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January 16, 2020

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

Re: Block Island Utility District – Rate Change Application – Docket 4975

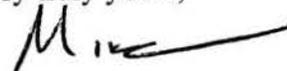
Dear Luly:

As you know, this office represents Block Island Utility District (“BIUD”).

Enclosed for filing are the original and nine (9) copies of BIUD’s Responses to the 2nd Set of Data Requests from the Division of Public Utilities and Carriers.

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

Very truly yours,



Michael R. McElroy

MRMc:tmg
cc: Service List

BIUD/2019 Rate Case/PUC-3

**Docket No. 4975 – Block Island Utility District – Rate Change Application
Service List as of 11/19/2019**

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- 2-1. **Does the Company provide housing to any employees? If "yes" please provide the following information:**
- a. **The amount of cost in the test year and the rate year, by account.**
 - b. **Whether rent is charged, how the amount of rent is determined, and the amount of rent revenue in the test year and in the rate year for Company provided housing to employees.**

RESPONSE:

- a) There is no cost in the test year and the rate year.
- b) Yes, the company provides housing for my wife and I. We live in the apartment that is located above the power company office. It is roughly 800 square feet. We pay rent of \$1,500/month. The rent was negotiated as part of the hiring process and the amount was based on historical rental income. This provides the Utility District with revenues of \$18,000 which is included in account Other Revenue 456-007 (Rent – Office Apartment).

Prepared by Jeffery Wright

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- 2-2. Property and Equipment - Land increased to \$840,272 at October 31, 2019 from \$822,024 at March 26, 2019.**
- a. What land was purchased and what is it being used for?**
 - b. If not currently being used, what is the plan for future use?**

RESPONSE:

- a) No additional land was purchased during this time period. The increase was the result of the change in the allocation asset valuation as part of the asset purchase by the Block Island Utility District from Block Island Power Company. This occurred due to a correction to accounts receivable posted after the asset sale and which was a correction for the period prior to the sale. Since land was the balancing account for the allocation, the reduction to Accounts Receivable resulted in an increase to the Land Account.
- b) Not applicable, see the response to item a.

Prepared by David G Bebyn CPA

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- 2-3. The Company's Income Statement for the Ten Months Ending October 31, 2019 shows \$77,369 of Revenue for "System Charge."**
- a. What is the System Charge?**
 - b. How was the amount of System Charge determined?**
 - c. Are any amounts reflected for System Charge revenue in the rate year? How much, and how was it determined?**

RESPONSE:

- a) The System charge is one of BIUD's current tariff rates. Per the tariff, The System Charge will be applied in each summer billing month (June through September) to each customer whose kilowatt-hour (kWh) use in the billing month exceeds two (2) times the customer's Average Kilowatt-Hour Use in the preceding eight (8) winter billing months (October through May). Average Kilowatt-Hour Use for the preceding winter billing months is computed by dividing the aggregate use for each customer during the most recent October - May billing months by eight (8). The denominator of eight (8) is used irrespective of the number of months in which the customer received electric service or for which the customer was billed during that period.
- b) The amount was determined by the number of Residential and commercial accounts that meet the conditions of usage patterns as described above multiplied by the system charge rate. The counts were maintained from the Test Year.
- c) Yes. The System charges are maintained for non-demand customers as a placeholder for excess (over base) usage which will be converted to a kWh charge with the new metering. As a result, the amount was determined by maintaining that same level as the Test Year.

