



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

March 23, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**Re: Docket 4606 – In Re Block Island Power Company Petition
Pursuant to R.I.G.L. § 39-1-2(26)**

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of the Division of Public Utilities and Carriers' position memorandum related to Block Island Power Company's ("BIPCo") request for a statutory exemption pursuant to R.I.G.L. § 39-1-2(26).

An electronic copy shall be served upon the service list. Thank you for your attention in this matter.

Very truly yours,

Christy Hetherington
Special Assistant Attorney General

Enclosure

cc: Service List

Memorandum

To: Public Utilities Commissioners

From: Division of Public Utilities and Carriers

**Re: Division's Position in Docket 4606 –
In Re Block Island Power Company Petition Pursuant to R.I.G.L. § 39-1-2(26)**

On February 3, 2017, the Block Island Power Company (“BIPCo”) filed with the Public Utilities Commission a petition pursuant to R.I.G.L. § 39-1-2(26) seeking continued exemption from the retail access provisions of R.I.G.L. § 39-1-27.3 of the Utility Restructuring Act (“URA”). Pursuant to Commission Order No. 15461 in Docket No. 2490 (effective on November 19, 1996), BIPCo is exempt from the URA’s retail access requirement until six (6) months after installation and operation of the undersea cable connecting the island to the mainland electric grid. Fast forward twenty years and, with an April 1, 2017 estimated date for the now-installed cable to be operational, BIPCo’s exemption will likely expire on or about October 1, 2017. Given a host of economic, transitional and logistical concerns, BIPCo presently seeks Commission approval to extend this retail access exemption for one (1) year, through October 1, 2018, so that the utility has time to file a comprehensive tariff plan, resolve outstanding ownership issues, avoid unnecessary expenses and secure favorable supply contracts for the benefit of the ratepayer. In support of its petition, BIPCo provided direct testimony from Mr. David G. Bebyn, CPA, as well as timely responses to the Division’s data requests.

The Division supports BIPCo’s petition and recommends that the Commission grant the one (1) year extension that BIPCo seeks. As a threshold matter, BIPCo satisfies the two (2) exemption eligibility requirements contained in R.I.G.L. § 39-1-2(26). See also, BIPCo Petition,

¶ 5. Moreover, BIPCo is in the process of adapting to significant internal and external transitions, all of which make a limited one (1) year delay economically reasonable and logistically justified. BIPCo recently changed ownership structure when the Town of New Shoreham acquired two-thirds ownership in the company. With this change comes the need to adapt to new leadership and new vision for the future of the utility, all of which is currently underway, but very much still a work in progress. Further, BIPCo has many cost considerations given that the company will soon transition from vertically integrated power company (generating and distributing electricity) to an electric distribution company that obtains electricity from the wholesale power market. Allowing the company this limited exemption from providing retail access to its insular and small ratepayer population will allow it to defer and/or avoid upfront and perhaps unnecessary costs while it secures competitive contracts in the wholesale market, prepares a Commission rate case for the fall of 2017, and pursues possible permanent, legislative exempt status similar to that for the Pascoag Utility District. The Division finds compelling BIPCo's representation that offering retail access will be unduly expensive to ratepayers, all whom would bear the cost for a projected handful of potentially interested customers. As one notable example, BIPCo represents that retail access would require incremental software upgrades to the tune of \$50,000 to \$70,000 plus ongoing charges, all which may be incurred unnecessarily in the event the General Assembly grants permanent exemption status to BIPCo. Further, keeping the island load aggregated together will allow BIPCo to secure more favorable average energy pricing to the benefit of ratepayers as a collective whole.

Moreover, should BIPCo ultimately offer retail access, allowing the company to delay until October 1, 2018, will allow ratepayers to make more informed choices prior to facing competitive retail offers. Ratepayers stand to benefit from having first experienced a full year's worth of electric bills based on lower cost energy supply from the mainland (with the diesel generators used

only as backup) before retail competition is instituted. Having mainland supply for one year to compare with any retail competitive supply offers will allow the consumer to be better informed.

For the above cited reasons, the Division finds that BIPCo's request to continue for a limited time period its current exemption from the state's retail access requirements is reasonable and in the public interest. Accordingly, the Division supports BIPCo's petition and recommends that the Commission grant the company's request of a one (1) year exemption until October 1, 2018.