

**To: LULY MASSARO, CLERK
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**From: DICK HAHN, DAYMARK ENERGY ADVISORS
CONSULTANT TO THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

Date: JANUARY 23, 2018

**Subject: DOCKET 4606 — IN RE BLOCK ISLAND POWER COMPANY PETITION
PURSUANT TO R.I.G.L. § 39-1-2(26)**

INTRODUCTION

On December 26, 2017, Block Island Power Company (“BIPCO” or the “Company”) filed a petition with the Rhode Island Public Utilities Commission (the “Commission”) seeking an extension of the exemption from retail access until April 30, 2020. The Division of Public Utilities and Carriers (the “Division”) requested that Daymark Energy Advisors (“Daymark”) review this filing. Based upon that review, I recommend that the Commission approve that request.

DISCUSSION

In support of its petition, BIPCO filed the testimonies of Jeffrey Wright, BIPCO President, and David Bebyn, a consultant to the Company. The existing exemption from retail access runs through October 1, 2018. BIPCO requests an extension until April 30, 2020.¹ The Company offers the following reasons for its request.

- BIPCO wishes to transition to annual rates for Standard Offer and Transmission costs, compared to the current practice of changing rates every six months. This will stabilize rates over a 12-month period and avoid higher winter rates when sales are low but monthly costs are relatively flat over the year.²

¹ See Bebyn testimony, page 2 at 8-9.

² See Wright testimony, page 2.

- BIPCO also wishes to take advantage of currently favorable market conditions for wholesale power supplies and lock in a longer-term supply. The Company's existing power supply contract expires on October 31, 2018.³ The Company could switch to annual rates with a six-month contract through April 30, 2019. However, BIPCO seeks to procure power supplies under an 18-month contract through April 30, 2020 to take advantage of currently favorable whole power supply costs. This appears to form the primary basis of the request of a continued exemption from retail access until April 30, 2020.
- The Company further states that allowing retail access would increase Standard Offer rates because potential suppliers would add risk premiums to their supply offers to BIPCO due to potential customer migration to competitive suppliers.⁴
- In addition, BIPCO states that it is upgrading its customer system that would accommodate retail access.⁵
- The sale of BIPCO to the Block Island Utility District is on-going.⁶

Given that the process of transitioning from a privately owned BIPCO to a municipally owned Block Island Utility District is on-going, I believe that it makes sense to extend the exemption from retail access. Municipally owned utilities overseen by a locally-elected board of commissioners should be allowed to decide whether or not retail access is in the best interest of its customers. The exemption extension will facilitate that outcome. The proposal for annual rates to avoid seasonal rate changes is reasonable. The concept of securing longer-term power supplies at times when market conditions are favorable is sound. Therefore, I recommend that the petition be granted.

³ See Wright testimony, pages 2-3.

⁴ See Wright testimony, page 3.

⁵ See Wright testimony, page 3.

⁶ See Wright testimony, page 4.