Prepared by David G Bebyn CPA

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- 2-4. The Company's December 3, 2019 board meeting materials in AGENDA ITEM 3, APPROVE BOD MEETING MINUTES for October 23, 2019 Regular Meeting, notes that: "the current estimate that for every 1% of net metering, the utility endures of [sic] cost of \$20,000, an expense that is then passed on to all ratepayers."**
- a. Please show in detail how these estimates were determined. Include supporting workpapers.**
 - b. How much cost for net metering is reflected in the test year and in the rate year? Identify the amounts in each period by account.**
 - c. How have the costs identified in response to part b been allocated to non-net metering customers? Explain fully and show in detail.**

RESPONSE:

- a) As part of our analysis of our current net metering program I estimated lost revenues. This is very difficult to determine exactly because we do not have dual metering consumption and self-generation and there are several variables that occur "behind the meter". The single meter system has a "consumed" index and a "delivered" register in each meter and is recorded depending on flow through the meter. However, the consumption that is offset "behind the meter" or being offset by self-generation is unmeasurable. There is also an unmeasurable time of year (rate) component to the estimate that is lost "behind the meter".

My method of determining an estimate of lost revenue is broken into three parts, 1) Estimated self-generation by net metering consumer/members, 2) Lost Plant & Distribution revenue and 2) Lost Standard Offer and Transmission revenue. The overall calculation is based on system wide nameplate kW penetration times an annual time-based capacity factor times a blended winter/summer rate for Plant and Distribution and the non-energy components of the Standard Offer Rate and Transmission.

I have calculated two estimates: 1) one that allows for no credit based on transmission and capacity savings assuming that we can't depend on the net metering generating during monthly and annual peaks when the ISO-NE calculates their allocations, and 2) one that gives full credit for net metering assuming full output during all monthly and annual peaks which would provide full savings for those cost categories.

My two estimates are included in the attachment to this response "[Dkt. No. 4975] attachment DIV 2-4----Net Metering Estimates".

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I believe the total lost revenues is somewhere between my two estimates which I why I have used an estimate of \$20,000. When used in discussions, I have been clear to qualify this as an estimate and there are many variables that can affect this number both up and down.

- b) The full cost of the existing net metering program is reflected in the test year and rate year as part of the test year and rate year KWH usage. Currently, the KWH usage that is presented is already shown as net of the KWH of the net metering program. As a result, revenues are presented net of these costs. There is no cost reflected in either for a new net metering program as that is still being developed. It is our goal for that program to be as close to revenue neutral as possible.
- c) The full cost of the existing net metering program is allocated across the board to all customers regardless of rate class and whether or not they benefit from the existing net metering program.

Prepared by David G Bebyn CPA and Jeffery Wright

Option A - Gives No CREDIT for Potential Transmission and Capacity Benefits

Current Net Metering Penetration (kW)	158.01	
Hours in Year	8,760.00	
Estimated Solar Capacity Factor	<u>0.18</u>	
Annual Net Metering Self Generation kWH (Lost Sales - kWH)	249,150.17	
<u>Plant and Distribution Revenue Impacts</u>		
Estimated Blended Residential <u>Plant & Distribution</u> Rate (W \$0.091 - S \$0.2399)	\$0.1655	
Annual Net Metering Self Generation kWH (Lost Sales)	249,150.17	
Annual Lost Plant & Distribution Revenue		\$41,221.90
<u>Standard Offer and Transmission Revenue Impacts</u>		
Current Standard Offer Rate	\$0.0972	
Current Transmission Rate	<u>\$0.0700</u>	
Total Standard Offer and Transmission Rate	\$0.1672	
Credit for Energy Not Purchased	(\$0.0420)	
Total Standard Offer and Transmission Rate Minus Energy Not Purchased	\$0.1252	
Annual Lost Plant & Distribution Revenue		<u>\$31,193.60</u>
Estimated Total Annual Lost Revenue		\$72,415.50
Estimated Annual Lost Revenue Per 1% Net Metering Penetration		\$24,138.50

Option B - Gives FULL CREDIT for Potential Transmission and Capacity Benefits (ALL MONTHS)

