

Schacht & McElroy

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March 6, 2017

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

Re: Block Island Power Company – Procurement Plan and Tariff Filing
Docket No. 4690

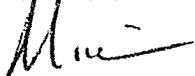
Dear Luly:

As you know, this office represents Block Island Power Company (BIPCo).

Enclosed for filing are an original and nine copies of BIPCo's Responses to the Division of Public Utilities and Carriers 1st set of data requests directed to BIPCo.

If you have any questions, please feel free to call.

Very truly yours,


Michael R. McElroy

MRMc:tmg

cc: Service List

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: BLOCK ISLAND POWER COMPANY'S
PROCUREMENT PLAN AND TARIFF FILING

Docket No. 4690

BLOCK ISLAND POWER COMPANY'S RESPONSES TO THE DIVISION OF PUBLIC UTILITIES
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1. During the term of any Standard Offer Procurement Plan that is ultimately approved, does BIPCO have any plans or does it intend to offer the output of the diesels into any ISO-NE market, including but not limited to the energy market, the forward capacity, or the forward reserve market? If so, please describe these plans or intentions in detail.

RESPONSE:

BIPCo does not have any plans during the requested term of this Standard Offer Procurement Plan to offer the output of the diesels into any ISO-NE market. BIPCO needs to study this issue in more detail to determine if offering such output in the future would be beneficial and or desired. As a result, at this time there are no such plans.

Prepared by David Bebyn CPA

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2. Please provide BIPCO's monthly peak load and monthly energy load for the past three years.

RESPONSE:

See Attached.

Prepared by David Bebyn CPA

Monthly Energy Load Month	Year			
	2014	2015	2016	2017
January	779.772	780.238	764.433	332.150
February	673.954	723.410	722.315	
March	735.314	757.860	718.733	
April	720.164	725.399	755.730	
May	969.117	1019.600	1034.493	
June	1294.515	1423.010	1386.070	
July	1991.480	2124.780	2294.577	
August	1943.230	2233.095	2354.100	
September	1305.320	1481.900	1444.210	
October	932.844	945.634	957.850	
November	748.411	713.965	730.450	
December	750.000	715.899	780.188	
Grand Total	12844.121	13644.790	13943.149	332.150

Monthly Peak Load Month	Year			
	2014	2015	2016	2017
January	1.400	1.401	1.375	1.375
February	1.230	1.360	1.520	
March	1.225	1.225	1.230	
April	1.260	1.300	1.350	
May	2.275	2.300	2.350	
June	2.875	2.880	3.100	
July	3.880	4.010	4.200	
August	3.650	4.210	4.775	
September	3.080	3.270	3.200	
October	1.960	2.065	2.000	
November	1.425	1.230	1.350	
December	1.325	1.300	1.450	
Grand Total	3.880	4.210	4.775	1.375

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3. BIPCO's current Fuel Adjustment Clause includes "engine rental" costs. Once the interconnection to ISO-NE system is in-service, does BIPCO expect to continue to incur these costs? Please explain why or why not.

RESPONSE:

Possibly. The Fuel Adjustment Clause "engine rental" costs would be required if there was some major disruption to the cable, interconnection or substations. This could be a real possibility if such a disruption were to occur in the summer since BIPCo only has two fully operating engines at this time.

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4. Please provide live electronic spreadsheet files with all inputs and formulae intact that were used to produce the figures on page 2 of, and the exhibits, schedules, and attachments to, Mr. Bebyn's testimony.

RESPONSE:

A copy of the schedules in Excel format with all formulas intact was provided to the service list.

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5. Please provide all assumptions and calculations that were used to determine the 16.68% carrying charge shown on page 2 of Mr. Bebyn's testimony.

