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August 15, 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).

Enclosed for filing in this matter are an original and nine copies of:

1. A Petition of BIPCo pursuant to R.I.G.L. § 39-1-2(26) for a continued exemption through August 1, 2018 from filing to fully implement the requirements of the Utility Restructuring Act.
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
Nancy Dodge, Esq.
Katherine Merolla, Esq.
Christy Hetherington, Esq.
John Bell
Steven Scialabba
Cynthia Wilson Frias, Esq.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: BLOCK ISLAND POWER COMPANY : DOCKET No. _____
PETITION PURSUANT TO R.I.G.L. § 39-1-2(26) :

PETITION OF BLOCK ISLAND POWER COMPANY PURSUANT TO R.I.G.L. § 39-1-2(26)
FOR A CONTINUED EXEMPTION THROUGH AUGUST 1, 2018 FROM FILING TO
FULLY IMPLEMENT THE REQUIREMENTS OF THE UTILITY RESTRUCTURING ACT

1. On May 1, 2017, the National Grid/Deepwater Wind project became operational. The Town of New Shoreham and the Block Island Power Company (BIPCo) were at that time connected by an undersea electric cable to the mainland. This connection made mainland electric power available to BIPCo for distribution to the Island.

2. Chapter 316 of the 1996 Public Laws, approved on August 7, 1996, created a “restructured electrical industry” in Rhode Island. (R.I.G.L. § 39-1-1(d)(7)). This same Public Law created R.I.G.L. § 39-1-27, *et seq.* which required electric distribution companies to file restructuring plans on or before January 1, 1997.

3. Chapter 357 of the Public Laws of 1997 enacted R.I.G.L. § 39-1-2(26), which was previously designated as R.I.G.L. § 39-1-2(7.9). This law allows certain electric utilities to request an exemption from the Utility Restructuring Act (URA) (or any provision thereof). An exemption request may be requested under this subsection if (1) “the utility is not selling or distributing electricity outside of the service territory in effect for that utility on the date of passage of the Utility Restructuring Act”; and (2) “the number of kilowatt hours sold or distributed annually by the utility to the public is less than five percent (5%) of the total kilowatt hours consumed annually by the state.” BIPCo meets these requirements.

4. Pursuant to this law, on September 26, 1997, BIPCo filed with the Commission a request for an exemption from the URA. BIPCo asked for this exemption to remain in effect until

six (6) months after an undersea cable connecting the Island to the mainland electric grid was installed and operational. (Docket No. 2490).

5. This Commission agreed, and in Order No. 15461 in Docket No. 2490, the Commission ordered that “the Block Island Power Company is hereby authorized to delay implementation of the Utility Restructuring Act’s mandates until six months following the installation and operation of the undersea cable connecting the island to the mainland electric grid.”

6. Six (6) months from the May 1, 2017 operation date would be November 1, 2017.

7. By Order issued on October 7, 2016 in Docket No. 4606, this Commission, pursuant to a March 7, 2016 Petition filed by BIPCo, also exempted BIPCo from the URA requirement in R.I.G.L. § 39-1-27(c) that BIPCo transfer its generating assets to affiliates. In addition, the Commission exempted BIPCo from the URA provisions of R.I.G.L. § 39-1-27(d), which prohibit selling electricity within BIPCo’s service territory. These exemptions serve the purpose of allowing BIPCo to maintain its diesel generation as a backup power supply.

8. On February 3, 2017, BIPCo filed a request seeking a continued exemption period from the URA retail access provisions of R.I.G.L. § 39-1-27.3. At an Open Meeting on March 30, 2017, this Commission extended BIPCo’s URA retail access exemption until October 1, 2018.

9. On February 10, 2017 in Docket No. 4690, BIPCo filed a proposed procurement plan and standard offer and transmission tariffs. On April 12, 2017, BIPCo submitted a supplemental/amended filing. On April 14, 2017, after an evidentiary hearing, this Commission held an Open Meeting and approved BIPCo’s procurement plan and amended rate filing. The new rates went into effect on May 1, 2017 when the cable connection went live.

10. BIPCo has a number of pending issues that would make it difficult for BIPCo to put together a full rate filing, together with a fully allocated cost of service study, by November 1, 2017. These issues include:

- On July 26, 2017, Senate Bill No. 729 Substitute A became effective without the Governor's signature. This new Act created the Block Island Utility District. It is anticipated that eventually the assets of BIPCo will be transferred to the Block Island Utility District and that BIPCo will cease functioning as an electric utility. However, there are a number of matters that need to take place before this can occur, including, but not limited to, the election of the Board of Utility Commissioners and other related organizational activities.
- There is a pending Superior Court lawsuit brought by the 1/3 minority holder of BIPCo's stock, Sara McGinnes. The Town owns the majority 2/3 of the stock. It is anticipated that negotiations will take place with Sara McGinnes regarding her stock and the transfer of the BIPCo's assets to the Block Island Utility District.
- BIPCo is also recovering from a fire/explosion that occurred last year, damaging a number of its engines and destroying the Generator Building. BIPCo has been negotiating with its insurance carrier and has nearly completed reconstruction of a new Generator Building using funds from the insurance carrier. In addition, BIPCo is negotiating with its insurance carrier in an effort to acquire a new engine to replace the damaged/destroyed engines, again using insurance funds. These negotiations are not yet completed.