Current Net Metering Penetration (kW)	158.01	
Hours in Year	8,760.00	
Estimated Solar Capacity Factor	<u>0.18</u>	
Annual Net Metering Self Generation kWH (Lost Sales - kWH)	249,150.17	
<u>Plant and Distribution Revenue Impacts</u>		
Estimated Blended Residential <u>Plant & Distribution</u> Rate (W \$0.091 - S \$0.2399)	\$0.1655	
Annual Net Metering Self Generation kWH (Lost Sales)	249,150.17	
Annual Lost Plant & Distribution Revenue		\$41,221.90
<u>Standard Offer and Transmission Revenue Impacts</u>		
Current Standard Offer Rate	\$0.0972	
Current Transmission Rate	<u>\$0.0700</u>	
Total Standard Offer and Transmission Rate	\$0.1672	
Credit for Avoided Cost Cal	(\$0.1390)	
Total Standard Offer and Transmission Rate Minus Energy Not Purchased	\$0.0282	
Annual Lost Plant & Distribution Revenue		<u>\$7,026.03</u>
Estimated Total Annual Lost Revenue		\$48,247.93
Estimated Annual Lost Revenue Per 1% Net Metering Penetration		\$16,082.64

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- 2-5. Does the Company have an analysis of net metering costs versus avoided costs? If so, please identify and provide that analysis.**

RESPONSE:

In the summer of 2019, the Utility District's net metering penetration reached the 3% statutory cap. We did anticipate this happening but the Utility District had just purchased the assets of the Block Island Power Company and did not have the time before the General Assembly recessed for the summer to develop a new policy and ask to have the Net Metering Statute amended, which would be required to re-open the program.

The Utility District has been discussing net metering options in the past several board meetings and we hope to approve a new proposed policy soon. Several net metering advocates attend the board meetings and there has been good respectful discussion among the board and attending members.

The Utility District recently hired Richard LaCapra to assist with the development of a new proposed net metering policy that would be revenue neutral for the Board to consider. Mr. LaCapra is helping to determine our actual avoided cost.

In the Dec 3rd, 2019 meeting a summary of his work was presented by myself for the Board to review. Plead find attached a copy of Richard LaCapra's (attachment to this response "[Dkt. No. 4975] attachment DIV 2-5---- LaCapra Net Metering Memo") work that I based my presentation on.

Prepared by Jeffery Wright

To : Jeffrey Wright, President, Block Island Utility District
From: Richard La Capra

Re: Outline for a Net Metering Rate

The BIUD is considering raising the cap on the limit of customer generation; - currently statutorily set at 3% of peak. To achieve this outcome, several boundary conditions for the size, metering configuration and pricing regime must be established. This outline discusses each of these items and provides an illustrative example of an open, i.e., generally available rate for solar installations.

Boundary Conditions

- 1) The Net Metering ("NM") rate(s) be financially neutral; - i.e., as much as practical there should be no transfer of cost responsibility between traditional and energy producing customers;
- 2) Net metered customers will remain responsible for fixed costs which are not a function of power consumption or production on the island (non-bypassable charges);
- 3) The NM rate will be calibrated yearly with the standard offer and transmission cost filing;
- 4) A NM customer can choose between a variable payment based on the annual standard offer and fixed transmission costs or "lock-in" the price at the time of contract for the first ten ("10") years of the facilities operation;
- 5) The NM rate may, at the discretion of the BIUD, be seasonally differentiated to reflect the costs incurred by BIUD's load at the time of the ISO peak;
- 6) The maximum size of an installation is limited to 15 kW;
- 7) The sale/retention of RECs be equal and initially set at \$.01/kWh provided the customer transfers all RECs to the BIUD. The customer will have the option to keep the RECs for private sale or retirement in which case the BIUD payment will be reduced by \$.01/kWh
- 8) Any excess of customer generation payments over customer load charges shall provide a credit to the customer which can be applied to future loads excluding non-bypassable charges.

Rate/Metering Forms:

The NM rate can be single meter netting; dual meter netting or independent receive/deliver power meters (PURPA model). The configurations mostly easily designed as revenue neutral are the two meter and PURPA model. The illustration herein proceeds on the basis of a two meter configuration.

