

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: BLOCK ISLAND UTILITY DISTRICT :
d/b/a BLOCK ISLAND POWER COMPANY : **DOCKET NO. 4690**
STANDARD OFFER SERVICE AND :
TRANSMISSION RATES EFFECTIVE MAY 1, 2019 :

ORDER

On March 19, 2019, the Block Island Power Company (BIPCo) filed with the Public Utilities Commission (PUC) its annual Standard Offer Service (SOS) and transmission rates for the period May 1, 2019 through April 30, 2020.¹ Subsequently, on April 3, 2019, following the purchase of assets by the Block Island Utility District, BIPCo² submitted the supplemental testimony of David G. Bebyn, CPA, updating its request to reflect the change in tax status from an investor-owned utility to a nonprofit utility.³ BIPCo proposed a reduced SOS charge and an increased transmission charge. The filing also referenced the previously approved one cent per kWh distribution system investment fund charge, which is only collected in the summer.⁴ The total impact on a customer's bill would be an increase of \$2.41 over the relevant seasonal rate in effect for the period May 1, 2018 through April 30, 2019.⁵

¹ Bebyn Test. and Attach (Mar. 19, 2019); http://www.ripuc.org/eventsactions/docket/4690-BIPCo-ReconciliationFiling_3-19-19.pdf.

² Separately, on April 3, 2019, the PUC was advised that the Block Island Utility District, a quasi-municipal corporation created by R.I. Gen. Laws § 45-67-1 through 15, had purchased the assets of BIPCo. The closing was held on March 25, 2019. The Block Island Utility District became the electric distribution company for New Shoreham and adopted the rates then in effect for BIPCo. The Block Island Power Company name was transferred to the Block Island Utility District. The official name is Block Island Utility District d/b/a Block Island Power Company. The now former Block Island Power Company will operate as Island Light and Utilities to wind up business affairs. Because the Block Island Utility District d/b/a Block Island Power Company adopted the tariffs of the former Block Island Power Company and simply supplemented the March 19, 2019 filing, thereby implicitly adopting it, this order will use the acronym BIPCo to refer to Block Island Utility District d/b/a Block Island Power Company.

³ Bebyn Supp. Test. (Apr. 3, 2019); http://www.ripuc.org/eventsactions/docket/4690-BIPCo-Supplemental-Bebyn_4-4-19.pdf.

⁴ The fund currently has a deficit balance and the deposits are being used to pay off the cost of the previously installed smart meters. BIPCo projected that the fund would collect \$68,000 in the summer of 2019, and would turn a slight positive balance at the end of the summer of 2019. BIPCo Response to PUC 2019-2; http://www.ripuc.org/eventsactions/docket/4690-BIPCo-Supplemental-Bebyn_4-4-19.pdf.

⁵ Bebyn Supp. Test. at 2.

In his filings, Mr. Bebyn projected total energy, capacity, interconnection, and fuel costs for the twelve-month period to be \$1,327,553.⁶ This amount was increased by \$3,941 to recover an under-collection from the period ending April 2018, and then reduced by \$50,453 to credit an over-collection projected for the period ending April 2019. The total to be recovered from customers through the SOS charge was \$1,281,040. When divided by the estimated 13,174,000 kilowatt-hour (kWh) sales to customers, the total SOS charge requested was \$0.0972/kWh.⁷

Mr. Bebyn projected total transmission costs for the twelve-month period to be \$911,544. This amount was reduced by \$8,173 to credit an over-collection from the period ending April 2018, and then increased by \$18,883 to recover an under-collection projected for the period ending April 2019. The total to be recovered from customers through the transmission charge was \$922,254. When divided by the estimated 13,174,000 kWh sales to customers, the total transmission charge requested was \$0.07/kWh.⁸

On April 16, 2019, the Division of Public Utilities and Carriers (Division) submitted a memorandum summarizing the filing and stating that the costs were properly classified and calculated. The memorandum also indicated that the Division supported the inclusion of the fuel costs in the SOS charge due to the minor amount accrued. According to the Division, this proposal was more efficient and cost-effective than separate fuel adjustment filings.⁹

On April 26, 2019, the PUC conducted an evidentiary hearing to consider testimony from both parties. BIPCo presented Mr. Bebyn while the Division presented John Bell, Chief

⁶ Bebyn Supp. Test. at DGB-1; Bebyn Test. at Attach. 1 and Attach. 2. The fuel expense, included for the first time since BIPCo ceased operating its diesel generators full time, is designed to recover the cost of fuel necessary to test these generators each month. BIPCo chose to accrue the costs over the last twelve-month period and include them in the SOS charge rather than through a separate fuel adder during the period because any factor would result in an overcollection. Bebyn Test. at 6.

