



PASCOAG
UTILITY DISTRICT

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Pascoag Utility District – Electric Department
Year-End Status Report for Standard Offer Service, Transmission and
Transition Reconciliation

RIPUC Docket No.: 4990

Book 1 Testimony and Testimony Exhibits

Michael R. Kirkwood, General Manager

Harle J. Round, Manager of Finance & Customer Service

Q. Can you detail Pascoag's power portfolio for 2020?

A. M. Kirkwood Yes, Pascoag's power portfolio for 2020, used in developing the Standard Offer, Transition and Transmission rate reconciliation request, is detailed in [Table 1-MRK](#), below:

| Table 1-MRK | | |
|---|------|----------------------|
| Pascoag Utility District 2020 Power Entitlements | | |
| Brown Bear Hydro (Miller) | 3% | (Hydro) |
| Spruce Mountain | 3% | (Wind) |
| Canton Wind | 2% | (Wind) |
| NYPA (PASNY) | 13% | (Hydro) |
| Seabrook | 18% | (Nuclear) |
| NextEra Hedge | 7% | (Nuclear based) |
| NextEra RISE | 10% | (virtual gas-fired) |
| Dynegy Hedge | 15% | (mostly fossil fuel) |
| PSEG Load Follow | 29% | (mostly fossil fuel) |
| | 100% | |

The total sustainable power in this portfolio is 21%. This represents mostly hydro power (NYPA and Brown Bear Hydro) at 16%, with two wind entitlements, Spruce Mountain and Canton Wind, estimated to contribute 5% of the District's total annual purchased energy in 2020.

We note that with the creation of Block Island Utility District (BIUD) in 2019 as the second consumer owned electric system in Rhode Island, we have since worked with the RI Public Utilities Commission, (Rhode Island's official agent for NYPA power) and BIUD to reallocate NYPA's St. Lawrence and Niagara preference power entitlements, which are allocated by NYPA to New York neighboring states' public power entities. The Rhode Island allocation of NYPA entitlements is further allocated 82.34% to Pascoag and 17.66% to BIUD. Please see [Testimony Exhibit 1-MRK](#), which is the "Agreement for Allocation of Rhode Island Share of St. Lawrence – FDR Project Power and Energy and Niagara Project Power and Energy" and details the allocation of the NYPA entitlements intra-state, as signed by the Rhode Island Public Utilities Commission, Pascoag Utility District, and Block Island Utility District.

Pascoag's total non-carbon based energy for 2020 is 46% of its requirements and includes a mix of the previously mentioned hydro and wind power resources, together with non-carbon based nuclear power from Pascoag's Seabrook entitlement together with the NextEra Hedge, which is nuclear based, and is pursuant to the confirmation with NextEra Energy Marketing, LLC ("NextEra") for the years 2020 through 2029 ("NextEra Hedge"). This hedge includes firm energy and Nuclear-based Emissions Free Energy Certificates (EFECs) from the Seabrook project. Please see [Testimony Exhibit 2-MRK](#) which is the agreement called "Confirmation for Energy and EFECs between Pascoag Utility District and NextEra Energy Marketing, LLC".

The remaining 54% of Pascoag's energy requirement is mainly fossil fuel sourced through a 3-year contract entered into with PSEG Energy Resources & Trade LLC ("PSEG") which commenced in January 2018 and ends at the end of 2020, a virtual gas-fired unit transaction with NextEra Energy Power Marketing ("NextEra RISE") that began in June of 2013, and a one-year hedge with Dynegy Marketing and Trade ("Dynegy Hedge") for 2020 pursuant to a confirmation with Dynegy Marketing and Trade LLC, that was obtained through a competitive solicitation put out by Pascoag with its advisor ENE for 1 MW of around the clock energy. Dynegy won this bid at a price of \$41.78/MWh. Please see [*Testimony Exhibit 3-MRK*](#) which is the confirmation signed on April 24, 2019.