Cost/Payment Elements:

The costs for power delivered by BIUD will be the appropriate retail rate for the customer.

The payment for power received by BIUD will be the standard offer price, the transmission price and any variable distribution costs netted by the directly assigned transmission costs, the connection/customer charge and the meter cost.

The connection charge consists of the fixed ISO costs and the ancillary services.

The customer charge consists of the customer service, accounting and billing costs as determined by the cost of service.

The meter charge consists of the annualized cost (divided by twelve) of the installed cost, operation and maintenance of the BIUD installed meter equipment.

Rate Structure:

1. Residential customer with a two meter configuration and a 15 kW solar panel.

Load Meter: Residential Tariff Cost

Generation Meter: Standard Offer and Transmission cost payment less connection, customer and meter charge.

Example: August

Load: 1000 kWh

Generation: 4000 kWh

Notes

Load Meter:	Customer Charge	\$ 10.00	(1)
	Plant/Distribution Charge	\$285.50	(=1000 kWh x \$.285/kWh)
	Efficiency Charge	\$ 10.00	(=1000 kWh x \$.010/kWh)
	System Charge	\$ 25.00	
	Standard Offer Charge	\$ 97.20	(=1000 kWh x \$.0972/kWh)
	Transmission Cost	\$ 70.00	(=1000 kWh x \$.070/kWh)
	Total Cost – Load Meter	\$497.20	

Generation Meter:	Customer Charge	\$ 4.75	(2)
	Connection Charge	\$ 8.50	(3)
	Meter Charge	\$ 2.00	(4)
	Generation Payment	\$388.80	(=4000 kWh x \$.0972/kWh) (5)
	Transmission Payment	\$326.40	(=4000 kWh x \$.00816/kWh) (6)
	Total Payment - Gen	\$699.95	

Credit for August \$202.75

Note (1) The rate is calculated at the residential tariff proposed in Docket 4975.

Note (2) The customer charge is developed from the cost of service customer cost total as filed in Docket 4975

Note (3) The connection charge is based on current year National Grid fixed transformation costs.

Note (4) The meter charge is for a 2nd meter at the current meter annual plant and O&M costs from the cost of service filed in Docket 4975

Note (5) The generation avoided cost is based on the current standard offer rate of \$0.0972/kWh.

Note (6) The avoided transmission cost is based on the current transmission rate of \$0.07/kWh less the fixed transmission cost of \$0.0272/kWh. The fixed cost is developed from the National Grid fixed charges of \$29,576/mo or \$357,576/yr divided

by annual sales of 13,156,030 kWh (\$357,576/13,156,030 kWh = \$0.0272/kWh). The avoidable transmission cost is \$0.0428/kWh (=0.07/kWh - .0272/kWh).

To seasonally adjust the transmission avoided cost to be collected in only the months of June, July, August and September, the avoidable cost of \$563,346 (=13,156,030 x (\$.07/kWh - \$.0272/kWh)) is divided by the June through September sales of 6,907,873 kWh for the summer transmission avoided cost of \$0.0816 (=\$563,346/6,907,873).

The resulting Net Metering Rates are

	Average Annual	Seasonally Differentiated
Customer Charge	\$ 4.75	\$ 4.75
Connection Charge	\$ 8.50	\$ 8.50
Meter Charge	\$ 2.00	\$ 2.00
Energy Payment		
June- September	\$ 0.13900/kWh	\$ 0.1788/kWh
October - May	\$ 0.13900/kWh	\$ 0.0972/kWh
REC *	\$ 0.010/kWh	\$ 0.010/kWh

*If (voluntarily) returned to BIUD

Conclusion

An expansion of a net metered rate open to all BIUD customers will require a change to wavier to the current statutory 3% cap. Apart from this initial hurdle there is no technical reason which would prohibit the BIUD inviting stakeholders to comment on the establishment and ultimately establish a revenue neutral net metered rate open to it customers at large.