- The new Board of Utility Commissioners will need to make decisions about various rate design issues, including, but not limited to such matters as seasonal rates, net metering, demand charges, and other issues.
- Once the Board of Utility Commissioners provides direction regarding rate design issues, it will be necessary for BIPCo's rate design consultant to perform a fully allocated cost of service study.
- BIPCo is currently involved in a federally mandated replacement of its fuel tanks. This needs to be completed by December, 2017. BIPCo recently received permission from the Division to incur \$300,000 of debt to fund the tank replacement project, but the loan has not yet closed and the tanks have not yet been replaced.
- BIPCo is also in the process of formulating a short and long term capital improvement plan. This will need input from the new Board.

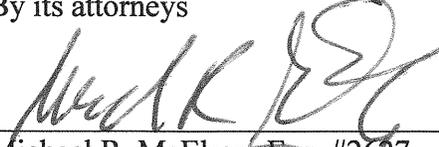
11. BIPCo believes that it would be premature to require a full rate filing and fully allocated cost of service study to be performed and filed on or before November 1, 2017, in light of the pending outstanding items that could significantly affect such a filing.

12. If BIPCo is given an extension of time until August 1, 2018 to file its new rate case and cost of service study, many of the issues outlined above will be resolved and incorporated into the proposed rate design and new rates.

WHEREFORE, BIPCo respectfully requests that, in the public interest, and pursuant to the authority granted in R.I.G.L. § 39-1-2(26), BIPCo be granted a continued exemption until August 1, 2018 from filing to fully implement the requirements of the Utility Restructuring Act.

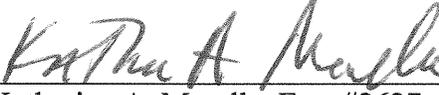
Respectfully submitted,
BLOCK ISLAND POWER COMPANY
By its attorneys

Dated: August 15, 2017



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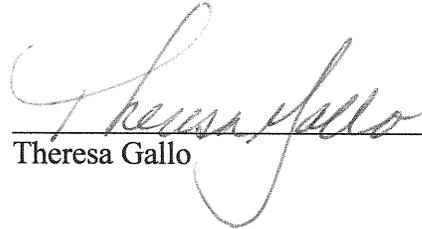


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CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of August, 2017, I sent a copy of the foregoing to the following:

David G. Bebyn, CPA	dbebyn@beconsulting.biz
Nancy Dodge, Esq.	kpson@aol.com
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Theresa Gallo

**Direct Testimony
of
David G. Bebyn CPA
Regarding exemption request under
R.I. General Laws 39-1-2(26)**

**Block Island Power Company
Docket
No. _____**

August 15, 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. I am the regulatory accountant for Block Island Power
9 Company (BIPCo).

10

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

12 A. I was asked by BIPCo to provide testimony in support of BIPCo's request under R.I.
13 General Laws 39-1-2(26) for a continued exemption through August 1, 2018 from filing to
14 fully implement the requirements of BIPCO's utility restructuring plan.

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 the Utility Restructuring Act (URA).
19 BIPCo asked for this exemption to remain in effect until six (6) months after an undersea
20 cable connecting the Island to the mainland electric grid was installed and operational.
21 (Docket No. 2490). This Commission agreed, and in Order No. 15461 in Docket No.
22 2490, 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." Because on May 1, 2017, the National Grid/Deepwater Wind project
26 became operational and the Town of New Shoreham and the Block Island Power
27 Company (BIPCo) were at that time connected by an undersea electric cable to the
28 mainland, BIPCo's current exemption would otherwise expire on November 1, 2017.

29

30 In addition, on February 3, 2017, BIPCo filed a request seeking a continued exemption
31 period from the URA retail access provisions of R.I.G.L. § 39-1-27.3. At an Open

1 Meeting on March 30, 2017, this Commission extended BIPCo's URA retail access
2 exemption until October 1, 2018. In addition, on February 10, 2017, in Docket No. 4690,
3 BIPCo filed a proposed procurement plan and standard offer and transmission tariffs. On
4 April 12, 2017, BIPCo submitted a supplemental/amended filing. On April 14, 2017,
5 after an evidentiary hearing, this Commission held an Open Meeting and approved
6 BIPCo's procurement plan and amended rate filing. The new rates went into effect on
7 May 1, 2017 when the cable connection went live.

8
9 Also, by Order issued on October 7, 2016 in Docket No. 4606, this Commission,
10 pursuant to a March 7, 2016 Petition filed by BIPCo, exempted BIPCo from the URA
11 requirement in R.I.G.L. § 39-1-27(c) that BIPCo transfer its generating assets to
12 affiliates, and exempted BIPCo from the URA provisions of R.I.G.L. § 39-1-27(d), which
13 prohibit selling electricity within BIPCo's service territory. These exemptions serve the
14 purpose of allowing BIPCo to maintain its diesel generation as a backup power supply.