RESPONSE:

The 16.68% carrying charge was provided by calculations performed by National Grid. National Grid prepared estimated annual New England Wholesale Transmission Charges applicable to BIPCo back in 2014 using 2012 data. Included with that schedule were the supporting calculations for the cable surcharge and the BIPCo Connection DAF. A copy of that summary and supporting schedules are attached. Both ENE and BIPCo have requested updates from National Grid but this is the most recent data available for the cable surcharge and the BIPCo Connection DAF.

Prepared by David Bebyn CPA

Estimated Annual New England Wholesale Transmission Charges
Applicable to Block Island Power Company
Using CY 2010 Data unless otherwise noted

		c/kWh
ISO-NE RNS Charge:	\$ 141,521	1.308 *
<u>NEP Charges</u>		
PTF Demand Charge:	-11,485	-0.106
non-PTF Demand Charge:	24,055	0.222
Load Dispatch Charge:	1,116	0.010
Attachment DAF Charge:	91,740	0.848
Cable Surcharge:	24,405	0.226
Transformer Surcharge:	17,301	0.160 *
Rolled-in Distribution Surcharge:	119,807	1.107 *
Meter Surcharge:	955	0.009 *

Total estimated:	\$ 409,413	3.784
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* 2012 rates are used in this calculation

BIPCo Connection DAF

Estimated Gross Plant Investment:	\$550,000
NEP 2010 Carrying Charge:	16.68%
Estimated Annual DAF Charge:	\$91,740

Cable Surcharge
2010 Data

BIPCo Peak Load =	3,604 kW
TNECo Peak Load =	1,843,989 kW
Total =	1,847,593 kW
BIPCo Annual Peak Load Share =	0.19508%
TNECo Annual Peak Load Share =	99.80492%
1.8 * BIPCo Annual Energy =	19,473,878 kWh
TNECo Annual Energy =	7,751,887,420 kWh
Total =	7,771,361,298 kWh
BIPCo Annual Energy Share =	0.25059%
TNECo Annual Energy Share =	99.74941%
BIPCo Share Percentage =	0.19508%
Estimated Gross Plant Investment:	\$75,000,000
TNECo 2010 Carrying Charge:	16.68%
Estimated Annual Cable Surcharge:	\$24,405

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6. Please provide all assumptions and calculations that were used to determine the 0.19508% figure shown on page 2, line 20 of Mr. Bebyn's testimony.

RESPONSE:

The 0.19508% figure was provided by calculations performed by National Grid. Please see the response to Division 1-5 above.

Prepared by David Bebyn CPA

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7. Please explain the "National Grid Rolled in Distribution Surcharge," including but not limited to why BIPCO is required to pay this charge.

RESPONSE:

Network Customers of NEP which utilize distribution facilities in addition to the specific facilities identified in NEP's Tariff No. 1 (as of February 28, 1998,) are required to pay the Rolled-In Distribution Surcharge. This charge is further explained in the terms and conditions of Schedule 21-NEP of the NEP Tariff. This National Grid Rolled in Distribution Surcharge is that fee and is part of the Local Service Agreement between NEW ENGLAND POWER COMPANY, BLOCK ISLAND POWER COMPANY and ISO NEW ENGLAND INC. (See page 6 of the Local service agreement which is Attached)

Prepared by David Bebyn CPA

LOCAL SERVICE AGREEMENT

BY AND BETWEEN

NEW ENGLAND POWER COMPANY;

BLOCK ISLAND POWER COMPANY

AND

ISO NEW ENGLAND INC.

**SCHEDULE 21
ATTACHMENT A
FORM OF LOCAL SERVICE AGREEMENT**

This LOCAL SERVICE AGREEMENT, dated as of February 1, 2015, is entered into, by and between New England Power Company d/b/a National Grid, a corporation organized and existing under the laws of the Commonwealth of Massachusetts (“Transmission Owner”), Block Island Power Company, a corporation organized and existing under the laws of the State of Rhode Island (“Transmission Customer”) and ISO New England Inc., a non-stock corporation organized and existing under the laws of the State of Delaware (“ISO”). Under this Agreement the Transmission Owner, Transmission Customer, and the ISO each may be referred to as a “Party” or collectively as the “Parties.”