18 November 2019

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2-6. DSM and energy efficiency programs.

- a.** Are there any costs for DSM or energy efficiency programs, such as but not limited to the Block Island Saves program, included in the test year or in the rate year? If "yes" please explain fully and identify the cost for each DSM/EE program in the test year and in the rate year, by account.
- b.** Are there any revenues for DSM/EE related surcharges included in the test year or in the rate year? If "yes" please explain fully and identify the DSM/EE surcharge revenues in the test year and in the rate year, by account.

RESPONSE:

- a) There are no costs in the test year as this is the first time BIUD is required to run this program. The rate year does reflect \$120,000 of costs for the energy efficiency programs. The rate year is based on a budget being created with the help of RI-OER and a 50% split with RI-OER which has obtained \$60,000/year from available RGGI funds for years 2020, 2021 and 2022.
- b) There are no revenues in the test year as this is the first time BIUD is required to run this program. The rate year does reflect \$120,000 of revenues for the energy efficiency programs. The rate year revenue is based on 50% of the revenues coming from a grant with RI-OER which has obtained \$60,000/year from available RGGI funds for years 2020, 2021 and 2022. The remaining \$60,000 is generated from a new efficiency rate. See Mr. Bebyn's testimony and Mr. LaCapra's testimony in this case..

Prepared by David G Bebyn CPA

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2-7. Refer to the Company's December 3, 2019 board meeting materials in AGENDA ITEM 8, NET METERING. Please explain whether and how the Company's proposed cost of service and rate design in the current rate case reflects each of the following items which were listed under Boundary Conditions:

- "1) The Net Metering ("NM") rate(s) be as financially neutral as possible; - i.e., as much as practical there should be no transfer of cost responsibility between traditional and energy producing customers;
- 2) Net metered customers will remain responsible for fixed costs which are not a function of power consumption or production on the island (non-bypassable charges);
- 3) The NM rate will be calibrated yearly with the standard offer and transmission cost filing;
- 4) The maximum size of an installation is limited to 15 kW;
- 5) A project larger than 15 kW will be considered after a technical/system impact review is conducted – which will be paid for by the applicant;
- 6) The program would be open to all rate/member classes;
- 7) The generation will be metered separately from the consumption meter;
- 8) The sale/retention of the Renewable Energy Credits (RECs) will initially be set at \$.01/kWh provided the customer transfers all RECs to the Utility District; The customer will have the option to keep the RECs for private sale or retirement in which case the Utility District payment will be reduced by \$0.01/kWh;
- 9) All generation credits will be in the form of bill credits."

RESPONSE:

The Block Island Utility District ("BIUD") has not yet adopted a new Net Metering ("NM") policy. All NM responses have been prepared by BIUD consultant Richard La Capra and taken from a set of proposed guidelines he drafted for the review and consideration of BIUD management and Board of Directors ("BOD"). The BIUD management and BOD plan to meet and discuss NM policy in the near future.

- 1) The proposed cost of service does not contain any revenues from, or costs of, net

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metering. A revenue neutral net metering rate (“NM”) should then have little or no affect on the proposed cost of service or proposed rates whereas a deviation from revenue neutrality would require an adjustment to the cost of service. In general, revenue neutrality is desirable since its underlying objective is to minimize or eliminate cross subsidies.

