

BLOCK ISLAND UTILITY DISTRICT
Docket No. 4975
First Set of Data Requests of the
Public Utilities Commission:
Division of Public Utilities and Carriers Responses
April 13, 2020

1-1. Referencing pages 19-23 of Mr. Smith’s testimony, he discusses the interest and principal on the Cooperative Finance Corporation loan and the voltage conversion capital fund. The Division recommends higher annual funding for the Cooperative Finance loan but also recommends BIUD track differences in the actual payments. He also seems to indicate that the funding level of the voltage conversion fund annual funding level was “backed into” by both parties.

- a. Should BIUD be required to restrict the CFC loan account?
- b. Should BIUD be required to restrict the Capital Fund-Capitalized Expenditures Account?
- c. Should BIUD be required to restrict the Voltage Conversion Fund?
- d. For each, why or why not?

RESPONSE:

- a. Not necessarily, however, we expect that BIUD will account for its expenditures that it makes for the CFC loan, along with other debt service expenditures, and to report this on its annual financial statements and in its next rate case. See the response to PUC 1-3 for an additional explanation.
- b. Not necessarily, however, BIUD should track the activity in the Capital Fund-Capitalized Expenditures Account and report annually within 90 days after fiscal year end concerning how the activity compared with amounts that were allowed for ratemaking purposes in the current case.
- c. Not necessarily, however, BIUD should track the balance and activity in the Voltage Conversion Fund Expenditures Account and report annually within 90 days after fiscal year end concerning how the activity compared with amounts that were allowed for ratemaking purposes in the current case.
- d. Restrictions are not being recommended by the Division on the above-noted items at this time to allow BIUD some flexibility and discretion in managing and utilizing its annual cash flow. See the response to PUC 1-3 for additional explanation concerning the CFC loan, which is a component of BIUD's debt service expenditures.

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1-2. Should BIUD be required to provide a spending plan for the Capital Fund-Capitalized Expenditures and Voltage Conversion Fund and a periodic accounting of expenditures from the funds? Why or why not?

RESPONSE:

Yes. A spending plan and tracking of expenditures in a periodic accounting would be beneficial to assure that the funds are being spent for the intended purpose. Requiring BIUD to report annually within 90 days of its fiscal year end concerning such expenditures and the spending plan is a requirement that the Division would support.

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1-3. Please explain all customer protection measures the Division recommends to ensure the revenue requirement for the Cooperative Finance Corporation loan, voltage conversion capital fund, and capital fund-capitalized expenditures are being used for prudently incurred expenses.

RESPONSE:

The Division supports having a spending plan, appropriate accounting and periodic reporting for the Capital Fund-Capitalized Expenditures and Voltage Conversion Fund as described in the responses to PUC 1-1 and PUC 1-2 to assure that the funds are being spent for the intended purpose.

The Cooperative Finance Corporation (CFC) loan is viewed as part of a broader category of BIUD debt service expenditures, as explained in Direct Testimony. It is expected that BIUD will account for its actual debt service expenditures in its annual financial statements. The Division would also support having BIUD make an annual comparison, to be filed within 90 days after the end of BIUD's fiscal year showing how BIUD's actual debt service expenditures for the fiscal year compared with the debt service expenditures that have been allowed in setting BIUD's revenue requirement, which are summarized in the following table:

Debt Service Expenditures	Account	Amount Used
Interest on RUS Loan	427-001	
Interest on Engine 26 Loan	427-002	\$ -
Interest - Other	427-003	\$ 14,476
AIC Interest	427-004	\$ -
Interest on CFC Loan		\$ 209,908
Principal Paid on CFC Loan		\$ 105,128
Totals		\$ 329,511
Source: Schedule RCS-1, page 5, lines 153-158, Col.E.		

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