⁷ Bebyn Supp. Test. at DGB-1.

⁸ Bebyn Supp. Test. at DGB-1.

⁹ Smith Mem. at 1 (Apr. 16, 2019).

Accountant, and Patricia Smith, Rate Analyst. Topics at the hearing included the method used to forecast usage, how to develop a future fuel adjustment charge, and future purchase of power from the New York Power Authority. Typically, forecasts of usage are based on historical averages. Mr. Bebyn explained that in estimating the projected usage, he used only one year instead of a multi-year average because BIPCo has seen increasing usage since the island connected to mainland power sources.¹⁰

In response to questions seeking clarification of the rationale to embed fuel costs in the SOS charge, Mr. Bebyn explained that BIPCo viewed these costs like power costs. When those costs are small, he indicated, BIPCo could absorb them and recover them in the reconciliation period following incurrence of the expense. However, if BIPCo must run its diesel generating units for an extended period of time, it will not be able to cover the expense and would seek approval of a fuel adjustment charge in the month following incurrence of the expense. He explained that the fuel adjustment charge would be the cost incurred during the period the generators ran, net of the avoided variable standard offer service contractual cost.¹¹ That net expense would be allocated over all kWh sales expected for the month following incurrence of the expense. For example, if BIPCo incurred a fuel expense of \$100,000 in July for a week-long generating event and was recovering \$25,000 through the SOS charge for variable expenses during that same week period, the fuel adjustment charge would be \$75,000 divided by the projected August kWh sales. The result of that calculation would be the kWh factor included in the fuel adjustment charge.¹² Mr. Bebyn indicated that an explanatory bill notice would have to accompany the charge.¹³

¹⁰ Hr'g. Tr. at 12.

¹¹ *Id.* at 22-24. Fixed SOS charges include ISO-NE charges and Energy New England consulting fees. *Id.* at 24.

¹² *Id.* at 29-32.

¹³ *Id.* at 27.

Currently, BIPCo purchases power through an all requirements load serving contract which is one where the supplier takes the risk of supplying exactly the amount needed when it is needed rather than only committing to supplying a fixed amount or supplying an amount during a fixed period of hours in each day or month.¹⁴ As a neighboring state of New York, Rhode Island's non-investor owned utility district, Pascoag Utility District, has historically been allocated a certain amount of low-cost power from the New York Power Authority's Niagara and St. Lawrence power projects.¹⁵ Now that BIPCo is a nonprofit utility district, BIPCo President Jeffrey Wright explained, he has been working with consultant Energy New England and Pascoag's General Manager, Michael Kirkwood, to secure a portion of the allocated power from those projects for BIPCo.¹⁶ He was hoping that BIPCo would have an allocation for deliveries beginning as soon as June 2019. He testified that if the allocation resulted in a significant reduction of costs for customers, BIPCo would file a revised rate.¹⁷

Mr. Bell testified that the Division had reviewed the fuel costs included in the proposed SOS rates and confirmed that they were calculated consistently with the fuel adjustment clause tariff. He agreed with Mr. Bebyn's explanation of how the fuel adjustment charge would be calculated in the event of extended operation of the diesel generators, particularly with regard to the netting of costs being recovered through the SOS charge during that time.¹⁸

After taking a recess, the PUC returned to the bench and voted to approve the SOS and transmission rates as proposed in BIPCo's supplemental filing made on April 3, 2019. BIPCo's

¹⁴ Order No. 22968 (Nov. 27, 2017).

