



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES & CARRIERS

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Memorandum

To: L. Massaro
Commission Clerk

From: Al Contente
Division of Public Utilities & Carriers

Date: April 29, 2020

**Re: Docket 4690 – Block Island Utility District – Standard Offer Service and
Transmission Charges**

On April 2, 2020, the Block Island Utility District (“District” or “BIUD”) filed a rate change application for Standard Offer Service (“SOS”) and Transmission Service. The filing included a reconciliation of costs for the 12-month period through April 30, 2020, along with new rates based on projected costs for the 12-month period ending April 30, 2021. Historically, BIUD implemented new rates May 1st of each year, however in this filing BIUD requested an implementation date of June 1, 2020 for the purpose of synchronizing this rate change with the scheduled rate change in their general rate filing in Docket 4975. The Division supports this request.

Below is a summary BIUD provided of the current and proposed Standard Offer and Transmission rates.

Factor (Oct – May)	Current	Proposed (6/1/20)	Difference
Standard Offer	\$0.0972	\$0.0914	\$(0.0058)
Transmission	\$0.0700	\$0.0762	\$0.0062
Fuel Adjustment	\$0.0000	\$0.0000	\$0.0000
Total	\$0.1672	\$0.1676	\$0.0004

Factor (Jun – Sep)	Current	Proposed (6/1/20)	Difference
Standard Offer	\$0.0972	\$0.0914	\$(0.0058)
Transmission	\$0.0700	\$0.0762	\$0.0062
Fuel Adjustment	\$0.0100	\$0.0100	\$0.0000
Total	\$0.1772	\$0.1776	\$0.0004

Currently, a monthly bill for a typical residential customer using 500/kWh's is \$141.48, during the period October - May, and \$220.93 for the period June - September. Under the proposed rates, the customer's bill would increase by \$0.21/month to \$141.69 and \$221.14 per month respectively. This comparison is based on current rates and does not consider the proposed rates in the pending general rate filing.

I reviewed the prefiled testimony submitted in the filing along with all attached supporting schedules and documentation. I reviewed the calculations and tied back historical costs to the actual invoices where applicable. I also reviewed BIUD development of the projected cost for the upcoming period. Based on my review I found the calculations accurate and the historical costs properly supported. To conduct a reasonableness check of the projected costs in the filing I prepared Schedule AC-1 which I attached to this memo. This schedule compares the most recent 2-years of actual cost to the projected costs. Overall, the total cost during the 3 years remained relatively constant in the range of \$2 to \$2.1 million. Transmission costs during the period have trended up which has been the general trend of transmission costs in the region. Standard offer costs have fluctuated mainly due to the costs related to bilateral purchases. As BIUD mentioned in their filing, they recently entered into an 18-month purchased power contract at favorable prices which is reflected in lower projected energy costs.

A new cost component included in the standard offer calculation relates to a new rooftop solar project scheduled to be install on BIUD's property. The Division's understanding is that the project is being donated to BIUD by a Block Island resident. A condition of the donation is that the benefits of the project be used for system capital improvements. In its filing, BIUD priced the output of the facility at the Standard Offer and Transmission cost rate, which is the same as BIUD's net metering rate. The revenue generated will then be transferred to BIUD's capital account. On the surface this project appears beneficial to BIUD and its ratepayers, however at this time the Division is still reviewing the transaction and reserves its right to comment further after we have a chance to review the transaction in detail. Also, we are not opposed to including BIUD's estimate of \$15,132 in the standard offer calculation as a placeholder since this amount can be trued up with the next filing.

BIUD used a two-year average of actual sales for the forecasted sales for the upcoming period. Actual kWh sales were 13,160,009 for the 12-months ended April 2019 and 12,810,786¹ for the 12-months ended April 2020 for a 2-year average of 12,985,398. The Division was concerned of the potential impact of the COVID situation on forecasted sales. We held a conference call with BIUD to discuss sales projections and the potential under recovery of Standard Offer and Transmission cost if there is a significant drop off in sales during the upcoming period. At this point in time, due to so many uncertainties surrounding the COVID situation, the Division concluded not to recommend any adjustments to the sales forecast. We agreed with BIUD that the situation would be monitored and if any significant differences between the projected and actual sales materialized then an interim adjustment would be considered.

Based on my review of the filing as described above, I concluded that the proposed rates are reasonable, and I recommend the Commission approve the rates as filed.

¹ Actual sales for the months of March and April 2020 were not available at the time of BIUD's filing. Sales for these months were estimated at the same level as the actuals for March and April 2019.

Block Island Utility District
Comparison of Standard Offer and Transmission Costs

Description	Actual Cost 5/1/18-4/30/19 (A)	Actual Cost 5/1/19-4/30/20 (B)	Projected Costs 5/1/20-4/30/21 (C)
Standard Offer Costs:			
Energy			
Bilateral Purchases	\$ 574,670	\$ 635,422	\$ 478,757
NYPA Purchase	-	34,181	8,065
BIUD Solar	-	-	15,132
ISO Net Position	-	-	(10,791)
Total Energy	<u>\$ 574,670</u>	<u>\$669,603</u>	<u>\$ 491,163</u>
Capacity/Other			
ISO FCM	\$ 444,686	\$ 511,830	\$ 480,044
NYPA Fixed Costs	-	(17,243)	14,663
ISO Ancillary Charges	56,616	10,856	53,249
ISO and ENE Fees	72,351	75,611	77,028
Total Capacity/Other	<u>\$ 573,653</u>	<u>\$ 581,054</u>	<u>\$ 624,984</u>
Total Standard Offer Costs	<u><u>\$ 1,148,323</u></u>	<u><u>\$1,250,657</u></u>	<u><u>\$ 1,116,147</u></u>
Transmission Costs:			
ISO Transmission	\$ 254,010	\$ 265,156	\$ 315,604
NYPA Transmission Costs	-	-	27,789
NGrid Connection DAF	357,576	338,136	338,136
NGrid Cable Surcharge	50,274	50,987	51,000
Ngrid Transformer Surcharge	17,554	20,147	20,290
Ngrid Meter Surcharge	790	775	775
Ngrid Rolled In Distribution	131,857	158,813	160,582
NGrid PTF, Non PTF and Load Dispatch	41,691	66,402	63,300
Total Transmission Costs	<u>\$ 853,752</u>	<u>\$ 900,416</u>	<u>\$ 977,476</u>
Total Costs	<u><u>\$ 2,002,075</u></u>	<u><u>\$ 2,151,073</u></u>	<u><u>\$ 2,093,623</u></u>

(A) Attachment 7 to BIUD's March 19, 2019 Filing in Docket 4690

(B) Attachment 7 to BIUD's April 2, 2020 Filing in Docket 4690.

(C) Attachment 1 to BIUD's April 2, 2020 Filing in Docket 4690.