15
16 **Q. What is BIPCo requesting an extension for?**

17 A. BIPCo is requesting an extension for the requirement to file a full rate filing together
18 with a fully allocated cost of service study by November 1, 2017.

19
20 **Q. Mr. Bebyn, for what period of time are you requesting an extension?**

21 A. BIPCo is requesting an extension from November 1, 2017 to August 1, 2018.

22
23 **Q. Why is BIPCO requesting this extension of time?**

24 A. There are a few reasons for requesting this extension. First, within the past year there
25 has been a major change in the company's ownership. Another consideration is the
26 restoration of assets due to last summer's engine fire. Lastly, BIPCo is in the process of
27 formulating a capital improvement plan and a mandated tank replacement project.

28
29 **Q. Can you provide some background on the change of ownership?**

30 A. Prior to November 2016 all of the shares of BIPCo were held by three individual
31 owners who each held one third of the outstanding shares of the company. On November

1 7th, the Town of New Shoreham purchased all of the shares from two of the owners. This
2 provides the Town with a 2/3 majority ownership in the company and has resulted in a
3 change in the Company's Board of Directors.

4
5 **Q. What impact does the change in company ownership have on the extension**
6 **requested?**

7 A. The new Board of Directors is moving towards transferring BIPCo into utility
8 district. On July 26, 2017, Senate Bill No. 729 Substitute A became effective without the
9 Governor's signature. This new Act created the Block Island Utility District. It is
10 anticipated that eventually the assets of BIPCo will be transferred to the Block
11 Island Utility District and that BIPCo will cease functioning as an electric utility. BIPCo
12 will therefore change from a for-profit investor owned company to a non-profit public
13 company. These are regulated on different ratemaking principles.

14
15 **Q. Now that the Utility District has been created, what is the status of transferring**
16 **the assets?**

17 A. The matter of transferring the assets is still be investigated. We need to research and
18 determine the best approach to transfer these assets from a for-profit privately held
19 company to a non-profit Utility District. In addition, there is still the consideration of the
20 1/3 minority stockholder that needs to be resolved. There is a pending Superior Court
21 lawsuit brought by the 1/3 minority holder of BIPCo's stock, Sara McGinnes. The Town
22 owns the majority 2/3 of the stock. It is anticipated that negotiations will take place with
23 Sara McGinnes regarding her stock and the transfer of the BIPCo's assets to the Block
24 Island Utility District.

25
26 **Q. Are there any additional Utility District matters that will have an impact on the**
27 **timing of a full rate filing?**

28 A. Yes. The election of the Board of Utility Commissioners and other related
29 organizational activities are not yet done. The new Board of Utility Commissioners will
30 need to make decisions about various rate design issues, including, but not limited to such
31 matters as seasonal rates, net metering, demand charges, and other issues. Once the

1 Board of Utility Commissioners provides direction regarding rate design issues, it will be
2 necessary for BIPCo's rate design consultant to perform a fully allocated cost of service
3 study. Since a fully allocated cost of service study typically take 3 months to prepare it
4 would be doubtful that all of these issues regarding the Utility District could be resolved
5 within enough time to make the November 1st deadline.

6

7 **Q. What impact does the recovery from the fire have on the need for an extension?**

8 A. BIPCo is still recovering from a fire/explosion that occurred last year, damaging a
9 number of its engines and destroying the Generator Building. BIPCo has been
10 negotiating with its insurance carrier and has nearly completed reconstruction of a
11 new Generator Building using funds from the insurance carrier. In addition,
12 BIPCo is negotiating with its insurance carrier in an effort to acquire a new engine
13 to replace the damaged/destroyed engines, again using insurance funds. These
14 negotiations are not yet completed. This will have an impact on the cost factors of
15 BIPCo's standby generation in the future filing.

16

17 **Q. What impact does the capital improvement plan have on the need for an
18 extension?**

19 A. There are two issues regarding the capital plan. The first that BIPCo is currently
20 involved in a federally mandated replacement of its fuel tanks. This needs to be
21 completed by December 2017. This means the replacement may be completed before the
22 assets are transferred to the Utility District. BIPCo is currently planning to fund the tank
23 replacement project with short-term financing. The long-term financing of the tank
24 replacement project, along with the other assets transferred, will be covered in the Utility
25 District's rates.

26 The other issue regarding capital is that BIPCo is also in the process of formulating
27 both a short and long-term capital improvement plan. This will need significant input
28 from the new Board.

29

30

31

1 **Q. Mr. Bebyn, in your professional opinion will it benefit the BIPCo rate payers if**
2 **BIPCo receives the extension of time?**

3 A. Yes. Given that there are still some issues which most likely will not be resolved
4 until after November 1st in my opinion, it would be in the best interest of the ratepayers if
5 this extension is approved. This would keep the rate filing projections much more
6 accurate as opposed to having to make rate projections with many unresolved issues.

7

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

9 A. Yes.

10