- 2) The BIUD’s proposed cost of service has certain meter and customer service charges which are not a function of energy usage and will not change with customer power production and thus are assignable to the NM charges. Also, while not part of the proposed cost of service, certain transmission costs which are reflected in the BUID transmission rate filings are incurred independently of energy consumption. Consequently, it is proposed that these fixed charges reduce the transmission avoided cost computed as part of the payment to the NM customer.
- 3) The BUID normally files a standard offer and transmission rate each year which adjusts to the current cost of service for its power supply and interconnection costs. The generation and transmission avoided costs would follow from any rate change at this point. The BIUD is, however, also considering a longer term fixed avoided cost to initially stimulate the NM market. Prospective generators, under this alternative, would have an option to select a, say 5 or 10 year, fixed payment per kWh or a market-based floating payment. A fixed payment could deviate, above or below, the cost of service.
- 4) The 15 kW was recommended as a practical size which could be accommodated from many NM participants without a major system impact. Given the relatively small size of the BIUD load for most of the year, around 1,000 – 1,100 kW, the size of potential installations is a major concern.
- 5) The BIUD does not want to exclude any potential installations but would need to assess larger projects in terms of impacts such as location, loss effects and output relative to other installations.
- 6) The BIUD, given a revenue neutral rate, would encourage wide participation. Restricting certain classes or customers would conflict with that objective.
- 7) A separate metering for generation and consumption would best align the cost of service for serving load and the value of being provided energy. It would make maintaining revenue neutrality easier, simplify the metering and billing and enhance customer understanding.

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- 8) A NM customer would have the option to retain any associated RECs or sell them to the BIUD. The BIUD has not determined whether it would resell or retire the RECs.

We believe a payment of \$10.00 is a reasonable value at this point (see Response to 2-9). If the customer retains the REC, there is no cost of service impact. If the BIUD received the REC for a \$10 credit and resells for a higher amount, the difference would result in a revenue credit which would reduce the cost of service. If the BIUD resells at a lower price or retires the REC, the cost of service margin would be reduced.

- 9) The recommendation to the BIUD is to open the option for NM to its retail customers. Since these customers will also be purchasing energy from the BIUD, a bill credit would be the easier way to compute the customers' obligation. If the generation value is greater than the electricity cost, the BIUD would carry the remaining credit forward for application to the customers' future bills.

Prepared by Richard La Capra

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2-8. Refer to the Company's December 3, 2019 board meeting materials in AGENDA ITEM 8, NET METERING. Please explain whether and how the Company's proposed cost of service and rate design in the current rate case reflects each of the following items which were listed under "Cost/Payment Elements":

- "1) The costs for power delivered/consumed by the member will be charged at the appropriate retail rate for the customer.
- 2) The payment (bill credit) for power received by the Utility District will be the standard offer price, the transmission price and any variable distribution costs netted by the directly assigned transmission costs, the connection/customer charge and the meter cost.
- 3) The connection charge consists of the fixed ISO costs and the ancillary services.
- 4) The customer charge consists of the customer service, accounting and billing costs as determined by the cost of service filed in Docket 4975 (Rate Case).
- 5) The meter charge consists of the annualized cost (divided by twelve) of the installed cost, operation and maintenance of the Utility District installed meter equipment."

RESPONSE:

The Block Island Utility District ("BIUD") has not yet adopted a new Net Metering ("NM") policy. All NM responses have been prepared by BIUD consultant Richard La Capra and taken from a set of proposed guidelines he drafted for the review and consideration of BIUD management and Board of Directors ("BOD"). The BIUD management and BOD plan to meet and discuss NM policy in the near future.

- 1) The rates filed in 4975 have proposed no increase from current levels but use a cost of service as a benchmark (see La Capra testimony p.2 lines 11-18). Consequently, the proposed rates are the recommended charges for each class of customer. Also, each customer who becomes a NM user/provider would appropriately be billed for usage on their established rate.
- 2) To maintain the cost of service basis for charges and payments, the appropriate charge would be the applicable rate and the appropriate payment would be the total cost avoided by the generation purchase. The avoided cost would consist of the standard offer price (avoided generation cost); the portion of the transmission

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rate which is a function of BIUD load (avoided transmission cost) and, if any, avoided distribution cost. The avoided cost implies a netting of non-bypassable costs which are independent of BIUD energy purchases.