PART I – General Terms and Conditions

1. Service Provided (Check applicable):

X Local Network Service

___ Local Point-To-Point Service

___ Firm

___ Non-Firm

Regional Network Service customers must take either Local Network Service or Local Point-To-Point Service.

2. The Transmission Customer is an Eligible Customer under the Tariff and is a party to either a Market Participant Service Agreement or a Transmission Service Agreement.

3. The Transmission Customer has submitted a Completed Application and the required deposit, if applicable, for service under this Local Service Agreement and the Tariff.

4. The Transmission Customer agrees to supply information to the Transmission Owner that the Transmission Owner deems reasonably necessary in accordance with Schedule 21 and Good Utility Practice in order for it to receive the requested service.

5. The Transmission Owner agrees to provide and the Transmission Customer agrees to take and pay for service in accordance with the provisions of the Tariff and this Local Service Agreement.
6. Service may be subject to some combination of the charges detailed in Schedule 21 of the OATT. The appropriate charges will be determined in accordance with the terms and conditions of Schedule 21.
7. Any notice or request made to or by either party regarding this Local Service Agreement shall be made to the representative of the other party as indicated below.

Transmission Customer:

Block Island Power Company
Attn: Clifford R. McGinness
100 Ocean Avenue
Block Island, RI 02807

Transmission Owner:

New England Power Company
Attn: Director, Transmission Commercial
40 Sylvan Road
Waltham, MA 02451

The ISO:

ISO New England Inc.
Attn: Manager - Transmission Services
One Sullivan Road
Holyoke, MA 01040

8. The ISO New England Inc. Transmission, Markets and Services Tariff (the "Tariff") is incorporated herein and made a part hereof. Capitalized terms used in this Local Service Agreement shall have the meanings ascribed in the Tariff.

9. Nothing contained in this Local Service Agreement shall be construed as affecting in any way the right of the Transmission Owner to file with the Commission under Section 205 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder for a change in any rates, terms and conditions of this Local Service Agreement. Nothing contained in this Local Service Agreement shall be construed as affecting in any way the ability of the Transmission Customer to file with the Commission under Section 206 of the Federal Power Act and pursuant to the Commission's rules and regulations promulgated thereunder for a change in any rates, terms and conditions of this Local Service Agreement.
10. Nothing contained in this Local Service Agreement shall be construed as affecting or enlarging, in whole or in part, the limited responsibility of the ISO under the Transmission Operating Agreement ("TOA") to coordinate the Transmission Owner's provision of Local Service and to determine whether the provision of Local Service would have an impact on facilities used for the provision of Regional Transmission Service.

PART II – Local Network Service

1. The Transmission Customer has been determined by the Transmission Owner and the ISO to have a Completed Application for Local Network Service under the Tariff.
2. Service shall commence on the later of: (1) January 1, 2016 or (2) the date on which construction of all interconnection equipment, any Direct Assignment Facilities and/or facility or Local Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service shall terminate on December 31, 2035, or as otherwise mutually agreed in writing by the parties.
3. Specifications for Local Network Service.
 - a. Term of Service: See 2 above.
 - b. List of Network Resources and Point(s) of Receipt:

- c. Description of capacity and energy to be transmitted:
Initially up to 4.6 MW and 15TWh of Network Load
- d. Description of Local Network Load:
Wholesale load for the Town of New Shoreham, Rhode Island
- e. List of Point(s) of Delivery and metering point(s) when they differ from Point(s) of Delivery:
At the Transmission Owner's Affiliate's 34.5 kV substation on Block Island.
Note: The metering is on the 34.5 kV side and the Transmission Owner owns the meter.
- f. List of non-Network Resource(s), to the extent known:
- g. Ancillary Services requested or proof of satisfactory arrangements for Ancillary Services:
The Transmission Customer will execute a Market Participant Service Agreement or a Transmission Service Agreement with ISO-New England, Inc.
- h. Identity of Designated Agent:

Authority of Designated Agent:

Term of Designated Agent's authority:

Division of responsibilities and obligations between Transmission Customer and Designated Agent:
- i. Interconnection facilities and associated equipment:
1-34.5kV breaker, 1-34.5/4.16kV/2.4kV transformer, 5kV insulated line to customer substation and associated equipment.
- j. Project name:
- k. Interconnecting Transmission Customer:

- l. **Location:**
- m. **Transformer nameplate rating:**
- n. **Interconnection point:**
At 34.5kV at the Transmission Owner's Affiliate's 34.5kV substation on Block Island.
- o. **Additional facilities and/or associated equipment:**
- p. **Service under this Local Service Agreement shall be subject to the following charges:**
Any and all other applicable charges in accordance with the rates, terms and conditions of Schedule 21-NEP of the Tariff, including, without limitation:
- Monthly demand charges with PTF and non-PTF components
 - Transformer surcharge
 - Rolled-In Distribution Surcharge
 - Direct Assignment Facilities Charge for interconnection facilities in i. above
 - Meter Surcharge
 - Network load dispatch surcharge
 - Block Island Transmission System ("BITS") Surcharge (pursuant to Attachment I)
- q. **Additional terms and conditions:**
Transmission Customer grants permission to Transmission Owner's engineering, distribution planning, transmission planning and T&D operations personnel to access any and all Transmission Customer RTU data which is telemetered to Transmission Owner's control room. Transmission Owner agrees not to share this data with its sales and marketing personnel.
- Transmission Customer understands that the source to the 34.5 kV Block Island substation is a radial feed from the Transmission Owner's Affiliate's Wakefield Substation and that there will be an interruption to network service whenever the feeder breaker at Wakefield or the Block Island Transmission System is unavailable.

4. **Planned work schedule.**

Estimated Time

Milestone

(Activity)

Period For Completion

(# of months)

5. **Payment schedule and costs.**

(Study grade estimate, + ___% accuracy, year \$s)

Milestone

Amount (\$)

6. **Policy and practices for protection requirements for new or modified load interconnections.**

See Attachment E of Transmission Owner's Local Service Schedule 21- NEP

7. **Insurance requirements.**

See Attachment F of Transmission Owner's Local Service Schedule 21- NEP

PART III – Local Point-To-Point Service (N/A)

1. The Transmission Customer has been determined by the Transmission Owner and the ISO to have a Completed Application for Local Point-To-Point Service under the Tariff.

2. Service shall commence on the later of: (1) _____, or (2) the date on which construction of any Direct Assignment Facilities and/or Local Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service shall terminate on _____.

3. Non-firm Local Point-To-Point Service shall be provided by the Transmission Owner upon request by an authorized representative of the Transmission Customer.

4. **Specifications for Local Point-To-Point Service.**

a. **Term of Transaction:**

b. **Description of capacity and energy to be transmitted by the Transmission Owner including the electric Control Area in which the transaction originates:**

- c. Point(s) of Receipt:
- d. Delivering Party:
- e. Point(s) of Delivery:
- f. Receiving Party:
- g. Maximum amount of capacity and energy to be transmitted (Reserved Capacity):
- h. Designation of party(ies) subject to reciprocal service obligation:
- i. Name(s) of any intervening Control Areas providing transmission service:
- j. Service under this Local Service Agreement shall be subject to the following charges:
- k. Interconnection facilities and associated equipment:
- l. Project name:
- m. Interconnecting Transmission Customer:
- n. Location:
- o. Transformer nameplate rating:
- p. Interconnection point:
- q. Additional facilities and/or associated equipment:
- r. Additional terms and conditions:

5. **Planned work schedule.**

Estimated Time

Milestone

(Activity)

Period For Completion

(# of months)

6. **Payment schedule and costs.**

(Study grade estimate, + ___% accuracy, year \$s)

Milestone

Amount (\$)

7. **Policy and practices for protection requirements for new or modified load interconnections.**

8. **Insurance requirements.**

IN WITNESS WHEREOF, the Parties have caused this Local Service Agreement to be executed by their respective authorized officials.