¹⁵ See, e.g., Order No. 11961 (Mar. 24, 1986); Order No. 15634 (June 30, 1998); Order No. 18153 (Feb. 17, 2005) (discussing Pascoag Utility District's allocation of the New York Power Authority's power and its effect on rates since it was operating as Pascoag Fire District); see also R.I. Gen. Laws § 39-1-27(g) (authorizing the PUC to take any action or to grant any approval necessary to maintain hydroelectric power purchases from the Niagara and St. Lawrence power projects by quasi-municipal corporations).

¹⁶ Hr'g. Tr. at 36.

¹⁷ *Id.*

¹⁸ *Id.* at 46-58.

inclusion of the fuel adjustment costs incurred from monthly generator testing in the SOS charge to be reasonable because those power costs have a de minimus effect on the rate. While the expense may result in a monthly factor and better match costs to expenses, recalculation of the charge each month would be administratively inefficient and, as BIPCo's witness testified, is unnecessary to protect the financial health of the utility. The PUC was satisfied that BIPCo had calculated the costs consistent with the tariff and inclusion in the SOS charge is administratively efficient and not inconsistent with appropriate cost allocation considerations. BIPCo's witness' explanation of the calculation of the fuel adjustment charge to recover expenses incurred during a period of extended diesel generation operation is reasonable and will result in the avoidance of double recovery while allowing the utility to recover all of its costs of supplying power to its customers.

Accordingly, it is hereby

(23649) ORDERED:

1. Block Island Utility District d/b/a Block Island Power Company's Standard Offer and Transmission Cost Rates, filed on April 3, 2019, are hereby approved to apply to usage on and after May 1, 2019.
2. Block Island Utility District d/b/a Block Island Power Company shall file revisions to its tariff rates if it begins receiving power from the New York Power Authority during the period May 1, 2019 through April 30, 2019 and if those costs will result in a significant over- or under-recovery by April 30, 2019.

EFFECTIVE AT WARWICK, RHODE ISLAND ON MAY 1, 2019 PURSUANT TO A
BENCH DECISION ON APRIL 26, 2019. WRITTEN ORDER ISSUED AUGUST 14, 2019.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran

Margaret E. Curran, Chairperson

*Marion S. Gold, Commissioner

Abigail Anthony

Abigail Anthony, Commissioner

*Commissioner Gold concurs with this decision but is unavailable for signature.

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: BLOCK ISLAND UTILITY DISTRICT :
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STANDARD OFFER SERVICE AND :
TRANSMISSION RATES EFFECTIVE MAY 1, 2019 :

ERRATA ORDER

Whereas, pursuant to Rule 1.29(A) of the Rhode Island Public Utilities Commission's (PUC) Rules of Practice and Procedure, the PUC through this notice of erratum corrects an inadvertence contained in PUC Report and Order No. 23649 dated August 14, 2019; and

Whereas, On page 1, the 6th sentence of footnote 2 which reads:

The now former Block Island Power Company will operate as Island Light and Utilities to wind up business affairs.

Is hereby corrected to read:

The now former Block Island Power Company will operate as Island Light and Power Company to wind up business affairs.

Whereas, On Page 5 of the ordering Paragraph 2 which reads:

Block Island Utility District d/b/a Block Island Power Company shall file revisions to its tariff rates if it begins receiving power from the New York Power Authority during the period May 1, 2019 through April 30, 2019 and if those costs will result in a significant over- or under-recovery by April 30, 2019.

Is hereby corrected to read:

Block Island Utility District d/b/a Block Island Power Company shall file revisions to its tariff rates if it begins receiving power from the New York Power Authority during the period May 1, 2019 through April 30, 2020 and if those costs will result in a significant over- or under-recovery by April 30, 2020.

Accordingly, it is hereby

(23651) ORDERED:

That the modifications described herein are adopted by the PUC and shall constitute permanent amendments to Order 23649 issued in Docket No. 4690.

DATED AND EFFECTIVE AT WARWICK, RHODE ISLAND ON AUGUST 20, 2019.

PUBLIC UTILITIES COMMISSION




Margaret E. Curran, Chairperson

*Marion S. Gold, Commissioner


Abigail Anthony, Commissioner

*Commissioner Gold concurs with this decision but is unavailable for signature.

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