[*Testimony Exhibit 4-MRK*](#) highlights the total mix of resources for 2020 in graphic form.

Q. Was Pascoag successful in obtaining a competitive supply to hedge its remaining open positions for the upcoming period?

A. Yes, Pascoag and ENE ran solicitations for the 2018-2020 time period by seeking competitively supplied wholesale power. The load-following deal with PSEG signed in December 2016 has a structure similar to our recently expired agreements with Exelon and TransCanada in that it follows our hourly load profile after taking into consideration the other contractual commitments we have in place. The block energy deal with Dynegy struck in April of this past year then fills in a baseload portion of our load curve to bring us close to 100% for 2020, all of this at very competitive prices. Further, Pascoag after being offered a deal being put together by ENE for a consortium of Massachusetts public power entities together with Pascoag in Rhode Island, executed a transaction in late 2017 with NextEra Energy Marketing, LLC ("NextEra Hedge") that will commence on January 1, 2020. This transaction with NextEra is for a firm supply of 0.5 MW each hour from a carbon-free nuclear facility, and includes associated Nuclear-based Emissions Free Energy Certificates ("EFECs"). The price for all power and EFECs under this transaction in 2020 shall be \$40.87/MWh delivered to the Mass. Hub.

Q. Has Pascoag done anything else that would improve its fiscal position and rate stability?

A. M. Kirkwood The District has, over the past few years, negotiated a number of EEI Master Power Purchase and Sales Agreements. Pascoag already had in place EEI Master Agreements with PSEG, Shell, TransCanada, NextEra Energy, Exelon/Constellation Energy and Macquarie Energy. In late 2017, Pascoag further broadened the list by negotiating and signing an EEI Master Agreement with Dynegy Marketing and Trade, LLC ("Dynegy"). These documents improved Pascoag's position in contract negotiations by streamlining the negotiation process with those it has signed EEI Master Agreements with and by ensuring Pascoag's and potential partners' credit worthiness prior to Pascoag requesting bids. In fact, it was the use of EEI Master Agreements which allowed the competitive solicitations that resulted in the previously beneficial Load Following energy deals with Exelon/Constellation, Shell, TransCanada and now PSEG as well as the recent block energy deal with Dynegy and the NextEra Hedge deal for carbon-free nuclear power. These EEI Master Agreements allow the parties to transact quickly based on market conditions at the time the transactions are priced.

Finally by way of important information regarding Pascoag's fiscal health, Standard and Poor's increased the District's "A-" credit rating to "A" in January 2019, based on the results of their periodic review and rating of our company. Pascoag has maintained an A or A- rating with S&P from 2008 to the present.

Q. The Pascoag entitlement with Brown Bear Hydro expired in May of 2016. Please describe the extension to this contract that was negotiated in order to replace this beneficial sustainable energy entitlement.

A. M. Kirkwood Pascoag's energy advisor ENE, on behalf of Pascoag and sixteen of the public power project participants, was able to negotiate an extension to the Miller Hydro agreement, now known as Brown Bear Hydro.

The key terms of the extended contract for the going-forward period of the agreement are as follows:

Price for Facility Energy and Ancillary Services:

06/01/2019 - 05/31/2020 @ \$50.94/MWh

06/01/2020 - 05/31/2021 @ \$51.96/MWh

Pascoag was extremely pleased to be able to extend the contract from this excellent facility at these low prices, especially since the project is a sustainable energy project which helps Pascoag to retain a high percentage of its portfolio mix in sustainable energy.