- 3) The BIUD charges for interconnection with the mainland include items which do not vary with load and will be incurred monthly regardless of energy purchases from other sources, e.g., the amortization of interconnection facilities. These costs would be removed from the calculation of avoided costs.
- 4) The cost of service itemizes the costs associated with accounting, billing and customer services by class of customer. These costs would be aggregated into a customer charge.
- 5) The meter costs are included in the customer charge in the proposed rates and would remain the applicable customer charge for the customers' energy usage. The additional metering charge for the dual system would be additive to that cost and charged monthly based on the cost and maintenance of the meters used.

Prepared by Richard La Capra

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- 2-9. Show in detail how the Company developed the REC Payment of \$ 0.0100 for REC's that are transferred to the Utility District.

RESPONSE:

The Block Island Utility District ("BIUD") has not yet adopted a new Net Metering ("NM") policy. All NM responses have been prepared by BIUD consultant Richard La Capra and taken from a set of proposed guidelines he drafted for the review and consideration of BIUD management and Board of Directors ("BOD"). The BIUD management and BOD plan to meet and discuss NM policy in the near future.

The proposed BIUD NM program would be over and above the current statutory amount of 3%, which is already fully subscribed. The BIUD does not have a specific carve out for SRECs for these future purchases and Rhode Island does not currently have a SREC market. The BUID would price them at roughly market futures in New England. Current REC futures are posting in the \$30.00 range (Class I). Much consideration was also given to Vermont's Rule 5.100, which after a detailed investigation set SREC at \$10.00 for installations after 2019. While the final REC payment would be updated later in 2020, we believe, a \$10.00 is a reasonable long term value at this point.

Prepared by Richard La Capra

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- 2-10.** During the test year or calendar 2019, did the Company sell any RECs? If not, explain fully why not. If so, for the test year, and separately for calendar 2019, identify the number of RECs sold, the proceeds from selling the RECs, the costs related to the RECs, and show in detail how the Company accounted for the costs and revenue related to RECs.

RESPONSE:

The Utility District did not sell any RECs in 2019 or any previous year. We have no access to RECs in any of our power supply contracts or with current net metering customers. The concept of having RECs transferred to BIUD by future net metering customers has been discussed as one possible way that we could provide maximum value to those net metering customers if they chose not to retire them. Our power supply team at ENE could assist us in marketing any RECs that we may have access to in the future if we chose to include this as part of our new proposed net metering policy. No decision has yet been made.

Prepared by Jeffery Wright

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- 2-11. Refer to the Company's December 3, 2019 board meeting materials in AGENDA ITEM 9, 2020 OPERATING AND CAPITAL BUDGETS. For each account, are the dollar amounts that are listed in the column entitled "ADJUSTED RATE YEAR" for the "RATE YEAR REVENUE 2020 BUDGET" identical to the amounts that the Company used in its rate case filing for the 2020 rate year? If not, identify which amounts are different and explain why different amounts were used in the Company's rate case application for each account where a different revenue amount was used.

RESPONSE:

Yes, the budgets that the Utility District Board voted on and approved are identical to those presented in the rate case. The reason I had the Board vote to approve these was to a) get into an annual routine of approving the O&M and Capital Budgets in the November Board meeting (this year it was pushed to December due to the Thanksgiving holiday), and b) to allow the Board an opportunity to make any necessary adjustments. There were no adjustments made.

Prepared by Jeffery Wright

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- 2-12. Refer to the Company's December 3, 2019 board meeting materials in AGENDA ITEM 9, 2020 OPERATING AND CAPITAL BUDGETS. For each of the following items, show in detail how the amount in the "2019 budget" column was developed, including detailed support for the 2018 budget amount and the adjustment:
- a. Account 931-000, Software & Billing Service, \$57,820
 - b. Account 553-202, Tank Testing & Fuel Maint, \$25,000
 - c. Account 593-202 Overhead Lines - P/R Only, \$130,083
 - d. Account 593-203 Tree Trimming, \$120,000
 - e. Account 408-030 Payroll Taxes, \$59,543
 - f. Other Deductions, Efficiency Program, \$120,000
Debt Service and Capital Expenditures:
 - g. Interest on CFC Loan, \$184,455
 - h. Principal Paid on CFC Loan, \$113,064
 - i. Capitalized Labor, \$158,540 adjusted down to zero.
 - j. Net Operating Reserve, \$95,868
 - k. Voltage Conversion Capital Fund, \$62,441
 - l. Capital Fund-Inventory Purchased & Used, \$93,000, and
 - m. Capital Fund-Capitalized Expenditures, \$307,000.