Transmission Customer:

By: C.R. McGlavin President + COO 1/22/15
Name Title Date
C.R. MCGLAVIN
Print Name

Transmission Owner:

By: William L Malee Authorized Representative 1/8/15
Name Title Date
William L Malee
Print Name

The ISO:

By: [Signature] V.P. System Planning 1/30/15
Name Title Date
[Signature]
Print Name

Calculation of BITS Surcharge

The monthly BITS Surcharge shall equal the product of the IFA Facilities Credit for BITS facilities multiplied by the BIPCO Share Percentage, where:

1. The IFA Facilities Credit for BITS facilities shall become effective as of the commercial operation date of the BITS facilities and shall equal the monthly integrated facilities credit for Customer-owned distribution facilities rendered to The Narragansett Electric Company for the BITS facilities pursuant to Schedule III-B of New England Power Company's FERC Electric Tariff No. 1. The IFA Facilities Credit amount will be updated annually in accordance with the provisions of Tariff No. 1, on or about the June billing month of each year.
2. The BIPCO Share Percentage for each year shall be BIPCO's Annual Peak Load Ratio Share from the prior calendar as long as BIPCO's Annual Peak Load Ratio Share falls within a range specified by the BIPCO Energy Ratio Collar. If the Annual Peak Load Ratio Share so calculated is less than the Minimum Energy Ratio Share, the BIPCO Share Percentage will be set at the Minimum Energy Ratio Share. If the Annual Peak Load Ratio Share so calculated is greater than the Maximum Energy Ratio Share, the BIPCO Share Percentage will be set at the Maximum Energy Ratio Share. The BIPCO Share Percentage shall be reset annually during the same month that the IFA Facilities Credit is updated.
3. BIPCO's Annual Peak Load Ratio Share shall be determined as a percentage according to the following formula:

$$\text{BIPCO Annual Peak Load} / (\text{BIPCO Annual Peak Load} + \text{TNECO Annual Peak Load})$$

4. BIPCO's Energy Ratio Collar shall be the range between the Minimum Energy Ratio Share and the Maximum Energy Ratio Share, each as determined as a percentage according to the following formula:

Minimum Energy Ratio Share

$$1.2 * \text{BIPCO Annual kWh} / (1.2 * \text{BIPCO Annual kWh} + \text{TNECO Annual kWh})$$

Maximum Energy Ratio Share

$$1.8 * \text{BIPCO Annual kWh} / (1.8 * \text{BIPCO Annual kWh} + \text{TNECO Annual kWh})$$

The following illustrates the calculation of BIPCO's Annual Peak Load Ratio Share and its Energy Ratio Collar:

Illustrative Example:

2010 Annual Peak Load

(1) BIPCo Annual Peak Load =	3,604 kW
(2) TNECO Annual Peak Load =	<u>1,843,989 kW</u>
(3) Total Annual Peak Load =	1,847,489 kW

(4) BIPCo Annual Peak Load Ratio Share ((1)/(3)) = 0.19508%

2010 Energy Ratio Collar

(1) 1.2* BIPCO Annual Energy =	13,369,466 kWh
(2) TNECO Annual Energy =	<u>7,751,887,000 kWh</u>
(3) Total Annual Energy	7,765,256,466 kWh

(4) Minimum Energy Ratio Share ((1)/(3)) = 0.17217%

(1) 1.8* BIPCO Annual Energy =	20,054,199 kWh
(2) TNECO Annual Energy =	<u>7,751,887,000 kWh</u>
(3) Total Annual Energy	7,771,941,199 kWh

(4) Maximum Energy Ratio Share ((1)/(3)) = 0.25803%

Since the Annual Peak Load Ratio falls within the range identified by the Energy Ratio Collar, Transmission Customer's Share Percentage in this example would be 0.19508%.

