contracts for a longer period if BIPCo is granted an
20 extension from the URA's retail access requirement through April 30, 2020.

21

22 **Q. Is there any other reason BIPCO is requesting this additional extension of time?**

23 A. Yes, this extension would help synchronize the retail access exemption with our
24 purchase power contracts. As previously mentioned, it was expected that the cable would
25 be operational on or about April 1, 2017. This was the date that we used in our filing for
26 the retail access exemption. However, the cable did not become operational until May 1,
27 2017, and the October 1, 2018 current expiration of retail exemption is off by one month
28 from the current purchase power agreement which ends October 31, 2018.

29

30

31

1 **Q. Mr. Bebyn, you mentioned that there would be a benefit in filing the**
2 **reconciliation of BIPCo's Standard Offer and Transmission Rates on an annual**
3 **basis instead of using 6 months. How would the BIPCo ratepayers benefit from this**
4 **change?**

5 A. Changing to an annual reconciliation would provide rate stabilization of the
6 Transmission rate. This would keep the Transmission rate from varying nearly \$0.05 per
7 kwh between the six-month periods of May 1st thru October 31st and November 1st thru
8 April 30th. This happens because BIPCo's kwh sales are extremely seasonal. Two thirds
9 of sales occur between May 1st and October 31st, but most of the transmission costs are
10 relatively the same from month to month.

11

12 **Q. Does the Division support changing the Standard Offer and Transmission Rates**
13 **to an annual basis?**

14 A. Yes. During the Commission hearing for the first six-month reconciliation held on
15 November 30th, the Commission asked the Division witness if the Division supported
16 BIPCo filing its next six-month reconciliation with rates for an annual period. The
17 Division witness indicated the Division would support changing to an annual period.

18

19 **Q. During BIPCo's first request regarding the retail access exemption, BIPCo cited**
20 **a few factors for requesting an extension. Do those factors still support this request?**

21 A. Yes. The reasons for requesting the first retail access exemption are still in place.
22 First, there has been a major change in the company's ownership and the ultimate
23 expected transfer of BIPCo's assets to the new Utility District has not yet been
24 completed. In addition, BIPCo now has experience in power procurement and has more
25 information on the undue expenses to ratepayers that would be required to provide retail
26 access. Lastly, since the transfer of BIPCo's assets to the Utility District has been
27 delayed, so has the filing of a full rate case which was to be filed during the fall of 2017.
28 Pursuant to a petition from BIPCo, at an Open Meeting on September 8, 2017, the
29 Commission extended the date for filing of a full rate case and cost of service study to
30 August 1, 2018. See also Mr. Wright's Testimony.

31

1 **Q. How does the future full rate filing impact this request for an extension?**

2 A. Given that there are some issues regarding the formation of a new entity and how
3 changes in operation and overall rate structure will turn out, this originally shifted the full
4 rate filing to the fall of 2017 which was then later extended to August 1, 2018. As
5 mentioned when discussing the cost of offering retail access, the necessary cost recovery
6 in rates would be best addressed in the full filing. Since rates would not go into effect
7 until after May 1, 2019 this is another reason for requesting this extension.

8

9 **Q. Mr. Bebyn, in your professional opinion will it be in the best interest of BIPCo**
10 **ratepayers to extend the retail access exemption until April 30, 2020?**

11 A. Yes.

12

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

14 A. Yes.

15