RESPONSE:

With regards to all of the following items, as mentioned in the response to Division data request DIV 2-11, the budgets that the Utility District Board voted on and approved are identical to those presented in the rate case. As a result, those items were developed as part of developing the rate year in this filing.

- a) This is based on costs we expect to incur in 2020 – based on our 2019 expenses. The \$57,820 of annual cost represents \$42,354 in NISC Monthly ASP hosting and NISC Licensing Fees on its program modules (CIS, ABS, OMS, Smart Hub, MDM, and Mapping). Also included is \$11,466 of IT Services, iCloud Back-Up fees, Workstation Virus Software, Firewall and Office 365 fees, paid to Secure Future Tech Solutions and \$4,000 paid to Milsoft for Licensing Fees on its Distribution System Modeling Software.
- b) This is based on the cost associated with maintaining the fuel held in our above ground tank farm twice a year. Now that we don't use fuel regularly it is imperative that we filter the fuel and treat it to deal with bacterial growth which leads to fuel degradation.

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- c) For presentation purposes, salaries in the budget are allocated to various expense lines based upon the test year hours of the cost centers the employees worked at. Test year capitalized expenses were allocated to these cost centers as well. See Mr. Bebyn's testimony and supporting schedule DGB-RY-5.
- d) This is based on the current status of our tree trimming needs. We have cleared 36 of 50 miles of lines since November 2017 and plan to spend this amount each budget year until we have completed a full cycle. The work planned for 2020 is in some of the worst areas in the system and we expect it will take 2020 and 2021 to finish the complete cycle, after which the maintenance cycle will be determined based on growth rates and trimming needs to maintain reliability and safety as well as access to the poles and wires.
- e) See Mr. Bebyn's Schedule DGB-RY-8 for the detail calculation.
- f) This is based on a budget being created with the help of RI-OER and a 50% split with RI-OER which has obtained \$60,000/year from available RGGI funds for years 2020, 2021 and 2022.
- g) The rate year Principal and Interest reflect the loan payments due for the rate year. The amortization table for this loan has been included in the filing. (Supporting Schedule Item 2.9(f) Debt Service Schedule attached to the Compliance index).
- h) The rate year Principal and Interest reflect the loan payments due for the rate year. The amortization table for this loan has been included in the filing. (Supporting Schedule Item 2.9(f) Debt Service Schedule attached to the Compliance index).
- i) See response to item c above.
- j) The reserve was calculated by multiplying the total expense times 3.0%. This is a new account for the BIUD as BIPCo used to receive a return on equity to cover fluctuations in costs. Since BIUD is a non-profit it is more appropriate to fund an O&M reserve like other municipal and quasi-municipal regulated utilities.
- k) This item is another line item which is explained in greater detail in Mr. Wright's testimony. Essentially, the BIUD is seeking to establish a reserve to help cover future costs for voltage conversion of the distribution system. The funding level as explained by Mr. Wright was set so BIUD would remain in a revenue neutral position in this rate case. The goal is to initially fund a full engineering study that will determine the exact needs and cost of this future voltage conversion. In addition, the accumulated funds could pay for the program and the annual funding could be reapplied to minimize increases needed for future debt service to cover this project.
- l) This is based on the submitted Capital Budget of \$400,000 per year and is the materials component (from inventory) of that budget.

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- m) This is based on the submitted Capital Budget of \$400,000 per year and is the contracted labor and direct purchases component of that budget.

Prepared by David Bebyn CPA & Jeffery Wright