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8. Please specifically identify, describe, and itemize any costs included in Mr. Bebyn's testimony, exhibits, and attachments for any facilities or cost component that is at issue in the Petition for Declaratory Judgment in Docket 4688.

RESPONSE:

There are two items in Mr. Bebyn's Testimony which are at issue in the Petition for Declaratory Judgment in Docket 4688. The first is the National Grid Connection Direct Assignment Facilities (DAF) Charge as presented on page 2 of Mr. Bebyn's Testimony. This covers those interconnection facilities and equipment located in Grid's substation and the line connecting to BIPCo's substation. The charge for inclusion in this 6-month filing period is \$45,870. The second are the costs BIPCo has incurred related to its substation which were necessary as part of the interconnection and soft costs incurred related to the Project as presented on page 3 of Mr. Bebyn's Testimony. The breakdown of these costs is presented on Attachment 2 of Mr. Bebyn's Testimony. The charge included in this 6-month filing period is \$58,249.

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9. On Attachment 2, please specify the units for the figures under the column labeled "Load by Month per Attachment."

RESPONSE:

The units for the figures listed under the column labeled "Load by Month per Attachment" are in MWH.

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10. Schedule DGB-1 shows estimated six-month Standard Offer costs of \$459,875. Are these the cost components that will be recovered by Rate SOR in the Company's proposed tariffs? If not, please explain why not and provide an itemized list of all costs and charges to be included in Rate SOR.

RESPONSE:

Yes.

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11. Schedule DGB-1 shows estimated six-month Transmission Charges of \$336,136. Are these the cost components that will be recovered by Rate TMC in the Company's proposed tariffs? If not, please explain why not and provide an itemized list of all costs and charges to be included in Rate TMC.

RESPONSE:

Yes.

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12. The red-lined version of Rate FAC attached to Mr. Bebyn's testimony shows no changes from the current Rate FAC. Please confirm that no changes are being made. If this is not true, please describe any changes being made and provide a version red-lined against the current tariff.

RESPONSE:

I can confirm that no changes are being made to Rate FAC.

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13. The proposed tariff for Rate SOR includes a six-month projection of costs and any over or under collections. Please describe in detail how this reconciliation will be performed. Also, please explain why the first estimate will be for three months.

RESPONSE:

This reconciliation will be similar to the one that Pascoag Utility District files with the Rhode Island Public Utilities Commission. BIPCo will prepare an analysis of the actual SOR costs by month which will be compared to the actual SOR billings (comprised of the actual billed KWH and the prior approved SOR rate). Most of the actual SOR costs will be from actual ISO and ENE billings. The other SOR costs as detailed on Attachment 2 of Mr. Bebyn's testimony will reconcile the interconnection and regulatory estimates to actual invoices, amortized over the appropriate period. The comparison of these actual expenses and revenues will generate either an under or over collection. This over or under collection will be included in the calculation of the next period's projected SOR rate.

The reason the first estimate is being prepared for three months was part of a recommendation made during planning meetings between the Company, Division, Commission and Town Representatives. The three month review was recommended since this was BIPCo's first filing and there were a number of figures which were older estimates such as the cable surcharge and the BIPCo Connection DAF mentioned in the response to Division 1-5 above.

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14. The proposed tariff for Rate TMC includes a six-month projection of costs and any over or under collections. Please describe in detail how this reconciliation will be performed. Also, please explain why the first estimate will be for three months.

