

DIVISION OF PUBLIC UTILITIES AND CARRIERS
MEMORANDUM

TO: LULY MASSARO
COMMISSION CLERK

DATE: AUGUST 3, 2016

FROM: STEPHEN SCIALABBA
DIVISION OF PUBLIC UTILITIES AND CARRIERS

SUBJECT: BLOCK ISLAND POWER COMPANY DOCKET 4635, PETITION FOR
EMERGENCY RELIEF FOR RECOVERY OF ENGINE RENTAL COSTS.

On July 29, BIPCO filed a petition for emergency rate relief associated with engine rental and associated costs incurred as a result of a fire that destroyed or significantly damaged three of BIPCO's diesel generating engines. The fire was caused by a failure in one of the engines.

BIPCO was able to procure two rental engines in less than 24 hours to maintain service during the Island's peak season. The Company is now before the Commission seeking to amend its Fuel Adjustment Clause (FAC) seeking to include language that would allow engine rental costs, auxiliary component costs, and required installation and transportation costs, to be recovered through the monthly FAC.

BIPCO's actual fuel costs are recovered in arrears, over actual monthly kwh sales. Under long established procedures, the cost of actual fuel consumed, along with the cost of fuel inventory financing and the chemical urea (added for environmental reasons) are billed monthly to customers based on actual cost data and kwh usage. The FAC filings are filed with the Division for review and approval prior to customer billing. For example, the June FAC with June data and back-up invoices will be submitted to the Division within the first week of July, and the Division will expeditiously review it to allow for timely billing.

The Division recommends that the additional proposed tariff language be approved by the Commission, allowing for engine rental and ancillary costs for the July period to be recovered in August billings, but that approval should sunset at the end of August so that prior to the next monthly billing of the FAC, additional information can continue to be gathered and reviewed, such as responses to the outstanding PUC data requests, additional information regarding possible insurance recovery, status of damaged engines, and balances of BIPCO's reserve accounts. If the Commission approves the proposed FAC language, we would assume that BIPCO will continue to file its fuel cost data with the Division as it has done in the past.