

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
**PUBLIC UTILITIES COMMISSION**

IN RE: BLOCK ISLAND POWER COMPANY :  
WAIVER REQUEST UNDER R.I. GEN. LAWS : DOCKET NO. 4606  
§ 39-1-27(g)) :

**REPORT AND ORDER**

In Public Utilities Commission (PUC) Order No. 15461, the PUC authorized the Block Island Power Company (BIPCo or Company) to delay implementation of the 1996 Utility Restructuring Act's (Act) mandates until six months following the installation and operation of an undersea cable connecting the island to the mainland electric grid.<sup>1</sup> In seeking an exemption, BIPCo argued that its location, on an island twelve miles offshore and unconnected to the mainland electric grid, made it impossible for Block Island ratepayers to access the electric generation market.<sup>2</sup> An undersea electric cable has since been constructed and became operational in December 2016.<sup>3</sup> BIPCo began taking energy from the mainland over the cable on or around May 1, 2017.<sup>4</sup>

On two prior occasions, March 30, 2017 and September 8, 2017, the PUC has authorized extensions of the exemption -- to October 2017 and August 2018, respectively -- as BIPCo undergoes a structural and operational transition from a for-profit company to a non-profit Utility District.<sup>5</sup> On December 27, 2017, BIPCo filed another request to extend the exemption from retail choice provisions of the Act to April 30, 2020.

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<sup>1</sup> Order No. 15461 (Nov. 26, 1997).

<sup>2</sup> Order No. 15175 (Jan. 14, 1997). In this order, the PUC authorized BIPCo a one-year exemption to allow the Company to seek amendments to the Act that would give the PUC authority to grant the exemption allowed in the November 26, 1997 order.

<sup>3</sup> See [https://www9.nationalgridus.com/aboutus/a3-1\\_news2.asp?document=10744](https://www9.nationalgridus.com/aboutus/a3-1_news2.asp?document=10744).

<sup>4</sup> BIPCo. Pet. at 1; [http://www.ripuc.org/eventsactions/docket/4606-BIPCo-ExemptPetition\(2-3-17\).pdf](http://www.ripuc.org/eventsactions/docket/4606-BIPCo-ExemptPetition(2-3-17).pdf).

<sup>5</sup> Prior orders: [http://www.ripuc.org/eventsactions/docket/4606-BIPCo-Ord23019\\_1-31-18.pdf](http://www.ripuc.org/eventsactions/docket/4606-BIPCo-Ord23019_1-31-18.pdf);  
[http://www.ripuc.org/eventsactions/docket/4606-BIPCo-Ord23065\\_3-23-18.pdf](http://www.ripuc.org/eventsactions/docket/4606-BIPCo-Ord23065_3-23-18.pdf).

In support of its petition, BIPCo filed testimony from Jeffrey M. Wright, BIPCo's President and CEO, and David Bebyn, BIPCo's rate consultant. Mr. Wright explained that BIPCo is required to file an updated reconciliation of its Standard Offer and Transmission rates every six months. The next scheduled filing would be in February 2018, for rates that would go into effect on May 1, 2018. BIPCo now seeks to implement an annual rate structure that would result in associated costs being allocated across an entire year's worth of sales which, in turn, would more appropriately allocate fixed charges such as the Direct Assignment Facility (DAF) charge and the Block Island Transmission System (BITS) cable charges.<sup>6</sup> Historically, the rates have moved higher in the winter because of lower seasonal sales and lower in the summer when seasonal sales peak. Mr. Bebyn testified that during the hearing held on November 30, 2017 for BIPCo's first six-month reconciliation, the Division of Public Utilities and Carriers' (Division) witness indicated that the Division would support a change from a six-month filing period to an annual period.<sup>7</sup>

Mr. Wright opined that in addition to the benefits of more fairly allocated fixed charges, BIPCo's rate payers would further benefit from an extension of the retail choice exemption through April 30, 2020 because it would allow BIPCo more time to negotiate and obtain a power supply contract at a time when market conditions are favorable.<sup>8</sup> Mr. Wright testified that BIPCo's power supply consultant, Energy New England, has advised that implementation of retail choice would result in a risk premium adder to rate proposals provided by power suppliers, due to potential customer migration to competitive suppliers.<sup>9</sup> Mr. Wright also testified that BIPCo is in the process of installing a new customer care and billing system that has the capability to administer

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<sup>6</sup> Wright Test. at 2 (Dec. 27, 2017); [http://www.ripuc.org/eventsactions/docket/4606-BIPCo-EXEMPTIONREQUEST\(12-26-17\).pdf](http://www.ripuc.org/eventsactions/docket/4606-BIPCo-EXEMPTIONREQUEST(12-26-17).pdf).

<sup>7</sup> Bebyn Test. at 3 (Dec. 27, 2017); [http://www.ripuc.org/eventsactions/docket/4606-BIPCo-EXEMPTIONREQUEST\(12-26-17\).pdf](http://www.ripuc.org/eventsactions/docket/4606-BIPCo-EXEMPTIONREQUEST(12-26-17).pdf).

<sup>8</sup> Wright Test. at 3 (Dec. 27, 2017).

<sup>9</sup> *Id.*

a retail choice program. However, the company installing the system has estimated a cost of \$100,000 and an estimated year to completion, exclusive of ongoing labor costs associated with the program's operation.<sup>10</sup> Finally, Mr. Wright reported that the Block Island Utility District Board of Commissioners has been working on organizing and financing the final purchase of BIPCo. According to Mr. Wright, the Board of Commissioners is aware of and supports BIPCo's filing for continued exemption from retail choice provisions of the Act.

On January 23, 2018, the Division of Public Utilities and Carriers (Division) filed a Memorandum authored by its consultant, Richard Hahn of Daymark Energy Advisers, supporting BIPCo's petition and recommending that the Commission grant the requested extension.<sup>11</sup> Mr. Hahn opined that it made sense to extend the exemption from retail access and that the locally elected Board of Commissioners should eventually be allowed to decide whether or not retail access is in the best interests of its customers. Mr. Hahn also described both the proposal for annual rather than seasonal rates and the concept of purchasing longer term power supplies when market conditions are favorable as sound.

At an Open Meeting on February 2, 2018, the PUC considered the filings and found BIPCo's request for a continued exemption from offering retail choice to be in the public interest.

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<sup>10</sup> *Id.*

<sup>11</sup> See [http://www.ripuc.org/eventsactions/docket/4606-DPUC-PositionMemo\\_1-23-18.pdf](http://www.ripuc.org/eventsactions/docket/4606-DPUC-PositionMemo_1-23-18.pdf).

Accordingly, it is hereby

(23066) ORDERED:

The Block Island Power Company is granted a continued exemption from the Utility Restructuring Act, R.I. Gen. Laws § 39-1-27(c), requirement that it offer retail access. This exemption shall end on April 30, 2020, unless the Public Utilities Commission takes further action before that time.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO A BENCH DECISION ON FEBRUARY 2, 2018. WRITTEN ORDER ISSUED MARCH 26, 2018.

PUBLIC UTILITIES COMMISSION



*Margaret E. Curran*

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Margaret E. Curran, Chairperson

*Marion S. Gold*

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Marion S. Gold, Commissioner

*Abigail Anthony*

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Abigail Anthony, Commissioner

**Notice of Right of Appeal:** Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within 7 days from the date of the Order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or Order.