RESPONSE:

This reconciliation will work like the reconciliation of the Rate SOR mentioned in the response to Division 1-13 above. BIPCo will prepare an analysis of the actual TMC costs by month which will be compared to the actual TMC billings (comprised of the actual billed KWH and the prior approved TMC rate). All the actual TMC costs will be from actual ISO billings for the various NEP charges. The comparison of these actual expenses and revenues will generate either an under or over collection. This over or under collection will be included in the calculation of the next period's projected TMC rate.

The reason the first estimate is being prepared for three months was explained in the response to Division 1-13 above.

Prepared by David Bebyn CPA

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15. Mr. Hebert states that the first six-month purchase will begin 4/1/2017. Based upon the hearing schedule, it appears that this date will be moved to 5/1/2017. Will BIPCO still have a six-month purchase, or will this first purchased be shortened to a five-month purchase? Please explain in detail how a start date of 5/1/2017 will affect the schedule of purchases through October 1, 2018.

RESPONSE:

The term of the power purchase will be aligned to match the period that BIPCo is exempt from retail competition. The start date time was provided in prior testimony as approximate as it is a function of the cutover for BIPCo to be able to receive energy from the New England wholesale market over its interconnect to the line running to the mainland. There will be testing that will be required in order for that interconnection to be put into service, which means the specific start date for the purchase is yet to be determined exactly. ENE is working with potential BIPCo wholesale energy suppliers to maximize the flexibility on the contract start date while maximizing the price certainty BIPCo can achieve for the first power purchase contract period. As the schedule firms up further into the spring, that start date can be firmed up as well.

The schedule for future purchases through October 1, 2018 will be a function of whether the period for which BIPCo is entitled to a waiver from providing retail competition is extended beyond six months following the commissioning of the interconnection. If the extension is granted, the initial contract start date changing from April to May 1 will not impact the target procurement window for the second purchase, which would be in the August-September 2017 window.

Prepared by Tim Hebert

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16. Re: page 2 at 27 – please provide a detailed description and the status of the metering arrangements being established by NGRID.

RESPONSE:

National Grid (New England Power) will be the host participant and assigned meter reader of BIPCO's load asset. National Grid will read the meter daily and submit the data directly to ISO-NE following ISO-NE Metering deadlines. This will require an Asset Registration Form to be submitted to ISO NE at least 5 business days prior to the interconnect becoming operational. This form will note NGRID as meter reader and will require execution by NGRID and BIPCo.

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17. Please provide the underlying assumptions, inputs, calculations, and workpapers that were used to produce Figures 1, 2, and 3, in live spreadsheets with inputs and all formulae intact.

RESPONSE:

The spreadsheet "BIPCO Purchase Power Costs 2-2-17.xlsm" provides all live calculations that support Figures 1, 2 and 3 in Mr. Hebert's February 2017 testimony was provided to the service list.

ENE assumptions:

- Load
 - Projected the monthly load requirements using 3 years of historical hourly load data provided by BIPCO.
- Bilateral Purchase
 - Projected costs using the wholesale supplier pricing supplied on 12/27/16, adjusted by the change in forward market prices on 2/2/17
- ISO Forward Capacity Market Charges(FCM)
 - Projected using BIPCO's coincident peak with the ISO NE Peak for the Capacity Year
 - Charges for Forward Capacity Auction Period 9 (FCA 9), 6/1/18-5/31/19, will be based on the coincident peaks set during 2017.
 - Using the Calculated Reserve adder used in FCA9, we forecasted BIPCO's Capacity Requirement and applied the clearing prices for the Rhode Island Load Zone.
- ISO Ancillary/Schedule Charges
 - Calculated an average \$2.73/MWH rate for using historical ancillary & schedule charges for an ISO market participant with load in Rhode Island. We then increased that historical average by 10% annually to be conservative.
 - Applied this rate to BIPCO's monthly load.
- Projected ENE Fees
 - Based on ENE-BIPCO contract and estimated load volumes
- ISO Transmission Charges
 - Projected using historical BIPCO monthly peak loads and the projected rates supplied in the ISO-NE RNS Rates: 2016-2020 PTF Forecast from August 9-10, 2016
- National Grid Transmission Costs
 - Estimates were provided by National Grid in 2014. ENE updated the charges that were based on peak values using the monthly peak value from August 2016.