Q. Has Pascoag looked at other opportunities for its power portfolio?

A. M. Kirkwood Yes, Pascoag has been in discussion with several solar energy farm developers during the past few years, and reached an agreement with ISM Solar Development LLC ("ISM Solar") and National Grid in July of 2016. The agreement, together with the filing before the Rhode Island Public Utilities Commission ("PUC"), and the subsequent PUC approval in May, 2017 can all be found in Docket No. 4636. In summary, the agreement allows for ISM Solar, which is on the border of our service territory, to interconnect and sell energy directly to National Grid, in return for a monthly payment from ISM Solar to Pascoag of \$3,300 (\$39,600 annually) to compensate the Pascoag customers for lost benefits of power directly from a solar farm, namely potential reductions to transmission and capacity charges. The ISM Solar facility has entered commercial operation in the third quarter of this year and the monthly payments to Pascoag have commenced. These payments will be passed along to our customers as savings against Standard Offer costs. Pascoag continues to negotiate with other solar developers for a possible future agreement for a solar farm in its service territory.

Q. Does this conclude your portion of the testimony?

A. M. Kirkwood Yes it does.

**Agreement for Allocation of Rhode Island Share of St.
Lawrence – FDR Project Power and Energy and Niagara
Project Power and Energy**

AGREEMENT FOR ALLOCATION OF RHODE ISLAND SHARE OF
ST. LAWRENCE – FDR PROJECT POWER AND ENERGY AND
NIAGARA PROJECT POWER AND ENERGY

This Agreement is made by and among the Rhode Island Public Utilities Commission (RIPUC) (Seller), a state agency established under R.I. Gen. Laws § 39-1-3, Pascoag Utility District (PUD) and Block Island Utility District (BIUD), collectively the Purchasers, Energy New England, LLC (ENE or the Agent), and Massachusetts Municipal Wholesale Electric Company (MMWEC or the Resource Lead Participant).

WHEREAS, the Seller has executed an agreement with the New York Power Authority (NYPA) (December 2017) for the purchase of St. Lawrence – FDR Project Power and Energy through April 30, 2032; and

WHEREAS, the Seller has executed an agreement with the New York Power Authority (NYPA) (August 2005) for the purchase of Niagara Project Power and Energy through August 30, 2025; and

WHEREAS, the Seller has appointed ENE, an energy service company and municipal light plant cooperative formed under the provisions of Massachusetts General Laws, Chapter 164, to be its agent with respect to the allocation and sale of the Project Power to the Purchasers; and

WHEREAS, the Seller proposes to sell to the Purchasers and the Purchasers propose to purchase from the Seller on the terms set forth below, a portion of the Seller's entitlement in Project Power;

NOW, THEREFORE, in consideration of the premises and of the mutual benefits and covenants hereinafter set forth, the sufficiency of which is hereby acknowledged by each party hereto, it is agreed:

1. COMMENCEMENT DATE – This Agreement shall go into effect on September 1st, 2019.
2. PURCHASER'S PERCENTAGE - The Seller hereby sells to the Purchasers and the Purchasers hereby purchase from the Seller a percentage of the Seller's entitlements. For purposes of this Agreement, the term "Purchaser's Percentage" shall mean the Purchaser's percent of the Seller's entitlement of the Project Power, as set forth in Exhibit A hereto, as said exhibit will be modified biannually, without the requirement to amend the Agreement and in accordance with this Agreement. For purpose of this Agreement, Purchasers' Percentage means the aggregate of the Purchaser's Percentage for all Purchasers.
3. ISO SCHEDULING –(a) Pursuant to that certain Agreement for Scheduling and Tagging Services for NYPA Entitlements, dated as of October 7, 2008, between PUD and MMWEC (the "PUD-MMWEC Agreement"), MMWEC receives the Rhode Island allocation of NYPA Power for purposes of scheduling to its ISO participant account (ISO # 76). A copy of the PUD-MMWEC Agreement is attached hereto for ease of reference. (b) BIUD and PUD authorize and direct MMWEC to allocate the Rhode Island allocation of NYPA Power currently received and scheduled by MMWEC under the PUD-MMWEC Agreement to PUD (ISO # 116) and BIUD (ISO # 133042) based on the calculated Purchaser's Percentage found in Exhibit B. (f) MMWEC does not assume any liabilities with respect to the import of capacity and energy by BIUD pursuant to the contractual arrangements with RIPUC and ENE, as referenced in this Agreement. (g) BIUD agrees to reimburse MMWEC for any direct costs incurred by MMWEC for the performance of services pursuant to this Agreement within thirty (30) days of receipt of an invoice for such costs, which invoice shall include reasonable documentation regarding the cost calculation. (h)