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18. Mr. Hebert states the BIPCO will procure load following energy. Does this mean that BIPCO will be charged separately for all other ISO-NE services? If so, please identify what other products ENE or BIPCO considered, such as load following all requirements service. Also, please explain why these other products were rejected.

RESPONSE:

Yes, BIPCo will be charged separately for all non-energy ISO-NE services. ENE canvassed wholesale power suppliers seeking wholesale load following all requirements service. The three suppliers which to date have expressed interest in supplying BIPCo do not provide all requirements service.

The largest and most volatile cost BIPCo faces in wholesale power procurement is the energy commodity itself. Capacity prices are known 3-4 years in advance, and regional transmission rates are projected forward several years on an annual basis. With BIPCo's historical hourly load information, and based on ENE's knowledge of how load server capacity costs are calculated, both of those significant costs could be projected with reasonable accuracy. Similarly, the agreement with NGRID for local network service provides a formulaic approach to estimating costs under that agreement. That left ancillary market and ISO market and administrative schedule costs, which can be estimated based upon several years, three in this case, of actual costs incurred by other load servers in Rhode Island. Due to these factors, energy load following service allows BIPCo to procure the most volatile component of its power supply cost structure at known prices while incurring the remaining market costs on an "at cost" basis, rather than paying for supplier risk premiums/mark up on those other cost structures.

One other alternative would be to purchase fixed volume, shaped blocks of energy varying in quantity by month and on and off peak periods, but this would expose BIPCo to balancing risk of purchasing remaining energy needs at spot market prices and in hours where block energy exceeded BIPCo's requirements, energy would be sold back into the spot market, creating the possibility of an opportunity costs if spot market prices were below the block energy prices.

Last, an all requirements arrangement would not allow BIPCo to utilize its engines for peak load shaving purposes, which could have a significant positive impact by reducing BIPCo's capacity market costs. This cost is higher for BIPCo than many market participants due to its low load factor – it's relatively low load much of the year outside of the summer, when coincident peak load greatly influences the coming year's costs. Since the potential future use case for the diesel station is

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uncertain, not pursuing all requirements service preserves the optionality to utilize the diesels for peak shaving purposes, if that were to become available to BIPCo in the future.

For these reasons – purchasing load following energy service to remove energy price volatility on BIPCo's cost structure, the reasonable ability to project non-energy costs due to capacity and transmission rates being known, and ample historical load information being available to project ancillary and schedule costs, it was determined that load following energy service would provide the best balance of price protection and flexibility to BIPCo at this time.

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19. Did ENE or BIPCO consider any other procurement plans besides the one it proposes in this proceeding? If so, please describe these alternative plans in detail, and explain why they were rejected. If not, please explain why not.

RESPONSE:

The procurement plan filed is the result of ENE and BIPCo discussing options in the market, and represents a balance of energy price certainty and flexibility to utilize the diesel engines as peak shaving units should that opportunity become available. As mentioned in my prior testimony, as wholesale market participants go, BIPCo is quite small. The ability to procure its energy in multiple tranches over time to provide dollar cost averaging is simply not available to BIPCo. This is a common attribute in many procurement plans, but is unworkable here and was thus rejected. This is particularly an issue October through April when electric consumption on the island is very low.

The term of any procurement plan will depend on whether or not retail competition can occur on the island. The current known waiver period drives the term of the current procurement plan. Longer term procurement plans were not considered due to this uncertainty.

Prepared by Tim Hebert

**Docket No. 4690 – Block Island Power Co. – Procurement Plan & Tariff
Service List as of 2/27/17**

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