To the extent permitted by law, BIUD shall release, defend, hold harmless and indemnify MMWEC (and MMWEC's officers, directors, members, participants, attorneys, agents and employees), from and against any and all damages, losses, liabilities, obligations, claims, demands, suits, proceedings, recoveries, judgments, settlements, costs and expenses, court costs, attorneys fees and all other obligations resulting from, arising out of or related to MMWEC's performance of services for BIUD under this Agreement. (i) Except to the extent modified by the allocation described in paragraph 3(b), the scheduling and tagging terms of the PUD-MMWEC Agreement are not modified or amended and remain in full force and effect and are agreed include BIUD and the allocations set forth in Exhibit B.

4. ISO CAPACITY SCHEDULING – Since the NYPA Capacity is designated as a Rest of Pool resource, the opportunity to self-supply the capacity value for Rhode Island is not available. MMWEC, as the Lead Market Participant for the Resource, will receive the Capacity value in its ISO-NE settlement account. MMWEC will then distribute to [PUD and BIUD] [the Rhode Island participants] its allocation of the monthly capacity value.
5. INVOICING – ENE, as the agent, will receive all invoices from NYPA for the Project Power from the two contracts listed above for the RIPUC. ENE will allocate the charges from the invoices based on the Purchaser's Percentage for PUD and BIUD. ENE will invoice the Purchasers their allocated cost and issue one payment to the NYPA.
6. PAYMENT OBLIGATIONS – The obligation of the Purchasers to make payments under this agreement shall be absolute and unconditional irrespective of the operational value of the services performed by the Seller or any rights of counterclaim or setoff the Purchasers might otherwise have against Seller or any other person; and the Purchaser shall not fail or refuse to make such payment.
7. COUNTERPARTS - This Agreement may be executed in multiple counterparts, which may be executed and/or transmitted electronically (via facsimile, portable document format (.pdf) or other electronic means), each of which shall be deemed an original, and all of which together shall constitute one and the same agreement.
8. EXECUTION – By executing this Agreement, each party hereto agrees to be bound by such provisions of this Agreement that are specifically applicable to it.

In witness whereof, the said parties hereto have executed this Agreement by their duly authorized representatives.

Rhode Island Public Utilities Commission

Pascoag Utility District



By: Margaret E. Curran, Chairperson

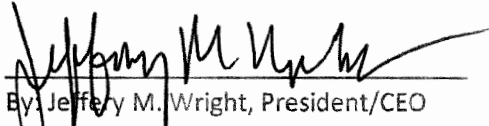
Date: September 11, 2019



By: Michael Kirkwood, General Manager

Date:

Block Island Utility District


By: Jeffrey M. Wright, President/CEO
Date:

Massachusetts Municipal Wholesale Electric
Company

By:
Date:

Energy New England, LLC

By: Timothy J Hebert, Chief Operating
Officer
Date:

Block Island Utility District

By: Jeffery M. Wright, President/CEO

Date:

Energy New England, LLC

By: Timothy J Hebert, Chief Operating
Officer

Date:

Massachusetts Municipal Wholesale Electric
Company



By: Ronald C. DeCurzio, Chief Executive
Officer

Date: September 12, 2019

Block Island Utility District

Massachusetts Municipal Wholesale Electric
Company

By: Jeffery M. Wright, President/CEO

Date:

By:

Date:

Energy New England, LLC

Timothy J. Hebert

By: Timothy J. Hebert, Chief Operating
Officer

Date: 8/29/19

EXHIBIT A

Formula to Derive Purchaser's Percentage

The determination of each Purchaser's Percentage shall be made biannually in the manner below:

The individual Purchaser's Percentage shall be computed as 100 multiplied by the numerical average (to four significant places) of the results of the following two individual calculations:

1. A "pro rata" decimal (five significant places) determined by the number of residential (domestic and rural) electric customers (by dwelling units) served by the electric system of each Purchaser divided by the sum total of the residential customers of both Pascoag Utility District and Block Island Utility District; and
2. A "pro rata" decimal (five significant places) determined by the number of kilowatt-hours of residential (domestic and rural) sales of each Purchaser's system divided by the sum total of the residential sales of both Pascoag Utility District and Block Island Utility District.

The total of the respective pro rata decimal and the Purchaser's Percentage shall totalize to 1.0000 and 100% respectively and the pro rata decimals and individual Purchaser's Percentages may be rounded (up or down) to accomplish such total.

In the event other billing, scheduling or delivery requirements dictate adjustments to the Purchaser's Percentage (if the firm and peaking power is delivered separately) to result in minimum quantities or even increments of delivered power, they shall be done equitably over the term of the contract.

The required customer and consumption data, to the extent possible, shall be based upon data or statistics from the Utility's Schedule B submitted monthly to the Rhode Island Public Utility Commission. Adjustments to the filed data to correct for uncounted dwelling units and/or residential consumption may be accepted and utilized if in writing and certified by the system's manager.

The results of the formula above using the available information for 2017-2018. The next update to Table 1 will be performed in May 2021, and go in effect for July 1, 2021.

Table 1

| | Residential Customer Summary | | | | | | Residential KWH Sales Summary | | | | | Average of Both Pro Rata Decimals | New Individual Purchase's % |
|--------------|------------------------------|-------|------|--|---------------------------------------|--------------|-------------------------------|------------|------|---------------------------------|---------------------------|-----------------------------------|-----------------------------|
| | 2018 | 2017 | 2016 | Residential Customer Summation 2018 - 2016 | Residential Customer Pro Rata Decimal | | 2018 | 2017 | 2016 | KWH Sales Summation 2018 - 2016 | KWH Sale Pro Rata Decimal | | |
| Block Island | 1,320 | 1,341 | | 2,661 | 0.24073 | Block Island | 4,209,687 | 4,073,673 | | 8,283,360 | 0.11243 | 0.17658 | 17.66% |
| Pascoag | 4,242 | 4,151 | | 8,393 | 0.75927 | Pascoag | 33,917,350 | 31,476,866 | | 65,394,216 | 0.88757 | 0.82342 | 82.34% |
| Annual Total | 5,562 | 5,492 | - | 11,054 | 1.00000 | Annual Total | 38,127,037 | 35,550,539 | - | 73,677,576 | 1.00000 | 1.00000 | 100.00% |

EXHIBIT B

Resulting Purchaser's Percentage

| Rhode Island NYPA Contract Details | | |
|------------------------------------|--------------|------------|
| Contract | Firm KW | Peaking KW |
| Niagara | 600 | 100 |
| St. Lawrence | 1,000 | |
| TOTAL | 1,600 | 100 |

| TOWN | PURCHASER'S % | KILOWATTS FIRM | KILOWATTS PEAKING |
|---------------|---------------|-----------------|-------------------|
| BLOCK ISLAND | 17.66 | 282.56 | 17.66 |
| PASCOAG | 82.34 | 1,317.44 | 82.34 |
| TOTALS | 100.00 | 1,600.00 | 100.00 |

**Confirmation for Energy and EFECs between Pascoag
Utility District and NextEra Energy Marketing, LLC**

(redacted for public due to market confidentiality)

Confirmation Letter for:

Hedge Deal with Dynegy Marketing and Trade LLC

(redacted for public due to market confidentiality)

